Budget CONNECTion$

A Connecticut Voices for Children
Issue Brief

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Spending Changes in the Governor's Proposed FY 03-05 Budget: Toward A Connecticut We Won't Like, and a Connecticut We Can't Afford

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I. Overview

On March 4, 2003, Governor Rowland presented his proposed budget for the FY 2003-2005 Biennium to the General Assembly. In addition to the statutorily-required budget documents released that day – the Governor's Recommended Budget,[2] the Governor's Budget Summary,[3] the Governor's Economic Report,[4] and the Three-Year Forecast[5] -- the Governor also released a *FY 2003-05 Biennial Budget Introduction Supplement.*[6] This supplement was necessary because the many changes in revenues and spending included in PA 03-2,[7] which the Governor signed less than a week before his budget address, could not be incorporated into the budget documents before they went to press.

As this *Supplement* indicates, "in all cases, no reliance" should be placed on all references in the Governor's published Recommended Budget and Budget Summary to "estimated expenditures" in the current fiscal year since the deficit reduction plan the Governor had included in his published budget "is substantially different from the one passed by the Legislature." The supplement also makes significant changes in the revenue sections of the published budget, in municipal aid sections, and in various other tables and charts. In short, it is *imperative* that advocates print out a copy of the Supplement at it supercedes important sections of the published budget documents.

In addition, unlike in prior years, the bill to implement the Governor's proposed budget not only includes the proposed changes in various appropriations but also budget implementer language. At 264 pages, HB 6548, An Act Concerning the State Budget for the Biennium Ending June 30, 2005 and Making Appropriations Therefor, is a formidable document with many, important proposed substantive changes to the law, including a school voucher program, elimination of all state funded general assistance (after a 350-year state commitment to provide such aid), the consolidation of many agencies and the elimination of others.[8]

CT Voices' summary of the Governor's proposed SFY 03-05 budget has two parts. The first part summarizes revenue changes made to address the remaining SFY 03-05 deficits.[9] This second part of the summary focuses on the proposed changes in spending and, where relevant, makes comparisons between the spending changes the Governor proposes for FY 04 and past appropriations to various budget accounts. In addition, this second part will briefly discuss some of the other substantive changes proposed in HB 6548. In addition to the proposed FY 2003-2005 *Budget*, *Budget Summary*, *Budget Introduction Supplement* and OFA brief summary, this report relies on

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2 http://www.opm.state.ct.us/budget/2004-2005BudgetBooks/BigBookContents.htm

3 http://www.opm.state.ct.us/budget/2004-2005BudgetBooks/SummaryContents.htm

4 http://www.opm.state.ct.us/budget/2004-2005BudgetBooks/EconomicReport/EconRpt.pdf

5 http://www.opm.state.ct.us/budget/2004-2005BudgetBooks/OutYears/3YRForecast.pdf

6 http://www.opm.state.ct.us/budget/2004-2005BudgetBooks/SupplementNarrative.pdf

7 For a summary of PA 03-2, see S. Geballe, *Addressing the FY 03 Deficit: The New Budget Bill & How It Compares to the Vetoed Bill: HB 6495, AAC Modifications to Current and Future State Expenditures and Revenues* at http://info.med.yale.edu/chldstdy/CTvoices/kidslink/kidslink2/reports/PDFs/SummaryofBudgetBillSignedByGovernor.3.1.03.PDF. The text of PA 03-2 is at http://www.cga.state.ct.us/2003/act/Pa/2003PA-00002-R00HB-06495-PA.htm. The analysis of this Act by the non-partisan Office of Fiscal Analysis is at http://www.cga.state.ct.us/2003/fn/2003HB-06495-R01-FN.htm with a correction at http://www.cga.state.ct.us/2003/sfn/2003HB-06495-R01-COR.htm.

8 The bill, as introduced, is at http://www.cga.state.ct.us/2003/tob/h/2003HB-06548-R00-HB.htm

9 S. Geballe, *Revenue Changes in Governor Rowland's Proposed FY 03-05 Budget* (CT Voices for Children, March 12, 2003, 2002), available on www.ctkidslink.org.

explanatory and interpretive data and testimony provided by the various Commissioners to the Appropriations Committee and its various Subcommittees through March 26, 2003.

II. The Proposed FY 03-05 Budget In Short

Total proposed spending. The following table shows changes in funding for the three largest budget funds in Connecticut, as well as for the total state budget (including 7 smaller funds not here listed).

Comparison of Various Budget Funds: FY 02-FY 04 Proposed (in thousands)					
	FY 02 (actual)	FY 03 (as revised)	FY 03 (estimated actual)	FY 04 Current Services	Gov's proposed FY 04
General Fund	$11,662,265	$12,091,804	$12,139,800	$13,632,701	$12,476,497
Transportation Fund	$845,457	$903,162	$892,400	$939,374	$898,761
Mash. Pequot & Mohegan	$135,000	$134,220	$106,000	$135,000	$85,000

Spending growth. The *total* all-Funds Budget proposed by Governor Rowland is $13.543 billion in FY 04 and $14.116 billion in FY 05. The proposed FY 04 budget is $318.3 million more than estimated FY 03 spending (2.3%). Adjusted for inflation, the proposed FY 04 budget is *less than* estimated spending in FY 03. This would be the *second* straight year of 0 or negative growth in real state spending.

These consecutive "no growth" budgets[10] are of concern given the increased demands on state services from the declining economy and homeland security requirements, and the continued need for public investments in health, education, and transportation if we are to keep Connecticut economically competitive. A number of the changes proposed in this budget, like those in recent prior budgets, will actually undermine Connecticut's economy by increasing the ranks of its unemployed, reducing state supports essential for many parents to remain in the labor market, and cutting funding for the education and health programs essential for children to develop able to compete in a global economy.

Spending cap. Based on the Governor's General Fund revenue estimates and the significant *new* proposed spending cuts in his budget, the Governor is projecting a *slight surplus* for both fiscal years. The Governor explains, "In an effort to be as fiscally prudent as possible in these uncertain times, the spending restraint proposed by the Governor in the first year of the biennium goes well beyond the dictates of the spending cap." Indeed, the Governor has calculated that based on his recommended "all fund" appropriations, the state budget will be under the state spending cap[11] by

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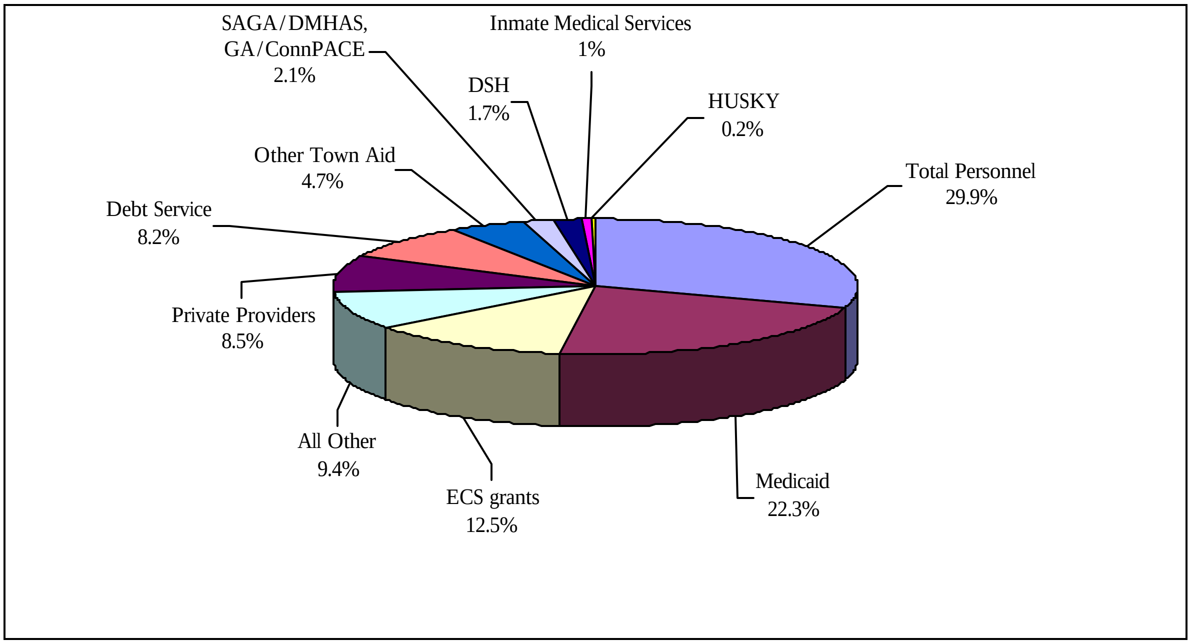
10 Importantly, steep growth in some budget accounts squeezes out state spending on other essential programs. Areas of greatest growth include state employees and retirees' health insurance, teachers' retirement pension fund and state employee pension fund, and debt service. *Governor Rowland's FY 2003-05 Biennial Budget Introduction Supplement, Replacement Graphics*, p. 1

11 For a brief summary of the spending cap, see S. Geballe, *Connecticut's Spending Cap* at http://info.med.yale.edu/chldstdy/CTvoices/kidslink/kidslink2/finance/tax%20and%20budget/code/shortspendingcap.pdf

$333 million in FY 04 and $65.6 million in FY 05.

General Fund spending. The General Fund is the largest budget fund, and the source of virtually all spending on programs for children, youth and families. In FY 03, the General Fund budget was about $12.14 billion. The following chart illustrates where these funds are being spent in FY 03:



Governor Rowland's proposed FY 04 and FY 05 General Fund budgets. The Governor proposes a $12.477 billion General Fund budget for FY 04 and a $13.026 billion General Fund budget for FY 05. To put these numbers in some perspective, the proposed FY 04 General Fund budget is:

- $1.156 *billion less* than the FY 04 Current Services Budget of $13.633 billion. The Current Services budget is the budget necessary to provide the same services in FY 04 as were provided in FY 03 taking into account inflation, projected changes in caseloads, completion of projects, and other scheduled or required changes.
- $385 million *more* than the revised FY 03 General Fund budget ($12.092 billion).
- $337 million more than the actual estimated General Fund spending in FY 03 ($12.14 billion)[12]
- Just $46 million *more* than the FY 03 General Fund budget as it was originally adopted in 2001 ($12.432 billion).

Loss of federal funds. The Governor's proposed budget would result in a net *reduction* of federal revenues of $16.0 million in FY 04 and $64.2 million in FY 05. This is *in addition to* the federal revenues that will be lost through the changes made in PA 03-2 – an additional $13.8 million in FY 03, $43.7 million in FY 04, and $43.7 million in FY 05.

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[12] NOTE: The growth in General Fund spending from FY 02 to FY 03 was only 1.9%. In inflation-adjusted ("real") dollars, there was *no* growth, despite the demands on state services from a sagging economy, homeland security costs, and continued growth in health care spending.

This *loss* of federal funding at a time when the state is in such great need of additional revenues results from reduced federal reimbursements that result from the recently-enacted and proposed changes to the Medicaid program ($85.7 million in FY 04 and $133.4 million in FY 05) offset by anticipated increase in federal reimbursements received against other entitlement programs (such as foster care).

