



# INTRODUCTION

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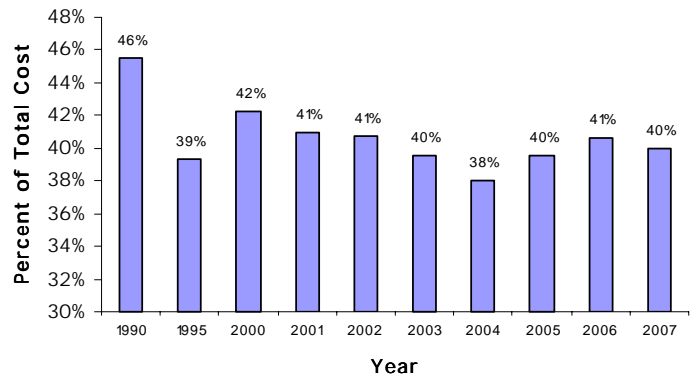
*When the Status quo is not good enough*

Over the last two years, the Governor and the General Assembly have made major strides in addressing some of Connecticut's long ignored problems. Successes include ethics and campaign finance reform, major investments in transportation and reforming our tax structure to make it more business friendly.

But Connecticut faces other significant issues that citizens and politicians have talked about for years. Rising property taxes, driven in large part by our disproportionate reliance upon them to fund education, have weakened our state and burdened many of our citizens, particularly those on fixed incomes such as the elderly. We have all heard stories of seniors forced to leave their homes because of an inability to pay skyrocketing property taxes. Although there are several reasons for these rising property taxes, chief among them is the state's insufficient financial contribution to the cost of local education.

We all recall the promise made and goals set. In 1990, the state paid 46% of the share of local public education and promised to get to 50%. It was a commitment never reached and in fact the problem has gotten only worse. The state share of local education has dropped to as low as 38% in recent years. It is not coincidental that during that time local property taxes have consistently risen in virtually all our cities and towns alike, whether they are viewed as wealthy or poor.

Percent of Education Costs Assumed by the State



Moreover, while many of our municipalities provide excellent schools, indeed some of the best in the nation, other school systems have been unable to keep up, leaving thousands of children without adequate education. These children make up Connecticut's future work force. Failure to appropriately educate the children in our cities is simply not an option. The task will not be easy - nor without controversy - but after years of talk, it is simply time to act. Governor's Rell's plan includes an unprecedented commitment to enhanced education from early childhood through elementary and secondary education as well as a 77% increase in scholarship money for Connecticut students who are preparing for higher education.

Governor Rell's vision for Connecticut includes more than revitalizing our education and property tax systems. It requires that development and growth in Connecticut be responsible. No longer can we allow development to be totally unrestricted, without consideration of how it impacts our citizens or our environment. We have to understand that the impact of development does not stop at a municipal border and that the loss of open space or farmland is permanent. Connecticut's resources, geographical and financial, must be harnessed for the benefit of our current citizens and future generations. There

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must be economic growth in Connecticut, but it must be responsible. Governor Rell provides both the resources and the process for Responsible Growth.

The problem of unstable energy prices has been ignored for too long. Electric, natural gas or motor fuel price increases affects all our citizens and our economic viability. Connecticut can and should lead the rest of the nation in the only true long-term solution: conservation. Governor Rell's 2020 plan call for a reduction in electric peak usage by 20%, a reduction of fossil fuel consumption by 20% and a mandatory mix of 20% biofuel for heating oil. By providing a series of incentives and supports, Connecticut can provide a climate that will lead our state in the right direction, and be a national model for other states to follow.

# THE FY 2007-09 BIENNIAL BUDGET

## FISCAL BACKGROUND

General Fund revenues are projected to increase in FY 2008 by \$315.4 million over FY 2007 revenues, approximately a 2% increase. Except for legislatively approved changes in our tax structures and changes in federal programs, state revenues would have grown by 3.8%. Last year's changes, as laudable or appropriate as they are, have significantly decreased General Fund revenues. This, coupled with changes in certain federal reimbursement programs, will leave the state with only \$315.4 million more dollars in FY 2008 than it had in FY 2007.

Another fundamental problem is that the growth in those expenditures that are outside the administration's control (or at least outside the

administration's control absent extraordinary legislative action) totals \$807.9 million, representing more than \$492 million above the increase in revenues.

These items include arbitrated raises, benefits, obligations to pension funds, debt service, and growth in the Medicaid program. In other words, before we add a penny for education at any level, improved healthcare programs, adjustments for private providers, or any additional services for the disabled, impoverished, neglected or abused children, the General Fund is in the hole almost \$500 million.

This presents a difficult backdrop in which to propose visionary reforms to education and healthcare. But by prioritizing needs and utilizing creative methods of providing healthcare, Governor Rell has set forth a plan that reforms property taxes, enhances education and healthcare, and sets the state on a new course with regard to development, energy, and environmental protection.

As the FY 2007-09 Biennial Budget was being prepared, Governor Rell was faced with a projected General Fund structural deficit of nearly \$550 million in FY 2008 and \$717 million in FY 2009, even though FY 2007 is expected to end with an estimated surplus of \$507.8 million. A significant reason for this structural problem can be found in the historical reliance on one-time funding to support on-going programs. Over \$430 million of expenditures made in FY 2007 were funded from the surpluses of FY 2005 and FY 2006.

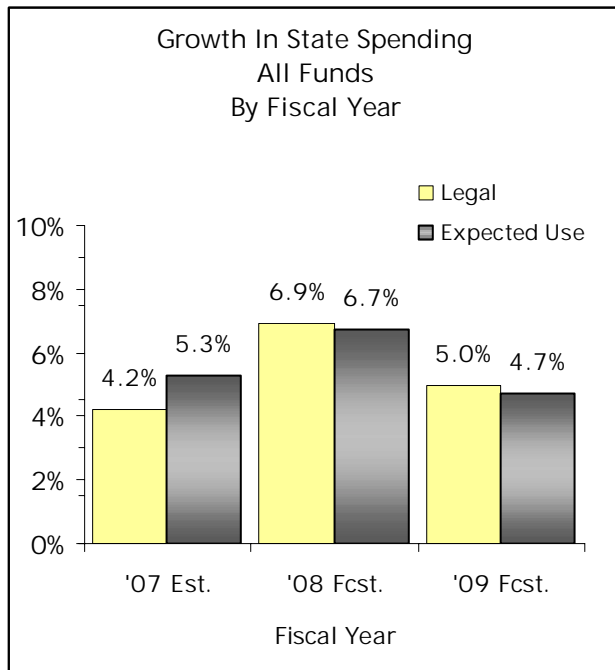
Given the magnitude of the structural gap and the constraints of the spending cap, Governor Rell is proposing significant structural changes on each

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side of the ledger – spending reductions and revenue enhancements.

Governor Rell is proposing an all funds budget of \$17,462 million for FY 2008 and \$18,328 million for FY 2009. The FY 2008 proposal represents an increase of \$1,124.0 million from estimated expenditures this year, or 6.9%. The FY 2009 all funds proposal represents an increase of \$866.1 million over the recommended level for FY 2008, or an increase of 5.0%. The Governor is proposing a General Fund budget of \$16,178 million for FY 2008 and \$16,994 million for FY 2009. The FY 2008 proposal represents an increase of \$1,064.0 million from estimated expenditures this year, or 7.0%. The FY 2009 General Fund proposal is an increase of \$816.2 million over the recommended level for FY 2008, or an increase of 5.0%.

limit expenditure growth wherever possible. In the first year of the biennium, current services spending was reduced a net \$400.4 million in the General Fund and \$415.1 million in all funds. These reductions eliminate over 73% of the General Fund structural gap in FY 2008. In the second year of the budget, current services spending was reduced by \$588 million in the General Fund and \$602.9 million in all funds. These reductions eliminate over 81% of the General Fund structural gap in FY 2009.



In order to limit the overall growth in the budget and to minimize the amount of new taxes needed to support state government, Governor Rell has also made an effort to reduce expenditures and

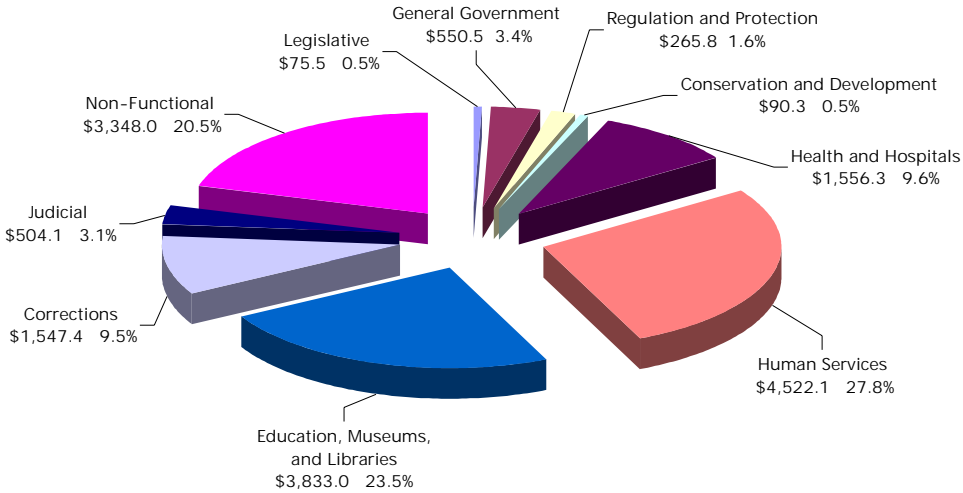
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## Biennial Budget Spending Plan Summary (In Millions)

	FY 2007-08			FY 2008-09		
	<u>Current Services</u>	<u>Recomm.</u>	<u>Increase/ (Decrease)</u>	<u>Current Services</u>	<u>Recomm.</u>	<u>Increase/ (Decrease)</u>
<u>Revenue</u>						
General Fund	\$ 15,672.4	\$ 16,180.9	\$ 508.5	\$ 16,298.1	\$ 16,997.6	\$ 699.5
Transportation Fund	1,124.4	1,127.6	3.2	1,153.3	1,156.5	3.2
All Other Funds	<u>183.5</u>	<u>184.2</u>	<u>0.7</u>	<u>184.5</u>	<u>184.8</u>	<u>0.3</u>
Total	\$ 16,980.3	\$ 17,492.7	\$ 512.4	\$ 17,635.9	\$ 18,338.9	\$ 703.0
<u>Expenditures</u>						
General Fund	\$ 16,219.0	\$ 16,178.2	\$ (40.8)	\$ 17,015.5	\$ 16,994.4	\$ (21.1)
Transportation Fund	1,096.9	1,100.0	3.1	1,148.7	1,149.4	0.7
All Other Funds	<u>183.0</u>	<u>183.7</u>	<u>0.7</u>	<u>184.0</u>	<u>184.2</u>	<u>0.2</u>
Total	\$ 17,498.9	\$ 17,461.9	\$ (37.0)	\$ 18,348.2	\$ 18,328.0	\$ (20.2)
<u>Balance - Surplus/(Deficit)</u>						
General Fund	\$ (546.6)	\$ 2.7	\$ 549.3	\$ (717.4)	\$ 3.2	\$ 720.6
Transportation Fund	27.5	27.6	0.1	4.6	7.1	2.5
All Other Funds	<u>0.5</u>	<u>0.5</u>	<u>(0.0)</u>	<u>0.5</u>	<u>0.6</u>	<u>0.1</u>
Total	\$ (518.6)	\$ 30.8	\$ 549.4	\$ (712.3)	\$ 10.9	\$ 723.2

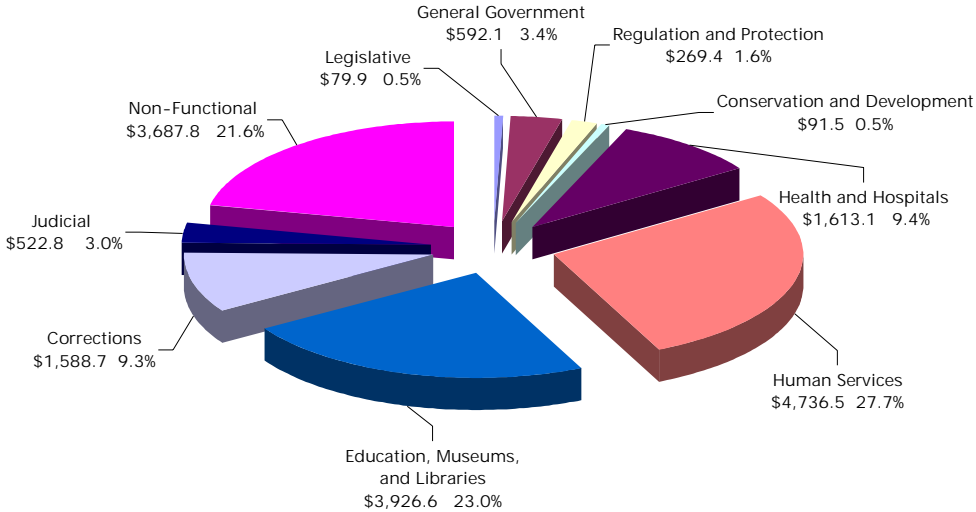
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**General Fund Appropriations  
By Function of Government  
Fiscal 2008**



INTRODUCTION

**General Fund Appropriations  
By Function of Government  
Fiscal 2009**



# DISPOSITION OF THE FY 2007 SURPLUS

The State of Connecticut is expected to register its fourth consecutive year of general fund surpluses for FY 2007. As of January 22, 2007, the Office of Policy and Management is estimating the surplus for the current fiscal year to be \$507.8 million.

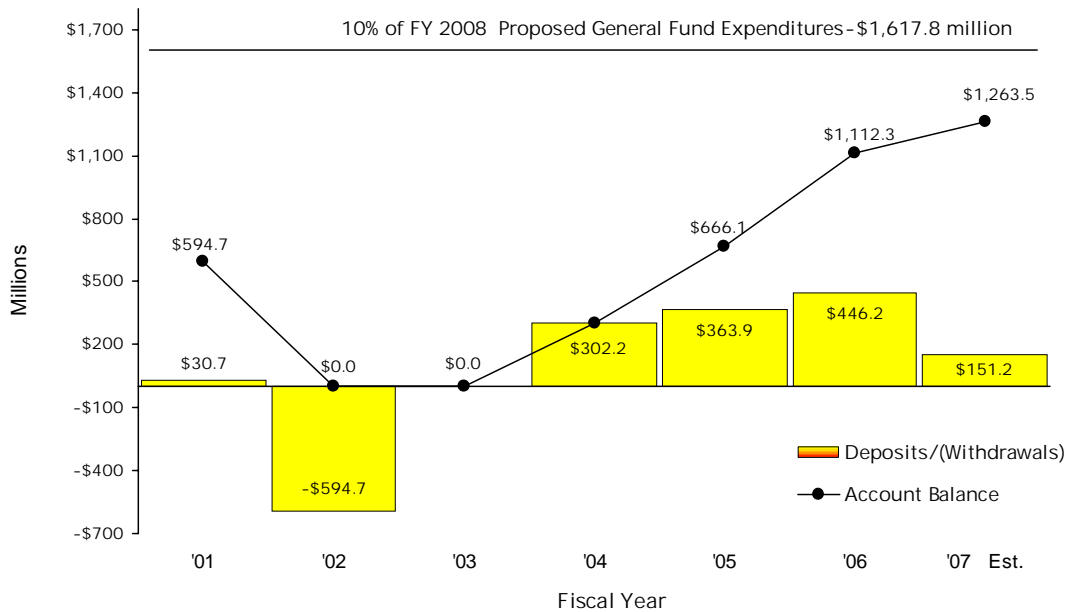
In an effort to mitigate spending cuts and tax increases and stabilize the budget situation, Governor Rell is proposing to use the surplus on a number of initiatives described below.

The current general fund surplus forecast is calculated after using approximately \$25 million for estimated deficiencies, lost lapses, and surplus

adjustments. About \$4.2 million are actual deficiency appropriations under the spending cap.

Governor Rell proposes to use the balance of the surplus in the following ways:

- **DEPOSIT \$151.2 MILLION IN THE BUDGET RESERVE FUND.** When the FY 2006 surplus has been certified, it is expected that approximately \$446.2 million will be deposited into the Rainy Day Fund, bringing the total balance in the fund to approximately \$1,112.3 million, or about 7.5%. With the additional deposit of about \$151.2 million from the current fiscal year on September 1, 2007, the fund's level would rise to about \$1,263.5 million. Pursuant to statute, these funds are transferred and have no impact on the spending cap.





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- **FUND SCHOOL TEXTBOOKS AND DEFERRED MAINTENANCE** Governor Rell proposes to use \$50 million of the surplus to fund a one-time program to allow schools to request funding for the purchase of new textbooks and/or for deferred maintenance projects on schools.

- **ESTABLISH AN OTHER POST EMPLOYMENT BENEFITS ACCOUNT** Governor Rell also proposes to set aside another \$21 million to establish an account to begin addressing the state's long term obligation to pay for Other Post Employment Benefits for retired state employees. This obligation is only now being quantified under rules enacted by the Governmental Accounting Standards Board (GASB), and preliminary estimates place this liability at approximately \$21 billion. The Governor is also proposing a task force to conduct a study of the options available to the state to address this issue.

- **FUND AN ENERGY CONSERVATION ACCOUNT** Governor Rell is proposing that \$30 million of the surplus be appropriated this fiscal year and set aside to provide rate relief for households that have documented reductions of 18% or more in their consumption of electricity over the next year. The Governor's plan is designed to encourage conservation and to reward people for their efforts to conserve energy and promote conservation as a lifestyle.

- **CARRYFORWARD \$96.3 MILLION FOR FY 2008 EXPENDITURES** The Governor's budget proposes to carryforward \$96.3 million from the current fiscal year into FY 2008 to offset certain expenditures in the first year of the biennium. Major areas of offset are \$33.2

million in Medicaid, \$20 million for State Employees Health Services costs, and \$36 million for Debt Service.

- **UTILIZE \$9.3 MILLION TO PAY FOR ONE-TIME EXPENSES IN FY 2008** The Governor is proposing to fund a variety of non-recurring expenditures in FY 2008 with surplus funds.
- **PREFUND THE FY 2009 TEACHERS RETIREMENT PENSION CONTRIBUTION** Governor Rell is proposing that \$150 million be used to fulfill the state's obligation to the Teacher's Retirement Fund in FY 2009.

This use of the surplus will mitigate the need for additional spending cuts and or higher tax increases over the biennium.

## EXPENDITURE CAP

The upcoming biennium will be the sixteenth and seventeenth annual budgets subject to the state's constitutional expenditure cap. Over the years the expenditure cap has served the citizens of the state well. It has limited the growth in the state's budget to no more than the economy's ability to pay for those increases, as measured by the growth in personal income. Since the cap was adopted, the average growth in spending (including Governor Rell's first two budget years) was 4.8%. In the 5 years before the adoption of the constitutional cap on spending, the average growth in spending was 10.8%.

For FY 2008, the expenditure cap will only permit growth of 3.31%. This is the lowest expenditure cap growth ever recorded and well below the average cap growth of 4.84% measured over the past fifteen years. This level of permitted growth

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leaves little room for paying for the state's ongoing expenditures, never mind significant state reforms as envisioned by the Governor.

The Governor's proposed budget represents a blueprint for wholesale change in the way the state operates. The budget seeks to address the state's under-funding of local education expenses with the goal of improving educational outcomes and lowering the tax burden that must be shouldered by property taxpayers. The Governor's budget practices sound state fiscal reform by fully funding pension obligations and past liabilities at levels never before achieved. The Governor's Education Reform package expends \$228 million. The Governor's fiscal reforms amount to \$222 million including the net expenditure cap impact of fully funding the teacher's retirement fund in FY 2008. Accordingly, the Governor's budget will exceed the cap by \$521 million. The Governor's FY 2009 budget does not exceed the spending cap.

Achieving these goals within the 3.31% permitted growth rate is not possible. However, the Governor intends to address these issues in a forthright manner while respecting the integrity of the expenditure cap. At the appropriate time and in accordance with the state's Constitution, the Governor will issue a declaration to exceed the state's expenditure cap to address these significant reforms.

# RETOOLING OUR STATE FOR THE 21<sup>ST</sup> CENTURY

*Upon the subject of education, not presuming to dictate any plan or system respecting it, I can only say that I view it as the most important subject which we as a people may be engaged in.*

-- Abraham Lincoln

Connecticut has reached a critical juncture. Drones of baby boomers will retire soon. Replacement workers, of whom there are not nearly enough, will not have the technological skills they need to drive the state's economy forward. The clock has run out on business as usual. Now, we must retool the engine that generates Connecticut's future workers—we must redesign the education system to create the workforce the state's economy will need.

A recent policy paper<sup>1</sup>, concluded that other countries were doing a better job enrolling, retaining and graduating college students, thus diminishing the United State's "competitive edge." The U.S., on the other hand, is looking at "persistent gaps in educational achievement," particularly for students who are African-American or Hispanic. If that gap is not eradicated, replacement workers will not possess the college level skills, and the necessary college education, that the U.S. economy will need to compete globally.

The solutions must go beyond just infusing funding into either the K-12 or the college systems. Instead, the best way to reform the education system is to address the education system as a whole to "prevent leaks in the pipeline." There are four key elements in this type of systemic reform:

- Provide funding to improve academic achievement,
- Collect data on students to indicate which reform methods work to increase achievement,
- Develop an accountability system that tracks student success from kindergarten through college,
- Connect the kindergarten through high school courses with postsecondary education requirements to reduce college remediation requirements.

For Connecticut, fixing the system means addressing the whole education continuum, from pre-school through college. With the additional input from the state's private sector, the continuum will have clear and vibrant linkages between all of the state's education programs and the businesses that drive the state's economy.

