BLUEPRINT FOR PROSPERITY

Connecticut Republican Budget Plan
FY 2016-FY 2017

April 24, 2015

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OVERVIEW

The central responsibility and the fundamental obligation of state government is to help people access the tools they need to succeed in life and to help support and protect the most vulnerable. In Connecticut, politics and the pressure of interest groups have caused many of us to lose sight of that obligation. Government has gotten in the way and grown into a behemoth that focuses instead on huge administrative services and not enough on the services that people in the real world need most. Members of the state bureaucracy have become the coveted class to the detriment of our fundamental obligations to those in need. We not only want to change that direction, we *must* change that direction. We need to put the focus back on the people of Connecticut, those here now and generations that will follow, and reestablish our commitment to empowering people.

A strong state is one that supports working and middle class families and creates environments where all people have access to opportunities to be successful no matter how humble. A strong state is one that is accountable not only to the current generation but also to future generations who do not yet have a voice but who will suffer from a government that refuses to live within its means and put people before political rhetoric and election cycles. When we face that challenge then, and only then, can we expect to grow and thrive and set a new course to invigorate our communities, add jobs, attract businesses, keep citizens here, develop opportunities and produce a long term plan to grow the economy.

Governor Malloy's budget director Secretary Benjamin Barnes has described our economy as being in "permanent fiscal crisis," and it seems we have been in this crises for better than a decade. In 2013, State Senator Len Fasano forewarned of the problems we face today on the senate floor. In a June 3 debate on the budget Fasano stated, "You've (the legislature) already created by 2017-18 a cliff that this state has yet to see in its history that's going to result in significant tax increases or ridiculous cuts. We are setting up the next budget cycle…for a terrific hit. And no one seems to care."

Sadly, we are now facing this exact problem, which is why Connecticut's Republican legislators are proposing an alternative budget. Of course tough decisions have to be made and we have to be realistic about how much the state can possibly spend given our revenues, debt and spending cap. However, we also have to make decisions that preserve core services and protect essential programs. As Republicans bring this proposal forward we also welcome and encourage a dialogue among and between the Democratic leadership and the governor's office and we look forward to a meaningful, respectful and constructive conversation on our mutual pledge to make Connecticut a stronger and better state.

Starting Anew

Connecticut is in a state of fiscal crisis because of budgets passed by the majority. Time and time again the majority party has utilized budget gimmicks to maneuver around the state spending cap to pass budgets that far exceed what taxpayers can afford. Dishonest tactics paired with over taxing and over spending has driven our state into a hole. We need to embark on a new path to find a more responsible, effective and realistic solution. No one can deny the fiscal crisis that lawmakers in the majority have created in Connecticut. It is time to recognize the problems and seek change.

It is the responsibility of the governor to put forward a biennial budget and the responsibility of the legislature to amend and enact a final plan. Unfortunately, the governor has failed to meet his responsibility this year. The above is based upon the following:

1) The budget presented by the governor to the General Assembly is out of balance by $305 million over the next two years according to the state's Democrat Treasurer Denise Nappier. This is based on the fact that the governor is relying on securing an extremely high level of premium payments sometimes given by lenders in exchange for higher interest rates on bonds. But, as Treasurer Nappier has warned, interest rates are expected to rise this year which typically reduces the incentive for investors to offer premiums. She has stated that relying on such high premiums in the budget, "is equivalent to counting one's chickens before they hatch." The Treasurer has recommended restoring a minimum amount for debt service of $82.9 million in FY2016 and $95.4 million in FY2017, well below what the governor's budget proposes.

2) Additionally, the budget is over the spending cap by over $100 million, due to a $55 million error recognized by the governor's office as well as a $47.6 million spending gimmick created by diverting payments, rather than appropriating them as the law requires, on the state's accrued GAAP deficit.

The governor is obligated to present a budget that is balanced and that does not exceed the spending cap which was overwhelmingly supported by Connecticut voters and taxpayers. Furthermore, the General Assembly cannot approve a state budget from the governor that exceeds the spending cap unless the governor "declares an emergency or the existence of extraordinary circumstances," according to Sec. 2-33a of State Statute. As a direct result of the governor's failure to use Sec. 2-33, the governor's budget cannot legally be adopted.

In conclusion, the state legislature has to work from scratch. Republican members of the General Assembly have consulted together to put forward the following plan. We started anew, and worked through the state budget line by line. The result is a budget that preserves funding for social services and health care, reduces government bloat, and paves a path to prosperity for everyone in Connecticut by retaining promised tax cuts and easing tax burden in the future.

Roadmap for Change

The following Republican budget proposal is more than a two year spending plan, it is a roadmap for changing the way our state government operates and prioritizes. It is our hope that this budget will be the first of many budgets over the next decade that start to reform and redirect the purpose of government.

Connecticut currently faces many challenges that impact daily life for every person in our state. Each of these challenges is uniquely tackled in the following budget to pave a new route to prosperity for our state and its people.

- **Connecticut relies on revenue streams that are currently unsustainable.** This is evident from not only the last several years of budget surpluses followed by extreme budget shortfalls, but also from this year's deficit following the largest tax increase in Connecticut's history. In addition, people are leaving Connecticut for other states. According to a March 2015 U.S. Census Bureau report, Hartford, New Haven and Fairfield counties lost 7,090, 6,725 and 6,506 people respectively due to "domestic migration" from July 2013 to July 2014. As more people move out of the state, the burden of paying taxes will start to shift more and more to those who remain and those who can least afford it. Taxing people more is not the way to solve our budget problems.

The governor's budget, in recognition of declining revenues, attempts to balance revenue on the backs of those who can least afford it. The governor's budget proposes to eliminate the sales tax exemption on clothing and footwear under $50 and reduce tax exempt items during tax free week, directly resulting in doing more harm to those struggling to make ends meet. Because the sales tax is regressive, it results in a higher effective tax rate for low and middle income families. The governor also proposes eliminating an income tax exemption on single filers further burdening individuals.

The Blueprint for Prosperity would restore the tax exemption on clothing and shoes under $50 starting June 1, 2016. The Republican plan trims fat from state administrative expenses, overtime and labor – so that the burden does not fall disproportionally on middle and working class families. Our plan would also restore the income tax exemption on single filers beginning in income year 2017. In addition, the Blueprint for Prosperity phases in by 20% the elimination of personal income taxation for pension income under $100k, providing significant tax relief to retirees.

- **It is widely accepted that Connecticut is not a business friendly state, and as a result our unemployment rate is suffering**. Unemployment in Connecticut remains higher than the national average. We still have not recovered all jobs lost in the last recession. This sluggish growth is closely tied to Connecticut's poor business environment. According to the Tax Foundation Connecticut ranks 42nd in the nation for business tax climate and Forbes ranks Connecticut as 47th for business costs. CNBC also ranks Connecticut 47th for the cost of doing business, 48th for the cost of living, and 49th in economy. Connecticut consistently appears near the bottom of many lists, affirming the anecdotal message that Connecticut is *closed* for business. Simply put, the ways of the past need to be abandoned and we need to actively change to improve our outlook and create an environment that not only makes businesses and employers want to stay, but also attracts new businesses to Connecticut. Business growth means job growth, which is vital to getting people to stay and come to Connecticut.