General Fund spending growth. With proposed FY 04 General Fund budget at just $337 million over estimated spending in FY 03, the General Fund's budget growth would be just 2.8%. Adjusted for inflation, growth would be less than 1%. Areas of greatest spending growth in the General Fund budget (comparing estimated FY 03 spending to FY 04 Current Services) include state employees' and retirees' health insurance, contributions to state employee and teachers' retirement pension funds, debt service, wages and salaries, and Medicaid.

Aid to Municipalities. Aid to municipalities under the Governor's proposed budget would continue to be reduced. *In total,* state aid to municipalities in the proposed FY 04 budget is $133 million less than the originally-adopted FY 03 budget, and more than $68 million below the FY 03 budget after mid-year cuts.[13]

Proposed total appropriations in both FY 04 and FY 05 for formula grants are *less than* funds appropriated in either FY 02 or FY 03, as seen in the following table:

Estimated Formula Grants to Municipalities (in millions)				
	FY 02 (actual)	FY 03 (estimated, after mid-year cuts)	FY 04 (proposed)	FY 05 (proposed)
Total	$2,237.2	$2,185.9	$2,133.6	$2,146.5
Sources: *FY 2003-2005 Governor's Budget Summary Supplement*, p. 6; *FY 2003-2005 Governor's Budget*				

Compared to current funding levels (i.e., FY 03 appropriations after the multiple mid-year cuts), the proposed FY 04 budget cuts Education Cost Sharing Grants by $28 million,[14] the Pequot and Mohegan grant by $21 million,[15] the PILOT grant for new manufacturing equipment by $8.4 million,[16] the town aid road grants by $3.5 million,[17] and special education funding by $37.3 million over the

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13 For more detail on changes in state aid to municipalities, see CT Conference of Municipalities, *Analysis-in-Brief of Governor's Proposed Budget: Impact on Cities and Towns* (March 4, 2003), available at http://www.ccmlac.org/

14 The Governor proposes a variety of formula changes that cut or level-fund aid to a number of towns, and that increase aid to others. These include eliminating the density supplement in each year of the biennium and continuing the 6% ECS growth cap and the $50 million in cap relief. Grants in FY 05 would be the same as in FY 04. The net result would be that towns would receive $170 million less in ECS funding over the biennium than current law would require.

15 The Governor proposes to fund this grant at $85 million each year. This is a $21 million cut compared to FY 03 after the mid-year cuts, and a cumulative $50 million cut compared to the originally-adopted FY 03 budget. In FY 04, only 21% of the Indian-gaming payments Connecticut expects to receive will be returned to towns.

16 The Governor proposes to cut state reimbursement for lost property taxes from 80% to 65% (and not allow towns to collect the difference). The Governor also proposes to restructure the Manufacturing PILOT to remove a number of activities and types of equipment not traditionally associated with manufacturing from the entitlement to property tax exemption (e.g., commercial trucks, video and sound recordings, machinery used in direct and indirect mail distribution). Beginning in FY 05, the property tax exemption would be available only for new machinery and equipment used by companies primarily engaged in manufacturing or biotechnology.

17 The Governor proposes to fund these grants at $12.5 million in FY 04 and in FY 05. This is $3.5 million/year less than FY 03 after mid-year cuts, $12.5 million less than the original FY 03 budget, and $22.5 million less than FY 02.

biennium.[18] The Governor proposes other changes as well that impact on state aid to municipalities.[19]

Importantly, reductions in state aid to municipalities does not start with this Governor's budget, and indeed did not start just this year. The depth of proposed cuts made in state aid to cities and towns is best understood by comparing the Governor's proposed budget to *actual FY 02 spending. Compared to FY 02,* the greatest reductions in the proposed FY 04 budget include: the Pequot grant (from $135 million to $85 million), Town Aid Road grant (from $35 million to $12.5 million), and the PILOT for New Manufacturing Machinery & Equipment (from $75 million to $47.7 million). The ECS grants proposed for FY 04 are increased over sums spent in FY 02 ($1.488 billion in FY 04 compared to $1.457 billion in FY 02), but are *less than* the funds appropriated in FY 03 ($1.515 billion).

Adjusted for inflation, aid to municipalities not only is less than it was in FY 02, it is less than it was in 1999. In FY 99, total statutory aid to municipalities was $1.97 billion --$2.15 billion in 2003 inflation-adjusted dollars. Proposed FY 04 funding is $2.13 billion.

Capital Spending. The Governor proposes a moratorium on discretionary bond projects; only school construction,[20] higher education, transportation and "emergency needs" will be bonded.[21]

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18 The Governor proposes to keep the reimbursement threshold for state funding for special education costs at 5 times the per pupil costs, rather than lower it to 4.5 times per pupil costs as current law requires. It also caps the grant at FY 03 funding levels in both FY 04 and FY 05.

19 Specifically, the Governor proposes to:

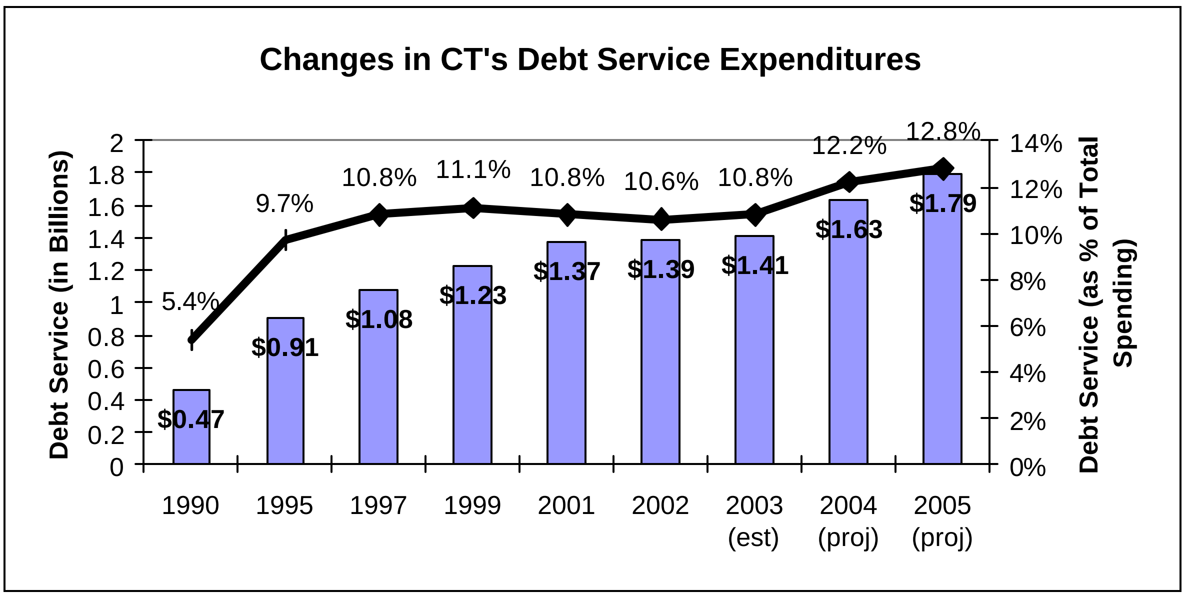
- Freeze PILOT payments for State-Owned Property and Private Tax Exempt Property at FY 03 funding levels ($65 million and $100.9 million, respectively). Full funding in FY 04 would have been $69.9 million and $104.5 million respectively.
- Eliminate the property tax exemption for the disabled
- Eliminate state reimbursement for the non-means tested portion of the veteran's property tax exemption but require towns to continue to offer the exemption (now available to about 185,000 veterans). This shifts $5.9 million in cost from the state to towns. State reimbursement for lost property tax revenues from the exemption for the 22,000 low-income veterans would continue.
- Change state law to allow towns to "bow out" of collective bargaining and arbitration for any unsettled contract for up to three years. The legislative body of a town would have to approve a resolution notifying a union with an open contract that it wants to keep the current contract language, including wage levels and benefits, at the status quo for one to three years. OPM asserts that this proposal "would provide relief of greater value than the total reductions in state aid to municipalities." *Governor Rowland's Budget Proposal, FY 2003-2005 Biennium,* March 4, 2003 PowerPoint presentation by OPM Secretary Marc Ryan.
- Repeal the statutory requirement that the Department of Motor Vehicles help towns collect delinquent property taxes and parking tickets by refusing to allow a person to register a motor vehicle if such taxes are due (a savings to the state of only $0.25 million, but a significant loss of tax revenues to the towns).

20 Previously-enacted changes cap the priority school construction list at $1 billion for December 2003 and December 2004 and lower reimbursement from 100% to 95% for the construction of Vo-Ag centers, regional special education facilities, and Inter-district Magnet schools. The Governor proposes to delay some of the projects on the December 2001 and 2002 lists, limit the December 2003 list to $600 million in new projects plus $400 million of projects on the December 2002 list, cap the December 2004 and 2005 lists at $600 million each, and cap future lists at $800 million. He also proposes to reduce for three years state reimbursement for new (but not delayed) school construction projects. Instead of a 20% to 80% reimbursement scale, new projects on the 2003-2005 lists will be reimbursed at 10% to 70%.

21 The Governor proposes to cancel $132 million in Urban Act bonding in FY 04 on top of the $154 million cut in FY 03, leaving $60 million for projects. He also proposes to cut $20 million for the Manufacturing Assistance Act (leaving $50 million), $100 million in Clean Water bond authorizations (leaving $25 million to match $100 million in revenue bonds), and about $10 million in bond funds for open space preservation. Projects in the Governor's bond package for

Despite this moratorium, long-term General Obligation (G0) debt will continue to increase by about $600 million/year, largely because of school construction. Net new GO authorizations for FY 04, including the UConn 2000 program, are $900 million (of which school construction is $488 million).

Importantly, debt service as a percentage of General and Transportation Fund expenditures will *continue* to increase, from 10.8% of all state spending in FY 03 to 12.8% in FY 05. Connecticut will spend $203 million *more* in debt service in FY 04 than it spent in FY 03. This continues a decade-long trend, as illustrated in the chart that follows. A cost of Connecticut's decade of bonding, including to evade spending cap restraints[22], is reduced budgetary flexibility. If current debt service expenditures were the same as they were in 1990 (5.4% of total spending rather than 10.8%), there would be an additional $714 *million* of funds available to meet other pressing state needs in this time of budgetary crisis.



III. Themes in the Proposed FY 03-05 Budget

Several themes emerge from the analysis that follows, and from the recently-adopted budgets that mitigated state deficits that began to emerge in FY 02:

Penny-wise and pound-foolish budget choices. Many of the spending cuts proposed in this budget, like those already adopted over the last two years, are penny-wise and pound-foolish. To achieve short-term financial "savings" they cut funding for programs that would avert far larger,

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FY 04 include $10 million for affordable housing, $20.1 million for an integrated tax administration system, $7 million (over two years) for repairs at the UConn law school, $10 million for prison infrastructure, $30 million for LOCIP (local capital improvement program), and $19 million to acquire 20 Church Street in Hartford (where the Governor proposes to re-locate state elected officials offices currently at 55 Elm).

22 The state spending cap limits the growth in state appropriated spending to the larger of inflation or a five-year rolling average of personal income growth (not counting, in income, capital gains income). Debt service is not counted under the cap. In the 1990s, a number of activities that should have paid for through the state'

long-term costs.

