Governor Lamont's February 5, 2020 Proposed Budget Adjustments for FY 2021

Continuing the Progress

Introduction

One year ago, Governor Lamont laid out budgetary principles for a Path Forward that emphasized fiscal responsibility, long-term sustainability, and a focus on growing Connecticut's economy. This meant taking steps to address the growth and affordability of some of the state's significant fixed costs, reducing our 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 us to build the largest Budget Reserve Fund in our state's history, lessening our borrowing while still making key investments, and avoiding destabilizing increases to our major tax rates. Significant strides have been made in the last year to move Connecticut in the right direction, but our work must continue. To that end, the Governor is proposing an all funds budget of $22.3 billion for FY 2021 — a budget that is balanced and compliant with the spending, revenue and volatility caps, and the statutory debt limit. The Governor's proposed midterm budget continues the commitment he made to ensure Connecticut remains on the path to progress and ensures that Connecticut is a place where individuals, families, and businesses alike can thrive.

Dedication to Financial Responsibility

Faced with multi-billion-dollar budget deficits when he took office, Governor Lamont insisted on a financially responsible path to balance the budget. He pledged not to increase major tax rates, to protect the middle class, to drive down fixed costs, and to seek out efficiencies in state government operations. He has delivered on that vision and remains committed to those values.

That fiscal prudence, combined with relatively low unemployment, strong investor performance, and adherence to the volatility cap has allowed us to project a Budget Reserve Fund of $2.8 billion by the close of FY 2020 – and the markets and national financial publications have taken notice. We have seen investor appetite for the state's bonds increase. Our bond risk premia have dropped by half and our yields are returning to 2015 levels. Connecticut's bond rating outlook was improved for the first time in nearly two decades.

This stability and these successes are not simply for Wall Street, however. By taking these steps and being prudent stewards of the state's resources, the Lamont administration has been able to fund major initiatives across the state: raising the minimum wage to $15 an hour by 2023 to give workers a raise, launching a robust and generous Paid Family and Medical Leave program that will enable all of us to care for ourselves and loved ones without imperiling our personal finances, increasing funding to our education programs, and starting a path for debt-free community college to remove the financial barrier to higher education for so many of our friends and neighbors.

Governor Lamont was able to do this while keenly focused on protecting the state's most vulnerable residents. In particular, his commitments in the biennial budget – which are carried over into his FY 2021 budget recommendations – include increasing nursing home rates by two percent in FY 2020 and an additional two percent in FY 2021, expanding childhood immunizations in the Connecticut Vaccine

Program, expanding testing of disorders under the Newborn Screening Program, adding integrated care and family support services for DCF-involved families, annualizing emergency placement and supportive housing funding for individuals with an intellectual disability, covering supportive housing services under Medicaid, and increasing eligibility from 155 percent to 160 percent of the federal poverty level to cover about 3,600 additional parents under the state's Medicaid program.

Further, the Governor took the lead in accomplishing an historic agreement in December with the state's hospitals to resolve legal claims that could have exposed the state to roughly $4 billion in liability. The agreement was the result of a months-long effort between the Lamont administration and the Connecticut Hospital Association to bring conclusion to various legal claims against the state. The agreement represents a new chapter in the relationship between the State of Connecticut and its hospitals, which serve a critical role in their communities, and eliminates the state's potential exposure to billions of dollars in liability and removes fiscal uncertainty for years to come.

Protecting the Middle Class

Increased Minimum Wage

By raising the state's minimum wage to $15 per hour by 2023, minimum wage earners will be brought closer to the middle class. Over the last 50 years, the gap between low and middle wage workers has been steadily increasing, with minimum wage workers currently earning about 39 percent of the median wage. By 2023, when the minimum wage will be increased to $15 per hour, that gap will be narrowed to 52 percent and will bring those low wage workers' purchasing power to its highest point since the late 1960s. By indexing the minimum wage to economic growth starting in 2024, Governor Lamont ensured low-income families will continue to share in the benefits of our expanding economy.

Paid Family and Medical Leave

In his first budget, Governor Lamont prioritized protections for the middle class by championing a Paid Family and Medical Leave program for the state's residents. The administration worked with legislative partners to enact a generous paid family and medical leave program that provides up to 12 weeks of paid family and medical leave so no Connecticut resident has to choose between their family's financial security and their own health, the health of a loved one, or time with a newborn child. The program also provides an additional two weeks of coverage for serious health conditions that result in incapacitation during a pregnancy.

The program will be established and administered by the Paid Family and Medical Leave Insurance Authority (PFMLIA), a quasi-public entity governed by a 15-member board of directors. An Executive Director has been hired and progress is well underway, with the program expected to begin benefit payments in early 2022. The creation of the PFMLIA enables the state to launch and run this program quickly and efficiently, with low administrative costs to maximize the amount of money that is used to directly support individuals and families.

Holding the Line on Broad-Based Tax Rate Increases

Recognizing the importance of long-term fiscal stability and tax certainty, the enacted budget did not include any broad-based tax rate increases, providing a level of transparency and predictability for Connecticut residents and businesses. Second, in an effort to make Connecticut a more affordable state for retirees and to protect the middle class, the budget maintains the phased-in income tax exemption of pension and annuity income for single filers making $75,000 or less and joint filers making $100,000 or less – totally phasing out the tax by 2025. In addition, the 100 percent income tax exemption on Social Security is retained for those same filers. Further, at the local level, the property tax exemption is increased for disabled service members and veterans to $500 and for active and retired volunteer emergency personnel to $1,500 this year and $2,000 next year.

Last year's budget also extended the Angel Investor Tax Credit, which encourages entrepreneurs to make critical investments in Connecticut start-ups and enables more residents to start businesses and access capital, and eliminated the unpopular Business Entity Tax, saving businesses over $40 million in FY 2021.

Driving Down Fixed Costs

Governor Lamont has taken the lead in promoting efficiencies and restructuring government in order to stem increases in fixed costs. The budget includes savings of $256.2 million in the General Fund and $19.7 million in the Special Transportation Fund related to state employee pension and health care expenditures. The pension savings are derived from combining and re-amortizing the two unfunded liability bases of the State Employees Retirement System (SERS). This will reduce volatility in future contribution requirements.

In FY 2020, the state also achieved significant budgetary savings in the Teachers' Retirement System (TRS) and these savings continue into FY 2021. Changes were made to the actuarial assumptions and methods, all of which were compliant with the 2008 pension obligation bond covenant. These changes included:

- Reducing the assumed rate of investment return from 8 percent to a more realistic 6.9 percent;
- Changing the amortization methodology for the unfunded liability from a level percent of payroll to a level dollar amount over a five-year phase-in period;
- Amortizing future actuarial gains or losses over fixed 25-year periods;
- Crediting interest on mandatory contributions at no more than 4 percent (the national average is approximately 3.6 percent);
- Utilizing the full 7 percent that teachers contribute when calculating the employer contributions in the valuation;
- Increasing the Partial Payment Plan reduction to 50 percent for non-vested members of the system; and
- Establishing a Teachers' Retirement Fund Bond Special Capital Reserve Fund with $380.9 million in lottery proceeds to ensure that holders of the pension obligation bonds are not harmed.

These modifications allow the state to fully fund its pension obligations on a stable, predictable basis. The actuarial changes resulted in budgetary savings of $183.4 million in FY 2020 and $187.6 million in FY 2021.

Health care savings of $135 million are reflected in the state employee active and retiree health accounts. The health care savings are in addition to savings the state achieved in the SEBAC 2017 agreement. The savings will be attained through the following programs:

- Rebid of pharmacy to reduce the state's cost by improving transparency in drug pricing;
- Episode of care contracting;
- Strategic utilization outreach to shift from low quality to high quality providers;
- Generic drug tiering by therapeutic class to shift utilization from higher to lower cost generics;

- Diabetes management that utilizes real-time blood sugar monitoring and outreach to improve patient care and outcomes, mitigating ER and inpatient hospital stays;
- Development of a new “narrow network” option to reduce the total cost of care; and
- Competitive bidding for the medical, dental and Medicare Advantage carrier contracts.

Strategic Investments in Infrastructure / Balancing the State’s Debt Burden

The growing cost of debt has created an immense burden on the state’s finances and ability to fund important programs and projects. Debt service costs in the General Fund have increased by over 35 percent from $1.6 billion in FY 2010 to $2.2 billion in FY 2019 and consume nearly 12 percent of the state’s overall budget. The Governor’s strategic focus on fiscal sustainability, driving down fixed costs, the multi-year rebuilding of the state’s reserves, improved rating outlook, and the resulting investor confidence and increased demand for Connecticut bonds have helped to reduce interest and overall debt service costs by approximately $164 million over the current biennium compared to original estimates.

Governor Lamont recognizes the important role of government in making strategic investments in our infrastructure such as providing capital for the development of safe and sanitary affordable housing, funding adequate facilities that enhance student achievement, partnering with communities to maintain roads and support various economic development and infrastructure projects, maintaining our natural environmental assets, remediating brownfields, ensuring clean water throughout our communities, making structural enhancements to meet ADA requirements, and driving energy efficiencies in our facilities. This administration continues to strike the balance between necessary investment and reducing the state’s reliance on borrowing to achieve significant debt service savings for decades to come.

Achieving Efficiencies in State Administration

On July 31, 2019, Governor Lamont issued Executive Order No. 2, directing the implementation of a human resources and labor relations centralization plan in order to provide state government with the highest quality human resources services at the lowest possible cost. The Department of Administrative Services (DAS), in partnership with the Office of Policy Management (OPM), began rolling out the centralization plan in October 2019. Through the centralization of human resource and labor relations functions, the state is leveraging specialization to achieve higher economies of scale, more consistent standards, controls and training coupled with greater productivity, speed, and quality of services. A net savings of approximately $400,000 is projected in FY 2021, with savings likely to increase to $2 million in FY 2022 and potentially more in FY 2023. These savings are expected to occur through normal staff attrition since DAS will be able to do more with fewer staff by implementing new technologies and other efficiencies.