  The governor's budget would hinder business and job growth by capping tax credits businesses rely on and increasing business tax burdens by $820 million. Businesses make decisions on how to expend and invest based on programs or initiatives incentivized by the state. By cutting back on previously promised tax credit incentives, the governor's budget not only jeopardizes the trust between the state and companies, it sends an extremely negative message to any business considering coming to Connecticut. These tax credits are not loopholes as they were designed for the purpose and intent of encouraging businesses to invest in Connecticut. These credits worked and have enabled companies like ESPN, NBC, UTC and many others to become invested and bring jobs to Connecticut. To remove these credits, especially when businesses have already made decisions based on their investment in these credits, is wrong. Eliminating these credits now results in a short sighted vision of attracting more businesses and growing jobs.

The Blueprint for Prosperity would restore a company's ability to utilize their tax credits and make good on the promises made by Connecticut to businesses. Our proposal also eliminates the continuation of the corporate tax surcharge beginning in FY 2017 and eliminates the Business Entity Tax thereby reducing burdens on businesses and making our state more friendly to new employers.

- **Health care costs are rapidly increasing across the state.** This is due to market consolidations, shrinking independent physician practices, and a loss of low cost/high quality community hospitals being squeezed out of the market. Large health systems attaining increased market power has directly resulted in an increase in health care expenses. Everything from core pricing to facility fees have added more burdens to Connecticut families. On top of this, the state lacks critical information regarding health care market changes, costs, quality and access – making it hard to assess and improve care. Connecticut is far behind in providing price and quality transparency as well, which makes it extremely difficult for families to make informed decisions about care if they don't know what expenses may be.

  The governor's budget would exacerbate this problem by doing nothing to address the growing concerns and shifting market. In addition the governor's budget would also add more burdens to our community hospitals, cap tax credits hospitals can use to offset costs, and enact rate reductions under Medicaid thereby making it harder to find physicians that accept Medicaid coverage and interfering with accessibility of care. The governor's budget also retreats on aging in place initiatives designed to help seniors stay in their homes as they age where they can receive less expensive health care and better quality of life than if they had to go to a nursing home. The governor cuts from the Home Care Program, closes the program to new entrants, and reduces funding for Alzheimer's respite care. In addition, the governor's budget underfunds mental health and substance abuse treatment providers by $18.2 million and would kick approximately 34,200 people, including 1,400 pregnant women, off of Medicaid Husky A and instead force them to buy insurance many cannot afford from the state health exchange.

  The Blueprint for Prosperity aims to change our health care environment in many ways to make sure all people get the quality care they need at a price their family can afford. By reformulating hospital provider fees and reducing the overall tax liability of Connecticut hospitals among other recommended reforms helps to ensure Connecticut becomes a leader in advanced medical care and accessible quality treatment. Our plan also restores funding for mental health care, Medicaid for the neediest and senior care options.

- **Our cities are struggling.** From empty storefronts to limited opportunities, Connecticut's urban communities often feel magnified negative effects as a result of a poor statewide economy. Our cities should be hubs for industry, innovation, economic growth and cultural development. But unemployment and limited opportunities create persistent restrictions.

  The governor's budget shows no focus on improving life in urban areas. It eliminates millions for youth programs that help shape minds at a critical age, recommends eliminating numerous programs aimed at helping individuals find jobs, and it imposes a credit cap on Urban and Industrial Site reinvestment credits among other reductions.

The Blueprint for Prosperity embraces the fact that the future of our state is dependent on the future of our cities. This budget incorporates recommendations from the Republican Plan for Progress and Opportunity in Connecticut Cities and from concepts for which there is bipartisan support. In continuing that effort our budget includes the expansion of urban tax credits and restoration of funding for key social service and education programs. Our budget helps ensure everyone has an opportunity to succeed across the state.

Prioritizing Prosperity

SOCIAL SERVICES

One of the primary responsibilities of our state government is to ensure Connecticut's social services are strong and capable of serving all those most in need across the state, even when facing serious financial trouble. Unfortunately the governor's proposal seeks to balance the budget on the backs of the most vulnerable. He proposes cuts that impact mental health care, those with intellectual disabilities, children, seniors and others who need extra care. We believe Connecticut cannot turn its back on those who need support and care. Therefore, we are proposing restoring many social services the governor's budget would cut. We are also proposing to bolster support for private care providers.

The Blueprint for Prosperity recommends restoring funding for safety net services, services for persons with disabilities, nutrition assistance, burial benefit funds, adult education programs, and alternative high school and adult reading programs. Our plan supports children, young people and families by restoring the Youth Services Prevention Grant, funding CT's Youth Employment Program, supporting after school programs, funding the Parent Trust Fund program and parent universities and funding 47 neighborhood youth centers across the state that provide athletic and recreational opportunities, tutoring, vocational training and job placement for youth ages 12-17. We also provide funding under the Department of Developmental Services for community programs for high school graduates and we appropriate an additional $15 million in FY 2017 to help alleviate the wait list for the intellectually disabled and provide help for 185 individuals waiting for DDS services.

The Blueprint for Prosperity restores $18.2 million in mental health monies including funding for Connecticut's Regional Action Councils. The Department of Mental Health and Addiction Services manages these regional substance abuse action councils as public-private partnerships comprised of community leaders that establish and implement strategic plans to coordinate local substance abuse prevention and mental health promotion services. Connecticut made a promise after passing strong legislation following the Sandy Hook School shooting to dedicate more resources to mental health. Governor Malloy has repeatedly stated that Connecticut must address gun violence in particular by increasing access to mental health care. By underfunding mental health needs the governor's budget does not provide the increased support our state has clearly committed to seek. We restore this funding to put the focus back on mental health care needs and treatment.

The Blueprint for Prosperity also restores partial funding to enable people with low incomes to keep their Husky A Medicaid insurance. The governor proposed cutting over $44 million in fiscal year 2016 and $82 million in fiscal year 2017 to the program, which would have forced thousands of people from Medicaid to purchase insurance through the state's Affordable Care Act health exchange, Access Health CT. These cuts are so deep that they would also force people with very limited means to purchase insurance they likely could not afford. Such cuts would leave thousands of people unable to pay with no insurance whatsoever. To eliminate this threat, we recommend restoring $15.6 million in 2016 and $28.7 million in 2017 to the Husky A program so that those who are at the lower end of the income spectrum and who cannot afford to purchase an exchange plan can keep their current health coverage. This proposal also allows for the coverage of all pregnant women under Husky A Medicaid.

