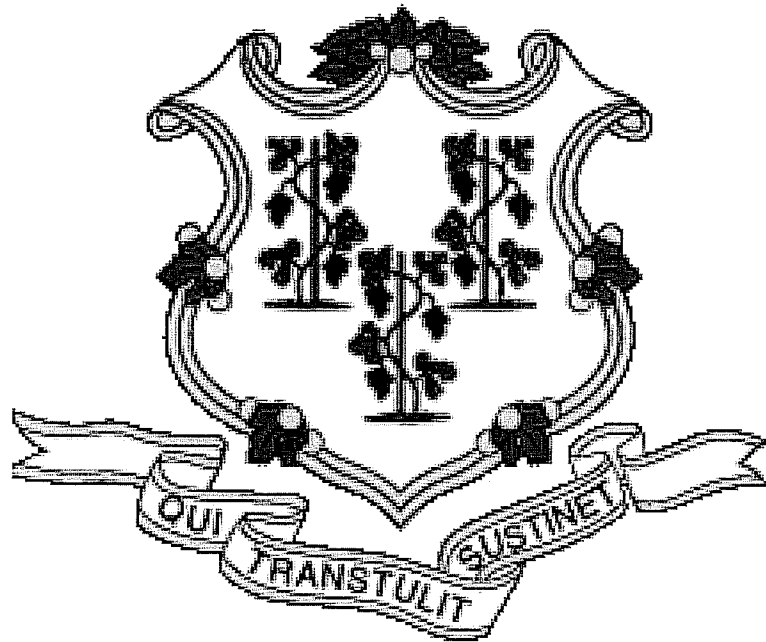
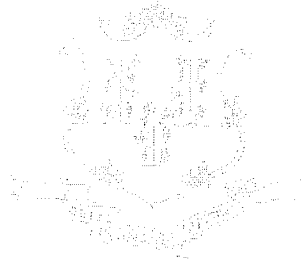


FY 2010 – FY 2011 GOVERNOR'S BUDGET



**M. JODI RELL, GOVERNOR
CONNECTICUT
February 4, 2009**



These are extraordinary times. Our nation is dealing with the aftermath of tumultuous economic events such as:

- The collapse of Fannie Mae and Freddie Mac;
- The failure of some of our oldest and most respected financial institutions;
- Major industries, including the automobile giants, in need of federal bailouts; and
- The Dow Jones industrial average has lost 29% of its value in the last 5 months alone and is down just over 40% since its October 2007 peak.

These events have multiple consequences for Connecticut's citizens and businesses on a day to day basis.



- Loss of jobs and reduced incomes puts a strain on our families that is unprecedented in recent decades.
- Those who have saved for their retirement have seen their savings diminished through no fault of their own.



In the midst of these difficulties come opportunities to:

- Reform government;
- Rethink our priorities; and
- Make government more accountable and more responsive to the needs of the day and the citizens it serves.

This is our opportunity to change things for the better.



Connecticut's Fiscal Challenge

It is not a crisis we face alone.

- Connecticut is better positioned because of our substantial budget reserve fund; and
- Connecticut will experience more dramatic downturns in its tax revenue streams than many states because of the large percentage of financial sector jobs located here.

Notable State Budget Deficits



		% of FY09		% of FY10	
	<u>FY2009</u>	<u>General Fund</u>	<u>FY2010</u>	<u>General Fund</u>	
California	\$35.9 billion	35.5%	\$25.9 billion	25.6%	
Massachusetts*	\$3.3 billion	11.5%	\$3.5 billion	12.4%	
New Jersey	\$4.6 billion	14.2%	\$4.0 billion	12.3%	
New York	\$6.4 billion	11.7%	\$13.7 billion	24.3%	
Rhode Island	\$802 million	24.5%	\$450 million	13.7%	

Source: Center on Budget and Policy Priorities, January 14, 2009

Connecticut	\$922 million	5.4%	\$2.9 billion	17.1%
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* Per Governor Patrick's FY
2010 Budget Recommendation



Projected Deficit

Based upon the January 15, 2009 tax filings:

- Tax projections have plummeted by about \$900 million:
 - \$665 million loss in the income tax;
 - \$100 million loss in corporate taxes;
 - \$50 million loss in the sales tax; and
 - Other revenue streams, such as casino proceeds and the conveyance tax, show similar negative trends.