Additionally, the 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 digital front door will create a central user-friendly website for state resources and information, making it easier and faster to understand how state agencies can assist citizens and businesses and how to access such assistance. For example, the business one-stop will include “wizard” functionality for new businesses to determine precise, customized requirements to get up and running that dramatically improves on the decentralized, opaque, and confusing websites currently provided across multiple agencies.

Continuing the Path Forward to Economic Growth and Workforce Development

Strengthening the Connecticut Workforce and Growing the Economy

As Connecticut heads into the third decade of the 21^{st} century, our state's economic growth depends, more than ever, upon fostering an innovative, entrepreneurial and inclusive economic environment where businesses have access to highly-skilled employees and can grow and thrive. In today's economy, businesses demand not only new skills, but also a higher level of skills. In order for Connecticut's economy to grow and prosper, and for our residents to succeed in wealth-generating jobs, we must accept that the new minimum for success includes some education and training beyond high school, and we must invest in programs that can adapt as quickly as the ever-changing market.

The budget invests in building an education and workforce training pipeline, from K-12 through post-secondary and retirement, that is accessible, equitable, and aligned with the needs of the market. It is a pipeline that seeks to empower every Connecticut resident with a successful and meaningful career. This begins with supporting schools in their effort to provide every student with a high-quality K-12 education that lays the foundation for a lifetime of curiosity and success. It continues by ensuring our universities and colleges are offering programs and curricula that are aligned with the demands of the 21^{st} century economy. Strong critical thinking skills, problem-solving abilities, writing skills, collaboration and teamwork are just as important to successful careers as technical skills. Universities and colleges must establish strong partnerships with businesses to provide students with work-based experiences that allow them to apply their classroom learnings in real world circumstances. The budget also acknowledges that bachelor's and associate degrees are not the only measures of academic success. The budget invests in alternative pathways to success such as apprenticeships, vocational training, certificate programs, and other types of credentials.

The budget also ensures that equity and opportunity are front-and-center in our state's approach to workforce development. Through arbitrary degree job requirements, the lack of flexible training pipelines, inequitable educational outcomes, and limited access to resources such as affordable childcare or transportation, too many talented Connecticut residents have been denied access to economic opportunity. The budget invests in ending those inequities and works to ensure that the state can coordinate data across agencies to have a holistic approach to ending these disparities.

To address these challenges, Governor Lamont created the Connecticut Governor's Workforce Council (GWC). Through Executive Order No. 4, Governor Lamont tasked the new state workforce board with assessing workforce needs, setting strategy, and aligning and coordinating the entire ecosystem to achieve common state goals. Per the executive order, the GWC will conduct a comprehensive review of the state's workforce development system and submit sweeping recommendations to the Governor and the legislature for improving the alignment and outcomes of Connecticut's education, training, and hiring pipeline.

The revitalization of the GWC demonstrates Governor Lamont's commitment to workforce development. Staffed with leaders in business, education, nonprofits, and labor, the GWC serves as the principal advisor to the Governor on workforce development issues while coordinating the efforts of all state agencies and other entities as it promotes workforce development throughout the state. Additionally, the administration hired the first ever Chief Manufacturing Officer to strengthen the competitiveness of Connecticut's manufacturing sector which impacts middle-class workers and families in several ways. In the first six months of 2019, more than 19,000 new businesses registered in the state. That is more than 1,050 business registrations than in the first half of 2018, a 5.8 percent increase on a year-over-year basis.

Reinvigorating the Office of Workforce Competitiveness

Any successful workforce development ecosystem should have an education, training and hiring pipeline in which educators, trainers, businesses, regional workforce boards, state agencies, nonprofits, and others are coordinating, convening, and working together to achieve common objectives. To attain such alignment and carry out the strategic vision of the Governor and the GWC, the Office of Workforce Competitiveness (OWC) will be elevated from an effort within the Department of Labor to its own independent office housed, for administrative purposes only, in the Office of Policy Management. Led by an Executive Director and initially supported by three staff, 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 Office of Workforce Competitiveness will be established as a lean, but empowered operation, responsible primarily for formulating a unified state strategy, launching key initiatives, overseeing workforce data systems, supporting sector partnerships, and convening and aligning members of the workforce ecosystem.

Data and performance management will be a key aspect of the OWC's work. The Office will work with employers, state agencies, state workforce boards, and others to provide data on the real skills that employers need and leverage this data to inform the curricula and programming of educators and trainers throughout the pipeline. The OWC will be responsible for overseeing workforce performance management systems that allow us to measure and evaluate outcomes and improve performance by promoting best practices and providing technical support to sector partnerships. This will require coordinating data across a wider range of agencies and activities than has been done before.

The budget provides $693,112 to support the OWC, which includes a new investment of $310,000 and a reallocation of funding and two staff from the Departments of Labor, and Economic and Community Development.

Combined with the terrific work already occurring among state agencies and in communities across Connecticut, the GWC and the OWC will provide a coordinated and strategic approach that will strengthen Connecticut's status as having one of the most highly trained and productive populations in the nation.

Earn as You Grow Tax Credit to Incentivize Jobs and Economic Development – Jobs CT

The Jobs CT Tax Credit will be a new, simple**,** transparent, performance-based, and targeted earn-as-you-grow incentive program for businesses to expand or relocate to Connecticut. The new program will be transparent by providing a clear and simple incentive for companies to evaluate when considering growing in or re-locating to Connecticut.

The program will be performance-based whereby the benefit is earned as new jobs are created and maintained over time. More specifically, employers who create a minimum of 25 new full-time jobs with salaries that are at or above 85 percent of the median household income in the municipality where the jobs will be located will be eligible for a credit. For employers in a focus area, the total credit will be 25 percent of the withholding taxes from the new employment for up to seven years, starting in month 25 up to month 108. Jobs created in Connecticut opportunity zones or distressed municipalities will be eligible to retain 50 percent of the withholding taxes over the same time period. The maximum withholding benefit per job per year will be $5,000, with a cap of $40 million per year. The program will also be targeted in industries and focus areas that are key to strategic building on our strengths of today and ecosystems we want to grow in our economy of tomorrow. The following industries are the focus areas for the Jobs CT Tax Credit:

- Aerospace/Defense;
- Clean Energy/Renewables;
- Corporate Headquarters;
- Distribution and Logistics;
- Entertainment and Digital Media;
- Financial Services;
- Information Technology;
- Life Sciences;
- Manufacturing; and
- R&D Facilities.

Small Business Express Program

The Small Business Express program (EXP) administered by the Department of Economic and Community Development (DECD) was created to help stimulate the economy after the great recession when banks were not lending. The program was never meant to be a long-term solution, but a bridge until the banking sector regained its footing. At present, commercial lending by banks is up by 64 percent since 2012. Therefore, the Governor believes now is the time to pivot from direct lending, and instead, partner with the private sector to increase capacity and incentivize rather than compete, while focusing on minority and women-owned businesses, targeting investment toward market gaps and leveraging existing programs with a modified EXP effort.

Under the Governor's revised program, DECD will partner with CT Innovations and leverage its existing capital access for a business loan guarantee program. DECD will also work with local and regional community banks and lending partners such as the Hartford Economic Development Corporation, the Community Economic Development Fund, Community Investment Corporation, and others to provide investment in their revolving loan fund programs to build capacity and ensure sustainable capital for higher risk credit profiles.

Streamlining Occupational Licensing to Make it Easier to Work in Connecticut

Occupational licensing regulations require people who wish to work in certain fields to first obtain the permission of the Connecticut government. Those regulations preserve public health and safety, as well as consumer confidence and employee welfare. In certain circumstances, however, outmoded requirements increase consumer costs, frustrate professionals attempting to renew their licenses, prevent lower income and other workers from entering promising fields, and discourage skilled workers from moving to Connecticut. The Governor is proposing to transition additional licenses to an easy online renewal system, expand access to online or distance learning training providers, study the means to remove barriers to entry for vulnerable populations, and encourage more young families and military spouses to move to Connecticut by expediting the process for recognizing licenses conferred by other states.

Leading on Health Care

The Governor's recommended budget makes significant investments to improve the health and safety of Connecticut's citizenry – especially its most vulnerable residents – and ensures access to quality health care provided more efficiently. These improvements will result from targeted investments in several key areas involving the state's health and human services agencies.

The Governor's recommended budget includes resources in the Office of Health Strategy (OHS) and the Department of Consumer Protection (DCP) to begin addressing the high cost of health care for Connecticut residents through several targeted strategies including annual benchmarking and drug reimportation.

<u>Health Care Cost Growth Benchmarking</u>

Funding in the amount of $744,000 is being added in OHS to establish two positions and support contracted actuarial and health care econometric expertise necessary to establish annual health care cost growth benchmarking in Connecticut. This benchmarking process will measure the annual average rate of growth for health care expenditures across all public and private payers and populations for the state in order to enhance transparency. Similar efforts in Massachusetts significantly reduced the rate of growth, reportedly saving health care consumers more than $5.5 billion since 2013. In addition, this work will ensure maintenance and improvement of health care quality for Connecticut residents through annual health care quality benchmarks and primary care spending targets designed to increase primary care spending as a percentage of total spending.

Connecticut's All-Payer Claims Database (APCD), housed in OHS, collects, stores and analyzes health insurance claims data. This information will be critical for the Governor's health care cost growth benchmarking initiative. When responsibility to operate this program transitioned from Access Health CT to OHS, the necessary funding did not transfer with it. To that end, Governor Lamont is proposing legislation authorizing Access Health CT to charge assessments or user fees to support the continued operation of this program.