Finally, the Blueprint for Prosperity would fund a private provider COLA of 2% in FY 2017 effective on July 1, 2016. This cost of living adjustment will positively impact nursing homes, intermediate care facilities and non-profit providers. Private providers have been shown to provide more care with fewer deficiencies at a cost that is less expensive than state care.[1] State workers who provide similar services have repeatedly received raises in recent years, while those who work hard in the nonprofit sector have not seen similar increases. Supporting efficient private care will ensure Connecticut residents have access to the care they need.

AGING INITIATIVES

Connecticut has the potential to be a national leader in spearheading "Aging in Place" initiatives by investing in programs that make it easier for people to remain in their own homes and communities as they age and out of expensive institutionalized care facilities. Our state is unique in that our senior population is growing rapidly and expected to increase by nearly 70% over the next 20 years. This rapid growth makes it all the more important to pay attention to how the state must change course to ensure that we can meet the needs of citizens as they age. Currently, the single largest expenditure in the Connecticut state budget is funding for long-term Medicaid services. As the senior population grows, so too will the need for expensive long-term care. Aging in place programs, which aim to eliminate or delay the need for institutionalized care, actually save the state in the long run. Simultaneously, they empower seniors to remain in control of their care in the comfort of their homes.

The governor's budget retreats on aging in place initiatives by making cuts to some of the most important home care and aging programs championed in Connecticut. He has proposed increasing participant copay in the CT Home Care Program from 7% to 15%, more than doubling fees. He has also proposed closing the Home Care Program to new entries in the first level of the program. Cuts were also made to aid for the blind and disabled by adjusting the unearned income disregard for supplemental assistance and cuts to the Medicaid personal needs allowance for long-term care residents reducing people's monthly budgets from $60 to $50. Our budget proposal would restore this funding and eliminate the governor's recommended cuts to put us back on track to advancing aging in place.

THE DEPARTMENT OF CHILDREN & FAMILIES

In the past year, the Department of Children & Families (DCF) has come under fire from child advocates for an alarming number of problems including an unprecedented increase in the number of children killed by homicide while under the watch of DCF, serious deficiencies that continue to leave children at risk and without proper services, and inappropriate use of physical restraints and seclusion at DCF juvenile facilities that has resulted in DCF being reported for child abuse. The Blueprint for Prosperity prioritizes the needs of Connecticut's most vulnerable children and rethinks the way the state organizes juvenile justice and agency oversight and accountability. Our proposal not only rejects the governor's cuts, it bolsters funding for vital programs that need attention.

[1] Connecticut General Assembly, PRI. "Provision of Selected Services for Clients with Intellectual Disabilities." January 2012.

Our plan strengthens the child fatality review process by requiring Office of the Child Advocate to conduct all child fatality reviews upon the death of a child that is or has been involved with DCF and requiring annual legislative public hearings on the preventable deaths of infants and toddlers during which DCF and OCA can identify action steps and proposals to improve outcomes for at-risk children. Our plan provides $205,000 annually in funding for new positions to accommodate this heightened workload.

The Blueprint for Prosperity also would install an unbiased outside ombudsman to hear and respond to children's grievances and implement an assessment program to gauge the quality and effectiveness of the programs and services. The Republican budget plan funds both of these requests. It transfers five positions currently located in the DCF Office of Ombudsman to the Office of the Child Advocate and it dedicates $60,000 in FY 2016 and $48,000 in FY 2017 to implement the Performance Based Standards (PBS) quality assurance program launched by the Department of Justice in 1995 to improve juvenile confinement conditions.

The governor's budget plans to garner $2.6 million in new savings by continuing to close child group homes. Our plan recommends against closing more homes and therefore against relying on any related savings. Instead, our plan proposes that before DCF can close a group home facility, the agency must go before the General Assembly's Children's Committee for a public hearing.

Our budget also proposes moving the state's juvenile justice services currently under DCF to instead reside under the Judicial Branch. The state's Judiciary system has a long history of successful treatment and handling of child justice cases. This system is nationally recognized for its effective programs and oversight. While the governor's budget recommends moving Judicial programs to DCF, we feel the opposite should occur.

Finally, The Blueprint for Prosperity funds an independent review of DCF's operations in FY 2016 with $150,000 to assess and identify any other system weaknesses.

PROGRESS & OPPORTUNITY IN OUR CITIES

Strengthening Connecticut's cities and addressing problems that persist in urban communities are both major factors in advancing Connecticut and improving daily life for families across the state. This budget aims to encourage urban development and ensure proper social services are in place.

In the governor's proposed budget, it is recommended that a credit cap be placed on Urban and Industrial Site Reinvestment credits. These credits are available for investments in eligible industrial site investment projects or in eligible urban reinvestment projects. Such a cap would devalue these credits at a time when their value has just been significantly increased. In 2014, these credits started to be targeted by hospitals. With hospitals now buying these credits, the incentive to engage in projects that garner the award of these credits is clear. The governor's proposal takes this from a win win proposition to a lose lose proposition, and essentially tells the public and potential investors that investment in Connecticut's urban areas is not a high priority for the state.

We believe urban development must be a priority, and therefore we have not included any cap on these credits in our budget. We believe such credits show a commitment and a promise to focus on the needs of our cities, and we highly value such investments.

SUPPORT FOR MUNICIPALITIES & PUBLIC SAFETY

Supporting our towns is an integral responsibility of state government. Our role is not to impose more burdens on our municipalities, but rather to empower towns to create and sustain strong communities. Therefore, the Republican alternative budget proposes restoring key funding the governor recommends cutting that keeps our towns and cities safe.

We propose restoring current funding for resident state troopers. The governor's budget recommends eliminating all state funding for small towns that utilize the resident state trooper program – a program which has greatly helped towns that cannot afford their own police departments. The governor's budget would require towns to pay 100% of costs associated with utilizing resident state troopers to garner $4.6 million in savings. We believe that finding savings by pushing burdens onto our towns is not acceptable. Therefore, we propose restoring current funding so that towns are only responsible for 70% of associated costs.

We also recommend restoring all funding for regional fire training schools. These schools train volunteer firefighters to make sure they know how to properly perform a rescue and extinguish fires while staying safe themselves and protecting others. Volunteer firefighters save towns hundreds of thousands of dollars and training schools ensure public safety remains a priority. The governor's budget would cut nearly $750,000 from the state's nine regional schools. These cuts would raise the fees for training programs placing more burdens on municipalities. The Republican alternative budget would restore all funding so that we don't compromise our public safety.

The Republican alternative budget also funds the Cold Case Unit and the Shooting Taskforce – both programs that help investigate crimes and protect our communities that the governor recommended cutting.

REVENUE

The tax burden in Connecticut is already too high. Governor Malloy acknowledged this problem on the campaign trail and he pledged not to raise taxes. Although, he did walk around his campaign pledge by recommending a budget with almost $1 billion in new tax revenue which would be imposed most significantly on Connecticut's lower income citizens and employers. Our Blueprint for Prosperity does not follow the governor's lead. Instead, it provides actual tax relief for Connecticut families and it makes smart, structural changes to Connecticut's tax code.

