

BUDGET CONNECTIONS

A Connecticut Voices for Children
Research Brief

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SFY 03 BUDGET REVISED: Part 2 Adjusting SFY 03 Expenditures

Shelley Geballe, JD, MPH.
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I. Overview

On June 30, 2002, the last day of the state fiscal year, the General Assembly approved PA 02-1 (HB 6002, May Special Session), *An Act Concerning Adjustments to the State Budget for the Biennium Ending June 30, 2003, State Revenues, and Operating a Motor Vehicle While Under the Influence of Intoxicating Liquor* <http://www.cga.state.ct.us/2002/tob/h/2002HB-06002-R00-HB.htm>.¹ Seeking to close a significant deficit in the budget as originally adopted in the 2001 General Assembly Session, this bill made substantial changes to the SFY 03 budget as originally adopted. The Governor signed the bill on July 1, 2002.

On August 12, 2002, the General Assembly passed legislation to implement the revised SFY 03 budget (PA 02-7, MSS),² revise some of the revenue sections of the budget bill (PA 02-4, MSS),³ and add and revise bond projects (PA 02-2, MSS; PA 02-3, MSS; PA 02-5, MSS; SA 02-1, MSS, and PA 02-6, MSS).⁴ The Governor signed these bills on August 15, 2002. On October 7, 2002, the State Budget Book was published electronically, finally allowing citizen access (more than one quarter into the state fiscal year) to the “back of the budget” language explaining legislative intent in the many adjustments made to the budget. On October 22, 2002, the Office of Fiscal Analysis (OFA) published its *Year-End Analysis of the FY 02 General Fund and Transportation Fund Budgets*, providing precise data on funding carried-forward for use in certain accounts in SFY 03.⁵

CT Voices’ summary of this revised SFY 03 budget has three parts.⁶ The first part summarizes changes made to address the SFY 02 deficit and increase revenues in SFY 03.⁷ This second part of the summary focuses on the changes PA 02-1 (MSS) makes in SFY 03 appropriations and, where

¹ The House of Representatives passed the revised budget by an 84-54 vote and the Senate by a 20-11 vote.

² HB 6004, AAC State Expenditures

³ SB 700, AAC State Revenues

⁴ HB 6001 (school construction), HB 6003 (21st century U Conn), SB 701 (bond authorization increases), SB 702 (bonds for capital improvements), and SB 704 (technical changes), respectively.

⁵ Note: this report provides data on which agency accounts benefit from these carry-forward funds, but notes that these are “one-time” funds that do *not* provide a source of on-going funding for these accounts after this current fiscal year.

⁶ The Office of Legislative Research includes summaries of each of the tax and spending bills, as well as the bond bills, on its website, www.cga.state.ct.us/olr. CT Voices’ summary integrates these various analyses and seeks to place the state’s budget crisis, and what was done to attempt to address it, in some context.

⁷ S. Geballe, *SFY 03 Budget Revised: Part 1, Addressing the SFY 02 Deficit & Adjusting SFY 03 Revenues* (CT Voices for Children, August 20, 2002), available on www.ctkidslink.org.

relevant, makes comparisons between the spending changes the Governor proposed (*FY 2002-2003 Governor's Midterm Budget Adjustments*, February 6, 2002), and those that were adopted by the General Assembly in the regular session, but vetoed by the Governor (PA 02-38, SB 660). The third part will review changes in state bonding.

II. Changes in SFY 03 Expenditures

A. An initial note of qualification and explanation. In reporting on changes in SFY 03 appropriations, this report focuses on key changes in the budgets of agencies with particular impact on children, youth, and families.

Limitations of this summary. Importantly, what is presented herein as revised SFY 03 spending is necessarily incomplete for three primary reasons:

1. **Multiple programs in any given budget account.** Many agency budget accounts fund a variety of programs and services. Therefore, how specifically an agency will implement any budget reductions (or increases) in an account, and what particular programs and services will be affected, generally cannot be discerned from the published state budget.
2. **Estimated lapses and built-in savings.** The revised SFY 03 budget includes about \$252 million in anticipated "savings" -- \$145 million *more* than were originally a part of the SFY 03 budget.⁸ These sums will be saved either through normal spending patterns or through forced savings. The Connecticut Office of Policy and Management (OPM) prorated the Personal Services and Other Expenses reductions among *most* agencies as targets to be achieved (the constituent units of higher education are exempt from these general reductions). Other savings are also included in the budget: a) an additional \$94 million of "estimated" lapse that is not allocated among the agencies at this point; b) the Governor's additional rescission authority (up to \$35 million, as discussed below); c) a hiring freeze in the executive and judicial branches (\$7 million); and d) wage freezes among executive and judicial branch managers and other high-ranking employees (\$11 million). Precisely *which* programs and services will be cut to achieve the unallocated savings built into this budget cannot be determined from the published state budget.
3. **Expanded rescission authority.** Section 52 of PA 02-1 (MSS), as amended by Section 90 of PA 02-7 (May Special Session) expands Governor Rowland's rescission authority *beyond* the authority currently given him in state law (Conn. Gen. Stat. 4-85). Current law provides that, to prevent a deficit, the Governor can cut up to 5% of any appropriation and up to 3% of the total appropriations from any Fund without legislative approval, and additional amounts with the approval of the Finance Advisory Committee or, if the cuts would result in a reduction of more than 5% of total appropriations, approval of the full General Assembly.

For SFY 03, the Governor may, on or after October 1, 2002, cut up to \$35 million *above* these limits "to the extent the Governor deems necessary" to avoid a deficit. Under this

⁸ By comparison, the total amount of appropriated General Fund funds that lapsed in SFY 02 was \$161.61 million. OFA, *Year-End Analysis of FY 02 General Fund and Transportation Fund Budgets* (October 22, 2002).

expanded rescission authority, the *total* cut in appropriations the Governor may make to any fund cannot be more than 8%, and the *total* cut to any specific appropriation no more than 10%. These limitations do not apply “in time of war, invasion, or emergency caused by natural disaster.” The Governor must file a report with the Appropriations and Finance Committees if he intends to make these additional cuts, but approval of the Finance Advisory Committee is not required. This section prohibits the Governor from making any of these supplemental cuts by reducing appropriated funding to towns for education cost sharing, town aid road, and payment in lieu of taxes for colleges and hospitals and state-owned property. The budget implementer bill further requires that if municipal aid is cut pursuant to this expanded power to reduce allotments, that the aid “be proportionately reduced to remain within the revised allotments.” (HB 6004, section 96).

The role of carry-forward funds. Importantly, PA 02-1 (MSS), as implemented by PA 02-7 (MSS), authorizes funds that were not expended by June 30, 2002 in certain budget accounts to be carried forward for use in SFY 03. The revised SFY 03 includes *a total of \$168.62 million* in carry-forward funds, including more than \$29 million in “SFY 01 surplus” funds that had been appropriated to various budget accounts in the 2001 legislative session that are now transferred to *different* budget accounts. While these carry-forward funds can help offset budget cuts made by PA 02-1 (MSS) in the accounts to which they are credited for SFY 03, they do *not* provide funding *beyond SFY 03*. That is, *they temporarily minimize the impact of a cut in a budget account but do not eliminate the cut itself in years going forward*. This is another example of the use of one-time revenues to balance the budget.

Looking forward to the SFY 04 budget, the budgeted amounts for accounts that rely in part on carry-forward funds will be less than actually needed to fund those accounts. Similarly, as noted in part 1 of this report, the use of hundreds of millions of one-time revenues to “balance” the revised SFY 03 budget will create a “hole” in the revenue side of the budget, as well.

B. Summary

The net revised SFY 03 budget is \$13.22 billion, \$300.21 million less than the original SFY 03 budget of \$13.52 billion. The General Fund, the largest of the state budget funds, was cut by \$339.58 million, from an original SFY 03 budget of \$12.43 billion to \$12.09 billion. Spending in the Transportation Fund was *increased* by \$25.9 million.⁹ The revised SFY 03 budget is 1.82% more than SFY 02 spending. The General Fund budget is 1.7% more, while the Transportation budget grows by 3.9%. By comparison, there was 4.4% state budget growth between SFY 01 and 02.

The following table compares the revised net SFY 03 budget (and the net budgets of its key funds) with the net budgets for SFY 02 and SFY 03 (as originally adopted) and with the budget passed by the General Assembly but vetoed by the Governor (SB 660):

⁹ The initial budget bill (P.A. 02-38, SB 660), vetoed by the Governor, would have reduced the General Fund by \$43.8 million. The total revised SFY 03 budget would have been \$13.49 billion.

	SFY 02 (as originally budgeted)¹⁰	SFY 03 (as originally adopted)	Gov's proposed revised SFY 03	SB 660's revised SFY 03	PA 02-1 (MSS) revised SFY 03
General Fund	\$11,893,950,596	\$12,431,380,964	\$12,387,766,605	\$12,387,581,035	\$12,091,803,703
Transportation Fund	\$840,747,251	\$877,308,778	\$878,231,164	\$875,431,164	\$903,162,164
Mash. Pequot & Mohegan	\$135,000,000	\$120,000,000	\$135,000,000	\$137,500,000	\$134,220,000
All Other Funds	\$86,305,083	\$89,285,369	\$88,581,681	\$88,581,681	\$88,581,681
GRAND TOTAL	\$12,956,002,930	\$13,517,975,111	\$13,489,579,450	\$13,489,093,880	\$13,217,767,548

Not surprisingly, the reductions in the SFY 03 budget from what had been adopted originally were not shared equally among all state agencies.

C. Agency-by-Agency Spending Changes in PA 02-1 (May Special Session)

The following section summarizes, agency-by-agency, key changes PA 02-1 (MSS) made in appropriations for SFY 03. Unless otherwise specified, comparisons are made between this *revised* budget, and the SFY 03 budget as originally enacted.¹¹ Not all budget changes are reported herein; decreases that are either significant in amount (i.e., > \$100,000) or significant in percentage change (i.e., more than the change in the agency's overall budget) and *all* spending *increases* are included for the agencies that most closely touch the lives of Connecticut's children, youth, and families.

1. Changes Common to Multiple State Agencies

The revised SFY 03 budget includes certain changes common to multiple state agencies: a) a general 1.5% reduction to various accounts; and b) the continuation, and annualization, of cuts made last year as part of the SFY 02 Deficit Mitigation Plan. These will result in a combined savings of \$58.9 million. In addition, funds are transferred from OPM to a number of other agency budgets for private provider Cost of Living Adjustments (COLAs), and then these adjustments are delayed by four months, resulting in a reduction in the amount of COLA funds included in each agency budget.

Also, the revised SFY 03 budget restores funds for energy costs to state agency budgets (\$9.6 million in General Fund and \$2.8 million in Transportation Fund accounts), and \$15 million to the Mashantucket Pequot and Mohegan Fund. These were to have been funded by SFY 01 surplus, but those surplus funds were re-allocated for other uses (see part 1 of this budget summary). In the

¹⁰ These sums neither include deficiency appropriations, nor exclude funds cut through lapses, Governor's rescissions, or General Assembly action in SFY 02.

¹¹ For an analysis of how PA 02-38 (SB 660) – the revised SFY 03 budget adopted by the General Assembly, but vetoed by the Governor – would have changed SFY 03 spending (and how these changes compare to what the Governor had proposed, *FY 2002-2003 Governor's Midterm Budget Adjustments*, February 6, 2002), see S. Geballe & D. Hall, *SB 660: The Democratic Response to Governor Rowland's Proposed Revisions to the SFY 03 Budget* (CT Voices for Children, May 2002), available on www.ctkidslink.org.

agency-by-agency summaries that follow, these cross-agency changes generally may not be again mentioned.

2. Department of Children and Families (DCF)

a. A bit of background. DCF has statutory responsibility for child protective services (child abuse and neglect), children’s behavioral health, juvenile justice (for children and youth who have been adjudicated delinquent) and prevention. Over the last decade, its budget has grown significantly – from a General Fund budget of \$227.6 million in SFY 94, to the revised SFY 03 General Fund budget of \$573.7 million. This \$346.1 million increase represents a 150% increase over the 9 years (or an average growth of about 17%/year). As shown in the table that follows, much of DCF’s budget increase has been in “board and care” expenses for children who have been placed out of their homes because of abuse, neglect or a serious mental health problem. Growth in “board and care” accounts exceeded growth in DCF’s overall budget, and far exceeded growth in non-board and care accounts (including DCF staffing).

Change in DCF Budget: SFY 94 to SFY 03 (rev) (\$ in millions)¹²				
	SFY 93-94	SFY 02-03 (rev.)	\$ Change	% Increase
Total DCF General Fund budget	\$227.6	\$573.7	\$346.1	152%
Board and Care – Adoption	\$14.3	\$40.7	\$26.4	185%
Board and Care – Foster Care	\$23.1	\$78.9	\$55.8	242%
Board and Care – Residential Treatment	\$46.9	\$127.8	\$80.9	172%
All other DCF services/staff	\$143.3	\$326.3	\$183	128%

The dramatic increase in spending to keep children *outside* their homes is in part a function of the state’s failure to make necessary early investments to help keep at-risk children *within* their homes and communities. As illustrated in the table below, funding for some of DCF’s key “front-end” services is *far less*, and in nearly all cases has grown slower, than funding for board and care (notwithstanding a recent funding increase for these services over the past couple years).

Change in DCF Budget: SFY 94 to SFY 03 (rev) (\$ in millions)				
	SFY 93-94	SFY 02-03 (rev.)	\$ Change	% Change
Total DCF General Fund budget	\$227.6	\$573.7	\$346.1	152%
Child Guidance Clinics	\$9.4	\$13.8	\$4.4	47%
Day Treatment Centers	\$2.0	\$5.7	\$3.7	185%
Treatment/Prevention of Child Abuse	\$3.3	\$5.4	\$2.1	64%
Community Preventive Services	\$3.1	\$2.8	-\$0.3	(10%)
Family Preservation Services	\$4.1	\$6.5	\$2.4	59%
Substance Abuse Treatment	\$1.4	\$3.2	\$1.8	129%

¹² The budget figures in these two tables are not inflation-adjusted. Inflation over this period was about 22%; that is, a dollar of funding in 1994 is equivalent to \$1.22 in 2002. Comparing total DCF spending in inflation-adjusted dollars (\$2002) shows a more than 100% increase in total net spending from SFY 93-4 to 02-3, or about 11.3%/year on average.

These comparisons show that Connecticut has not provided sufficient supports to children and families early on, when problems first begin to manifest themselves. Rather, to date, Connecticut has chosen to wait until small problems grow into huge crises, and then, too often, to act by placing children in out-of-home placements that are more costly, and in many cases less therapeutic, than serving children in their homes and communities.

b. Revised SFY 03 budget. The table below shows, for those DCF budget accounts that change, the amount appropriated for SFY 03 as revised by PA 02-1 (MSS), the amount originally appropriated for SFY 03, and the dollar and percentage change.

As shown below, DCF’s General Fund budget was reduced by \$1.23 million (0.2%). The cut was not an across-the-board cut. Rather, “board and care –residential” was cut by nearly \$13 million (8.5%), while various home and community-based support programs were enhanced, but more modestly. This new trend – shifting funds from institutional care toward home and community-based services – is a *good* one. However, until the home and community-based service system is fully developed, it is essential that all “savings” from board and care reductions be re-invested in these front-end services -- dollar-for-dollar.

The following table shows all DCF budget accounts that were *increased*, as well as those that were decreased by either \$100,000 or more, or by more than 0.2% of the total (0.2% being the amount the overall DCF budget was cut).¹³

Department of Children and Families	Revised SFY 03 Budget (PA 02-1, MSS, HB6002)	Original SFY 03 Budget	Revised SFY 03 Budget Compared to Original SFY03 Budget (revised \$ less original \$)	Revised SFY 03 Budget Compared to Original SFY 03 Budget (% change)
	[\$M]	[\$M]	[\$M]	[%]
Personal Services	\$212.055	\$214.555	(\$2.500)	-1.2%
Other expenses	\$35.667	\$31.201	\$4.466	+14.3%
Other Current Expenses				
Substance abuse screening	\$1.714	\$1.769	(\$0.055)	-3.1%
Short-term residential	\$0.654	\$0.649	\$0.005	0.7%
Workmen’s comp claims	\$4.018	\$2.970	\$1.048	35.3%
Local systems of care	\$1.189	\$1.181	\$0.008	0.7%
Payments to Other than Local Governments				

¹³ PA 02-1 (MSS) also re-directed some “SFY 01 surplus” funds that had been appropriated to other budget accounts to DCF, and authorized that unexpended funds on June 30, 2002 be carried forward into SFY 03. These additional funds are \$10,000 for the Stamford Child Guidance Clinic, \$150,000 for Covenant to Care, and \$90,000 for a neighborhood center. In addition, \$13,470 is carried-forward for Long Lane transition. These funds are not included in the table in the text since they are one-time funds, and not on-going funding for these accounts.

Health assessment & consultation	\$0.266	\$0.325	(\$0.059)	-18.3%
Psychiatric clinics for children	\$13.757	\$13.674	\$0.083	0.8%
Day treatment programs	\$5.731	\$5.694	\$0.037	0.6%
Juvenile justice outreach	\$2.630	\$1.829	\$0.801	43.8%
Treatment/prevention child abuse	\$5.360	\$5.552	(\$0.192)	-3.5%
Community emergency services	\$0.178	\$0.177	\$0.001	0.4%
Community preventive services	\$2.769	\$2.750	\$0.019	0.7%
Family violence services	\$0.502	\$0.499	\$0.003	0.6%
Support for recovering families	\$1.769	\$1.758	\$0.011	0.6%
No nexus special education	\$5.921	\$6.184	(\$0.263)	-4.3%
Family preservation services	\$6.543	\$6.501	\$0.042	0.6%
Substance abuse treatment	\$3.246	\$2.688	\$0.558	20.7%
Child welfare support services	\$0.352	\$0.599	(\$0.247)	-41.2%
Board & care –adoption	\$40.738	\$40.535	\$0.203	0.5%
Board & care –foster care	\$78.921	\$75.604	\$3.317	4.4%
Board & care –residential	\$127.824	\$139.678	(\$11.854)	-8.5%
Individualized family supports	\$7.570	\$3.656	\$3.914	107%
CT Community KidCare	\$14.309	\$14.884	(\$0.575)	-3.9%
TOTAL –General Fund	\$573.678	\$574.911	(\$1.233)	-0.2%

c. Specific program/service changes

- *Personal services and other staff-related expenses.* The \$1.5 million cut from the “personal services” account in the original SFY 03 budget in part results from carrying forward, and annualizing, \$1.0 million in cuts the Governor made to address the SFY 02 deficit, and in part an additional \$0.5 million in cuts “to reflect more accurately anticipated personal costs of the agency.” Also, about \$62,000 is cut to reflect savings in moving from individual contracts with 27 pediatric providers (of up to \$14,000 each) for assessment of children who are newly-placed into foster care to an assessment model that relies on foster care clinics (with one clinic in each region). More than \$1 million is added to the workers’ compensation account to reflect more accurately anticipated claims in SFY 03.
- *Other expenses.* The revised budget includes \$3.184 million in additional funds to enhance DCF’s LINK computer system and \$250,000 million to allow DCF to plan for the future conversion of case records to electronic form (to be supplemented by an additional \$728,000 from the Capital Equipment Purchase Fund). DCF is to report to the Appropriations Committee on January 15, 2003 about the scope of this conversion project and its projected costs. \$1.324 million is also added back into this account for energy costs.¹⁴ These additions

¹⁴ The biennial budget eliminated funds for energy expenses in agencies’ “other expenses” accounts, creating instead an Energy Contingency Fund at OPM that was funded with SFY 01 surplus funds. The revised SFY 03 budget uses these

are offset by reductions in this account to: a) cut funding for the one-time contractual costs associated with engineering oversight at the CT Juvenile Training School (\$62,000); c) annualize the savings begun with the SFY 02 cuts (\$85,000), and d) adjust for anticipated reduced costs (\$45,678).