For example, the Governor's proposed budget would eliminate *all* state funding for a number of youth development program, such as Boys and Girls Clubs, though these programs are known to be effective at reducing juvenile delinquency. It would slash funding for Healthy Families, a program with demonstrated effectiveness in reducing child abuse. In addition, a number of the proposed changes in this budget would *reduce* the amount of federal funding coming into Connecticut – at a time when Connecticut could use *even more* federal aid. For example, health services provided to children through HUSKY B are reimbursed by the federal government at the rate of $0.65 for every dollar spent. Children will continue to get sick even if they do not have health insurance; providing health care in emergency rooms only when medical crises develop is neither cost-effective nor in the best interests of the children being served or those who rely on emergency rooms for true emergency care.

Balancing the budget on the backs of our children. This proposed budget, sadly, continues a two-year trend of eroding state funding for programs and services that enhance the well-being of our children, youth and families. The Governor's proposed FY 04 budget proposes steep reductions in funding for programs essential to the health and well-being of our poorest children and families (including child care subsidies, health care, food assistance, cash assistance), for programs with proven effectiveness in preventing child abuse, juvenile delinquency, and illness, and in programs that would narrow Connecticut's divides in educational attainment (including need-based scholarships, high quality early care and education programs, and education for our most at-risk youth).

Jeopardizing CT's public health and the health of CT residents. Connecticut currently is facing public health threats from bio-terrorism and naturally-occurring emerging diseases, the need to reduce the burdens of chronic disease in CT's aging population, and inadequate funding for proven cost-effective health prevention and promotion services. Yet, Connecticut is decimating its health and public health infrastructure with seemingly no integrated plan to mitigate the impact of multiple, deep cuts in essential health services. The Governor's proposed FY 04 budget continues this troublesome trend.[23]

Passing the buck to our cities and towns and to the next generation. This budget includes many false "savings" – cuts in aid to cities and towns and budget gimmicks (such as failure to fully fund pension contributions and increasing indebtedness) that shift costs to the next generation. The former will predictably result in increases in the property tax, a more regressive tax whose burden disproportionately hits seniors and others on fixed or decreased incomes. The latter will impose future costs on our children for responsibilities we should be bearing ourselves today.

[23] For example, the Governor's budget proposes eliminating health benefits for adults on state administered general assistance, freezing HUSKY B enrollment, and eliminating HUSKY A coverage for parents with incomes between 100-150% of the poverty level. Concurrently, it proposes to slash funding for community health centers, school-based health centers, and many primary prevention programs, while modestly increasing grants to hospitals for care to the uninsured. When Rep. Truglia asked DPH Commissioner Garcia at the Appropriations Committee hearing on DPH's budget how "we will treat the SAGA population while cutting community health services," Commissioner Garcia candidly answered, "We need to work as a system – we don't have a good answer. We are looking for answers." At the same hearing, Sen. Harp questioned how well hospitals will be able to meet the increased demand, noting that relying on hospitals "creates a squeeze on public health capacity if people have to go to the ER for their every need."

Reducing the effectiveness and openness of state government. Some of the "savings" this budget seeks to achieve would be at the expense of the effectiveness and openness of state government. Consolidation of the Freedom of Information Commission, the State Ethics Commission and the Elections Commission and providing the new Commission with a staff less than half the size of current staff would cripple these "watchdogs" of fair and open government; HB 6548 would, for example, also increase markedly the time within which requests and hearing about denials of request for information under the Freedom of Information Act must be acted upon.

The Governor proposes to eliminate funding for CTN –the television station that broadcasts statewide legislative hearings and other events at the Capitol. The Governor's proposed elimination of funding for other "watchdog" and advocacy efforts within or funded by state government (e.g., the Children's Health Council, Office of Managed Care Ombudsman, the four Legislative Commissions) and the proposed elimination of the requirement that state agencies publish annual reports poses similar threats to the vibrancy of our state democracy.

The Governor also proposes to eliminate or reduce the frequency of required inspections of various sorts. In addition, state employee layoffs have resulted in the closure of six DSS offices, four DOL offices, 3 DECD offices, multiple DMV offices, & the Industries Division of the Board of Education & Services for the Blind. Of particular concern are closures of DSS and DOL offices in areas not well served by public transportation and the delays in case-processing because of the office closures. The DSS Commissioner testified that the open DSS offices are "inundated."[24]

The Governor's recommended budget would *repeal* the requirement that Connecticut's budget conform to Generally Accepted Accounting Principles (GAAP).[25]

Transfer of additional authority and power to the Governor. HB 6548 would expand the Governor's authority and power in a number of ways. For example, it would exempt the Governor from current statutory limits on his budgetary rescission authority "to achieve collective bargaining and related savings" and allows the Governor to transfer funds from one agency to another to take "full advantage" of federal matching funds (both with FAC approval)(§§ 24, 21). The proposed consolidation of various commissions and agencies would result in the opportunity to appoint new governing bodies and executive heads (e.g., 11 members on the new Commission on Fair and Open Government, 12 members on the new Board of Regents of Higher Education and a new Chancellor for Higher Education). The bill also would authorize an "additional targeted early retirement program" comparable in incentives to that established by PA 03-2, "as needed to reduce the workforce through June 30, 2007" and would give OPM great discretion to devise and implement it.[26]

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24 Testimony of DSS Commissioner Wilson-Coker before Appropriations Committee, March 14, 2003.

25 PA 93-402 first required Connecticut to convert to a GAAP-based budget beginning with FY 95. This requirement has been deferred ever since. Connecticut relies on an "unusual system of budgeting. The state's modified cash accounting system that is used for budgeting purposes allows some revenues to be counted before they are earned while some expenditures are not counted for months after the liability arises." The current cumulative GAAP deficit- the state's true financial position when GAAP corrections are made -- is about $800 million. *The Comptroller's Report* (January 2001), p. 12.

26 OPM would have the "sole right to specify the window period and eligible employees" and allows it to be limited "by department or organizational unit or program with a department, by statewide job classification, and by job classification within a department" or "any other limitation" OPM determines is in the "best interest of the state." (§84)

IV. Proposed Changes in SFY 04 Expenditures

In reporting on proposed changes in SFY 04 appropriations, this report focuses on key changes in the budgets of agencies with particular impact on children, youth, and families.

Limitations of this summary. Importantly, what is presented herein as proposed SFY 04 spending is necessarily incomplete for three primary reasons:

Multiple programs in any given budget account. Many agency budget accounts fund a variety of programs and services. Therefore, how an agency will implement any specific budget reductions (or increases) in an account, and what particular programs and services will be affected, generally cannot be discerned from the proposed state budget.

Estimated lapses and built-in savings. Sections 22-3 of HB 6548 direct OPM to achieve $13 million in savings in personal services and $11 million in savings in other expenses across the state agency accounts, without specifying where such cuts are to be made.

Expanded rescission authority. Section 24 of HB 6548 exempts the Governor from statutory limits on rescissions and lapses to "achieve collective bargaining and related savings." Rescissions must be approved only by the Finance Advisory Committee (FAC). Section 31 makes a similar exemption for budget reductions pertaining to the total number of positions that any agency can fill (subject to FAC approval). Again, there is no specificity about what agencies will have such rescissions, and in what amounts.

The role of carry-forward funds. Sections 25-29, 31-33, 35-36, 38, 41, 43-45 of HB 6548 all would authorize the carry-forward of certain funds that were not expended by June 30, 2003 to be carried forward for use in SFY 04. While these carry-forward funds can help offset budget cuts being proposed in the accounts to which they are credited for FY 04, they do *not* provide funding *beyond SFY 04*. That is, *they temporarily minimize the impact of a cut in a budget account but do not eliminate the cut itself in years going forward.* This is another example of the use of one-time revenues to balance the budget.

A. Agency-by-Agency Proposed Spending Changes

The following section summarizes, agency-by-agency, key changes in spending proposed by the Governor. Unless otherwise specified, comparisons are made between the proposed FY 04 spending and the FY 03 budget as originally enacted since the *Budget Introduction Supplement* specifically directs that "no reliance" should be put on the references to estimated FY 03 spending in the Governor's Proposed Budget.

1. Changes Common to Multiple State Agencies

The proposed FY 04 budget includes a number of changes that are common to multiple state agencies: a) the continuation, and annualization, of cuts made last year as part of SFY 03 deficit mitigation; b) elimination of inflationary increases; c) transfer of various equipment expenses to a separate equipment purchasing fund; d) personal services "savings" from "layoffs necessitated by failure to achieve concessions;" and e) the elimination of all funding for unsettled collective bargaining contracts ($62.94 million in FY 04; $125.96 million in FY 05). While not all agency budgets include all five of these changes, they recur with frequency and consistency across many.

OPM estimates that the Governor's state employee layoffs and the Early Retirement Incentive Program (enacted in PA 03-2) will reduce the state's work force by "at least 4,544 after some refills of positions throughout the biennium." To date, 3,006 state employees have been laid off. More than 10,500 employees are eligible for the ERIP; 4,300 are projected to take advantage of it. OPM estimates that total General Fund and Special Transportation Fund "savings" from these workforce reductions will be $304 million in FY 04 and $310.8 million in FY 05.

2. Department of Education (SDE)

a. A bit of background. The SDE supports local school districts with research, planning, evaluation, leadership, educational technology, and other assistance. SDE's revised budget for SFY 03 ($2.005 *billion*), as originally adopted, was $20.1 million *less* than the original SFY 03 budget. SDE's revised SFY 03 budget is 16.6% of the total General Fund budget.

More than 90% of the Department of Education budget is distributed directly to school districts through 38 grant programs, including the Education Cost Sharing grants. The ECS grants in FY 03 total $1.516 billion. In addition, the Department operates 17 vocational-technical schools, 2 satellite schools, and a technical education center that serve more than 11,200 full time high school students and 7,700 part-time adult students – the state's largest secondary school system. The Department is also responsible for ensuring the quality of teachers by assessing and credentialing teachers and providing professional development opportunities.

Connecticut's K-12 public school enrollment is at a 22-year high in this 2002-03 school year – with nearly 576,000 students enrolled in the state's more than 1,000 public schools (4,500 more students than last year, and 100,000 more students than in 1990). Public school enrollment is expected to increase to about 583,000 students by 2005. While it is anticipated that more than 25,300 of Connecticut's nearly 32,500 graduating high school seniors will continue on to higher education, about 11% will not complete high school with their class (and more than double this proportion drop out over the four years of high school in our urban districts).

b. Proposed FY 04 budget. As shown below, the Governor's proposed FY 04 budget for SDE would be about $13.6 million *less than* SDE's revised FY 03 budget (*before* mid-year cuts),[27] and $154.1 million *less than* SDE's FY 04 Current Services Budget.

The table below shows the amount originally appropriated in the revised FY 03 budget, the FY 04 Current Services budget, and the amount proposed by the Governor for FY 04 for various SDE accounts. It also compares the Governor's proposed FY 04 budget to the FY 03 revised budget as

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27 This report does *not* compare the proposed FY 04 budget to the estimated FY 03 budget (i.e., the revised FY 03 budget less mid-year cuts and other adjustments) for two reasons. First, the *Biennial Budget Introduction Supplement* cautions against relying on the Budget Summary's estimates of FY 03 spending (after rescissions, lapses, and changes made by PA 03-2). Second, the *Supplement* asserts that some of the spending reductions in PA 03-2 are unattainable. Taking into account these limitations, the *Budget Summary* states that *estimated* General Fund spending in FY 03 for the Department of Education is $1,990.64 million.

originally adopted. Though not included in the table, a comparison between the Governor's proposed FY 04 budget and the FY 04 Current Services budget would show that in only two budget accounts does the Governor propose *increases* over the Current Services budget (the Open Choice Program, Magnet Schools). That is, *all* other budget accounts would be funded at amounts equal to or *less than* what is necessary to maintain current levels of service.