The Capping of Tax Credits

We fundamentally believe that the governor's proposed budget will inhibit job growth and economic development in our state. Modifying the utilization of tax credits is an unfair proposition that sends a very clear signal to current and potential business owners that the state is not business friendly. Further, it is a disincentive towards the development of Connecticut's urban areas. Companies made their investment which was incentivized by the state by offering tax credits and the state needs to uphold their end of the bargain and not change the rules half-way through a game. This alternative budget does not include capping tax credits on corporations or hospitals as recommended by the governor.

Corporate Income Tax Surcharge & Business Entity Tax

The corporate income tax surcharge was originally intended to be a temporary tax. However, the governor's proposal backtracks on a promise to eliminate the tax on businesses. We disagree with the governor's decision to make this tax permanent and we recommend the complete elimination of the 20% surcharge beginning in FY 2017. We believe eliminating this surcharge will help make Connecticut's tax system more attractive to employers and make our business environment more competitive.
We also eliminate the Business Entity Tax of a $250 fee every two years on all businesses. Eliminating this tax will benefit businesses of all sizes.

Single Filers Income Tax

The governor's proposed budget would eliminate a scheduled exemption that would reduce the income tax burden on single filers. Our proposal rejects the governor's tax hike and would restore the exemption on single filers beginning in income year 2017.

Pension Income Taxation

Our budget recommends phasing in by 20% the elimination of personal income taxation for pension income under $100k. Beginning in FY 2017, with an associated revenue loss of $20.9 million, this will help make Connecticut more tax friendly to seniors. According to Kiplinger's 2014 analysis, Connecticut is the #3 worst state for retiree taxes. Aside from half of military retirement pay, there are no exemptions or tax credits for other types of pensions or other retirement income.[2] By eliminating personal income taxation on pensions under $100,000 our plan aims to provide significant tax relief for retirees and incentivize people to stay in Connecticut as they age.

Sales Tax Modifications

Governor Malloy has attempted to pull a bait and switch on the state with his proposals that modify the sales tax. He rightly identified the need to reduce the sales tax rate however he did so at a cost that would be greater than the savings realized. We disagree with making a regressive tax more regressive.

Our budget proposal recommends maintaining the reinstatement of the sales tax exemption for clothing and footwear under $50 beginning June 1, 2016. The governor and the Democrat majority of the General Assembly believed that this exemption was important enough to enact its reinstatement in previous budgets to be effective in the upcoming fiscal year and we agree. If this budget is enacted, this exemption will once again provide Connecticut families with the benefit of having necessary clothing and footwear under $50 exempt from taxation. Our budget also does not balance itself by limiting the benefit to consumers that they have typically enjoyed with Sales Tax Free Week. Connecticut consumers deserve a break, especially when they are preparing to send their children back to school, and this budget preserves that assistance.

Keeping Up with the Times: Licensing Fee on Sale of E-Cigarettes

Technology has changed in the arena of cigarette smoking and this budget includes the assumption of $6.1 million in revenue from the implementation of a licensing fee on retailers who sell electronic

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[2] Kiplinger. "Ten Least Tax Friendly States for Retirees." September, 2014.

cigarettes. E-cigs contain the harmful chemical nicotine and as such there should be some form of regulation. Multiple states already tax or are considering taxing e-cigs. Connecticut should address the changing times with an appropriate licensing program to ensure needed regulations are in place.

Admissions & Dues Tax

When the largest tax increase in state history was being discussed at the state Capitol one of the rationales for eliminating all exemptions under the Admissions and Dues Tax was an equalization of the playing field for entertainment-related venues. The Admissions and Dues Tax had so many carve-outs it would have almost made more sense to completely eliminate the tax. Instead, in the 2011 legislative session the General Assembly and the governor went the other way and eliminated all of the exemptions. Since that time however, two new exemptions have been enacted for the XL Center of Hartford and the Webster Bank Arena in Bridgeport. We propose to eliminate these new tax exemptions.

Tax Exemptions for Single Entities under Public Utilities Control Tax

This budget also seeks to eliminate a single-taxpayer exemption that is on the books under the Public Utilities Control Tax. We believe that such exemptions are unfair for other Connecticut companies who are subject to the tax. Single taxpayer exemptions only emphasize where political favor is falling at any given time and is not fair to all of the other companies that have to continue paying the tax. Therefore, these exemptions are all eliminated for the benefit of the entire taxpaying constituency in the state of Connecticut.

Other Noteworthy Governor Recommendations Related to Revenue that Are NOT Supported

- Restricting net operating loss carryforward by corporations.
    - Once again, companies make decisions based on tax code. To modify the net operating loss carryforward will also strike a blow to the confidence that companies have in the state of Connecticut.
- Any modification to current law regarding the sale of alcohol in the state.
- Taking $4.6 million from Connecticut municipalities as a result of requiring them to pay 100% of costs associated with their resident state trooper.
- Transferring revenue from the Community Investment Act.
- Diverting revenue from the Public, Educational and Governmental Programming and Educational Technology and Investment Account.
    - Bonding for this initiative is a short-term fix with a long-term implication of unnecessary interest expenses for Connecticut taxpayers.

LABOR SAVINGS

Fulfilling the Governor's Shared Sacrifice

We all remember the governor's vision of 'shared sacrifice.' Whether or not one agreed with the framing of his record breaking tax plan, we can all agree that we were promised that the governor and state employee unions would share sacrifices with taxpayers. This promise was the basis for the governor pushing for the largest tax increase in state history. In that plan, one-third of the deficit was to be dealt with by tax increases, one-third was to come from labor savings, and one-third was saved from reductions to current services spending. In the end, the FY 2012-FY 2013 biennial budget was enacted assuming a total of $1.6 billion in savings related to state employee unions.

At the time, Republicans questioned some of the purported savings including $180 million in state employee suggestions, $90 million in technology savings, and the $249 million estimated gain to the state from employees not participating in the state's Health Enhancement Program.

Today, it is clear that not all of the savings we were promised were achieved. In fact, the governor currently owes taxpayers approximately $253 million in promised savings that have yet to be reached.

In the Office of Fiscal Analysis' Synopsis of the Governor's FY 2013 Revised Budget this number can be calculated by reviewing the SEBAC lapses moved into individual agency budgets. The synopsis states, "The Governor's revised budget: (1) eliminates the $901.2 million in SEBAC lapses (reductions) from the bottom of the budget, (2) moves $647.9 million of these reductions directly into individual agency budgets."

We do recognize that some of the negotiated changes to state employee union benefits did result in much-needed relief from otherwise uncontrollable costs, and we thank state employees for participating in that relief. However, to the extent that not all savings were achieved in FY2012-FY 2013, we have to hold state employees to their promise. We believe that some fundamental reforms were missed. And given that state employees have benefitted from three years of average wage increases of 5% annually, and that the state continues to face deficit after deficit, it is time for the governor to enforce what was agreed upon and seek the total amount of savings promised to CT taxpayers.