- *Reduction of nearly \$12.9 million in residential care.* The revised SFY 03 budget cuts about \$12.92 million in funding from the residential Board and Care account. About two-thirds of this is re-allocated to community-based services; the balance of \$4.5 million is considered “savings” to the General Fund:
 - a. **Juvenile justice re-integration.** Anticipating that 22 fewer juvenile justice youth will be placed in residential treatment and, instead, maintained in the community, \$1.97 million in residential board and care funds are re-allocated as follows: a) \$789,250 to the Juvenile Justice Outreach account to maintain funding for current outreach tracking and reunification (OTR) programs (\$489,250) and to support 32 new OTR program slots (\$320,000); b) \$640,000 to the Individualized Family Support account to support Jobs Programs initiatives (\$420,000) and mentoring and other community-based wrap-around services (\$220,000); c) \$540,000 to the Substance Abuse Treatment account.
 - b. **CT Community KidCare.** Anticipating that 135-145 fewer children and youth will be placed in residential care, an additional \$9,450,775 is cut from the Board and Care-Residential account. Funds are re-allocated as follows: a) \$3,200,000 million to the Board and Care-Foster Care account to reflect additional foster care placements and support services; and b) \$3,250,775 to the Individualized Family Support account for increased services. \$3,000,000 of funds is *not* re-directed into home and community-based services, but rather is counted in this budget as a “savings” to the General Fund. In addition, \$600,000 is *cut* from the Community KidCare account to reflect “reduced support...for the initiative.” The amount cut from KidCare is *six-times* greater than the amount proposed by the Governor to be cut.
 - c. **Other reductions.** \$1.5 million more is cut from the Board and Care-Residential account “to reflect more accurately anticipated costs and caseloads.” These funds are not re-allocated to home and community-based service accounts.
- *Other changes*
 - a. **Cost of Living increases for private providers.** A little more than \$3 million (\$3.045 million) is re-allocated from OPM to DCF for COLAs for private providers with contracts with DCF; \$1.837 million of this is for COLAs for residential care providers. At the same time, this budget *delays* by six months the 1.5% COLA that had been included in the original SFY 03 budget. This results in a “savings” to the DCF budget and the General Fund of \$1,278,757.
 - b. **Covenant to Care.** On-going funding for Covenant to Care is cut by \$229,000, though the net cut *this* year is \$79,000; \$150,000 in SFY 01 surplus funds are transferred to continue support this year for the program.
 - c. **Neighborhood Place.** On-going funding for Neighborhood Place (a pilot neighborhood center directed by the Yale Child Study Center’s out-patient clinic) is cut by \$150,000, though the net cut *this* year is \$60,000; \$90,000 in SFY 01 surplus funds are transferred to continue support this year for the program.

surplus funds to offset agency deficiencies, requiring that funding for the energy expense be added back into agency budgets.

d. Child Guidance Clinic of Southern Connecticut. This child guidance clinic is given an additional \$10,000 from re-allocated SFY 01 surplus funds.

e. Annualized SFY 02 reductions. Cuts made in SFY 02 to help balance the budget are annualized (i.e. made permanent) in the following accounts in addition to Personal Services and Other Expenses (noted above): Substance Abuse Screening (\$67,000), No-Nexus Special Education (\$304,618), and Child Welfare Support Services (\$100,000).

Excluded from the revised SFY 03 budget is the \$0.933 million the Governor had proposed to provide supplemental funding for private providers in extreme financial distress.

3. Council to Administer the Children’s Trust Fund

a. A bit of background. The Children’s Trust Fund was created to establish and fund programs that prevent child abuse and neglect and support and strengthen families. Programs supported through the Fund include Healthy Families (which targets new parents in the majority of Connecticut’s hospitals, and provides home visiting for those identified as most at risk), a Kinship Fund (to support children living in the care of relatives), and other child abuse prevention and training programs, and Help Me Grow/Child Serve (a prevention initiative to identify and treat young children with behavioral health needs who do not meet the eligibility requirements of the Birth to Three program).

b. Revised SFY 03 Budget.

Children’s Trust Fund	Revised SFY 03 Budget (PA 02-1, MSS, HB6002)	Original SFY 03 Budget	Revised SFY 03 Budget Compared to Original SFY03 Budget (revised \$ less original \$)	Revised SFY 03 Budget Compared to Original SFY 03 Budget (% change)
	[SM]	[SM]	[SM]	[%]
TOTAL –General Fund	\$5.772	\$6.342	(\$0.570)	-9.0%

c. Specific program/service changes

- *Healthy Families/First Steps programs.* The revised SFY 03 budget cuts \$400,000 in funding from the original SFY 03 budget that was intended for three new programs scheduled to begin operation this year. The budget maintains funding for the two new programs that are to begin in October 2002 and the new program scheduled to start January 2003.
- *Help Me Grow/Child Serve program.* \$200,000 is cut from the additional funds included in the SFY 03 budget to expand this program statewide. The program, part of the Governor’s Behavioral Health Initiative, is a prevention initiative to identify and treat young children with behavioral health, developmental and psychosocial needs who do not meet the Birth to Three eligibility requirements. Although the revised SFY 03 budget reduces funding in this account from the \$675,000 originally appropriated for SFY 03 to \$475,000, funding in this

account is nonetheless \$250,000 more than had been appropriated in the SFY 02 budget, and therefore allows *some* program expansion.

4. Department of Education (SDE)

a. A bit of background. The SDE supports local school districts with research, planning, evaluation, leadership, educational technology, and other assistance. SDE's revised budget for SFY 03 (\$2.005 *billion*) is \$20.1 million *less* than its original SFY 03 budget (a reduction of less than 1%). SDE's revised SFY 03 budget is 16.6% of the total General Fund budget.

More than 90% of the Department of Education budget is distributed directly to school districts through 38 grant programs, including the Education Cost Sharing grants. The ECS grants this year total \$1.516 billion. In addition, the Department operates the 17 vocational-technical schools, 2 satellite schools, and a technical education center that serve nearly 10,600 full time high school students and 7,700 part-time adult students – the state's largest secondary school system. The Department is also responsible for ensuring the quality of teachers by assessing and credentialing teachers and providing professional development opportunities.

Connecticut's K-12 public school enrollment is at a 22-year high in this 2002-03 school year – with about 576,000 students enrolled in the state's more than 1,000 public schools (4,500 students more than last year, and 100,000 more students than in 1990). While it is anticipated that more than 25,000 of Connecticut's 32,000 graduating high school seniors will continue on to higher education, more than 12% will not complete high school with their class (and more than double this proportion drop out over the four years of high school in our urban districts).

The following table shows all SDE budget accounts that were *increased*, as well as those that were decreased by \$100,000 or more, or by more than 1% of the total budget account (1% being the amount the overall SDE budget was cut).¹⁵ Programs marked by an "*" were cut by 10% or more in this revised budget; a total of \$0.91 million was "saved" by these program cuts:

¹⁵ PA 02-1 (MSS) also re-directed some "SFY 01 surplus" funds that had been appropriated to other budget accounts to SDE, and authorized that unexpended funds on June 30, 2002 be carried forward into SFY 03. These additional funds are \$150,000 for the Jason Project, \$75,000 for the CT Writing Project, \$15,000 for a Youth Service Bureau in Westbrook, \$912,000 for magnet schools, and \$25,000 for a young parents program at The Bridge. Other funds carried forward for use in SFY 03 are: \$430,677 for the developmentally disabled settlement, \$6,117,368 for school construction grants, \$251,162 for safe learning grants, and \$59,877 for other expenses. These funds are not included in the table in the text since they are one-time funds and not on-going funding for these accounts.

Department of Education	Revised SFY 03 Budget (PA 02-1, MSS, HB6002)	Original SFY 03 Budget	Revised SFY 03 Budget Compared to Original SFY03 Budget (revised \$ less original \$)	Revised SFY 03 Budget Compared to Original SFY 03 Budget (% change)
	[\$M]	[\$M]	[\$M]	[%]
Personal Services	\$119.649	\$117.509	\$2.141	1.8%
Other expenses	\$12.860	\$12.325	\$0.535	4.3%
Other Current Expenses				
Institutes for Education *	\$0.136	\$0.306	(\$0.170)	-55%
Basic Skills Exam Teachers (BEST) in training	\$1.190	\$1.208	(\$0.018)	-1.5%
Teachers' Standards Implementation Program	\$3.175	\$3.528	(\$0.353)	-10%
Early childhood program	\$2.775	\$2.817	(\$0.042)	-1.5%
Development of Mastery Exams, Grades 4,6, & 8	\$6.777	\$6.888	(\$0.103)	-1.5%
Primary mental health program	\$0.500	\$0.508	(\$0.008)	-1.6%
Adult education action	\$0.281	\$0.284	(\$0.004)	-1.5%
Vocational-technical school textbooks	\$0.500	\$0.800	(\$0.300)	-37.5%
Repair of instructional equipment	\$0.454	\$0.738	(\$0.284)	-38.5%
Minor repairs to plant	\$0.393	\$0.560	(\$0.158)	-28.6%
Connecticut pre-engineering project *	\$0.355	\$0.400	(\$0.045)	-11.4%
Contracting instructional TV services *	\$0.000	\$0.209	(\$0.209)	-100%
Jobs for Connecticut graduates *	\$0.200	\$0.275	(\$0.075)	-27.3%
Hartford Public School monitors	\$0.000	\$0.260	(\$0.260)	-100%
Mental Retardation initiative/Developmentally Disabled Settlement	\$0.000	\$0.435	(\$0.435)	-100%
Payments Other than to Local Governments				
American School for the Deaf	\$7.497	\$7.626	(\$0.140)	-1.8%
Regional Education Service Center (RESC) leases	\$1.193	\$2.300	(\$1.107)	-48.1%
Regional education services *	\$2.923	\$3.297	(\$0.374)	-11.3%
Head Start services	\$3.054	\$3.100	(\$0.047)	-1.5%

Head Start enhancement	\$1.970	\$2.000	(\$0.030)	-1.5%
Family resource centers	\$5.841	\$6.133	(\$0.292)	-4.8%
Nutmeg games	\$0	\$0.05	(\$0.05)	-100%
Grant Payments to Local Governments				
Vocational agriculture *	\$2.409	\$2.817	(\$0.408)	-14.5%
Transportation of school children	\$45.410	\$50.000	(\$4.590)	-9.2%
Adult education	\$16.910	\$18.600	(\$1.690)	-9.1%
Education equalization grants	\$1,516.250	\$1,515.500	\$0.750	0.04%
Bilingual education	\$2.241	\$2.359	(\$0.118)	-5.0%
Young parents programs *	\$0.233	\$0.259	(\$0.026)	-11%
Special education, excess cost – student based	\$66.000	\$69.000	(\$3.000)	-4.3%
Special education, excess cost – equity	\$0	\$7.500	(\$7.500)	-100%
Non-public school transportation	\$4.474	\$5.300	(\$0.826)	-15.6%
School to work opportunities *	\$225,000	\$250,000	(\$0.025)	-10.0%
Extended school hours and support program	\$0	\$0.080	(\$0.080)	-100%
Transitional school districts	\$0	\$1.000	(\$1.000)	-100%
Magnet schools	\$44.776	\$45.188	(\$0.412)	-0.9%
TOTAL –General Fund	\$2,004.786	\$2,024,891	(\$20.105)	-1.0%

Importantly, a number of the revised SFY 03 budget cuts not only reduce funding below the original SFY 03 budget, but also below *SFY 02* funding levels. Accounts now funded *below SFY 02* levels include: institutes for educators; the BEST program; the teachers’ standards implementation program; vocational-technical textbooks; special education for vo-tech schools; RESCs (leases and services); family resource centers; school transportation (public and non-public); adult education; bilingual education; priority and transitional school districts; and special education (student-based, and equity). In addition, a number of the programs providing direct funding to local school districts were cut, although such “savings” to the state budget merely transfer current funding obligations to towns.

c. Specific program and service changes

- *Cut in education aid to towns.* Cuts to a number of budget accounts result in a substantial reduction in state aid to local municipalities for the costs of public education. The Governor had proposed cutting ECS grants by \$48.9 million as well as making a number of other significant cuts that would reduce state aid to local education. The revised budget cuts state aid to local education through the following accounts by a net \$18.12 million:

- A reduction in aid for non-public school transportation and a cap on funding for both public and non-public school transportation (\$5.416 million);
 - A net reduction of funding for adult education (\$1.69 million) by capping funding for adult education grants (\$2.51 million reduction) offset by an increase to reflect increased reimbursable local expenditures (\$0.82 million increase);
 - A net reduction of \$10.5 million in state funds to help towns meet the soaring costs of special education, including an increase of \$6 million for the excess cost-student based account to reflect increased reimbursable local special education costs and a legislative cap on funding (the Governor had proposed an \$11 million increase), elimination of the special education equity grant (a \$7.5 million cut), and a delay in the planned reduction of the catastrophic loss threshold (i.e., the point at which the state picks up excess special education costs) from 5 to 4 ½times local per pupil expenditures (a \$9 million cut);¹⁶
 - A net increase of \$0.75 million in education cost sharing (ECS) grants, resulting from a \$2.9 million increase to reflect enrollment changes, offset by a \$2.15 million cut. (NOTE: The Governor had proposed a \$48.9 million cut. The revised budget reflects special education prior-year adjustments of \$43.3 million and the decision that no town receive less funding in SFY 03 than it received in SFY 02);
 - Elimination of the transitional school district grant (\$1 million);
 - Elimination of funding for the Hartford School monitors (\$0.26 million).
- *Cuts to Regional Education Service Centers (RESCs).* A total of \$1.01 million is cut from the original SFY 03 budget to reflect revised needs for RESC lease grants (-\$0.824 million) and a reduced reimbursement level (-\$0.283 million)(see section 9, PA 02-7, MSS).
 - *Net funding increase for magnet schools.* The revised budget cuts \$412,000 in funding from magnet schools to “reflect actual openings” but offsets this cut with an appropriation of \$912,000 in additional aid from SFY 01 surplus carry-forward funds. This results in a net “gain” of \$500,000 in funding *in this year only*. The magnet school account itself reflects the \$412,000 cut.
 - *Increased funding for vocational-technical schools.* The revised budget adds more than \$3 million in funding for the state’s vocational-technical schools: a) \$2.14 million to increase teacher staffing at the vocational-technical schools “necessitated by enrollment increases” (an amount that is \$1 million less than the increase proposed by the Governor) and b) \$0.925 million for equipment at these schools

¹⁶ For a useful overview of special education funding changes since 1995, see OLR, *Recent Changes in Special Education Funding* (2002-R-0634, July 17, 2002). In 1995, Connecticut eliminated its separate sliding scale reimbursement grant to school districts for special education costs, folding this funding (then \$236.2 million) into the ECS grant (where it represented 18.9% of the total ECS grant). Since then, it is impossible to trace the special education percentage of ECS since expenses are no longer reported separately. In addition, the state pays 100% of the costs above a school district’s average per pupil expenditures for special education services for children placed in the district by DCF or other state agencies and also excess costs for “high cost” placements (defined *still* as costing five times more than the district’s per pupil expenditure). These special education “catastrophic cost” grants totaled about \$18.1 million in SFY 96, increasing to \$66 million in SFY 02 and SFY 03 (revised). There also had been special education “equity” grants – funding to districts with higher-than-average special education costs. These were to be paid “within available appropriations.” In each of SFY 96 through SFY 01, \$11.5 million was appropriated for this purpose. The revised SFY 03 budget eliminates all funding for these equity grants.

- *Increased funding for children with mental health needs.* The revised SFY 03 budget includes a \$0.7 million increase to meet the educational needs of children in mental health facilities (these funds are transferred to DMHAS; total funding for the account is \$1.175 million). *Not included* in the revised budget was the \$50,000 increase proposed by the Governor for the primary mental health program.

5. Higher Education (Department of Higher Education, University of Connecticut, Connecticut State University, Regional Community Technical Colleges)

a. A bit of background. Funding for post-secondary education is distributed across a number of state budget accounts. This budget summary groups them to include funding for the Department of Higher Education, the University of Connecticut,¹⁷ the Connecticut State University system,¹⁸ and the Regional Community-Technical Colleges.¹⁹ *Not included* in this summary is the very substantial funding commitment Connecticut has been making (and will continue to make) to higher education through state bond funds. These investments will be discussed in part 3 of CT Voices' budget summary which focuses on changes in bonding made in the 2002 Session and Special Session.

A side-by-side analysis of the state investments in higher education's operating budgets (which are being cut) and its investments in higher education's infrastructure (which are being expanded) might lead one to question whether an appropriate balance is being struck. Although a "world class" infrastructure may be important to the competitiveness of Connecticut's public universities in attracting students and faculty, higher faculty salaries and lower student tuitions are likely to be even more essential. As Rep. Cameron Staples (D-New Haven), co-chair of the Education Committee, said, after noting that the state has never properly funded the operating budget of the University of Connecticut, "We don't want to end up with beautiful buildings but fewer faculty and students more in debt."²⁰ Indeed, Connecticut's college participation rate for low-income students declined by 50% between SFY 99 and SFY 01. With this budget's cuts in need-based financial aid (described below) Connecticut will spend *less* on need-based aid this year (in constant dollars) than it did *in SFY 90*.

b. Revised SFY 03 budgets. The Department of Higher Education suffered significant cuts. The revised SFY 03 budget is \$4.8 million less than the original SFY 03 budget, and is \$4.66 million *less* than SFY 02 spending (a 9% reduction). Indeed, funding in the revised SFY 03 budget is *less than SFY 02 spending* in the DHE accounts that provide key support to narrow Connecticut's higher ed education gap -- scholarship funds to Connecticut's public and private colleges, the minority advancement program, the national service act, and international initiatives.

¹⁷ The University of Connecticut is the state's "flagship" public university. In 2001, it granted nearly 4,700 degrees. 92,000 of the 140,000+ alumni live in Connecticut.

¹⁸ The four universities in the CSU system are Central CT State University, Eastern CT State University, Southern CT State University, and Western CT State University. 92% of CSU students are state residents; CSU enrolls the largest share (35%) of state residents who are full-time undergraduates in the state.

¹⁹ Connecticut's 12 community colleges and their outreach programs serve nearly 50% of the undergraduates in Connecticut's public higher education system (with more than 42,800 students enrolled in credit courses in 2001). These colleges provide an array of associates degree and certificate programs, as well as non-credit job training programs.

²⁰ Quoted in R. Gottlieb, "UConn May Raise Tuition at Midyear." *Hartford Courant* (August 13, 2002). According to the Institute for Higher Education Policy (1995), borrowing an extra \$1,000 to pay for college results in a 3% increase in the drop-out rate for low-income students, while getting an additional \$1,000 in grants reduces the drop-out rate by 14%.

In addition, funds for the University of Connecticut are cut by \$10.2 million, for the CT State Universities by \$7.3 million and for the Community-Technical colleges by \$6.1 million. The cut in the University of Connecticut's budget prompted discussion about the need to raise tuition mid-year, on top of an almost 4% increase already approved for the 2002-03 academic year. Key changes in higher education funding are noted in the table below:

Higher Education	Revised SFY 03 Budget (PA 02-1, MSS, HB6002)	Original SFY 03 Budget	Revised SFY 03 Budget Compared to Original SFY03 Budget (revised \$ less original \$)	Revised SFY 03 Budget Compared to Original SFY 03 Budget (% change)
	[\$M]	[\$M]	[\$M]	[%]
Department of Higher Education²¹				
Personal services	\$2.246	\$2.374	(\$0.128)	-5.4%
Minority advancement program	\$2.486	\$2.656	(\$0.171)	-6.4%
National service act	\$0.489	\$0.501	(\$0.012)	-2.4%
International initiatives	\$0.222	\$0.350	(\$0.128)	-36.6%
Minority teacher incentive program	\$0.507	\$0.542	(\$0.035)	-6.4%
Capitol scholarship program	\$5.250	\$5.415	(\$0.165)	-3.1%
Connecticut Independent College Student Grants (CICSG)	\$15.889	\$18.777	(\$2.888)	-15.4%
Connecticut Aid for Public College students	\$18.463	\$19.759	(\$1.296)	-6.6%
TOTAL General Fund	\$45.788	\$50.619	(\$4.831)	-9.5%
University of Connecticut				
Operating expenses	\$182.560	\$192.169	(\$9.608)	-5.0%
Tuition freeze	\$4.742	\$4.991	(\$0.250)	-5.0%
Regional campus enhancement	\$4.742	\$6.700	(\$0.335)	-5.0%
TOTAL General Fund	\$193.667	\$203.860	(\$10.193)	-5.0%
Connecticut State University				

²¹ A total of \$4,926,366 of funds is carried forward from SFY 02 for use in SFY 03: \$789,187 for the minority enhancement program; \$100,000 for the Saturday Academy, \$1,414,207 for the loan reimbursement/scholarship pilot, \$270,759 for the Capitol Scholarship program, and \$2,352,213 for the Connecticut Futures Fund. Some of the funds (including the \$100,000 for the Saturday Academy) are re-allocated SFY 01 surplus funds. In addition, \$250,000 of SFY 01 surplus funds carried forward for use in SFY 03 for the Minority Advancement program are re-allocated from the Minority Advancement Program to pay for the state's membership dues in the New England Board of Higher Education. The Regional Student program run through the NEBHE provides tuition discounts to students who enroll in out-of-state college and universities to study in certain specialized majors not available on Connecticut's public campuses. In SFY 01, about 1,200 state residents participated and saved \$6.9 million in tuition (with average tuition reductions of about \$5,900/year). These funds are not included in the table in the text since they are one-time funds, and not on-going funding for these accounts.