Department of Education	**FY 03 Budget (as revised)[28]**	**FY 04 Current Services**	**Governor's FY 04 Proposed**	**Governor's FY 04 Proposed Compared to FY 03 (as revised)**
	[$M]	**[$M]**	**[$M]**	**[$M]**
Personal Services	$119.649	$130.343	$120.535	$0.886
Other expenses	$12.860	$13.847	$13.554	$0.694
Equipment	$0.061	$0.835	$0.057	**-$0.003**
Other Current Expenses				
Education of Blind Children	$0	$0	$9.273	$9.273
Institutes for Education	$0.136	$0.136	$0.1360	$0
Basic Skills Exam Teachers (BEST) in training	$1.190	$1.226	$1.167	**-$0.023**
Teachers' Standards Implementation Program	$3.175	$3.180	$3.021	**-$0.154**
Early childhood program	$2.775	$2.783	$2.507	**-$0.267**
Development of Mastery Exams, Grades 4,6, & 8	$6.777	$6.966	$6.628	**-$0.149**
Primary mental health program	$0.500	$0.500	$0.500	$0
Adult education action	$0.281	$0.289	$0.267	**-$0.014**
Vocational-technical school textbooks	$0.500	$0.750	$0.750	$0.250
Repair of instructional equipment	$0.454	$0.454	$0.408	**-$0.045**
Minor repairs to plant	$0.393	$0.450	$0.411	$0.018
Connecticut pre-engineering project	$0.355	$0.355	$0.337	**-$0.018**
Jobs for Connecticut graduates	$0.200	$0.200	$0.200	$0
Resource Equity Assessment	$0	$0.447	$0.447	$0.447
Payments Other than to Local Governments				
American School for the Deaf	$7.497	$8.572	$7.553	$0.056
Regional Education Service Center (RESC) leases	$1.193	$1.600	$0.800	**-$0.393**
Regional education services	$2.923	$3.133	$1.600	**-$1.323**

[28] This column shows appropriated spending in the revised FY 03 budget *not* adjusted for changes made since the budget was adopted through rescissions and other spending reductions in PA 03-2.

Omnibus Education Grants, State Supported Schools	$3.476	$3.129	$3.129	**-$0.347**
Head Start services	$3.054	$3.054	$2.748	**-$0.305**
Head Start enhancement	$1.970	$1.970	$1.773	**-$0.197**
Family resource centers	$5.841	$5.841	$5.256	**-$0.584**
Charter Schools	$16.254	$16.471	$15.971	**-$0.283**
Grant Payments to Local Governments				
Vocational agriculture	$2.409	$2.409	$2.289	**-$0.120**
Transportation of school children	$45.410	$53.000	$43.410	**-$2.271**
Adult education	$16.910	$19.400	$16.910	$0
Health & Welfare Services Pupils Private Schools	$4.000	$4.600	$3.800	**-$0.200**
Education equalization grants	$1,516.250	$1,591.000	$1,488.000	**-$28.250**
Bilingual education	$2.241	$2.241	$2.129	**-$0.112**
Priority School Districts	$81.622	$83.908	$79.854	**-$1.768**
Young parents programs	$0.233	$0.233	$0.222	**-$0.012**
Inter-district Cooperation	$12.960	$13.323	$13.573	$0.613
School Breakfast Programs	$1.560	$1.603	$1.482	**-$0.078**
Special education, excess cost – student based	$66.000	$91.000	$62.700	**-$3.300**
Non-public school transportation	$4.474	$5.100	$4.250	**-$0.224**
School to work opportunities	$0.225	$0.225	$0.214	**-$0.011**
Youth Service Bureaus	$2.928	$2.928	$2.781	**-$0.146**
OPEN Choice Programs	$8.740	$8.000	$9.070	$0.330
Lighthouse Schools	$0.300	$0.300	$0.300	$0
Early Reading Success	$2.236	$2.299	$2.192	**-$0.045**
Magnet schools	$44.776	$57.198	$59.266	$14.492
TOTAL General Fund	**$2,004.786**	**$2,145.296**	**$1,991.202**	**-$13.584**

Importantly, the funds proposed by the Governor for FY 04 for *many* budget accounts will be *less than* funds spent in FY 02. This does not even take into account inflation, or the increase in the number of students being educated.[29]

[29] Accounts that would be funded below FY 02 levels *by more than $150,000* include: institutes for educators (-$0.154M); teachers' standards implementation program (-$0.324M); early reading success administration (-$0.204M); magnet school administration (-$0.311M); adult basic education (-$0.885M); reading institutes (-$0.941M); instructional TV services (-$0.209M); RESCs (-$0.756M leases, and -$1.53M services); Head Start services & enhancements (-$0.234M); family resource centers (-$0.876); RESC-based magnet schools (-$2.634M); vocational-agriculture (-$0.528M); Safe Learning grants (-$0.219M); school transportation (-$4.8M public and -$0.389M non-public); bilingual education (-0.175M); priority school districts (-$0.492) and transitional school districts (-$1M)); special education (-$4.12M student-based, and

c. Federal and other funding. Federal funding is anticipated to increase slightly from $0.368 million in the current fiscal year to $0.369 million in FY 04. Private contributions are anticipated to fall from $4.31 million in FY 03 to $3.72 million in FY 04.

d. Specific program and service changes

Sheff v. O'Neill settlement.[30] To reduce racial isolation and improve urban education (and resolve the Sheff litigation), the Governor includes the first two years of funding for the settlement of this litigation. Total *new* funding provided is $3.396 million in FY 04 and $5.948 million in FY 05. Specifically, there is increased funding for magnet schools (so the number of schools can increase from 31 to 48 and the enrollment from 11,000 to 17,000 by the end of the biennium), for the OPEN Choice program (to increase enrollment from 11,000 to 17,000 over the biennium), for charter schools (to increase the number of participating students by 150), and for the Interdistrict Cooperation grant that serves about 60,000 students.

School vouchers. The Governor proposes allowing parents of children in "failing" schools to take up to $3,000 of the child's Education Cost Sharing (ECS) funding to attend a school of the parents' choice (including public, magnet, charter, or private/parochial schools). The program would be limited initially to cities with failing schools as of June 30, 2002 – Hartford, Bridgeport, New Haven, New London, Windham and Waterbury. Local school districts would be allowed to increase these funds by transferring the balance of the child's ECS funding, or using other local funds. (see sections 287-292 of HB 6548)

Board of Education and Services to the Blind. The Governor proposes to eliminate BESB and move the education of blind and visually-impaired children to the Department of Education. $9.3 million (or $8.6 million according to OFA) of funds is transferred from BESB to SDE to support 25 positions (teachers of visually impaired students and support staff) to provide specialized training and support, costs of adaptive materials, and other related services. There is concern that this change, when implemented, will result in further cost-shifting of educational expenses from the state to towns, through a new charge for services that districts are currently receiving at no charge, the elimination of the state's $11,000 per pupil appropriation for blind and visually impaired students placed out of district in residential facilities, and the shifting of certain special education costs from the state to local school districts.

Cut in education aid to towns. The Governor proposes cuts to a number of budget accounts would result in a substantial reduction in state aid to local municipalities for the costs of public education. They include:

ECS. The Governor proposes a variety of formula changes that cut, or level-fund, aid to a number of towns, and increase aid to others. These changes include: a) eliminating the density supplement;

–$8.5M equity); supplemental education aid (-$9M); school accountability (-$0.941M); and poor performing schools (-$1.317M). Importantly, cuts in funding to local school districts may appear to produce "savings" in the state budget, but merely transfer current funding obligations to towns.

30 See OLR's summary, *Sheff v. O'Neill Settlement* (2003-R-0112) at www.cga.state.ct.us/2003/olrdata/ed/rpt/2003-R-0112.htm

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b) continuing the 6% cap on growth in a district's ECS grant (regardless of enrollment growth) and maintaining the current $50 million supplement for capped towns; and c) reducing each town's entitlement by 3%. FY 05 funding would remain flat at FY 04 levels. The ECS grant will be calculated only once for the biennium. It is projected that these changes would "save" the state $170 million over the biennium as compared to the amount of state funding that would be required under current law.

Special education. Under current law, the state reimburses towns for certain special education costs when the costs for a child exceed five times the average per pupil cost. This was to change to cover costs over 4.5 times average per pupil cost. The Governor proposes to maintain the 5 times funding level and cap the grant at FY 03 levels for both FY 04 and FY 05. This is projected to "save" the state about $37 million over the biennium. Importantly, special education expenditures are expected to reach $1.086 *billion* for FY 03, with the state's share about 32%. Since the 1995 fold-in of the special education reimbursement grant into the ECS grant, the state's share of special education reimbursements has continued to decline – from about 40% to the current 32%.

Other grants. The Governor proposes to flat-fund a number of grants through the biennium at FY 03 levels, including transportation and adult education. In addition, the priority school district and early reading success grants are to be funded at FY 04 levels in FY 05. RESC grants are to be cut as well.

Education technology. The Governor proposes to eliminate funding for the Commission on Education Technology and fund the Digital Library at a level necessary to run "most" of the current public databases. Distance learning initiatives are supported at current levels; there is no new funding for new training and course development.

Annualized SFY 03 reductions. Cuts made in SFY 03 to help balance the budget are annualized (i.e. made permanent). This reduction totals $13.173 million in FY 04.

Other reductions. Also included in the proposed FY 04 budget are cuts of $0.35 million (to remove inflation-related increases), $4.642 million associated with layoffs "necessitated by failure to achieve concessions;" $4.187 million from the elimination of funding for unsettled collective bargaining agreements, and $1.012 million associated with savings from the Early Retirement Incentive Plan.

3. Higher Education (Department of Higher Education, University of Connecticut, Connecticut State University, Regional Community Technical Colleges)

a. A bit of background. Funding for post-secondary education currently is distributed across a number of state budget accounts. This budget summary groups them to include funding for the Department of Higher Education, the University of Connecticut,[31] the Connecticut State University system,[32] Charter Oak State College,[33] and the Regional Community-Technical Colleges.[34] *Not*

31 The University of Connecticut is the state's "flagship" public university. In 2001, it granted nearly 4,700 degrees. 92,000 of the 161,000+ alumni live in Connecticut.

32 The four universities in the CSU system are Central CT State University, Eastern CT State University, Southern CT State University, and Western CT State University. 92% of CSU's 21,000 full-time students are state residents; CSU enrolls the largest share (34%) of state residents who are full-time undergraduates in the state. 90% of CSU's graduates remain in Connecticut.

included in this summary is the very substantial funding commitment Connecticut has been making (and will continue to make) to higher education through state bond funds.