<u>Canadian Prescription Medication Reimportation</u>

Funding in the amount of $97,000 is included in the enacted budget for the Department of Consumer Protection for FY 2021 to support a durational position needed to help implement a program for reimporting Canadian prescription drugs to the State of Connecticut. This program will require submission of a federal application to the U.S. Department of Health and Human Services (HHS) and the U.S. Department of Agriculture by July 1, 2021, and for the development of policies and procedures for testing drugs eventually imported from Canada. If approved by HHS, the program will expand the market for prescription drugs in Connecticut by permitting the importation of safe and effective prescription drugs from Canada that have the highest potential for cost savings in this state.

<u>Supporting Reproductive Rights – Title X</u>

Governor Lamont supports continued access to family planning services by aiding organizations that were prior recipients of federal Title X funding. Effective July 15, 2019, the federal administration implemented changes to the Title X Family Planning Program that prohibited Title X grantees from providing referrals for abortion as a method of family planning and imposed strict physical and financial separation requirements between Title X services and abortion services. Prior to the enactment of the final rule, the direct Title X grant recipients in Connecticut – Planned Parenthood of Southern New England (PPSNE) and Cornell Scott Hill Health Center (CSHHC) – received $2.1 million and $300,000 in Title X funding, respectively. PPSNE withdrew from the Title X Family Planning Service Grant program in response to the new federal requirements and raised funds to replace this federal grant revenue loss. The budget adds $1.5 million to the Department of Public Health to provide $1.2 million in assistance for PPSNE and $300,000 to CSHHC, of which $80,000 will be passed through to Fair Haven Community Health Care.

Addressing the Dangers of Vaping

In response to the onset of vaping-related pulmonary injuries, Governor Lamont is proposing five aggressive policy interventions designed to reduce the likelihood of e-cigarette use by youth. Those measures are in addition to his successful proposal last session to increase the minimum age for nicotine purchases to 21. First, he is calling for a ban on the sale of flavored electronic nicotine delivery systems (ENDS) and vapor products. A 2017 survey of youth in Connecticut's high schools showed that 24.4 percent of high school seniors were vaping, and data from the 2019 National Youth Tobacco Survey indicates that the prevalence of e-cigarette use among high schoolers nationally is now 27.5 percent. Eliminating access to flavored ENDS and vapor products will help prevent future youth initiation into the use of tobacco products, as research data shows that an overwhelming majority of teenagers who had used a tobacco product initially used a flavored product.

The Governor is also recommending capping the maximum level of nicotine in ENDS and vapor products allowed to be sold in Connecticut at 35 milligrams per milliliter. Prohibiting the sale of products having greater nicotine concentration levels will protect youth and young adult users by making these products less addictive. The Department of Mental Health and Addiction Services (DMHAS) will be hiring two additional Special Investigators to conduct compliance checks to enforce the ban on flavored vaping products and monitor adherence to the nicotine cap sales restriction.

Taxes on cigarette and tobacco products have been successful tools in the fight to reduce underage tobacco consumption. In the 2019 legislative session the General Assembly adopted a budget which contained a new tax on e-cigarette liquids. A 10 percent tax was placed on "open" e-cigarette liquids, liquids that are used for refillable devices, and a $0.40 per milliliter tax was placed on "closed" e-cigarette devices, devices which contain cartridge-based e-cigarette liquids. The Governor believes this was the right step forward but that it did not go far enough to address the negative consequences of vaping. He is recommending eliminating the current tax structure in favor of an across-the-board 50 percent wholesale tax on ENDS liquids. This will bring the tax treatment of ENDS products closer in line with tobacco products and help to reduce consumption by minors.

While most retailers abide by the new law to restrict sales of cigarettes and electronic nicotine delivery systems to adults over 21, the Lamont administration is proposing to increase penalties for sales to minors with the expectation that retailers will be compelled to comply with stricter laws, resulting in fewer youth trying or becoming addicted to nicotine. Civil penalties for employees failing to successfully complete an online prevention education program following a first violation will increase from $200 to $400, with the penalty for the second or subsequent violation on or before 24 months after the first violation increasing from $250 to $500. For dealers failing to successfully complete an online prevention education program following a first violation, the penalty will increase from $300 to $600, with the penalty for a second violation on or before 24 months after the first violation increasing from $750 to $1,500, and the penalty for a third or subsequent offence on or before 24 months after the first violation increasing from $1,000 to $2,000. These amounts align more closely with New York state where violators are fined up to $1,000 for the first offense and up to $1,500 for the second and subsequent offenses.

Fostering health-enhancing behaviors over a lifetime starts in childhood, and school health education programs play an important role in reducing students' health risk behaviors. For this reason, Governor Lamont is also calling upon our schools to include a vaping prevention curriculum as part of their comprehensive health education programs.

Incentivizing Less-Costly Alternatives to Emergency Department Visits

Pursuant to section 65 of Public Act 19-118, the Commissioner of Public Health will establish maximum allowable rates for licensed or certified emergency medical services (EMS) organizations or providers that treat and release patients without transporting them to an emergency department. EMS organizations and providers must provide these services within their scope of practice and following protocols approved by their sponsor hospital. Creating this rate will allow an EMS organization to bill an insurance company or accountable care organization for patient treatment and non-transport. Overall savings for the healthcare system and decreased consumer costs are expected through substituting lower cost services for avoidable high-cost hospital and emergency department services. On January 1, 2018, Anthem BlueCross BlueShield began reimbursing under treat and non-transport codes, allowing EMS providers to seek reimbursement for certain care when they do not transport a patient to the emergency department; however, since there is no allowable rate set by DPH, they cannot receive reimbursement. Establishment of the new rate will allow EMS organizations in Connecticut to be reimbursed under this new policy.

Addressing Prison Health Care Through Hepatitis C Treatment and Providing Medication-Assisted Treatment to Combat the Opioid Crisis

The enacted biennial budget included funding for two important initiatives in the criminal justice arena: Medication-Assisted Treatment (MAT) to treat opioid use disorders and testing and treatment of Hepatitis C in correctional facilities. These initiatives not only benefit the prison population, but also contribute to the health of the greater public as 90 percent of those incarcerated in Connecticut will eventually have a second chance in the community.

Considering that 52 percent of people in Connecticut who died of a drug overdose had at one point been in a correctional facility, the Governor led the effort last session to expand MAT in correctional facilities. MAT has been shown to be clinically effective in fighting opioid addiction and withdrawal and helping reduce relapse. The enacted budget provided $2 million in FY 2020 and $6 million in FY 2021 for this investment, which will help promote both a safer environment for correction officers and greater recovery for inmates with opioid use disorders.

The Governor also sees Hepatitis C as a public health concern that should be addressed in jails and prisons. The enacted budget provided $10 million in FY 2020 and $20 million in FY 2021 to purchase medication for everyone in prison who tests positive for Hepatitis C. Treating the consequences of unchecked Hepatitis C infections – liver cancer and end-stage liver disease – is extremely costly for both prison systems and society as a whole.

Working to Improve Our Climate and Environment

Zero Carbon Electric Grid/Emissions Reduction Goals

To address the impacts of climate change on Connecticut, Governor Lamont is proposing to codify the goal of having zero percent greenhouse gas emission from electric generation by 2040. Additionally, the Governor is proposing that the Department of Energy and Environmental Protection (DEEP) procure up to 300,000 MWh of electricity from active demand response measures, passive demand response measures, and energy storage systems.

Governor Lamont is also proposing to require that DEEP assess the energy, environmental and air quality impacts of adopting California's medium and heavy-duty vehicle standards in Connecticut. After review, DEEP may develop regulations to implement California's standards if the Commissioner determines the regulations will assist in meeting the federal air quality standards or state greenhouse gas reduction requirements. The reduction of these emissions is necessary to meet Connecticut's greenhouse gas reduction targets and comply with national health-based air quality standards.

Mitigating the Harmful Impacts of Per- and Polyfluoroalkyl Substances (PFAS) in the Environment

PFAS are commonly found in waterproofing coatings, stain resistant fabrics, non-stick cookware, and fire suppressing foam. Despite the beneficial properties that PFAS give to materials to which they are applied, these chemicals have come with a price only now being realized. The properties that make PFAS desirable in so many different products also prevent them from breaking down in the environment, earning the name "forever chemicals." Scientific literature links PFAS to adverse human health effects, including impacts on developing fetuses and infants and certain forms of cancer in children and adults.

To address concerns over the effects of PFAS, Governor Lamont has directed DEEP and DPH to explore ways to bring health scientists and a wide range of stakeholders together to help establish new guidelines for the levels of PFAS that are unacceptable in drinking water supplies, and to develop a takeback program that will assist local fire departments in replacing firefighting aqueous film-forming foam containing PFAS with safer alternatives.

Further, Governor Lamont's budget includes $857,119 in the General Fund for FY 2021 to address PFAS. This includes: $354,000 for DEEP to initiate statewide surface water and sediment sampling; $282,599 to enhance the Department of Public Health's staffing and operating resources to provide toxicological expertise to assist with updating standards and action levels for drinking water, review environmental laboratories to become approved for PFAS testing, and implement PFAS testing of drinking water at the state's Public Health Laboratory; $100,000 to DPH to support consultant services to assist the Safe Drinking Water Advisory Council in its work, which will include, but not be limited to, making recommendations to the Commissioner of Public Health regarding the adoption of maximum contaminant levels for emerging contaminants, including PFAS in drinking water; and $120,520 for the Department of Emergency Services and Public Protection to replace foam containing PFAS with a fluorine free substitute and to purchase new firefighting foam nozzles for use in the eight state-owned foam trailers managed by the Commission on Fire Prevention and Control. Additionally, a $2.0 million bond authorization is recommended for the purposes of a municipal takeback program of firefighting foam containing PFAS and for the testing for pollution from PFAS in private wells including resources to persons affected by such pollution. Finally, $0.5 million from the Capital Equipment Purchase Fund will be made available to DPH to purchase additional laboratory equipment.