Operating expenses	\$131.567	\$138.491	(\$6.925)	-5.0%
Tuition freeze	\$6.562	\$6.904	(\$0.342)	-5.0%
Waterbury-based degree program	\$0.819	\$0.862	(\$0.043)	-5.0%
TOTAL General Fund	\$138.947	\$146.257	(\$7.310)	-5.0%
Regional Community Technical Colleges				
Operating expenses	\$122.807	\$129.270	(\$6.464)	-5.0%
Tuition freeze	\$2.161	\$2.275	(\$0.114)	-5.0%
Woodland Street operating expenses	\$0.516	\$0	\$0.516	100%
TOTAL –General Fund	\$125.484	\$131.545	(\$6.061)	-4.6%

c. Specific program and service changes

- Department of Higher Education.* Many of the cuts in the DHE revised budget represent annualized “savings” from the SFY 02 deficit reduction plan (resulting in a total “savings” of \$475,135). Additional 1.5% reductions in a number of programs (e.g. minority advancement program, national service act, international initiatives, minority teacher incentive program, Connecticut Independent College Student Grants and Connecticut Aid for Public College Students grants) result in a “savings” of \$2.613 million.

CT Independent College Student Grant (CICSG). This scholarship program is cut by a total of \$2.89 million (\$1.26 million from the 1.5% cut applied to a variety of DHE accounts and \$1.63 million to reflect a recalculation of the formula for the grant). In SFY 01, this program provided financial aid averaging \$3,964 for each of 4,787 students. Students are selected by the state’s independent colleges, must exhibit financial need, and be Connecticut residents. The Governor had proposed barring use of these funds for scholarships to state colleges and universities that have endowments greater than \$100 million (Connecticut College, Trinity, Wesleyan, Yale, and Fairfield University), resulting in a \$2.63 million reduction. The General Assembly reduced the proposed cut by \$1 million. In addition, \$25,000 is added to the DHE budget to establish a financial aid program at Charter Oak State College (a degree-granting institution that enables adults to earn associate and bachelor’s degrees by incorporating credits earned in a variety of settings, including through distance learning). In addition, section 8 of PA 02-7 provides for the inclusion of Charter Oak students in the Connecticut Aid to Public College Students grant program.

Minority Advancement program. The \$170,663 cut from the Minority Advancement program comes from annualization of the SFY 02 cut and the 1.5% reduction. This program seeks to increase diversity among the state’s public colleges and universities through such programs as the CT Collegiate Awareness and Preparation Program (ConnCAP), the CT College Admission and Bridge Program (ConnCAB), the CT College Access and Success Program (ConnCAS) and the CT State GEAR UP Project (Gaining Early Awareness and Readiness for Undergraduate Programs). These programs further the *Strategic Plan to Ensure Racial and Ethnic Diversity in Connecticut Public Higher Education*, developed in 1983 (see Conn. Gen. Stat. Section 10a-11).

- *Connecticut's public college and universities.* Though a college education has become virtually a necessity for family economic security in Connecticut's "new" economy, the revised SFY 03 budget cuts the budgets for the University of Connecticut and the Connecticut State University by 5% and the budget of the Regional-Technical Colleges by just a little less (4.6%). At the University of Connecticut, the operating expense, tuition freeze and regional campus enhancement accounts are cut 5% each. Cuts in state funding for public higher education are most readily addressed by increasing students' tuition. Indeed, while the "grand total" budget of the University of Connecticut increased by 15% between SFY 01 and the revised SFY 03 budget, the "tuition fund" account (students' tuitions) increased by 21%.

The revised SFY 03 budget *adds* \$500,000 to the budget of the Charter Oak State College for SFY 03 to continue the growth of the Distance Learning Consortium. Funding for the consortium, while only \$0.483 million in SFY 02, was \$1.486 million in SFY 01.

The revised SFY 03 budget does *not* adopt the Governor's proposal to merge the administrative and central offices of CSU and the Regional Community-Technical Colleges to save \$2.5 million in SFY 03 and \$5.1 million in SFY 04. An additional \$2.09 million in funding is provided to support occupancy of two new facilities – the Manchester Community College Phase II Arts, Sciences, and Technology Center and new Capital Community College which is moving from Woodland Street to the downtown campus in Hartford. \$0.52 million of the \$2.09 million is for the Woodland Street operating expenses.

Interestingly, as of 1999, Connecticut ranked *last* among states in state and local spending on higher education. Connecticut spent \$8.79 per \$1,000 of personal income in the state, compared to a national average expenditure of \$16.19 per \$1,000 of personal income. Top-ranked Utah spent \$31.76.²²

6. Teachers' Retirement Board.

a. **A bit of background.** The Teachers' Retirement Board administers the pension, retiree health and disability benefit programs covering Connecticut's retired public school teachers.

b. **Revised SFY 03 budget.** The SFY 03 budget was balanced in part by the state's failure to make the required contribution to the Teachers' Retirement Fund. Connecticut's large "unfunded liabilities" – including funds like this – are one of the reasons Moody's recently gave Connecticut a negative credit outlook. The following table shows accounts with significant change:²³

²² J. McLynch & J. St. George, *Measuring Up: Taxes and Spending in Massachusetts* (April 2002). This report uses combined state and local spending in fiscal year 1999 as reported by the United States Census Bureau. It makes its state-by-state comparisons by measuring spending relative to personal income in each state, as this provides a good measure of state "effort" as compared to state "capacity." The report is available at <http://www.massbudget.org/measuringup.pdf>.

²³ In addition, there is \$435,390 in unspent funding from SFY 02 authorized for carry-forward into SFY 03 for computer software. These funds are not included in the table in the text since they are one-time funds and not on-going funding for these accounts.

Teachers' Retirement Board	Revised SFY 03 Budget (PA 02-1, MSS, HB6002)	Original SFY 03 Budget	Revised SFY 03 Budget Compared to Original SFY03 Budget (revised \$ less original \$)	Revised SFY 03 Budget Compared to Original SFY 03 Budget (% change)
	[\$M]	[\$M]	[\$M]	[%]
Retirement contributions	\$179.82	\$214.74	(\$34.91)	-16.3%
Retirees health insurance cost	\$6.49	\$7.19	(\$0.7)	-9.7%
Municipal retiree health insurance costs	\$5.30	\$5.65	(\$0.35)	-6.2%
TOTAL –General Fund	\$194.04	\$230.02	(\$35.98)	-15.6%

c. Specific program and service changes. Funding for the Teachers' retirement account in the revised SFY 03 budget is only 85% of the amount that is required to be contributed this year, passing this obligation onto future generations.²⁴ Funding to the municipal retiree health insurance account is cut to reflect lower than anticipated enrollment; this account provides a flat subsidy of \$110/member/month to help offset retirees' health insurance costs in municipal health insurance plans. The cut in the retirees' health insurance account -- \$700,000 -- is \$250,000 more than the Governor proposed as a cut to reflect lower than anticipated enrollment. This account pays 25% of retired teachers' health insurance costs if the teachers participate in the Board's plan. In addition, the revised SFY 03 budget cuts the other expenses and retirement contributions accounts by 1.5% as part of the 1.5% cuts made to many budget accounts.

7. Connecticut State Library

a. A bit of context. The Connecticut State Library's mission is to provide high-quality library and information services to state government and the citizens of the state. It also has responsibility to preserve and make accessible records of the state's history and other public records, and promoting the development of high quality information services on an equitable basis statewide. It recently implemented iCONN.org, the CT Digital Library, in conjunction with DHE, as part of the CT Education Network.

b. Revised SFY 03 budget. The following table lists only budget accounts with significant changes (in dollar amount or percentage growth/decline):²⁵

²⁴ The consulting actuary for the Teachers' Retirement system develops the required contribution, and the Teachers' Retirement Board certifies the amount pursuant to Conn. Gen. Stat. Section 10-183z.

²⁵ PA 02-1 (MSS) also re-directed some "SFY 01 surplus" funds that had been appropriated to other budget accounts to certain State Library accounts, and authorized that unexpended funds on June 30, 2002 be carried forward into SFY 03. These additional funds are: \$130,000 for the Basic Cultural Services grant (to be used for the following specific purposes: a) \$20,000 for the Stamford Cultural Development Corporation; b) \$10,000 for the Stamford Symphony; and c) \$100,000 for Ansonia Regional Arts); and \$205,000 for Grants to Local Institutions in the Humanities. In addition, \$151,962 of unexpended funds are authorized to be carried-forward for use in SFY 03 for the relocation of state library archives. These funds are not included in the table in the text since they are one-time funds and not on-going funding for these accounts.

State Library	Revised SFY 03 Budget (PA 02-1, MSS, HB6002)	Original SFY 03 Budget	Revised SFY 03 Budget Compared to Original SFY03 Budget (revised \$ less original \$)	Revised SFY 03 Budget Compared to Original SFY 03 Budget (% change)
	[\$M]	[\$M]	[\$M]	[%]
Statewide digital library	\$0.500	0	\$0.500	100%
Voices for Children- Parent Tech Academy	0	\$0.050	(\$0.050)	-100%
Legal/legislative library materials	\$0.500	\$0.759	(\$0.259)	-34.1%
Statewide database project	\$0.710	\$0.759	(\$0.049)	-6.5%
Basic cultural resources grant	\$2.525	\$2.903	(\$0.378)	-13.0%
Support for cooperating library service units	\$0.600	\$0.778	(\$0.178)	-22.9%
CT Educational Telecommunications Corp.	\$0.492	\$0.753	(\$0.261)	-34.7%
Grants to public libraries	\$0.347	\$0.472	(\$0.125)	-26.5%
Connecticard payments	\$0.676	\$0.726	(\$0.050)	-6.9%
TOTAL –General Fund	\$13.926	\$14.793	(\$0.867)	-5.9%

c. Specific program and service changes. About \$346,000 of cuts reflect continuation of cuts made in SFY 02 for deficit mitigation. Another \$884,000 is cut through reductions in accounts of 1.5% or more; some accounts (such as the legal/legislative materials, grants for cooperating library service units, CETC, grants to public libraries, and parent tech academy at CT Voices for Children) are cut by more than 20% from what had been appropriated in SFY 03. Many cuts result in funding *below SFY 02 spending levels* (legal/legislative materials, statewide database program, funds for public libraries and cooperating library service units). In addition to these “across the board” cuts, the Basic Cultural Resources grant account is cut further – by an additional \$145,166.

The revised SFY 03 budget also *adds* \$508,002 for the Digital Library that previously had been funded using surplus funds. This amount is \$100,000 less than what the Governor proposed to add.

8. Office of the Child Advocate

a. A bit of context. The Office of the Child Advocate was established in 1995 to be an independent state agency charged with protecting the rights of Connecticut’s children and advancing policies to promote their well-being. Its specific responsibilities include evaluating the care provided to children in state-run and state-funded institutions, programs and services, investigating complaints and concerns about care provided to children, and chairing the Child Fatality Review Panel, which conducts investigations of unexplained or unexpected child fatalities.

b. Revised SFY 03 budget changes.

Office of the Child Advocate	Revised SFY 03 Budget (PA 02-1, MSS, HB6002)	Original SFY 03 Budget	Revised SFY 03 Budget Compared to Original SFY03 Budget (revised \$ less original \$)	Revised SFY 03 Budget Compared to Original SFY 03 Budget (% change)
	[\$M]	[\$M]	[\$M]	[%]
TOTAL – General Fund	\$0.693	\$0.640	\$0.053	8.3%

c. Specific program and service changes. The Personal Services account is increased by \$55,090 over the amount budgeted in the original SFY 03 budget: \$10,000 for the annualized cost of a salary increase for the Child Advocate (from \$90,420 to \$100,000) and \$44,800 in funds transferred from the Department of Administrative Services to make permanent the redeployment of a clerical position to the OCA from DAS (with a corresponding reduction made in the DAS budget). In addition, about \$1,000 is cut from both the other expenses and Child Fatality Review Panel accounts “to effect economies in the agency’s operating expenses.”

9. Legislative Commissions (Permanent Commission on the Status of Women, Commission on Children, Latino and Puerto Rican Affairs Commission, African-American Affairs Commission)

a. A bit of background. PCSW was established by the General Assembly in 1973 to study and inform leaders about sex discrimination in the state, serve as a liaison between government and private interest groups, promote consideration of women for positions in government, and work with state agencies in monitoring and assessing programs and policies that affect the status of women. The Commission on Children, established in 1985, studies the status of children and children’s programs, policies, and legislation and informs state and local government leaders and others of its findings. The Latino and Puerto Rican Affairs Commission was established in 1994 to ensure proper representation and recognition of the Latino and Puerto Rican communities, provide advice to state leaders, and act as a liaison between state government and these communities. The African-American Affairs Commission was established in 1997 to ensure adequate representation and recognition of the African-American community, provide advice to state leaders and act in a liaison role.

b. Revised SFY 03 budget and changes made. In general, the reductions in the revised SFY 03 budgets of the four commissions result from a 1.5% reduction in their “other expense” accounts and an additional reduction in the “other expense” account of \$50,000 for both PCSW and the Commission on Children and of \$25,000 for both the African-American Affairs and the Latino and Puerto Rican Affairs Commissions. In addition, the Commission on Children had \$10,000 cut from its account supporting the production by Prof. Mark Meringoff of the Social State of Connecticut report.

Legislative Commissions	Revised SFY 03 Budget (PA 02-1, MSS, HB6002)	Original SFY 03 Budget	Revised SFY 03 Budget Compared to Original SFY03 Budget (revised \$ less original \$)	Revised SFY 03 Budget Compared to Original SFY 03 Budget (% change)
	[\$M]	[\$M]	[\$M]	[%]
Permanent Commission on the Status of Women	\$0.593	\$0.645	(\$0.052)	-8.1%
Commission on Children	\$0.566	\$0.627	(\$0.061)	-9.7%
Latino and Puerto Rican Affairs Commission	\$0.414	\$0.440	(\$0.026)	-5.9%
African-American Affairs Commission	\$0.342	\$0.368	(\$0.026)	-7.1%

10. Department of Social Services (DSS)

a. A bit of background. DSS administers more than 90 state programs and a number of federal programs that provide food and nutritional services, shelter and housing services, income support services, health and behavioral health service funding, and other support services for various categories of individuals and families who are struggling to meet their essential needs. DSS' \$3.687 billion General Fund budget in SFY 03 (revised) represents nearly *one-third* of the whole General Fund SFY 03 budget (30.5%). This budget is apportioned roughly as follows: a) 82% for health and behavioral health services; b) 11% for income supports (including child care subsidies) for the poor, elderly and disabled; c) 6% for administration; d) 1% each for shelter/housing and for support/safety services; and e) a fraction of 1% for food and nutrition.

Of the 82% of DSS' budget that is appropriated for health services, nearly all funding is used for the state's Medicaid program. Medicaid constitutes 71% of DSS' total SFY 03 revised budget (and nearly 90% of all DSS health-care spending). Because Medicaid is a partnership with the federal government, Connecticut receives 50% reimbursement from the federal government for nearly all of its Medicaid spending.²⁶ These reimbursement funds are credited to the General Fund as "revenues." That is, DSS' Medicaid budget account is "gross" budgeted – it includes *both* the state's spending on Medicaid *and also* the federal contribution. If Connecticut "net" budgeted, including only the *state's* funding of Medicaid, the Medicaid "line" would be about half what is shown here.²⁷

Importantly, the vast majority of Connecticut's Medicaid dollars are spent providing health care to the state's poor elderly and disabled residents. These enrollees constitute a little more than one-quarter of all state Medicaid enrollees (28%) but require 70% of all Medicaid funding for their care. By comparison, the poor children (and their parents) who are enrolled in Medicaid constitute about

²⁶ Some services are reimbursed a *greater than* a 50% rate.

²⁷ Note: This is true of budget accounts in which Connecticut receives reimbursement from the federal government. The DCF budget, for example, includes reimbursements under Title IV-E of the Social Security Act for various of its board and care expenses. The *total* funding is appropriated, and included in DCF's budget. The reimbursements are credited as General Fund "revenues."

three-quarters of all enrollees (72%), but use less than one-fifth (17%) the total Medicaid dollars spent.²⁸

b. Revised SFY 03 budget. DSS' revised SFY 03 budget was *increased* by nearly 1% over the original SFY 03 budget. Much growth (as has been typical) was in the Medicaid budget account, reflecting the oft-discussed explosion in health care costs in both the public and private health care sectors. Also increasing, for the first time in several years, is funding for cash assistance for low-income families with children.

Annualizing SFY 02 cuts. Included in the revised SFY 03 budget are \$4.12 million in annualized savings from the SFY 02 deficit reduction plan, including \$1 million in personal services, \$450,000 in services to the elderly, \$514,431 in safety net services, \$147,022 in transportation for the employment services program, \$171,048 for transitional rental assistance, \$100,000 for teen pregnancy prevention, \$346,670 in services for persons with disabilities, \$354,187 in community services, \$273,752 in HUSKY outreach, \$183,868 in child day care services, \$24,527 in day care projects, and \$242,500 in school readiness funds. These annualized cuts are included in the reductions shown in the table below. *Not included* in these annualized savings were SFY 02 cuts made to homeless services and the Rental Assistance program that totaled over \$2 million; the original SFY 03 appropriation is maintained for these important services.

General 1.5% cuts. In addition, 28 DSS accounts, including many of the accounts listed in the previous paragraph, are cut by 1.5%. Total "savings" from these 1.5% cuts are \$2.99 million. Those accounts cut by more than \$100,000 are vocational rehabilitation (\$106,027), Connecticut Home Care program (\$100,000), housing/homeless services (\$382,822), disproportionate share—medical emergency assistance (\$1,275,000), disproportionate share—urban hospitals in distressed municipalities (\$450,000), and the CT Children's Medical Center (\$105,000).

Other "general" expenditure reductions. The revised SFY 03 budget includes *additional* cuts to a variety of programs proposed by the Governor which, when combined with the annualized SFY 02 cuts, result in a *cut of 10%* for all but one of the programs. Total SFY 03 "savings" approved by the General Assembly are \$820,461, with reductions made in the accounts for Human Resource Development-Hispanic programs; Services to the Elderly; Services for Persons with Disabilities; Human Resource Development; Independent Living Centers; and Teen Pregnancy Prevention. In addition to these general reductions proposed and approved by the General Assembly, the General Assembly added further cuts "as part of the overall budget reduction effort" that total \$2.245 million: Personal Services (\$1 million); Other Expenses (\$600,000); HUSKY program (\$100,000); Housing/Homeless Services (\$1.6 million); and CT Children's Medical Center (\$145,000).

Use of re-allocated SFY 01 carry-forward funds to mitigate some cuts. As described in note 30, *infra*, for some of these accounts, re-allocated SFY 01 surplus funds, carried-forward for use in SFY 03, are used to mitigate the impact of the cuts in this fiscal year. These funds, however, are one-time funding, hence these budget accounts are at risk in SFY 04 as the amounts budgeted as on-going funding for the accounts has been decreased.

²⁸ Urban Institute and Kaiser Commission on Medicaid and the Uninsured, *State Health Facts Online* (www.statehealthfacts.kff.org/cgi-bin/healthfacts.cgi?action=profile&area=Connecticut).