A side-by-side analysis of the state investments in higher education's operating budgets (which are being cut) and its investments in higher education's infrastructure (which are being expanded) might lead one to question whether an appropriate balance is being struck. Although a "world class" infrastructure may be important to the competitiveness of Connecticut's public universities in attracting students and faculty, higher faculty salaries and lower student tuitions are likely to be seen as even more essential. As Rep. Cameron Staples (D-New Haven and former co-chair of the Education Committee) said, after noting that the state has never properly funded the operating budget of the University of Connecticut, "We don't want to end up with beautiful buildings but fewer faculty and students more in debt."[35] Indeed, Connecticut's college participation rate for low-income students declined by 50% between SFY 99 and SFY 01. With this budget's cuts in need-based financial aid (described below) Connecticut will spend even *less* on need-based aid this year (in constant dollars) than it did *in SFY 90.*

b. Proposed FY 04 budget. The table below shows the amount originally appropriated in the revised FY 03 budget, the FY 04 Current Services budget, and the amount proposed by the Governor for FY 04 for various SDE accounts. It also compares the Governor's proposed FY 04 budget to the FY 03 revised budget as originally adopted.

Funding for the University of Connecticut is about $4 million more than the revised FY 03 budget, but $6.44 million less than the FY 04 current services budget. While the budgets of the other higher education entities are shown in the table below, the Governor's proposed structural change in governance makes some of the multi-year comparisons more difficult. Key changes in higher education funding are:

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33 Charter Oak is a degree-granting institution that enables adults to earn associate and bachelor's degrees by incorporating credits earned in a variety of settings, including through distance learning.

34 Connecticut's 12 community colleges and their outreach programs serve nearly 50% of the undergraduates in Connecticut's public higher education system (with nearly 45,000 students enrolled in credit courses in fall 2002). These colleges provide an array of associates degree and certificate programs, as well as non-credit job training programs.

35 Quoted in R. Gottlieb, "UConn May Raise Tuition at Midyear." *Hartford Courant* (August 13, 2002). According to the Institute for Higher Education Policy (1995), borrowing an extra $1,000 to pay for college results in a 3% increase in the drop-out rate for low-income students, while getting an additional1 $1,000 in grants reduces the drop-out rate by 14%.

Higher Education	FY 03 Budget (as revised)[36]	FY 04 Current Services	Governor's FY 04 Proposed	Governor's FY 04 Proposed Compared to FY 03 (as revised)
	[$M]	**[$M]**	**[$M]**	**[$M]**
Board of Regents for Higher Education / Department of Higher Education				
Personal services	$2.246	$2.459	$2.112	**-$0.135**
CTC/CSU Central Office OE	$0	$0	$8.263	$8.263
Minority advancement program	$2.486	$2.555	$2.237	**-$0.249**
National service act	$0.469	$0.482	$0.346	**-$0.123**
International initiatives	$0.222	$0.228	$0	**-$0.222**
Minority teacher incentive program	$0.507	$0.521	$0.481	**-$0.025**
Capitol scholarship program	$5.250	$5.415	$5.415	**-$0.130**
Higher Ed State Matching Grant		$10.132		$0
Capitol Scholarship Program		$5.397	$5.120	**-$0.130**
Connecticut Independent College Student Grants (CICSG)	$15.889	$16.334	$12.067	**-$3.821**
Connecticut Aid for Public College students	$18.463	$19.006	$17.540	**-$0.923**
NE Board of Higher Ed		$0.351	$0	$0
TOTAL General Fund	**$45.788**	**$57.730**	**$48.384**	**$2.596**
University of Connecticut				
Operating expenses	$182.560	$192.609	$186.302	$3.742
Tuition freeze	$4.742	$4.875	$4.742	$0
Regional campus enhancement	$4.742	$6.646	$6.646	$0.281
TOTAL General Fund	**$193.667**	**$204.182**	**$197.739**	**$4.023**
Connecticut State University				
Operating expenses	$131.567	$138.305	$129.165	**-$2.402**
Tuition freeze	$6.562	$6.746	$6.562	$0
Waterbury-based degree program	$0.819	$0.852	$0.852	$0.033
TOTAL General Fund	**$138.947**	**$145.902**	**$136.578**	**-$2.369**
Regional Community Technical Colleges				
Operating expenses	$122.807	$129.022	$118.689	**-$4.118**
Tuition freeze	$2.161	$2.221	$2.161	$0

36 This column shows appropriated spending in the revised FY 03 budget *not* adjusted for changes made since the budget was adopted through rescissions and other spending reductions in PA 03-2.

Woodland Street operating expenses	$0.516	$0.531	$0	**-$0.516**
TOTAL – General Fund	**$125.484**	**$131.774**	**$120.850**	**-$4.634**

c. Specific program and service changes

Restructuring Higher Education. The Governor proposes to consolidate the Community-Technical College system and the CT State University Chancellors' offices into the Department of Higher Education and to create a new governing entity – The Board of Regents of Higher Education. This consolidation is claimed to save $2.75 million in FY 04 and $5.78 million in FY 05. In FY 04, the Governor proposes appropriating a total of $48.38 million to this new Board of Regents. Funding for the Chancellor's Office at CSU of $4.8 million and for the Chancellor's Office at CTC of $6.2 million would be re-allocated to this new Board of Regents in the DHE Budget. Sections 227-274 of HB 6548 outline this restructuring proposal and state that the Board of Governors of Higher Education, and the Boards of Trustees of CSU and the Community-Technical Colleges would be dissolved and a new Board of Regents for Higher Education constituted. The 12 members of this new Board would be appointed by Governor Rowland, who would also have the authority to choose the chairperson of the Board and the new Chancellor for Higher Education.

Financial Aid Funding. Funding for the *CT Independent College Student Grant (CICSG)* scholarship program is proposed to be cut by $3.8 million compared to approved spending in the revised FY 03 budget. Compared to the FY 02 budget, the proposed funding cut is even greater -- $6.7 million. That is, while in FY 02, CICSG funding was $18.76 million, in FY 04, Governor Rowland proposes only $12.07 million, a 36% cut in just two years and the same level of funding as in FY 95. In SFY 01, this program provided financial aid averaging $3,964 for each of 4,787 students. In FY 04, the Governor proposes to reduce the average grant to $3,000 to allow the same number of students to benefit as are benefiting in FY 03 (4,022 students). Students are selected by the state's independent colleges, must exhibit financial need, and be Connecticut residents.

The Governor's proposed FY 04 budget also would cut *CT Aid for Public College Students Grant (CAPCS)* by $0.9 million compared to the funds approved in the revised FY 03 budget, and by $2.2 million compared to funds expended in FY 02. Funding per student is about $1,572/year and about 11,160 students receive aid under this program. The *Capitol Scholarship Program (CAPS)* would be cut by $0.13 million compared to FY 03 and $0.386 million compared to FY 02; proposed FY 04 funding would be $5.12 million. About 3,500 students are served through this grant program.

Minority Advancement program. The Governor proposes to reduce funding for this program from $2.49 million in FY 03 to $2.24 million in FY 04. This program seeks to increase diversity among the state's public colleges and universities through such programs as the CT Collegiate Awareness and Preparation Program (ConnCAP), the CT College Admission and Bridge Program (ConnCAB), the CT College Access and Success Program (ConnCAS) and the CT State GEAR UP Project (Gaining Early Awareness and Readiness for Undergraduate Programs). These programs further the *Strategic Plan to Ensure Racial and Ethnic Diversity in Connecticut Public Higher Education,* developed in 1983 (see Conn. Gen. Stat. Section 10a-11).

Funding for Connecticut's public college and universities. Though a college education has become virtually a necessity for family economic security in Connecticut's "new" economy, the proposed FY 04 budget would reduce funds to the Connecticut State University and the Regional-Technical Colleges. The University of Connecticut's proposed increase would be a modest $4 million on a $194 million budget. Cuts in state funding for public higher education are most readily addressed by increasing students' tuition. Indeed, while the University of Connecticut's total budget increased by 15% between SFY 01 and the revised SFY 03 budget, its "tuition fund" account (funds from students' tuitions) increased by 21%.

Interestingly, as of 2000, Connecticut ranked *last* among states in state and local spending on higher education. Connecticut spent $8.80 per $1,000 of personal income in the state, compared to a national average expenditure of $16.64 per $1,000 of personal income. Top-ranked New Mexico spent $36.41.[37]

Other. The Governor proposes to defer bond authorizations for matching grants for the higher education endowment funds. The Budget Summary states, "Governor Rowland believes it is a poor practice to continually bond such costs." He also proposes to eliminate funding for dues to the New England Board of Higher Education.

4. Teachers' Retirement Board

a. **A bit of background.** The Teachers' Retirement Board administers the pension, retiree health and disability benefit programs covering Connecticut's retired public school teachers.

b. **Proposed FY 04 budget.** The proposed FY 04 budget is nearly $86 million less than FY 04 Current Services, because of the reduction in the state's contribution to the retirement fund. Although spending is slightly more than in FY 03, this is a bit deceptive since FY 03 spending on this account also was below statutorily-mandated levels (discussed below).

Teachers' Retirement Board	FY 03 Budget (as revised)[38]	FY 04 Current Services	Governor's FY 04 Proposed	Governor's FY 04 Proposed Compared to FY 03
	[$M]	[$M]	[$M]	[$M]
Retirement contributions	$179.82	$270.544	$185.348	$5.528
Retirees health insurance cost	$6.49	$7.378	$7.378	$0.888
Municipal retiree health insurance costs	$5.30	$5.448	$5.448	$0.148
TOTAL – General Fund	**$194.04**	**$286.117**	**$200.528**	**$6.488**

37 J. McLynch & J. St. George, *Measuring Up: Taxes and Spending iassachusetts* (January 2003). This report uses combined state and local spending in fiscal year 2000 as reported by the United States Census Bureau. It makes its state-by-state comparisons by measuring spending relative to personal income in each state, as this provides a good measure of state "effort" as compared to state "capacity." The report is available at http://www.massbudget.org/measuring2000.pdf

38 This column shows appropriated spending in the revised FY 03 budget *not* adjusted for changes made since the budget was adopted through rescissions and other spending reductions.

c. Specific program and service changes. The SFY 03 budget was balanced in part by the state's failure to make the required contribution to the Teachers' Retirement Fund. FY 03 funding was reduced to 85% of the actuarial requirement, with a single payment made at the start of the fiscal year. The proposed FY 04 budget would continue to fund the retirement contribution at this lower, FY 03 level and make payments on a quarterly basis.

While this is characterized a "savings" of $85.2 million in FY 04 and $96.0 million in FY 05, it more accurately represents a transfer of this funding obligation onto our children. The Teachers' Retirement System Fund, as of June 30, 2002, had assets valued at $10.4 billion, but liabilities of $13.7 billion – an unfunded liability of *$3.3 billion.* [39] Connecticut's large "unfunded liabilities" – including in funds like this – are one of the reasons Moody's gave Connecticut a negative credit outlook.

5. Connecticut State Library

a. A bit of context. The Connecticut State Library's mission is to provide high-quality library and information services to state government and the citizens of the state. It also has responsibility to preserve and make accessible records of the state's history and other public records, and promote the development of high quality information services on an equitable basis statewide. It recently implemented iCONN.org (the CT Digital Library), in conjunction with DHE, as part of the CT Education Network. This network logged 4.7 million searches in the past year.

b. Proposed FY 04 budget. The table below shows the amount originally appropriated in the revised FY 03 budget, the FY 04 Current Services budget, and the amount proposed by the Governor for FY 04 for various SDE accounts. It also compares the Governor's proposed FY 04 budget to the FY 03 revised budget as originally adopted.