The dollar figure of labor savings that was not achieved is easy to discern. In FY 2013, state employees were to save a total of $901.2 million. The governor's FY 2013 midterm budget adjustments, with its reconciliation of the once bottom-line savings target into individual state agencies line-items, highlighted the defeat in achieving $253.3 million of the savings target. We believe that a deal is a deal. Connecticut taxpayers have been saddled with their deal for almost five years and it is time for the governor to enforce the savings state employees agreed to.

This budget assumes that the governor will work with state employee unions to do whatever must be done to secure the needed savings. This includes modifying wages and benefit packages to generate the unachieved savings owed to the state and promised to taxpayers.

There are many ways to achieve this level of savings including taking another wage freeze for FY 2016, increasing the current state employee share of health premiums, requiring furloughs, reducing state employees' work weeks, suspending longevity payments, eliminating overtime from the final average salary computation, or increasing state employees contribution to their very lucrative defined benefit pension package. Currently state employees pay at most 2% towards their pension. The national average is over 6%. There is no reason that Connecticut state employees cannot pay more besides the fact that they are a preferred, protected class in this state. A deal is a deal. It is time for these savings to be achieved.

Reserve for Salary Adjustment

The state of Connecticut does not have the ability to pay wage increases for state employees. The continual cycle of state budget deficits underscores this fact. Indeed, with a current fringe benefit rate of 82.8%, state employees are very expensive and state taxpayers deserve some relief.

The governor's budget has recommended $100 million in FY 2017 in the Reserve for Salary Adjustment account, in addition to the $20 million already in the account, to pay for a 5% wage increase for state employees. Translation: the governor has already placed a state employee wage increase in the budget even before negotiations. As a result, how can the state argue in arbitration proceedings with state employee unions that the state does not have the ability to give a wage increase when the monies are already budgeted for by the state? The negotiation and bargaining for the state would be a foregone conclusion if these dollars are appropriated and as such we are not recommending their inclusion.

OVERTIME

The state of Connecticut has a serious management issue. This conclusion is easily reached when one looks at the total dollar amount of overtime payments that are paid in any given fiscal year. It was shocking to learn that the governor recommended a total of $238.8 million in FY 2016 and $237.6 million in FY 2017 in overtime expenditures for the General Fund.

Private companies operate with a goal of overtime expenditures being zero. The state operates with an overtime expenditure goal of approximately $240 million. One can argue that the state's overtime system was set up for abuse. Managers approve overtime or state employees without regard. They, after all, are not the ones who have to pick up the tab. State taxpayers are. In addition, with overtime pay being included in the final average salary computation for retirement benefits, the incentive to give and accumulate overtime payments is doubled. Not only does the state employee get the cash on hand now, they get the cash on hand later upon retirement.

Information from the Department of Correction emphasizes this fact. Those employees that have more years of service accumulate more overtime than those with less state service. On average, those with more than 17 years of state service accumulated over $19,000 in overtime pay. The abuse of overtime is not isolated to the Department of Correction however. In their analysis of Southbury Training School, the ARC of Connecticut found that 95% of employees at the training school were paid overtime and that the average rate of overtime was 50% over base pay. Taxpayers deserve better. These expenditures need to be under control before any critical social service program is cut and before any tax is increased.

The Blueprint for Prosperity includes a complete overhaul for how the state tracks and appropriates dollars for overtime. The budget recommends that the Office of Legislative Management create a new Office of Overtime Accountability which will be charged with the management of overtime expenditures to not exceed $150 million statewide in FY 2016 and $100 million in FY 2017. With a budget of $150,000, this new office will be charged with being the fiscal steward for the state with regards to these expenditures by tracking overtime, monitoring trends and providing analysis to ensure the state is on track to reduce reliance on overtime. This new office will also be charged with maintaining appropriate contact with the co-chairs and ranking members of the Appropriations Committee regarding this 'right-sizing' of a controllable expense.

We recommend that overtime is reduced using a variety of methods that meet the unique needs of each agency and department. For example, we recommend booking overtime shifts 24 hours in advance instead of weeks in advance to ensure overtime shifts are only utilized if truly needed. We also recommend filling all overtime roles with employees from an appropriate job level so that higher paid employees are not covering overtime shifts intended to be filled by lower paid employees. We propose holding individual managers responsible for meeting reduction targets and overseeing overtime and use efficiency of overtime use as a factor when assessing a manager's performance. Our plan also recommends the state, in negotiating labor contracts, requires employees fulfill a 40 hour work week instead of the 35 hour work week that currently limits and burdens agencies making it difficult to avoid overtime.

HOSPITALS

Originally enacted in 2011, the Hospital Provider Tax was enacted for the sole purpose of receiving a federal match which would help the state with its constant budget woes. Hospitals were actually supposed to benefit by the imposition of the tax to the tune of $50 million. The neutrality to hospitals from the imposition of this tax however started to take a turn for the worse beginning in FY 2013 when reductions in reimbursement began to be implemented. In fact, reductions to hospitals have resulted in our non-profit hospitals being a net taxpayer to the state of $253.5 million in FY 2015.

The governor has recommended that the original Hospital Provider Tax be rebased to use FY 2013 net patient revenue data as opposed to the 2009 data that is currently used. In addition, in an attempt to get as much revenue as is absolutely possible from the hospitals, the governor has recommended increasing the outpatient tax rate from 3.83% to 5.5%. The administration clearly regards the hospital industry as an easy sector to grab money from. As the Office of Policy and Management Secretary Benjamin Barnes stated during a recent Finance, Revenue and Bonding meeting after being asked why the governor continues to target the hospitals, "Why do you rob banks? That's where the money is."

Under the governor's proposal after consideration of the payment made back to the hospitals, the net financial benefit to the state is $428.4 million. As the governor has recommended, hospitals will all be taxed uniformly at the 5.5% rate and while all of the additional money collected will go back to the hospitals, the reductions already made in previous budget adjustments are embedded in each individual hospital's total fiscal impact.

In addition to the Hospital Provider Tax, the governor is also recommending to withhold revenue that should have been distributed back to the hospitals retroactively back to FY 2014 and then continuing into the future. In addition, the governor is recommending eliminating the very popular Small Cost Hospital Pool in order to save $5.1 million annually. For a hospital that received these dollars the impact of this program's elimination will be significant. For example, under Governor Malloy's budget recommendation, Bristol Hospital will be out of $3.2 million as opposed to being a net payer to the state of $1.7 million.

Unfortunately for the hospitals, it appears that given the state's financial problems the governor's recommendation is all but a foregone conclusion. Hospitals will realize an increase in their payment to the state irrespective to each individual hospital's ability to pay. We believe that a hospital's ability to pay and general fairness must be factors. Therefore this alternative budget includes specific recommendations that will help lower-cost small hospitals statewide.