Allocation of TANF bonus funds. The budget implementer also allocates the \$13,339,405 TANF “high performance” bonus that was awarded Connecticut by the federal government. Some of these bonus funds mitigate cuts made by the revised SFY 03 budget (in effect using one-time federal dollars to supplant state investments in these programs). The TANF bonus funds are appropriated as follows: a) \$2 million for welfare-to-work reverse commuting (from cities to suburbs, including from Hartford to the casinos); b) \$4 million to re-open enrollment for child care certificates for low-wage workers (this is only sufficient to serve some of those on the waiting list; enrollment, which was suspended July 1, 2002, will not formally be re-opened); c) \$1.8 million to enhance funds for hard to serve TFA families; d) \$1.9 million for assessment and case management (of which \$400,000 is to be allocated to Community Action agencies for assessment and job training programs for TFA clients); e) \$900,000 for the Fatherhood initiative research and demonstration projects; f) \$2 million for rental assistance vouchers and T-RAP (of which \$250,000 is to be used for individuals who are no longer eligible for TFA due to time limits); g) \$539,405 for Connecticut-Charts-A-Course (child care provider training); and h) \$500,000 for the Jobs Funnel program.

The following table shows all DSS budget accounts that were *increased*, as well as those that were *decreased* by \$100,000 or more, or by more than 1% of the total budget account.²⁹

Department of Social Services	Revised SFY 03 Budget (PA 02-1, MSS, HB6002)	Original SFY 03 Budget	Revised SFY 03 Budget Compared to Original SFY03 Budget (revised \$ less original \$)	Revised SFY 03 Budget Compared to Original SFY 03 Budget (% change)
	[\$M]	[\$M]	[\$M]	[%]
Personal Services	\$121.312	\$117.379	\$3.930	3.3%
Other expenses	\$90.020	\$46.397	\$43.620	94.0%
Other Current Expenses				
Children’s Health Council	\$1.526	0	\$1.526	100%
HUSKY outreach & data collection	\$0.320	\$5.475	(\$5.160)	-94.2%

²⁹ PA 02-1 (MSS) also re-allocated some “SFY 01 surplus” funds that had been appropriated to other budget accounts to various DSS accounts, and authorized them to be carried-forward for use by DSS in SFY 03. These include: a) \$200,000 to Griffin Hospital, \$2.5 million for Stamford Hospital, and \$3.3 million for Yale-New Haven Hospital; b) a total of \$400,000 to fund a number of Hispanic human resource development programs (Spanish American Development in Bridgeport, Hispanic Center of Danbury, Casa Boricua in Meriden, Spanish-Speaking Center in New Britain, Latino Youth Development in New Haven, South Norwalk Community Center, Spanish Action Agency in Waterbury, Centro de la Comunidad in New London, and CAUSA in Hartford); c) \$200,000 to enhance school readiness efforts; d) \$150,000 to augment Community Services funding (with funds to go to the Spauld House, the Thompson Ecumenical Center, and Hill Cooperative Youth (at \$50,000 each); e) \$50,000 for the Epilepsy Foundation project; f) \$25,000 for Teen Pregnancy Prevention; g) \$180,000 for various elderly services (\$80,000 to go to the Elderly Express in New Haven and Eastern CT, and \$100,000 for elderly health screening in Norwich); f) \$2 million to enhance nursing home staffing; g) \$100,000 for elderly health screening; and h) \$1.5 million to continue for an additional year medical benefits and food stamps for legal immigrants (\$17, PA 02-1, MSS). Other authorized carry-forward funds include: “other expenses” (\$1.62 million); work performance bonus (\$1.235 million); Medicaid (\$770,000); TFA (\$230,000); child care-TANF/CCDBG (\$1.391 million); and housing/homeless services (\$57,531). See SA 01-1, NSS (§ 2); PA 01-9, JSS (§ 126); SA 01-1, JSS (§ 38); and Conn. Gen. Stat. §4-89(c). These funds are not included in the table in the text since they are one-time funds and not on-going funding for these accounts.

Independent living administration	0	\$0.024	(\$0.024)	-100%
Anti-hunger programs	0	\$0.227	(\$0.227)	-100%
Genetic tests in paternity actions	\$0.204	\$0.218	(\$0.010)	-6.4%
State food stamp supplement	\$1.928	\$1.185	\$0.740	62.7%
School-age child care programs	\$0.459	\$0.491	(\$0.030)	-6.4%
Commission on aging	\$0.216	\$0.281	(\$0.070)	-23.2%
Information technology services	\$0	\$50.071	(\$50.071)	-100%
HUSKY program	\$25.363	\$21.091	\$4.270	20.3%
Payments Other than to Local Governments				
Vocational rehabilitation	\$6.962	\$7.068	(\$0.110)	-1.5%
Medicaid	\$2,629.568	\$2,593.272	\$36.300	1.4%
Lifestar Helicopter	\$1.378	\$1.000	\$0.380	37.8%
Old Age Assistance	\$30.100	\$31.779	(\$1.680)	-5.3%
Aid to the Blind	\$0.629	\$0.587	\$0.040	7.1%
Aid to the Disabled	\$57.539	\$59.323	(\$1.780)	-3.0%
Temporary Family Assistance-TANF	\$132.117	\$122.540	\$9.580	7.8%
Food Stamp Training Expenses	\$0.129	\$0.131	(\$0.002)	-1.5%
ConnPACE	\$63.906	\$74.468	(\$10.56)	-14.2%
Healthy Start	\$1.152	\$0	\$1.152	100%
CT Home Care program	\$27.186	\$25.380	\$1.810	7.1%
Human Resource Dev-Hispanic program	\$0.094	\$0.106	(\$0.010)	-10.8%
Services to the elderly	\$5.846	\$6.499	(\$0.650)	-10.0%
Safety net services	\$3.718	\$4.289	(\$0.570)	-13.3%
Employment transportation	\$2.752	\$2.940	(\$0.190)	-6.4%
Transitory rental assistance	\$1.288	\$3.421	(\$2.130)	-62.4%
Refunds of child support collections	\$0.197	\$0.200	(\$0.003)	-1.5%
Energy assistance	\$0	\$2.081	(\$2.081)	-100%
Services to persons with disabilities	\$5.495	\$6.926	(\$1.430)	-20.7%
Child care subsidies (TANF/CCDBG)	\$112.854	\$115.475	(\$2.620)	-2.3%
Nutrition assistance	\$0.094	\$0.096	(\$0.002)	1.5%
Housing/homeless services	\$23.539	\$25.392	(\$1.850)	7.3%
Employment opportunities	\$0.858	\$0.871	(\$0.013)	-1.5%
Human resource development	\$3.386	\$3.828	(\$0.440)	-11.6%
Child day care centers	\$3.441	\$3.677	(\$0.240)	-6.4%

Independent living centers	\$0.647	\$0.729	(\$0.080)	-11.4%
AIDS drug assistance	\$0.607	\$0.616	(\$0.010)	-1.5%
Disproportionate share-emergency medical assistance	\$76.725	\$85.000	(\$8.275)	-9.7%
Disproportionate share- hospitals in distressed municipalities	\$26.550	\$15.000	\$11.550	77.0%
State administered general assistance (SAGA)	\$105.054	\$101.442	\$3.610	3.6%
School readiness	\$3.553	\$3.850	(\$0.300)	-7.7%
CT Children’s Medical Center	\$6.750	\$7.000	(\$0.250)	-3.6%
Payments to Local Governments				
Human resource development	\$0.070	\$0.078	(\$0.008)	-10%
Human resources development-Hispanic	\$0.011	\$0.012	(\$0.001)	-10%
Teen pregnancy prevention services	\$1.105	\$1.192	(\$0.087)	-7.3%
TOTAL –GENERAL FUND	\$3,697.360	\$3,659.821	\$27.541	0.8%

c. Specific program and service changes

- *Medicaid.* Medicaid, at \$2.63 billion in the SFY 03 revised budget, is the single biggest budget account in the General Fund. For this reason, it merits some context before describing changes made in the SFY 03 revised budget.

A bit of context on the Medicaid program. The Medicaid program consists of two primary components: health services and long-term care services. In the revised SFY 03 budget, \$1,576,692,822 is budgeted for health services under Medicaid, and \$1,131,822,151 for long-term care.

Medicaid eligibility is based on income, and in some cases, asset limitations. Currently, it provides health services to low-income children and adults, pregnant women, the elderly, and the blind and disabled. The Medicaid program for low-income children (and many of their parents) is called HUSKY A. Health services provided include hospital and physician services, as well as vision, dental, pharmacy, transportation, home health care, and clinic services. There is also significant funding in the Medicaid account for long-term care services. These services are provided primarily to Connecticut’s elderly population who meet income and asset eligibility criteria. There are about 20,000 Medicaid nursing home clients in Connecticut.

Medicaid is a federal-state partnership, with the federal government reimbursing Connecticut 50% for each dollar spent, in general. The DSS account for Medicaid reflects both the state and the federal share of funding; this account is “gross” budgeted. Reimbursements from the federal government are credited to the General Fund as revenues when received by the state.

DSS consistently runs a deficiency in the Medicaid account. Accounting for two-thirds of the deficiency in SFY 02 were overspending on: a) pharmacy (\$5.73 million deficiency, with costs increasing by 14%-16%/year for the last several years); b) home health care (\$8.57 million deficiency in a program serving about 11,500 residents); and c) managed care HUSKY A program (\$6.65

million, reflecting increased enrollment because of aggressive outreach, increased unemployment, and expansion of eligibility to adults with children with incomes between 100 and 150% of the federal poverty level beyond the prior eligibility limit of less than 100% of the federal poverty level).

As of Federal Fiscal Year (FFY) 1998, there were about 403,000 Connecticut residents enrolled in Medicaid. The age distribution of Connecticut's Medicaid enrollees and the distribution of state Medicaid spending are shown in the tables below. Note specifically in the first table that while children are 51% of Connecticut's Medicaid enrollees, only 11% of Connecticut's Medicaid funds are spent on their care:

Distribution of CT Medicaid Enrollees and Spending (FFY 98)				
	# enrolled in Medicaid	% of CT Medicaid enrollees	Medicaid spending	% of CT Medicaid spending
Children	207,306	51%	\$314,200,150	11%
Adults	83,395	21%	\$174,684,372	6%
Elderly	55,244	14%	\$1,113,732,831	38%
Blind & Disabled	54,602	14%	\$922,663,178	32%
Disproportionate share hospitals	NA	NA	\$370,130,367	13%
TOTAL	402,547	100%	2,895,410,898	100%
Source: Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates based on data from HCFA-2082 and HCFA-64 reports filed by CT.				

Connecticut also spends a *smaller* share of its Medicaid budget on children and adults than the national average, and a *far greater share* on its elderly, as shown in the table below:

Distribution of Medicaid Spending, CT v. US (FFY 98)		
	% of All CT Medicaid Spending	% of All US Medicaid Spending
Children	11%	15%
Adults	6%	10%
Elderly	38%	27%
Blind & Disabled	32%	39%
Disproportionate share hospitals	13%	9%
Source: Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates based on data from HCFA-2082 and HCFA-64 reports filed by CT.		

In addition, Connecticut's per capita spending in each enrollment group exceeds national averages, particularly its per capita spending on the elderly and the blind/disabled. For these enrollees, Connecticut's spending is close to double the national averages. This reflects in large part Connecticut's very high nursing home and other long term care costs:

Per Capita Medicaid Spending, CT v. US (FFY 98)			
	CT Medicaid Spending per CT Medicaid enrollee	US Medicaid Spending per US Medicaid enrollee	Ratio of CT Medicaid Spending/Enrollee to US Medicaid Spending/Enrollee
Children	\$1,516	\$1,225	1.24
Adults	\$2,046	\$1,892	1.08
Elderly	\$20,160	\$11,235	1.79
Blind & Disabled	\$16,898	\$9,558	1.77

Source: Calculations by CT Voices for Children, based on Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates from HCFA-2082 and HCFA-64 reports filed by CT.

Changes in Medicaid in the SFY 03 revised budget. The General Assembly added \$70.8 million to the Medicaid account to annualize the SFY 02 deficiencies (mentioned above). The revised SFY 03 budget also makes the following changes:

- *Nursing home licensure.* Requires nursing homes to be licensed for both Medicaid and Medicare so that the federally funded Medicare program pays for the first 100 days of care upon return (a savings of \$1.9 million);
- *Nursing home staffing.* Eliminates the funds added in the original SFY 03 budget to increase nursing home staffing levels to recommended federal minimums, maintaining staffing instead at DPH staffing standards (a \$7 million reduction) but authorizes the use of \$2 million in SFY 01 surplus carry-forward funds for some staffing enhancements in this fiscal year;
- *Nursing home rate increase.* Delays by six months the 2% per day rate increase for nursing homes that had been included in the SFY 03 budget (a \$12.8 million reduction);
- *Assisted living pilots.* Establishes two pilot assisted living programs to allow persons in private pay assisted living facilities to continue to remain there (rather than enter more expensive long-term care facilities) when they have exhausted personal resources (net reduction of \$249,000);
- *Assisted living.* Delays the implementation of various assisted living services (a \$1.6 million reduction);
- *Physician rate relief.* Delays rate relief for physicians serving dually-eligible Medicare/Medicaid clients until April 1, 2003 (a \$2.6 million reduction); the original SFY 03 budget had included \$3.9 million for rate relief starting July 1, 2002. The General Assembly also chose not to include the Governor's proposed 2% rate increase for physicians and other practitioners under the Medicaid and SAGA programs (which would have cost \$1.245 million);
- *Re-structure psychiatric re-insurance.* Makes the HUSKY managed care plans liable for 100% of the psychiatric costs for the first 30 days of hospitalizations and for 30% of the costs for all hospitalizations after 30 days (with the state responsible for the remaining 70% of the costs of stays over 30 days). Previously, the managed care plans received full compensation for psychiatric stays over 60 days, resulting in an increase in long-term psychiatric stays (and double payment to the plans, which already are provided with pre-paid capitated rates to provide all medically necessary services to these children). This change is expected to result in a \$3.2 million reduction in Medicaid as a result of reduced re-

insurance payments to these managed care plans. Re-insurance in SFY 03 is projected to be \$30,652,641, with the managed care plans compensating DSS for \$19,502,387.

- *Hospital rate increases.* Delays by 6 months (to January 1, 2003) rate increases included in SFY 03 budget for chronic disease and freestanding psychiatric hospitals (a \$600,000 reduction);
 - *Program changes.* Cuts \$11 million to reflect the restructuring of non-emergency transportation services and the elimination of some “optional” Medicaid services that had previously been covered (sections 60 and 104 of PA 02-7, MSS). A further \$250,000 cut reflects elimination of a fuel adjustment for non-emergency transportation.
 - *Re-allocation.* Re-allocates \$0.51 million from the OPM budget to the DSS Medicaid account for private provider COLA adjustments.
 - *Pharmacy services.* Establishes a number of initiatives to reduce pharmacy costs, including: a) adoption of maximum allowable costs for generic drugs; b) a voluntary mail order program; c) imposition of financial sanctions on nursing homes that do not participate in DSS’ drug return program; d) elimination of the 50 cent incentive fee for generic substitutions; and e) a directive to DSS to negotiate supplemental rebates for the purchase of drugs on a preferred drug list that is to be established pursuant to federal law (but all anti-psychotic, anti-depressant, anti-convulsants, and HIV-related retroviral drugs exempt from prior authorization requirements and automatically included on the preferred drug list). *Total pharmacy savings in SFY 03 are anticipated to be \$16.8 million* (\$12.6 million in Medicaid, \$3.5 million in ConnPACE, and \$900,000 in SAGA). When the preferred drug list rebates are fully implemented, full-year pharmacy savings are expected to be \$37.3 million.
 - *Rate re-structuring.* Changes the manner in which managed care plans are compensated for participation in the HUSKY program. Repeals the tax credit given to the plans against tax owed on their commercial policies (resulting in \$14 million in additional revenues) and offsets this revenue gain by a 4% increase in the monthly capitation rate and a one-time supplemental appropriation of \$7.8 million. In addition, a 3% rate increase (originally scheduled for SFY 03) is delayed for six months. The *net cost* of this restructuring is an *additional \$19.51 million* in fees for the managed care plans: \$18.78 million of this increase is in the Medicaid budget account (for HUSKY A) and the remaining \$750,000 in the HUSKY account (for HUSKY B).
 - *Maintenance of HUSKY A adult services.* The Governor had proposed providing parents enrolled in HUSKY A whose incomes were between 100 and 150% of the federal poverty level the less generous benefit package of HUSKY B and also imposing on them a \$5/visit co-pay for physician services and a fee of \$3/generic prescription and \$6/non-generic prescription drug. This imposition of additional costs on this group of low-wage parents would have resulted in a “savings” of \$5.6 million. The General Assembly refused to make these changes.
- *HUSKY.* The HUSKY B program provides medical services for all children whose family income is between 185% and 300% of the federal poverty level. (It complements the Medicaid/HUSKY A program that serves children whose family incomes are under 185% of the poverty level.) Enrollees with higher incomes contribute to the cost of the insurance on a sliding fee scale. HUSKY B is also available to children in families with income over 300% of the poverty level if the family pays the full cost of the premium and co-payments. The revised SFY 03 budget *increases*

by \$3.622 funds in this account over what had been budgeted to reflect updated caseload and cost estimates.

- *HUSKY outreach and Children's Health Council.* HUSKY outreach efforts are re-structured, with a net savings of \$2.146 million. The HUSKY Outreach account is cut by more than \$5 million. Two new budget accounts are established for programs that had been funded through the HUSKY outreach and data collection account. Specifically, a new budget account is created for the Children's Health Council and funded with \$1.526 million and a new budget account is created for Healthy Start and funded with \$1.5 million. \$320,000 remains for HUSKY outreach; it is assumed that savings can be achieved by consolidating InfoLine services for the HUSKY programs. (The Governor had proposed cutting funding for outreach, and *totally eliminating* funding for the Children's Health Council, though it serves the essential function of monitoring compliance of the HUSKY plans with federal law and good practice. The General Assembly preserved necessary funding for the Children's Health Council to continue to provide its monitoring role.)
- *Temporary Family Assistance.* \$9.577 million is added to the original SFY 03 budget to reflect updated caseload estimates. This amount represents the annualization of the SFY 02 deficiency in this account. Caseloads are higher than anticipated, according to the Governor, because the rate of caseload decline has been slower than expected and the three-extension limit has been implemented on a rolling basis, as families' six-month reviews come due.
- *Childcare.* The childcare services– TANF/CCDBG account is cut by a net \$2.621 million. This results from a \$7.395 million reduction (representing federal funds DSS expected to receive in SFY 03 that will not be received), and a \$4.775 million increase to reflect updated cost and caseload estimates.
- *Temporary Rental Assistance (T-RAP) program.* The SFY 03 appropriation is reduced by \$1.947 million to "reflect anticipated needs based on current utilization and caseload trends."
- *Anti-hunger funding.* The Governor had proposed transferring funding from the anti-hunger account to the housing/homeless services account "to utilize these funds for direct services rather than advocacy and support programs." While the General Assembly notes that it "concur[s] with the Governor's recommended transfer" of the \$215,665 in funds to the housing/homeless services account, the revised SFY 03 budget also specified that \$120,005 will still be allocated to anti-hunger programs: a) \$80,327 to the CT Association for Human Services for its Hunger Outreach Project (which disseminates information about food and nutrition programs across the state's priority and transitional school districts); and b) \$39,678 to End Hunger CT! for its anti-hunger coalition work.
- *Fuel assistance.* The SFY 03 revised budget eliminates all state funds for the fuel assistance program (a cut of \$2.081 million), "anticipating" that funds available under the federal Low Income Home Energy Assistance block grant will be sufficient to maintain the program at its current service level.
- *Security deposit program.* The SFY 03 revised budget also eliminates all state funds for the security deposit program (that helped families who were homeless or at risk of homelessness secure housing). Again, the \$136,563 cut is based on "anticipation" that there is sufficient funding in current reserves and in federal funding to support the program.