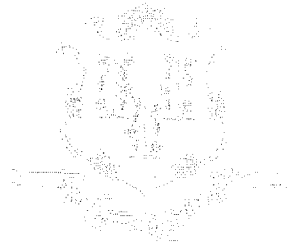


Projected Deficit

The FY09 deficit exists despite the fact that Governor Rell has:

- Issued three rounds of rescissions in six months; and
- Implemented other cost saving initiatives.

Governor Rell has also proposed and the legislature has passed two deficit mitigation packages.



Projected Deficit

- Based on the latest data, projected current services General Fund deficit for:
 - FY10 is \$2.9 billion
 - FY11 is \$3.1 billion



Current Services versus Proposed Budget (in millions)



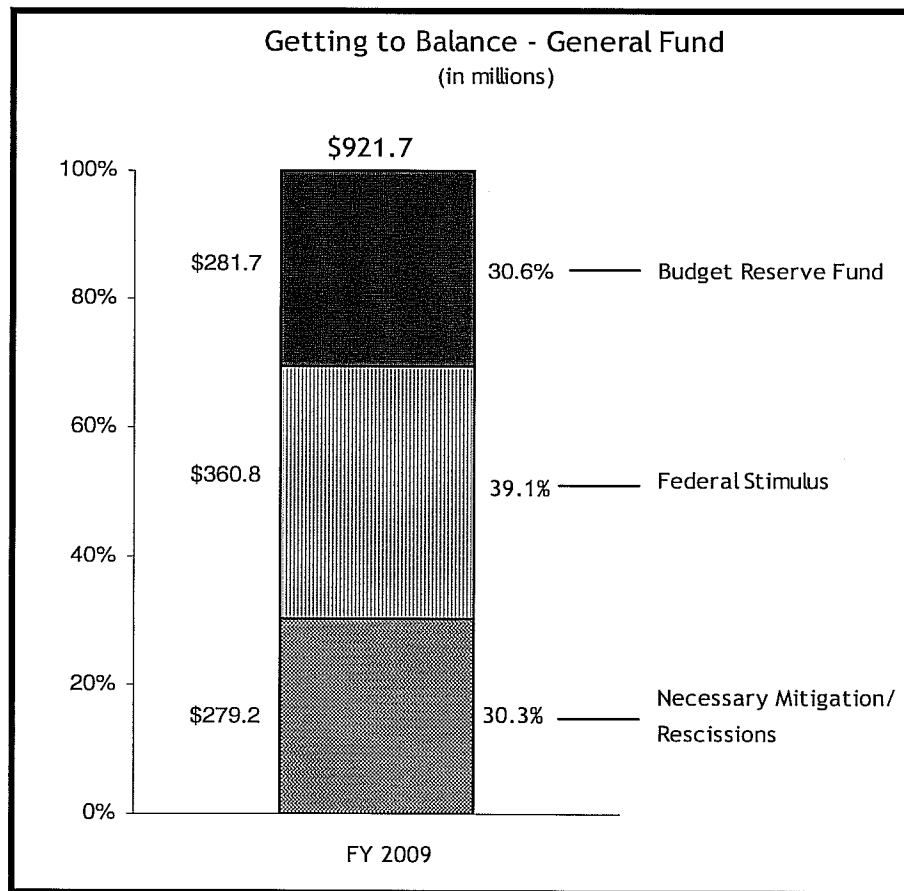
Fiscal 2009-2010

<u>General Fund</u>	Current <u>Services</u>	<u>Changes</u>	Proposed <u>Budget</u>
Revenues	\$15,678.2	\$ 1,831.0	\$ 17,509.2
Expenditures	<u>18,584.3</u>	<u>(1,075.4)</u>	<u>17,508.9</u>
Surplus/(Deficit)	\$(2,906.1)	\$ 2,906.4	\$ 0.3