With regards to the Hospital Provider Tax, this budget recommendation starts from scratch and eliminates the current hospital tax structure. In return, we propose that hospitals be taxed 5.5% on their inpatient net revenue using the 2013 revenue data as compiled by the Office of Healthcare Access. The imposition of this tax will collect a total of $272.4 million. The total sum that is collected under this new Hospital Provider Tax will be sent directly back to the hospital industry. In doing so, the state will receive $182.5 million from the federal government.

Everyone who speaks frankly about the taxation of hospitals must concede that hospitals are important net taxpayers for the state. In an attempt to be fairer in terms of the collection of the total tax revenue the state receives from hospitals, this alternative budget recommendation proposes to implement a tax on net outpatient revenue that has progressive rates ranging from 0% to 7% as outlined in the chart below.

Proposed New Outpatient Tax Structure:	
less than $75 million	0.0%
$75 m - $100 m	3.0%
$100 m - $200 m	4.0%
$200 m - $300 m	5.0%
$300 M - $400 m	6.0%
greater than $400 million	7.0%

Using approximately $40 million of the revenue gain will reduce the hospital industry's tax burden from $428.4 million to $389.0 million. The progressive nature of the hospital tax will also allow the legislature to maintain the governor's recommended elimination of the Small Cost Hospital Pool since those hospitals that benefit from that program will be exempt from this new taxation. Take Bristol Hospital again for illustrative purposes, in the current fiscal year this small hospital is a net taxpayer to the state to the tune of $1.7 million. Under Governor Malloy's proposal the hospital will be net taxpayers of $3.2 million. Under this alternative proposal, Bristol Hospital will not be a net taxpayer at all. Instead, they will benefit from the Hospital Provider Tax by $930,914. Therefore, this proposal helps this small hospital to the tune of $4.2 million.

Overall, the governor's proposed budget would *cost* the hospital industry an additional $377.5 million, while the Republican alternative will *benefit* the hospital industry by $102 million in FY 2016 and $142.6 million in FY 2017. All health care systems will come out as net winners. One individual hospital will have a net loss under our proposal: Yale New Haven. However, when factoring in all other hospitals owned by Yale New Haven, the company comes out as a net winner under this proposal as well. It is also important to note that between 2009 and 2013 Yale New Haven has seen a whopping $1.13 billion in net revenue. One can argue that such an organization can afford to pay more than other hospitals, especially small community hospitals.

To reiterate, this alternative budget recommendation does not propose capping the utilization of business and hospital tax credits as recommended by the governor. Therefore, it is entirely conceivable that hospitals including Yale can eradicate their tax liability to the state by purchasing and utilizing the Urban and Industrial Tax Credits as they have been doing in the past few years. Not enacting this provision not only helps Connecticut hospitals it also promotes economic development in Connecticut's urban centers – a win-win for the entire state of Connecticut.

Rate Reductions

It has come to our attention that in an attempt to deal with the current FY 2015 budget deficit that the governor has *unilaterally* enacted rate reductions under Medicaid. While on one hand the governor is touting healthcare affordability, he is also making healthcare more expensive and even reducing the availability of medical care as more and more doctors and medical groups refuse to take on Medicaid patients as a result of low reimbursement payments. Lowering reimbursement rates could force doctors to stop accepting Medicaid coverage, and therefore could create a very dangerous problem that we are already witnessing this year. Cuts up to 40% in ob-gyn Medicaid payment rates went into effect April 1, 2015 and could leave many pregnant women with very little options for care as doctors cannot afford to make up the costs. These policy decisions to cut rates are being done without any public input or legislative approval. The governor's budget includes $136 million in rate reductions to providers, with savings of $27.7 million in 2016 and $28.7 million in 2017 reflecting the reductions already made. This alternative budget reduces these reductions. We cut the proposed Medicaid rate reduction in half in FY 2016 (from 5.6% to 2.8%) and we completely eliminate the governor's proposed reduction in FY2017. Our proposal contains reductions totaling only $26.6 mill in FY 2016 and $5.3 million in FY 2017. In addition, we recommend requiring the Department of Social Services to come before the Regulations Review Committee prior to implementing any modifications to rates in the future to ensure a transparent government that allows for public input.

PROBATE COURTS

The Probate Court system in Connecticut is the court of the people. It is responsible for overseeing issues of probate, administration of estates, wills and distribution of assets. In recent years, the system has also handled cases involving children or adults who need to be cared for by others. This includes issues related to mental health, absent parents, adoptions, substance abuse, and intellectual disabilities. Despite the clear importance of the Probate Court and its essential government role, the governor's proposal would cut all state funding, totaling $14.8 million in fiscal year 2016 and $17.4 million in fiscal year 2017. Our alternative budget would restore $12.5 million in funding in fiscal year 2016 and $15.1 million in fiscal year 2017. By restoring 80% of funding, we direct approximately $28 million back to Probate courts.

VETERANS HONOR GUARD

The Blueprint for Prosperity recognizes the necessity of preserving honor for our veterans. Our proposal recommends restoring full funding for the Connecticut Honor Guard detachments at veterans' funerals. The governor's budget calls for a cut of approximately $470,000 that would eliminate many military honors at veterans' funerals including the playing of "Taps" and rifle teams which discharge graveside salutes. We believe such a cut is disrespectful of Connecticut's veterans who sacrificed, served and protected our nation, our state, our freedoms and our way of life.

ENVIRONMENT

We believe in working together to protect and enhance the environment in Connecticut for today and for future generations. While the governor has proposed reducing funds for state parks and outdoor recreation programs, we see great value in preserving and celebrating our outdoor resources. State parks in Connecticut generate over $6 million annually through admissions and fees and enable residents to enjoy our state's natural beauty, history and recreation. Our alternative budget recommends restoring current funding for Connecticut state parks. We also do not recommend closing the Kensington Fish Hatchery or the pheasant stocking program as the governor has proposed. Hunting and fishing are important recreation programs that allow many residents to appreciate and celebrate the local environment. We also advise against raiding the Community Investment Act, which the governor proposes to do in his budget. This provides support for open space protection and farmland preservation – both of which we see great value in protecting.

BOARD OF REGENTS

Regarding higher education, our budget proposal recommends modifying the Board of Regents which has proven inefficient in managing funding for state colleges. The Board of Regents was consolidated four years ago by the governor as a way to reorganize a governing board to improve quality and make state colleges more affordable and more accessible. In recent years, the Board's effectiveness has come into question especially regarding how much money has actually been saved. This past year, for example, the Board received more than $700,000 in raises for college administrators, just months before they announced they needed to shutdown Middlesex Community College in Meriden to save money. The Blueprint for Prosperity would eliminate the Board of Regents in its current form to create an environment where more cost savings can be realized and schools can focus on what is in the best interest of their students. We are proposing a board that acts as purely an administrative supporter and central office. We would eliminate the president and two vice presidents and instead add an executive director to oversee the board. The board would centralize functions such as Information Technology and Human Resources. Each independent college would operate using its own budget staff and would not be tied to the decision making of the inefficient board in its current form and role. These changes would save approximately $326,000 per year.