- *Enhance in-house capacity at DSS.* In an interesting reversal from this Administration's preference for privatizing state services, the revised SFY 03 budget adopts the Governor's recommendation to add 15 positions at DSS to "develop an in-house data collection and analysis capability" and enhance its revenue maximization capability, and thereby "allow the department to lessen its dependence upon outside professional assistance." The budget anticipates that there will be a net savings to DSS of \$1.19 million, resulting from a reduction of \$2.265 million in consultant fees (in the "other expenses" account), offset by a \$1.075 million increase for 15 new DSS positions (in the personal services account).
- *Small Employer Health Insurance Subsidy Program.* The General Assembly concurs with the Governor's proposal to establish a small employer health insurance subsidy program for employed adults and families with incomes under 185% of the federal poverty level. DSS would apply for a federal waiver to establish a capped, non-entitlement program for between 3,000 and 5,000 enrollees. DSS would contract with one or more small employer purchasing pools and provide subsidies to the employer-supported plan to offset the employees' premium costs. By deferring implementation until July 1, 2003, the General Assembly "saves" \$1.5 million. The capped annualized cost is to be \$3.6 million.³⁰
- *Other changes in DSS' revised SFY 03 budget.* DSS' revised SFY 03 budget makes a number of changes in other programs and services that less directly affect children, youth and their families, including: a) home care (no rate increases for home/community providers as the Governor proposed, but additional funding for updated caseload and cost estimates); b) LifeStar helicopter (additional \$400,000 subsidy); c) ConnPACE (adopt Governor's \$5.9 million cut and reject proposed asset test for eligibility); d) personal care assistance programs (eliminate two separate programs and provide services instead under Medicaid PCA waiver, saving \$0.59 million); e) State Administered General Assistance (SAGA) medical (provide additional \$9 million to annualize SFY 02 deficiencies and adjust for increased costs/caseload, but eliminate certain benefits to be determined by DSS commissioner, such as home health, eye care, and other practitioner services). f) Supplemental Assistance (cut funds by \$4.4 million to "reflect on-going caseload changes anticipated during FY 03"); and g) make other reductions as "part of the overall budget reduction effort" (including a \$1.6 million cut to housing/homelessness services).

d. Trends in DSS spending. A look at some *trends* in spending is also helpful in understanding DSS' budget. The following table compares spending in SFY 94-95 (prior to implementation of Connecticut's welfare reform [*Jobs First*] program) to the spending authorized in the revised SFY 03 budget in key programs that support Connecticut's poorer individuals and families. The gain (or

³⁰ By comparison, in 2002 State Comptroller Nancy Wyman proposed legislation (HB 5642) that would extend eligibility for the Municipal Employees Health Insurance Program (MEHIP) to employers with 50 or less employees (including self-employed persons). By design, any costs incurred by the program would be passed on to the participants; there is no additional cost to the state (though there could be some revenue loss since MEHIP coverage currently is excluded from the insurance premiums tax of 1.75% of the premium). According to DOL, there are an estimated 91,000 distinct employers with 50 or fewer employees who would be eligible (employing about 521,000 persons), *not including* self-employed persons. While this bill passed the Insurance and Real Estate Committee, it was killed in the Finance, Revenue and Bonding Committee, after aggressive lobbying against it by the Connecticut Business and Industry Association (CBIA) which, though purportedly representing the interests of small business (as well as large) also finances its lobbying activities by selling health insurance; this proposal would have competed with its business. See CT General Assembly, Insurance and Real Estate Committee Report on HB 5642, *AAC Coverage for Small Employers Under the State Employee Health Plan*.

loss) of state³¹ funding for particular programs is noted in both actual dollars and in inflation-adjusted (“real”) dollars (adjusted to 2002 constant dollars). Several points about data in this table merit special attention:

- Over the period from 1995 to 2003, much funding has been re-allocated among programs that support low-wage individuals and families. While cash assistance has declined by \$335 million (in real dollars), inflation-adjusted spending on health care has increased by \$293 million.
- Although Connecticut’s *Jobs First* program put thousands of parents into the labor force and thereby necessitated that these parents find and pay for child care for their children, the real increase in *all* of DSS’ funding for child care, day care and school readiness programs was \$66 million (not counting federal block grant allocations).
- Viewed all together, funding for DSS’ various programs supporting low-income, low-wage, elderly, and disabled residents increased a net total of \$521 million over these 8 years. However, the inflation-adjusted increase is only \$22 million over the 8-year period.
- Over this period, the growth in Medicaid spending crowded out spending on other types of supports (other health services, cash assistance, child care, housing, energy assistance, etc.) If Medicaid spending is *excluded* from the total, DSS’ spending on all other low-income support programs *declined* by \$353 million in nominal dollars, and by \$533 million in inflation-adjusted dollars. That is, while Medicaid funding grew substantially over this 8-year period (increasing by \$874 million in nominal dollars, and \$555 million in inflation-adjusted dollars), spending on the many other supports for low-income and disabled person *fell* very substantially.

Since about two-thirds of Connecticut’s Medicaid spending is for the benefit of the state’s elderly poor and disabled, the growth in Medicaid spending has resulted in a substantial *re-distribution of benefits* toward the state’s elders and disabled at the expense of investments in the state’s lower-income children and their families

³¹ This analysis looks only at trends in *state* funding. Over time, DSS has used federal block grant funds to pay for programs and services that previously had been funded solely (or primarily) with state dollars. That is, DSS has used federal block grant funds (particularly SSBG and TANF) to *supplant* state funding for various programs rather than to augment it. For example, funding for a number of General Fund accounts has been transferred to the SSBG (with SSBG funding augmented by a transfer of \$26.679 million from the TANF block grant), including: anti-hunger programs, supplemental nutrition assistance, housing/homeless services, community services, child day care (accounts 661 and 706), among others. This report’s analysis looks neither at the extent to which this supplanting of state funds has occurred, nor at trends in the federal block grants themselves. Thus, it focuses only on the state’s own funding commitment to these programs over time.

TRENDS IN DSS SPENDING: SFY 95 COMPARED TO SFY 03 (revised)				
(in millions)				
	FY94-95 Actual	FY02-03 (revised)	Difference (FY03-FY95)	Difference (FY03-FY95) (2002\$)
Cash Assistance				
AFDC, AFDC-UP	\$395	0	(\$395)	(\$467)
Temporary Family Assistance/TANF	\$0	\$132	\$132	\$132
Total Cash Assistance			(\$263)	(\$335)
Other Supports				
Safety net services, employment transportation, transitional rental assistance, energy assistance	\$9	\$8	(\$1)	(\$2)
Health				
Medicaid	\$1,756	\$2,630.	\$874	\$555
DMHAS disproportionate share	\$191	\$106	(\$85)	(\$120)
Disproportionate share—emergency medical assistance, Dempsey, urban hospitals	\$298	\$103	(\$195)	(\$249)
ConnPACE	\$28	\$64	\$36	\$31
HUSKY (including outreach, data, & Children's Health Council)	0	\$26	\$26	\$26
Other children's health services (e.g., MCH services, CT Children's Medical Center, school-based health care)	\$6	\$8	\$2	\$1
-Other health-services (LifeStar helicopter, CT home care program, disabilities services, AIDS drugs, vocational rehab, traumatic brain injury)	\$17	\$69	\$52	\$49
Total Health			\$710	\$293
Child care/day care/school readiness³²				
Child care subsidies	\$10	\$113	\$103	\$101
School readiness	0	\$4	\$4	\$4
Other child care (school age, day care, day care centers)	\$40	\$8	(\$32)	(\$39)
Total early care/child care			\$75	\$66
TOTAL CHANGE in funding for cash assistance, health, child care, and other supports			\$521	\$22
TOTAL CHANGE (less Medicaid)			(\$353)	(\$533)

³² This section does *not* include federal funds being spent on child care and child-care related services through such funding streams as the social services block grant (SSBG) (including funds transferred to the SSBG from the TANF block grant) and the child care and development block grant. Rather, it focuses on the state's *own* funding since it is *this* funding that is within the control of the Governor and General Assembly. Interestingly, federal funding through the SSBG has fallen over the 1990s, as has funding for childcare services through the SSBG (from \$3.804 million in FFY 01 to \$720,697 in FFY 03). DSS' SSBG funds are used for one grant to a private non-profit agency, DPH's SSBG funds are used to pay for child care licensing staff, and remaining funds are given to the CT Commission on the Arts for a model after-school art program. In FFY 04, DSS will receive \$53,906, and DPH \$666,791.

9. Department of Public Health (DPH)

a. A bit of background. DPH has responsibility for helping to protect the health of Connecticut's people by: monitoring infectious diseases, environmental and occupational health hazards, and birth defects; regulating health care providers; providing health testing and monitoring through the state laboratory; collecting and assessing health data; maintaining vital records; and working to prevent disease and promote wellness through education and programs such as prenatal care, newborn screening, immunizations, and AIDS awareness programs.

b. Revised SFY 03 budget. In this year's budget-balancing effort, DPH's budget took a particularly big cut, despite the clear need to bolster Connecticut's public health infrastructure to protect against bio-terrorism, and to reduce the economic and social burdens of chronic and infectious diseases by primary prevention.

DPH's revised SFY 03 budget is 4.7% *less* than the original SFY 03 budget. Two of DPH's budget accounts had no change while two enjoyed funding additions ("other expenses" increased by \$136,000 [2.1%] and children with special health care needs by \$305,000 [42%]). However, *all other* budget accounts were cut, some by more than 20% (e.g. young parents program, pregnancy health line, children's health initiatives, genetic diseases program). Most curious was an 11% cut in funding to local health departments, although these departments are Connecticut's "first responders" for public health emergencies. While not shown in the table below, 24 of DPH's 29 budget accounts were cut so much in the revised SFY 03 budget that funding now falls below SFY 02 levels, even without adjusting for inflation

As discussed in more detail in note 34 *infra*, some of these cuts were mitigated by the re-allocation of SFY 01 surplus funds, with unexpended funds carried forward into SFY 03. Use of these "one-time" funds, however, only preserves the programs/services in the current fiscal year; no on-going funding is provided.

The following table shows the DPH budget accounts that were *increased*, as well as those that were *decreased* by \$100,000 or more, or by more than 1% of the total budget account.³³

³³ PA 02-1 (MSS)(as amended by HB 6004, §114) re-directed some "SFY 01 surplus" funds that had been appropriated to other budget accounts to DPH, and authorized that unexpended funds on June 30, 2002 be carried forward into SFY 03. Re-allocated surplus funds are: a) \$361,208 for tobacco education (a \$886,000 reduction from the \$1,248,208 originally included in PA 02-1); b) \$500,000 for biomedical research related to heart disease, cancer and other tobacco-related diseases; and c) \$145,000 for community-based health services (\$70,000 for school-based health services in Norwich and \$75,000 for community health services provided by the Vernon Area Community Health Center). Other unexpended funds that are authorized to be carried forward for use in SFY 03 total \$1.358 million and include: a) \$325,402 for the state loan repayment program; b) \$705,516 for children's health initiatives; c) \$986,000 for tobacco education; d) \$102,096 for the young parents program; e) \$50,390 for AIDS services; f) \$3,500 for breast and cervical cancer detection and treatment; g) \$10,781 for community services support for persons with AIDS; and h) \$69,368 for other expenses. These funds are not included in the table showing DPH's SFY 03 revised budget as they are one-time revenues for use in SFY 03, and not on-going funding support for these programs.

Department of Public Health	Revised SFY 03 Budget (PA 02-1, MSS, HB6002)	Original SFY 03 Budget	Revised SFY 03 Budget Compared to Original SFY03 Budget (revised \$ less original \$)	Revised SFY 03 Budget Compared to Original SFY 03 Budget (% change)
	[\$M]	[\$M]	[\$M]	[%]
Personal Services	\$30.696	\$30.896	(\$0.200)	-0.6%
Other expenses	\$6.421	\$6.355	\$0.136	2.1%
Other Current Expenses				
Young parents program	\$0.136	\$0.199	(\$0.063)	-31.8%
Pregnancy Health line	\$0.083	\$0.111	(\$0.028)	-25.3%
Needle & syringe exchange	\$0.333	\$0.400	(\$0.067)	-16.8%
Community services support for persons with AIDS	\$0.198	\$0.216	(\$0.018)	-8.3%
Children's health initiatives	\$1.284	\$1.619	(\$0.335)	-20.7%
Tobacco education	\$0.186	\$0.200	(\$0.014)	-6.9%
CT immunization registry	\$0.202	\$0.221	(\$0.018)	-8.3%
Newborn hearing screening	\$0.065	\$0.070	(\$0.005)	-6.9%
Childhood lead poisoning	\$0.244	\$0.266	(\$0.022)	-8.3%
AIDS services	\$3.994	\$4.269	(\$0.274)	-6.4%
Liability coverage for volunteer retired physicians	\$0	\$0.004	(\$0.004)	-100%
Breast & cervical cancer detection and treatment	\$1.674	\$1.952	(\$0.278)	-14.2%
Services for children affected by AIDS	\$0.262	\$0.286	(\$0.024)	-8.3%
Children with special health care needs	\$1.034	\$0.728	\$0.305	41.9%
Medicaid administration	\$3.417	\$3.993	(\$0.577)	-14.4%
Payments to Other than Local Governments				
Community health services	\$5.842	\$6.979	(\$1.137)	-16.3%
Emergency medical services (EMS) training	\$0.034	\$0.036	(\$0.003)	-6.9%
EMS regional offices	\$0.501	\$0.523	(\$0.022)	-4.2%
Rape crisis services	\$0.424	\$0.462	(\$0.038)	-8.3%
Genetic diseases program	\$0.546	\$0.805	(\$0.259)	-32.1%
Loan repayment programs	\$0.167	\$0.195	(\$0.028)	-14.4%
Immunization services	\$7.020	\$7.127	(\$0.107)	-1.5%

Grant Payments to Local Governments				
State and local departments of health	\$3.946	\$4.446	(\$0.500)	-11.2%
Venereal disease control	\$0.215	\$0.231	(\$0.016)	-6.9%
School-based health clinics	\$5.913	\$6.038	(\$0.125)	-2.1%
TOTAL –GENERAL FUND	\$575.528	\$79.248	(\$3.720)	-4.7%

c. Specific program and service changes. The sole programs and services enjoying *funding increases* in the revised SFY 03 budget are:

- *Other expenses* (\$475,000 to annualize the SFY 02 deficiency, due primarily to laboratory costs in excess of budget and \$64,000 for additional costs of a maintenance agreement with an outside vendor for DPH’s Electronic Vital Registry System which is used for public health surveillance);
- *Children with special health care needs* (\$325,000 for enhanced services, including \$75,000 for part-year salaries for 2 case managers to provide care coordination for additional families and \$250,000 to expand community respite programs for planned and emergency respite);
- *School based health clinics* (\$75,000 for enhanced school-based health services in New Britain).

Spending reductions in the SFY 03 budget include:

- *Annualized “savings”* from SFY 02 deficit reduction efforts. A total of \$1.374 million is cut, with greatest reductions in personal services (\$200,000), AIDS services (\$213,438), Medicaid administration (\$400,000), community health services (\$100,000), genetic diseases program (\$100,000), and school-based health clinics (\$200,000). The revised SFY 03 budget also cuts \$16,000 from emergency medical services regional offices (as compared to the Governor’s proposed reduction of \$116,000);
- *Reductions in various grants.* A total of \$1.915 million is cut from 23 different accounts, with greatest cuts in other expenses (\$102,662), children’s health initiatives (\$253,774), breast and cervical cancer detection and treatment (\$255,493), community health services (\$183,579), genetic diseases program (\$158,647), immunization services (\$106,898), and local and district health departments (\$500,000);
- *Public service announcements* (\$325,000 is cut from funding for public service announcements from the breast/cervical cancer detection and treatment and the young parents program accounts);
- *Community health centers* (\$853,531 is cut from the centers’ subsidy, in response to mandated increase in Medicaid funding to federally-qualified health centers from 95% to 100% of allowable per visit cost).
- *Volunteer retired physicians* (\$4,235 is cut to reflect the elimination of liability coverage for retired physicians who volunteer to provide at least 150 hours per year of care in community health centers and other primary care centers).

The SFY 03 budget directs (pursuant to section 95 of PA 02-7 MSS) that \$345,000 in fees collected from new newborn testing be credited to DPH’s appropriation for “other expenses” to implement

the provisions of PA 02-113, requiring additional newborn testing for certain metabolic disorders. (The minimum fee DPH charges hospitals for testing, tracking, and patient counseling is increased from \$18 to \$28.)

In addition, the revised SFY 03 budget rejects the Governor's proposals to: a) eliminate the Office of Health Care Access and transfer its planning, data collection, and financial oversight functions to DPH (with a purported "savings" of \$2.679 million); and b) add 9 positions in DPH to enhance bio-terrorism preparedness (\$500,000).

10. Department of Mental Retardation (DMR)

a. A bit of background. The Department of Mental Retardation provides a range of services to persons with mental retardation and their families, including case management, respite, family support, residential, employment/day supports, and recreation services. DMR also acts as the lead agency in the Birth-to-Three program that serves infants and toddlers with developmental delays. It also helps assure that adequate health services are provided to persons receiving DMR residential care, and adequate representation and services are provided to DMR clients who become involved in the criminal justice system.

A number of the services provided by DMR are eligible for reimbursement from the federal government under the Medicaid program. About \$272.7 million of federal reimbursements are projected to be recovered in SFY 03: a) \$80.8 million for intermediate care facilities for the mentally-retarded (ICF-MR); b) \$183.4 million for services under the Home and Community-Based waiver; c) \$4.9 million for targeted case management services; and d) \$3.6 million for the Birth-to-Three program.

b. Revised SFY 03 budget. DMR's revised SFY 03 budget is about 0.4% (\$2.738 million) *more than* its original SFY 03 budget. Budget accounts enjoying spending increases include: early intervention services (\$1.362 million), workers' compensation claims (\$0.557 million), employment opportunities and day services (\$0.716 million) and community residential services (\$2.052 million).

Cuts to below SFY 02 spending in many accounts. Despite these funding increases, the revised SFY03 funding for a number of the DMR budget accounts is *less than was spent in SFY 02*. Though not shown on the table below, the accounts with revised SFY 03 appropriations that are *below SFY 02 spending* include human resource development, family support grants, clinical services, early intervention, temporary support services, community temporary support services, community respite care programs, rent subsidy program, respite care, and family reunion program. For example, although early intervention services are increased by \$1.362 in the revised SFY 03 budget over the original SFY 03 budget (from \$19.280 million to \$20.642 million), \$20.956 million was the estimated amount spent for early intervention services in SFY 02. That is, compared to SFY 02, early intervention services are *cut* in the revised SFY 03 budget by \$314,000 (not adjusted for inflation).

The following table shows all DMR budget accounts that were *increased*, as well as those that were *decreased* by \$100,000 or more, or by more than 1% of the total budget account.³⁴

³⁴ PA 02-1 (MSS)(as amended by HB 6004, §114) also re-directed some "SFY 01 surplus" funds that had been appropriated to other budget accounts to DMR, and authorized that unexpended funds on June 30, 2002 be carried

Department of Mental Retardation	Revised SFY 03 Budget (PA 02-1, MSS, HB6002)	Original SFY 03 Budget	Revised SFY 03 Budget Compared to Original SFY03 Budget (revised \$ less original \$)	Revised SFY 03 Budget Compared to Original SFY 03 Budget (% change)
	[\$M]	[\$M]	[\$M]	[%]
Personal Services	\$282.825	\$283.993	(\$1.168)	-0.4%
Other expenses	\$23.290	\$23.173	\$0.117	0.5%
Other Current Expenses				
Human resource development	\$0.231	\$0.354	(\$0.123)	-34.7%
Family support grants	\$0.993	\$1.008	(\$0.015)	-1.5%
Pilot programs for client services	\$2.250	\$2.235	\$0.015	0.7%
Cooperative placements programs	\$11.071	\$11.033	\$0.038	0.3%
Clinical services	\$3.863	\$4.128	(\$0.065)	-6.4%
Early intervention services	\$20.642	\$19.280	\$1.362	7.1%
Temporary support services	\$0.205	\$0.208	(\$0.003)	-1.5%
Community temporary support services	\$0.067	\$0.068	(\$0.001)	-1.5%
Community respite care programs	\$0.330	\$0.335	(\$0.005)	-1.5%
Worker's compensation claims	\$10.236	\$9.689	\$0.557	5.7%
Payments to other than Local Governments				
Rent subsidy program	\$2.677	\$2.718	(\$0.041)	-1.5%
Respite care	\$2.082	\$2.114	(\$0.032)	-1.5%
Family reunion program	\$0.138	\$0.140	(\$0.002)	-1.5%
Employment opportunities and day services	\$115.553	\$114.817	\$0.716	0.6%
Family placements	\$1.844	\$1.832	\$0.012	0.7%
Emergency placements	\$3.644	\$3.620	\$0.024	0.7%
Community residential services	\$242.809	\$240.757	\$2.062	0.9%
TOTAL –GENERAL FUND	\$724.733	\$721.995	\$2.738	0.4%

c. **Specific program and service changes** The programs and services enjoying *funding increases* in DMR's revised SFY 03 budget are:

forward into SFY 03. These additional funds are \$12,000 for a new family center in Bristol. These funds are not included in the table in the text because they are one-time in nature and do not reflect on-going funding support.

