

Informational Forum: Governor's Deficit Mitigation Plan

Presentation for the Joint Committee on Appropriations

by

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INTRODUCTION

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

DEFICIT PROJECTION - REVENUE ITEMS

\$245.1 million related to revenue below budgeted levels

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

DEFICIT PROJECTION - REVENUE ITEMS

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

* Adjusted to reflect technical changes to estimates in various accounts

DEFICIT PROJECTION - EXPENDITURE ITEMS

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

OPM GENERAL FUND DEFICIT PROJECTION

AS OF NOVEMBER 20, 2009

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

SUMMARY OF THE GOVERNOR'S DEFICIT MITIGATION PLAN

(\$466.5) Projected Deficit per OPM's November 20th Letter to the Comptroller

\$129.5 Sales tax revenue resulting from rate at 6% vs. 5.5%

(\$337.0) Revised deficit projection

Deficit Mitigation Plan includes:

\$200.1 Rescissions, Program Reductions and Anticipated Lapses

\$52.8 Fund Sweeps

\$84.0 Reduction in Municipal Aid

\$0.2 Revenue (DAS fleet sales)

\$337.1 Total Mitigation Proposal

MUNICIPAL AID – DO THE MATH

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

WHAT IS THE ALTERNATIVE?

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

EXPENDITURES

ESTIMATED GRANTS TO MUNICIPALITIES

Total State Municipal aid (includes education-related grants)

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

Municipal Spending

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

SUMMARY OF LOCAL AID

ESTIMATED MAJOR FORMULA GRANTS TO MUNICIPALITIES

(In Millions)

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

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

Town Aid Road Grant	0.0	30.0	30.0
LoCIP	30.0	30.0	30.0

EXPENDITURES

DEPARTMENT OF SOCIAL SERVICES

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

EXPENDITURES

HEALTH AND HUMAN SERVICES

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

EXPENDITURES

EDUCATION

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

EXPENDITURES

GENERAL GOVERNMENT

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

FUND SWEEPS

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

CITIZENS ELECTION FUND

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

* Per Core-CT

OUT-YEAR FORECASTS

FINANCIAL SUMMARY OF THE GENERAL FUND

(In Millions)

	Estimated FY2010	Revised Enacted ⁽¹⁾ FY2011	Projected FY2012
<u>Office of Policy and Management</u>			
Revenues – Consensus Forecast	\$ 17,204.0	\$ 17,432.7	\$ 15,794.8
Expenditures	17,582.8	17,691.1	18,943.7
Surplus Adjustment	(11.0)	–	–
Surplus/(Deficit)	\$ (389.8)	\$ (258.4)	\$ (3,148.9)
OPM Revised Revenue November 20, 2009	\$ 17,127.3	\$ 17,315.7	\$ 15,643.4
Eliminate Sales Tax Rate Reduction	129.5	268.0	276.3
OPM Revised Balance November 20, 2009	\$ (337.0)	\$ (107.4)	\$ (3,024.0)

Office of Fiscal Analysis

Revenues – Consensus Forecast	\$ 17,204.0	\$ 17,432.7	\$ 15,794.8
Expenditures	17,581.4	17,849.4	19,206.8
Surplus/(Deficit)	\$ (377.4)	\$ (416.7)	\$ (3,412.0)
OFA Revised Revenue November 13, 2009 ⁽²⁾	\$ 17,195.5	\$ 17,562.7	\$ 15,924.8
OFA Revised Balance November 13, 2009	\$ (385.9)	\$ (286.7)	\$ (3,282.0)

- (1) FY 2011 – Enacted Budget per PA 09–3 of the June Special Session as revised to reflect the rollout of the FY 2010 deficiencies
- (2) OFA Revised Revenue November 13, 2009 includes the elimination of the Sales Tax rate reduction

WHAT ARE THE ALTERNATIVES?

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

WHAT ARE THE ALTERNATIVES?