LIBRARIES

Libraries are hubs for education, community and opportunity. We fully support the good work of these centers and the many programs that make our libraries gateways to learning and technology for everyone. The governor's budget has made approximately $3.5 million in cuts to our libraries that we do not support. Our budget proposal therefore restores all funding to Connecticut libraries. This includes $1 million for the Connecticard program which reimburses local libraries for loaning books to people who live in a different town to ensure access to one library means access to all libraries. This also includes funding for the Connecticut Library Consortium which enables libraries to coordinate statewide purchasing contracts, thereby saving libraries approximately $7 million annually.

TOURISM

Tourism is vital to sustaining and growing local economies across the state. Tourism not only benefits individual tourist venues, but also has a positive impact on all local businesses. When people come to Connecticut to visit a museum, for example, they also may spend some time shopping nearby or eating in a local restaurant. The chain reaction organic to tourism is of great value to our state and is relied upon by many employers to sustain business.

While the value of tourism is evident, the best way to support its growth has been debated. The governor's proposed budget would fund state tourism advertising with $12 million but would cut over $7 million from individual tourist attractions that rely on state funding as well as eliminate funding completely for the state's three regional tourism districts. We believe funding the governor's marketing campaign does not have as much value as supporting the local tourism experts and the individual venues and organizations that anchor CT tourism. Therefore, the Republican alternative budget reduces the amount of funding for the governor's grand scale advertising campaign to $2 million, and instead funds all current cultural appropriations under DECD including tourism districts. While the governor's proposed budget would cripple attractions that have already created their own budgets counting on state aid, our proposal would restore all funding to local venues and organizations, including the Connecticut Humanities Council, Mystic Aquarium, local arts councils, Beardsley zoo and many more.

ELIMINATING BURDENS ON INSURANCE COMPANIES

The governor's budget includes a proposal to move almost $9 million in annual expenditures and non-insurance related programs from the General Fund to CT's Insurance Fund, thereby moving inappropriate costs onto Connecticut insurers including home and auto insurers. The state assesses Connecticut insurers in order to cover the costs of programs funded through the Insurance Fund. Assigning new expenses to this fund will translate to increased taxes on insurers, which will likely lead to increased insurance premiums and fees on consumers.

Republicans believe these public health expenses, which include costs such as breast and cervical cancer detection, AIDS services and venereal disease control, should be paid for by the state not by the state's insurance industry including nonmedical insurers. By moving these costs to the Insurance Fund, the governor is skirting responsibility and putting added burdens on insurers and therefore their customers as well. Our proposed budget recommends keeping these expenditures where they belong, in the General Fund, to remove a new burden on Connecticut insurance companies.

SAFEGUARDING CONNECTICUT'S WATCHDOG AGENCIES

When the Office of Governmental Accountability (OGA) was created four years ago it was intended to give small agencies back office support and therefore give the state consolidation savings. Recently, the director of OGA indicated that she answers only to the governor, which raises some serious questions about her oversight of agencies that must operate unbiased and free from the influence of the governor's office. Republicans expressed concerns early on that the merging of the state's critical and sensitive watchdog agencies under a gubernatorial appointee could be problematic. That possibility has materialized more than once with questions of impropriety.

The Office of State Ethics, the State Elections Enforcement Commission and the Freedom of Information Commission are critical to ensure that the state operates in a manner that is consistent with state law. There should never be an occasion where Connecticut citizens are left wondering if their governor is exerting undue influence over their normal course of business. Nor should one question the propriety of the state's election processes. Therefore, we are recommending to consolidate the state's watchdog agencies currently under OGA by moving them to a new Office of the Inspector General under the Judicial Branch. We also recommend transforming the remaining agencies under OGA into a SmART team, eliminating 5 positions.

TRANSPORTATION

The Special Transportation Fund (STF) is estimated to be in deficit beginning in FY 2018. The Blueprint for Prosperity looks ahead, past the biennium and outlines a clear path to shore up the STF beginning in 2018 as part of our long term initiatives.

The following chart provides some context for the deficit as estimated by the Office of Policy and Management.

	Current Law				
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Annual Surplus/(Deficit)	108.6	58.7	(26.4)	(125.6)	(221.4)
Impact of the Governor's Proposal on the STF					
Annual Surplus/(Deficit)	65.4	9.9	(110.7)	(253.7)	(393.9)
Proposed Increased Transfer to the STF			112.0	255.0	400.0
Proposed Annual Surplus/(Deficit)			1.3	1.3	6.1
Governor's Proposed Exacerbation of STF Deficit		48.8	84.3	128.1	172.5

As the chart details, the anticipated deficit in the STF is currently estimated at $26.4 million. There are many factors attributing to this deficit including the following:

- As vehicles have become more fuel efficient, the tax collection of the Motor Vehicle Fuels Tax and the Petroleum Gross Receipts Tax have been naturally decreasing.

- The number of vehicle miles traveled per capita has also been decreasing in the state
- Required statutory transfers from the General Fund to the STF have not been made in whole or in part throughout the history of the STF, and
- Personnel expenses in the STF grow at a faster rate than the revenues that are deposited into the STF.

Currently the sales tax generated from casual motor vehicle sales, meaning between individuals, is rightly deposited into the STF. However, the sales tax generated from the sale of motor vehicles from a licensed dealer is deposited into the General Fund. This budget recommends modifying state statute to require that any such revenue be deposited directly into the STF. In addition, there are numerous other transportation or motor vehicle related fees and licenses that are deposited into the General Fund instead of the STF. We propose that the Office of Fiscal Analysis in consultation with the Office of Legislative Research be charged with developing a comprehensive list of such licenses, fees, and fines so that the General Assembly can modify the statutes accordingly to ensure that anything transportation related be deposited into the STF.

We are also recommending the institution of new fees for applications that are submitted to the State Traffic Commission. Currently, a significant development can consume countless hours of staff time at the Department of Transportation but there is no financial consideration for such state time. It is understood that current fees are significantly lower than other states and have not been updated in many years. The Office of Fiscal Analysis in consultation with the Office of Legislative Research will also be tasked with recommending a tiered structure that considers the level of development to be considered. It is also recommended that an analysis of other state's structures be considered.

To secure this funding, we support implementing a "lockbox" on the STF to ban current and future lawmakers from raiding funds meant for the state's transportation needs. A constitutional amendment is also needed to ensure that these protections are not easily altered. Unlike our constitutional cap on state spending, a constitutional amendment protecting transportation funds must be clear and enforceable.

We would also submit that the $100 billion initiative as put forth by the governor is not achievable given the size and population of the state. In the history of the world, only four $100 billion transportation projects have been implemented. These include the country of Mexico, the country of Columbia, the province of Ontario, and the state of California's high speed rail project. The population and size of these countries and state pale in comparison to the state of Connecticut. One only needs to remember the Pearl Harbor Bridge in New Haven took over 25 years *so far*. In addition, the governor's proposal lacks a funding source. Tolls will not come close to paying for this initiative, and many fear we are being setup for another tax hike disguised as a transportation project.

