

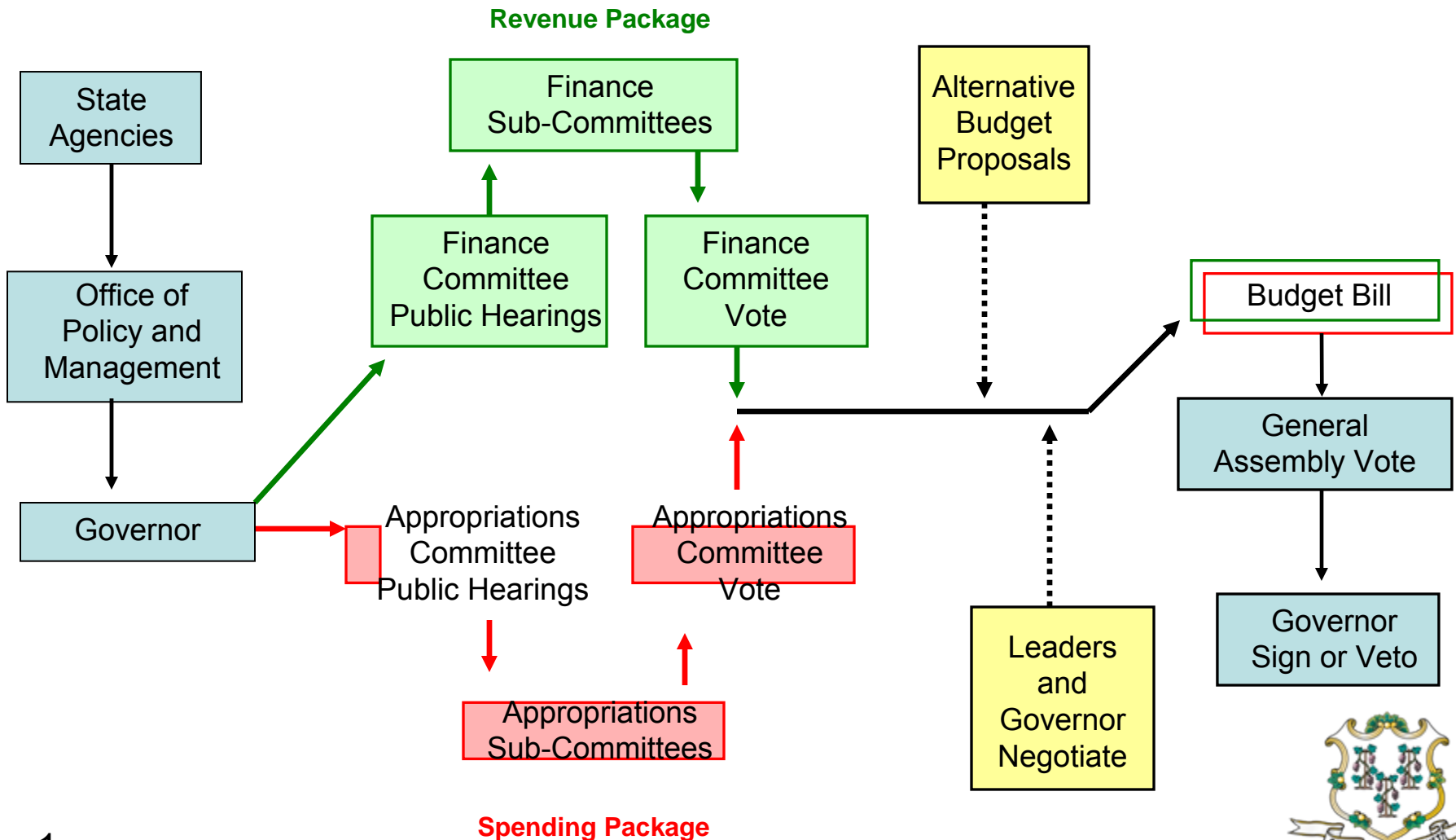
STATE OF CONNECTICUT

Understanding the Current Budget Crisis



Representative Terrie Wood
