

FY21 BUDGET SUMMARY

One year ago, Governor Lamont laid out a path forward that emphasizes fiscal responsibility, long-term sustainability, and economic growth. That meant taking steps to address the growth and affordability of some of the state's significant fixed costs; reducing the state's reliance on volatile revenue sources; modernizing government to improve access, enhance efficiencies, and develop new synergies; resolving long-standing and potentially expensive legal matters; maintaining the fiscal discipline that has allowed Connecticut to build the largest budget reserve fund in history; reducing borrowing while still making key investments; and avoiding destabilizing increases to our major tax rates.

Overview

- This budget is financially responsible, takes steps to enhance workforce development, retools incentives to support growing the State's economy, preserves municipal aid, invests in education, criminal justice and public safety, leads on healthcare and climate and maintains the fiscal prudence that has allowed us to build the largest Budget Reserve Fund in state history and improve our bond rating outlook.
- The Governor is proposing an all funds budget of \$22.3 billion for FY 2021, with \$20.086 of that General Fund spending. The Governor's midterm budget, a 0.6% increase over the enacted level — is a budget that is balanced, with a \$153.7 million projected surplus, and is compliant with the spending, revenue and volatility caps, and the statutory debt limit.
- The proposal has a net increase in spending of \$117.4 million to adjust appropriations for deficiencies in the current year, to align with pension valuations and fund other critical requirements. Such increases are supported with approximately \$65M in updated consensus revenues per the Nov/Jan reports and \$40M in technical and policy revenue adjustments. This budget does not increase income tax or sales tax rates. The only tax increase is to tax e-cigs at the same effective rate as regular combustible cigarettes.

Key Investments

- **Strengthening CT's Workforce and Growing the Economy**
 - Retools state incentives for job creation and growth by moving to the "Jobs CT" performance-based tax credit program for business who create at least 25 jobs over a 2-year period with salaries at least 85% of the median household income for the municipality where the jobs will be located. These businesses will receive 25% of the new withholding taxes generated and 50% if in a designated opportunity zone.
 - In order to strategically align workforce development efforts, the budget proposes the elevation of the Office of Workforce Competitiveness (OWC) currently within the Department of Labor to its own independent office housed, for administrative purposes only, in the Office of Policy Management. The OWC will be responsible for formulating state workforce policy, coordinating and convening state workforce stakeholders, and using performance management systems to hold participants accountable for meeting agreed goals. The budget provides \$693,112 to support the OWC, which includes a new investment of \$310,000. The OWC will be led by an Executive Director and supported by three staff, two of which are reallocated from the Departments of Labor, and Economic and Community Development.
 - Modernizes occupational licensing by transitioning to online renewals, expediting the process for recognizing licenses conferred by other states and allowing initial or continuing education to be completed via the internet or distance learning.
- **Supports Education**

- The Governor's proposal maintains his commitment to funding education initiatives by fully funding the ECS formula, increasing curriculum development to improve student outcomes, funds debt-free community college for recent high school graduates with financial need, and supports the Guided Pathways initiative to provide advisor for of our community college students to improve their rates of success as they make their way through higher education.
- ***Protects and Improves the Climate and Environment***
 - To combat the increase in EEE mosquito virus activity in Connecticut, the Governor provides over \$450K in funding to increase the trap sites and testing of mosquitoes by 15 to 107 statewide and increases the funds for additional sprayings in mosquito breeding grounds.
 - The proposal moves on the recommendations of the PFAS Task Force to utilize expert health scientists and other stakeholders to establish a maximum PFAS contaminant level in our drinking water, provide resources to sample and test surface water and sediment and remove the dangerous firefighting foam as well as test private wells and drinking water supply sources.
 - Promotes the Governor's goals of zero percent greenhouse gas emissions from electric generation by 2040.
- **Leading on Healthcare & Related Services**
 - The budget includes \$1.5 million to ensure continued access to family planning services after federal Title X changes.
 - The Governor's proposal also includes the funding necessary to implement Executive Order No. 5, which will establish a healthcare benchmarking system at OHS, collecting and compiling all medical claims expenses for public/private payors, and sets a growth factor by which any cost increases above this threshold require a public hearing for review.
 - Furthers our efforts towards considering pharmacy drug reimportation from Canada to help address the growing costs of health care.
 - Consistent with surrounding states like MA, NY and RI, Governor Lamont bans the sale of flavored ENDS and vapor products, including menthol, and caps the maximum amount of nicotine at 35 milligrams consistent with national recommendations in an effort to decrease the possibility of addiction.
 - An incentive payment program is created at DDS to encourage providers to use less costly services and arrangements that more adequately reflect the needs of individuals with intellectual disability.
 - In DMHAS, \$3 million was recommended to support community placements for 20 individuals at Connecticut Valley Hospital who meet discharge-ready criteria
- **Supporting the Middle Class**
 - The proposal honors the funding for the minimum wage increase across state government, but also for our providers.
- **Enhancing the Criminal Justice System and Public Safety**
 - Creates a legal market for cannabis in Connecticut that is well-regulated, will protect consumers and the public at large.
 - Provides resources for two large trooper training classes which are expected to graduate a total of 170 new troopers.
 - Governor Lamont is introducing clean-slate legislation to automatically clear certain criminal convictions following a waiting period. The legislation encompasses several of Governor Lamont's priorities, including applying e-government solutions, strengthening the state's workforce, improving criminal justice system outcomes, and increasing access to stable housing.
 - Honors commitment to previously appropriated funding to combat Opioid Use Disorder (OUD) through Medication Assisted Therapy and Hepatitis C for our incarcerated population.

- To achieve greater parity with other states on the per minute rate for inmate phone calls, Governor Lamont is directing DAS to more aggressively negotiate rates, reducing the inmate payphone commission. \$3.5M is appropriated for Judicial probation officer staffing previously funded through commission revenue.

- **Pursuing Operational Efficiencies**

- Implements the centralization of the human resources and labor relations centralization plan in order to provide state government with the highest quality human resources and labor relations services at the lowest possible cost.
- Following up on his commitment to modernize state government, the Governor's enacted budget included resources necessary to create a digital front door to provide residents and businesses a modern online entry point to state information and services.
- The Governor's budget centralizes the purchase and administration of software licenses through a new agreement with Microsoft. The agreement provides upgrades internal technology, improves IT security, and leverages significant discounts while avoiding future costs for the state.
- Leverages over \$6.5M of savings by reducing the State's Physical footprint by relocating from leased and state-owned space and selling state building asset.

Revenue Proposals

- Governor Lamont is proposing to eliminate the requirement that we increase fees by \$50 million, as those efforts would harm Connecticut's competitiveness, increase regressivity, and create more barriers to employment.
- The budget will also include efforts to increase parity in the taxation of electronic nicotine delivery systems and combustible cigarettes.
- To attract firms to Connecticut in the growing captive insurance market, the Governor is proposing an initiative, which includes a three year look back period for insurers to reconcile their taxes in Connecticut without penalties or interest.
- The proposal also maintains the existing Corporate Tax Surcharge and modifies the phase out of the Capital Base Tax.
- The state's strong cash position and historic budget reserve fund balance allows the state to take a less aggressive and more affordable approach to repayment of the GAAP deficit.