Republicans have offered a strong, viable alternative transportation plan. While the governor dismissed our plan in a superficial and disingenuous manner, no one has pointed to any substantive reason why our plan should not be adopted. Our plan does not result in increased debt service and provides a realistic structure to achieve significant improvements, prioritize safety and live within our means. By looking towards our future and beyond the budget biennium, the Blueprint for Prosperity clearly defines how to ensure the security of our state's STF so that any transportation plan can be successful.

DEBT SERVICE

Capping General Obligation Allocations

Coordinating with our long-term transportation plan, we too recommend the implementation of a hard annual bond allocation cap. We recommend that the governor be limited to no more than $1.8 billion of General Obligation allocations in each of the upcoming fiscal years dropping down to $1.6 billion in FY 2019 and thereafter. The enactment of this provision will save the state hundreds of millions of dollars in unnecessary interest expenses. The governor has recently announced his intention to allocate $2.5 billion of General Obligation bonds in this calendar year. State taxpayers simply cannot afford such reckless utilization of the state's credit card and such actions will undoubtedly catch up with the state with fixed debt service expenditures.

Bond Premiums

When the governor presented his budget he failed to highlight the fact that he proposed to underfund the state's debt service appropriation to the tune of $305.3 million. Such an underfunding is dangerous to not only investors and the state's credit rating but also for state taxpayers who would be on the hook for increased fixed costs over the twenty-year life of the bonds that would be issued over the next two years. This estimate also relies on a soft bond cap estimate around $1.9 billion – what the governor borrowed last year. However, we have already heard from the governor this year that the soft bond cap will be closer to $2.5 billion. The discrepancy in these numbers highlights the variance in the governor's budget and raises many significant questions.

In the Republican alternative budget, we aim to eliminate the uncertainty as much as possible, not add to it. Our budget recommendation increases funding for debt service to the level that was recommended by the debt management specialists employed by the State Treasurer. Further, this budget recommends that any amount of premium received above $34.1 million be utilized by the State Treasurer to pay off outstanding bonded indebtedness. By utilizing $34.1 million as a cut off, we are employing a number is in line with the average amount of premiums typically received by the state for G.O. bonds prior to the dangerously excessive utilization of premiums realized under the current administration. We are also using a number that is significantly below the Treasurer's recommended minimum amount for debt service of $82.9 million in FY2016 and $95.4 million in FY2017. By utilizing a number of approximately $34 million annually we are keeping Connecticut in line with budget norms in place before the governor's explosive bonding hit the state.

LONG TERM INITIATIVES

The majority has driven our state down a path of overspending, over borrowing, and extreme financial dilemma. The status of Connecticut's finances is shocking. Despite severe fiscal woes, we have presented a budget that realistically works with what we have been given and addresses our state's challenges. We have proposed a way to provide funding for those most in need, to preserve core programs and to meet the responsibilities our governor has chosen to ignore. But we believe we need to do more to forge a new path to restore our state's fiscal health for the future. We believe we must promote long term budgeting that meets government's fundamental obligations and empowers people to succeed. Therefore, as part of our Blueprint for Prosperity, we are also calling attention to the vitality of the long term initiatives within our budget.

These initiatives aim to put Connecticut on the right path to grow and flourish:

- **We outline a method to reduce debt service** by instituting a bond allocation cap and a new policy to use excessive bond premiums or any other lapse in the debt service account only for the payment of outstanding debt. The excessive allocation of GO bonds by the governor, currently unchecked by the legislature, will not only impact future generations, but will also begin to have a negative effect on Connecticut within the next two years. We need to address this problem now to build a better future for tomorrow.

- **We identify labor savings that roll out into the future and aim to reduce excessive overtime costs** by creating a new Office of Overtime Accountability.

- **We address problems related to pension benefits** by recommending the exclusion of overtime and legislative mileage from the calculation of pension benefits and by transitioning new employees to a new hybrid defined benefit/defined contribution pension plan.

- **We recommend moving all temporary, part-time seasonal state employees to a FICA Alternate Retirement Plan**

- **We save money in the future by reducing Citizens' Election Fund grants** by increasing the maximum contribution to $250 and eliminating grants to unopposed candidates.

- **We fully fund a $67 billion transportation improvement initiative** over the next 30 years that will enable the state to make our roads and bridges safe, improve traffic congestion, and get people moving in and around our state more efficiently.

- **We propose a plan to shore up the STF beginning in FY 2018** to ensure transportation initiatives across the state have reliable funding.

- **We lay the groundwork for privatization planning** by recommending the installation of a ***Privatization Planning Committee***. This committee would involve a small working group of various stakeholders to identify opportunities to contract out state services, which historically are more efficiently provided by private companies. Once those opportunities are identified, those services and/or functions should be competitively bid to private companies. Savings could then be used to increase rates to efficient private providers. We also request immediate attention regarding privatization be directed via the Department of Motor Vehicles to better track the savings of using AAA and to maximize the use of AAA services with goal of achieving greater savings in future budgets.

- **We propose expanding the implementation of the LEAN Efficiency Program,** which is a waste-reduction technique that examines an agency's processes, identifies and eliminates redundancies to ultimately expedite services for taxpayers while doing more with existing resources.

- **We propose requiring a review of UConn professor workloads,** and make policy recommendations, which may include parity in compensation for professors between UConn and the CSU system.

- **We propose the creation of a feedback web site** that is available to Connecticut citizens so that they will be able to provide feedback and make recommendations about ways that state government can save money and make its operations more efficient.

- **We call for reform of the State's Vehicle Use Policy** to provide less flexibility in union contracts, which are allowed to override the state's policies in many cases.

- **We request the Office of Policy and Management to review**:
  - state government fuel costs and usage and to make recommendations to reduce such costs.
  - state government cell phone allowance and purchase and to make recommendations to reduce such costs.

CONCLUSION

The state of Connecticut is facing significant challenges caused by the mismanagement of our state's budget at the hands of the majority in recent years. In light of these challenges, the governor has offered a solution that balances the state budget on the backs of the most vulnerable. Republicans in Connecticut disagree with the governor's rash and draconian cuts. Instead, we offer a plan of reforms and long term planning to put Connecticut on a better path.

We intend for the Blueprint to Prosperity to start an important conversation about shifting the way our state budgets for today and plans for tomorrow. Republicans urge state lawmakers to reflect on the core responsibilities of government and to reassess priorities. If our state fails at protecting the most vulnerable, if our state makes it more difficult to grow jobs, and if our state makes it less pleasant to live in Connecticut, how can we hope to grow and flourish? We have to build a budget that is smart, balanced and accountable to both the current generation and future generations. We have to think in the long-term and we have to make decisions that protect, support and empower our citizens.