June 16, 2009

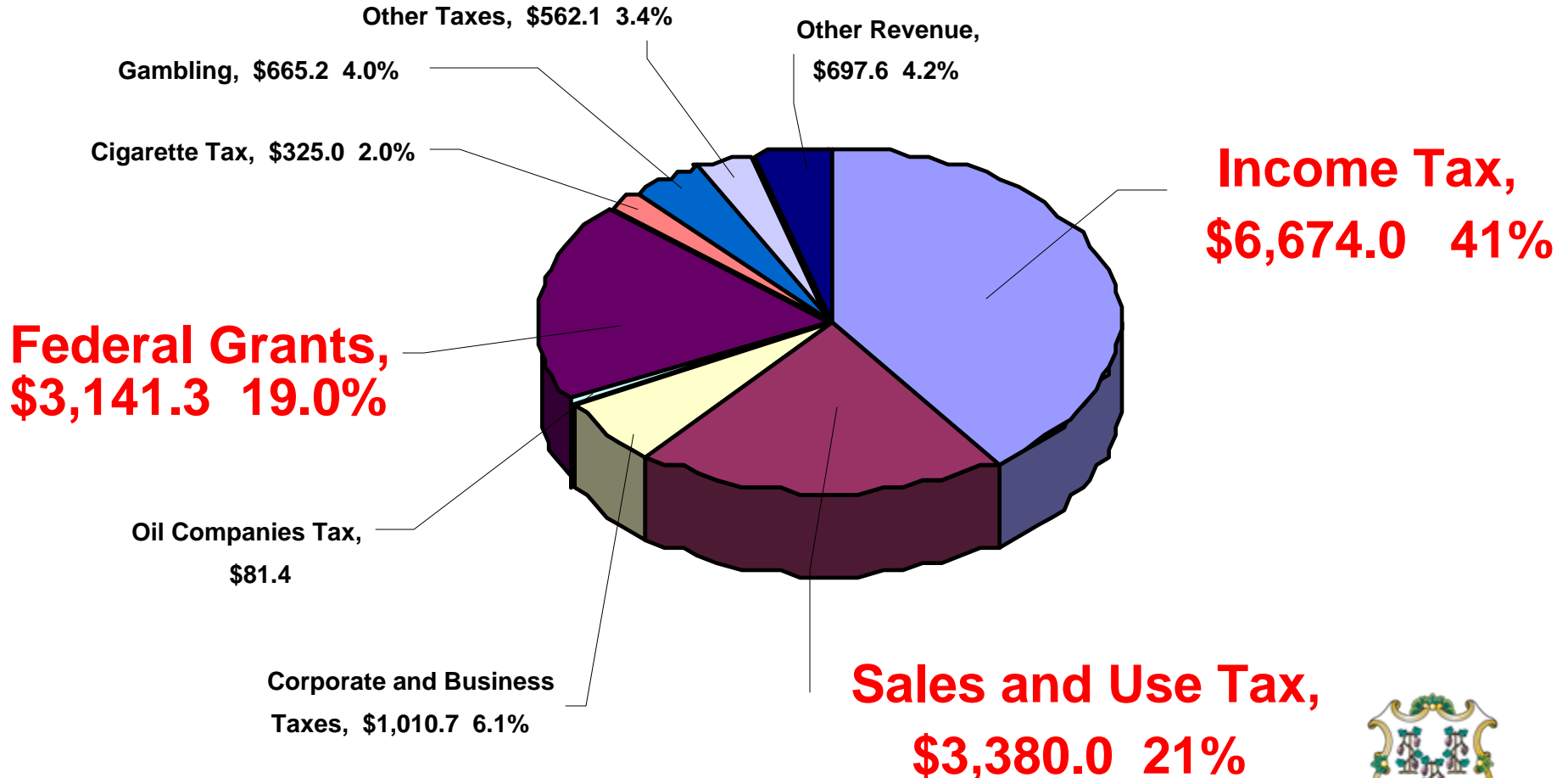
The Budget Approval Process



FY 09 General Fund Revenue

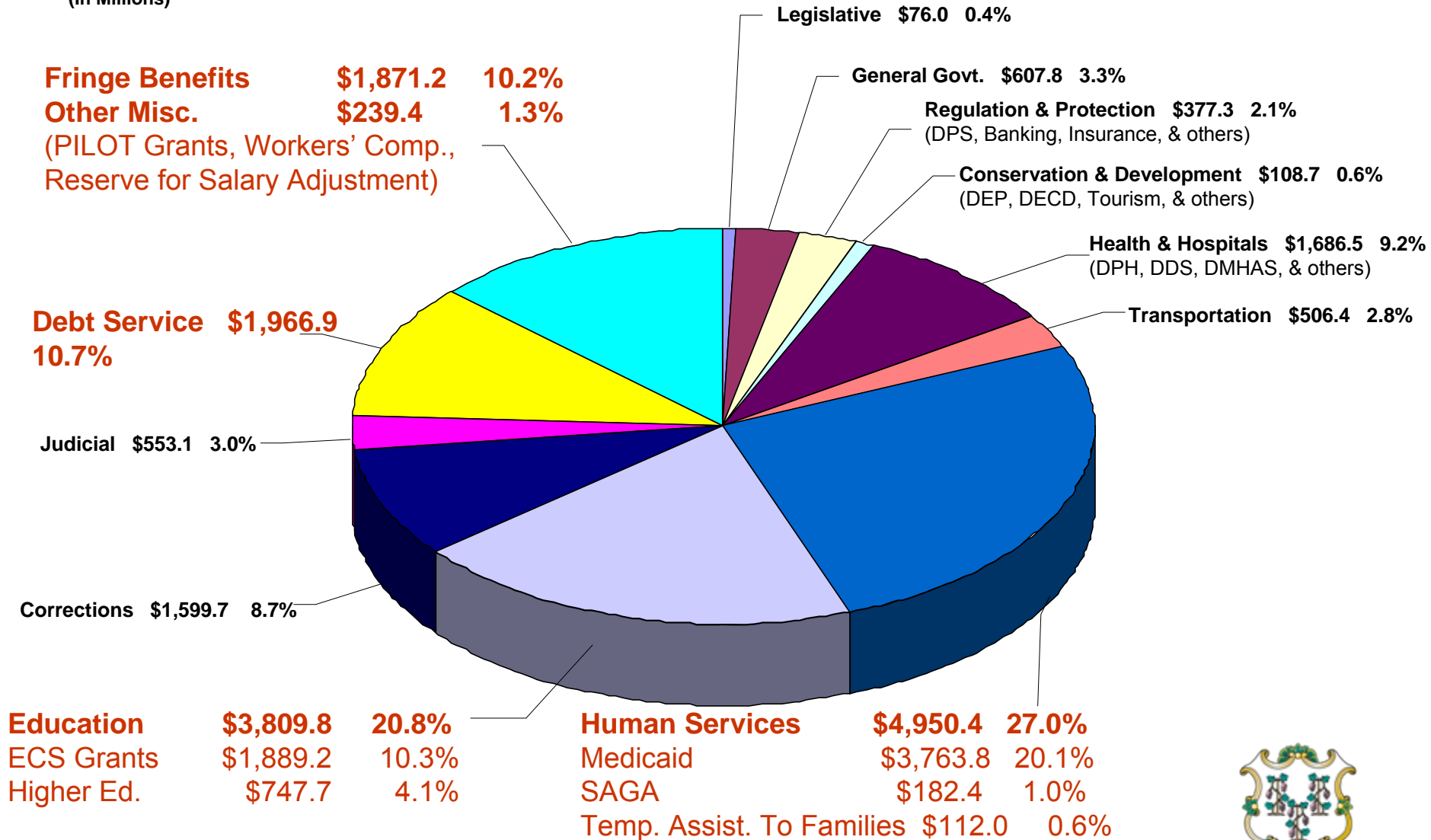
Prior To Refunds

Total = \$16,537.3 million



Major Budget Components for FY09

(In Millions)



Spending Increases

(In Millions)