The proposed FY 04 General Fund budget of the CT State Library is $10.135 million. This is about $6 million less than the FY 04 Current Services Budget and about $3.8 million less than the revised FY03 budget. These comparisons must be qualified, however, because the proposed FY 04 budget moves nearly $3 million of funds from this budget that are associated with the CT Commission on the Arts into a new consolidated Commission. The statewide digital library, for example, enjoys a significant increase in the FY 04 proposed budget.

Reductions since FY 01. Importantly, reductions to the budget of the State Library began well before this year, however. Some grants have had significant reductions compared to FY 01. For example, support for cooperating library service units was funded at $0.799 million in FY 01, at $0.6 million in the revised FY 03 budget, and at only $0.15 million in the proposed FY 04 budget. CETC was funded at $0.85 million in FY 01, at $0.492 million in the revised FY 03 budget, and at $0 in the proposed FY 04 budget. Grants to public libraries were $0.472 million in FY 01, $0.347 million in the revised FY 03 budget and flat-funded this year. Connecticard payments were $0.726 million in FY 01, $0.676 million in the revised FY 03 budget, and flat funded this year.

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39 OFA, *Synopsis of the Governor's 2003-2005 Biennium Budget Prepared for the Appropriations Committee,* March 5, 2003.

State Library	**FY 03 Budget (as revised)[40]**	**Current Services Budget FY 04**	**Governor's Budget FY 04**	**Compare Governor's FY 04 Budget with FY03 (as revised)**
	[$M]	**[$M]**	**[$M]**	**[$M]**
Personal Services	$6.433	$6.594	$5.103	**-$1.329**
Other Expenses	$0.89	$0.916	$0.748	**-$0.142**
Other current expenses				
Statewide digital library	$0.500	$2.056	$1.897	$1.397
Interlibrary loan delivery service	$0.252	$0.259	$0.252	$0
Legal/legislative library materials	$0.500	$0.514	$0.250	**-$0.250**
Statewide database project	$0.710	$0.730	$0.710	$0
Payments to Other Than Local Governments				
Basic cultural resources grant	$2.525	$2.595	$0	**-$2.525**
Support for cooperating library service units	$0.600	$0.617	$0.15	**-$0.450**
CT Educational Telecommunications Corp.	$0.492	$0.506	$0	**-$0.492**
Payments to Local Governments				
Grants to public libraries	$0.347	$0.357	$0.347	$0
Connecticard payments	$0.676	$0.695	$0.676	$0
TOTAL – General Fund	$13.926	$16.156	**$10.135**	**-$3.79**

c. Federal and other funds. Federal funds are anticipated to decline from about $2.985 million in FY 03 to $1.852 million in FY 04. Private contributions also are expected to decline from $3.594 million in FY 03 to $1.898 million in FY 04. Some of these decreases may be attributed to the transfer of the Commission on the Arts out of this budget.

d. Specific program and service changes

Commission on the Arts, Culture, & Tourism. The Governor proposes to merge the CT Commission on the Arts (in this budget) with the Historical Commission, the Film Commission and the Office of Tourism (in DECD) into a new Commission on Arts, Culture and Tourism. The anticipated "savings" from this merger are $9.7 million in FY 04 and $10.7 million in FY 05. Savings from the transfer of the Commission on the Arts out of the State Library budget are $2.987 million in FY 04 and $2.993 million in FY 05.

Other changes. FY 03 reductions are annualized (-$1.224 million in FY 04), inflationary-increases are eliminated (-$0.239 million), there are savings from layoffs "necessitated by failure to achieve

40 This column shows appropriated spending in the revised FY 03 budget *not* adjusted for changes made since the budget was adopted through rescissions and other spending reductions.

concessions" (-$0.583 million), funding is eliminated for unsettled collective bargaining agreements (-$0.222 million), certain equipment and library materials are transferred to the CEPF (-$0.317 million and -$0.250 million, respectively), and the statewide digital library account is cut (-$0.103 million)

6. Department of Public Health (DPH)

a. A bit of background. DPH Commissioner Dr. Joxel Garcia defines the mission of DPH to be "to protect and promote the health of the people of Connecticut."[41] It has responsibility for helping to protect the health of Connecticut's people by: monitoring infectious diseases, environmental and occupational health hazards, and birth defects; regulating health care providers; providing health testing and monitoring through the state laboratory; collecting and assessing health data; maintaining vital records; and working to prevent disease and promote wellness through education and programs such as prenatal care, newborn screening, immunizations, and AIDS awareness programs. Recently, DPH established an Office of Health Care Quality that is identifying evidence-based best practices, helping to facilitate their adoption, and collecting data about adverse events in hospitals. DPH implemented also a statewide electronic vital records system to allow local registrars, hospitals, and DPH to electronically create, file, and retrieve birth, adoption, and paternity acknowledgement certificates. Hopefully, this will result in DPH's release of *more timely* data than has been the case in the past.

DPH also recently established the Office of Public Health Preparedness "to coordinate agency-wide initiatives to prepare Connecticut to effectively respond to bioterrorism and other public health emergencies." [42] This Office has received more than $18 million in federal funds to increase Connecticut's preparedness. According to Commissioner Garcia, "federal bio-terrorism money is not allowed to be used to offset cuts in state spending. Bio-terrorism money is not intended to be used for operating funds….[It] is supposed to be used for surveillance and data collection."[43] Yet, last year in budget negotiations, legislators were told by OPM Secretary Marc Ryan that the very substantial cuts to funding for local Health Departments and Districts would be offset by these federal funds.[44]

b. Proposed SFY 04 budget. The table below shows the amount originally appropriated in the revised FY 03 budget, the FY 04 Current Services budget, and the amount proposed by the Governor for FY 04 for various SDE accounts. It also compares the Governor's proposed FY 04 budget to the FY 03 revised budget as originally adopted.

The Governor proposes additional cuts to the DPH budget, despite the clear need to bolster

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41 Testimony of Commissioner Garcia before the Appropriations Committee, March 12, 2003.
42 Id.
43 Comments of Commissioner Garcia to Health and Hospitals Subcommittee, March 24, 2003 Work Session.
44 In FY 02, total state and federal funding for the Local Health Departments and Districts was $12.406 million. Of this $7.797 million were state funds and $4.609 million was federal funds. While the total state and federal funding for these local health departments in FY 03 had increased to $15.115 million, the state shared had fallen by more than $1million (to $6.708 million) while the federal funding had increased by nearly $3.838 million. If the Governor's budget for 04 is adopted unchanged, total state and federal funding for local health departments will fall to $14.01 million, and the state contribution will fall by an additional $1.64 million. In short, between FY 02 and FY 04, state funding for local health departments would decline from $7.797 million to $5.069 million – a cut of $2.728 million (or 35%).

Connecticut's public health infrastructure to protect against bio-terrorism, and to reduce the economic and social burdens of chronic and infectious diseases through primary prevention. The proposed FY 04 DPH General Fund budget is $59.734 million. This is $21.724 million *less than* the FY 04 Current Services budget ($81.458 million) and also $15.794 million *less than* the revised FY 03 budget ($75.528 million) – a 21% reduction. *Indeed, the proposed FY 04 budget is less than DPH's budget in FY 02, FY 01, FY 00, and FY 99* (not even adjusting for inflation)!

The table below shows the amount originally appropriated in the revised FY 03 budget, the FY 04 Current Services budget, and the amount proposed by the Governor for FY 04 for various Public Health accounts. It also compares the Governor's proposed FY 04 budget and the FY 03 revised budget as originally adopted.

Department of Public Health	**FY 03 Budget (as revised)[45]**	**Current Services Budget FY 04**	**Governor's Budget FY 04**	**Compare Governor's FY 04 Budget with FY03 (as revised)**
	[$M]	**[$M]**	**[$M]**	**[$M]**
Personal Services (001)	$30.696	$32.372	$28.369	**-$2.327**
Other Expenses (002)	$6.491	$6.715	$6.374	**-$0.117**
Equipment	$0.001	$1.167	$0.001	$0.000
Other Current Expenses (02X)				
Young Parents Program	$0.136	$0.143	$0.000	**-$0.136**
Pregnancy Healthline	$0.083	$0.085	$0.000	**-$0.083**
Needle and Syringe Exchange Program	$0.333	$0.349	$0.316	**-$0.017**
Community Services Support for Persons with AIDS	$0.198	$0.208	$0.188	**-$0.010**
Children's Health Initiatives	$1.284	$1.408	$1.019	**-$0.265**
Tobacco Education	$0.186	$0.191	$0.000	**-$0.186**
CT Immunization Registry	$0.202	$0.208	$0.000	**-$0.202**
Newborn Hearing Screening	$0.065	$0.068	$0.000	**-$0.065**
Childhood Lead Poisoning	$0.244	$0.256	$0.231	**-$0.012**
AIDS Services	$3.994	$4.194	$3.795	**-$0.200**
Breast & Cervical Cancer Detection & Treatment	$1.674	$1.759	$1.596	**-$0.077**
Services for Children Affected by AIDS	$0.262	$0.275	$0.249	**-$0.013**
Children with Special Health Care Needs	$1.034	$1.085	$0.982	**-$0.052**
Medicaid Administration	$3.417	$3.780	$3.772	$0.356
Other than Payments to Local Governments				
Community Health Services	$5.842	$6.134	$2.921	**-$2.921**
Emergency Medical Services Training	$0.034	$0.035	$0.032	**-$0.002**
EMS Regional Offices	$0.501	$0.515	$0.451	**-$0.050**

[45] This column shows appropriated spending in the revised FY 03 budget *not* adjusted for changes made since the budget was adopted through rescissions and other spending reductions.

Rape Crisis	$0.424	$0.445	$0.402	**-$0.021**
X-Ray Screening and Tuberculosis Care	$0.622	$0.753	$0.690	$0.069
Genetic Diseases Programs	$0.546	$0.573	$0.491	**-$0.055**
Loan Repayment Program	$0.167	$0.171	$0.123	**-$0.044**
Immunization Services	$7.020	$7.371	$0.000	**-$7.020**
Grant Payments to Local Governments				
Local and District Departments of Health	$3.946	$4.753	$2.500	**-$1.446**
Venereal Disease Control	$0.215	$0.226	$0.204	**-$0.011**
School Based Health Clinics	$5.913	$6.219	$5.026	**-$0.887**
TOTAL – General Fund	**$75.528**	**$81.458**	**$59.734**	**-$15.795**

Given the very drastic cuts in the Department of Public Health's *total* budget since FY 99, it should not be surprising that many of the programs funded through DPH have been decimated. For example:

Community Health Services. The Governor proposes $2.9 million for Community Health Services in FY 04. This is $3.2 million (52%) *less than FY 04 Current Services funding* ($6.1 million) and $7.4 million *less than actual* funding in FY 01 for this account. This account is the primary DPH funding source for grants supporting primary health care at the Community Health Centers for uninsured and underinsured children, youth, and adults, fetal and infant mortality reduction programs, and family planning services through Planned Parenthood for low-income children, youth, and families. If the Governor's proposal is adopted, this account will have been cut by 61% since FY 01. Commissioner Garcia testified that the "impact of the Department's decrease to community health centers will be mitigated by an increase in Medicaid reimbursement for Federally Qualified Health Centers."