- *Birth-to-Three expansion.* \$1.255 million in *new* funds in the Early Intervention account are provided to support an increased number of infants and toddlers with developmental delays who are in the Birth-to-Three program.
- *Community residential services.* An additional \$500,000 is provided for six months of community services for 8 residents of the Southbury Training School who want to move into community placements (i.e. \$125,000/client/year).
- *Workers' compensation claims.* \$556,516 more for additional workers' compensation claims anticipated in SFY 03.
- *Private provider funding increases.* \$4.25 million of funds are transferred from OPM to DMR to provide cost of living adjustments for providers of services in a variety of DMR programs: pilot programs for community services, cooperative placement programs, early intervention, employment opportunities and day services, family placements, emergency placements, and community residential services. (Also, as is true for other agencies, the private provider 1.5% COLA is delayed for four months (until November 1, 2002) to "save" \$1.785 million.)

Spending reductions in DPH's revised SFY 03 budget include:

- *Annualized SFY 02 savings.* \$924,098 is cut to reflect the annualization of cuts made to address the SFY 02 deficit in the personal services, human resource development and clinical services accounts.
- *Services to support the aging population.* This account was established to provide supportive services to individuals on the DMR residential waiting list who are being cared for at home by elderly caregivers. The SFY 02 budget had included \$250,000 to provide; by the end of the fiscal year, services/supports for an estimated 15 individuals on the wait list (with an annualized cost of \$500,000, or more than \$33,000/year/individual). This \$500,000 annualized cost is eliminated from the revised SFY 03 budget; services for these individuals are to be funded through the community residential services account.
- *Staff training.* \$100,000 is cut from the human resource development account, reducing funding for staff training and development.
- *1.5% cuts.* A total of \$517,408 is cut from 10 DMR accounts to achieve savings in SFY 03.

Not included in the revised SFY 03 budget is the \$1.3 million recommended by the Governor to renegotiate SFY 03 contracts with (and provide supplemental funding for) private providers experiencing extraordinary costs.

11. Department of Mental Health and Addiction Services (DMHAS)

a. A bit of background. DMHAS is responsible for improving the quality of life of Connecticut's residents who have psychiatric or substance abuse disorders through treatment and recovery-oriented services. It also has responsibility for prevention and early intervention programs to reduce the onset and severity of such behavioral problems.

b. Revised SFY 03 budget. DMHAS' revised SFY 03 budget is \$19.429 million *less* than the original SFY 03 budget – a cut of 4.2%. Only three of DMHAS' budget accounts were spared from cuts – managed service system, behavioral health medications, and traumatic brain injury (TBI)

community services. Growth in the behavioral health medications account is particular striking – a 66% increase (\$2.5 million more than in the original SFY 03 budget).

Cuts to below SFY 02 spending in many accounts. Although not shown on the table below, the revised SFY 03 budget cuts *most* of DMHAS’ budget accounts to levels that are *below the amount budgeted for SFY 02*. Accounts funded at levels that are *less than what was spent in SFY 02* (without adjusting for inflation) include: other expenses; legal services; CT Mental Health Center; Capitol Region Mental Health Center; professional services; Regional Action Councils; worker’s compensation claims; nursing home screening; special populations; TBI community services; transitional youth; jail diversion; grants for substance abuse services; the Governor’s Partnership to Protect CT’s Workforce; and grants for mental health services.

The following table shows all DMHAS budget accounts that were *increased*, as well as those that were *decreased* by \$100,000 or more, or by more than 1% of the total budget account.³⁵

Department of Mental Health and Addiction Services	Revised SFY 03 Budget (PA 02-1, MSS, HB6002)	Original SFY 03 Budget	Revised SFY 03 Budget Compared to Original SFY03 Budget (revised \$ less original \$)	Revised SFY 03 Budget Compared to Original SFY 03 Budget (% change)
	[\$M]	[\$M]	[\$M]	[%]
Personal Services	\$157.603	\$161.704	(\$4.000)	-2.5%
Other expenses	\$25.821	\$25.973	(\$0.152)	-0.6%
Other Current Expenses				
Housing supports and services	\$5.236	\$6.139	(0.903)	-14.7%
Managed service system	\$23.606	\$22.394	\$1.213	5.4%
Behavioral health medications	\$6.283	\$3.779	\$2.504	66.3%
Legal services	\$0.394	\$0.400	(\$0.006)	-1.5%
CT Mental Health Center	\$7.236	\$8.230	(\$0.994)	-12.1%
Capitol Region Mental Health Center	\$0.340	\$0.346	(\$0.005)	-1.5%
Professional services	\$4.509	\$4.781	(\$0.272)	-5.7%

³⁵ PA 02-1 (MSS)(as amended by HB 6004, §114) also re-allocated some “SFY 01 surplus” funds that had been appropriated to other budget accounts to various DMHAS accounts and authorized that unexpended funds on June 30, 2002 be carried forward into SFY 03. These additional funds are: a) \$450,000 for the Connecticut Mental Health Center; and b) \$200,000 for the Regional Action Councils. However, none of these funds actually were carried forward into SFY 03 for expenditure. An additional \$100,000 of unexpended funds allocated to DMHAS are carried forward for use in SFY 03, but are re-allocated to the Central Connecticut State University for the Institute for Municipal and Regional Policy (section 45). Other unexpended funds carried-forward into SFY 03 are: \$401,332 for the Medicaid rehabilitation option and specialty health care plan, \$3,177,132 for the Community Mental Health Strategic Investment Fund, \$1,298,840 for clinical work stations, and \$375,000 for grants for mental health services. These funds are not included in the table in the text as they are one-time in nature and are not on-going funding for these accounts.

Regional Action Councils	\$0.466	\$0.750	(\$0.284)	-37.8%
General Assistance Managed Care	\$67.605	\$76.463	(\$8.858)	-11.6%
Worker's Compensation Claims	\$5.082	\$5.710	(\$0.628)	-11.0%
Nursing home screening	\$0.485	\$0.493	(\$0.007)	-1.5%
Special populations	\$18.881	\$20.829	(\$1.947)	-9.3%
Traumatic brain injury (TBI) community services	\$4.368	\$3.986	\$0.383	9.6%
Transitional youth	\$3.388	\$3.512	(\$0.124)	-3.5%
Jail diversion	\$3.190	\$3.309	(\$0.119)	-6.2%
Payments to other than Local Governments				
Grants for substance abuse services	\$19.821	\$21.102	(\$1.280)	-6.1%
Governor's Partnership to Protect CT's Workforce	\$0.400	\$0.470	(\$0.070)	-15.0%
Grants for mental health services	\$73.754	\$77.466	(\$3.712)	-4.8%
Employment opportunities	\$9.592	\$9.668	(\$0.076)	-0.8%
TOTAL –GENERAL FUND	\$438.065	\$457.503	(\$19.439)	-4.2%

12. Office of Policy and Management (OPM)

a. A bit of background. OPM provides information and policy analyses to the Governor to assist him in formulating public policy and assists state agencies and municipalities in implementing policy. OPM also is responsible for preparing the Governor's budget and executing the budget as adopted. It seeks to improve the effectiveness of state services by ensuring efficient use of resources (through research, policy development and inter-agency coordination) and provides statewide organizational management for the state's various agencies.

b. Revised SFY 03 budget. OPM's revised SFY 03 budget is 8.2%, or about \$14 million, *less* than the original SFY 03 budget. The following table shows budget accounts that were *increased*, as well as those that were *decreased* by \$100,000 or more, or by more than 1% of the total budget account.³⁶ Accounts that had no change included: a) tax relief for elderly renters (\$12.8 million); b)

³⁶ PA 02-1 (MSS)(as amended by HB 6004, §114) also re-allocated some "SFY 01 surplus" funds that had been appropriated to other budget accounts to OPM, and authorized that unexpended funds on June 30, 2002 be carried forward into SFY 03. These additional funds are: a) \$75,000 for the Amistad; b) \$10,000 for "Adopt-A-House" in Stamford; c) \$200,000 for Waterbury Youth Net; d) \$100,000 for library improvements; e) \$1.1 million for the International Festival of Arts and Ideas; and f) \$3 million for local aid adjustment. Of these, only the funds for Amistad, the Adopt-A-House, and \$900,000 of the arts grants are actually carried-forward for use in SFY 03. Other carry-forwards authorized include: a) \$346,207 for drug enforcement programs (as discussed more in the text); b) \$2.76 million for justice assistance grants (state funds used to provide the required 25% match for federal funds provided through various United States Department of Justice programs including Juvenile Justice and Delinquency Prevention, Local Law Enforcement Block grant, Residential Substance Abuse Treatment, STOP Violence Against Women formula grant, and the Byrne formula grant which funds are distributed to state justice agencies, towns, and local non-profits for program implementation); c) \$8.573 million for litigation/settlement; d) \$432,000 for other expenses; e) \$265,754 to relocate Hartford City offices; f) \$1.591 million for PILOT for new manufacturing machinery and equipment, and g) \$119,000

property tax reimbursement-disability exemption (\$450,000); c) property tax relief-elderly circuit breaker (\$22 million); d) property tax relief for veterans (\$8.9 million); e) capitol city economic development (\$750,000); and f) grants to host towns for waste water treatment facilities (\$250,000).

Office of Policy and Management	Revised SFY 03 Budget (PA 02-1, MSS, HB6002)	Original SFY 03 Budget	Revised SFY 03 Budget Compared to Original SFY03 Budget (revised \$ less original \$)	Revised SFY 03 Budget Compared to Original SFY 03 Budget (% change)
	[SM]	[SM]	[SM]	[%]
Personal Services	\$14.266	\$14.716	(\$0.450)	-3.1%
Other expenses	\$2.140	\$1.986	\$0.154	7.8%
Other Current Expenses				
Automated budget system & database link	\$0.104	\$0.155	(\$0.052)	-33.2%
Drugs Don't Work	\$0.248	\$0.475	(\$0.227)	-47.9%
Leadership, Education, and Athletics in Partnership (LEAP)	\$1.896	\$2.077	(\$0.181)	-8.7%
Child and youth program development	\$0.491	\$0.750	(\$0.259)	-34.5%
Justice assistance grants	\$1.789	\$2.289	(\$0.500)	-21.8%
Neighborhood youth centers	\$1.226	\$1.846	(\$0.620)	-33.8%
High efficiency licensing program	\$0	\$0.250	(\$0.250)	-100%
Boys and girls club	\$0.260	\$0.350	(\$0.090)	-26.5^
Payments Other than to Local Governments				
Drug enforcement program	\$1.193	\$1.414	(\$0.221)	-15.8%
Private providers support	\$0	\$7.500	(\$7.500)	-100%
Grant payments to Local Governments				
Distressed municipalities	\$8.251	\$6.500	\$1.751	26.9%
Property tax relief –elderly freeze program	\$2.700	\$1.830	\$0.870	47.5%
Drug enforcement program	\$6.500	\$9.266	(\$2.766)	-29.9%
Payment in lieu of taxes (PILOT)- new manufacturing and equipment	\$71.725	\$75.500	(\$3.775)	-5.0%
TOTAL –GENERAL FUND	\$157.94	\$172.056	(\$14.116)	-8.2%

for Interlocal agreements. None of the \$18.085 million in funds carried forward in OPM's revised SFY 03 budget are included in the table in the text as they are "one-time" revenues, and do not reflect on-going support for these initiatives.

c. Specific program and service changes. The programs and services enjoying *funding increases* in OPM's revised SFY 03 budget are:

- *Funding for distressed municipalities.* \$1.75 million is added to this program which provides 5-year state reimbursement for 50% of the property tax lost by towns as a result of a state exemption from the local property tax granted to qualified manufacturing facilities in designated municipalities. These manufacturing facilities can receive a tax reduction equal to 80% of the local property tax on their real estate and personal property. Additional funds are needed because of increased construction and personal property that qualifies for the exemption "in the southeast portion of the state."
- *Elderly tax freeze program.* The property tax freeze program was established in the late 1960s, and has accepted no new applications *since 1978*. Elderly and disabled persons who applied and qualified for tax relief had their property tax frozen at that year's net benefit level. \$870,000 is added to the SFY 03 budget because eligible persons are living longer than had been projected.

Spending reductions in OPM's revised SFY 03 budget, as noted below, include many cuts in grants to local municipalities that pass funding responsibility for these programs onto towns, and the local property tax. Cuts include:³⁷

- *Annualize savings from SFY 02 deficit reduction plan.* \$1.2 million is cut from: a) Drugs Don't Work (\$221,250, resulting in elimination of 1-2 positions); b) Children and Youth Development Program (\$250,500, decreasing funds for grants for prevention and early intervention programs for children and youth); c) Neighborhood Youth Centers (\$600,000, to be allocated on a pro rata basis among the 28 youth centers in Connecticut's seven largest cities, with grant reductions ranging from \$3,000 to \$37,000); and d) Boys and Girls Club account (\$85,000, allocated *pro rata* among the 15 eligible clubs).
- *Drug enforcement program grants.* \$2.766 million is cut from the account that provides grants-in-aid to towns for law enforcement, education and crime prevention activities. Programs funded through these grants include drug enforcement and education, summer youth recreation, local drug enforcement task force, and safe neighborhoods. The impact of this cut is mitigated in small part by \$346,207 in carry-forward funds from SFY 02.
- *Payment in Lieu of Taxes (PILOT) for New Manufacturing Machinery Equipment.* \$3.775 million is cut from grants to towns for property taxes lost through the state exemption from local property taxes for new manufacturing equipment (including trucks involved in interstate commerce that have a gross weight rating over 55,000 pounds). The state's reimbursement rate is cut from 100% of the property taxes lost to 80%.
- *Wastewater treatment facility grants.* All funding is cut (\$250,000) from this program that provided grants of \$50,000 to each of five towns (Cromwell, Waterbury, Naugatuck, New Haven and Hartford) that host wastewater treatment facilities for sewage sludge incineration.

³⁷ In addition, \$7.5 million from OPM's "private provider" account is re-allocated to a number of state agencies (DMR, DMHAS, DCF, DSS, DOC, Judicial, Children's Trust Fund) to allow them to make cost-of-living adjustments for their private providers. These re-allocated funds are shown in the respective agency budgets (where they are also reduced to reflect a delay in implementing the COLAs).

These facilities are exempt from local property tax (since they are municipal property). The grants helped compensate the towns for hosting these facilities.

- *Other grant-funded programs.* The General Assembly made nearly \$1.49 million in additional cuts to 12 budget accounts that were not on the Governor’s proposed list. Included in these reductions is a \$181,151 cut to the *Leadership, Education, Athletics in Partnership (LEAP)* program. This cut, together with the net loss of \$450,000 in federal AmeriCorps funding, has resulted in LEAP closing its New London program effective 10/1/02.³⁸ There is also a \$221,215 cut to the Drug Enforcement program account that will decrease by 20% the amount of funding available to the Statewide Narcotics Task Force for overtime costs and equipment used in investigations of large drug rings.

The General Assembly rejected the Governor’s proposal to add \$250,000 to establish a State Disaster Contingency Fund and another \$500,000 to support state training needs and preparedness activities. It also rejected the Governor’s proposal to add \$48,000 to fulfill the state’s obligation to 15 towns that had signed agreements to conduct town-wide revaluations jointly with other towns.

d. A bit more detail. Over the past two years, OPM’s funding for programs that support positive youth development and provide structured activities for at-risk children and youth have been hard hit by budget cuts, as the following table illustrates:

Youth-related funding cuts in OPM Budget: 2001 to 2003			
Program	SFY 01 budget (actual)	Reduction in Funding (SFY 01 less revised SFY 03)	% reduction from SFY 01 to SFY 03 (rev.)
Leadership, Education, Athletics in Partnership (LEAP)	\$2,326,700	(\$431,151)	-18.5%
Drugs Don’t Work	\$475,000	(\$227,306)	-47.9%
Truancy Prevention	\$580,000	(\$560,000)	-100.0%
Child and Youth Program Development	\$1,353,118	(\$861,906)	-63.7%
Neighborhood Youth Centers	\$1,846,107	(\$620,192)	-33.6%
Boys and Girls Clubs	\$350,000	(\$89,725)	-25.6%

Cutting funds in such programs can be viewed as “penny-wise, and pound-foolish.” These programs are designed to enhance educational outcomes, promote self-esteem, reduce substance use, and otherwise foster the healthy growth and development of some of Connecticut’s most at-risk children and youth. The per person cost of programs to “treat” educational failure, drug use, and mental health problems far exceeds the per person cost of these “front-end” prevention-oriented initiatives.

³⁸ LEAP is a nationally-acclaimed program that has provided year-round educational and social development programs to hundreds of elementary and middle-school-aged children and youth from low-income neighborhoods in New Haven (5 sites), New London (2 sites), Hartford (2 sites), Waterbury (2 sites) and Bridgeport (2 sites).

13. Judicial Department

a. A bit of background. The Judicial Department operates the state’s civil, criminal, family and juvenile courts, maintains a range of alternatives to incarceration programs for both pre-and post-conviction adults and juveniles, supervises probationers in the community, advocates for the victims of crime, provides mediation services to resolve family and interpersonal conflicts, enforces child support orders, provides for transportation of prisoners between courthouses and places of confinement, and operates the state’s three juvenile detention facilities (in Bridgeport, New Haven, and Hartford).

b. Revised SFY 03 budget. The Judicial Department’s SFY 03 revised budget is cut by just 0.8% (\$3.094) as compared to the original SFY 03 budget. The area of greatest budget growth was in personal services (a nearly \$28 million increase, discussed below). The following table shows all Judicial Department budget accounts that were *increased*, as well as those that were *decreased* by \$100,000 or more, or by more than 1% of the total budget account.³⁹

Judicial Department	Revised SFY 03 Budget (PA 02-1, MSS, HB6002)	Original SFY 03 Budget	Revised SFY 03 Budget Compared to Original SFY03 Budget (revised \$ less original \$)	Revised SFY 03 Budget Compared to Original SFY 03 Budget (% change)
	[\$M]	[\$M]	[\$M]	[%]
Personal Services	\$239.620	\$212.044	\$27.576	13.0%
Other expenses	\$59.935	\$57.896	\$2.040	3.5%
Equipment	\$2.208	\$2.192	\$0.016	0.7%
Other Current Expenses				
Alternative incarceration program	\$34.367	\$35.251	(\$0.884)	-2.5%
Justice Education Center, Inc.	\$0.219	\$0.232	(\$0.013)	-5.6%
Juvenile alternative incarceration	\$21.814	\$21.658	\$0.156	0.7%
Juvenile justice centers	\$2.868	\$2.847	\$0.021	0.7%
Probate Court	\$0	\$0.500	(\$0.0500)	-100%
Truancy services	\$0.363	\$1.030	(\$0.667)	-64.7%
Sheriffs’ transition account	\$0	\$30.840	(\$30.840)	-100%
TOTAL –GENERAL FUND	\$361.396	\$364.490	(\$3.094)	-0.8%

³⁹ PA 02-1 (MSS)(as amended by HB 6004, §114) also re-directed \$400,000 of “SFY 01 surplus” funds that had been appropriated to other budget accounts to the Alternative Incarceration program in the Judicial Department, and authorized that unexpended funds on June 30, 2002 be carried forward into SFY 03. In addition, \$2.662 million in unexpended SFY 02 funds for the sheriffs’ transition account are carried forward for use in SFY 03, as are \$25,733 in funds for Spanish language interpreter certification. This \$3.088 million in carry-forward funds is not included in the table in the text since they are one-time revenues and are not on-going support for these budget accounts.

c. **Specific program and service changes.** The programs and services enjoying *funding increases* in the Judicial Department's revised SFY 03 budget are:

- **Judicial marshals.** \$28.82 million of funds are added to the "personal service" account and \$1.97 million to the "other expenses" account to include Judicial Marshals within the Judicial Department. The Department's authorized position count is also increased by 834. To cover these costs, \$30.84 million of funds is transferred from the "Sheriff's Transition" account. This enables the transition begun by PA 00-99 (AA Reforming the Sheriff System) which transferred the courthouse security and prisoner transportation functions of the sheriffs to the Judicial Department effective December 1, 2000. In addition, as mentioned in note 40, *supra*, \$2.66 million of unexpended SFY 02 funds in the sheriff's transition account are carried forward for use in SFY 03 to cover continuing costs of the transition.
- **Juvenile probation officers.** Funding of \$805,047 is authorized to continue funding for 25 juvenile probation officers. Federal funding under the Juvenile Accountability Incentive Block Grant (JAIBG) is ending. The \$754,997 for personal services and \$50,050 for other expenses covers a half-year of funding for these JPOs who are assigned to 10 of the 13 juvenile courts and who supervise about 900 cases. Hiring these 25 JPOs resulted in a reduction of the caseload ratio from 1:65 in December 1999 to 1:36 in June 2001.
- **Private Provider COLA.** \$740,625 of OPM's funds are transferred to the following Judicial Department accounts to provide cost of living adjustments for private providers of services: Alternative Incarceration Program, Justice Education Center, Juvenile Alternative Incarceration, Juvenile Justice Centers, and Truancy Services. A four-month delay in providing the COLA (until November 1, 2002) results in a "savings" of \$311,058 in these accounts.