Connecticut's Waste System: Challenges and Opportunities

Connecticut generates approximately 3.5 million tons per year (TPY) of municipal solid waste (MSW), or roughly one ton per person. An estimated 1.2 million tons (35 percent of the total) are composted or recycled through the state's mandatory curbside recycling and bottle redemption programs. Of the remaining 2.3 million TPY of MSW, approximately 80 percent is incinerated by five waste-to-energy facilities that were built in the 1980s to help the state cease landfilling MSW in-state, and the remaining 20 percent is exported out-of-state, primarily to landfills.

In recent years, the state's aging waste-to-energy (WTE) facilities have faced increased maintenance and capital costs for facility upgrades, and declining energy and capacity revenues due to ISO-New England market trends. The state's only publicly controlled WTE facility – the Materials Innovation and Recycling Authority facility in Hartford – has identified the need for significant capital investment to continue reliable operation. Relying on out-of-state landfills increases the greenhouse gas impacts of waste management through transportation-related emissions and landfill-related methane emissions and exposes business and towns to unpredictable cost increases as they compete for access to landfill capacity.

To address these challenges, Governor Lamont is proposing that the Department of Energy and Environmental Protection, with the approval of the Office of Policy and Management, seek proposals for additional waste reduction and diversion strategies and for new, improved, or expanded solid waste management facilities that may include but are not limited to recycling facilities, waste conversion facilities, anaerobic digestion facilities, composting facilities, and resources recovery facilities. Proposals for waste reduction programs at the municipal level would also be eligible for consideration.

Voluntary Building Code Reform

According to the U.S. Department of Energy, buildings are responsible for approximately 40 percent of the energy use and greenhouse gas emissions in the United States. Ensuring that the buildings are constructed to be energy-efficient has a significant impact on energy use and greenhouse gas emissions over the life of the building. Therefore, Governor Lamont is proposing a voluntary stretch code for high performance green building standards that DEEP will develop for residential and commercial buildings to reduce emissions, conserve water resources, provide for electric vehicle charging readiness, and promote sustainable and regenerative materials cycles and enhance resiliency. Once developed, municipalities may adopt these high-performance green building standards in their community.

Enhancing Mosquito Surveillance, Testing and Treatment in Response to EEE

In 2019, Connecticut witnessed a resurgence of Eastern Equine Encephalitis (EEE) virus activity in the state that resulted in four human cases with three fatalities. This was part of a region-wide increase that also affected Rhode Island, New Jersey, and Massachusetts. The last time Connecticut experienced high levels of EEE virus activity was during 2013, when the first documented human case and fatality of EEE infection occurred in the state.

The factors responsible for these recent outbreaks are complex and not entirely clear, but were driven, at least in part, by weather conditions. High rainfall and accumulated water in freshwater swamp habitats provided ideal conditions for breeding. Warmer summer temperatures may have also contributed to accelerated mosquito development and increased frequency of blood feeding by mosquitoes. Regional climate change is expected to impact EEE transmission and risk in the future as higher temperatures and heavy rainfall are predicted to increase in the northeastern United States.

To combat these factors, the Governor's budget includes $150,000 in funding for the Agricultural Experiment Station to support one full-time position, three seasonal workers and to increase the number of mosquito trap sites by 15 to a total of 107 statewide. These new sites are proposed in high risk areas, largely in the eastern part of the state. The full-time position will perform and oversee diagnostic testing of approximately 10,000 mosquito pools. The seasonal workers will assist in field-monitoring and collection of mosquitoes, identification and testing.

Funding is also being provided to the Department of Energy and Environmental Protection in the amount of $250,000 to purchase larvicide for additional spraying. One position ($52,088) is recommended to conduct the additional spraying and maintain areas that are potential mosquito breeding grounds.

Promoting Fairness in Criminal Justice and Public Safety

Fair Futures - Clean Slate Initiative

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.

In most cases, criminal convictions remain on people's record indefinitely, regardless of the seriousness or aging of the conviction or strides toward rehabilitation. As a result, even when people have completed a criminal sentence, a conviction can hinder their ability to or even disqualify them from participating in education, employment, professional licensing, housing, and access to public benefits. Because of well-documented racial and ethnic disparities in the criminal justice system, the permanence of most criminal convictions disproportionately affects communities of color.

In Connecticut, people wishing to clear their criminal record petition a pardons board. Although the Connecticut Board of Pardons and Paroles (BOPP) has increased the number of pardons issued per year, thanks in part to the expedited pardons process, a petition-based process faces innate challenges bringing relief to scale statewide. Therefore, by focusing on classes and types of criminal convictions not warranting a full BOPP review, clean-slate legislation will enable the board to focus on more complicated cases.

Governor Lamont's clean-slate legislation will create an automated process spanning the Department of Emergency Services and Public Protection (DESPP), which maintains the state's criminal record repository, the Judicial Branch, and other state agencies to clear electronic records according to the eligible criminal convictions and waiting periods listed in legislation. Using electronic data-sharing technology, aided by the Criminal Justice Information System, will eliminate the need for a labor-intensive and time-consuming paper-based process. As under the current process, which balances the need to protect public safety and to provide formerly incarcerated people a true second chance in society, law enforcement officers will continue to have access under certain circumstances to otherwise-cleared records.

Governor Lamont's introduction of clean-slate legislation adds meaningful leadership to a growing national movement building on bipartisan legislation enacted in Utah and Pennsylvania. By clearing certain records automatically, the clean-slate legislation will impact both the past, in rectifying an aspect of the criminal justice system's disproportionate impact, and the future, by helping people overcome barriers and contribute more fully to Connecticut workforce and economy as well as their communities and households.

To support this initiative, approximately $2 million from the IT Capital Investment Program bond authorization will be used to address system costs in the Department of Emergency Services and Public Protection, the Criminal Justice Information System, and the Judicial Branch.

Recognizing that clean-slate policy cannot reach all people with criminal records, the proposed legislation contains two policies that would provide greater fairness to the pardons process. First, it allows the Department of Emergency Services and Public Protection to waive the $75 criminal-history-record-search fee for people applying for pardons who sign an affidavit representing indigency. Enabling this fee waiver, which is required to apply for a pardon, would remove a financial barrier that may dissuade or preclude some people from applying for a pardon. Second, it requires the Board of Pardons and Parole to receive training on collateral consequences of a criminal conviction, such as barriers to employment and housing, faced by people with a criminal record.

Additionally, the legislation would codify the Reentry Employment Advisory Committee, consisting of employers, human resource professionals, business leaders, and others, which may advise the Department of Correction's unified school district on strategies to improve employment outcomes for people who have been incarcerated. Second, the legislation allows for the designation of a director-of-reentry-services. The commissioner has designated a corrections leader to perform this function, fulfilling a recommendation of Governor Lamont's Criminal Justice Policy Committee.

Reducing the Cost of Inmate Phone Calls

For people who are incarcerated, phone calls are a major means of maintaining connections with family members and loved ones as well as preparing for successful reentry. The cost of telephone calls from people housed in correctional facilities in Connecticut is higher than most states, with one major contributing factor being the cost attributable to the commission collected. To reduce the cost of inmate telecommunications, Governor Lamont has directed his administration to renegotiate the contract for telephone services to reduce the baseline cost and reduce the commission charged to people housed inside correctional facilities and their families.

The maintenance of close and positive family and marital relationships is associated with lower recidivism. Incarceration causes disruptive ripple effects across finances, emotional bonds with loved ones, parental relationships, and ties to positive supports in the community. Separation from an incarcerated parent can contribute to negative emotions and uncertainty among children, especially those who must travel a long distance to visit a mother or father. Maintaining connections also helps people prepare a circle of support for reentry to help them secure stable housing, meaningful employment, and other needs in the community.

Currently, the Department of Administrative Services has a contract with a private vendor to provide inmates with pay telephone services. Under this contract, the average per-minute call rate is approximately 23.8 cents, higher than our surrounding states. That per-minute call rate includes a 68 percent commission paid to the State of Connecticut. From this commission, the state provides $350,000 to the Department of Correction to expand inmate educational services and re-entry program initiatives, with remaining revenues supporting administrative and operational costs of the Criminal Justice Information System, and salary costs for a portion of the probation transition program and the technical violation units in the Judicial Branch.

In order to reduce the cost of inmate phone calls, the contract will be re-negotiated and the commission received by the state will be reduced to achieve greater parity to rates in other states. To accommodate the reduction in commission, the Governor's budget includes $3.5 million in funding for the Judicial Branch to support salaries that are currently funded through telephone service revenues.

The contract renegotiation and commission reduction will help shift a financial burden from families and bridge a gulf between incarcerated people and positive supports in the community.

Legalizing Recreational Use of Cannabis by Adults

Cannabis prohibition simply has not worked and, with legal cannabis available or soon to be available in our neighboring states, Governor Lamont has made the responsible decision to introduce legislation that would create a legal market for cannabis in Connecticut that is well-regulated, will protect consumers and the public at large, will reduce the size and influence of the black market, and will reduce the economic loss from our residents simply crossing the border. Our legislation sets up a fair revenue structure that is in line with neighboring states and that will be a small, but meaningful, revenue source for the state and our towns. This legislation recognizes the important role that municipalities play, which is why it provides for a portion of sales tax revenues to be collected by the host municipality and gives municipalities latitude as to how recreational cannabis can be used and sold within their borders.