Fiscal 2010-2011

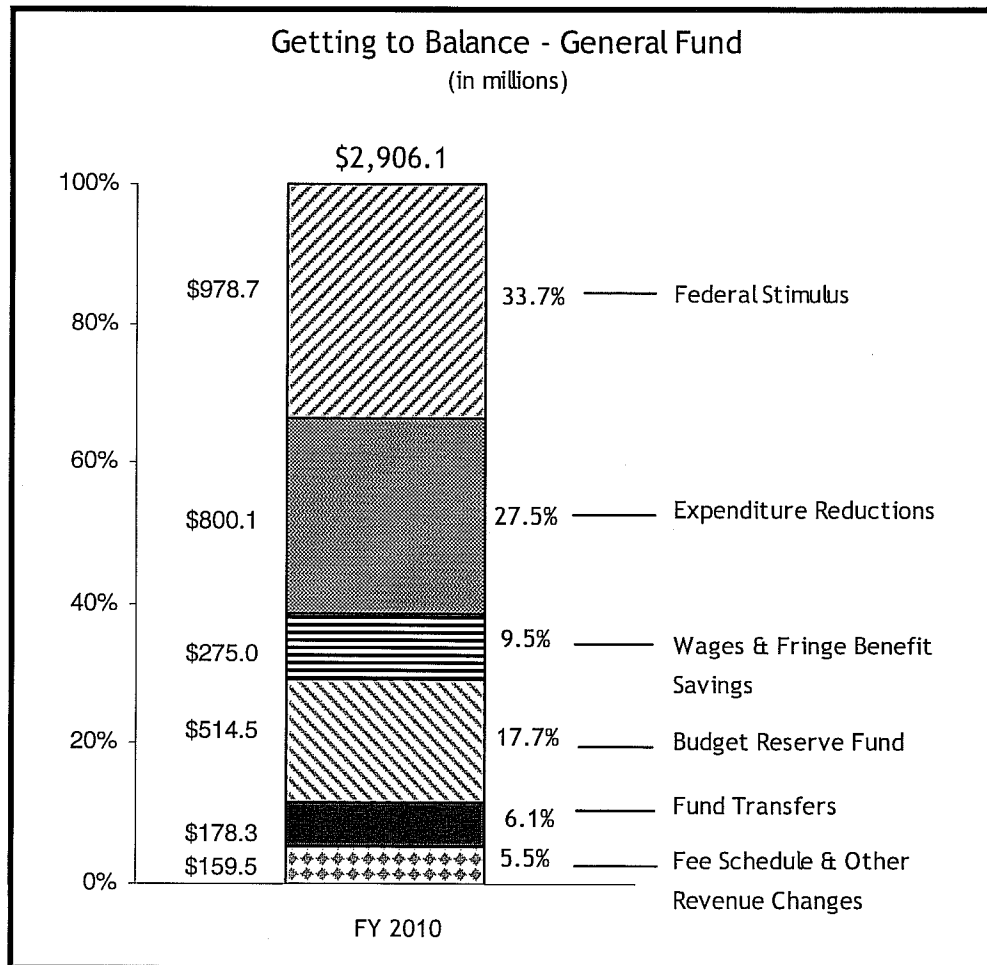
<u>General Fund</u>	Current <u>Services</u>	<u>Changes</u>	Proposed <u>Budget</u>
Revenues	\$ 16,275.0	\$ 1,852.5	\$ 18,127.5
Expenditures	<u>19,383.4</u>	<u>(1,256.1)</u>	<u>18,127.3</u>
Surplus/(Deficit)	\$ (3,108.4)	\$ 3,108.6	\$ 0.2

Closing the FY09 Budget Deficit



- Even with the implementation of 3 rounds of allotment rescissions and the enactment of 2 Deficit Mitigation Plans, the state is facing a \$921.7 million budget deficit in the current fiscal year.
- Federal Stimulus monies, as well as a portion of the Rainy Day Fund, will be used to help close the FY09 gap.