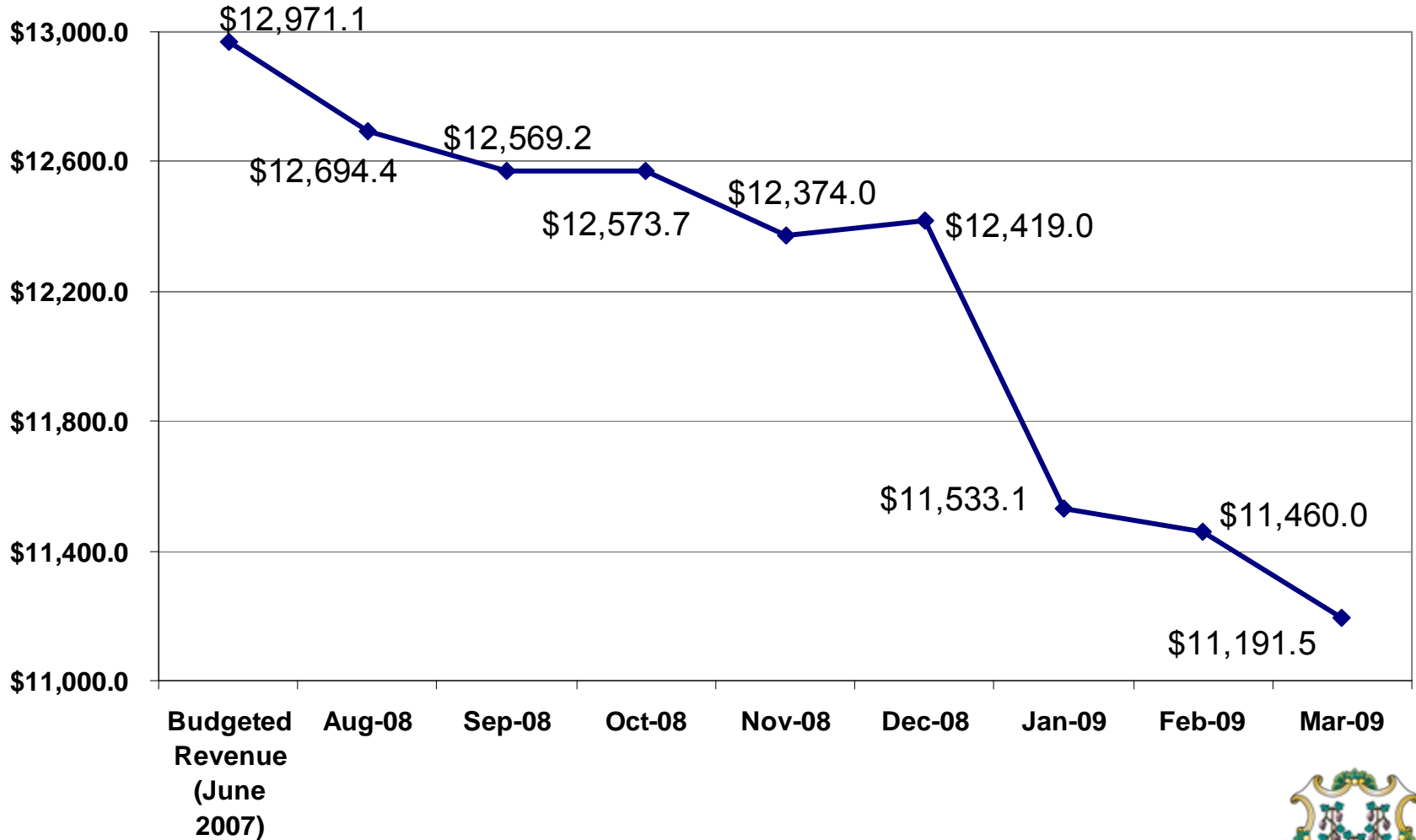
	FY 03	FY 09	% Increase
Medicaid	\$2,703	\$3,764	39.3%
State Employee Salaries	\$2,211	\$3,187	44.1%
Education Cost Sharing (ECS)	\$1,515	\$1,889	24.7%
Debt Service	\$1,396	\$1,967	40.9%
Health Care - Retired State Employees	\$240	\$484	101.7%
Health Care - State Employees	\$288	\$500	73.6%
State Employee Pensions	\$286	\$504	76.2%
Total Inflation (Avg. Rate of Inflation 2003-2009 is 2.9%)			22.1%