In this new education system, there will be abundant education funding for a first class, 21<sup>st</sup> century education for every Connecticut student. Even though the majority of students receive an excellent education now, it is not enough to sustain the learning that will be needed for tomorrow's economy. By devoting significant new funding to programming that will increase achievement, most of Connecticut's students will receive the education that they, and the state's economy needs, to succeed.

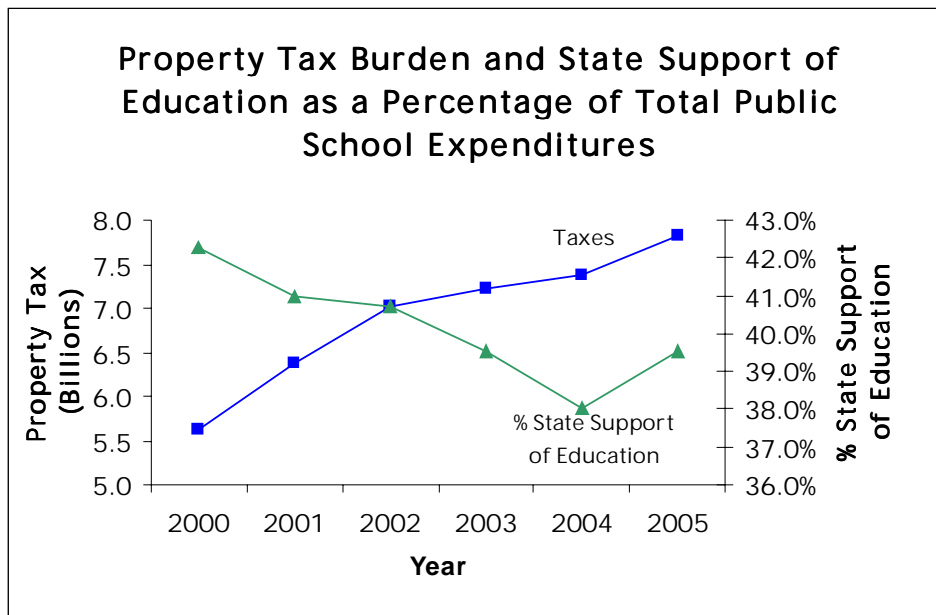
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<sup>1</sup> "Claiming Common Ground, State Policymaking for Improving College Readiness and Success" by Patrick M. Callan, Joni E. Finney, Michael W. Kirst, Michael D. Usdan and Andrea Venezia

## EDUCATION

Governor Rell's proposed budget offers significant increases in state aid for Connecticut school districts. While the initiative includes programs for poor and minority students who are struggling to achieve in school, all of the state's districts will benefit from the landmark investment in education, the most important increase in education funding in a generation. From preschool, where Governor Rell is recommending significant funding to increase access for the state's neediest students, to the entire kindergarten through grade twelve public schools system, where extensive education funding will be invested, to college, where a public/private manufacturing program will be expanded and student financial aid will be appreciably increased—Governor Rell's landmark plan is groundbreaking and comprehensive.

Of equal importance to the financial investment in education will be a revamped accountability system. With such an historical increase in financial resources, Governor Rell is expecting stellar improvements for all of Connecticut's students. This new system will depend on the collection of student specific data, from preschool through college, which will be systematically analyzed to determine which academic strategies work best to improve achievement. In addition to the assessment of student achievement, there will be a behavioral component included. Connecticut's new accountability system will also provide assistance when the results are unsatisfactory.



## EDUCATION

The most significant financial details of Governor Rell's education plan follow.

### OVER \$1.1 BILLION (PHASED IN OVER 5 YEARS) FOR THE ECS GRANT

*Let's be bold. Let's just do it.*

*Governor M. Jodi Rell to the Commission on Education Finance*

A year ago, Governor M. Jodi Rell created the Commission on Education Finance (CEF). At that time, she expressed concern about the Education Cost Sharing grant, which had, over time, become so convoluted that it was looking like "everyone's favorite chemistry project." When the CEF issued its final report late last year, it recommended a \$1.1 billion in ECS. ECS would be, Governor Rell had suggested, a simpler, eminently fairer formula. Governor Rell's charge to the CEF has been realized. Courageously, Governor Rell is proposing

the state's single largest investment in education in a generation.

Cognizant of the affordability of such a large investment, Governor Rell is prudently recommending that the ECS increase be phased in over five years. In the first phase-in year, communities will realize significant gains in education funding. As the table below shows, the state's largest communities, which include Bridgeport, Waterbury, New Haven, Hartford and Stamford all get noteworthy increases in their grants. These communities have large numbers of children from low-income families, whose vulnerability often results in academic delays. The ECS formula will direct more funding to expand necessary education programs for these youngsters.

### THE TOP TEN: COMMUNITIES THAT GET THE MOST ADDITIONAL ECS FUNDING

Town Name	Resident Students	SFY 2007 Entitlement	Estimated SFY 2008 Entitlement	Estimated SFY 2009 Entitlement	Estimated SFY 2012 Entitlement	Change 2012 Less Current Law
Bridgeport	22,781	\$147,107,433	\$164,207,507	\$175,719,316	\$232,834,123	\$85,726,690
Waterbury	17,748	\$97,808,233	\$112,298,344	\$122,053,120	\$170,450,566	\$72,642,333
New Haven	19,405	\$128,491,056	\$138,518,140	\$145,268,395	\$178,759,182	\$50,268,126
Hartford	22,921	\$170,113,053	\$180,003,258	\$186,661,367	\$219,694,976	\$49,581,923
New Britain	11,248	\$64,119,355	\$72,538,651	\$78,206,540	\$106,327,264	\$42,207,909
Meriden	9,628	\$46,584,133	\$52,888,786	\$57,133,092	\$78,190,838	\$31,606,705
Bristol	9,117	\$35,390,494	\$41,111,508	\$44,962,908	\$64,071,283	\$28,680,789
Danbury East	9,840	\$17,588,819	\$23,078,118	\$26,773,527	\$45,107,965	\$27,519,146
Hartford	8,362	\$35,150,730	\$40,580,436	\$44,235,727	\$62,371,123	\$27,220,393
Stamford	15,216	\$5,885,766	\$11,083,569	\$14,582,742	\$31,943,575	\$26,057,809

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The details of the ECS change are as follows:

**ALL COMMUNITIES GET AN INCREASE** With such a large investment in education, Governor Rell believes that all communities should get at least a 3% increase in their grants.

**GRANT CAPS** In the first year of the phase-in, the ECS cap is removed. This was a CEF priority because so many communities were not getting the funding that they should have gotten because of the cap.

**ECS FOUNDATION** Based on the CEF recommendation, the foundation level will be increased to enable all towns to spend at a level equal to the amount spent for the 80<sup>th</sup> percentile need student three years prior. For many years, the ECS foundation has been \$5,891. Governor Rell's recommendation is to increase the foundation to \$9,687 over a five year phase in.

**STATE GUARANTEED WEALTH LEVEL (SGWL)** As the SGWL increases, so too does the state's share of funding the Foundation, at least for most communities. Governor Rell's budget is proposing that the SGWL be raised from the current 1.55 to 1.75 over a five year phase in. By increasing the Foundation and the SGWL, most towns will benefit.

**MINIMUM AID RATIO** The current ECS formula ensures that no town receives an aid ratio below 6 percent. Even if the SGWL was increased to 1.75, there would still be approximately 40 towns impacted by the 6 percent minimum. Over the course of the formula's phase-in, the minimum aid ratio is going to be increased so that by the end of the phase-in period, the minimum aid ratio will be 10 percent of the Foundation. Generally, this would mean that a town would be guaranteed an

estimated 10% of the Foundation, or about \$970/student. Priority School District communities will have a Minimum Aid Ratio of 20%.

**RESIDENT STUDENT** Resident students reflect pre-kindergarten through grade 12 students of fiscal responsibility weighted for an extended school year, tuition-free summer school and participation in the Open Choice program. Currently, students participating in full-time interdistrict magnet school programs are included in the sending districts' resident student count. Governor Rell is concerned that state taxpayers are paying for these students twice because these students are funded through both the ECS and Magnet Operating grants. Therefore, it is proposed that these students be excluded from the sending districts' resident student count and be funded solely through the Magnet Operating grant.

**NEED STUDENTS-USE CURRENT DATA** Need students are currently determined by weighting resident students 25 percent for poverty (1996-97 Temporary Family Assistance (TFA) counts), 25 percent for remedial students as measured by the Connecticut Mastery Test, and 10 percent for selected English Language Learners. This current weighting has some problems including: (1) the use of 10-year-old poverty data, (2) the use of the Connecticut Mastery Test results in which the ECS formula penalizes towns for improved performance, and (3) the limited weighting of English Language Learners. As a result, Governor Rell is recommending the following concerning need students to be phased in over five years: eliminate the weighting for remedial performance; increase the weighting for English language learners to 20 percent; and for each town, poverty will be the number of students eligible for free or reduced price meals. Historically, free and reduced data is updated annually.

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Poverty weighting will be 21.89% because the new poverty measure is significantly larger than the ten year old data that was previously used.

**SUPPLEMENTAL FORMULA AID AND DENSITY AID** Both Supplemental Formula Aid and Density was added to the ECS formula in 1995-96. Currently, each component only adds about \$5.5 million to the total ECS grant. Governor Rell feels that with the recommendations requiring a statutory mechanism to raise the foundation on a biennial basis and increasing the SGWL, there is no longer a need for supplemental formula aid or density.

### PHASED IN UNIVERSAL PRESCHOOL FOR CHILDREN FROM LOW-INCOME FAMILIES

*Policies that seek to remedy deficits incurred in early years are much more costly than early investments wisely made, and do not restore lost capacities even when large costs are incurred. The later in life we attempt to repair early deficits, the costlier the remediation process.*

*James H. Heckman, Ph.D.  
Nobel Laureate in Economics*

In 2005, Governor Rell created the Early Childhood Education Cabinet, a bi-partisan group of state agency heads, legislative leaders and community representatives who developed a plan for the state's children to be "Ready by Five and Fine By Nine." The seminal work by the Cabinet guided Governor Rell's decision to significantly increase the state's investment in preschool for low income children.

An imperative Cabinet priority is to: *Assure fiscal support for high quality preschool for all 3 and 4 years olds in families at or below 185% of the Federal Poverty Level.*

Using this criteria, it is currently estimated that about 13,000 youngsters would need preschool placement. Over the biennium, \$11.1 million in FY 2008 and \$30.5 million, will be invested to subsidize approximately one-third (about 4,100) of the unmet preschool need for these children. Funding of \$4 million over the biennium would support the physical construction of 4,000 slots.

Considering the practical limitations of both physical facilities and workforce, providing slots must be accomplished over time. In the beginning of the program, therefore, there will be a mix of grants: to existing accredited preschool providers with vacancies, to a limited degree, new facilities, and for scholarships, for use at accredited facilities. Ultimately, the goal of this program is to provide a preschool placement for all of the state's low-income youngsters.

To implement a preschool rating system, \$1 million has been recommended for the creation of a comprehensive data registry for all of the preschool centers, along with the Quality Rating Scale for parents and caregivers.

Finally, there is a workforce element to the Early Childhood Initiative. To work in the early childhood field, additional academic credentials will be required in 2010 and 2015. Ensuring that there are adequate numbers of qualified staff for the new slots was a priority of the Early Childhood Education Cabinet. Therefore, Governor Rell is proposing a series of education initiatives (\$1.1 million in FY 2008 and \$3 million in FY 2009) to: develop distance learning opportunities, create a birth-to-five teaching credential, and institute language and literacy requirements for assistant teachers. Additionally, the budget includes funding for bonuses, loans and scholarships:

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- 150 staff bonuses for additional academic credentials
- 365 scholarships
- 95 loan reimbursements
- 55 minority teacher incentive loans and scholarships

### **\$19.8 MILLION TO INCREASE PROGRAMS THAT REDUCE RACIAL ISOLATION AND IMPROVE URBAN EDUCATION**

*An investment in knowledge always pays the best interest.*

*-- Benjamin Franklin*

As part of her unwavering commitment to the state's most educationally vulnerable children Governor Rell is supporting a series of initiatives to reduce racial isolation and improve urban education. Included would be the following:

the per child magnet school subsidies. For the Regional Educational Service Center magnet schools, the subsidy would increase from \$6,500 to around \$8,700. Host magnet school subsidies would increase from \$5,302 to \$8,160/student.

Charter schools, which offer innovative academic programs (many of them in urban areas) will be significantly increased over the biennium.

- \$4.9 million in both fiscal years 2008 and 2009 to increase financial incentives for the OPEN Choice program and for enhanced academic support for primary and middle school students. The receiving district subsidy would increase from \$2,000 to \$2,500 and transportation would go from \$2,100 to \$3,250. The total amount available for schools that took more than ten students would increase from \$350,000 to \$1 million. Additionally to assist middle and high school students, there would be funding (\$363,000) for academic support.
- \$3.3 million in state FY 2008 and \$6.4 million in state FY 2009 to phase in (over four years) the CEF recommendations to increase the per child charter school subsidy from \$8,000 to around \$10,600/student.
- \$4.2 million in state FY 2008 and \$8.5 million in state FY 2009 to phase in (over four years) the CEF recommendations to increase

Governor Rell's budget includes an increase of over 700 students, which is a 20% increase in the 16 schools' enrollments. For the second year of the biennium, Governor Rell is recommending the addition of five new schools, funding for which will be determined when detailed plans from prospective schools will be available.



## EDUCATION

<b>PHASE IN OF MAGNET SCHOOL SUBSIDY INCREASES</b>					
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Per Child Subsidy for RESC Schools	\$ 6,500	\$ 7,060	\$ 7,620	\$ 8,180	\$ 8,741
Host Magnet Schools	\$ 5,302	\$ 6,016	\$ 6,730	\$ 7,444	\$ 8,158
RESC SUBSIDY CHANGE		8.6%	7.9%	7.3%	6.9%
HOSTMAGNET SUBSIDY CHANGE		13.5%	11.9%	10.6%	9.6%

<b>PHASE IN OF CHARTER SCHOOL SUBSIDY INCREASES</b>					
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Charter School Subsidy/Child	\$ 8,000	\$ 8,650	\$ 9,300	\$ 9,950	\$ 10,600
CHARTER SCHOOL MAGNET CHANGE		8.1%	7.5%	7.0%	6.5%

<b>OPEN CHOICE SUBSIDY INCREASES</b>					
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Transportation Subsidy/Child	\$ 2,100	\$ 3,250	\$ 3,250	\$ 3,250	\$ 3,250
Receiving District Grant/Child	\$ 2,000	\$ 2,500	\$ 2,500	\$ 2,500	\$ 2,500
Student Bonus/child (>10 kids/School	\$ 326	\$ 700	\$ 700	\$ 700	\$ 700
Middle/HS Support per student (100 students)	\$ 3,627	\$ 3,627	\$ 3,627	\$ 3,627	\$ 3,627
OPEN CHOICE CHANGE (not including academic support)		45.7%	0.0%	0.0%	0.0%

### ACCOUNTABILITY: ENSURING EDUCATIONAL EXCELLENCE FOR ALL STUDENTS

*Education is the most powerful weapon which you can use to change the world.*

*Nelson Mandela*

On the 2006 report of the third grade Connecticut Mastery Examination, 139 out of the 171 districts (including magnet and charter schools) made adequate yearly progress (AYP). While that is

positive news for the successful communities, it is unsettling for those districts that underperformed. Governor Rell, with her signature education investment, does not want this to happen again. She believes that this education funding will provide the resources communities need to excel but ensuring this success will come only with an expanded educational accountability program.

With \$1.4 million in each year of the biennium, the Department of Education (SDE) will begin to

## EDUCATION

implement a new accountability system. SDE will take on a new leadership role, empowered to require school districts to undertake initiatives that will increase student achievement.

To initiate this new accountability system, SDE will develop state benchmarks for both academic and behavioral accountability. Using these benchmarks, the state will intervene when schools and districts underperform.

For those districts or schools that have not achieved the SDE benchmarks for four years (including time that the district/school has been designated as in need of improvement), SDE will have a menu of opportunities available, but not required. If asked, SDE could send in a consultant improvement team made up of retired outstanding teachers and leaders who could help devise school improvement strategies. School districts could be asked to develop and implement plans to address their achievement gaps. Staff development, including workshops for school principals and teachers, could be enhanced. Curricula could be reviewed and altered.

Once the school or district had underperformed for four years, or SDE has judged there was an immediate need for their intervention (less than the four years), SDE will intervene and require the districts to accept one or more mandated initiatives aimed at reducing their achievement gap.

Before the state begins that process, the underperforming school district will have to conduct a performance appraisal and audit. Each major part of the education process, including the instructional, financial and operational programs, will be included. To ensure that the instructional, financial and operational deficiencies are addressed, SDE will be empowered to assign

technical assistance teams to assist the districts with implementation plans. If needed, SDE will mandate new or revised curricula along with additional staff training for paraprofessionals, teachers and principals. Since parents are a critical element of academic success, SDE could require a plan to encourage extensive parental involvement in the schools. SDE also could direct how districts spend their funding; they could require redirection to critical areas. Finally, SDE could work with the local unions and Boards of Education to discuss providing financial incentives to teachers and/or principals and possibly redeploying teachers or principals to different schools.

Even after SDE intervenes with the previously mentioned requirements, it is possible that some districts will still need stronger measures to help them succeed. Such efforts will be considered on a case-by-case basis when all other efforts have not yielded positive results. SDE can decide to reconstitute schools, the management for which might include private entities or other boards of education. SDE could replace school leadership, such as the board of educations, superintendents, principals and teachers. Districts could be required to provide funding to send students to out-of-district schools. Finally, SDE could takeover the district (after legislative approval.)

In addition to the additional SDE accountability interventions, Governor Rell is proposing improvements to discrete education programs that are critical to student success. At the beginning of the public school education continuum, kindergarten offers opportunities to continue the learning experiences started in preschool. Especially with such a significant investment in preschool, Governor Rell is worried that progress made there could be lost if the kindergarten experience is less than a full day. Currently, only

## EDUCATION

about 22% of the state's communities offer full day kindergarten.

As part of her accountability plan, Governor Rell is going to require each district to have a public hearing and prepare reports discussing the merits of providing full day kindergarten. These reports will include consideration of the following:

- Proposed curriculum
- Coordination with new and existing School Readiness programs
- Language development and reading readiness
- Parental involvement
- Professional preparation in the teaching of reading
- Costs to implement full day kindergarten

These reports will be sent to the State Board of Education. The State Board of Education will evaluate these reports along with third grade Connecticut Mastery Test (CMT) results.

During the last CMT reporting period, the third grade test scores were as follows:

- In math, 78.3% of students were at or above the proficient level
- In reading, 69.2% of students were at or above the proficient level
- In writing, 81.7% of students were at or above the proficient level

If the State Board so orders, districts where more than 30% of the students are below the statewide proficiency standard in any single component of the third grade CMT would be required to create full day kindergarten programs (if they did not have them.) The costs for these additional programs

would be expected to be paid for with the new ECS funding recommended in Governor Rell's proposed budget.

When a child finishes first grade, Governor Rell expects that every child will be reading at grade level. After finishing second grade, every child should be at grade level in math. If the children do not achieve at these education goals, the school districts will be required to offer summer school for these students in need of remediation or some acceptable (to the State Board of Education) alternative. Governor Rell believes that with the new data system, and the ECS funding, no child need fall behind in learning fundamentals.

Children who are not in school are not learning. That is why truancy prevention is so important to Governor Rell. According to one study, truant students are more likely to drop out of school. An average dropout costs about \$200,000 in government services over a lifetime. Therefore, it makes sense to address this issue. Since the Governor believes in finding children doing something right, she is proposing the creation of a new program, modeled upon the Governor's Reading Challenge to provide positive incentives to encourage students, their schools and districts to make attending school a priority. Each year, schools will compete for a Governor's attendance award, which will be given to the school communities that do the best job keeping kids in school.

To succeed in the global economy, students will need increasingly difficult math and science skills. For Connecticut to compete, its students must have a greater math and science knowledge base. Governor Rell, therefore, is proposing that each high school student take four credits of math (up

## EDUCATION

from three) and three credits of science (up from two).

Graduation from high school must mean a student is ready for college level work, if that is his or her choice. Thus, Governor Rell is recommending tough and fair new high school graduation requirements. Every student will be required to have passed the tenth grade administered Connecticut Academic Performance Test (CAPT) or to have successfully fulfilled an SDE approved alternative method that measures student achievement.

### **\$50 MILLION TO IMPROVE TEXTBOOKS AND SCHOOL FACILITIES**

*I doubt whether we are sufficiently attentive to the importance of elementary textbooks.*

*C.S. Lewis*

According to John Hubisz, who reviewed middle school textbooks as part of a grant he received from the David and Lucille Packard Foundation, said that *"thousands of teachers are saddled with error-filled physical science textbooks that fail to present what science is all about."* It is feared that the science textbooks are not the only school books that are inaccurate. With the price of textbooks increasing yearly and always exceeding the rate of inflation, Governor Rell wants to ensure that communities have sufficient funding to purchase the most precise and up-to-date textbooks so she is dedicating a portion of \$50 million to help school districts buy books.

Additionally, Governor Rell, who has extensively toured the state's schools, is concerned that they are not always in optimal condition. With such a significant investment in education, Governor Rell wants every child to be in a clean and safe learning

environment. Using part of the \$50 million, each community, after they have gone through a public process, which includes parental input, will be able to access funding for minor facilities repairs and code improvements.

### **HIGHER EDUCATION AND BUSINESS LINKAGES**

*Today knowledge has power. It controls access to opportunity and advancement.*

*Peter F. Drucker*

In a February 2006 report, the Department of Higher Education estimated that unmet student financial aid was \$21 million. Governor Rell does not want money to be a barrier to student access to higher education. Therefore, she is recommending \$25 million in additional student financial aid for both public and private colleges.