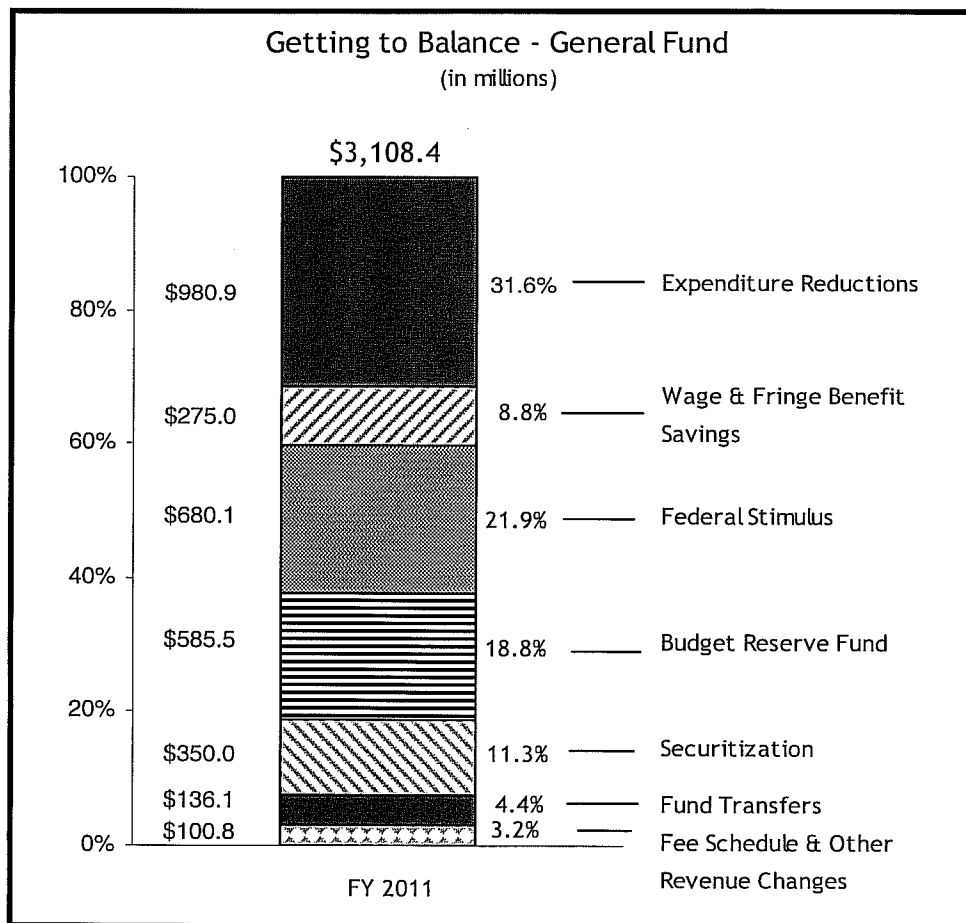
Closing the FY10 Current Services Budget Gap



- Governor Rell had a \$2.9 billion current services budget gap in FY10 to close.
- 1/3 of the gap was closed by additional federal stimulus monies.
- Slightly more than 1/3 of the gap was closed by policy changes that resulted in budget cuts.
- Just under 1/3 of the gap was closed by various revenue actions including fund sweeps, fee changes, and the use of the Rainy Day Fund.