School-based health centers. The Governor proposes funding in FY 04 that is $1.2 million less than originally budget for FY 03 and $0.98 million less than funding in FY 02 (not adjusted for inflation). The Governor proposes a little over $5 million in FY 04, a 16% cut in two years. School-based health centers provide primary health care with referrals to specialty care when necessary. They are staffed with at least one licensed nurse practitioner or physician assistant, at least one social worker or licensed marriage and family therapist with clinical supervisor/consultant backup, clerical support and a clinic coordinator/manager.

Local and District Health Departments. Proposed FY 04 per capita grant funding for local health departments is nearly $2.3 million *less than* the amount required to pay per capita subsidies under current law.[46] Proposed FY 04 funding of $2.5 million is 44% below the $4.45 million provided in FY 02 and FY 03 (in the original budget) – a 44% cut. State law requires every Connecticut town with population over 40,000 for five straight years to employ a full-time local health director. Local

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[46] While these per capita grants (pursuant to CGS §19a-202) are the single largest source of state funding for local health departments, they are not the only state funds provided. Funding is also provided for such initiatives as AIDS services, TB screening and care, immunization, venereal disease control, lead poisoning prevention and control. Total state funds to local health departments in FY 02 totaled $7.797 million of which $4.446 million were the per capita grants. In FY 03, total state funds had fallen to $6.708 million, of which $3.946 million were per capita grants. In the Governor's proposed FY 04 budget, total funding would be only $5.069 million of which $2.5 million would be per capita grants. [46] Comments of Commissioner Garcia to Health and Hospitals Subcommittee, March 24, 2003 Work Session.

health departments enforce the Public Health Code within each town to preserve and improve the public health and prevent the spread of disease.

c. Federal and other funding. Federal funding is anticipated to remain relatively constant at about $113.5 million. This is substantially more than the $84 million of federal funds received in FY 01. Private contributions are anticipated to fall more than $1 million: from an estimated $2.764 million in FY 03 to $1.518 million in FY 04.

The new $18 million in federal funds for public health preparedness have been, and are being, used in the following ways: a) conducting the anthrax investigation; b) developing a comprehensive smallpox preparedness plan; c) implementing a "pre-event" smallpox vaccination program for professionals who would constitute the state's public health and medical response teams in the event of an outbreak; d) implementing a wide area notification system for CT's Health Alert Network to ensure 24/7 communications' capacity for DPH's public health partners; e) taking measures to promote the security of CT's public drinking water supplies; and f) forming a Disaster Medical Assistance Team that would rely on volunteers to be mobilized if necessary. In addition, the Governor has designated $75,000 from a special 9-11 federal grant to DPH to outfit, train and equip the Disaster Medical Assistance Team.

d. Specific program and service changes

Program elimination. State funding for several accounts (the Young Parents Program,[47] the Pregnancy Healthline,[48] Tobacco Education and the Immunization Registry[49]) would be *totally eliminated*. Some federal funds are available to continue these programs, but at a reduced level.

Immunizations. The Governor proposes to eliminate General Fund support for immunizations. Instead, all regulated health insurers (health and others) would be assessed to cover the cost of purchase of vaccine. These include routinely recommended childhood vaccines (such as MMR, DPT, polio, Hib, hepatitis B and varicella), as well as antibiotics for STD clinics, to treat and prevent TB, and selected adult vaccines for high risk populations (hepatitis A and B, polio). The state will continue to purchase the vaccines since it can get them at greatly discounted rates from the federal government. Between $7-$8 million is to be added onto insurance regulatory assessments to fund these discounted purchases. Moving this expense out of the General Fund results in $7.02 million

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47 The *Right from the Start* program provides comprehensive, integrated community-based services to pregnant and/or parenting teens under 20 years of age through an intensive case management model. Funding would be eliminated for this program that is currently being provided by the City of Norwich, Student Parenting & Family Services (New Haven), the Village for Children and Families (Hartford), the VNA of Southeastern CT (New London) and the Wheeler Clinic.

48 The Pregnancy Healthline is Connecticut's response to the federal requirement in Title V of the Maternal and Child Health Block grant that the state have a statewide, toll-free information and referral service to provide information on health care and support services for pregnant women, parents and their children. It has existed since 1991 with ongoing support from DPH, providing assistance 24 hours/day with services available to non-English speaking callers through trained interpreters, as well as to speech and hearing impaired individuals.

49 The Registry currently includes 200,000 children, including more than 35,000 born in 2002. Partially supported by the federal Centers for Disease Control and Prevention, it monitors immunizations among young children and tries to improve immunization rates for children on Medicaid or HUSKY. This monitoring function is a required element of the Medicaid program. While federal funding is expected to be sufficient to continue the federally-required monitoring function, the elimination of all state funding will eliminate some outreach efforts to children on Medicaid to increase their immunization levels.

in savings in DPH's budget.

Newborn Hearing Screening program. This program is being moved off budget. Increased fees (in the amount of $345,000) are to be dedicated to support screening for metabolic disorders as well as newborn hearing screening.

School-based health clinics. HB 6548 would change the sharing ratio for federal Medicaid reimbursements from 60% for the towns and 40% for the state to 50% each.

Tobacco settlement funds. In FY 03, funding from the Tobacco & Health Trust Fund was transferred to the General Fund for specific programs. The proposed FY 04 budget does not continue these transfers which, in FY 03, were for: a) *Statewide Asthma Plan* ($300,000); b) *School-Based Health Centers* ($200,000); and c) *Easy Breathing Asthma Program* ($800,000). However, the Governor proposes to carry-forward $500,000 into FY 04 to continue this asthma management program that has proven successful in reducing high-cost emergency and hospital care through education and increased compliance with treatment plans. The FY 04 budget also does not include the $500,000 of continued support from tobacco settlement funds for the Biomedical Research Trust Fund. Tobacco settlement funds are, once again, treated simply as General Fund revenues in this budget.

Capital funding. $15 million in new funds are provided in the Governor's capital budget which, when combined with the $5 million already authorized, will provide $20 million for a new state-of-the-art Public Health Laboratory with Bio-Safety Level 3 laboratory capacity that is "capable of detecting any bioterrorism agent."[50] An additional $10 million is proposed to purchase and equip a modular-based portable 100-bed hospital to support disaster response and provide surge capacity anywhere in the state during a mass casualty event, as well as provide isolation care for infectious disease. Funds are also included to provide grants-in-aid to hospitals to finance up to 50% of the costs of physical plant modifications to enable isolation of patients in a smallpox event. Currently, the state has only 6 beds that comply with national guidelines for smallpox inpatient care; this would bring the total to 165.

Personnel. The Governor's budget includes about $3 million in "savings" from annualization of the cots of 56 General Fund positions that were eliminated with the recent layoffs.

Other. The Governor proposes that FY 03 rescissions be annualized in a number of budget accounts – a reduction of $4.95 million, that inflationary increases be eliminated (cut of $1.8 million), and that certain equipment spending be transferred to the Capital Equipment Purchasing Fund (transfer of $1.17 million)

7. Department of Social Services (DSS)

a. A bit of background. DSS administers more than 90 state programs and a number of federal programs that provide food and nutritional services, shelter and housing services, income support services, health and behavioral health service funding, and other support services for various categories of individuals and families who are struggling to meet their essential needs. DSS' $3.687 *billion* General Fund budget in SFY 03 (revised) represents nearly *one-third* of the whole General

[50] Testimony of Commissioner Garcia before the Appropriations Committee, March 12, 2003.

Fund SFY 03 budget (30.5%). This budget is apportioned roughly as follows: a) 82% for health and behavioral health services; b) 11% for income supports (including child care subsidies) for the poor, elderly and disabled; c) 6% for administration; d) 1% each for shelter/housing and for support/safety services; and e) a fraction of 1% for food and nutrition.

Of the 82% of DSS' budget that is appropriated for health services, nearly all funding is used for the state's Medicaid program. Medicaid constitutes 71% of DSS' total SFY 03 revised budget (and nearly 90% of all DSS health-care spending). Because Medicaid is a partnership with the federal government, Connecticut receives 50% reimbursement from the federal government for nearly all of its Medicaid spending.[51] These reimbursement funds are credited to the General Fund as "revenues." That is, DSS' Medicaid budget account is "gross" budgeted – it includes *both* the state's spending on Medicaid *and also* the federal contribution. If Connecticut "net" budgeted (i.e., included only the *state's* funding of Medicaid in the Medicaid budget line), the Medicaid "line" would be about half what is shown here.[52]

Importantly, the vast majority of Connecticut's Medicaid dollars are spent providing health care to the state's poor elderly and disabled residents. These enrollees constitute a little more than one-quarter of all state Medicaid enrollees (28%) but require 70% of all Medicaid funding for their care. By comparison, the poor children (and their parents) who are enrolled in Medicaid constitute about three-quarters of all enrollees (72%), but use less than one-fifth (17%) the total Medicaid dollars spent.[53] Prescription drug costs are among the fastest growing expense in the General Fund budget – with growth between 10%-20% *annually* for the past several years. In FY 03, it is estimated that Connecticut will pay nearly $610 million on drugs across all state agencies, including DSS

b. Proposed FY 04 budget. The table below shows the amount originally appropriated in the revised FY 03 budget, the FY 04 Current Services budget, and the amount proposed by the Governor for FY 04 for various SDE accounts. It also compares the Governor's proposed FY 04 budget to the FY 03 revised budget as originally adopted.

The proposed FY 04 DSS budget is $78.6 million more than the revised FY 03 budget (prior to rescissions and other reductions), but $279.7 million *less* than the FY 04 Current Services budget. As shown in the chart below, while the Medicaid account is proposed to increase by more than $144 million in FY 04, other budget accounts are cut, and some quite substantially. For example, childcare subsidies would be cut by $22.5 million compared to the revised FY 03 budget and $32.2 million compared to actual funding in FY 02. Despite the down economy and increase in the state unemployment rate, cash assistance for indigent children and their families (TANF/TFA) is proposed to be $4.6 million less than in the revised FY 03 budget, $12.57 million less than was spent in FY 02, and $20.2 million less than spent in FY 01. Safety net services would receive *no* funding in FY 04, while they were funded at $4.7 million in FY 01.

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51 Some services are reimbursed a *greater than* a 50% rate.

52 Note: This is true of budget accounts in which Connecticu t receives reimbursement from the federal government. The DCF budget, for example, includes reimbursements under Title IV-E of the Social Security Act for various of its board and care expenses. The *total* funding is appropriated, and included in DCF's budget. The reimbursements are credited as General Fund "revenues."

53 Urban Institute and Kaiser Commission on Medicaid and the Uninsured, *State Health Facts Online* (www.statehealthfacts.kff.org/cgi-bin/healthfacts.cgi?action=profile&area=Connecticut).

