



## Summary of Governor Malloy's Recommended Budget FY 2018-2019 Biennium

*February 8, 2017*

Facing a total budget deficit of \$3.6 billion over the FY 2018-2019 biennium (\$1.7 billion in FY 2018 and \$1.9 billion in FY 2019), Governor Malloy presented a proposed budget to the General Assembly today that relies heavily on sacrifices from working families, including more than \$1.5 billion in concessions from state employees. It contains vital program and service cuts of \$1.363 billion in FY 2018 and \$1.633 billion in FY 2019.

The budget proposal does not include significant revenue streams, including raising income taxes on residents who earn more than \$500,000 per year, taxing hedge fund managers' "carried interest" income appropriately, fining low wage employers who abuse the taxpayer-funded safety net, establishing highway tolls or legalizing marijuana sales.

The [full proposal](#) can be found on the Office of Policy and Management's website. The [Governor's address](#) to the General Assembly can be viewed on his website.

The General Assembly will hold a series of public hearings on the budget over the next several weeks, beginning with the Appropriations Committee February 14-24, before it produces its own budget proposal by the end of April. The General Assembly will then negotiate with the administration to develop a final compromise budget, which is expected to be adopted before the General Assembly adjourns at midnight on June 7<sup>th</sup>.

Below are highlights of the Governor's budget proposal that impact working families:

### **CUTS**

- Assumes \$1.5 billion in state employee concessions (\$700 million in FY 2018 and \$868 million in FY 2019) or alternatively 4,200 layoffs.
- Eliminates the \$200 property tax credit against state income tax to save \$105 million in each year.
- Reduces the Earned Income Tax Credit (EITC) for the working poor from 27.5% to 25% of the federal EITC, saving \$25 million in FY 2018 and \$26 million in FY 2019.
- Closes one prison in FY 2018 and four units throughout other correctional facilities to save \$11.9 million in FY 2018.
- Raises the exemption from the Estate Tax from \$2 million to \$5 million over three years and lowers the maximum lifetime cap that could be paid under the Estate and Gift Tax from \$20 million to \$5 million, costing the state an estimated \$20.1 million in FY 2019.
- Cuts tax relief for elderly renters by 10% to save approximately \$2 million in each year.
- Reduces funding for Care4Kids by \$7.4 million in FY 2018 and \$12.6 million in FY 2019.
- Cuts higher education funding: \$9.5 million to UConn in each year; \$5.34 million to UConn Health Center each year; \$14.3 million to CSCU each year.
- Eliminates 100% funding for the following programs at the Department of Labor: 2-Generation Pilot; ConnectiCorps; Cradle to Career; Incumbent Worker Training; Jobs Funnel, STRIDE and STRIVE.
- Cuts Apprenticeship Program at the Department of Labor by \$37,000 each year.
- Cuts Connecticut's Youth Employment Program by \$2.5 million each year.
- Increases arbitrator compensation for written decisions from \$175 to \$500.

- Eliminates cost of living adjustments for those receiving public assistance, saving \$1.5 million in FY 2018 and \$4.5 million in FY 2019.

## **IMPROVEMENTS**

- Establishes an Office of Health Strategy with two new staff positions to implement findings of the Certificate of Need Task Force by providing oversight for healthcare mergers and acquisitions.
- Funds two new positions at the State Contracting Standards Board.
- Creates 86 DOT positions to support transportation capital plans.
- Funds 8 DOT positions to provide technical support to field inspectors and assist in the development and administration of DAS contracts.
- Creates 5 DOT positions in FY 2018 and another 5 DOT positions in FY 2019 to bring more bridge inspection work in-house.
- Funds 22 DMV positions in FY 2018 for compliance with the National Voter Registration Act.
- Funds 6 DMV positions in FY 2018 for the Drive-Only Program.
- Includes raises for the State Police Contract (NP-1 collective bargaining agreement) with \$6M in FY 2018 and \$8.1M in FY 2019)

## **REVENUE**

- Increases taxes on cigarettes to \$4.35 per pack and raises other tobacco taxes to generate \$59.8 million in FY 2018 and \$52.9M in FY 2019.
- Raises pistol permit fees from \$70 to \$300, increases the five-year fee from \$140 to \$370 and increases background check fees from \$50 to \$75.

## **MUNICIPAL IMPACT**

- Tiers municipalities according fiscal solvency and establishes a 9-member appointed Municipal Accountability Review Board (MARB) to restore fiscal accountability for lowest performing municipalities. The appointed MARB members would include the Secretary of OPM, the State Treasurer, four members appointed by the Governor, the chief local elected official, a labor representative and a member appointed by the Governor recommended by the regional Council of Governments.
- Allows municipalities to tax hospitals' real property. In return the state would leverage Medicaid federal dollars with a \$250 million provider tax that would return all but \$88 million back to hospitals.
- Recalculates Education Cost Sharing (ECS) dollars with a formula that more adequately measures student poverty and redistributes those dollars according to a sliding scale based on town wealth.
- Establishes a new and separate Special Education account with its own formula to replace Excess Cost grants.
- Increases funding for charter schools by funding 190 new students in additional grades at state charter schools (\$2.1 million in FY 2018 and \$9.2 million in FY 2019), funding additional grades at local charter schools (\$903,000 in FY 2018 and FY 2019) and raising the base funding amount per charter school pupil from \$11,000 to \$11,482 (\$5 million total each year).
- Eliminates multiple unfunded mandates like providing teacher professional development and educator certification requirements.
- Moves one-third (\$407 million in FY 2018 and \$421 million in FY 2019) of teacher pension payments to municipalities.

- Funds the state's portion of teacher retiree healthcare at 25% instead of 33% required by statute.
- Cuts several education programs benefitting poor school districts by ten percent.
- Bills towns for 100% of resident trooper costs.

## **INFRASTRUCTURE**

- Caps priority school construction grants at \$450 million, but budgets \$1.2 billion for school construction overall, not including \$60 million in Alliance District school improvements.
- Provides \$130 million for Town Aid Road and Local Bridge Programs
- Allocates \$125 million for upgrades to the XL Center in Hartford.
- Maintains \$491 million previously authorized for UConn projects and authorizes \$385 million for CSCU projects.

## **THINGS TO WATCH**

- Makes changes to definitions to implement the Constitutional Spending Cap.
- Reduces the number of fiscal staff at each school in the Connecticut Technical High School System and reallocates them to central office so they can be assigned to administer services within the CTHSS four designated regions.
- Allocates \$116,893 in each year to the Democratic Governors' Association.
- Creates the Connecticut "Fresh Start Initiative" at the Department of Revenue Services, which is expected to generate \$60 million in revenue for FY 2018 and \$25 million in FY 2019.
- Block grants funding for the Arts and Historic Preservation and Tourism grants in the Department of Economic and Community Development.
- Block grants all funding for public institutions of higher education, except UConn, under a single line item for operating expenses in the Connecticut State Colleges and Universities Budget.
- Attempts to modify how inmate medical services are delivered and by whom.