Closing the FY11 Current Services Budget Gap

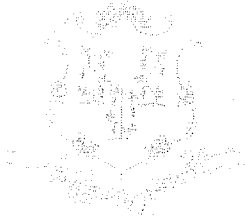


- **Governor Rell had a \$3.1 billion current services budget gap in FY11 to close.**
- **In FY11, the federal stimulus monies phase out, which necessitated the securitization of two Energy Funds and the depletion of the Rainy Day Fund.**



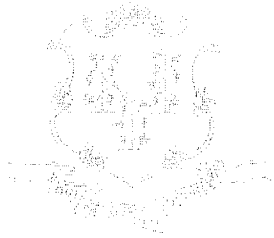
Governor Rell's Proposals

- Includes sweeping reforms in state government;
- Seizes the opportunity to streamline government and its functions;
- Eliminates government agencies, boards and commissions that are not needed to accomplish government's core missions; and
- Consolidates agencies with similar missions so as to avoid duplicative bureaucratic structures.

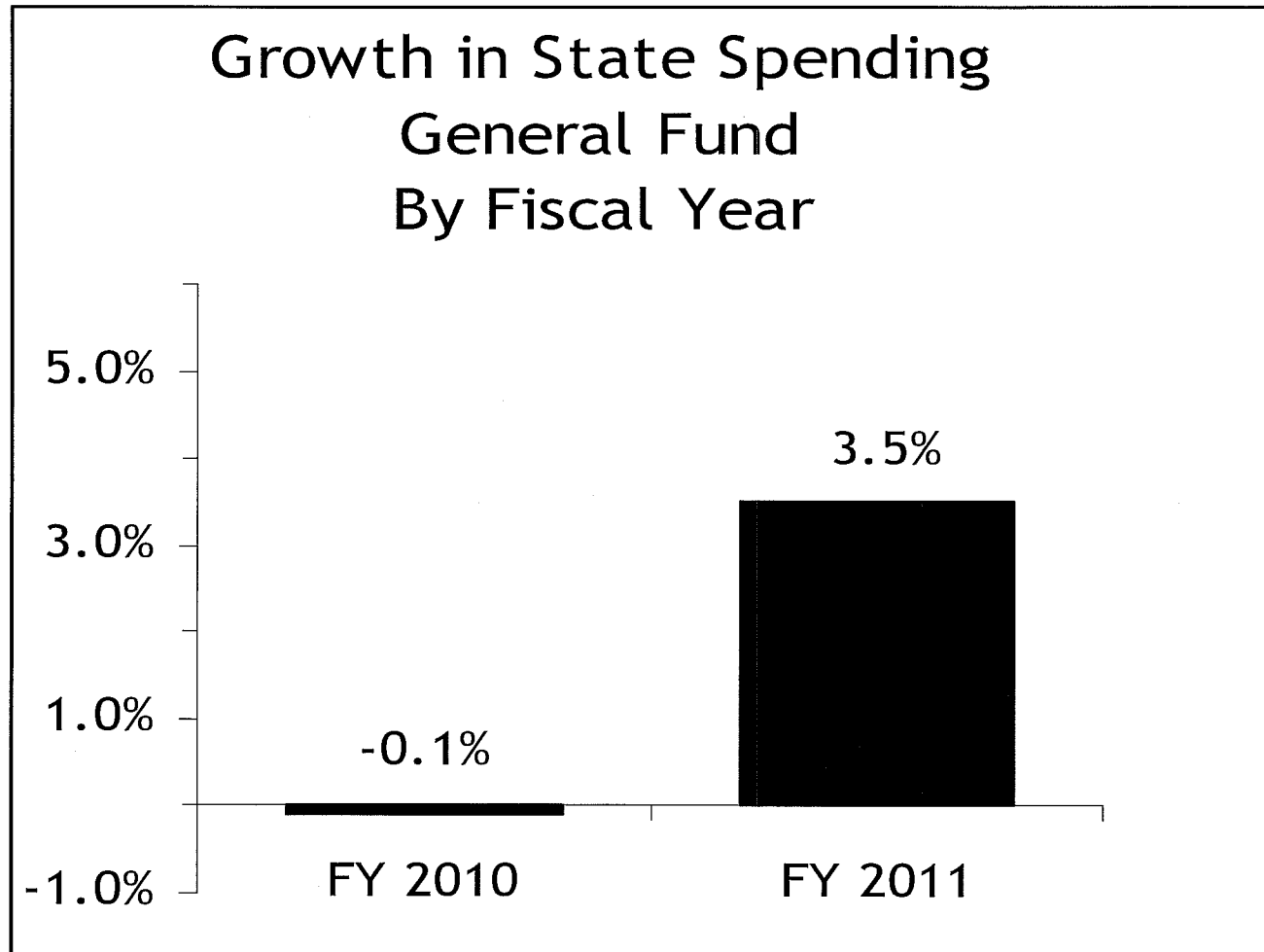


Spending Restraint

- **Where administrative structures could be eliminated or consolidated, do so;**
- **Where business functions of government could be streamlined, do so (cell phones, travel, consulting);**
- **If expansions or new programs are planned but not yet implemented, suspend implementation;**
- **Maintain but do not increase major core government functions e.g.; municipal grants, non profits, nursing homes; and**
- **Where benefits needed to be reduced consider cost sharing, prioritizing the most needy first, and comparing our benefit package to that of other states.**