Data Source: Office of Fiscal Analysis
U.S. Bureau of Labor Statistics



FY 09 Tax Revenue Drop-Off

\$1.8 Billion Loss



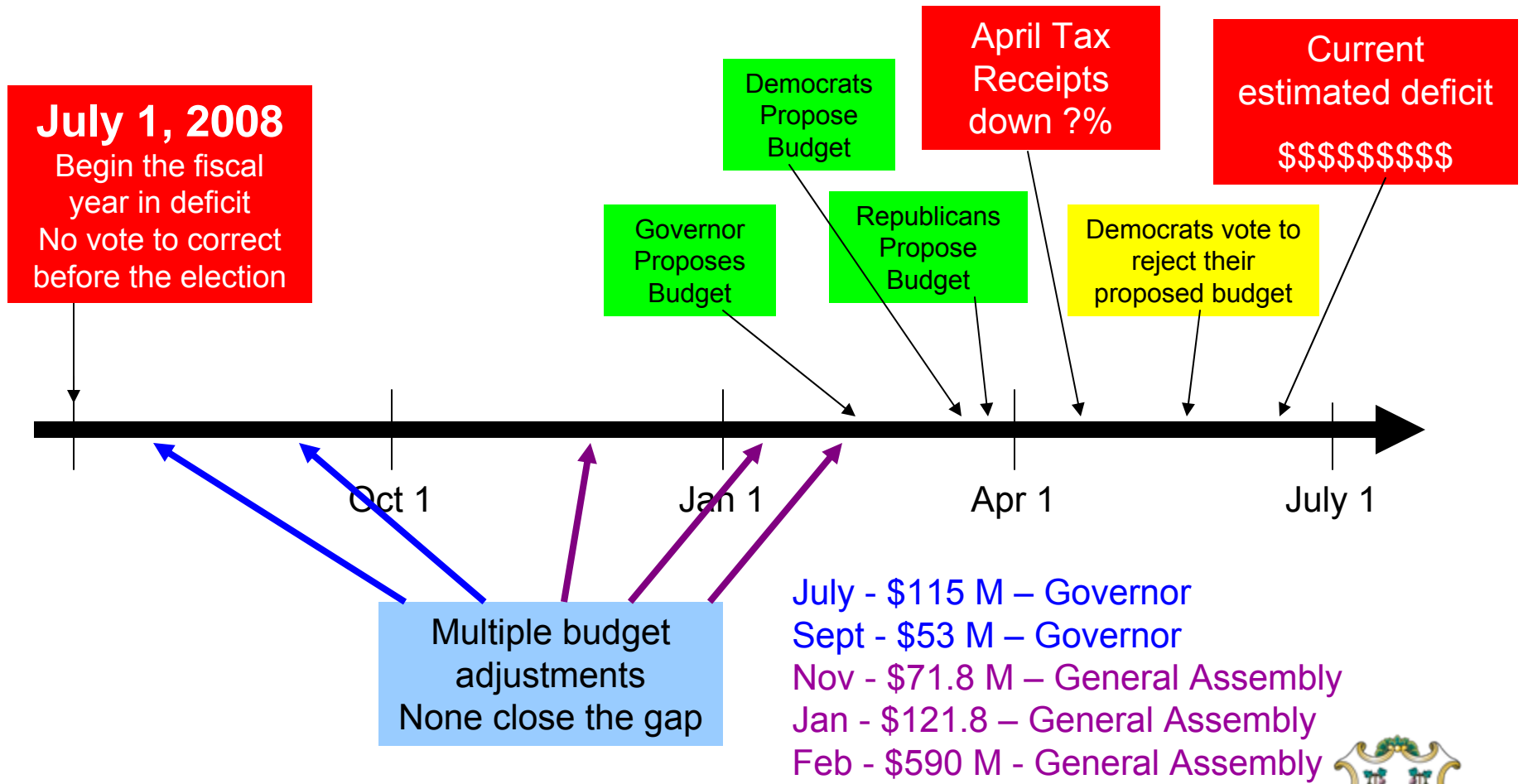
General Fund Budget Projections FY 09 through FY 12

As of February 2, 2009
(in millions)

	» FY 2009	FY 2010	FY2011	FY 2012
• Revenue	15,608	14,551	14,787	15,657
• Expense	16,961	18,519	19,500	20,479
• Deficit	(1,353)	(3,968)	(4,713)	(4,822)
• % of Budget	8%	21%	24%	24%



2008-2009 Budget Timeline



Democrats' FY 2010-2011 \$38.2 Billion Budget Proposal

Spending Proposals

- Slightly below the Governor's spending level
- Level funding of ECS – state education aid to towns
- \$24 million cut in Pequot Fund – Municipal Aid
- \$5 million increase in Town Aid Road – Paid out of state bonding
- No consolidations or eliminations of agencies
- Elimination of 66 managerial positions in the Department of Children and Families