The priorities regarding the legalization of recreational cannabis are the maintenance of public health, protection of public safety, and ensuring of equitable justice. To that end, the Governor's proposal takes many steps to protect public health. The first, and most important, is that a well-regulated market for recreational cannabis, similar to the medical marijuana program already in place, will ensure that individuals have access to safe and high-quality products. Advertising and marketing will be limited so that children are not targeted. Retailers will not be sited near schools, parks, and other locations where children gather. The Governor’s proposal updates the state’s indoor clean air act to incorporate both cannabis smoking and vaping of tetrahydrocannabinol (THC) — the main psychoactive compound found in cannabis — to protect children and other individuals from secondhand smoke.

Regarding public safety, the Governor proposes a significant reform to the state’s approach to traffic safety. Connecticut has one of the highest rates of impaired driving arrests, accidents, and deaths in the country, and the administration recognizes that THC is a growing cause of impaired driving. This proposal provides for increased police training, updates the state’s administrative process following an impaired driving arrest, and bans smoking cannabis or vaping THC in vehicles. Additionally, a legal cannabis market will reduce the size of the black market and allow the state’s police, prosecutors, and other public safety officials to focus their attention on other matters.

In order to ensure equitable justice, the Governor’s proposal takes the bold step of automatically erasing all convictions prior to 2015 for possession of four ounces or less of cannabis. Individuals with convictions for possession of four ounces or less of cannabis from 2015 on may petition for erasure. The Governor also proposes to empanel an Equity Commission to advise and oversee the implementation of the legal cannabis market. This commission will be given the important charge to develop guidelines and proposals regarding how individuals and neighborhoods that have been most affected by the war on drugs can benefit from the creation of a legal cannabis market.

To begin the process of establishing a regulatory framework, the budget includes funding totaling $275,362 for two permanent staff and a durational project manager and associated expenses in the Department of Consumer Protection.

<u>Supporting the Connecticut State Police by Funding Trooper Training Classes</u>
Governor Lamont’s commitment in the area of public safety is significant. Recognizing the decline in the number of state troopers due to retirements, and with a significant number of retirements expected on the horizon, Governor Lamont’s budget begins to address a challenge faced by the Connecticut State Police: increasing its sworn staffing levels. The Governor’s budget provides the necessary funding to support two large trooper training classes which are expected to graduate and deploy approximately 170 new troopers. The Governor has added $8.78 million to support these new trooper training classes to continue effectiveness of services and to safeguard the protection and safety of the public.

Enhancing Access to Criminal Justice Information

Governor Lamont is committed to improving public safety by helping criminal justice system professionals make data-driven decisions. Stakeholders recently celebrated completion of the development phase of the Connecticut Information Sharing System (CISS), which the Criminal Justice Information System (CJIS) Governing Board was charged with designing and implementing. Focus has shifted to phase two: the deployment of CISS with provision of operational support.

CJIS has released CISS' single-user interface portal that links 14 state agency source systems for credentialed criminal justice professionals to access. These electronic information exchanges can replace the manual entry of information across numerous case management systems, helping reduce processing time and avoid risks of data-entry error. This enables professionals to focus more time on protecting public safety. Additionally, CISS' search capabilities help make possible the production of major research projects, such as the Traffic Stop Data Analysis and Findings report.

CJIS is currently working with criminal justice system stakeholders in Geographical Area 9-Court in Middletown to implement CISS' integrated multi-agency workflow. Upon completion of the GA 9 rollout, CJIS will strategically deploy the electronic workflows statewide. This rollout will enable the transfer of electronic information from law enforcement agencies to courts while making arrest data available to the criminal justice community. This technology will reduce reliance on the manual transportation of arrest paperwork, allowing sworn personnel to focus on pressing law enforcement matters.

The technology CISS places in the hands of credentialed criminal justice professionals aligns with Governor Lamont's desire to leverage technology, enhance efficiencies between stakeholder agencies, and improve public and law enforcement safety. Governor Lamont's budget includes sufficient resources to push the project across the finish line.

Enhancing Education Opportunities and Outcomes

Honoring Education Cost Sharing Formula Funding Increases (ECS)

This budget honors the Education Cost Sharing (ECS) funding formula agreement achieved in 2017 by fully funding the phase-in of increases to towns as calculated in the formula. With this budget, more than $115 million has been added during the biennium over FY 2019 levels.

Debt Free College and Guided Pathways

This budget includes $4.6 million to provide greater access and support to Connecticut's community college students through the debt-free community college and Guided Pathways initiatives. Established by the Board of Regents as required by statute, the debt-free community college program, entitled Pledge to Advance Connecticut (PACT), will provide grants to qualifying community college students to pay all remaining tuition and fees not already covered by grants and scholarships. Eligible students will receive a minimum award of $250 per semester, regardless of their unmet tuition costs.

Further, this budget directs available resources toward recent high school graduates with greater financial need, ensuring that a student who wishes to pursue higher education after high school is not prohibited by his or her financial situation.

This budget also supports the implementation of the Guided Pathways framework currently underway in Connecticut's community colleges, expanding critical advisor services to ensure that students have the support they need to advance their education and career goals. The investment in Guided Pathways is critical to providing effective and equitable student services at our community colleges. Today, community colleges in Connecticut employ one advisor for every 760 students, well below the national average. With the additional support in this budget, community colleges can reduce this ratio to 250 students per advisor within four years, significantly increasing the availability of effective counseling for students. The Guided Pathways model anticipates that this change will increase overall attempted credits by as much as 20 percent among new students.

With the anticipated enrollment from students newly eligible for free tuition, the need for such an investment is even greater, making Guided Pathways an indispensable component of providing debt free community college.

<u>Providing Additional Positions in the State Department of Education's Academic Office to Support Teachers in Curriculum Development</u>

Connecticut has long been plagued by a significant achievement gap that has resulted in student zip code and skin color being relatively accurate predictors of success. Research is clear that high quality curriculum standards are needed in order to address poor student outcomes. Budget limitations over the years have impacted the Connecticut State Department of Education's (SDE) ability to fill curriculum support positions, resulting in a lack of curricular guidance to or oversight for Connecticut's school districts. As a result, the quality of materials and curriculum used in many Connecticut towns and cities is exacerbating achievement disparities. By way of comparison, our neighboring State of Massachusetts has at least seven consultants to support districts in reading curriculum development and implementation, compared to a single consultant in Connecticut. Similar ratios exist in math and English language support staff. Currently, SDE has one curriculum consultant for each of the following: reading, math, social studies, and science. In the last four years, SDE has experienced a reduction of at least five curricular consultants. The recent publication "Opportunity Myth" highlights the effect of substandard curriculum quality and implementation on student achievement: it contributes to some students being two grade levels behind. A recent survey identifies that only 27 percent of teachers in Connecticut feel their curriculum is of high quality and connected to standards.

In order to improve student outcomes across Connecticut, a stronger presence of curricular guidance, support, and accountability is required; in essence, having staff whose role it will be to examine achievement data, identify districts whose students are not achieving or improving, and work with them to develop curricular tools to address lagging achievement. Also, the responsibility will include establishing curricular standards with resources pulled from various districts, educational support agencies, and national clearinghouses to provide a base model curriculum framework for districts that lack resources or capacity to develop them for themselves.

Accordingly, the budget invests in SDE so that the agency can support the important work of the local and regional school districts. By adding two staff members and $225,000 to the Academic Office, the department will enhance its ability for additional curriculum development, supporting teachers in classrooms across the state. These positions will assist in the development of curricular frameworks, implementation of high-quality curriculum, and bolster a system for supporting implementation fidelity to aid the department in its goal of addressing the achievement gaps in Connecticut.

<u>Preserving Municipal Aid</u>

The enacted budget increases the Education Cost Sharing (ECS) grant in each year of the biennium. ECS is the state's largest mechanism for providing aid to municipalities to underwrite the operating cost of local and regional school districts. Increases in ECS directly impact the middle class by reducing the need for increases in local property taxes to support education.

This budget provides municipalities with greater predictability regarding state support by:

- Honoring the state's ECS formula by fully funding the phase-in of increases to towns as calculated by the formula; and
- Maintaining appropriated statutory formula aid.

Following is a table showing major sources of non-education municipal aid, demonstrating the administration's commitment to supporting local governments and lessening local reliance on the property tax.

	FY 2019 Actual	**FY 2020 Estimated**	**FY 2021 Proposed**
PILOT: State-Owned Real Property	$ 54,944,031	$ 54,944,031	$ 54,944,031
PILOT: Colleges & Hospitals	105,889,432	109,889,434	109,889,434
Municipal Revenue Sharing	36,819,135	36,819,135	36,819,135
Municipal Transition Grant	28,138,552	29,917,078	32,331,732
Municipal Stabilization Grant	37,753,333	37,953,335	38,253,335
Mashantucket Pequot & Mohegan Fund Grant	49,942,789	51,472,796	51,472,796
Grants for Municipal Projects	60,000,000	76,000,000	76,000,000

Additionally, the budget includes bonded municipal aid for the Local Capital Improvement Program and Town Aid Road with current law funding formulas, sustaining critical support to municipalities for capital costs.

Relentlessly Pursuing Efficiencies in State Government and Improving Government Operations

Centralizing Human Resources and Labor Relations Functions Under DAS and OPM

Through Executive Order No. 2, Governor Lamont directed the centralization of human resources functions in order to provide state government with the highest quality human resources services at the lowest possible cost**.**

Under the proposed centralization plan, new capabilities and functionality available through technology will be employed to enable physical centralization and yield significant steady-state cost savings. Once fully implemented, the technology will include, but is not limited to, digitized records, automated workflows, automated screening of job applications, and automated administration of leaves.