Currently, the Connecticut Independent College Student Grant (CICSG) provides about 4,500 average awards of \$3,400 to Connecticut students attending a private college or university in the state. With \$12.2 million in new funding, another 3,600 awards could be given at the same award level or the award levels could increase (or some combination of both).

The Connecticut Aid for Public College Students (CAPCS) is averaging about \$1,300 for its 12,000 awards. Governor Rell's additional funding of \$12.8 million could mean another 9,800 awards or an increase in current award levels (or some combination of both.)

Access and affordability are crucial to low-income students who want to attend college. Governor Rell's recommendation of \$25 million is an affirmation of her commitment to these students, who throughout this Education Initiative, are the ones who will benefit most from her investments in

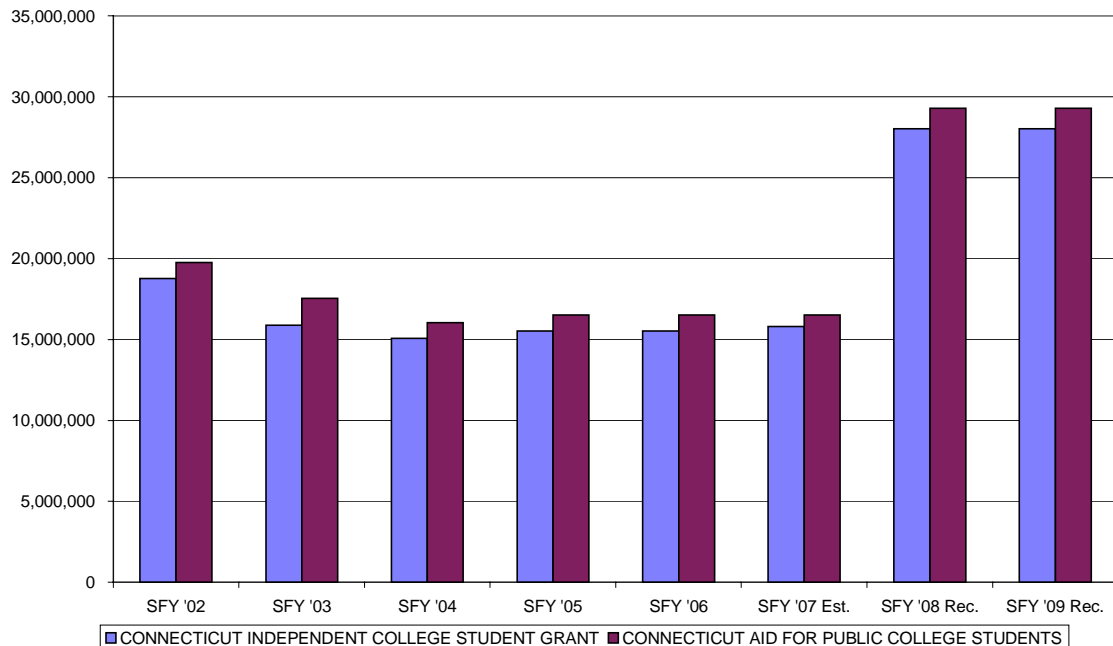
## EDUCATION

preschool, the kindergarten-grade twelve system and now in financial aid.

Finally, Governor Rell's budget includes new funding for the Manufacturing Technology Program at Asnuntuck Community College. This program is innovative and supportive of the state's manufacturing sector. With these new funds, current (\$345,000) operations will be sustained and \$500,000 will provide for the expansion of the program to medical device manufacturing. Medical device manufacturing involves the production of surgical, medical and dental instruments, supplies and appliances, including irradiation and electro-medical equipment, ophthalmic goods and optical instruments and lenses. Fifteen percent of New England's total medical device manufacturing is

consolidated within the New Haven/Hartford and Springfield, MA areas. This industry is expected to increase significantly as the older segment of our nation's population increases.

**Expenditures for CT Independent College Student and CT Aid to Public College Student Grants SFY 02 - SFY '09 Estimated**



# HISTORY OF EDUCATION FINANCE IN CONNECTICUT

*There shall always be free public elementary and secondary schools in the state. The general assembly shall implement this principle by appropriate legislation.*

*Connecticut State Constitution, Article 8: Section 1*

In the 1977 *Horton v. Meskill* lawsuit, Connecticut's Supreme Court, building on Article 8 in the Constitution, and including additional constitutional equal rights and equal opportunity provisions, declared that the State's method of financing education was unconstitutional. When the lawsuit was filed, local school districts were paying for 70% of education costs, with the state picking up between 20%-25% with a flat grant of \$250 per student. Property poor towns with less taxing capacity ended up spending less but taxing more while property rich towns taxed less and spent more.

This method of financing education led to real disparities in the quality of education experience across the state. Poorer towns needed more academic programming for their low-income students who started school with poverty-created barriers to success. They simply could not afford these services with the flat grant they received from the state. Wealthier communities, which could raise funds with lower tax rates, were able to provide additional educational enhancements that could never be afforded by property poor communities. These disparities caused the Supreme Court to rule that the state's method for funding education was unconstitutional because it denied students their rights to an equal educational opportunity. The Court's decision required the

General Assembly to fashion an education funding formula that offset the advantages property rich communities had in providing education so that the state's children could receive the education to which they were all constitutionally entitled.

To respond to *Horton*, the General Assembly created the Guaranteed Tax Base (GTB) formula. GTB was in effect from 1979 to 1989 and had many of the same elements that ECS has now but there were adjustments made in town wealth, tax effort and student need. There was a minimum aid of \$250/student guaranteed. During the 1987 to 1989 time period, there was a three year effort to increase teacher salaries called the Education Enhancement Act. The final year of GTB, 1989, the State paid out over \$760 million in state aid, \$592 million in GTB and \$168 million in EEA. For the 1989-90 fiscal year, these two programs were combined into the Education Cost Sharing grant. The major components of ECS have been:

- Foundation
- Resident students
- Poverty weighting
- Mastery weighting
- Town Wealth
- State Guaranteed Wealth Level
- Capping
- Hold Harmless
- Minimum Aid

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experience should not be dictated by which agency funds a particular center.

# GOVERNOR'S EARLY CHILDHOOD EDUCATION INITIATIVE

### CHILD CARE CENTER RATE INCREASE

As part of her early childhood education initiative, the Governor proposes to incorporate the recommendations of the Early Childhood Research and Policy Council to make rates for non-municipal child care centers funded by the Department of Social Services (DSS) comparable to those funded by the State Department of Education (SDE). Currently, SDE pays \$8,025 per child per year, while the DSS rates average approximately \$6,357 per child per year. The DSS centers often provide services similar to those funded by SDE, many times in the same physical locations, with the same contractors and for a similar population. There are approximately 2,400 DSS-funded non-municipal slots that will receive a rate increase of nearly \$1,800 per child per year at an annualized cost of \$4.5 million. In order to be eligible for the rate increase, center staff must be credentialed at the same level as staff in SDE funded centers. The Governor believes that a child's early education

<b>DMR Birth-to-Three Program New or Expanded Coverage</b>
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- |  |
|--|
| <ul style="list-style-type: none"> <li>• Very low birthweight newborns</li> <li>• Significant delays in speech</li> <li>• Biological risk factors</li> <li>• Mild hearing loss</li> <li>• Unilateral hearing loss</li> </ul> |
|--|

### BIRTH-TO-THREE PROGRAM EXPANSION

Also as part of the early childhood initiative, the Governor proposes a significant expansion of the Birth to Three program, which is expected to cost more than \$900,000 in FY 2008 and over \$1.2 million in FY 2009. This expansion will provide eligibility for very low birth weight newborns (less than 1000g at birth or fewer than 28 weeks gestation), children with significant delays in speech or biological risk factors, and children with mild or unilateral hearing loss. All experts agree that these early interventions can make a meaningful difference in the life of a child and save substantial dollars in remediation costs later in the child's life.

#### Summary of the Governor's Initiatives Recommendations

	FY2008	FY2009	FY2010	FY2011	FY2012
<b>Governor's Education Initiative</b>					
School Choice (Charter Schools, OPEN Choice and Magnet Schools)	\$12,505,600	\$19,803,142	\$26,897,217	\$33,991,292	\$33,991,292
ECS	\$205,612,288	\$339,828,819	\$528,406,683	\$757,099,657	\$1,102,156,329
Accountability	\$1,425,000	\$1,425,000	\$1,425,000	\$1,425,000	\$1,425,000
Other Adjustments to Grants (Special Education, Priority School Districts, Vocational Agriculture and Connecticut Pre-Engineering Program)	<u>\$8,516,817</u>	<u>\$18,358,081</u>	<u>\$18,858,081</u>	<u>-\$12,019,560</u>	<u>-\$43,397,201</u>
<b>Total Education Initiative</b>	<b>\$228,059,705</b>	<b>\$379,415,042</b>	<b>\$575,586,981</b>	<b>\$780,496,389</b>	<b>\$1,094,175,420</b>
<b>Governor's Early Childhood Initiative</b>					
SDE (Slots, bonuses, predevelopment funds, quality rating & bureau chief)	\$12,695,000	\$32,370,000	\$32,370,000	\$32,370,000	\$32,370,000
Treasurer (Debt Service)	\$2,000,000	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000
DSS (Program Equilization)	\$2,160,000	\$4,460,000	\$4,460,000	\$4,460,000	\$4,460,000
DHE (Workforce Development)	\$1,033,000	\$2,807,500	\$2,807,500	\$2,807,500	\$2,807,500
DMR (Birth to Three Program Expansion)	<u>\$913,507</u>	<u>\$1,267,912</u>	<u>\$1,267,912</u>	<u>\$1,267,912</u>	<u>\$1,267,912</u>
<b>Total Early Childhood Initiative</b>	<b>\$18,801,507</b>	<b>\$44,905,412</b>	<b>\$44,905,412</b>	<b>\$44,905,412</b>	<b>\$44,905,412</b>
<b>Total</b>	<b>\$246,861,212</b>	<b>\$424,320,454</b>	<b>\$620,492,393</b>	<b>\$825,401,801</b>	<b>\$1,139,080,832</b>

## HIGHER EDUCATION CAPITAL INVESTMENT

Over the past several years the various campuses of the State Universities and Community Colleges have seen a dramatic physical transformation through the State's capital investments in new and expanded facilities. The Governor's proposed capital budget for the biennium continues the commitment to improving the physical condition of our State Universities and Community Colleges while remaining cognizant of our high level of outstanding debt. Recommended bond authorizations emphasize maintaining the various campuses in a state of good repair and the most necessary new construction projects.

The Governor is proposing authorizations for the Community-Technical College System of \$44.8 million for FY 2008 and \$19 million for FY 2009. She is proposing authorizations for the Connecticut State University System of \$45.1 million for FY 2008 and \$40.7 million for FY 2009. Over the biennium significant higher education projects in the bond package include:

- \$5.1 million for completion of Three Rivers Community College in Norwich
- \$21.5 million of additional funding for parking for the consolidation of Gateway Community College in New Haven
- \$2.6 million for improvements to Manchester Community College
- \$5.3 million for various improvements at Western Connecticut State University in Danbury

- \$4.9 million for a various improvements at Eastern Connecticut State University in Willimantic
- \$21.5 million for various improvements at Southern Connecticut State University in New Haven
- \$12.2 million for various improvements at Central Connecticut State University in New Britain.

Governor Rell is also recommending that the UCONN 21<sup>st</sup> Century capital program be modified as part of a prudent approach to limiting long term debt. The University has been the beneficiary of an unprecedented capital investment and it is only fair that it too share in helping to control our long term debt. The Governor is proposing that authorized bonding amounts for the remaining years of the original 20 year commitment be adjusted and that the end date be extended to FY 2016. The modification in FY 2008 will be a \$5 million deferral with a revised authorization of \$115 million. In FY 2009, the Governor is proposing a \$15 million deferral in the bond authorization with a revised authorization of \$140 million. Future years will also include deferrals. The University will be made whole in terms of the original commitment from the state by extending the end date and authorizing the \$100 million deferred funding in FY 2015.



## ELIMINATING THE CAR TAX

There exists in Connecticut a tax so unfair, the amount levied depends not on how much you paid for the item, but on which side of the town line you live. Consider, two neighbors, one living on the Waterbury side of the town line, the other on the Prospect side, go to the same car dealer, buy the same identical car for same identical price, pay the same amount in sales tax, the same amount in gas tax when they fill up, get their property tax bills the next July and pay the same property amount in property tax, right? Not even close. For a \$20,000 car, our neighbor in Prospect will pay \$336 in property taxes on the car. Our neighbor in Waterbury, for the same car he paid the same price for, will pay \$777 in property taxes, *more than double*. How is this fair?

As a further example of how our car tax system is convoluted: understand that a taxpayer in Greenwich pays \$219 in property taxes for a 2006 Mercedes-Benz Sedan while a taxpayer in Hartford pays \$238 in property taxes for a 2001 Chevrolet Cavalier. Does it make sense for a Greenwich taxpayer to pay \$19 less in property taxes per year for a new Mercedes than a Hartford taxpayer pays for a 6-year old Chevy? Under Governor Rell's proposal, beginning July of 2007, Connecticut will begin the elimination of this inequitable, regressive and frustrating tax.

<b>The Car Tax Inequity Between Towns</b>		
<u>Town</u>	<u>Car Value</u>	<u>Tax</u>
Waterbury	\$20,000	\$777
Prospect	\$20,000	\$336
Difference		\$441

If state resources allowed, the Governor would eliminate the car tax immediately. However, with such a great amount of additional state funds directed toward local education over the next five years, the state simply could not afford it. This does not, however, provide us with an excuse to shy away from our duty to eliminate this unfair tax.

The Governor's proposal would phase out property taxes on non-commercial, privately owned or leased passenger cars, light duty trucks, pick up trucks and motorcycles over five years. Beginning with the July 2007 tax bill, the amount towns assess these vehicles will be reduced by \$1,500. The reduction grows to \$3,200 in July 2008, \$4,900 in July 2009, and \$6,700 in July of 2010. *By July of 2011, there will be no property tax on these vehicles.*

Since the state began receiving revenue from the casinos in FY 1993, many citizens have asked where this money goes. Now, the Governor can answer that question as follows: *The casino money is going to eliminate your car tax.* As part of the proposal, a new Casino Assistance Revenue (CAR) Fund is created. This fund will receive deposits from the Indian Gaming revenue the state receives from the two casinos. For the first four years, the amount of the deposits will equal the amount necessary to reimburse municipalities for revenue

<b>The Car Tax Inequity Between Vehicles</b>		
<u>Town</u>	<u>Model</u>	<u>Tax</u>
Hartford	Chevy Cavalier	\$238
Greenwich	Mercedez-Benz	\$219
Difference		\$19

## CAR TAX

lost due to the exemption for eligible vehicles. In the fifth year, 100% of casino revenue will be placed in the CAR Fund for distribution to towns.

To ensure the local property tax burden is not just shifted from cars to real property, the Governor's proposal provides for a mechanism that replaces this lost municipal revenue stream by reimbursing towns from the CAR Fund. Cities and towns will be reimbursed based on a 100% collection rate, even though few cities reach that high a rate. (In fact, the collection rates for some cities hover in the mid eighties.) In the fifth year, the CAR Fund, if necessary, will be supplemented by a General Fund appropriation to ensure that municipalities are fully reimbursed. Once the tax is finally eliminated, municipalities will be relieved of the overly burdensome and inefficient process of assessing and taxing these cars.

As each year more casino revenue is intercepted by the CAR Fund, the revenue loss to the General Fund is offset with a phase out of the property tax credit on the income tax, subject to the exemption described below, ultimately generating \$382 million.

To protect our senior citizens and help them keep their homes, under the Governor's proposal, those 65 or older who are single filers, heads of households or joint filers (one of whom must be at least 65), would be able to keep the full amount of the property tax credit and benefit from the car tax phase down as well.

The \$86.25 million Mashantucket Pequot and Mohegan Fund grant to municipalities, currently funded with casino revenues, remains but will be funded from the General Fund and the name will change to the Supplemental Municipal Assistance grant effective FY 2012.

The Governor's proposal eliminates an inefficient, inequitable and regressive tax; provides a replacement revenue stream to keep municipalities whole; and, most importantly, provides for significant property tax relief for virtually all Connecticut taxpayers.

# HONORING RESPONSIBILITIES TO TAXPAYERS

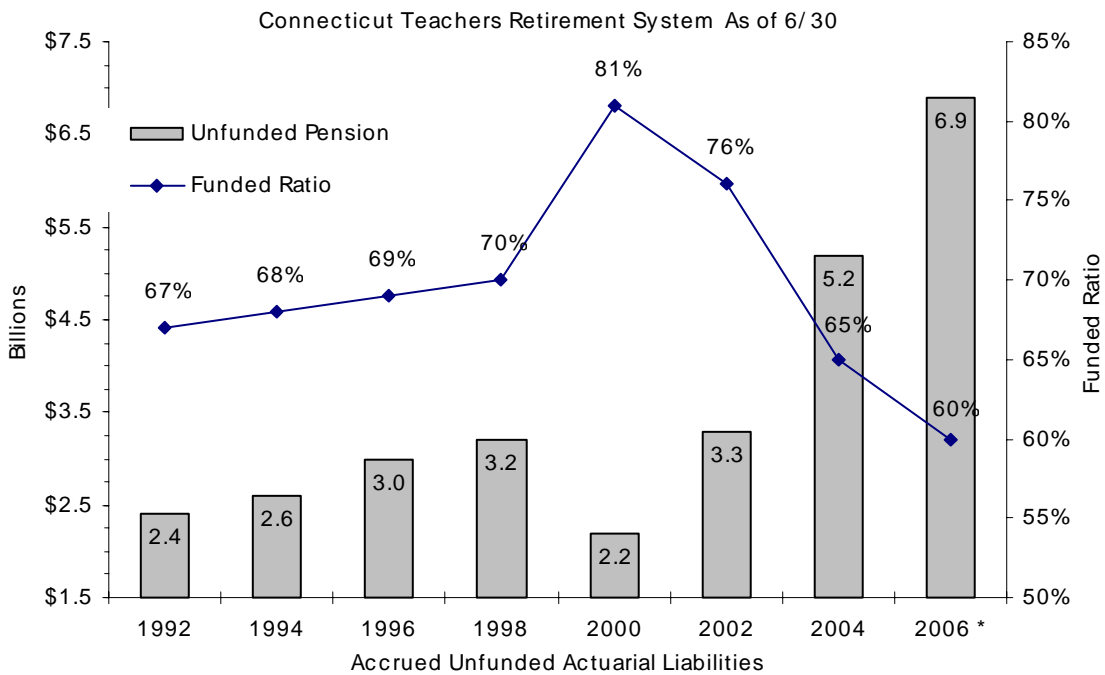
## STATE EMPLOYEES AND TEACHERS PENSION FUNDS

Governor Rell has resisted the previously common but irresponsible technique of funding new initiatives by underfunding pension plan obligations. She insists that the state's pension obligations to both teachers and state employees alike be funded in a responsible and actuarially sound manner. To this end, Governor Rell's budget includes payments equal to 100% of those actuarially required. This is not only necessary in order to keep our commitment to state employees

and teachers but also to taxpayers. Failure to fund our legal obligations does not result in those obligations disappearing. It just shifts the burden to future taxpayers.

Governor Rell builds on the successes of the last two years.

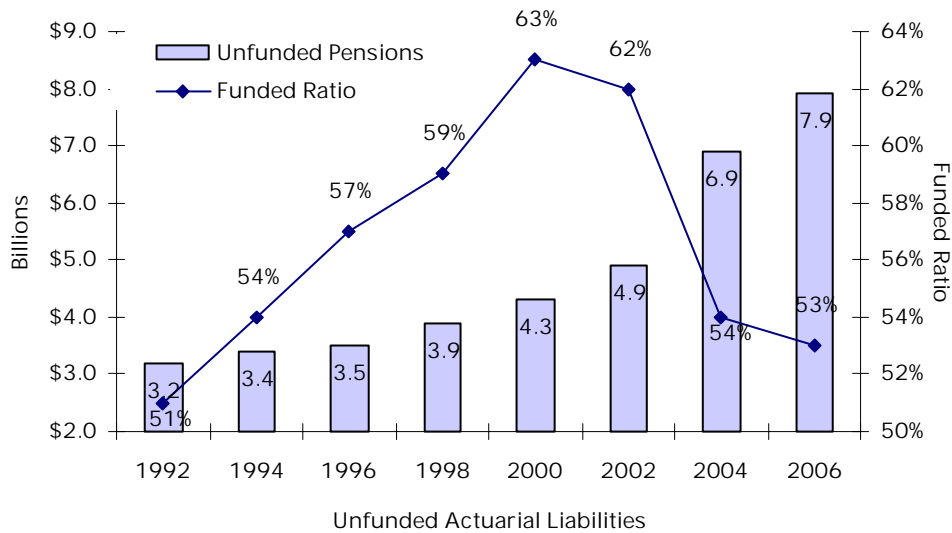
In the last biennium, for the first time ever, 100% of the actually required payment was made to the Teachers Retirement Fund (TRB) for two consecutive years. The Governor's budget once again proposes to fully fund the TRB in both years of the biennium. Moreover, the payment in the first year will be fully made out of current general fund revenues. This good fiscal habit must be maintained.



\* TRB changed assumptions based on the 5 year Experience Study.

## PENSIONS & POST EMPLOYMENT BENEFITS

STATE EMPLOYEES RETIREMENT SYSTEM AS OF 6/30



Additionally, the Governors budget once again fully funds the state employees' pension fund.

### OTHER POST EMPLOYMENT BENEFITS (OPEB)

Similar to pension benefits, the state has an obligation to its retirees for other post employment benefits (OPEB), primarily health insurance. Statement 45 from the Governmental Accounting Standards Board (GASB) requires large public sector employers, such as the State of Connecticut, to quantify these obligations beginning in FY 2008. Connecticut's substantial health benefit package results in a significant unfunded OPEB liability. The current estimate for these obligations for state employees is approximately \$21 billion. In addition to this liability the State will also have to quantify the amount of non-pension retirement benefits offered to Teachers.