Spending reductions in the Judicial Department's revised SFY 03 budget include:

- **Probate Court.** Funding for the Probate Courts to subsidize court costs in cases involving indigent persons is eliminated from the budget (\$500,000). The Probate Court Administrative Fund, which is funded through fees charged for Probate Court services, had a 2002 fund balance of \$23.8 million. This was felt to be sufficient to cover these costs, without Judicial Department subsidy.
- **Youth in Crisis.** Targeted funding (\$675,000) is eliminated from the "truancy services" account for 16 and 17-year-old youth found to be "youth in crisis" under PA 00-177; youth are to be served through "existing contracts to serve juvenile delinquents and persons with families with service needs (FWSN) status.
- **Appellate Court move.** \$1.15 million is cut from the SFY 03 budget to reflect a delay in moving administrative offices into 90 Washington Street in Hartford, a first step in the relocation of the Appellate Court to 75 Elm Street (where the administrative offices are located currently).
- **Annualize SFY 02 cuts.** \$1.6 million is cut to annualize reductions made in SFY 02 to address the deficit: a) \$1 million from personal services (to be achieved by delaying the filling of 20-25 positions in SFY 03); b) \$600,000 from the Alternative Incarceration program (with the cuts to be allocated to non-residential service providers only); and \$11,448 from the Justice Education Center grant.

- **Additional cuts.** An additional \$2.476 million is cut by the General Assembly “to effect economies” in the following accounts: a) personal services (\$1 million); b) other expenses (\$912,722 million); c) alternative incarceration program (\$526,134); and d) lesser amounts from “other expenses” and the Justice Education Center account.

One of the casualties from cuts to the Judicial Department’s budget are the Drug Courts, which closed August 1, 2002 with the lay-off of more than 90 temporary, part-time clerks and marshals. These courts (started in New Haven in 1996 and then expended to Hartford, Bridgeport and Waterbury) offered drug treatment programs instead of jail time to addicts who pled guilty to non-violent drug charges. Addicts were eligible if they had serious drug problems and were ready for treatment; no violent offenders or major drug dealers could participate. If the addicts successfully completed the 48-week treatment program, they were put on probation where they were subject to random drug tests. If they completed the whole program (which could last up to 15 months) their charges were dropped. If they failed, they were incarcerated. Since 1996, 536 people statewide had enrolled: 195 graduated, 180 dropped out, and 170 were still enrolled. The closing of the courts (which were viewed as more costly and labor-intensive than regular courts since they provide more services) is anticipated to “save” the state about \$1 million. Others predict that the failure to provide treatment to addicts will result in an increase in the crime rate and additional costs to the Judicial Department (as well as costs to others who are victimized by the crimes). Connecticut is apparently the first state to totally eliminate a drug court program.

14. Department of Correction (DOC)

a. A bit of background. The DOC operates Connecticut’s 18 adult correctional facilities and 5 community enforcement offices. As of July 1, 2002, there were 20,529 persons under DOC supervision – 18,873 in prisons and jails and 1,656 in DOC community supervision (e.g. half-way houses). More than 9 in 10 were men. Included in this number are 500 sentenced inmates being held in prison in Greensville, Virginia. Of the total population, nearly 80% were sentenced, while the balance were accused persons being held awaiting trial. More than one in four inmates are in prison for offenses that carry a mandatory minimum sentence, ranging from capital felony and murder (0.2% and 3.2% of all inmates, respectively) to first and subsequent DWI convictions (3.1% of inmates).⁴⁰

The men and women who are in DOC custody are disproportionately non-white, with low educational attainment and high mental health and substance abuse treatment needs. For example:

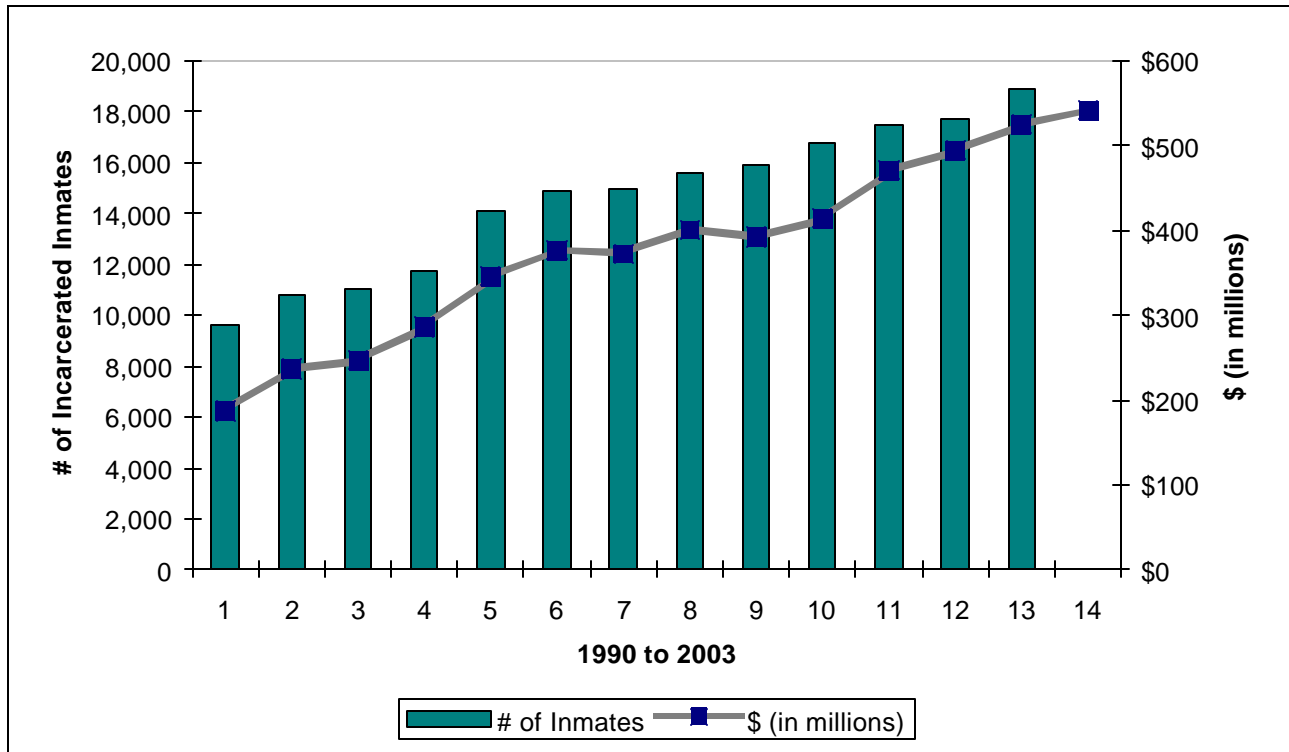
- 78% of Connecticut’s general population is non-Hispanic white, compared to 21% of the DOC population. By comparison, 9.4% of the general population is black, compared to 47% of the DOC population.
- 84% of Connecticut residents (over age 25) have high school degrees and 31% have a four-year college degree or higher. By comparison, only 23% of DOC’s population has had 12 years of formal education or more; more than three in four inmates (77%) have an 11th grade education *or less*. Of the DOC inmates enrolled in educational programs (as of October 1, 2000), 20.2% were in Adult Basic Education (ABE) 1 (grades 0-4), 28.5% in ABE 2 (grades 5-8), 20.3% in ABE 3/GED (grades 9-12), 19.9% in vocational

⁴⁰ OLR, *Mandatory Sentences-Inmate Population* (2000-R-0664) (July 25, 2002).

education, 2.6% in post-GED, 3.3% in English as a Second Language, and 5.2% in post-secondary education programs.⁴¹

- DOC estimates that *nearly 85%* of inmates have a substance abuse problem – drugs, alcohol, or both – yet treatment is provided to only 12% of the inmates who need it.⁴²

Between 1990 and 2002, DOC's *incarcerated* inmate population increased by 97% (from 9,589 to 18,873 inmates) and its budget by 190% (from \$186.9 million to \$542 million), as illustrated in the following chart that shows both the growth in the number of incarcerated inmates and in General Fund spending (in millions) over the fourteen year period from 1990 through 2003 (revised budget):



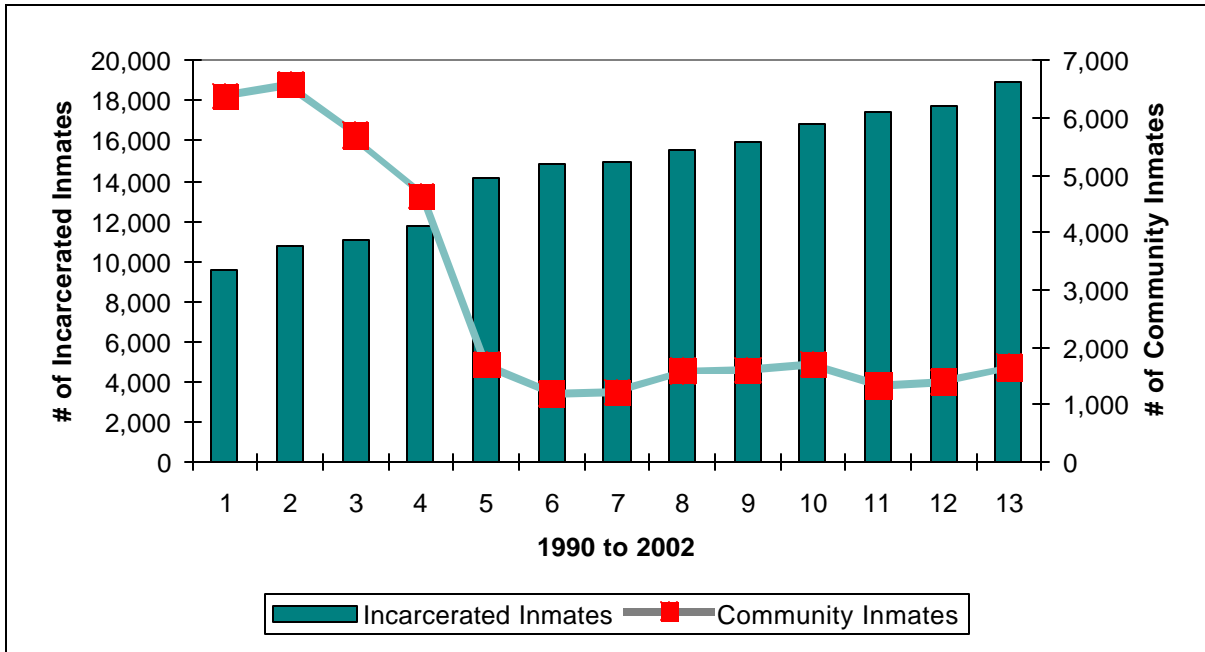
That is, the growth in the inmate population and in the DOC budget over the 1990s far outstripped growth in the *state* population and the overall state General Fund budget over that same period of time.⁴³ Indeed, as the Legislative Program Review and Investigations Committee noted in its 2000 report, *Factors Affecting Prison Overcrowding*, “for the past 20 years, Connecticut’s prisons have operated at or over capacity despite the addition of thousands of new beds since 1990 and a steady 10-year decrease in crime and arrest rates,” and despite the fact that the *types* of crimes for which offenders are convicted and sentenced to prison have not changed significantly since the early 1990s.

⁴¹ DOC Memorandum, October 25, 2000, from William Barber, Superintendent of Schools to Deputy Commissioner Peter Matos.

⁴² Legislative Program Review and Investigations Committee, *Factors Affecting Prison Overcrowding* (2000).

⁴³ The total number of persons in the criminal justice system exceeds the number in DOC supervision. In addition to the persons incarcerated in prisons and jails and supervised by DOC in the community, and the 500 or so Connecticut inmates incarcerated in Virginia, there are additional persons on probation and parole or on bond awaiting disposition of criminal charges, sentencing or an appeal. In 2000, there were about 58,000 offenders on probation, almost 1,600 on parole (and about 1,300 in the community under DOC supervisions in transitional supervision, furlough programs, and in half-way houses). Legislative Program Review and Investigations Committee, *Factors Affecting Prison Overcrowding* (2000).

One of the factors contributing to the increases in DOC’s budget has been the shift in the proportion of persons under DOC supervision who are incarcerated in prisons and jails, as compared to the proportion who are in community supervision (where Connecticut is not paying for board and care expenses). In 1990, 60% of the DOC population was incarcerated, while 40% were being supervised in the community. In 2002, *more than 90%* (92%) of the DOC population was incarcerated, and only 8% -- *a fifth of the proportion in 1990* – were supervised in the community. The following graph illustrates this very fundamental shift:



This marked decline in the proportion of the DOC population in community supervision is, according to the Legislative Program Review and Investigations Committee, “a major cause of the rising prison and jail population.”⁴⁴

Connecticut’s decision to incarcerate more persons, including thousands of non-violent persons with serious behavioral health needs, also has meant that funding for DOC has increasingly crowded out spending in the state General Fund for education, health care, and the many other services that can *prevent* or *reduce* crime (thereby perpetuating these trends). As of 2000, the average cost per inmate was \$96/day, or \$35,000/year. In addition, construction costs for a prison bed in a high

⁴⁴ The Legislative Program Review and Investigations Committee report, *Factors Impacting Prison Overcrowding* (2000), found two factors responsible for the 79% decline in the community supervision population between 1991 and 2000, which it found was a “major cause of the rising prison and jail population.” The first was that DOC added almost 9,000 new beds in the early 1990s; “this allowed more offenders to be incarcerated and accounts for much of the population increase through 1995. The available bed space reduced the need for and reliance on early release programs.” Second, the 1995 “truth in sentencing” legislation increased the time-served standards (that determine if and when offenders are eligible for early release options), narrowed community release criteria, and eliminated “good time.” These changes mean that inmates must serve more time in prison prior to release and have made more inmates ineligible for release (based on offense or poor prior performance on community release). In 1993, also, parole supervision was transferred from DOC to the Board of Parole. The Board may release an inmate from prison to parole and return him/her for a parole violation. DOC remains responsible for incarcerating these remanded inmates.

security prison are about \$125,000/bed.⁴⁵ Community supervision, by comparison, is far less expensive. Annual costs (in 2000) average: \$20,000 per community-based *residential* bed; \$4,500-\$10,000 per community based *non-residential* slot; \$4,000 per parolee (for parole supervision); and \$833 per probationer (for supervision by probation).

If the same proportion of DOC inmates were in community supervision *now* as were in community supervision in 1990, there would be 12,317 inmates in DOC prisons and jails (compared to DOC's July 1, 2002 census of 18,873) and 6,556 inmates in community supervision. If all of these inmates in community supervision were placed in community-based residential beds, \$98.34 million could be saved (assuming a \$35,000 annual prison bed cost less a \$20,000 annual residential bed cost). If these inmates were all placed in *non-residential* community-based programs, savings could range from \$163.9 million to \$199.96 million.

b. **Revised SFY 03 budget.** DOC's revised SFY 03 budget of \$542 million is 0.8% (about \$4 million) *less* than the original SFY 03 budget of \$546 million. Despite this decline, Connecticut is *spending nearly \$1.5 million per day* on its prisons and jails.

The following table shows all DOC budget accounts that were *increased*, and also those *decreased* by \$100,000 or more, or by more than 1% of the total budget account.⁴⁶ There was *no change* in the budget account for out-of-state beds -- \$12.305 million is authorized for SFY 03 (revised), nearly \$300,000 more than what was authorized last year (SFY 02).

Department of Correction	Revised SFY 03 Budget (PA 02-1, MSS, HB6002)	Original SFY 03 Budget	Revised SFY 03 Budget Compared to Original SFY03 Budget (revised \$ less original \$)	Revised SFY 03 Budget Compared to Original SFY 03 Budget (% change)
	[\$M]	[\$M]	[\$M]	[%]
Personal Services	\$348.961	\$348.788	0.174	<1%
Other expenses	\$66.969	\$68.852	(\$1.682)	-2.5%
Equipment	\$0.217	\$0.100	\$0.118	118.2%
Other Current Expenses				
Community justice center	\$0	\$5.000	(\$5.000)	-100%
Worker's compensation claims	\$18.339	\$16.339	\$2.000	12.2%
Inmate medical services	\$75.320	\$74.967	\$0.353	0.5%

⁴⁵ This does not include design and siting costs, nor the interest on bonds that are issued to pay for prison construction.
⁴⁶ PA 02-1 (MSS)(as amended by HB 6004, §114) also re-allocated \$240,000 of "SFY 01 surplus" funds that had been appropriated to other budget accounts to the DOC budget account for community residential services, and authorized that unexpended funds on June 30, 2002 be carried forward into SFY 03. Other carry-forwards authorized for DOC include \$459,878 for inmate medical services, \$1 million for the inmate tracking system, \$90,524 for stress management, and \$1.195 million for worker's compensation claims. This \$2.986 million in funds are not included in the table in the text since they are one-time revenues and not on-going support for these budget accounts.

Payments Other Than to Local Governments				
Aid to paroled & discharged inmates	\$0.048	\$0.050	(\$0.003)	-5.0%
Legal services to prisoners	\$0.769	\$0.780	(\$0.012)	-1.5%
Volunteer services	\$0.190	\$0.193	(\$0.003)	-1.5%
Community residential services	\$17.749	\$17.579	(\$0.101)	-0.6%
Community non-residential services	\$1.405	\$1.395	\$0.010	0.7%
TOTAL –GENERAL FUND	\$542.002	\$546.148	(\$4.146)	-0.8%

c. Specific program and service changes The programs and services with *funding increases* in DOC’s revised SFY 03 budget are:

- *600-bed expansion at MacDougall Correctional Center.* A total of \$3.5 million is added for staff, equipment, workers’ compensation claims, and inmate medical service costs associated with the opening of a 600-bed expansion at the MacDougall Correctional Center.
- *Workers’ compensation claims.* A total of \$2 million is added: \$1.633 million due to increases in the number of claims and increases in medical costs and \$366,288 associated with the opening of the 600 bed expansion at the MacDougall Correctional Center (see above).
- *Private provider COLA funding.* \$234,084 is re-allocated from OPM to DOC for COLA adjustments for private providers (see below for “savings” by delaying the COLA).

Spending reductions in DOC’s revised SFY 03 budget include:

- *Inmate pay.* \$1 million cut. Currently, inmates earn from \$0.75 to \$2.25 *per day* depending on their work assignments. This spending reduction cuts inmate wages *by about 30%*.
- *Community Justice Center.* A total of \$5 million is cut from Community Justice Centers (100% of all appropriated funds). These centers are to provide special services to low-risk pretrial offenders, parole and probation technical violators, and offenders who are soon to return to the community. They are to be physically and programmatically separate from the correctional facilities, with service provided by outside contractors (like halfway houses). A 100-bed facility is planned at the York Correctional Institution for Women (to open in January 2003) and 500-600 beds between the Hartford, New Haven and Bridgeport Correctional Centers. Funding is “reduced” to “correspond to a delay in the start of the program.”
- *1.5% spending reductions in multiple accounts.* A total of \$3.942 million is cut from six budget accounts to help reduce the SFY 03 budget deficit, including \$2 million in personal services and \$1.9 million in other expenses.
- *Personal services.* \$269,000 is cut from personal services to “reflect administrative efficiencies” from the consolidation of two facilities (Corrigan/Radgowski in Uncasville, and MacDougall/Walker in Suffield). The two facilities operate under a single warden.
- *Annualized SFY 02 cuts.* \$229,000 is cut to reflect the annualization of cuts made in SFY 02 to address that deficit: \$226,347 from community residential services and \$2,500 from aid to paroled and discharged inmates.