The Department of Administrative Services, in collaboration with the Office of Policy Management, began rolling out the centralization plan in October 2019.

The Governor's budget includes reallocating funds from various agencies to DAS and OPM. A total of 292 positions and $24.7 million is transferring from agencies. Of this, 238 human resources positions and $19.5 million is being transferred to DAS, and 54 labor relations staff and $5.2 million is being transferred to OPM. A net savings of approximately $400,000 is projected in FY 2021 as several vacancies will not be refilled. It is projected that the savings will increase to $2 million in FY 2022 and could potentially be even greater in FY 2023. These savings are expected to occur as a result of normal staff turnover since DAS will be able to do more with fewer staff by implementing new technologies and other efficiencies.

Savings Through Centralized Purchase and Administration of Software Licenses
Following up on his commitment to modernize state government and increase efficiencies across all agencies, Governor Lamont announced in July 2019 that his administration had reached a new, multi-year statewide contractual agreement with Microsoft. The new agreement with Microsoft provides upgrades in internal technology, improves IT security, and leverages significant discounts while avoiding future costs for the state.

The Governor's recommended budget reallocates funding from various agencies that had already budgeted for similar software to the Department of Administrative Services to centralize the funding and administration of the statewide agreement. This agreement will avoid future costs in the bond-funded Capital Equipment Purchase Fund as agencies often bundled their software purchases with new computers.

In addition, the deal provides greater discounts than any agency would be able to obtain individually across all five years of the agreement. The subscription-based, cloud software allows the state to adjust quantities up and down based on state workforce changes, thereby only paying for software when it is in use. The state will also avoid a costly planned upgrade to the email system and reduce server and storage purchases. With increasing security threats against the state, the new agreement brings a greater degree of security to all state computers and data protection by upgrading to the most up-to-date software.

Optimizing Agency Operations and Services
Governor Lamont is proposing legislative changes to promote the optimization of state agency operations and services. These measures aim to simplify contracting processes, expanding the use of best practices and eliminating inefficiencies. It is expected that these changes will lead to increased competition and lower prices, resulting in contracting savings to the state and lower personnel costs.

The Governor's proposal seeks to eliminate the need for various stand-alone affidavits and certifications for vendors dealing with the state and instead will require that the mandated language for fair and ethical contracting be included in the contract language.

In addition, the legislation proposes a change to the definition of a small contractor for purposes of the supplier diversity program. To avoid the fiscal impact of creating "homegrown" size standards and to improve the efficiency of the certification program, the Governor proposes to change the state's definition of "small business" to a Connecticut-based business that is certified as a small business by the federal Small Business Administration. This change will create a more rational, data-driven basis for defining small contractors and will simplify and expedite the state's certification process.

Other changes proposed are to allow for the state to use reverse auctions for services, not just for goods and supplies, and to make Connecticut Innovation's existing test-bed legislation more accessible and user-friendly to agencies.

Reducing the State's Physical Footprint

The State Office Building renovation was completed in the fall of 2019. The state's constitutional officers have begun to relocate from leased space at 55 Elm Street in Hartford to the State Office Building which will allow the state to discontinue that costly lease for savings of approximately $6 million annually.

In addition to this move, the state anticipates finalizing the sale of 25 Sigourney Street in Hartford by the spring of 2020. Once the sale is complete, the state will save $500,000 annually by no longer having to maintain the vacant property. The sale to a commercial entity will allow Hartford to put this property back on the tax rolls.

Enhancing Accountability and Transparency in the Connecticut Port Authority

In response to serious audit findings and reports of financial and operational deficiencies at the Connecticut Port Authority (CPA), and in order to continue working toward greater transparency and accountability in entities receiving state funding, the Governor recommends changes to CPA to re-establish trust in the authority's operations. The changes bolster reporting requirements, member specialization, and require strict adherence to general quasi-public procedures. To that end, the Governor's proposed legislation:

- Makes the chair of the board an appointment by the Governor;
- Eliminates the two-year limit for chairmanship of the board;
- Indicates that the Executive Director would be responsible for supervising administrative affairs and approving expenses in accordance with applicable laws, regulations, and CPA policies;
- Requires an annual independent audit of the CPA be conducted; and
- Mandates additional operational reporting required by all other quasi-publics.

Improving the Security and Fairness of Our Elections

Governor Lamont recognizes the importance of maintaining the integrity of our election system. The budget recommends $95,000 to annualize the cost of one position in the Secretary of the State's Office to address cybersecurity concerns as they relate to the election system. This position will have a reporting relationship with the information technology and systems security staff in the Department of Administrative Services.

Additionally, Governor Lamont supports the recommendation of the Governor's Council on Women and Girls to allow participants in the Citizens' Election Program to use campaign funds for childcare expenses incurred as a direct result of campaign activity. This will create fairness for candidates who are parents and will expand – and diversify – the pool of people who will be able to run for state office. This change will not impact the state budget; the Citizens' Election Fund receives funds primarily from the proceeds of the sale of abandoned property in the State of Connecticut's custody, as well as voluntary donations.

School Construction Unit Realignment from DAS to OPM

The Governor's recommended budget reassigns the Office of School Construction, Grants, Review and Audit (OSCGR) from the Department of Administrative Services to the Office of Policy and Management (OPM). The unit's mission is to efficiently manage state resources to ensure the delivery of safe, secure, healthy and educationally adequate schools that are sustainable and fiscally sound. The unit's goals are to meet programmatic needs of the students with state-of-the-art facilities. Finally, OSCGR has reduced annual outlay of required bond allocations from upwards of $850 million to under $450 million per year by partnering with our communities and providing active management of design, construction process, change order review, site review and budget management. The reassignment of the school construction program to OPM benefits from natural synergies as OPM also has responsibility to administer various municipal grants and municipal aid programs.

Transitioning Management of the Hartford Regional Market to the Capitol Region Development Authority
Pursuant to section 10 of Public Act 18-154 (the conveyance bill), the Hartford Regional Market was to be conveyed by the Department of Administrative Services (DAS) on behalf of the Department of Agriculture (DoAG) to the Capitol Region Development Authority (CRDA).

A memorandum of understanding allowed DoAG to handle the day-to-day operations of the market so that CRDA could focus on big-picture capital projects and redevelopment of the market while the land deeds were being transferred to CRDA. The land deeds were finalized in the fall of 2019 and complete operational transfer of the market occurred on January 1, 2020.

As CRDA now operates the market, Governor Lamont's budget eliminates the Regional Market Operation Fund and the $1.1 million for salaries and operating costs under DoAG's budget. One employee will continue to work for DoAG but will be reimbursed by CRDA, and all other impacted staff have been placed in other state jobs.

CRDA's mission is, in part, to stimulate economic development and promote the region as a vibrant destination through redevelopment and new investments. Coupled with CRDA's experience in effectively managing facilities, the transfer of the Hartford Regional Market to CRDA will provide an opportunity to maximize a state asset that is ripe for economic growth.

Achieving Savings by Renegotiating the Contract for the State's Public Safety Radio System
Governor Lamont recognizes the ability to leverage the state's purchasing power to negotiate contracts to achieve savings. The Motorola Fixed Network Equipment contract is the replacement radio network system for the state's legacy public safety radio system. The budget recommends reducing funds by $750,000 to reflect renegotiated contractual savings achieved by the Department of Emergency Services and Public Protection.

Enhancing Child Safety

Achieving Licensure of Solnit Campus
The Governor's recommended budget provides funding to support additional staff under the Departments of Children and Families (DCF) and Public Health (DPH) to accomplish the licensure of the Albert J. Solnit Children's Center (Solnit Center). This includes seven nursing and clinical positions for DCF to enhance the care and treatment of children served at the Solnit Center's North Campus, and one Nurse Consultant position for DPH to conduct inspection and complaint investigation activities. Licensure will allow for regular external monitoring and inspection, which will help ensure the delivery of safe and high-quality care to a highly vulnerable population of children with complex mental health and trauma histories and promote transparency and accountability in the provision of this care.

Implementing Child Abuse Registry Checks for Youth Camps
DCF is also receiving two new staff to conduct child abuse and neglect (CAN) registry checks of licensed youth camp staff (18 and older). This responsibility will be one component of new comprehensive background checks for workers at approximately 547 youth camps which have over 16,400 seasonal workers.

Providing for a Secure Retirement for Connecticut's Middle Class

A Fresh Start for the Connecticut Retirement Security Authority (CRSA)

According to the American Association of Retired People (AARP), 600,000 Connecticut private-sector workers lack access to a retirement savings plan through their workplace. AARP's Public Policy Institute also maintains that employees are 15 times more likely to save for retirement if they can do so through a payroll deduction program at work.

Besides the obvious benefit to the individual who is finally able to save for retirement, the State of Connecticut benefits as any retirement savings could offset future spending on state assistance for health care, food, housing, or energy. A small amount of retirement savings can also allow an individual to defer drawing on their Social Security, adding an average of an eight percent annual benefit increase for each year they delay the start of receiving Social Security benefit payments.

Today, more than ever, the mission of the CRSA to deliver on the promise of payroll-deducted retirement savings for an underserved population is vital because living on Social Security alone is very challenging and, for some, impossible.

The CRSA board, as well as key stakeholders within the government, will be evaluating ways in which to expeditiously move forward with the implementation of the program, including a multi-state or regional approach that would enable participating states to provide even better services to its citizens at lower cost.

The budget supports a new position to provide clerical support and allows the Office of the State Comptroller to assume operational control of the Connecticut Retirement Security Authority so we can move quickly from concept to reality.