The health benefits for retirees currently are paid on a "pay as you go" or unfunded basis. In other words, the state pays what is needed yearly for

these benefits but has not set aside any funds to cover future obligations. These benefits for state employees are governed by an agreement with the State Employees Bargaining Agency Coalition (SEBAC) that extends to 2017. The State cannot unilaterally make any changes to the other post employment benefits for state employees as changes can occur only if the State and SEBAC agree to reopen the agreement.

In order to be fiscally responsible, the state must develop long term plans on how to address this future obligation or face the potential of future payments that will strain the State's ability to provide other needed services to the public. Connecticut's unfunded liability will place the state at a disadvantage relative to other states that have a much lower unfunded liability or have undertaken a plan to address such shortfall. The Governor's budget uses \$21 million from the FY 2007 surplus in FY 2008 to begin address these obligations. At the same time Governor Rell is proposing to

## PENSIONS & POST EMPLOYMENT BENEFITS

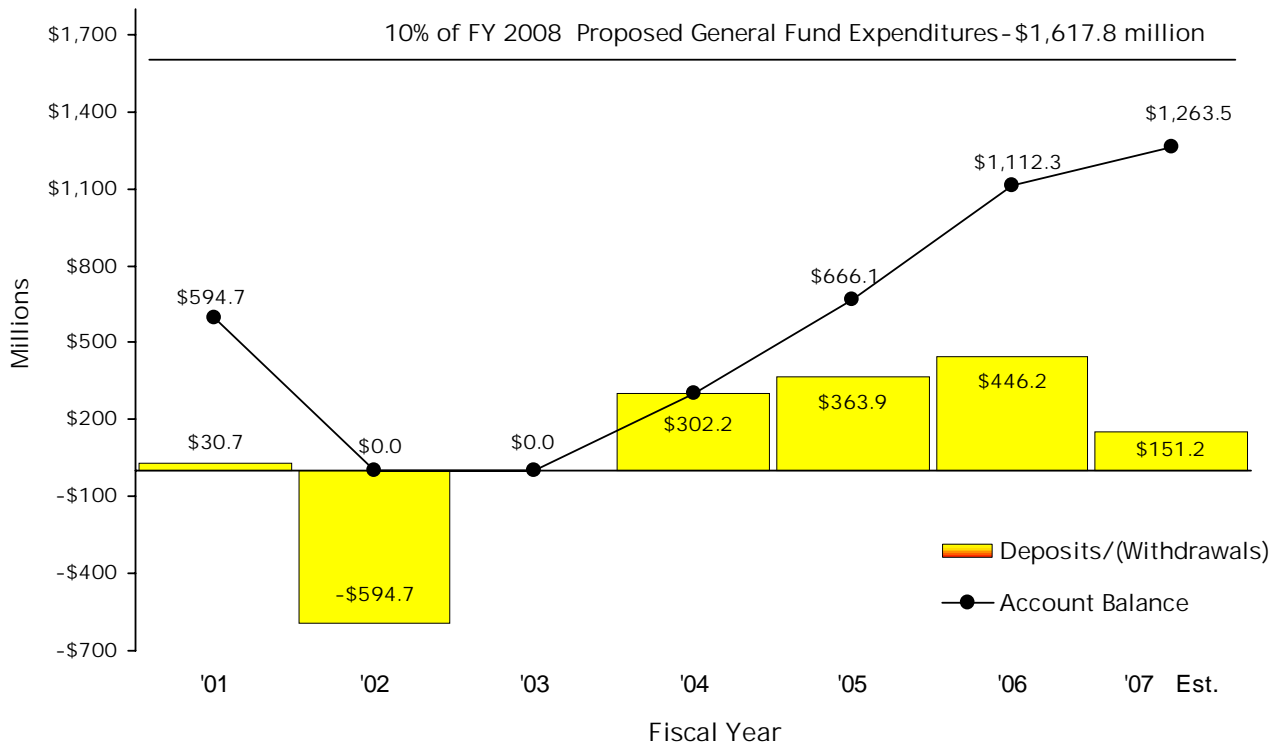
commence a study on a long term solution to this liability.

### STRUCTURAL DEFICITS

The Governor's budget reduces the structural hole previously built into the budget. The FY 2007 budget carries with it a structural deficiency of over \$400 million dollars. The Governor's budget reduces that structural deficiency to \$240 million over the biennium. The State must adapt a policy of not paying for ongoing expenses with nonrecurring revenue.

### RAINY DAY FUND

Finally and importantly, Governor Rell's budget will provide for yet another substantial deposit into the state's Budget Reserve or Rainy Day Fund (RDF) in the amount of \$151.2 million. This will raise the RDF to a new all time high of \$1,263.5 million. This exercise in fiscal responsibility will protect taxpayers as well as citizens in need of state services against the inevitable fluctuation in economic cycles. Deposits into this fund help protect our state from significant reductions in services, arbitrary tax policy, and unnecessary borrowing during downturns in our economy.



## COLLECTIVE BARGAINING

The State of Connecticut has thirty-one different contract agreements in place with state employee bargaining units. In addition a new unit covering Judicial Supervising Marshals is submitting a first time agreement. Correctional Captains and Counselor Supervisors are negotiating over the terms of their integration into an established bargaining unit covering Correction Supervisors. State Police Lieutenants and Captains are awaiting a labor board decision on whether they will be allowed to unionize and negotiate a contract.

Thirteen bargaining units have contracts that expire on June 30, 2007. They represent 28.3% of the state's full time unionized employees. These include the State Police, Administrative and Residual employees in the executive branch, Judicial Marshals, both Vocational Technical Administrators and Instructors, and all of the agreements covering the professional and faculty employees of the University of Connecticut, the Connecticut State University system, and the Connecticut Community Technical College system.

Another four bargaining units have contracts that expire on June 30, 2008. These contracts, which include the Service and Maintenance employees, Protective Services employees, Corrections employees and Correction Supervisors, represent 22.0% of the state's full time union workforce. In total, just over half of the full time union workforce are covered by contracts that will expire before or during the upcoming biennium.

Funds to cover pay increases for the unsettled years for these bargaining units have not been built into agency budgets, but have been provided for in the reserve for salary adjustment account (RSA).

Sufficient funds have been budgeted to the RSA account to fund new contracts for these units within the wage pattern of contracts that have already been settled.

In addition to funds necessary to pay for salary increases and other contract related costs, the RSA account contains funds to cover the projected cost of leave accrual payments for employees that leave state service. These are not the accrual payments relating to the 2003 ERIP, which are due in FY 2008, but the cost for the leave accrual payments of employees who will separate over the upcoming biennium. The funds to cover these costs are not built into the agency budgets, but instead are funded centrally from the RSA account. The state will pay these costs in FY 2008 from funds carried forward from FY 2007. There are enough funds budgeted in the RSA account in FY 2009 to cover any requirements that will arise in this area.

STATE EMPLOYEES

STATUS OF COLLECTIVE BARGAINING AGREEMENTS

<u>Bargaining Unit</u>	<u>Number of Full Time Employees</u>	<u>6/30/2007 All Funds Full Time Payroll (est.)</u>
<i>Contracts Expiring FY 2007</i>		
State Police (NP-1)	1,137	\$80,145,857
Administrative & Residual (P-5)	3,024	211,771,048
Vocational - Technical Faculty	1,200	83,826,166
Vocational - Technical Directors	62	6,055,736
DCJ Prosecutors & Juvenile Prosecutors	246	23,002,280
Judicial Marshals	704	26,765,999
Congress of Connecticut Community Colleges	1,190	78,135,753
Technical College Administrators	66	4,953,540
State Technical College Faculty	162	10,572,747
Connecticut State University Faculty (AAUP)	1,354	100,623,741
Connecticut State University Administrative Faculty	656	44,991,443
University of Connecticut Faculty (AAUP)	1,531	146,428,285
UConn Professional Employees Assoc (UCPEA)	1,567	88,419,279
<i>Contracts Expiring FY 2008</i>		
Service Maintenance (NP-2)	3,998	184,290,955
Corrections (NP-4)	4,827	247,123,972
Protective Services (NP-5)	851	48,662,529
Correctional Supervisors (NP-8)	342	22,743,066
<i>Contracts Expiring FY 2009</i>		
Administrative Clerical (NP-3)	4,414	202,438,226
Health Care Para Professional (NP-6)	3,678	186,742,973
Health Care Professional (P-1)	2,944	226,865,665
Social & Human Services (P-2)	3,703	234,969,840
Education - Administrators (P-3A)	267	23,735,558
Education - Educators (P3-B)	800	55,356,305
Engineering & Science Related (P-4)	2,416	174,555,642
DCJ Employees	141	6,790,798
DCJ Inspectors	79	6,184,038
Judicial Employees	1,323	69,752,601
Judicial Professional Employees	1,117	83,242,291
<i>Contracts Expiring FY 2010</i>		
DHE Professional Employees	39	2,973,931
Charter Oak State College Professionals	54	3,136,101
UConn Health Center Non Faculty Professionals	<u>1,689</u>	<u>99,193,606</u>

Note: The payroll numbers include all wages from all sources for full time employees excluding overtime. There is also a first time agreement covering 57 full time Judicial Supervising Marshals awaiting legislative action. 220 Correctional Captains and Correctional Counselor Supervisors are negotiating inclusion into the NP-8 Correction Supervisors bargaining unit. 53 State Police Lieutenants and Captains are awaiting a labor board decision on whether they can unionize.

# RESPONSIBLE GROWTH

On October 6, 2006, Governor Rell issued Executive Order #15, which created the Office of Responsible Growth, and directed that it be housed within the Office of Policy and Management. This unprecedented act underscored the Governor's understanding that the issues of housing, economic development, transportation, brownfield remediation, open space and farmland preservation, and public health issues must be considered together if Connecticut is going to continue to be economically competitive and if its citizens are to continue to enjoy a high quality of life.

The Governor's budget recognizes that there are needs for: enhanced planning at all levels of government; enhanced education of local officials; coordinated and enhanced tools for implementing Responsible Growth policies in the State of Connecticut; and new policies to encourage Responsible Growth. Accordingly, Governor Rell's budget proposal provides enhancements in all four of these areas.

### **PLANNING:** The Governor's budget:

- Increases the annual OPM grant to Regional Planning Organizations from \$640,000 to \$1,000,000
- Provides \$200,000 each year to Regional Planning Organizations for enhanced Geospatial Imaging System (GIS) data collection, use and mapping
- Provides \$1,500,000 in FY 2008 and \$105,000 in FY 2009 to the Department of Environmental Protection to update and enhance GIS technology to assist municipalities in making local land use decisions

- Provides \$1,000,000 in each year for municipalities to update and review their local plans of Conservation and Development
- Creates a Responsible Growth Task force which would develop criteria and standards for evaluating Responsible Growth projects and issue a report by October 1, 2007
- Creates an Executive Advisory Group made up of an Undersecretary from the Office of Policy and Management and Deputy Commissioners of the Departments of Environmental Protection and the Connecticut Department of Transportation to advise the Governor and the Interagency Steering Committee created in Executive Order #15

### **EDUCATION:** The Governor's budget:

- Increases funding to a total of \$150,000 for the University of Connecticut Extension Service's Center for Land-use Education and Research (CLEAR) program to train local planning and zoning commissioners
- Provides \$100,000 per year to the Department of Environmental Protection for local Inland/Wetland officials training tools
- Provides funding for two new positions at the Department of Environmental Protection for enhanced training of local Inland/Wetland officials

### **TOOLS:** The Governor's budget:

- Increases funding to \$10,000,000 per year for the Recreation and Natural Heritage program to increase the state's acquisition of lands for State parks and State forests
- Increases funding to \$10,000,000 per year for the Open Space Acquisition Grant Program to increase the ability of municipalities, utilities and non-profits to permanently protect open space



## RESPONSIBLE GROWTH

- Increases funding to \$10,000,000 per year for the Farmland Preservation program to increase the number of protected acres of Connecticut farmland
- Increases Clean Water Funding to \$70,000,000 per year of General Obligation bond funds and \$175,000,000 per year of Revenue bond funds
- Provides \$20 million in FY 2009 for a Responsible Growth Incentive Fund

**POLICIES:** The Governor's budget provides for policies that encourage Responsible Growth:

- Effective FY 2009, Urban Act funding shall not be used for economic development projects unless they meet criteria established by the Responsible Growth Task Force, unless expressly waived by the Bond Commission
- Effective FY 2009, all bond funded projects (except school construction) must be consistent with the State Plan of Conservation and Development, unless expressly waived by the Bond Commission
- Effective FY 2009, municipalities that have not updated their local Plans of Conservation and Development, as required by statute, will be ineligible for discretionary state grant funding, unless they receive a waiver from the Secretary of the Office of Policy and Management
- Effective FY2009 Regional Planning Organizations will have notice and an opportunity to comment on development projects or land use regulatory changes that have a significant regional impact
- Existing Brownfield funding programs will be consolidated and the process will be expedited. Program evaluation criteria will be developed together with an inventory of sites

## MOVING FORWARD

*"We have talked about transportation long enough. It is time to deliver for the passengers and drivers of Connecticut".*

---- Governor M. Jodi Rell  
February 9, 2005

The last two years have seen a dramatic change in the state's support for its transportation system. Over that time the Governor has proposed, and the General Assembly has approved, the largest investments in the state's transportation system in more than two decades. Much of that investment has been focused on the state's too long neglected bus and rail systems.

The Governor's proposed biennial budget builds on the success of the last two years, as well as the 2007 report and recommendations of the Transportation Strategy Board, in order to continue the development of a statewide intermodal transportation system.

The Governor's 2007 transportation initiative includes:

- Enhanced rail service on Shore Line East
- Purchase of twenty-four (24) additional M8 rail cars for use on the New Haven Line and Shore Line East
- New and expanded rail stations and parking
  - Stamford Parking Garage
  - Shore Line East Stations
  - \$5 Million Capital Improvement Fund
- Funding to improve bike access to transportation centers
- Funding for a planning study of the New London Transportation Center

## RESPONSIBLE GROWTH

- Funding for the pilot Southeast Connecticut Tourism Circulator Service
- About two hundred new positions at the Department of Transportation to improve oversight and implement the 2005 and 2006 transportation initiatives.
- Matching funds to allow local transit providers greater access to federal capital grants.
- Funding to continue bus services originally begun as Transportation Strategy Board pilot programs.

### SHORE LINE EAST RAIL SERVICE

Governor Rell is proposing to improve both the service and facilities of Shore Line East, which currently operates weekdays between New Haven and New London. The recommended budget includes funding for weekend service and two additional weekday trains, one mid-day and the other in the evening, beginning in 2008. This additional service will make train service more attractive to those potential commuters whose schedules are more varied than that of the traditional commuter.

The Governor is also recommending that the state set aside funding to purchase 24 additional M8 electric rail cars, half of which will be dedicated to Shore Line East service. These cars, which can operate from New York City to the Rhode Island border, are in addition to the 342 M8 cars which are already being purchased for use on the New Haven Line.

In addition, over the next biennium, the Department of Transportation will utilize funding authorized last year to implement station and/or parking improvements in Branford, Clinton, Madison, Guilford and Westbrook. The Governor's

budget also includes funding for a New London Transportation Center planning study.

### NEW HAVEN LINE

In addition to the M8 rail cars, the Governor's recommended budget includes funding for a new parking garage at the Stamford rail station, improved bike access to, and storage facilities at transportation centers, and a \$5 million capital improvement fund for rail station improvements. The Governor has also directed the Department of Transportation and three other state agencies to expedite the development of one or more new rail stations between New Haven and Milford. Development of the station(s) will be supported by funds made available as part of the Governor's 2006 transportation initiative.

### BRIDGES

The Governor's recommended budget includes an additional \$20 million in each year of the biennium to expedite priority bridge repair and rehabilitation projects.

### SOUTHEAST TOURISM CIRCULATOR SERVICE

The Governor's recommended budget includes \$3 million in each year of the biennium to support a two year pilot of the Southeastern Connecticut Tourism Service, a shuttle bus service designed to serve visitors to tourism venues and casinos in southeastern part of the state. The grant will cover a maximum of 50% of the costs of the pilot and is conditioned upon the availability of an equal amount of funding from non-state sources.

### DOT STAFFING

The Governor's recommended budget includes about two hundred (200) additional positions over the Department of Transportation's FY 2007

## RESPONSIBLE GROWTH

budget to improve oversight and implement previously approved initiatives. The new employees include 75 engineers, 81 staff to perform construction inspection duties on projects under \$50 million and 16 staff for the expansion of the CHAMP motorist assistance service.

### MATCHING FUNDS

The recommended budget includes \$150,000 in FY 2008 and \$250,000 in FY 2009 for non-bondable bus capital projects to allow transit operators matching funds to access additional federal funds. These funds will leverage four federal dollars for every State dollar invested.

### TRANSPORTATION STRATEGY

Public Act 06-136 required the Transportation Strategy Board to develop and adopt a revised transportation strategy by January 1<sup>st</sup> of this year. Section 21 of that law requires the Governor to *"recommend to the General Assembly (1) any projects which the Governor believes are necessary to implement the recommended strategy; and (2) a financing plan for such projects"*. The recommended projects are included in the Governor's proposed budget.

### BUS FARE INCREASE

The Governor is also recommending increasing the bus fares on October 1, 2007 to offset the increasing subsidies necessary to operate this service. Bus fares will increase from \$1.25 to \$1.50 for zone-one fares to generate approximately \$4,400,000 in FY 2008 and \$6,500,000 in FY 2009 when fully annualized.

## ECONOMIC DEVELOPMENT, HOUSING AND BROWNFIELDS

Governor Rell's economic development, housing and brownfields recommendations are an essential part of our overall responsible growth strategy. Included in the proposed 2007-2009 biennial budget are:

- A multi-agency initiative to assess, remediate and redevelop Connecticut's brownfields;
- Development of an economic development strategic plan and funding for improved planning and data analysis at the Department of Economic and Community Development;
- Expansion of the Job Creation Tax Credit enacted in 2006;
- Funding to implement several recommendations of the Governor's Commission on the Economic Diversification of Southeastern Connecticut;
- Increased support for the Small Business Innovation Research Program (SBIR);
- Funding to address lead paint in state assisted housing.

### BROWNFIELDS

Governor Rell is proposing a series of measures, including legislation, organizational changes and increased financial commitments designed to enhance Connecticut's already successful brownfields redevelopment effort. Included in this initiative are:

- Creation of a new flexible state funding source to increase the state's ability to support brownfields identification and redevelopment;

## RESPONSIBLE GROWTH

- Establishing a single point of contact within the Department of Economic and Community Development, in order to improve coordination and customer service;
- Development of a common application form and process to be used by all state and quasi-public agencies providing financial assistance to brownfield projects;
- Establishing a pilot program to identify and evaluate brownfields located in priority funding areas; and
- Facilitating the redevelopment of former mill properties.

The Governor's recommended budget includes \$5 million in each year of the biennium to support the brownfield pilot program authorized in 2006 and \$2.5 million in each year for grants to regional brownfield revolving loan funds. In addition, existing state programs, including Urban Act and the Manufacturing Assistance Act will be used to assist brownfield projects.

The recommended budget includes funding for additional DECD staff to support brownfield initiatives.

### ECONOMIC DEVELOPMENT

The governor's recommended budget includes legislation requiring the Commissioner of Economic and Community Development to develop a strategic economic development plan for the state, which will include an assessment of the state's current situation, the challenges and opportunities facing it, and the economic development strategy which the state should adopt. It also includes funding to improve planning and analysis functions within the Department of Economic and Community Development.

In an effort to better coordinate state assistance to the business community, the Governor is recommending that the Office of Business Advocate, which was created in 2006, be transferred from the Office of Policy and Management to the Department of Economic and Community Development.

The Governor's recommended budget also includes \$250,000 in each year of the biennium to assist the Connecticut Center for Advanced Technologies with the establishment of a fuel cell cluster.

### HOUSING

The Governor's recommended budget includes \$15 million in bond funding in each year of the biennium to support housing programs. This funding is in addition to what is already authorized annually as part of the Housing Trust Fund program and approximately \$40 million that is already authorized to fund various housing projects. The Governor has also recommended authorization of \$1 million in bond funding to address lead paint in state assisted housing developments.

Governor Rell will also ask the State Bond Commission to approve the allocation of bond funds to establish an emergency repair fund for state assisted housing developments and to support their redevelopment in a manner which improves their long term viability.

The proposed budget includes \$400,000 in each year of the biennium to address program shortfalls in the Elderly Rental Assistance Program, which provides rent subsidies to qualified residents of state elderly and disabled housing.

## RESPONSIBLE GROWTH

### SOUTHEASTERN CONNECTICUT

The Governor's recommended budget includes funding for a number of initiatives recommended by the Governor's Commission on the Economic Diversification of Southeastern Connecticut. These include:

- \$10 million for the Southeastern Connecticut Economic Diversification Revolving Loan
- \$500,000 in each year of the biennium for a Defense/Homeland Security Incubator in southeastern Connecticut
- \$200,000 in each year of the biennium for the first two years of a three year effort to develop a Southeastern Connecticut economic development marketing plan
- \$100,000 in each year of the biennium for promotion of economic diversification in the region.

# ENVIRONMENT

## PROVIDE STABILITY IN ENVIRONMENTAL FUNDS

In order to maintain the level of services provided from the Environmental Conservation (EC) account, \$1.1 million will be transferred from the healthy fund balance of the Environmental Quality (EQ) Fund to the EC Fund for FY 2009.

Revenue for the EQ Fund comes from a variety of permits, licenses and fees covering areas such as hazardous waste, nuclear plants, x-ray devices, solid waste facilities, water diversions, and dams. The funds are then used to inspect and monitor these activities. Even after the transfer, it is projected that the EQ Fees account will have a sufficient balance to discharge its obligations.