Democrats' Biennial Budget

\$3.3 Billion in Tax Increases

Tax Proposals

- **Income Tax** – Retroactive to the beginning of this year. Rate increases start at couples who earn \$250,000 and up; singles who earn \$132,500 and up. This is a graduated tax increase with the following new rates: 6%, 7%, 7.5%, and 7.95%.
- **Phaseout of the Property Tax Credit** – The credit is phased out by 25% in the first year and 75% in the second year. No tax credit for any couple earning \$46,000 or more.
- **Delay of Singles Exemption** – This proposal delays the increase in personal income tax exemption for single filers.
- **Sales Tax Free Week** – The proposal suspends the sales tax free week for 2009 and 2010.
- **Sales Tax Exemptions** – The proposal eliminates a variety of sales tax exemptions.



Democrats' Biennial Budget

\$3.3 Billion in Tax Increases

- **Corporation Surcharge** – The proposal places a 30% surcharge on corporations for a period of three years.
- **Federal Tax Deduction for Corporations** – The proposal bars companies from using the federal tax deduction for domestic production activity when determining net income for purposes of the state corporation tax.
- **Corporation Tax Credit** – Reduces the allowable credit from 70% of its liability to 65% in 2009 and to 50% in 2010.
- **Exemption for DISCs and FSCs** – The proposal eliminates corporate exemptions for Domestic International Sales Corporations and for Foreign Sales Corporations.
- **Estate Tax** – Creates a 30% surcharge on the estate tax for a period of three years.
- **Cigarette Tax** – The proposal increases the tax from \$2.00 to \$2.50.