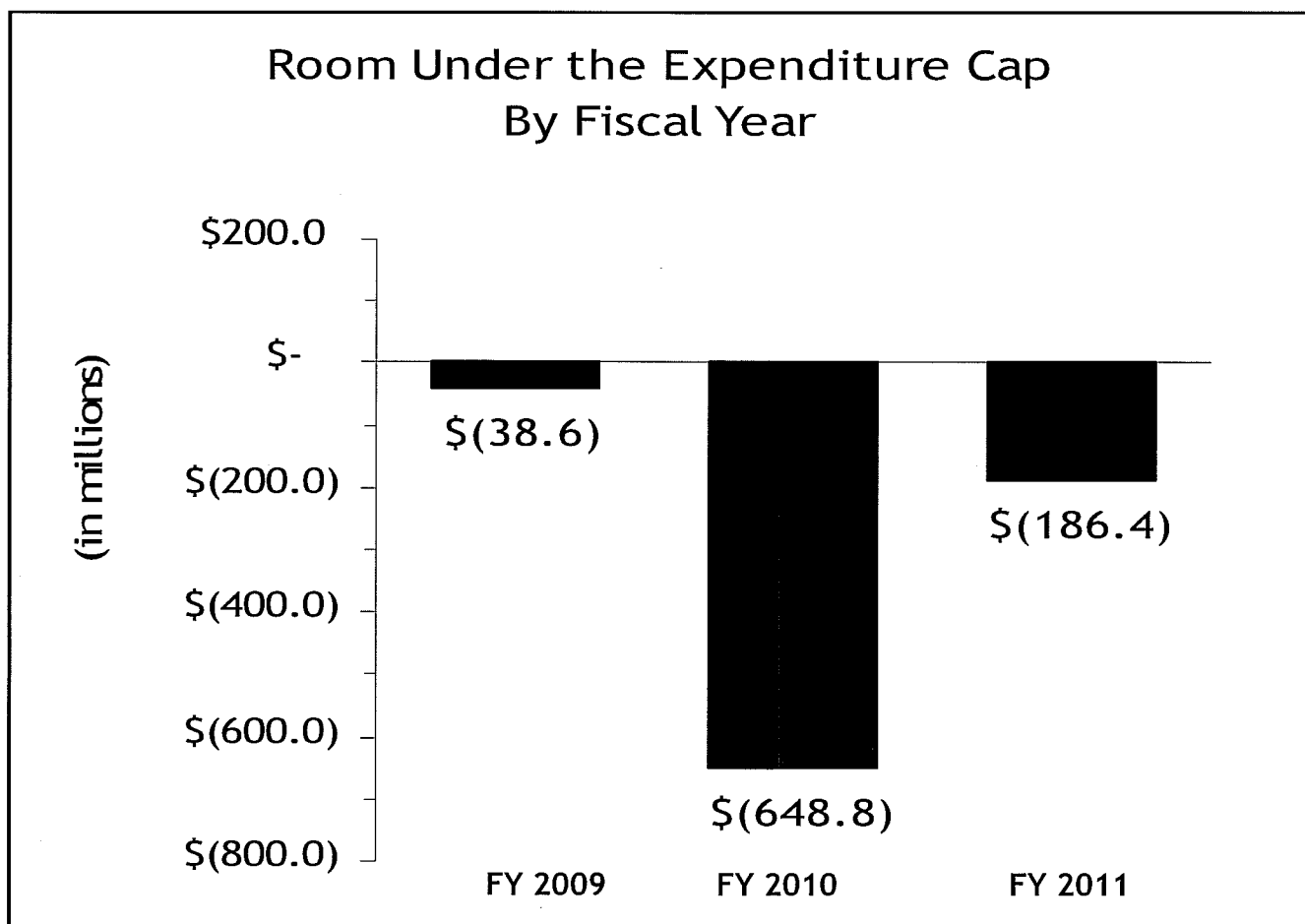


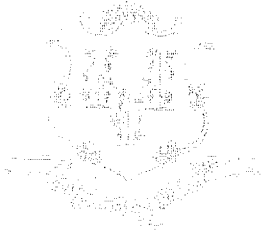
Governor Rell's Proposed Growth in State Spending





Room Under the Expenditure Cap Under Governor Rell's Proposed Budget





Consolidation of Agencies and Commissions

- **Proposing major reorganization of state government;**
- **Elimination or consolidation of 23 state agencies and commissions and a number of programs within agencies;**
- **Eliminate duplication of services;**
- **Eliminated agencies that are no longer affordable;**
- **Move toward returning state government to its core functions;**
- **Unavoidable byproduct of these proposed mergers and consolidations: elimination of approximately 400 jobs;**
- **Must dedicate scarce resources to those functions that are deemed most essential; and**
- **Shed functions less vital to the health, welfare and prosperity of our citizens.**



Agencies/Commissions Eliminated

- **Asian Pacific American Affairs Commission**
- **African-American Affairs Commission**
- **Commission on Children**
- **Commission on Aging**
- **Commission on the Status of Women**
- **Latino and Puerto Rican Affairs Commission**
- **Office of Consumer Counsel**
- **Office of the Healthcare Advocate**
- **Property Rights Ombudsman**
- **Correctional Ombudsman**

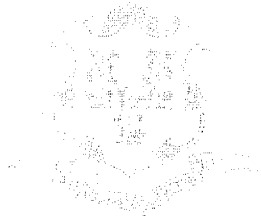


Streamlining Government

Agency mergers and eliminations:

- **Office of the Child Advocate**
 - Funding and one position merged with the Office of the Attorney General
 - Savings of \$1.6 million over the biennium

- **Children's Trust Fund Council**
 - Core prevention grant programs consolidated under DCF
 - **Nurturing Families Network**
 - **Help Me Grow**
 - **Family School Connection**
 - **Family Empowerment Initiatives**
 - **Kinship and Grandparents Respite Funds**
 - Administrative savings of \$3.0 million over the biennium



Agencies Consolidations

Current Agency	Proposed Destination
Board of Accountancy	Department of Consumer Protection
Criminal Justice Commission	Division of Criminal Justice
Board of Firearms Permit Examiners	Department of Public Safety
State Insurance & Risk Management Bd.	Department of Administrative Services
Office of the Child Advocate	Office of the Attorney General
Office of the Claims Commissioner	Department of Administrative Services
State Properties Review Board	Department of Administrative Services
State Marshal Commission	Department of Administrative Services
Children's Trust Fund Council	Department of Children and Families
Council on Environmental Quality	Department of Environmental Protection
Gaming Policy Board	Division of Special Revenue
Department of Higher Education	Department of Education