Revenue for the EC Fund comes from park fees, a portion of sportsmen's licenses and permits, forest timber sales and a portion of the motor boat fuels tax. These funds are used for conservation, preservation and recreation purposes. Without this transfer, state parks, conservation enforcement operations and sportsmen's programs would be impacted.

## BIODIESEL FUEL

The Governor's budget allocates funds to the Agricultural Experiment Station to conduct research into the cultivar with the best chance for success as a biodiesel fuel. The volatility of fuel prices and concerns over the effects of fossil-fuel greenhouse gas emissions are just two reasons why domestically producing a clean-burning biodiesel fuel is important to the public interest. Station scientists are working to determine which crop represents the best chance of commercial success and whether the oils produced are free of

contaminants such as lead or pesticide residue. Focus is on two crops - soybeans and rapeseed (canola) which are excellent cover crops that have added benefits as either a fertilizer or integrated pest management tool. If biodiesel fuels can be produced economically, growing these crops in the state will aid farmers and consumers and may have long-term health benefits for state residents as air quality improves.

## CAPITAL INVESTMENTS

In the capital budget, Governor Rell is once again affirming her commitment to Connecticut's environment. The Governor is recommending substantial funding in the next biennium for various environmental programs and issues ranging from preserving and conserving open space to ensuring clean water for the citizens of Connecticut.

## CLEAN WATER

The Clean Water Fund (CWF) assists Connecticut municipalities in planning, designing and constructing wastewater and drinking water infrastructure to protect human health and water quality. The demand for the resources of the CWF is great and continues to grow every passing year as the need to replace and upgrade aging infrastructure becomes more evident and crucial. Adequate wastewater and drinking water infrastructure is critical for the water quality, public health and economic vitality of the state.

From its inception in 1987, the average annual General Obligation (G.O.) bond authorization for the CWF has been \$39 million. In this biennial budget the Governor is recommending more than double the average G.O. bond authorization for the CWF by proposing \$70 million in each fiscal year. This is a 250% funding increase from the last biennium's \$20 million per fiscal year funding. To

## ENVIRONMENT

complement the G.O. commitment and provide the level of loans as determined by statute, the Governor is also providing \$175 million in revenue bond authorizations in each year of the biennium.

Governor Rell believes that Connecticut municipalities have waited long enough for this assistance from the state for drinking water and wastewater infrastructure improvements and these funds will make great strides to improve Connecticut's environment.

### OPEN SPACE AND FARMLAND PRESERVATION

The Governor continues to support the conservation and preservation of Connecticut land by providing \$10 million in each year of the biennium for the acquisition of state-owned open space through the Recreation and Natural Heritage Trust Program. The Governor is also providing \$10 million in each year for the Open Space program which provides grants-in-aid to municipalities and nonprofit land conservation organizations for the acquisition of open space land in Connecticut. In addition, the Governor is recommending \$10 million each year for the preservation of Connecticut farmland.



# HEALTH

## GOVERNOR’S HEALTH CARE INITIATIVE— MAXIMIZING THE HUSKY BENEFIT

The Governor has announced a significant effort to provide universal access to health care for all Connecticut residents. First, the Governor has proposed two efforts to increase enrollment in the state’s signature health care program for low income children and families—the HUSKY program. Based on income, HUSKY coverage can be free, or can require a modest premium. Under the Governor’s initiative, all children who are not otherwise insured will be enrolled in HUSKY at birth and if a family’s income is high enough to require a monthly premium for HUSKY coverage, the state will waive the premium for the first two months.

Additionally, parents currently inform schools about their children’s health insurance coverage only at the beginning of kindergarten and sixth grade. The Governor is proposing to require such notification at the beginning of every school year, which will help school systems refer families to HUSKY. This is the most aggressive approach that Connecticut has ever taken to ensure that children are enrolled in an adequate insurance program wherever and whenever possible. Taken together, the enrollment at birth and school enrollment efforts are anticipated to cost over \$8 million in FY 2008 and over \$13 million in FY 2009. The Governor is dedicating \$1 million in each year of the biennium to these enhanced outreach initiatives, with some of that funding directed towards the 2-1-1 Infoline information service and about \$130,000 for regional education service centers to train center staff about program benefits and how to refer students and parents to the HUSKY program.

The final piece of the HUSKY initiative is eliminating the fluctuations in benefits and coverage that have occurred over the years in response to fiscal concerns. The Governor is asking the legislature to adopt a “no adverse changes” policy in the HUSKY program for the biennium as the administration works to increase enrollment in the program. The Governor is rightly concerned that fluctuations in benefits and coverage provide a disincentive to folks who are eligible for these programs to remain on them.

## GOVERNOR’S HEALTH CARE INITIATIVE—THE CHARTER OAK PLAN

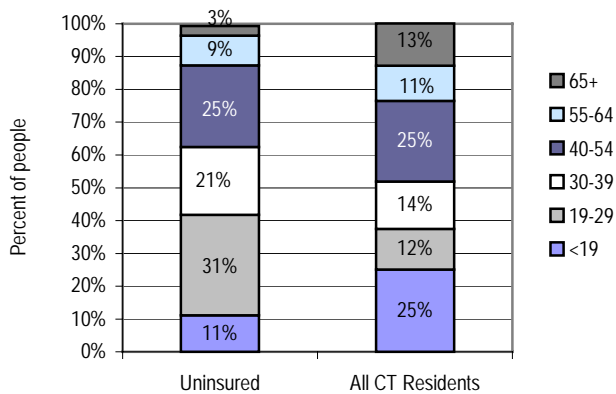
In addition to these HUSKY initiatives, the Governor is reaching out to insurers to offer additional coverage for working uninsured adults of all income levels through her innovative Charter Oak Health Plan. Under this plan, the administration will work with representatives of major managed care organizations in Connecticut to develop an affordable, accessible product expected to cost \$250 a month, thereby providing basic health insurance coverage that would include a full prescription package, laboratory services and pre- and post-natal care. The Governor is also developing a sliding-scale financial assistance program for those who are unable to afford the anticipated \$250 per month cost, which is expected to cost about \$45 million on an annualized basis.

Estimated Sliding scale client contribution toward \$250 plan premium	
Client Share	Income Level (Federal Poverty Level)
\$75	< 150%
\$100	150-185%
\$175	186-235%
\$200	236-300%



# HEALTH

## Age distribution of uninsured and all CT residents, 2006



Sources: CT Office of Health Care Access 2006 Household Survey and U.S. Census Bureau 2006 Annual Social and Economic Supplement

The Charter Oak initiative is aimed at the largest segment of the uninsured: young, single adults, often new to the workforce or with no access to employer sponsored insurance. The Governor's budget includes sufficient state funds to buy down the premium to as low as \$75 per month for low-income adults.

<b>Charter Oak Health Plan Expected Benefit Package</b>	
•	No restrictions for pre-existing conditions.
•	Assignment of clients to a primary care physician with requirements similar to most health care plans regarding prior authorizations and referrals.
•	Annual Deductible - \$1,000
•	Coinsurance – 20% after the deductible is met up to \$1,000
•	No maximum annual benefits. Lifetime Benefit - \$1 million
•	Members must have been without insurance for 6 months in order to purchase the product
•	Pharmacy – Tiered Co-pays <ul style="list-style-type: none"> <li>○ \$10 – 15 generics</li> <li>○ \$35 brand name formulary</li> <li>○ \$55 brand name non-formulary</li> <li>○ \$35 brand name non-formulary with medical exception</li> <li>○ Mail order available at reduced co-pay</li> </ul>
•	Office visits - \$25-50
•	Visit limits on behavioral health
•	Lab - 20% co-insurance after deductible
•	X-ray - 20% co-insurance after deductible
•	Surgery - 20% co-insurance after deductible
•	Hospitalization - 20% co-insurance after deductible
•	Maternity - 20% co-insurance after deductible
•	Emergency Room - \$100-150 co-pay for non-emergency visits
•	Hospital - No fee for emergencies
•	Outpatient <ul style="list-style-type: none"> <li>No fee if admitted to the hospital</li> <li>20% co-insurance for urgent visits</li> <li>\$25 co-pay for prenatal and post-partum visits</li> </ul>
•	Limited coverage for skilled nursing
•	No coverage for dental, vision, hospice

## HEALTH

The Governor is also taking a strong stand with respect to the need for the HUSKY managed care organizations (MCOs) to abide by the state's Freedom of Information laws. The Governor understands that the MCOs perform vital governmental functions and, through legislation, will ensure that there is no question that the MCOs must open their records to public scrutiny. The Governor is proposing legislation that will require any new MCO contracts or amendments or extensions of existing MCO contracts to require the MCO to comply with the state's Freedom of Information laws.

The final element of the Governor's health care effort is a \$2 million disease management initiative to improve health outcomes and prevent or manage chronic diseases such as hypertension, obesity, diabetes, and asthma. This effort includes \$500,000 for the statewide expansion of the Department of Public Health's "Easy Breathing" anti-asthma program.

### E-HEALTH

Over the last several years there has been considerable interest and activity related to health information technology (HIT) and the use of electronic health information to improve the quality and efficiency of health care at the state and national levels. Much attention has been given to the development of personal health records, electronic health records, and systems of health information exchange in order to improve quality and safety, address inefficiencies in the delivery of care and curb rising health care costs. Much attention has also been generated regarding concerns for consumer privacy and maintaining the security of personal health information. The Governor recognizes that the State of Connecticut must begin the effort to understand and delineate

the specific roles that the state plays in the area of HIT in order to improve the quality of health care, increase patient safety, reduce health care costs, improve public health and develop a state HIT policy agenda. In order to assess the impact of the growing trend toward electronic exchange of health information, the Governor recommends \$500,000 in FY 2008 for the Office of Health Care Access for research and planning purposes during the biennium. Planning activities are expected to address the state's roles in the health care arena with respect to HIT, including payor, provider, purchaser, regulator, and employer roles. In addition, the Governor is recommending \$500,000 in state funding over the biennium for an e-Prescribing initiative under the Department of Social Services. This state contribution will help support \$5 million in federal funding for the e-Prescribing system, which will inform physicians of patient diagnoses, current medications, drug allergies, adverse events, and other necessary capabilities to prevent medication errors and control costs through appropriate use of generic drugs and adherence to preferred drug lists. Taken together, these two initiatives will leave the state well-positioned to implement health information technology.

### PREMIUM ASSISTANCE

The Governor will propose legislation to allow the Department of Social Services to assist HUSKY A clients with enrollment in their employers' health plans, when available. Because many HUSKY A clients choose not to participate in their employer sponsored health plans due to high co-pays, premiums or other cost sharing requirements, this initiative will supplement employers' plans to ensure coverage comparable to the existing Medicaid benefit package. DSS will do this by developing a "wrap-around" program that will coordinate coverage between the Medicaid

## HEALTH

program and the employer-sponsored insurance, assuring no loss of benefits or additional expense for the client. This effort is designed to leverage employers' dollars when available with state dollars with no loss of coverage or expense to the client.

The Governor believes if a HUSKY client's employer offers health coverage, then the state should take advantage of that employer's contributions and fully wrap around the employer's policy to maximize the employer's contribution, minimize the state taxpayers' contribution, and with no loss of coverage to the client. This premium assistance program will reduce Medicaid expenditures by ensuring employers contribute to health care coverage for the employed HUSKY A population just as they do for their other employees, thereby maximizing the efficiency and effectiveness of the state's resources.

### CANCER INITIATIVES

Pursuant to Public Act 06-195, the Department of Public Health developed a comprehensive cancer plan with extensive input from private and public entities and individuals. In FY 2007, \$5.5 million was allocated from the Tobacco and Health Trust Fund for the comprehensive cancer plan, and those funds will be available during the biennium to provide for prevention, early detection, treatment, awareness, and evaluation activities. Services to be funded during the biennium include smoking cessation including Quitline expansion, nutrition curriculum development, colorectal cancer screening and education/awareness, a cancer treatment clinical trials network, a survivorship needs assessment and resource guide, professional education and training in palliative and hospice care, public education and awareness, and an outside evaluation of plan activities and effectiveness. In addition to the cancer plan, the

Governor is devoting more than \$6 million over the biennium, including \$1 million allocated from the Tobacco and Health Trust Fund, for enhanced support of breast and cervical cancer detection and treatment. This will increase the availability of this invaluable screening technique to more women than ever before.

Finally, the Governor is proposing an increase in the cigarette tax from \$1.51 per pack to \$2.00 per pack. There is no more effective method of stopping children from becoming addicted to cigarettes than by increasing the tax. Studies have shown that for every 10 percent increase in price, there is a 3 percent to 4.5 percent decline in cigarette sales.

# HUMAN SERVICES

### PROVIDING NEW RESOURCES FOR A VARIETY OF FEDERAL WAIVER SERVICES

The Governor's budget provides substantial funding for a variety of federal waivers, including services for those with HIV/AIDS, multiple sclerosis, those in nursing homes who could transition to the community, including those with mental illness, and family planning services.

The HIV/AIDS waiver will provide services to individuals who are diagnosed with the human immunodeficiency virus (HIV), who are experiencing the symptoms associated with acquired immune deficiency syndrome (AIDS), and who would otherwise require care provided in a nursing facility or a hospital. Available services will likely include: case management, nutritional supplements, personal care (agency or consumer-directed options) and respite care. Individuals must have a diagnosis of HIV or AIDS and be experiencing medical and functional symptoms associated with the disease that require hospital or nursing facility care to receive services under the waiver. The AIDS pilot program is authorized for 100 slots at an average monthly cost of \$3,800 or \$45,600 annually. Once fully operational, the waiver is expected to cost \$4.56 million annually.

A Medicaid home and community based waiver program for people with multiple sclerosis is authorized for 50 slots at an annual cost of \$720,000. The waiver is intended to be implemented utilizing the same service and administrative system as the state-funded Connecticut Home Care program.

In order to provide new alternatives to nursing home care, the Governor is committing \$3.0 million in FY 2008 and \$6.5 million in FY 2009 in state resources which, when coupled with a federal demonstration grant called Money Follows the Person, will permit up to 700 people to move from nursing homes to community care settings over a five year period. In addition, the Governor's budget provides \$2.4 million in FY 2008 and \$6.0 million in FY 2009 to implement a Home and Community Based Services waiver for mentally ill individuals in nursing homes. This funding will provide services for 72 persons transitioning to the community per year.

Public Act 05-120 required the Department of Social Services to apply for a federal waiver to provide Medicaid coverage for family planning services to individuals in households with income up to 185% of the federal poverty level who are not otherwise eligible for Medicaid. The objectives of the family planning demonstration are to increase the availability and proper use of effective contraceptive methods, increase the spacing between pregnancies, decrease the number of unintended or mistimed pregnancies, decrease the number of Medicaid paid pregnancies and deliveries, and increase access to primary care. The waiver is expected to cover a full range of family planning services. These services will include family planning services currently covered by Medicaid at the enhanced family planning match rate of ninety percent federal participation as well as ancillary Medicaid services associated with a family planning visit.

## HUMAN SERVICES

### SUPPORTING THE DEPARTMENT OF CHILDREN AND FAMILIES – RESOLVING THE CONSENT DECREE

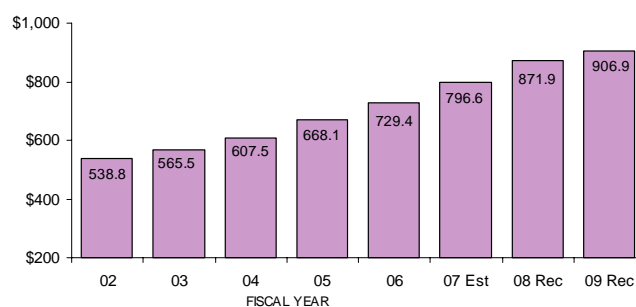
The Governor's budget continues important program expansions designed to ensure that the state can exit from court oversight related to the *Juan F.* consent decree, fully fund the *Emily J.* settlement agreement, and continue recently implemented programs for DCF clients involved with the juvenile justice system. In FY 2008, \$65.4 million is added to DCF's budget to fully annualize these initiatives which includes the growth in the number of group homes, expansion of intensive in-home services, establishment of intensive reunification services, increase support for multidisciplinary teams and child advocacy centers as well as expansion of the prevention-related early childhood consultation program. Continued support is also provided for initiatives serving DCF's juvenile justice clients including education reentry and support programs, school-based juvenile delinquency programs and community diversion boards as well as continuing new foster care, group home and residential services specifically for girls involved with the juvenile justice system.

As we build on this success, additional funding of \$5.3 million in FY 2008 and \$7.7 million in FY 2009 is proposed by Governor Rell to fund new programs important to continue the state's effort to improve outcomes for children. New initiatives include expansion of emergency mobile psychiatric services and intensive in-home services which are cornerstone programs of DCF's community behavioral health services. Funds are provided for DCF to develop a pilot program to serve families that include a parent with cognitive limitations, and for increased foster care family recruitment and support. Finally, Governor Rell's budget also allows DCF to take the first steps to replace its

aging information technology system, which is the basis for all of its casework.

These resources, when coupled with the hard work performed by DCF's staff, are making a huge difference in the agency's success. This is evident in the last quarterly report from the *Juan F.* monitor which highlights the fact that the department is meeting 17 of 22 outcome measures required under the exit plan.

DCF Expenditures (\$ in millions)



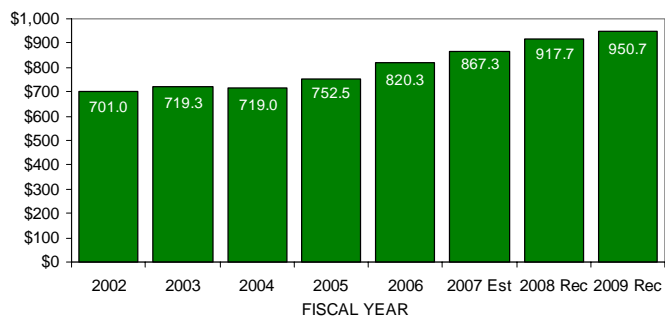
### CONTINUED SUPPORT FOR THE DEPARTMENT OF MENTAL RETARDATION WAITING LIST INITIATIVE

The Governor has also proposed \$21.3 million in FY 2008 and \$18.6 million in FY 2009 to continue the recent initiative in the Department of Mental Retardation to address unserved and underserved persons currently on DMR's waiting list, as well as other DMR clients. This funding includes the annualization of costs for caseload growth through FY 2008. The recommended funding maintains the commitment begun in FY 2005 to fund 150 placements each year for persons on the DMR waiting list by providing \$4.5 million in FY 2008 and an additional \$4.6 million in FY 2009. An additional \$12.5 million in FY 2008 and \$9.5 million in FY 2009 will fund discretionary caseload growth. For individuals graduating from high school who need services from DMR, the Governor is recommending \$3.0 million to serve 135 persons in FY 2008 and \$2.9 million to serve an additional 123 individuals

## HUMAN SERVICES

in FY 2009. For individuals aging out of the Department of Children and Families or educational placements who need day or residential services, the Governor is recommending \$2.9 million to serve 73 persons in FY 2008 and \$3.4 million to serve an additional 69 individuals in FY 2009. Funding in the amount of \$130,000 is recommended in both years to support two persons each year requiring special placements by order of the court. Finally, the Governor is recommending \$562,500 in FY 2008 and \$455,595 in FY 2009 to support 15 additional children age eight and older referred each year by DCF through the voluntary services program for enhanced in-home or residential supports, and \$9.8 million in FY 2008 and \$6.6 million in FY 2009 will support the annualization of placements made in FY 2007 and FY 2008. The Governor has also proposed five new case manager positions to address the increase in caseload.

**DMR Expenditures (\$ in millions)**



### PRIVATE PROVIDER LOW WAGE POOL

The Governor believes it is time to address significant wage disparities between employees of the state's long-time service providers and those employed under newer contracts. Over time, employees performing the same functions but in different provider agencies may experience a variation in salaries based more on history—how long the provider has been under contract to the

state—than by logic. Because cost of living adjustments have not kept pace with wage inflation, long-time providers have not been able to match salaries offered by providers who enter into new contracts with the state—salaries that more closely approximate current wage scales. This leads to recruitment and retention difficulties, and puts longer-serving providers at a competitive disadvantage in the labor marketplace. As a result, the Governor is proposing \$15 million for FY 2008 and \$17 million for FY 2009 for a low wage pool that will allow state human service agencies to bring wages for providers whose employees are determined to be "low wage" up to the median for all state-contracted providers of similar services.

### Illustrative Low Wage Pool Data

	Sample Hourly Wage		
	High	Low	Median
Child Care Worker	\$ 15.89	\$ 10.44	\$ 13.45
Mental Retardation Worker (CLA)	\$ 17.46	\$ 9.70	\$ 13.22
Social Worker	\$ 30.30	\$ 16.92	\$ 21.43

### VETERANS' INITIATIVES

The Governor continues to honor Connecticut's veterans by improving benefits and services. In January of 2008, a new \$33.8 million state of the art health care facility will be completed for Connecticut's veterans. The Governor's budget provides approximately \$1 million for additional staff and operational resources for the new health care facility and the existing residential facility. This funding continues the commitment to providing exceptional service and assistance to Connecticut's veterans.

Under current statute, the Connecticut Department of Veterans' Affairs pays for the installation of headstones provided by the federal government for eligible veterans buried in any private or state owned cemetery located in Connecticut. The



## HUMAN SERVICES

current installation rate of \$70 has not been adjusted for over 10 years. The Governor's budget provides funding to increase the rate from \$70 to \$100.

The Connecticut Department of Veterans' Affairs also provides a burial benefit to help veterans without sufficient estate pay for burial expenses. The Governor wants to ensure that families of Connecticut's veterans in need are able to give their loved ones an honorable burial. Accordingly, the Governor's budget proposes legislation and provides \$120,000 in funding to increase the burial benefit from \$150 to \$1,800.