- *Leased motor vehicles.* \$200,000 is cut to reflect savings to be achieved by reducing DOC’s use of leased motor vehicles.
- *Delay in COLA for private providers.* A four-month delay in implementing a 1.5% cost of living increase for community residential services and community non-residential services will “save” \$98,314.

15. Department of Labor (DOL)

a. A bit of background. DOL’s mission is to protect and promote the interests of Connecticut’s workers, and assist workers and employers to be competitive in the global economy. DOL provides income support to assist workers between jobs, protection for workers on the job (by wage and salary regulations), work-related training programs, tax credit incentive programs, and job search and recruitment assistance. Also, as the Connecticut arm of the United States Bureau of Labor Statistics, DOL collects, analyzes, and disseminates workforce data to inform employers, employees, and policy leaders.

b. Revised SFY 03 budget. Although more state residents are now unemployed than were unemployed two years ago, DOL’s revised SFY 03 budget was cut by 9.2% (about \$5 million) as compared to the original SFY 03 budget. The following table shows all DOL accounts; *none* showed an increase, all posted cuts.⁴⁷

Importantly, funding in DOL’s revised SFY 03 budget is *less than* funding in the last fiscal year (SFY 02) in *all* of the following accounts: other expenses, workforce investment act, vocational and manpower training, summer youth employment, Jobs First employment services, opportunity industrial centers, and opportunity certificate/AEITC.

Department of Labor	Revised SFY 03 Budget (PA 02-1, MSS, HB6002)	Original SFY 03 Budget	Revised SFY 03 Budget Compared to Original SFY03 Budget (revised \$ less original \$)	Revised SFY 03 Budget Compared to Original SFY 03 Budget (% change)
	[\$M]	[\$M]	[\$M]	[%]
Personal Services	\$9.608	\$9.937	(\$0.329)	-3.3%
Other expenses	\$0.834	\$0.948	(\$0.114)	-12.0%
Other Current Expenses				

⁴⁷ PA 02-1 (MSS)(as amended by HB 6004, §114) also re-allocated some “SFY 01 surplus” funds that had been appropriated to other budget accounts to DOL, and authorized that unexpended funds on June 30, 2002 be carried forward into SFY 03. These additional funds are \$100,000 for the Opportunity Industrial Center in Bridgeport, and \$325,000 for Individual Development Accounts (IDAs). NOTE: There had been \$400,000 in the IDA account in SFY 01. Funds for this innovative statewide savings account matching program have remained unexpended, and the program now risks total elimination. The SFY 03 budget also increases the “federal contributions” line by \$1.8 million to provide job training to persons on TFA (TFA bonus funds). Other carry-forwards authorized by PA 02-1 (MSS) for DOL include \$7.084 million for the Workforce Investment Act, \$1.321 million for the Welfare to Work Grant program, and \$47,363 for the Community Employment Incentive program. None of this \$8.877 million in carry-forward funds are included in the table in the text, as they are one-time revenues and are not on-going funding for these accounts.

Workforce Investment Act	\$21.360	\$23.656	(\$2.296)	-9.7%
Vocational and manpower training	\$1.576	\$2.003	(\$0.427)	-21.3%
Summer youth employment	\$0.622	\$0.733	(\$0.111)	-15.1%
Jobs First employment services	\$15.227	\$15.428	(\$0.201)	-1.3%
Opportunity Industrial Centers	\$0.453	\$0.585	(\$0.132)	-22.8%
Hiring incentive tax credit/AEITC	\$0	\$0.720	(\$0.720)	-100%
TOTAL –GENERAL FUND	\$49.681	\$54.719	(\$5.038)	-9.2

c. **Specific program and service funding cuts.** Reductions made in the revised SFY 03 DOL budget include:

- *Personal services.* A \$329,000 cut is made by reducing staff in the Board of Mediation and Arbitration (\$133,050) and the Wage and Workplace Division (\$84,750), and eliminating a Deputy Commissioner position (\$110,913).
- *Workforce Investment Act.* Nearly \$2.3 million (10%) of the funds for this account are cut. WIA funds are forwarded to the Workforce Investment Boards to provide job training services to adults, youth, and dislocated workers under the Workforce Investment Act of 1992. The Governor had proposed *no* reduction in this account for SFY 03.
- *Vocational and manpower training program.* This account, which provides job training assistance primarily to small businesses, is cut by one-fifth (twice the amount recommended by the Governor).
- *Summer youth employment.* 15% of the funds in this account are eliminated, which supports summer employment for at-risk youth. The Governor proposed *no* reduction in this account for SFY 03.
- *Jobs First employment services.* Funds to help persons on cash assistance become employed before their time-limited benefits end are cut by more than \$200,000. The Governor proposed *no* reduction in this account for SFY 03.
- *Opportunity Industrial Centers.* 23% of this budget account is eliminated. The OICs work with the Connecticut One-Stop Work Centers in providing job training to persons on cash assistance.
- *Opportunity Certificate and Advanced Income Tax Credit Initiative.* Funds are totally eliminated for this account. The AEITC provided information to low-wage workers to help them claim the federal earned income tax credit (and by receiving the credit on a monthly basis, move more quickly off cash assistance as their incomes increased). The amount eliminated is more than twice what the Governor had proposed.

16. Office of Workforce Competitiveness (OWC)

a. **A bit of background.** OWC was established by Governor Rowland by Executive Order and then by the General Assembly in PA 00-192. It serves as the Governor’s primary workforce development policy advisor. Its Director reports directly to the Governor and acts as a liaison between the Governor and federal, state, and local agencies involved in workforce development. It also provides staff support to the Connecticut Employment and Training Commission (CETC) (a public-private partnership that oversees development of statewide workforce development policy)

and the Governor’s JOBS Cabinet (which guides implementation of integrated, multi-agency initiatives). OWC is responsible for overseeing implementation of the federal Workforce Investment Act of 1998.

b. Revised SFY 03 budget. The budget of the Office for Workforce Competitiveness was particularly hard hit – with a 22% reduction in its revised SFY 03 budget, compared to its original SFY 03 budget. Although there was no change in the personal services account, all other budget accounts were cut. The following table shows all OWC budget accounts; none were increased.⁴⁸

Office of Workforce Competitiveness	Revised SFY 03 Budget (PA 02-1, MSS, HB6002)	Original SFY 03 Budget	Revised SFY 03 Budget Compared to Original SFY03 Budget (revised \$ less original \$)	Revised SFY 03 Budget Compared to Original SFY 03 Budget (% change)
	[\$M]	[\$M]	[\$M]	[%]
Other expenses	\$0.493	\$0.500	(\$0.008)	-1.5%
Other Current Expenses				
CETC workforce	\$3.108	\$4.230	(\$1.122)	-26.5%
TOTAL –GENERAL FUND	\$4.112	\$5.241	(\$1.129)	-21.5%

c. Specific program and service funding cuts. Among changes made in the revised SFY 03 DOL budget are:

- *CETC workforce account.* This account, which funds workforce development initiatives (related to information technology workers, workforce planning, occupational forecasting, and incumbent worker training) is reduced by nearly 27%. The \$1.1 million cut is more than four-times greater than the \$262,000 cut proposed by the Governor.
- *Jobs Funnel Program.* This training program that helps untrained workers to qualify for jobs in construction in projects in Hartford and New Haven had \$500,000 in budgeted state funds in SFY 01, and \$2.35 million in SFY 02. The Governor proposed \$1 million for this program in his revised budget for SFY 03 (a cut of more than 100%). The final budget for SFY 03 totally *eliminated* funding from the account; \$1 million is to be funded from re-allocated SFY 01 surplus funds (leaving no funds in the budget account going forward). As noted earlier, \$500,000 of TANF bonus funds also are set aside for the Jobs Funnel program.

⁴⁸ PA 02-1 (MSS)(as amended by HB 6004, §114) also re-directed \$400,000 of “SFY 01 surplus” funds that had been appropriated to other budget accounts to OWC’s account for Workforce Development Boards and authorizes unexpended funds on June 30, 2002 to be carried forward for use in SFY 03; \$350,000 of these funds are actually carried forward into SFY 03. Other carry-forwards authorized for OWC \$2 million for CETC workforce programs, \$730,176 in unexpended Jobs Funnel funds, and \$455,300 for School-to-Work. None of these \$3.535 million in carry-forward funds are included in the table in the text as they are one-time revenues, not on-going funds in these accounts.

17. Department of Economic and Community Development (DECD)

a. A bit of background. DECD has responsibility for improving the state’s business environment, providing affordable housing for the state’s low- and moderate-income families, revitalizing neighborhoods and communities, promoting job creation and retention, and fostering public-private partnerships to strengthen the state’s economy, infrastructure and development capacity (including through its Industry Cluster initiative and its Initiative for a Competitive Inner City). Importantly, while the revised SFY 03 *General Fund* budget for DECD is \$18.86 million (\$1.23 million *less than* the original SFY 03 budget), the *total* DECD budget for SFY 03 is \$74.4 million, nearly *four times more* (and \$5.48 million *more* than the original SFY 03 budget). \$36.2 million of these additional funds are federal funds, \$5.81 million are “private contributions,” and \$6.71 million is SFY 01 “surplus” funds re-allocated from other budget accounts and carried forward for use in SFY 03 (i.e. one-time funding).

b. Revised SFY 03 budget. DECD’s SFY 03 General Fund budget was cut by \$7.5 million. The following table shows all DECD budget accounts; none were increased.⁴⁹

Department of Economic and Community Development	Revised SFY 03 Budget (PA 02-1, MSS, HB6002)	Original SFY 03 Budget	Revised SFY 03 Budget Compared to Original SFY03 Budget (revised \$ less original \$)	Revised SFY 03 Budget Compared to Original SFY 03 Budget (% change)
	[\$M]	[\$M]	[\$M]	[%]
Personal Services	\$7.324	\$7.324	\$0	0%
Other expenses	\$2.876	\$3.087	(\$0.211)	-6.8%
Equipment	\$0.001	\$0.001	\$0	0%
Other Current Expenses				
Elderly rental registry and counselors	\$0.618	\$0.647	(\$0.029)	-4.5%
Cluster initiative	\$0.850	\$1.300	(\$0.450)	-34.6%
Payments Other than to Local Governments				
Entrepreneurial centers	\$0	\$0.215	(\$0.215)	-100%

⁴⁹ PA 02-1 (MSS)(as amended by HB 6004, §114) also re-allocated \$200,000 of “SFY 01 surplus” funds that had been appropriated to other budget accounts to DECD’s account for Entrepreneurial Centers, and authorized unexpended funds on June 30, 2002 to be carried forward for use in SFY 03. Other carry-forwards of SFY 01 surplus funds re-allocated to DECD include: \$2.243 million for the tax abatement program (that reimburses 14 towns for tax abatements the towns provide to privately-owned, non-profit, low- and moderate-income rental housing projects); \$2.9 million for the Payment in Lieu of Taxes (PILOT) grant program (that reimburses 22 towns for tax abatements the towns provide to certain low- and moderate-income rental housing projects operated by housing authorities); and \$10,000 for the Women’s Business Development Center. In addition, \$296,126 of unexpended funds for the cluster initiative is carried-forward for use in SFY 03. None of these \$5.649 million in carry-forward funds are included in the table in the text as they are one-time revenues, not on-going funds in these accounts.

Subsidized assisted living demonstration	\$0.394	\$1.770	(\$1.376)	-77.7%
Congregate facilities operation costs	\$5.102	\$5.180	(\$0.078)	-1.5%
Housing assistance and counseling	\$0.379	\$0.385	(\$0.006)	-1.6%
Elderly congregate rent subsidy	\$1.317	\$1.337	(\$0.02)	-1.5%
Grant Payments to Local Governments				
Tax abatement	\$0	\$2.243	(\$2.243)	-100%
Payment in lieu of taxes	\$0	\$2.900	(\$2.900)	-100%
TOTAL –GENERAL FUND	\$18.861	\$26.388	(\$7.527)	-28.5%

c. **Specific program and service funding cuts.** Major reductions made in the revised SFY 03 DECD budget are:

- *Entrepreneurial Centers.* Eliminates on-going funding for these centers that serve the unemployed, dislocated workers, assistance recipients, displaced homemakers, and other low-income persons. The centers (in Bridgeport and at Hartford, at the Hartford College for Women since 1985) provide hands-on training including self-assessment, group training, individual support, technical assistance, networking, and access to capital. This state funding represents 43% of the funding for these centers. As discussed in note 50, *supra*, \$200,000 in one-time funds (from SFY 01 surplus) is re-allocated to this account *for this year only*.
- *Reimbursement to towns for foregone property taxes.* Cuts \$5.2 million in on-going funding from two accounts that reimburse towns for property tax revenues lost through property tax abatements for: a) privately-owned, non-profit, low- and moderate-income rental housing (\$2.343 million); and b) low- and moderate-income rental housing projects operated by housing authorities (\$2.9 million). In both cases, one-time revenues (from SFY 01 surplus) are re-allocated to these accounts *for this year only*.
- *Subsidized assisted living demonstration.* Cuts \$1.37 million to “reflect delays in construction and start-up” of 300 assisted living units in urban and rural areas for elderly persons at risk of being placed unnecessarily in nursing homes. Projects have been approved in Glastonbury, Hartford, Middletown, and New Britain. The first units are scheduled to open in late SFY 03.
- *Industry cluster initiative.* Cuts \$435,000 of funding for an initiative that seeks to foster the grouping of interconnected companies and associated institutions in a particular field in specific geographic regions of the state to promote synergistic development.
- *1.5% cuts* are made to six accounts, for a “savings” of \$133,918.

III. Summary

The net revised SFY 03 budget is \$13.22 billion, \$300.21 million less than the original SFY 03 budget of \$13.52 billion. The General Fund, the largest of the state budget funds, was cut by \$339.58 million (from an original SFY 03 budget of \$12.43 billion to \$12.09 billion). By comparison, spending in the Transportation Fund was *increased* by \$25.9 million.

General Fund spending cuts were not distributed equally among state agencies, as illustrated in the following table. While the revised SFY 03 General Fund budget is 2.7% less than the original SFY 03 budget, many departments sustained budget cuts far in excess of this percentage, including all higher education budgets, the State Library, Department of Public Health, the Department of Mental Health and Addiction Services, the Office of Policy and Management, the Department of Labor, the Office for Workforce Competitiveness, and the Department of Economic and Community Development. Only a handful of state agencies discussed herein had an increase in funding, or a cut less than the General Fund average, including the Department of Children and Families, the State Department of Education, the Department of Social Services, the Department of Mental Retardation, the Judicial Department and the Department of Corrections.

Mitigating the immediate impact of some of the spending cuts this year was the allocation of \$168.62 million in funds authorized to be carried-forward for use in SFY 03. These include some unused SFY 01 surplus funds that had been appropriated for other purposes in the original SFY 03 budget, but that were re-allocated in this revised budget.

On the other hand, this revised budget also assumes that there will be “savings” of \$252 million -- \$145 million more than originally budgeted for savings in SFY 03 and \$90 million more than was “saved” in SFY 02 (despite measures to reduce the SFY 02 deficit). These savings are to be achieved in part through normal operations, but also through the increased authority given to the Governor to cut funding by up to \$35 million over what is already allowed to him by state law, a hiring freeze in the executive and judicial branches, and wages freezes among executive and judicial branch managers and other high-ranking state employees. How precisely these savings will be achieved – i.e., which specific programs and services will bear the burdens – is not yet determined.

What *is* clear, however, is that the revised SFY 03 budget is truly a “boomerang” budget since it relies on about \$600 million in one-time revenue and spending adjustments (including rescissions, lapses, fund transfers, and a tax amnesty) to “balance” the projected \$1.02 billion deficit in the SFY 03 budget as originally adopted. Yet, despite these budget gimmicks (and the spending cuts and modest revenue increases enacted last session), the SFY 03 budget is now projected to have a \$392 million deficit.

This means that when the Governor and General Assembly begin their budget deliberations in January 2003, they not only must address the \$400 million deficit in the current fiscal year, they also must confront the \$1 billion “hole” in the SFY 04 budget that exists even without taking into account necessary increases for current services spending.

While the downturn in the state’s economy contributed to the current situation, so too did the state’s decision in the 1990s to make structural changes to the state’s tax code that significantly eroded state revenues. Indeed, Connecticut’s revenues were cut by *more* than the projected SFY 04 deficit.

Connecticut’s recent budget practices are now placing the state’s credit rating at risk. Specifically, Connecticut’s use of one-time revenues and spending adjustments, coupled with:

- a) Depletion of the \$595 million Rainy Day Fund and the need to issue \$222.4 million in 5-year economic recovery notes to balance the SFY 02 deficit;

- b) A heavy debt load (tax-supported debt that is 8% of total state personal income [third-highest in the nation, and four-times the 50-state median] and \$3,240 in indebtedness per capita [highest in the nation] in 2002); and
- c) Large accrued unfunded pension liabilities (with a \$4.3 billion unfunded pension obligation in the state employees' retirement fund [a 62.5% funding ratio] and a \$2.2 billion unfunded obligation in the teachers' retirement fund [a 81.4% funding ratio])

has resulted in Moody's assigning a negative credit outlook to Connecticut. Moody's notes, "given the one-time revenues used to balance fiscal 2003, the state will face an increasing structural budget gap in the 2004-2005 budget biennium even with a natural economic recovery...The credit outlook for Connecticut is negative...Moody's expects financial difficulties will continue in the near term as the state struggles to adopt a plan for the 2004-2005 biennium that restores structural budget balance."⁵⁰

As the nation's wealthiest state, Connecticut clearly has the means to address its current budget crisis through structural reform of its revenue system and re-allocations of existing state spending in ways that are more cost-effective. The challenge remains whether there will be the public and political will to make the tough budget choices necessary to assure the state's continued economic prosperity and bridge the enlarging divides that threaten the common well-being of all residents of the state.

⁵⁰ Moody's Investors' Service, *Moody's Assigns Aa2 Rating to State of Connecticut's \$231 Million General Obligation Bonds* (October 28, 2002).

Agency (General Fund Budget)	Revised SFY 03 Budget (PA 02-1, MSS, HB6002)	Original SFY 03 Budget	Revised SFY 03 Budget Compared to Original SFY03 Budget (revised \$ less original \$)	Revised SFY 03 Budget Compared to Original SFY 03 Budget (% change)
	[\$M]	[\$M]	[\$M]	[%]
DCF	\$573.678	\$574.911	(\$1.233)	-0.2%
Children's Trust Fund	\$5.772	\$6.342	(\$0.570)	-9.0%
SDE	\$2,004.786	\$2,024.891	(\$20.105)	-1.0%
DHE	\$45.788	\$50.619	(\$4.831)	-9.5%
University of Connecticut	\$193.667	\$203.860	(\$10.193)	-5.0%
CT State University	\$138.947	\$146.257	(\$7.310)	-5.0%
Regional Community-Technical Colleges	\$125.484	\$131.545	(\$6.061)	-4.6%
Teachers' Retirement Board	\$194.04	\$230.02	(\$35.98)	-15.6%
State Library	\$13.926	\$14.793	(\$0.867)	-5.9%
Office of the Child Advocate	\$0.693	\$0.640	\$0.053	8.3%
Permanent Commission on the Status of Women	\$0.593	\$0.645	(\$0.052)	-8.1%
Commission on Children	\$0.566	\$0.627	(\$0.061)	-9.7%
Latino and Puerto Rican Affairs Commission	\$0.414	\$0.440	(\$0.026)	-5.9%
African-American Affairs Commission	\$0.342	\$0.368	(\$0.026)	-7.1%
DSS	\$3,697.360	\$3,659.821	\$27.541	0.8%
DPH	\$575.528	\$79.248	(\$3.720)	-4.7%
DMR	\$724.733	\$721.995	\$2.738	0.4%
DMHAS	\$438.065	\$457.503	(\$19.439)	-4.2%
OPM	\$157.940	\$172.056	(\$14.116)	-8.2%
JUDICIAL DEPARTMENT	\$361.396	\$364.490	(\$3.094)	-0.8%
DOC	\$542.002	\$546.148	(\$4.146)	-0.8%
DOL	\$49.681	\$54.719	(\$5.038)	-9.2%
OWC	\$4.112	\$5.241	(\$1.129)	-21.5%
DECD	\$18.861	\$26.388	(\$7.527)	-28.5%
TOTAL GENERAL FUND	\$12,091.804	\$12,431.381	(\$339.577)	-2.7%