Supporting Private Human Services Providers

DDS Incentive Payment System for Providers Transitioning Individuals to Less Intensive Settings

Savings of $1.75 million are anticipated as a result of incentivizing providers under contract to the Department of Developmental Services to serve individuals in less intensive settings when appropriate. Providers will be reimbursed 80 percent of their payment for two years for individuals that transitioned to lower levels of care and those payments will not be subject to the department's cost settlement rules.

Claiming Residential Care Home Services Under the Medicaid Program

The Governor's budget includes net savings in the Department of Social Services (DSS) of $2.1 million in FY 2021 ($12.7 million in FY 2022 when fully annualized) as a result of requiring residential care homes (RCHs) to bill for applicable services under Medicaid. This change allows the state to leverage federal dollars for services that are already being provided under the State Supplement for the Aged, Blind and Disabled program, but which are not currently federally reimbursed. RCH rates under State Supplement will be adjusted to reflect this change. Twenty-five percent of the additional federal reimbursement for these services will be reinvested in RCHs, allowing them to make necessary investments, which could include capital improvements and/or increases to wages and benefits to improve employee retention.

Funding the Increase in the Minimum Wage for Private Provider Employees
Funding is also provided to support increases in the minimum wage impacting private provider agencies supported by the various human services agencies. Funding is transferred from the Office of Policy and Management's Private Providers account to the budgets of state agencies.

Strengthening the Safety Net

Initiatives in the Department of Developmental Services
Several initiatives in the Department of Developmental Services (DDS) will result in net savings of almost $3.8 million in FY 2021 through efforts to serve individuals in less expensive settings and through more cost-effective means. A total of $1 million in net savings will be achieved by hiring approximately 100 new part-time direct care staff to fill vacancies in the system currently being covered by full-time staff being paid overtime wages at time-and-a-half or double time. Almost $800,000 is proposed to be reallocated from higher intensity Community Residential Services supports to the Rent Subsidy program to support approximately 160 individuals transitioning into residential placements. Rather than being placed into costlier group homes as had routinely been the practice, this will permit DDS to support individuals in more cost-effective settings like Continuous Residential Supports or In-Home Supports. DDS anticipates net savings of over $1 million through this change. In addition, the incentive payment initiative, previously detailed, will result in savings of almost $1.8 million.

Instituting Prompt Pay Requirements
When DSS (or its agent) bills a health insurance company for health care services or equipment that have been provided under HUSKY Health, the processing of these claims can be delayed, sometimes indefinitely, or simply ignored. The Governor is proposing to institute a prompt pay requirement such that a legally liable third party, upon receipt of a claim submitted by DSS (or its agent) for payment of a medical service covered under HUSKY Health will be required to adjudicate the claim and either make payment or request information necessary to determine its legal obligation to pay the claim within 90 days of receipt of the claim. The legally liable third party will then have an uncontestable obligation to pay the submitted claim within 120 days of receipt of this claim. This proposal is consistent with prompt payment standards that are common practice in the health insurance industry and is expected to reduce state Medicaid requirements by $2.0 million in FY 2021.

Funding Caseload Needs
Caseload needs for various entitlement and quasi-entitlement accounts in DSS, DDS and DCF are addressed and, as described previously, the Governor specifically recommends an additional $3 million in DMHAS to support community placements for individuals at Connecticut Valley Hospital who no longer meet inpatient level of care.

Honoring the Hospital Settlement
The Governor's budget includes funding to support the FY 2021 costs of the historic agreement with Connecticut's hospitals that was recently ratified by the legislature. The hospital settlement agreement represents a new chapter in the relationship between the State of Connecticut and its hospitals, which serve a critical role in their communities. The agreement resolves legal claims that potentially exposed the state to roughly $4 billion in liability. For both the state and the hospitals, settling these claims avoids a sizable financial risk, uncertainty, and expense of ongoing litigation, and provides predictability and stability over the seven-year term of the agreement. Further, the parties retain the ability to negotiate changes to the agreement in the event of changes in federal requirements that would impact the terms of the settlement.

Other Budget Initiatives

Expanding Access to the U-Pass CT Program

To encourage the use of public transportation, Governor Lamont will work, through the Department of Transportation, to expand the U-Pass CT program. The program currently allows access to public transportation to all students at public colleges and universities. The program will be expanded to all Connecticut colleges and universities that wish to participate. In order to gain access to the service, a fee is charged to all students enrolled at each institution. This will give students access to all public transportation modes the state has to offer.

In order to account for the revenue generated by the U-Pass CT program, the Bus Operations appropriation under the Department of Transportation – the account which funds the subsidy for bus service – is reduced by $2.3 million.

Providing Resources to Move Individuals from Connecticut Valley Hospital to the Community

The Governor's recommended budget includes $3 million in the Department of Mental Health and Addiction Services to support community placements for individuals at Connecticut Valley Hospital who meet discharge-ready criteria. This investment will support twenty placements during FY 2021. It is anticipated that similar resources would be made available during the next biennium to assure community placements continue to be available for individuals who no longer need an inpatient level of care.

UConn Health Center Operating Subsidy

This budget supports UConn Health with an operating subsidy of over $33 million, recognizing the Health Center's commitment to delivering quality health services to patients at John Dempsey Hospital, conducting research on a wide range of issues in contemporary medicine, and providing valuable education and training to future health professionals in the Schools of Medicine and Dental Medicine. This financial assistance will help UConn Health maintain a balanced budget in the coming fiscal year while they continue to work with the state to develop a long-term approach to achieving fiscal sustainability.

Revenue Initiatives

Repealing Fee Increases That Would Impact the Middle Class

The Governor is proposing a relatively modest revenue package for FY 2021 totaling $40.1 million. First and foremost, the Governor proposes repealing the across-the-board increase to various fees that would have been required in the adopted budget for the biennium. That budget expected the Secretary of OPM to recommend fee increases totaling not less than $50 million in FY 2021. While the Governor recognizes that many fees have not been increased in ten years, many of these fees impact middle class residents and in some cases Connecticut benchmarks higher than other states. Therefore, the Governor has proposed repealing the requirement to impose those fee increases at this time.

Corporation Tax Surcharge – Extending Current Tax Policy

Last year's budget proposal sought to defer or reschedule future tax reductions outside the biennium as Connecticut brought its fiscal house in order. This year is no different. The Governor is proposing to extend the corporate surcharge permanently that was set to expire in income year 2021. The surcharge will remain at the current rate of 10 percent, thereby retaining $22.5 million in FY 2021.

Modifying the Capital Base Tax
The Governor is also proposing an extension and delay to the Capital Base Tax phase-out schedule. The current schedule decreases the rate and sunsets the tax for income years beginning prior to January 1, 2024, whereas this proposal eliminates the tax for income years beginning on or after January 1, 2026. This change will retain $5.7 million in FY 2021.

These two proposals do not include any additional taxes or rate increases compared to current law, but they allow the State of Connecticut to adapt to the reduction in revenue over the next several years.

Making Connecticut More Welcoming to the Captive Insurance Industry
To make Connecticut a more attractive state to do business, the Governor proposes an incentive to relocate a firm's captive insurer to the state. This proposal includes a three-year look-back for the payment of taxes owed plus interest in addition to a waiver of penalties on outstanding liabilities for Connecticut insureds who establish a branch captive in the state or re-domicile a foreign or alien captive to Connecticut before July 1, 2021. This proposal is expected to generate $7.5 million in FY 2021.

Adjusting Funding for the Regional Performance Incentive Account
In this year's budget proposal, the Governor is recommending that no transfers be made in FY 2021 to the Regional Performance Incentive Account in recognition of the fact that this year's funding is sufficient to accommodate funding needs in both FY 2020 and FY 2021.

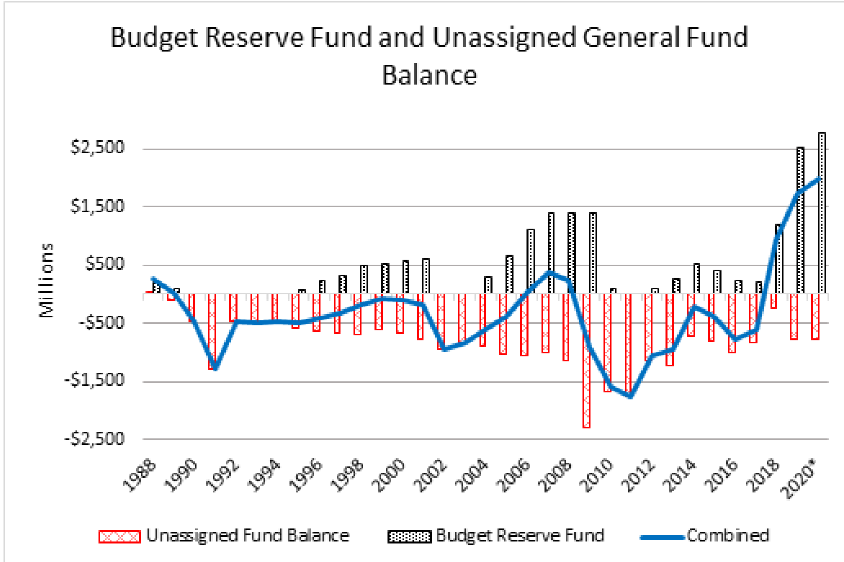
Instituting a Credit Card Convenience Fee
The Governor is proposing that a convenience fee be applied to credit card transactions with the state in order to cover the additional charges credit card companies place on all transactions. In FY 2019 alone, the total cost to the state was $5.2 million across all state funds. This new fee will make-up for the costs associated with administering programs for which fees are charged and is expected to generate $2 million in the General Fund and $1.9 million in the Special Transportation Fund.