### BEHAVIORAL HEALTH SERVICES

The Governor is recommending \$1.2 million to address gridlock issues in Department of Mental Health and Addiction Services (DMHAS). Funds will facilitate the discharge of difficult-to-place hospitalized clients—who would otherwise live out their lives in a hospital setting—into appropriate community settings and/or prevent unnecessary hospitalizations through the development of "wrap around" housing and services tailored to the needs of individual patients. This funding will assist 30 to 40 clients thereby freeing up inpatient beds they now occupy for individuals requiring that level of service but not able to get access. In addition, the Governor is recommending \$2.9 million in FY 2008 and \$4.9 million in FY 2009 to support two initiatives that will provide additional capacity in the Young Adult Services program in order to begin to address the over 400 gravely disabled high risk young adults transitioning out of DCF who are waiting for services and to provide more appropriate programs and services for the clients currently receiving services. This funding would expand the number of cities with programs from 10 to 12 over the biennium as well as develop two specialized residential programs in order to more

appropriately serve the most high risk and difficult referrals.

### INVESTING IN THE STATE'S COMMUNITY HEALTH CENTERS

The Governor has initiated a major investment in quality health care for thousands of residents served by Connecticut's non-profit community health centers, authorizing \$25.8 million to expand medical and dental facilities in Hartford, New Haven, Bridgeport, Waterbury, Torrington, Meriden, Stamford, Norwalk, New Britain, Norwich, East Hartford, Willimantic and Putnam. The funding, approved by the state Bond Commission in October 2006, means that community health centers will be able to serve an estimated 85,000 new patients with primary and specialized health care, thereby reducing the burden on hospital emergency departments, where many people end up going for even routine care now. Currently, about 205,000 Connecticut residents receive care annually at 13 flagship health centers and more than 80 clinic sites across the state. As a result of the increased capacity that the capital funding will support, the Medicaid cost for these health centers is expected to increase considerably; indeed, by 2011, when intended expansions and improvements are completed, it is anticipated that service expenditures will have grown by \$11.1 million per year.

## RECONFIGURE FUNDING SOURCES FOR ARTS, CULTURE & TOURISM GRANTS

To improve the distribution of the state's arts funding, Governor Rell is proposing a reduction to the Commission on Culture and Tourism (CCT) in the amount of \$3.6 million in FY 2008 and \$8.6 million in FY 2009 which will eliminate guaranteed line item funding earmarked for specific organizations. Since CCT was created several years ago, there have been an increasing number of earmarked expenditures. These earmarks, which have taken up more and more of the CCT budget, have effectively blocked other arts organizations from access to state funding.

Governor Rell is proposing a phase-out of the earmarks for those organizations. However, they will be able, along with the state's other arts organizations, to apply for funding through Governor Rell's Cultural Treasures program.

In FY 2007, \$9.2 million was appropriated to these specific grantees. In order to give these organizations time to incorporate the elimination of the grants into their fiscal planning, the grants will be phased out over two years. Instead of the \$9.2 million, \$5 million will be provided in FY 2008 on a prorated basis and in FY 2009 the earmarks will be eliminated altogether. Although funding was removed from CCT's operating budget, it has been reallocated to a new Cultural Treasures Program and will be made available with an additional \$1.4 million to all eligible grantees through an open and competitive process. Organizations that were automatically supported by funding will now compete along with all other

constituents for a pool of funds totaling \$5 million in FY 2008 and \$10 million in FY 2009. This method actually increases the pool of funds available for these types of organizations but couples those resources with a process that will allow for a more fair and open method of distributing funds to those organizations in whom the investment will be most meritorious.



## JUDICIAL DEPARTMENT

The Governor's Recommended Budget includes \$3.5 million each year in the Judicial Department's budget to implement Families with Service Needs (FWSN) Diversion in response to PA05-250. Currently, judges can place children charged with violating a FWSN order in juvenile detention facilities and juvenile probation officers determine whether a delinquency petition should be filed. PA05-250 mandates that as of October 1, 2007, judges cannot place FWSN youth in the State's three Juvenile Detention Centers or adjudicate them delinquent solely for violating a court's FWSN order. By definition, a FWSN child is a child who, without just cause, has run away from home, is beyond the control of the child's parents, has habitually been truant, or who, while in school, has been continuously and overtly defiant of school rules and regulations.

By law, judges cannot order out-of-home placements or commitment to the Department of Children and Families for FWSN children unless they find there is no less restrictive alternative appropriate to the child's and community's needs.

The \$3.5 million included in the Judicial Department's budget provides families with the services they need, judges with alternatives to detention and the department with 4 positions and programming to implement a FWSN Diversion Program. This includes the development of three 6 bed residential sites in the community, development and implementation of Family Support Centers, and expansion of respite care.

Also included in the Judicial Department's budget:

- \$1.6 million each year to continue the Court Diversion Initiative for Girls and Residential Beds for Girls in Juvenile Detention Programs formerly funded with federal funds that have expired;
- \$380,000 in FY 2008 and \$613,000 in FY 2009 to fund 3 Intake Assessment and Referral (IAR) Specialists to expand the use of the Bail Decision Aid tool to 3 additional courts to increase pretrial release and decrease the pretrial jail population and also includes funding for an expansion of services;
- Approximately \$595,000 each year to add 1 Adult Probation Officer and funding for Global Positioning System (GPS) monitoring for 250 sex offenders to fully fund the Governor's Sex Offender Initiative; and
- Nearly \$3.29 million to expand the Bridgeport Detention Center with an expected occupancy date of October, 1, 2008.

The Governor's Recommended Budget also includes other enhancements to certain agencies that augment the State's criminal justice system. Various changes that are included within the Commission on Public Defenders Services include:

### CONTRACTUAL SPECIAL PUBLIC DEFENDER SERVICES

The services of these private attorneys are used to handle conflict of interest cases on a fixed cost basis, rather than on an hourly basis. In order to provide fair compensation to special public defenders, the Governor's Recommended Budget provides over \$320,000 in FY 2008 and over \$380,000 in FY 2009 in funding to increase the current contractual rates of compensation for these private attorneys in Geographical Area and Juvenile cases from \$325 to \$350 per case.

## JUDICIAL

### NON-CONTRACTUAL SPECIAL PUBLIC DEFENDER SERVICES

These special public defenders are used in cases where there is a conflict of interest which precludes a public defender or contract special public defender from handling the case. Due to the increase in caseloads, number of trials in capital felony, murder and other felony cases, the Governor's Recommended Budget includes over \$260,000 in FY 2008 to increase hourly rates from \$65 to \$70 in felony, habeas and appellate cases and an increase from \$75 to \$80 in capital cases. This increase in activity has also caused the Special Public Defenders-Non Contractual account to run a deficit in previous fiscal years. The Governor's Recommended Budget provides an additional \$450,000 in this account as a means to acknowledge and remedy the deficiency experienced in FY 2007.

The Commission on Child Protection within the Public Defenders Services Commission includes an increase to the amount of the "flat rate" payment to each class of attorneys retained by the Commission. This increase will allow the Commission to retain attorneys of a higher professional caliber and standard of practice in order to provide the client with the utmost level of professional experience. Currently, the amount of funding to retain Juvenile Contract Attorneys is estimated at \$7,000,000. This will be raised by 5% in each year of the biennium, to \$7,350,000 in FY 2008 and \$7,717,500 in FY 2009. The flat rate will also be raised for Family Contract Attorneys, funding the account by an additional 5% in FY 2008 and again in FY2009 for a total of \$500,000 and \$551,250, respectively. The account which the Commission on Child Protection uses to compensate those attorneys for the hours in excess of the 30-hour flat-rate period will also be increased 5% each year in the biennium to increase

from the current \$715,000 to \$750,750 in FY 2008 and to \$788,288 in FY 2009.

The Governor's Recommended Budget also includes nearly \$275,000 in FY 2008 annualized to \$1,095,000 in FY 2009 in the Department of Children and Families to operate a secure facility for girls. Capital funding in the amount of \$1 million is also proposed. Currently, the expected occupancy date is the last quarter of FY 2008.

### JUDICIAL CAPITAL INVESTMENT

The Governor's proposed capital budget includes \$10 million in bonding over the biennium to fund capital improvements to courthouses, \$2 million over the biennium for security improvements and \$8.5 million over the biennium to continue much needed information technology improvements in the Judicial Branch. An additional \$25.3 million is included to fully fund the new Torrington courthouse and make this long-awaited project a reality. The Governor is also proposing a bond authorization of \$5 million to begin planning and land acquisition for a new courthouse in Bridgeport to replace the aged and outdated Golden Hill Geographic Area courthouse and to relieve overcrowded conditions at the Judicial District courthouse on Main Street. Also, the Governor has recommended an authorization of \$13 million to begin the renovation and restoration of the historic Elm Street courthouse located on the green in New Haven.

## PUBLIC SAFETY

The Governor continues to propose initiatives that make Connecticut a safe place to live, work and play. As our world changes, there are new challenges to face, and we must continue to meet these with new and innovative programs. We must never accept the status quo when it comes to the safety of our citizens.

### METHAMPHETAMINES

The manufacture, sale and use of methamphetamines continue to be a problem in Connecticut. In order to address this burgeoning crisis head on, we must update our criminal laws to reflect the reality of today's drug problems.

The Governor is proposing to make dealing or manufacturing methamphetamine-type substances subject to the same criminal penalties as similar controlled substances that are currently in place. This will eliminate the anomaly where-by equally dangerous substances are treated differently by the law. Specifically, the Governor is looking to raise the penalties for the manufacture or distribution of methamphetamine and methamphetamine-type substances as follows:

- First offense: Up to 15 years in prison and/or a fine of up to \$50,000
- Second offense: Up to 30 years and/or up to \$100,000 fine
- Subsequent offense: Up to 30 years and/or up to \$250,000 fine

The manufacture of methamphetamine and methamphetamine-type substances creates significant environmental problems. Cleaning labs where it has been manufactured has proven to be

quite costly, and too often the state or municipal agencies are saddled with these expenses. To address this problem, the Governor is proposing the establishment of the Methamphetamine Laboratory Clean-up Account, which will be a separate, non-lapsing account within the General Fund. Under the Governor's plan, courts will require those convicted of methamphetamine related crimes to pay into the account. The account would then be used to reimburse state or municipal agencies for costs associated with the clean-up of methamphetamine manufacturing sites.

### SEX OFFENDERS

As society learns more about the behaviors of sex offenders, we must adapt our laws to enhance our ability to deal with these dangerous predators. There is an extremely high rate of recidivism amongst these offenders, and we must act accordingly to ensure the safety of our citizens. For some offenders, registry under the state's Megan's Law is enough to protect the public. Unfortunately, there are some for whom this is not enough. To address these individuals, Governor Rell is proposing a comprehensive set of reforms known as "Jessica's Law" that will prescribe tougher penalties for sexual offenders.

The centerpiece of the Governor's legislative initiative is a call for minimum mandatory sentencing of 25 years for individuals convicted of certain sex crimes against children 13 and younger.

Additionally, the Governor is proposing lifetime tracking by global positioning satellite (GPS) and requiring lifetime address registration for those offenders convicted of the most serious sexual crimes. The Governor's budget dedicates

## PUBLIC SAFETY

\$600,000 in the Judicial Department that will provide for the supervision of 250 offenders using GPS. Additional changes contained within Governor Rell's "Jessica's Law" proposal include:

- Lifetime GPS monitoring, and lifetime registration be required for those convicted of multiple counts of sexual assault in the second degree, enticing a minor or promoting a minor in an obscene performance.
- All persons convicted of sexual assault in the second degree be required to register under "Megan's Law" for life if the crime involves a child.
- Require sex offenders from other states to notify the state 48 hours prior to their arrival or face a felony charge if they fail to do so.
- Creation of a separate criminal violation for offenders who fail to verify address changes or report name changes as required that could result in additional penalties including lifetime registration, GPS monitoring or other restrictions.
- Tougher penalties for anyone convicted of knowingly harboring a sex offender who has failed to register as required under "Megan's Law."

In a recent Connecticut case, the state was unable to prosecute a serial rapist for a crime in which DNA evidence was available because it was beyond the 20 year statute of limitations. There is no valid public policy reason for not allowing prosecution when DNA evidence exists. A number of other states have passed legislation eliminating the statute of limitations in rape cases where DNA identification is available. To address this loophole in the law, the Governor is proposing to eliminate the statute of limitations for rape and other serious sexual assaults when DNA evidence

has been collected at the time of commission of the offense.

These tough new laws will ensure that Connecticut has the tools necessary to deal with these dangerous predators. We must take action now to protect the most vulnerable in our society.

### REDEPLOYING 34 EXPERIENCED TROOPERS

By state statute, Connecticut must maintain a state police trooper staffing level of 1248 at all times. While currently we are fully staffed, this does not equate to having 1248 ready for deployment on our state's roads and highways. A good number of our state troopers are assigned to duties that, if handled by others, would free up state troopers for more critical assignments.

The Governor is proposing a creative alternative that will take state troopers out of non-traditional state trooper roles and allow them to be redeployed to their mission critical responsibilities.

Currently there are 16 state troopers working with the Department of Emergency Management and Homeland Security (DEMHS) as the Terrorism Prevention Unit. The Governor is proposing the redeployment of 13 of these state troopers back into the field and filling those vacancies with 12 staff that would report directly to the Commissioner of DEMHS. Three state troopers would remain in the Unit working alongside the new team and aiding in their acclimatization as well as serving to ensure inter-agency communication. The added staff would cost markedly less than what DEMHS currently reimburses the Department of Public Safety for the use of their Troopers.

Current statute dictates that both the Departments of Public Safety (DPS) and Motor Vehicles (DMV)

## PUBLIC SAFETY

shall operate the weighing areas throughout the state. This split responsibility, in addition to the extra costs associated with having state troopers working weigh stations with inspectors, results in an inefficient use of state resources. The Governor is proposing statutory revisions to place all responsibility of the state's weigh stations under the auspices of the DMV. This proposal would make 21 state troopers available to redeploy to other mission critical areas of operation.

For a net cost to the General Fund of less than \$250,000, the Governor can put an additional 34 experienced state troopers on the road addressing the core responsibilities of the State Police. At the same time, this proposal would solidify the Terrorism Prevention Unit within DEMHS, promote efficiencies at weigh stations and increase truck inspections. Furthermore, costs to the Special Transportation Fund will be offset as additional revenues will be generated from increased operations of weigh stations and more truck inspections.

### ADDITIONAL TROOPER TRAINING CLASSES

To maintain the necessary level of state troopers, the Governor is proposing the Department of Public Safety conduct two trooper training classes in Fiscal Year 2008. The Governor has in her proposed budget the expenses necessary to conduct these two classes.

### WEIGH STATION OPERATIONS AND TRUCK SAFETY

We have too often seen the damage caused by unsafe trucks operating in our state. While the vast majority of truckers operate safe equipment in a responsible manner, the safety of our roads necessitate we increase our inspections to route out those who choose to disregard the law.

Under current statute, both the Department of Motor Vehicles (DMV) and the Department of Public Safety (DPS) are charged with the operation of the five official Weigh Stations (Greenwich, Union, Danbury, Waterford, and Middletown) throughout Connecticut. Both departments are also operating roving inspection teams which involve the use of portable scales. State statute mandates that the weigh stations be operational for a minimum of 208 shift hours. Currently, the weigh stations and roving inspection operations are being operated at total of 336 shift hours.

Using two departments to conduct the same operations is inefficient and results in significant duplication of effort. Also, the state troopers assigned to this duty would be better used for more traditional state trooper roles. The Governor is proposing to consolidate the operations under DMV, hire 6 additional DMV inspectors, reassign the 21 state troopers currently operating weigh stations to more traditional state police duties, and transfer the 11 DPS Weight and Safety Inspectors to the DMV. Under the Governor's proposal, for the same amount of money the state is currently spending on weigh station and roving inspection team operations, the state can increase these operations by 104 shift hours to 440 shift hours. This represents an increase of 31% and will significantly increase our detection of unsafe trucks on our roads and highways.

### URBAN YOUTH VIOLENCE PREVENTION GRANTS

Violence in our urban centers continues to be a problem in our state. Often, local law enforcement efforts are hampered by a lack of resources to implement creative programs that would stem the violent criminal activity involving young people in

## PUBLIC SAFETY

our communities. To assist these departments in their efforts, the Governor is proposing \$4 million to provide grants to municipalities targeted toward preventing urban violence. The state's three largest cities, Bridgeport, Hartford, and New Haven, would each be eligible to receive \$750,000. Waterbury and New London would each be eligible to receive \$500,000. The remaining funds would be available to other urban areas. These funds will allow the municipalities to work with their community organizations to develop programs with the highest potential for benefit in their community. These new funds would supplement current efforts and offer real opportunities to reduce violent activity in our cities.

### TRASH HAULING

Following the federal indictment of several solid waste haulers on racketeering and related charges in Connecticut, on June 10, 2006, Governor Rell requested that the Departments of Public Health (DPH), Consumer Protection (DCP), Environmental Protection (DEP), Public Safety (DPS), and the Office of the Chief State's Attorney form an Advisory Group to make recommendations regarding the creation of an authority to oversee and/or license businesses engaged in transporting solid waste in Connecticut. The group began its work by determining the extent to which the solid waste - or trash hauling - industry has been influenced by corrupt practices. After an exhaustive review of existing federal, state and municipal laws and regulations that govern the industry, including regulatory schemes that have already been enacted in surrounding states, the group submitted its recommendations on September 15, 2006.

The Governor's budget fully funds the recommendations of the Advisory Group. Because of the demonstrated history of unlawful practices within the industry, the Governor is proposing that all solid waste haulers obtain a license and that

appropriate background and other investigations be conducted by a new regulatory authority. In particular, the Governor's proposal would:

- Establish a Solid Waste Hauling Authority consisting of the Commissioners of the DCP and the DPS, and the Chief State's Attorney;
- Give the Authority the responsibility to investigate fraudulent, predatory, anti-competitive and other illegal conduct involving the business practices of any licensed solid waste hauler, and require the Authority, through DPS, to conduct background investigations of all solid waste haulers;
- Require that any person or entity engaged in the business of solid waste hauling or in brokering solid waste hauling, transfer, or disposal obtain a license from the DEP, following such background investigations as prescribed by the Authority and review of the applicant's environmental compliance history by the DEP; and
- Establish a Director to manage the daily activities of the Authority, and give the Director such powers and responsibilities to carry out the duties of the Authority, including the investigation of possible violations and the auditing the records of licensed solid waste haulers and brokers.

The Governor's proposal provides that businesses may apply for exemption from licensure if they have fewer than three hauling vehicles or remove only incidental debris and materials resulting from building demolition, construction, alteration or excavation, landscaping, and residential cleanup. Once this new Authority is in place, we can affirmatively begin to reduce the influence of corrupt practices in the solid waste hauling industry.



## PUBLIC SAFETY

### DNA BACKLOG

A recent study by the National Institute of Justice raised concerns about the backlog of the input of DNA samples at forensic laboratories. The backlog stems from a federal mandate that the Combined DNA Index System (CODIS) be expanded to include all felons. This mandate resulted in 40,000 new samples being collected for analysis and inclusion in CODIS. To address this backlog, the Governor is proposing to continue 5 durational positions within the Department of Public Safety. With the backlog eliminated, our public safety agencies will have the tools they need to solve serious crimes.

### JAMES TILLMAN

James Calvin Tillman was convicted of rape in 1989. Sentenced to 45 years in prison, Mr. Tillman was exonerated after 18 years behind bars when modern DNA testing proved that he did not commit the crime for which he was convicted. While there is no way to recapture time lost, the Governor believes that the state owes Mr. Tillman some form of reparation. As such, she is proposing to directly compensate Mr. Tillman \$500,000. This money would be available to him free of state income taxes. Again, while this cannot make up for the time he wrongly spent in prison, it will go a long way toward helping Mr. Tillman re-establish his life.

## CRIMINAL JUSTICE

## INFORMATION SYSTEMS

The Governor is continuing her commitment to the State's Criminal Justice Information System (CJIS). CJIS is comprised of the following major applications: the Offender Based Tracking System, the Automated Fingerprint Identification System, the Connecticut On-Line Law Enforcement Communications Teleprocessing System and the

Mobile Data Communications System. The Governor is proposing funding for the ongoing maintenance of CJIS. With this continued state support, along with federal and local funds, we can ensure that these critical projects achieve law enforcement and justice information system integration and interoperability. Through CJIS, more accurate, extensive and timely data are being provided to reduce crime and more effectively manage offenders in Connecticut.

In the Department of Public Safety, the Governor is proposing the addition of three positions to the State Police Bureau of Investigations (SPBI), which provides various identification services to all law enforcement agencies in the state, several state and local agencies and other entities/citizens that require or request a state records check. Two positions will provide technical support to the Computerized Criminal History (CCH) database and LiveScan devices in the field. Also, the addition of these positions will allow for back-up of the COLLECT system. The other position will serve as the overseer of SPBI and its projects.

## DEPARTMENT OF MOTOR VEHICLES

### RTOL AND RE-ROD

National as well as statewide events in recent years have called for a greater level of security in all areas of government functions. The crime of identity fraud has called for systems, structures and procedures to be set in place to deter such efforts. As a great part of information protection falls upon the Department of Motor Vehicles (DMV) due to the mandate of the Department and the extensive processes that it carries out, the Governor's capital budget includes an additional

## PUBLIC SAFETY

\$17 million in bond funding for FY 2009. This is a new bond authorization, in addition to the \$10 million in bond funds and \$15.5 million in carried forward appropriations which was previously provided. This funds continuing improvements to the information systems of the DMV through the Real-Time Online Registration (RTOL) and the Re-engineering of the Regulation of Drivers (Re-ROD) programs. These improvements will provide benefits to the customer through efficiencies and security to the State of Connecticut.

