

Democrats' 1st draft budget blows by Gov. Rell's proposed bottom line

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HARTFORD - Democratic state lawmakers spent much of last fall campaigning on the need to improve health care. They've spent much of the past decade trying to expand municipal aid, particularly for education.

This week, the General Assembly's budget-writing Appropriations Committee will try to make historic gains in both areas. The big question, though, is whether committee members can convince their colleagues and Republican Gov. M. Jodi Rell that Connecticut can afford it.

A series of legislative working groups has assembled a budget proposal that dramatically expands and shores up the state's health care safety net while retaining a modified version of Rell's record-setting increase in education aid.

The recommendations from 11 subcommittees within the Appropriations Committee would add more than \$430 million to the \$17.46 billion budget the Republican governor recommended in February for 2007-08 - and Rell's plan already shattered the state spending cap by \$521 million.

The first-draft budget is likely to face significant cuts - possibly approaching \$100 million - before the full Appropriations panel is asked to adopt a plan Thursday.

Even if the working group proposals are reduced, however, the total budget recommended by the Democrat-controlled committee is likely to require hundreds of millions of new tax dollars - on top of the \$660 million in net new taxes Rell called for two months ago.

Major health care initiatives

More than 35 percent of the extra proposed spending, \$160 million, would be used to end years - and in some cases, decades - of neglect to the state's Medicaid payments to doctors, hospitals, and other care providers who treat the poor. Among the Medicaid rate increases recommended by the budget panel's human services subcommittee are:

- * 30 percent for hospital inpatient and outpatient services.
- * 50 percent for physicians.
- * 50 percent for federally approved health care clinics.
- * 50 percent for dentists.
- * 50 percent for vision treatment.
- * 20 percent for personal care attendants.
- * 4 percent for chronic disease hospitals.

And by spending another \$43 million annually, the subcommittee says, the state can

make it easier for patients with expensive treatment needs to qualify for Medicaid.

Currently, those with incomes above the Medicaid limit still may qualify by "spending down" - spending their own money and treating that expense as a deduction in their income. Once that adjusted income falls below the "medically needy income limit" set by the state, Medicaid eligibility is approved. That limit, which stands at 60 percent of the federal poverty level, would rise to 100 percent under the subcommittee proposal.

"Most people feel that unless we shore up the existing health care system, unless there are doctors and others available for these patients to turn to, then you really don't have a health care system," Merrill said.

Senate President Pro Tem Donald E. Williams Jr., D-Brooklyn, said Monday that the Department of Social Services has identified growing numbers of care providers in several categories that have stopped treating poorer patients because of the severely limited state reimbursement.

"What kind of true access do these people have to health insurance?" he asked, adding this is a critical problem he expects the committee to address this year.

The human services subcommittee also called for several enhancements to Husky, the state's health insurance subsidy program for low-income families. More than \$17 million extra would be spent next fiscal year to expand eligibility for adults in the program, from households earning 150 percent of the federal poverty level up to 185 percent. An extra \$25 million would be used to increase payments to dentists who treat Husky program patients. And \$3.9 million would extend coverage of premium costs for infants from 2 to 6 months.

State government provides the bulk of its support services for the mentally retarded, patients with mental illnesses, abused children, drug addicts, and other groups through the private, nonprofit sector, spending close to \$1.5 billion per year.

Rell didn't propose any across-the-board increase, proposing only \$15 million for a pool to provide raises for nonprofits whose workers' wages are well below the private-sector average. The industry says it has suffered from decades of underfunding and its workers earn only 50 percent of what state-employed social workers make. The first-draft budget eliminates Rell's low-wage pool, and recommends spending \$39 million next fiscal year to provide an across-the-board 3 percent increase.

The state's welfare program for single adults, General Assistance, was targeted to receive an extra \$39.4 million to allow eligibility to increase from 60 percent to 75 percent of the federal poverty level.

Other health care and social service proposals recommended by subcommittee include:

* Adding \$8.2 million next fiscal year and \$11.9 million in 2008-09 to allow annual

adjustments to cash payments under the federal and state welfare programs'

* Restoring \$1.4 million annually that Rell wants to cut to provide transportation for limited types of medical services for state welfare recipients, such as those receiving dialysis and cancer treatments.

* Adding more than \$10 million next year to expand supportive housing and rental assistance for veterans, AIDS patients, and low-income patients with special needs.

Education, town aid not forgotten

In addition to all of these health care and social service initiatives, Democrats also are looking to maintain much of Rell's big budget initiative - raising education spending by \$3.4 billion over five years. That includes an extra \$2.7 billion for Education Cost sharing grants to cities and towns by 2012.

The governor's proposal, which is funded in large part by increasing the top income-tax rate on nearly all workers from 5 percent to 5.5 percent, has been criticized over how it would divide the dollars.

Because the ECS formula is weighted heavily toward poorer communities with more special-needs students, legislative fiscal analysts estimate 142 out of 169 towns would pay more to the state in income taxes than they would receive in ECS grants under the Rell plan.

The Appropriations Committee's education subcommittee would scale back the ECS increase proposed by Rell for next fiscal year from \$200 million to \$170 million. But that group also increased priority school districts, special-education, and other education grants by \$18 million, and calls for \$15 million to be taken from this year's projected surplus of about \$600 million for one-time grants to enhance school security.

The draft budget also adds \$15 million to municipal grants not tied to education - an area that municipal leaders argued Rell had shortchanged.

Merrill said late last week that while the subcommittees did good work, there would have to be "significant cuts" to the bottom line. She declined to discuss specifics, but legislators said privately they expected to see tens of millions in cuts, possibly even as much as \$100 million, to the subcommittee recommendations.

Merrill did say that both health care and education are top Democratic priorities, and her committee would produce a spending plan that addresses "two of the voters' biggest concerns."

Rell's budget director, Robert L. Genuario, declined to comment about specifics in the subcommittee requests, but said he was hopeful Democratic leaders would scrutinize the proposal carefully and look to reduce the bottom line responsibly as much as possible.

Rep. Arthur J. O'Neill of Southbury, a veteran Republican on the Appropriations

Committee, said Republicans likely would be wary not only of the potential to levy up to \$1 billion in new taxes to support the Democrats' spending priorities, but also the huge spending-cap exception that would be required.

The governor's budget plan exceeds the constitutional limit on spending by \$521 million. Most of the extra spending recommended by the Appropriations subcommittees also falls under cap rules.

A declaration of emergency from the governor and a 60 percent vote of approval in both the House and the Senate are necessary to budget in excess of the cap.

O'Neill said he's worried the Capitol could be seeing the start of a trend "to view the spending cap as more of a suggestion" than a rule. "It is meant to make people think twice before they propose spending."

"I don't envy the co-chairmen. It's going to be hard to get votes from either party," O'Neill said, adding he suspects many Democrats, particularly those from suburban and more affluent communities, may be reluctant to endorse an income-tax increase.

The legislature's Finance Committee, which is tasked with proposing a revenue plan to support the next budget, must complete its recommendations by April 20.