Implementing iLottery
The Governor is also proposing the online sale of tickets for various draw type games to help defray the costs of the debt-free college initiative.

Continuing the Commitment to Education by Matching Dalio Philanthropic Foundation Contributions
The Governor's budget proposal continues the historic partnership with the Dalio Foundation by authorizing the transfer of a second $20.0 million in FY 2021 to the Philanthropic Match Account that supports The Partnership for Connecticut, Inc., the independent 501(c)(3) non-profit organization established to carry out the Partnership's philanthropic mission as set forth in statute. These resources will be dedicated to improving educational outcomes by focusing on programs that serve disconnected and disengaged youth. There are over 39,000 young people in Connecticut, ages 14-24, who either have or at risk of dropping out of school and lack meaningful paths to reengage with education or to enter the workforce. The Partnership recently concluded a two-month long request for information in which over 357 submissions were made from educators, non-profits, parents, young people, and others that shared feedback on what is working with engaging this population, what is not, and their insights on what the Partnership could do to be most helpful. Utilizing this feedback, in the upcoming months the Partnership plans to begin accepting grant proposals to support youth programs, teachers, and other initiatives that will directly support this population and their educators.

Adjusting GAAP Amortization Payments

The adopted FY 2020 budget included a $75.7 million revenue transfer to the General Fund balance sheet in order to continue to pay-down the unassigned fund balance in the General Fund (the "GAAP deficit") by FY 2028 as required by Public Acts 13-239 and 15-1 of the December special session. While these transfers represented a prudent course of action at the time of adoption, the state's strong cash position and historic budget reserve fund balance allows the state to take a less aggressive approach to repayment. As illustrated in the graph, when viewed together, the state's cumulative GAAP deficit is low relative to the Budget Reserve Fund, which is at an all-time high. Accordingly, the Governor's budget proposes that $55 million of the transfer instead be used to support FY 2021, with the remaining $20.7 million being made available to address balance in FY 2020.



Other Revenue Items

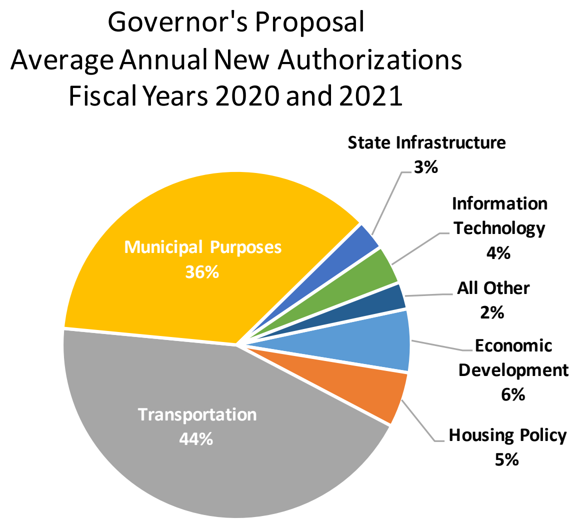
The Governor's budget proposal once again seeks to eliminate special carve out exemptions and create parity with other tax types by repealing the exemption on gas sold to facilities with 775 MW of capacity and capping the use of credits on the Public Utilities Tax to 50.01 percent. These two proposals will generate $5.6 million in FY 2021.

Ensuring the Long-Term Viability of the Special Transportation Fund

Transportation is essential for the long-term economic growth of the state. Long-term forecasts show that revenues in our Special Transportation Fund are woefully inadequate to finance the large and necessary expansions of our transportation system to bring it to the 21st century. In fact, deficits are projected starting in 2025 and grow to over $300 million by 2030. The Governor has presented his vision for financing these critical infrastructure projects through the application of user fees on large commercial tractor trailers and trucks. The revenues generated through these user fees, coupled with new federal loan programs previously not utilized in Connecticut, will help create the foundation for future transportation developments and will spur economic growth.

Capital Budget

The adopted budget for General Obligation (GO) bond debt service for the FY 2020 - FY 2021 biennium is based on Governor Lamont's plan to hold annual GO bond issuance to $1.6 billion, a more than 15 percent reduction in debt issuance compared to the average of the previous five years. Debt service is a significant component of the growth in the state's "fixed" costs. The Governor's plan is to reduce the growth in GO bond debt service to more closely align with revenue growth. In order to meet this issuance goal, the Governor is closely managing GO bond allocations through the State Bond Commission. The Governor is prioritizing bond allocations to those areas requiring the most investment, which include municipal aid, school construction, information technology improvements, and support for higher education.



As a bond bill for the FY 2020 - FY 2021 biennium was not enacted during the 2019 legislative session, the Governor's proposed budget includes recommended new GO bond authorizations of $1.4 billion per year for the biennium, which is 11 percent lower than the average annual recommended level over the last five years. Governor Lamont recognizes the important role of government in making strategic investments in our infrastructure such as providing capital for the development of safe and sanitary affordable housing, funding adequate facilities that enhance student achievement, partnering with communities to maintain roads and support various economic development and infrastructure projects, maintaining our natural environmental assets, remediating brownfields, ensuring clean water throughout our communities, structural enhancements to meet ADA requirements, and driving energy efficiencies in our facilities. Governor Lamont continues to strike the balance between continued investment and reducing the state's reliance on debt to achieve significant debt service savings for decades to come.

The Governor is also resubmitting his recommended authorizations for $776.6 million of Special Tax Obligation (STO) bonds in FY 2020 and $782.4 million in FY 2021 to keep our transportation infrastructure in a state of good repair.

Conclusion

Governor Lamont is proposing an all funds budget of $22.3 billion for FY 2021. This is $121.0 million—or 0.5 percent—above the adopted budget for FY 2021 and 3.8 percent above the estimated level of FY 2020 expenditures. The recommended budget is $9.3 million below the spending cap for FY 2021.

Including this budget proposal, expenditures under Governor Lamont have grown at an average of 2.8 percent per year.

SUMMARY OF APPROPRIATION CHANGES

(In Millions)

	Enacted[1] Appropriation FY 2021	Net Adjustments FY 2021	Recommended Appropriation FY 2021	% Growth Over Enacted
General Fund	$ 20,086.3	$ 117.4	$ 20,203.7	0.6%
Special Transportation Fund	1,816.3	7.1	1,823.4	0.4%
Banking Fund	28.8	(0.2)	28.6	-0.7%
Insurance Fund	113.3	(0.3)	113.0	-0.2%
Consumer Counsel and Public Utility Control Fund	28.5	(0.2)	28.3	-0.7%
Workers' Compensation Fund	28.7	(0.6)	28.0	-2.2%
Mashantucket Pequot and Mohegan Fund	51.5	-	51.5	0.0%
Regional Market Operation Fund	1.1	(1.1)	-	-100.0%
Criminal Injuries Compensation Fund	2.9	-	2.9	0.0%
Tourism Fund	13.1	(0.0)	13.1	-0.1%
Total	$ 22,170.4	$ 122.0	$ 22,292.4	0.6%

Notes:

[1] Enacted 2021 appropriation per Public Act 19-117 as amended by Public Act 19-1 (December Spec. Sess.)

General Fund

The recommended revised General Fund budget for FY 2021 provides a $153.7 million operating surplus, is $1.1 million below available revenue, and is $117.4 million (0.6 percent) above the adopted budget for FY 2021. The recommended budget for FY 2021 is 3.7 percent above the level of estimated FY 2020 expenditures.

The January 2020 consensus revenue forecast by the Office of Policy and Management and the legislature's Office of Fiscal Analysis, which forms the basis for the revenues in this budget, is projected at $20,317.3 million in FY 2021. Revenue revisions totaling a net $40.1 million are proposed, and the recommended revenues for this budget total $20,357.4 million.

(In Millions)

General Fund	PA 19-117 Adopted Budget	Nov. 12, 2019 Consensus Update	PA 19-1, DSS Hospital Settlement Adjustment	Revised Adopted Budget	Jan. 15, 2020 Consensus Update	Proposed Technical and Policy Adjustments	Governor's Proposed Budget
Revenues	$ 20,148.2	$ 46.3	$ 104.3	$ 20,298.8	$ 18.5	$ 40.1	$ 20,357.4
Expenditures	19,982.0	-	104.3	20,086.3	-	117.4	20,203.7
Surplus/(Deficit)	$ 166.2	$ 46.3	$ -	$ 212.5	$ 18.5	$ (77.3)	$ 153.7

As shown in the table above, proposed policy changes to available General Fund revenue net to $40.1 million and proposed policy changes to expenditure net to $117.4 million, with the majority of the spending changes resulting from technical revisions to reflect updated cost and caseload updates.

Special Transportation Fund

The recommended revised Special Transportation Fund budget for FY 2021 includes a $55.4 million operating surplus, is $41.3 million below available revenue, and is $7.1 million (0.4 percent) above the adopted budget for FY 2021. The recommended budget for FY 2021 is 5.4 percent above the level of estimated FY 2020 expenditures. Revenues included as part of the January 2020 consensus revenue forecast are projected at $1,876.9 million in FY 2021. Revenue revisions totaling $1.9 million are proposed, and the recommended revenues for this budget total $1,878.8 million.

Expenditure and Other Caps

The Governor's proposed budget is below the spending cap by $9.3 million in FY 2021, and is compliant with the revenue cap, volatility cap, and statutory debt limit.

Continuing the Progress

The recommended adjustments to the FY 2021 budget build on a solid foundation, and the policy changes proposed by the Governor are designed to continue the progress achieved over the last year and move the state forward with responsible policies and sustainable resources. This budget supports the Governor's commitment to workforce development and economic opportunity, providing a fair future for those involved with the criminal justice system, leading on health care, improving the environment and climate, and continuing to achieve efficiencies in state government operations.