Re-ROD seeks to re-engineer the agency's operator/driver's business processes and integrate related procedures. These include credentialing, oversight, and administrative (hearings) due process. All related information systems and support will be integrated with the Re-ROD system. The estimated implementation date is projected for the fourth quarter of FY 2007.

RTOL, the agency's number-one strategic initiative and the more intricate and expansive of the two projects, also continues to progress. This project will result in re-engineering and enhancing many of the Department's vehicle registration-related systems. These enhancements will result in more rapid capture and verification of information, while also providing the means to efficiently service customers' needs. The benefit to the individual citizen will be an expeditious process for registering motor vehicles while providing greater security over all information transmission and communication. The project's benefits also extend to law enforcement because of more timely access to the agency's registration/vehicle information. The Department is in the process of finalizing a contract to begin the three-phase project. This will result in a more efficient system structure within the Department, improving information collection, storage, and verification, and therefore providing greater and tighter security measures.



## ONLINE LICENSING

In an effort to move towards a more citizen friendly and customer service oriented environment, many agencies are implementing online services or upgrading IT systems.

### BOARD OF ACCOUNTANCY

It is anticipated that the online licensing renewal system will be available in advance of the next renewal cycle which occurs at the end of each calendar year.

### DEPARTMENT OF PUBLIC HEALTH

The Governor's recommended budget provides \$1.1 million (much of it one-time development costs) in FY 2009 to the Department of Public Health to implement an on-line, web-based licensing system. Implementation of on-line application processing and license renewal functionality will improve customer service. When operational in late FY 2009 or early FY 2010, this system will allow health care practitioners to secure a license from the Department of Public Health with convenience and ease. The system will also allow for the collection of valuable workforce data that is needed to identify and address current and future healthcare workforce shortages. In particular, this system will allow the Department of Public Health to establish a database on nursing personnel to assist the department, the State Board of Examiners for Nursing, other state agencies and employers in planning for nurse staffing patterns and practices. DPH envisions starting the online licensing system with physicians and nurses, then expanding to other licensed professions.

### DEPARTMENT OF CONSUMER PROTECTION

The Department of Consumer Protection has the capability to do online renewal but additional work is needed to correct some firewall access problems in the system. For this to occur, the Department must implement one registration/license type at a time. Adding each registration type requires two full days of time and therefore is being done in a phased in method. It is expected that over the course of the next six to eight months all license types will be back on line. Each license type is being prioritized based on which industries (more computer-oriented businesses such as pharmacists and engineers, for instance) are more likely to utilize the services.

### DEPARTMENT OF MOTOR VEHICLES

The Department on Motor Vehicles currently allows for the renewal of registrations on-line. In addition the agency is developing the Real-Time-On-Line Registration System. This project, which is the agency's number-one strategic initiative, continues to progress. This project will result in re-engineering and enhancing many of the Agency's vehicle registration-related systems. These enhancements will result in more rapid capture and verification of information, while also providing the means to efficiently service customer's needs. Customers will benefit from an expeditious process for registering motor vehicles while law enforcement will benefit from more timely access to the agency's registration/vehicle information.

A second project, the Re-engineering of the Regulation of Drivers (ReROD), will re-engineer the agency's operator/drivers business processes. Although this system will not allow for the issuing of licenses on-line, the necessary data checks will be available to the agency in a more efficient and expedient manner. The re-engineering will affect

## MAKING STATE GOVERNMENT WORK

credentialing, oversight, administrative due process and all related information systems and their support. These business processes involve the testing of potential drivers at DMV sites, the verification of information required and the issuance of the licenses.

## CONTRACTING STANDARDS

### BOARD

During the 2005 Legislative Session, the Governor proposed the creation of a Contracting Standards Board based on the recommendations of the bipartisan task force on contracting reform. Unfortunately, provisions were attached to the bill that placed unacceptable and overly burdensome limitations on the ability of the Executive Branch to enter into contracts. Since such contracts are needed in order to conduct the business of the state and provide essential state services, the Governor had no choice but to veto the bill. Unwilling to allow this opportunity to escape, the Governor, by Executive Order, created the State Contracting Standards Board on June 30, 2005. The Board was charged with reforming the state procurement system. However, since the Board was established by Executive Order, the Board's powers are limited to being advisory only. In the 2006 legislative session, the Governor again proposed legislation to establish the Contracting Standards Board, but the same unacceptable provisions were attached to the bill which again required the Governor's veto.

In its advisory capacity, the Contracting Standards Board recently completed their initial effort of developing a Uniform Procurement and Contract Code for state agencies. This proposal provides the State of Connecticut with a first step toward creating an integrated and uniform statutory

structure for procurement reform. It represents an attempt by the Board to consolidate in one place all state procurement laws and regulation. The proposal is in draft form and will require significant legislative and administrative work. In this regard, the current Board will immediately commence working with Commissioners and agencies to prepare additional proposals designed to eliminate repetitive, conflicting or obsolete provisions effective July 1, 2008.

Per the Governor's Executive Order, the Board designed an operation structure to reinforce integrity, best value, innovation and accountability into the state procurement processes. Below are some of the major organizational recommendations included in the proposed legislation:

- Establish a State Contracting Standards Board as the central oversight and policy body for all state procurement;
- Develop a standardized state procurement and project management education and training program;
- Certify that agencies and staff are in compliance with Code;
- Sets forth the enforcement authority of the Board, including the ability to restrict or eliminate the procurement authority of any state agency;
- Establish a structured process that all state agencies shall follow when entering into a privatization agreement; and
- Require CHRO to conduct a disparity study to examine if there is a significant evidence of discrimination in the way State contracting dollars are expended.

## MAKING STATE GOVERNMENT WORK

The Governor understands that the changes being proposed are significant and will take time to properly implement. Therefore, the Board proposes and the Governor supports the following effective date schedule:

- The provisions governing the structure and duties of the Board shall take effect from passage;
- The Code will go into effect on July 1, 2008 for all contracting state agencies;
- The applicability of the provisions of the Code for quasi-public entities and constituent units of higher education is July 1, 2009; and
- On July 1, 2010 the provisions of the act shall apply to municipalities' procurement involving state funds.

The proposal requires that the Constitutional Officers of the State, the Judicial Branch and the Legislative Branch develop a procurement code applicable to their own contracting processes by January 1, 2009. On October 1, 2009, the powers, duties and obligations of the State Properties Review Board will be transferred to the State Contract Standards Board.

## INCREASING THE EFFECTIVENESS OF THE DEPARTMENT OF REVENUE SERVICES

The Connecticut Department of Revenue Services administers the tax laws of the State of Connecticut and collects tax revenues in the most cost effective manner. In an effort to maximize revenue collection under the existing tax laws, the Governor is recommending that approximately \$1.9 million and 37 positions be added to the agency budget to

generate additional revenues of \$15.5 million in FY 2008 and \$29.5 million in FY 2009. Specifically, three programs in the Department are augmented. They are the Refund Theft Program, the Audit Business and Employment Tax Program, and the Audit Sales Tax Third-Party Data/Cash Business Program.

### REFUND THEFT PROGRAM

The Special Investigations Section of the Department of Revenue Services Collections and Enforcement Division investigates criminal tax fraud. During the past fiscal year the Section intercepted 269 fraudulent income tax returns and saved or recovered approximately \$800,000 in fraud refunds. Electronic filing has produced a national explosion in refund theft. Two active investigations alone have uncovered 470 false Connecticut returns representing more than \$1.5 million in refunds. The problem increases in volume and complexity as more returns are filed. The Governor proposes to add approximately \$500,000 and 8 positions to generate new revenues of \$3.5 million in FY 2008 and \$5.5 million in FY 2009 to prevent losses and institute proactive measures for electronic filing fraud.

### AUDIT BUSINESS AND EMPLOYMENT TAX PROGRAM

This program is responsible for the administration of various personal income tax audit programs centered on self-employed individuals and employer withholding tax. During the past fiscal year, in its first year of operation, the unit generated over \$21 million in revenue exceeding projections by 31%. The Governor proposes to add approximately \$700,000 and 12 positions to generate new revenues of \$7 million in FY 2008 and \$14 million in FY 2009 and address some of

## MAKING STATE GOVERNMENT WORK

the more complex issues connected with Connecticut's personal income tax.

### AUDIT SALES TAX THIRD-PARTY DATA/CASH BUSINESS PROGRAM

This program determines the accuracy of tax reporting of various cash business segments through a comprehensive field and office audit of targeted accounts in order to maximize tax revenue. The unit has determined that there is a significant tax gap between the amount of sales tax collected by certain cash business types and the amount of sales tax remitted to the state. The Governor proposes to add approximately \$700,000 and 12 positions to generate new revenues of \$5 million in FY 2008 and \$10 million in FY 2009 to enable this unit to obtain and review more third-party electronic data related to sales made to cash businesses.

## MAINTAINING DEPARTMENT OF LABOR OPERATIONS AND UPGRADING TECHNOLOGY THROUGH USE OF REED ACT FUNDS

The Connecticut Department of Labor administers two major workforce programs: Unemployment Insurance (UI) and Employment Services (ES). Because of reductions in federal support for these programs, they face significant operational shortfalls over the next several years. In addition to these federal funding reductions, rising personnel and operating costs are forcing states to reduce their staff and workforce development services, consolidate operations and seek other sources of funding. As a result the Connecticut Labor Department has reduced its federally funded staff from 1,100 to 715 (a 35% reduction) over the past

10 years and closed four local office Job Centers. The department continues to reduce programmatic and administrative costs of the UI and ES programs in order to operate at reduced federal funding levels.

While the agency has sufficient financial resources to maintain operations through FY 2007, the Governor is recommending that the Department of Labor utilize available Reed Act funds during the biennium to make up for the federal funding decline. In March of 2002, the federal government returned unused funds from the Federal Unemployment Trust Fund to the states, with Connecticut's share at \$100 million. These funds, called Reed Act funds, can only be used for the payment of unemployment compensation benefits or to support the costs of administering the unemployment insurance and employment services systems. As of January 2007, \$74 million in Reed Act funds remain available for expenditure. The Governor proposes that DOL utilize \$28 million of these funds over the biennium to meet administrative/staffing needs of the unemployment insurance and employment services systems, and to begin the process of modernizing the DOL information technology infrastructure. Modernization of the twenty-five-year-old system is anticipated to yield considerable annual savings for program administration, the UI Trust Fund, and for employers, and will mirror efforts in over 40 states that have either completed or are currently engaged in UI modernization efforts.

## HEALTH & HUMAN SERVICES

### IMPROVEMENTS TO THE DEPARTMENT OF PUBLIC HEALTH'S INFORMATION TECHNOLOGY INFRASTRUCTURE

## MAKING STATE GOVERNMENT WORK

In addition to the on-line licensing system mentioned above, the Governor is recommending over \$3.7 million in information technology improvements in the Department of Public Health in FY 2009. These improvements include a new information system for the public health laboratory, an electronic vital registry system, and general improvements to the agency's outdated information technology infrastructure.

The electronic vital registry system will support the requirements of the Federal Intelligence and Terrorism Prevention Act of 2004 (IRTPA) by implementing electronic death and birth reporting systems; providing a centralized system for use in issuance of certified copies of birth certificates by the state and local registrars for all births back to 1935; allowing for timely matching of death records to birth records; facilitating the electronic exchange of birth and death records among states; and allowing for the electronic verification of vital events. While federal regulations outlining the requirements and standards for compliance with IRTPA have not been released, the state needs to take action now to ensure compliance or birth certificates issued by the state will not be accepted by any federal agency. The upgrade will also increase the timeliness of birth and death reporting to support public health surveillance and planning by eliminating the manual processing of death, marriage and civil union paperwork.

The public health laboratory's current laboratory management information system is over 25 years old. The laboratory is a critical asset to the state and region, and system upgrades and replacement will ensure that the laboratory can continue to maintain its high standards as well as federal certifications and accreditation. The laboratory provides testing for bacterial, viral, fungal, and parasitic agents of diseases; serves as a reference

center for microbiological aspects of infectious diseases; screens for forty-two (42) genetic diseases in newborns; evaluates toxic inorganic/organic chemicals in the air, river and lake waters, wastewater, drinking water, fish and shellfish, landfills, industrial waste, spills, consumer products, and soils; and a certified chemistry laboratory is maintained for drinking water analysis. The information system will migrate to the new state laboratory once the new facility is completed.

### DSS STAFFING AND OTHER OPERATIONAL IMPROVEMENTS

The Governor has proposed significant resources – \$8.7 million in FY 2008 and \$5.5 million in FY 2009 – to improve the Department of Social Services' operational effectiveness. This includes funding for an additional 61 positions in FY 2008 and 77 positions in FY 2009 – an unprecedented investment in the state's human services infrastructure. Twenty-four eligibility services workers are provided to increase staffing in the regional offices and enhance the department's ability to serve clients effectively and in a timely manner. Six staff are provided to address increases in workload resulting from the new requirement under the federal Deficit Reduction Act which mandates that the department verify the citizenship and identity of most Medicaid and HUSKY A applicants and recipients. Twelve staff are provided to help meet the state's work participation requirements under the Temporary Assistance for Needy Families block grant. These requirements mandate verification of data matches under DSS' Income Eligibility Verification System and the Department of Labor's New Hires system. Finally, resources (including 19 staff in FY 2008 and 35 staff in FY 2009) are provided to implement the provisions of the Raymond v. Rowland settlement agreement. This will include

## MAKING STATE GOVERNMENT WORK

improvements to the twelve regional offices to facilitate program access for people with disabilities, the installation of a document imaging system and a telephone voice response system to support eligibility operations and the staff to support these new systems, updates to the DSS website and client forms, staff to assist clients in office reception areas, and staff to provide screening for disabilities and employment-related services.

## OFFICE OF STATE ETHICS

### ENHANCE ENFORCEMENT DIVISION AND IT SYSTEMS

The Office of State Ethics (OSE) has a statutory duty to investigate all ethics complaints either issued by the Ethics Enforcement Officer or any member of the public. The scope, complexity, and legal analysis necessary in investigations of the regulated community require appropriate staff.

The Governor's Recommended Budget makes further improvements conducive to ethical and fair government by providing \$166,766 in FY 2008 and \$165,669 in FY 2009 for 2 Legal Investigators to expand the Enforcement Division within the OSE. Currently there are 6 positions within the Enforcement Division.

This addition will help address the significant change in the new Ethics Code which requires that a probable cause hearing be held prior to a matter reaching the Citizen's Ethics Advisory Board (CEAB) for review.

In conjunction with the Enforcement resources provided by the Governor, an additional \$250,000 is provided in each fiscal year in the Information Technology Initiatives OCE account. This funding demonstrates the Governor's continuing concentration on clean and fair government by allowing the Office to improve and enhance its disclosure systems, specifically the Lobbyist Electronic Filing Program (LEFP) and the Statement of Financial Interests project (SFI).

## STATE ELECTIONS

### ENFORCEMENT COMMISSION

#### CONTINUING REINFORCEMENT OF CAMPAIGN FINANCE REFORM

The Governor's resolve and determination to create an equitable stage for government operations has not diminished. As a main proponent of Public Act 05-5, An Act Concerning Comprehensive Campaign Finance Reform for State-Wide Constitutional and General Assembly Offices, Governor Rell continues to reinforce the importance of the State watchdog Commissions.

Public Act 05-5 sought to clean up campaign finance in order to deter those elected to state offices and the General Assembly from catering to special interests and ignoring the true needs of the residents of Connecticut. This ongoing effort is once again fostered in the Governor's recommended budget by including 5 new positions and over \$350,000 in additional resources in FY 2008 and FY 2009 to continue building upon the foundation for cleaner government.

This funding provides for the establishment of a Legal Compliance Unit and the hiring of the new positions of Director of Legal Compliance, two Staff Attorneys, a Paralegal and an Office Assistant. This separate Legal Compliance Unit will provide candidates, public officials, treasurers and other campaign and election officials with rapid response to pending legal questions. In addition to these permanent positions, the additional funding will allow the agency to hire temporary workers and seasonal accountants to handle the increased responsibilities mandated by Public Act 05-5 efficiently, effectively and without major disruption to the office's day-to-day mandated functions.

## TRANSPARENCY IN STATE GOVERNMENT

These additional resources demonstrate that the Governor's goal to rid state government of corruption and degradation is not an empty promise, but an ongoing initiative

# FREEDOM OF INFORMATION

## ENHANCE COMPLAINT PROCESSING AND RESOLUTION CAPABILITIES

The Governor's recommended budget includes \$112,735 and 2 positions in FY 2008 and \$111,765 in FY 2009, for the Freedom of Information Commission to enhance complaint processing and resolution capabilities.

Over the past several years the number of complaints that have been filed with the Commission has steadily increased. Not only have the complaints increased in number, a significant segment of these additional complaints have been filed by individuals confined to the state's correctional facilities.

In response to a judicial order, the Commission has established a process for handling these complaints which will ensure that the due process rights of the inmates are not violated. Since inmates are confined, the established process is labor intensive and requires the Commission to utilize additional resources in order to appropriately docket, process, hear and resolve the complaints in a timely manner.

The technical work required for the Commission to carry out its mission has also been acknowledged in the Governor's recommended budget by including \$64,515 and a Data Processing Technical Analyst position in FY 2009 to enhance technological maintenance capabilities.



## CAPITAL INVESTMENTS

# CAPITAL INVESTMENTS

Do you have a credit card? Do you know what your limit is on that card? Do you know what interest rate you pay when you write a check for your debt? What percentage of your take home pay goes to paying your credit card bill every month?

These are simple questions, and you may wonder what this has to do with the state's bonding. Simply put, our state's "credit card" is almost maxed out. Our limit is set by our ability to pay and by bond rating agencies who can adjust our credit rating downward if our borrowing habits so warrant. Our interest rate is determined by how we are rated, a good risk, a fair risk or a poor risk. The percentage we pay is about 11.9% of our operating budget. In other words, if this were your household, 11.9% of your take home pay would go to paying your credit card debt.

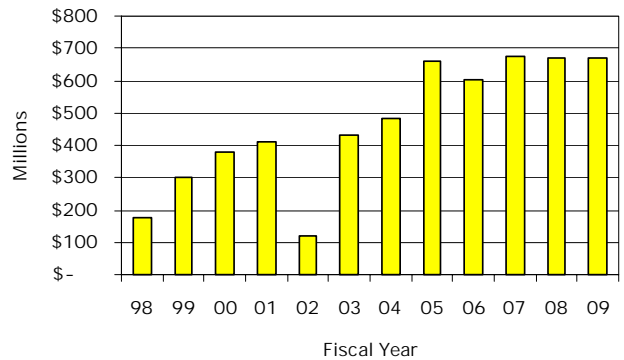
If the state were any typical Connecticut household, only those things that were most critical and necessary would be paid for with a credit card.

This biennial budget the Governor is proposing limiting new bond authorizations while concentrating on the state's top five priorities. These five areas are as follows:

### 1. SCHOOL CONSTRUCTION

By far the largest capital expenditure of the state with an additional \$669.4 million of new authorizations recommended in each year of the biennium.

Local School Construction Bond Authorizations



### 2. HIGHER EDUCATION

While we have continued to make progress on the condition of our State Universities and Community Technical Colleges, it is still not enough. Stronger higher education facilities will lure new businesses and economic development to the state as well as provide top-notch educational opportunities to every student in Connecticut. Therefore, new authorizations of approximately \$95 million in FY 2008 and \$60 million in FY 2009 are recommended.

### 3. ENVIRONMENTAL PROJECTS

- Governor Rell is recommending Clean Water authorizations of \$70 million of General Obligation Bonds and \$175 million of Revenue Bonds in each year of the biennium. This level of funding will make huge strides in improving vital sewer projects statewide.
- The Governor's commitment of preserving open space continues with \$10 million recommended in each year of the biennium for state-owned open space, \$10 million recommended in each year of the biennium for grants in aid for municipal acquisition of open space, as well as \$10 million recommended in each year of the biennium for the preservation of Connecticut's farmland.

## CAPITAL INVESTMENTS

- New authorizations of \$45.8 million in FY 2008 and \$37.9 million in FY 2009 for other essential environmental project such as flood control, dam safety, and environmental clean-up and remediation projects.

### 4. ECONOMIC DEVELOPMENT

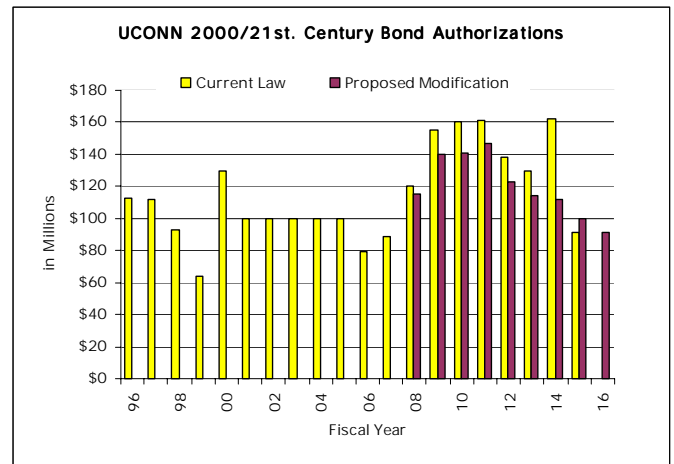
- Job retention and creation needs to continue to be a top priority of the state, therefore \$35 million of Manufacturing Assistance funds are recommended for each year of the biennium.
- An additional authorization of \$15 million in each year for affordable housing programs.
- These proposed new authorizations are in addition to the approximately \$45 million currently authorized for Manufacturing Assistance and \$41 million currently authorized for housing programs.

### 5. STATE FACILITIES

The condition of state facilities has continued to deteriorate. These are Connecticut’s assets and therefore, they need to be maintained, improved and renovated as needed to keep them operable. Additional authorizations of approximately \$219 million in FY 2008 and \$137 million in FY 2009 are recommended for this purpose. These projects include new or renovated correctional facilities, courthouses, and other state-owned buildings.