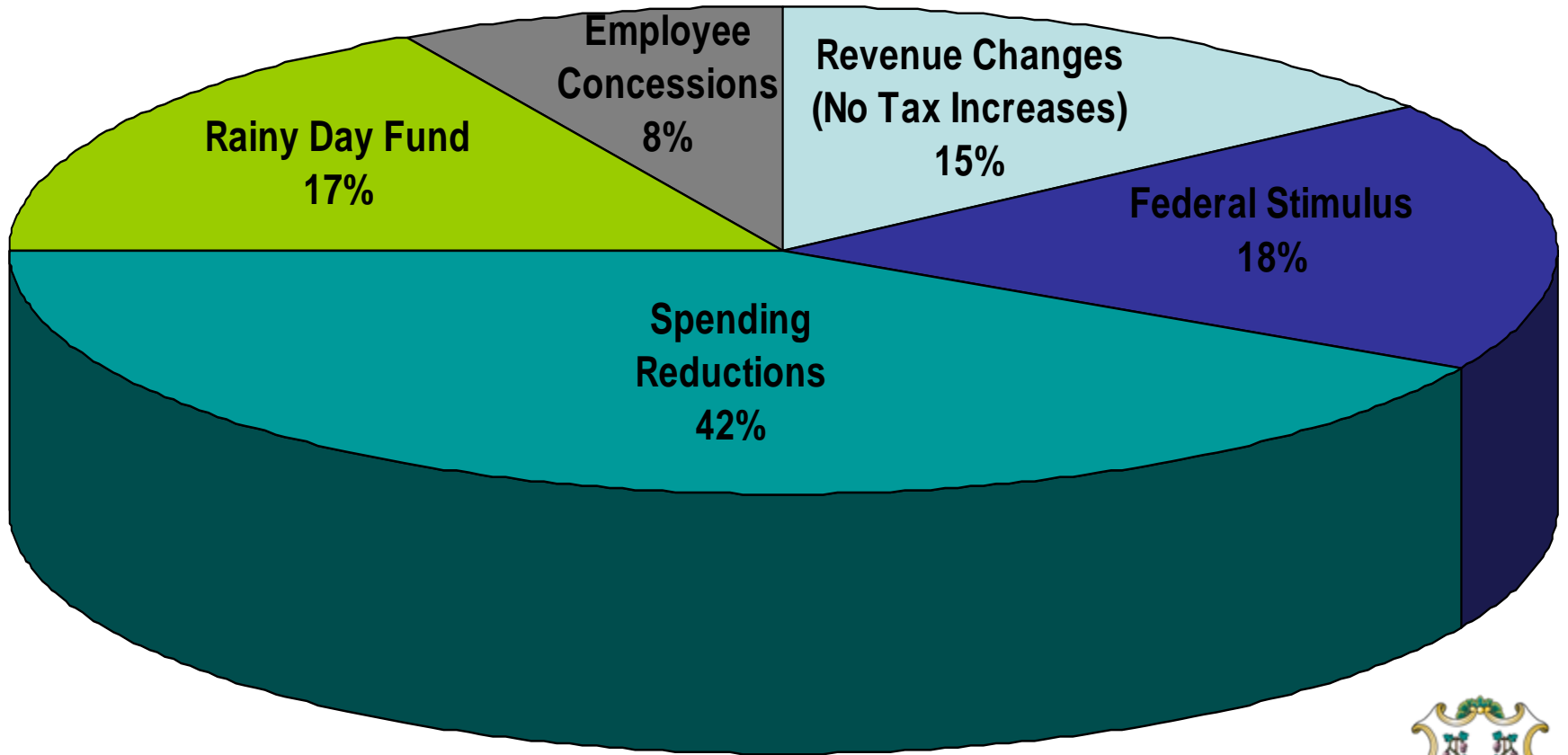
Republican No Tax Increase Budget

Budget Priorities

- ***Must NOT Raise Taxes***
- Find innovative and responsible ways to consolidate and streamline government bloat
- Make tough decisions to bring state spending back under control
 - Eliminate unnecessary and duplicative programs
 - Early Retirement Incentive Program
 - Fair union concessions
- Help Connecticut's families
 - Restore important tax credits
 - Maintain state aid to towns and cities at current levels (restores Democrat Cuts)
 - Maintain state education funding to towns and cities at current levels
- To incorporate ideas put forth by both the Democrats and the Governor



Republican No Tax Increase Budget



State Employee Agreement

- **Two-years with no layoffs**

- **Wage agreements**

<u>2009-2010</u>	<u>2010-2011</u>	<u>2011-2012</u> (Additional year)
No increases	3.25% increase	3% increase

- **Furlough days –**

One in 2009/2010; Three per year in FY 2010-2011

- **Health Provisions**

\$350 increase
employee contribution
to premium

Pharmacy co-pays increase
Generics \$3 → \$5
Preferred brands \$6 → \$10
Other brands \$25
Does not effect current retirees

Wellness Visits
Children - free
Others - \$5

- **Reduced contributions to State Employee Retirement System**

- **Retirement Incentive Plan**



Republican No Tax Increase Budget

Protecting Families and Jobs

- **RESTORE:**

- the \$500 property tax credit that the Democrats cut.
- the tax exemption on textbooks, car seats, and bike helmets that the Democrats cut.
- the tax exemption on “green” energy and “green” vehicles that the Democrats cut.
- the tax exemption on agricultural products that the Democrats cut.
- the tax exemption for non-profits, charitable hospitals, nursing homes and residential care homes that the Democrats cut.

- **Eliminate:**

- the 30% surcharge on job-creating businesses that the Democrats proposed.



Republican No Tax Increase Budget

What It Doesn't Do

Human Services

- Charter Oak-**
no increased premiums or reduced funding
- Private Providers –**
no funding cuts
- Veterans –**
Maintain Award payments

Education

- Charter Schools -**
Steady funding
- Priority Schools -**
Steady funding
- Needs-based scholarships-**
Steady funding for state & independent colleges
- Colleges & Higher Ed –**
No closures

Public Safety

- Court Closures -**
no additional cuts;
2 already approved
- Gun Law Enforcement Task Force-**
No cuts
- Urban Violence Task Force**
No cuts
- Prisons-**
No closures

Municipal funding

- Aid to Municipalities**
Maintains funding
- Local & District Health Dept**
No Cuts

State Services

- State Parks -** no closures
- Culture & Tourism Grants -**
No elimination of major attractions (zoos; arts; etc)
- Nurses' Licenses**
No fee increase
- Regional Planning Agencies**
\$1 million



In Short:

- This is a long term Financial Crisis
- We are facing a deficit of approximately \$8 billion over the next two years.
- This is an opportunity for Connecticut to focus on core functions.
- We need to end “business as usual”

QUESTIONS?