Governor Rell is also recommending that the legislature amend the University of Connecticut (UCONN) 21<sup>st</sup> Century statute to reduce the level of bonding that UCONN automatically receives each fiscal year. The Governor is not proposing that the state reduce its overall commitment to the University, rather she is recommending that the level of funding be reduced each year with an additional year of funding added at the end of the

original 20 year commitment in FY 2016. The modification in bond allocations will begin in FY 2008 with a small \$5 million reduction, bringing the total funds authorized for UCONN in FY 2008 to \$115 million. In FY 2009, the Governor is proposing a \$15 million reduction in the bond allocation for UCONN. In no year is the reduction greater than \$15 million. Given the large amount of state bond funds that the University has been receiving and the continued tightening of the state’s bond fund allocations, the Governor believes that it is fair and equitable to lessen the state’s annual commitment while keeping the University whole in terms of the original commitment from the state. In times when there is very little room for discretionary capital funding, an extra \$5 to \$15 million will undoubtedly help relieve some of the pressure.



The Governor is also proposing initiatives to control future capital expenditures in an attempt to reduce the state’s debt long term. This approach focuses on school construction financing for Connecticut school districts. In an attempt to curtail undue hardship on Connecticut municipalities, the Governor is proposing these initiatives in conjunction with significant increases in the Education Cost Sharing Grant that will be received by local school districts. This proposal is

## CAPITAL INVESTMENTS

a two-pronged attempt to reduce the state's overall indebtedness due to the local school construction program while reducing the local operating budget burden of the school districts.

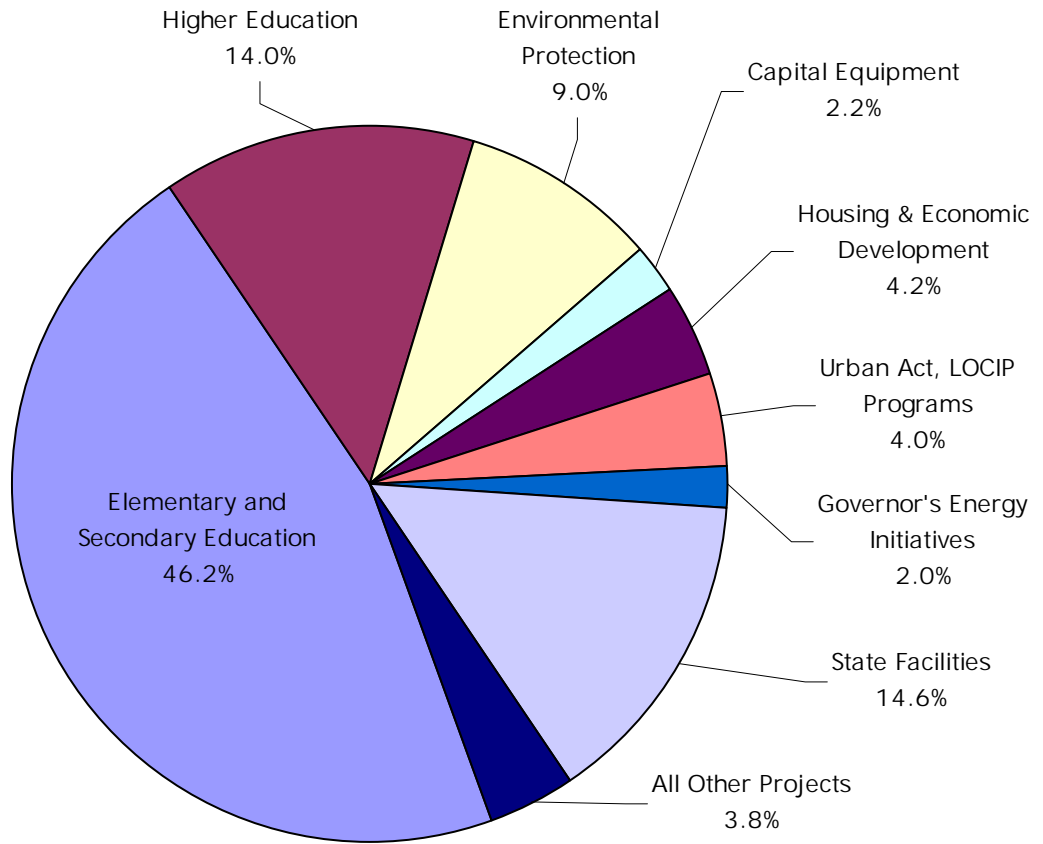
Specifically, the Governor is proposing to decrease the state reimbursement percentages for local school construction projects from the current range of 80% to 20% of total project cost to a range of 65% to 15% of total project cost. The Governor is additionally proposing that magnet school construction reimbursement be capped at 80%. Each district's reimbursement percentage will continue to be calculated utilizing the current formula within the revised reimbursement range. In addition, the Governor is proposing to place a \$300 million annual cap on the level of state grant commitments for the school building priority list beginning with the December 2007 list.

While these changes will not immediately reduce the bonding allocations of the state, they will reduce the level of bonding allocations in the future. These changes will have other beneficial effects as well. Currently a local school district that receives 80% reimbursement obviously has less incentive to control costs or make difficult fiscal choices in designing a school since the district is only responsible for 20% of the costs. By making the district more of a financial partner, it is likely that the overall cost of school construction will be reduced because more of the responsibility for the costs is born by those deciding what will be built. While taken alone this could be considered a hardship, it must be viewed in conjunction with Governor Rell's entire plan since the local school districts will be receiving significantly greater operating funds each year. Finally by capping the amount of the annual school priority list, the state will have to prioritize the needs in this area as it is expected to do in all other areas. The current

practice involves little prioritization, it simply grants nearly every request that has been moved through the pipeline.

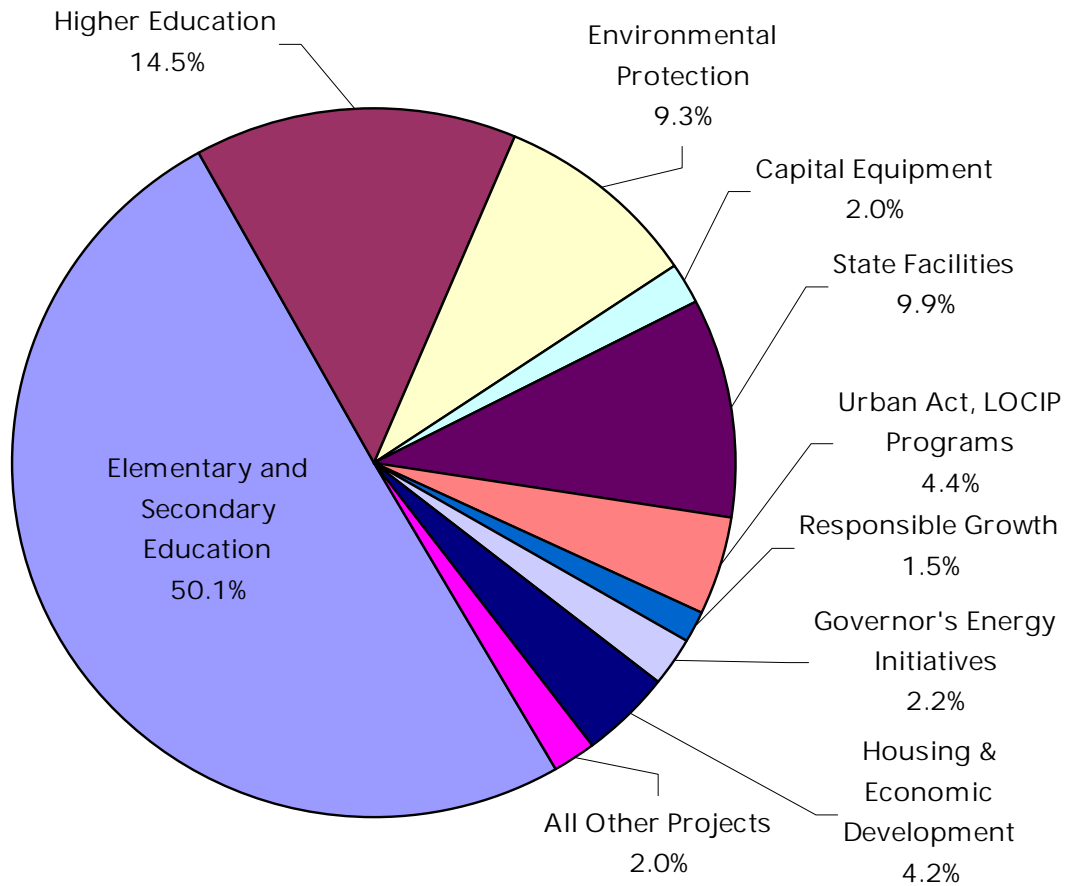
# CAPITAL INVESTMENTS

## General Obligation Bond Authorizations Fiscal Year 2007-08



# CAPITAL INVESTMENTS

## General Obligation Bond Authorizations Fiscal Year 2008-09



# REVENUE

The proportion of the State’s revenue that must be raised through taxes directly affects the State’s economy, impacting both citizens and businesses who must assume the tax burden necessary to provide essential state services. Recognizing this, Governor Rell’s administration stands for the continuation of significant tax reform measures targeted at making Connecticut more competitive from the perspectives of both the private individual and business.

The changes proposed by Governor Rell, as outlined below, will increase revenue to the General Fund in FY 2008 and FY 2009, respectively, by \$508.5 million and \$699.5 million. The changes are a combination of tax repeals and reductions, tax credits, and various transfers between funds, as well as tax increases.

First, Governor Rell will phase out the unified gift and estate tax over the next five years, with total elimination of the tax in income year 2011. As part of the phase-out plan, the Governor is proposing to eliminate the “cliff” effect at each exemption level which results in significant tax savings for all filers. Under current law, estates valued at \$2.0 million or more are taxed. The Governor is proposing to increase the tax exemption level to \$4.1 million beginning January 1, 2007, saving taxpayers \$21.3 million in FY 2008. The exemption level will rise to \$5.1 million for income year 2008 (saving taxpayers \$31.9 million in FY 2009), to \$7.1 million for income year 2009, and to \$10.1 million for income year 2010. When completely phased out, Connecticut will join the 32 other states with no estate tax.

## States with No Estate Tax

- |               |                    |
|---------------|--------------------|
| 1. Alabama    | 17. Mississippi    |
| 2. Alaska     | 18. Missouri       |
| 3. Arizona    | 19. Montana        |
| 4. Arkansas   | 20. Nevada         |
| 5. California | 21. New Hampshire  |
| 6. Colorado   | 22. New Mexico     |
| 7. Delaware   | 23. North Dakota   |
| 8. Florida    | 24. Oklahoma       |
| 9. Georgia    | 25. Pennsylvania   |
| 10. Hawaii    | 26. South Carolina |
| 11. Idaho     | 27. South Dakota   |
| 12. Indiana   | 28. Tennessee      |
| 13. Iowa      | 29. Texas          |
| 14. Kentucky  | 30. Utah           |
| 15. Louisiana | 31. West Virginia  |
| 16. Michigan  | 32. Wyoming        |

## **Estate Tax Phase-Out (in millions)**

<u>Income Year</u>	<u>Exemption Level</u>
2006	\$ 2.0
2007	\$ 4.1
2008	\$ 5.1
2009	\$ 7.1
2010	\$ 10.1
2011	No Tax

The Governor recognizes the dramatic increases that have occurred recently in the cost of energy, and believes steps must be taken to address the impact these increases have had on businesses and working families in Connecticut. In recognition of the importance of this issue, along with other steps being taken on the expenditure side, she proposes to restore

## REVENUE

funding to the Energy Conservation and Load Management Fund and the Clean Energy Fund, costing the General Fund \$35.3 million in each year of the biennium, and helping both businesses and families achieve greater energy efficiency. Also, in order to address the high cost of energy facing both businesses and families at all income levels, the Governor is proposing a number of additional steps to help both groups cope with these increased costs. First, the sales tax on electricity for commercial businesses will be eliminated, saving these businesses \$30.8 million in FY 2008 and \$31.5 million in FY 2009. Also, a new Biofuels Production tax credit is established so that companies producing certain biofuels within the state may claim a credit against the corporation tax equal to fifty cents per gallon of biofuels produced, saving those companies \$0.8 million in FY 2008 and \$1.5 million in FY 2009. Also, machinery and equipment related to renewable fuel production will be exempted from the sales tax, saving business \$0.5 million in each year of the biennium. A number of steps are also being taken with the sales tax to help families, saving consumers \$8.6 million in FY 2008 and \$9.5 million in FY 2009. These steps include:

- Exemption of residential installation of certain renewable energy sources;
- Exemption of energy star room air conditioners;
- Extension of the current sales tax exemption for weatherization products from June 30, 2007, to June 30, 2010, and;
- Extension of the current sales tax exemption for hybrid vehicles that attain 40 mpg or more on the highway from October 1, 2008, to June 30, 2010.

Additional revenue increases are also being proposed to help pay for many of the Governor's reform initiatives. The most significant of these reforms is Governor Rell's landmark education initiative which commits unprecedented state resources to all levels of education. These new state resources will not only provide for great strides in academic achievement, but if used responsibly will have the salutary effect of stabilizing and potentially lowering property taxes for Connecticut's beleaguered property taxpayers. These initiatives will position this state to be more competitive, as jobs at all levels around the world become more highly-skilled. They will create educational opportunities to position our future workforce to be better prepared for those jobs and stimulate economic growth. Also, a portion of these increases will become an investment in the health and well-being of our most vulnerable citizens, including health insurance coverage for some of those now uninsured.

The 5% income tax rate will be increased to 5.25% for income year 2007, and to 5.5% for income year 2008. This change will yield \$617.5 million in FY 2008 and \$650.0 million in FY 2009.

The tax on cigarettes will rise from \$1.51 to \$2.00 per pack, effective July 1, 2007, raising an additional \$86.4 million in FY 2008 and \$82.8 million in FY 2009, including additional sales tax revenue.

## REVENUE

<b>Cigarette Tax</b>	
<b>Selected States</b>	
<b>(Per Pack of 20 Cigarettes)</b>	
Rhode Island	\$2.46
New Jersey	\$2.40
Washington	\$2.03
Arizona	\$2.00
Maine	\$2.00
Michigan	\$2.00
Connecticut	\$1.51
Massachusetts	\$1.51
New York *	\$1.50

\* Plus an additional \$1.50 per pack in New York City.

The Governor's proposal will also reform the Film Industry Tax Credit established last year by clarifying and focusing its application and thus limiting the state's potential exposure by \$21.0 million in each year of the biennium. Reforms include limiting credit eligible salaries to no more than \$5 million and targeting expenditures with the greatest potential for industry development.

In addition, enhanced collection and compliance efforts at the Department of Revenue Services will raise tax revenues by \$15.5 million in FY 2008 and \$29.5 million in FY 2009.

Finally, a number of additional steps impacting the General Fund will be taken. A total of \$5.0 million in FY 2008 and \$10.0 million in FY 2009 from the gross receipts tax on cable television companies will be intercepted and used for either operating support or capital projects for the state's art industry and for tourism and

educational venues, provided the organizations and projects meet certain criteria. The funds will be administered by the Connecticut Commission on Culture and Tourism (CCT). The transfer of \$12.5 million annually from the General Fund to the Emergency Spill Response Account will be extended through this biennium. Certain fees of the Division of Fire, Emergency and Building Services of the Department of Public Services will be increased, raising revenue by \$1.1 million and \$0.7 million, respectively, in FY 2008 and FY 2009.

Within the Special Transportation Fund, an additional \$3.2 million will be raised by increasing the safety plate fee from \$5.00 to \$10.00, increasing abandoned motor vehicle filing fees, and enhancing enforcement and fines at weigh stations.

On a longer term basis, the Governor is calling for a task force to study and evaluate the changes needed, and potential benefits that would be derived from the state joining the Streamlined Sales Tax Agreement. It is estimated that Connecticut currently loses \$520 million annually in sale tax collections from internet and mail order transactions. This commerce is growing at double-digit rates. Fifteen states have already enacted the changes necessary to their sales tax codes to comply with the Streamlined Sales Tax Agreement. Connecticut should explore fully the benefits of such changes.



## REVENUE

<b>Proposed Tax Changes</b>		
(In Millions)		
	Fiscal <u>2008</u>	Fiscal <u>2009</u>
<u>Tax Cuts:</u>		
Eliminate sales tax on electricity for commercial businesses	\$ (30.8)	\$ (31.5)
Eliminate estate tax cliff and phase tax out over 5 Years	(21.3)	(31.9)
Extend current sales tax exemption for weatherization products	(7.0)	(7.0)
Exempt energy star qualified room air conditioners from sales tax	(1.0)	(1.1)
Create Biofuels Production tax credit against corporation tax	(0.8)	(1.5)
Exempt residential installation of certain energy sources from sales tax	(0.6)	(0.7)
Exempt machinery related to renewable fuel distribution from sales tax	(0.5)	(0.5)
Extend sales tax exemption for 40 MPG hybrid vehicles	-	(0.7)
SubTotal Tax Cuts	\$ (62.0)	\$ (74.9)
<u>Tax Increases:</u>		
Raise upper income tax rate to 5.5% over two years	\$617.5	\$650.0
Increase cigarette tax rate from \$1.51 to \$2.00 per pack	86.4	82.8
Redefine and focus Film Industry tax credit against corporation tax	21.0	21.0
SubTotal Tax Increases	\$724.9	\$753.8
Net Impact of Proposed Tax Changes	\$662.9	\$678.9
Note: Does not include initiatives related to the Governor's Car Tax proposal.		

## MUNICIPAL AID

# MUNICIPAL AID

Governor Rell is proposing several new initiatives to bring additional funding to municipalities and tax relief to their residents.

### ENHANCED EDUCATIONAL FUNDING:

Governor Rell is proposing increasing the payment made to municipalities under the Educational Cost Sharing grant by \$1,100,000,000, phased in over a five year period. An additional \$205,612,288 will be paid to municipalities in FY 2008 and an additional \$339,828,819 will be paid in FY 2009.

Additional funding will also be added to School Choice and other programs.

When combined with the increase in ECS funding, an additional \$246,861,507 will be dedicated for education in FY 2008 and an additional \$424,320,454 will be dedicated in FY 2009.

### CAR TAX

Governor Rell proposes phasing out local property taxes on automobiles used for personal purposes. The reimbursement to municipalities for revenue lost by granting this exemption will be approximately \$100,000,000 in FY 2008 and approximately \$200,000,000 in FY 2009. Governor Rell proposes to reimburse the municipalities for 100% of the revenue lost under the phase out program.

### MANUFACTURING MACHINERY AND EQUIPMENT

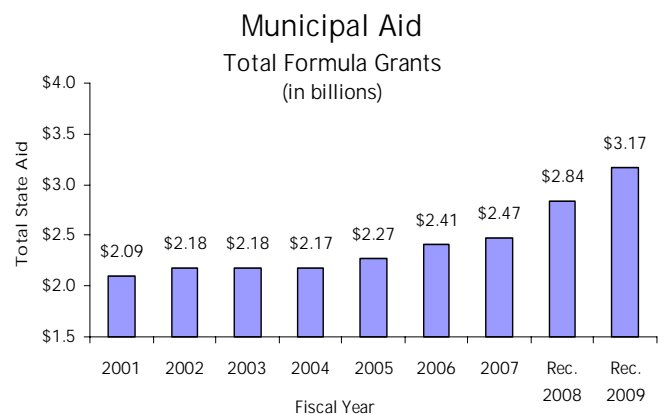
FY 2008 is the first year that municipalities will receive reimbursement for lost revenue due to expanding the exemption for Manufacturing Machinery and Equipment that was passed in the 2006 legislative session. Municipalities will receive an additional \$33,900,000 in FY 2008 and an additional \$63,200,000 in FY 2009.

### OPEN SPACE GRANT PROGRAM

Governor Rell proposes increase bond funding for the Open Space Acquisition Grant Program to \$10,000,000 in FY 2008 and \$10,000,000 in FY 2009 to help municipalities acquire and protect additional open space in their communities.

### CLEAN WATER FUNDING

Governor Rell proposes increase bond funding for the Clean Water Fund by providing \$70,000,000 in General Obligation bond funds in both FY 2008 and FY 2009 and \$175,000,000 in Revenue bond funds in both FY 2008 and FY 2009.



## CONCLUSION

### CONCLUSION

Governor Rell's plan sets a new course for Connecticut and changes the way the state does business in fundamental ways. It promotes energy conservation and alternative sources of energy in meaningful ways. It requires real long term planning too long ignored. The Governor's proposal continues her commitment to Responsible Growth. It provides additional resources for municipalities and Regional Planning Agencies. It incentivises development that reclaims brownfields, maximizes the benefits of existing transit systems, and creates livable cities. At the same time, it puts more resources into environmental protection, such as clean water, open space preservation and farmland preservation.

Governor Rell's unique and targeted approach to Healthcare builds on Connecticut's strengths. It guarantees insurance coverage for all newborns in Connecticut. It will enroll more children in Husky than ever before. It harnesses Connecticut's strengths as a home to many private insurers by creating a private insurance policy that is affordable to most adults while providing premium assistance to those who need help to pay for it.

Finally, Governor Rell has focused on Education like no other Governor before her, providing a continuum of education that will insure a vibrant citizenry and competitive workforce.

The Governor begins with Early Childhood Education targeted at poor children which will break the achievement gap. She makes an unprecedented \$1.1 billion commitment of resources to Connecticut's school systems and provides 75% more scholarship money for Connecticut college students than ever before.

At the same time, it will lessen the burden that local property taxpayers bear for education. Most importantly, with these new resources comes a demand for accountability, a demand for performance in our schools, indeed a demand for educational excellence. Connecticut deserves no less.