Department of Social Services	FY '03 Budget (as revised)[54]	Current Services Budget FY 04	Governor's Budget FY 04	Compare Governor's FY 04 Budget with FY03 (as revised)
	[$M]	[$M]	[$M]	[$M]
Personal Services (001)	$121.312	$121.526	$106.302	**-$15.009**
Other Expenses (002)	$90.020	$90.104	$89.767	**-$0.253**
Equipment	$0.001	$1.828	$0.001	$0
Other Current Expenses (02X)				$0
Children's Health Council	$1.526	$1.260	$0	**-$1.526**
-HUSKY outreach & data collection (018)	$0.32	$0.740	$0.72	$0.4
-Genetic Tests in Paternity Actions (029)	$0.204	$0.215	$0.194	**-$0.010**
-State Food Stamp Supplement (031)	$1.928	$1.349	$0	**-$1.928**
-School Age Child Care Programs (036)	$0.459	$0.472	$0.676	**$0.217**
-Commission on Aging (037)	$0.216	$0.214	$0.110	**-$0.106**
-HUSKY program (040)	$25.363	$29.7	$23.466	**-$1.897**
Part-Time Interpreters-Hearing Impaired	$0	$0	$0.19	$0.19
Public Acute Care Hospital - DSH	$0	$0	$1.7	$1.7
Payments Other Than Towns				
-Vocational Rehabilitation (601)	$6.962	$7.157	$6.962	$0
-Medicaid (602)	$2629.568	$2945.2	$2773.826	$144.258
-Lifestar Helicopter	$1.378	$1.416	$1.309	**-$0.069**
-Old Age Assistance (607)	$30.100	$32.105	$31.501	$1.401
-Aid to the Blind (608)	$0.629	$0.662	$0.646	$0.018
-Aid to the Disabled (609)	$57.539	$59.912	$58.459	$0.920
-Temporary Family Assistance-TANF (611)	$132.117	$125.076	$127.492	**-$4.625**
-Adjustment of Public Assistance Recoveries	$0.148	$0.074	$0.074	**-$0.074**
-Individual and Family Grant ProgEmer.Ass	$0.001	$0.001	$0.001	$0
-Food Stamp Training Expenses (614)	$0.129	$0.132	$0.129	$0
-ConnPACE (615)	$63.906	$74.884	$61.739	**-$2.167**
-- Healthy Start	$1.512	$1.452	$1.261	**-$0.251**
-DMHAS/Medicaid Disproportionate Share	$105.935	$105.935	$105.935	$0
-CT Home Care Program (618)	$27.186	$32.2	$32.0	$4.814
-Human Resource Dev/Hispanic Programs (619)	$0.094	$0.097	$0.038	**-$0.056**
-Services to the Elderly (620)	$5.846	$5.907	$5.454	**-$0.392**
-Safety Net Services (622)	$3.718	$3.822	$0	**-$3.718**
-Employment Transportation (623)	$2.752	$2.829	$2.614	**-$0.138**
-Transitionary Rental Assistance (626)	$1.288	$1.247	$1.149	**-$0.139**
-Refunds of Child Support Collections (627)	$0.197	$0.203	$0.197	$0
-Services to Persons with Disabilities (638)	$5.495	$5.649	$0.832	**-$4.663**
-Child Care Subsidies-TANF/CCDBG (641)	$112.854	$91.499	$90.319	**-$22.535**
-Nutrition Assistance (644)	$0.094	$0.097	$0.344	$0.250

54 This column shows appropriated spending in the revised FY 03 budget *not* adjusted for changes made since the budget was adopted (through rescissions and other spending reductions).

-Housing/Homeless Services (649)	$23.539	$24.198	$20.939	**-$2.600**
-Employment Opportunities (651)	$0.858	$0.882	$1.255	$0.397
-Human Resource Development (659)	$3.386	$3.480	$1.354	**-$2.031**
-Child Day Care Centers (661)	$3.441	$3.537	$3.246	**-$0.196**
-Independent Living Centers (663)	$0.647	$0.665	$0.614	**-$0.032**
-AIDS Drug Assistance (665)	$0.607	$0.624	$0.607	$0
-Disproportionate Share-Med Emer. Assist (667)	$76.725	$90.725	$142.025	$65.3
-DSH-Urban Hospitals in Distressed Munici.	$26.55	$26.55	$26.55	$0
-SAGA (669)	$105.054	$134.084	$24.730	**-$80.324**
-School Readiness (670)	$3.554	$3.653	$3.198	**-$0.355**
-CT Children's Medical Center (671)	$6.75	$6.75	$6.75	$0
-Community Services (672)	$0	$0	$1.186	$1.186
--Family Grants		$0	$0.485	$0.485
--Vocational and Suppl' Services for the Blind	$0	$0	$1.479	$1.479
Payments to Local Gov'ts				$0
-Child Day Care Centers (706)	$3.630	$3.731	$3.448	**-$0.181**
-Human Resource Development (708)	$0.070	$0.072	$0.031	**-$0.038**
-Human Resource Development -Hispanic Programs (710)	$0.011	$0.011	$0.005	**-$0.006**
-Teenage Pregnancy Prevention Services (712)	$1.105	$1.136	$2.063	$0.958
-Services to the Elderly	$0.049	$0.051	$0.047	**-$0.002**
-Housing/Homeless Services	$0.592	$0.609	$0.563	**-$0.030**
TOTAL GENERAL FUND	$3687.360	$4045.721	$3765.982	$78.622

c. Specific program and service changes. The Governor acknowledges in his *Budget Summary* (p. 79) "critics will call some of the proposals here radical. That's probably not an understatement." While he characterizes his proposed cuts in state funding for programs that serve Connecticut's most needy and vulnerable as "putting reins on the human services safety net," it would be more accurate to characterize the following set of proposals as *shredding* the safety net.

Cuts & Changes to Health Services

1. Medicaid. Medicaid, at $2.63 *billion* in the SFY 03 revised budget, is the single biggest budget account in the General Fund. For this reason, it merits some context before describing changes proposed for FY 04.

A bit of context on the Medicaid program. The Medicaid program consists of two primary components: health services and long-term care services. In the revised SFY 03 budget, $1,576,692,822 is budgeted for health services under Medicaid, and $1,131,822,151 for long-term care.

Medicaid eligibility is based on income, and in some cases, asset limitations. Currently, it provides health services to low-income children and adults, pregnant women, the elderly, and the blind and disabled. The Medicaid program for low-income children (and many of their parents) is called HUSKY A. Health services provided include hospital and physician services, as well as vision, dental, pharmacy, transportation, home health care, and clinic services. In January 2003 there were more than 300,000 persons in HUSKY A; about two-thirds were children. In June 2002, there were 191,000 children enrolled in HUSKY A. There is also significant funding in the Medicaid account for long-term care services. These services are provided primarily to Connecticut's elderly population who meets income and asset eligibility criteria. There are about 20,000 Medicaid nursing home clients in Connecticut.

Medicaid is a federal-state partnership, with the federal government reimbursing Connecticut 50% for each dollar spent, in general. The DSS account for Medicaid reflects both the state and the federal share of funding; this account is "gross" budgeted. Reimbursements from the federal government are credited to the General Fund as revenues when received by the state.

DSS consistently runs a deficiency in the Medicaid account. Accounting for two-thirds of the deficiency in SFY 02 were overspending on: a) pharmacy ($5.73 million deficiency, with costs increasing by 14%-16%/year for the last several years); b) home health care ($8.57 million deficiency in a program serving about 11,500 residents); and c) managed care HUSKY A program ($6.65 million, reflecting increased enrollment because of aggressive outreach, increased unemployment, and expansion of eligibility to adults with children with incomes between 100 and 150% of the federal poverty level).

As of Federal Fiscal Year (FFY) 1998, there were about 403,000 Connecticut residents enrolled in Medicaid. The age distribution of Connecticut's Medicaid enrollees and the distribution of state Medicaid spending are shown in the tables below. Note specifically in the first table that while children are 51% of Connecticut's Medicaid enrollees, only 11% of Connecticut's Medicaid funds are spent on their care:

Distribution of CT Medicaid Enrollees and Spending (FFY 98)

	# enrolled in Medicaid	% of CT Medicaid enrollees	Medicaid spending	% of CT Medicaid spending
Children	207,306	51%	$314,200,150	11%
Adults	83,395	21%	$174,684,372	6%
Elderly	55,244	14%	$1,113,732,831	38%
Blind & Disabled	54,602	14%	$922,663,178	32%
Disproportionate share hospitals	NA	NA	$370,130,367	13%
TOTAL	402,547	100%	2,895,410,898	100%

Source: Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates based on data from HCFA-2082 and HCFA-64 reports filed by CT.

Connecticut also spends a *smaller* share of its Medicaid budget on children and adults than the national average, and a *far greater share* on its elderly, as shown in the table below:

Distribution of Medicaid Spending, CT v. US (FFY 98)		
	% of All CT Medicaid Spending	**% of All US Medicaid Spending**
Children	11%	15%
Adults	6%	10%
Elderly	38%	27%
Blind & Disabled	32%	39%
Disproportionate share hospitals	13%	9%
Source: Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates based on data from HCFA-2082 and HCFA-64 reports filed by CT.		

In addition, Connecticut's *per capita* spending in each enrollment group exceeds national averages, particularly its per capita spending on the elderly and the blind/disabled. For these enrollees, Connecticut's spending is close to double the national averages. This reflects in large part Connecticut's very high nursing home[55] and other long term care costs:

Per Capita Medicaid Spending, CT v. US (FFY 98)			
	CT Medicaid Spending per CT Medicaid enrollee	US Medicaid Spending per US Medicaid enrollee	Ratio of CT Medicaid Spending/Enrollee to US Medicaid Spending/Enrollee
Children	$1,516	$1,225	1.24
Adults	$2,046	$1,892	1.08
Elderly	$20,160	$11,235	1.79
Blind & Disabled	$16,898	$9,558	1.77
Source: Calculations by CT Voices for Children, based on Urban Institute and Kaiser Commission on Medicaid and the Uninsured estimates from HCFA-2082 and HCFA-64 reports filed by CT.			

Proposed FY 04 changes in Medicaid. In addition to the changes to the Medicaid program already adopted in PA 03-2[56] the Governor proposes the following:

"Re-design of Medicaid." The Governor proposes to "redesign" the HUSKY A and Medicaid fee-for-service programs to "more closely resemble commercial insurance plan coverage and costs,", i.e., reduce the benefit package. Specifically, the Governor proposes that Connecticut use any

55 Currently, Connecticut has 7 nursing homes in receivership. For these homes, DSS pays $300,000-$400,000 year per facility in receiver costs over and above the daily fees for nursing home clients and helps to find a new buyer for the home. DSS also finds that many nursing homes deteriorate when they go into receivership. This is why the Governor proposes in his budget to move persons from nursing homes that are in receivership to more modern homes. DSS Comments to Humans Services Subcommittee of the Appropriations Committee, March 26, 2003.

56 These include suspension of enrollment in HUSKY A for parents and relative caregivers with family income between 100% and 150% of the federal poverty level, required co-payments for prescription drugs and out-patient services, eliminating continuous and guaranteed eligibility, and eliminating "self-declaration" in Medicaid determinations. For a summary, see S.Geballe, *Addressing the FY 03 Deficit: The New Budget Bill and How It Compares to the Vetoed Bill: HB 6495 ACC Modifications to Current and Future State Expenditures and Revenues* (March 1, 2003).

additional flexibility granted by the federal government, or if no change is made in federal law as Governor Rowland has been pressing for in Congress, apply for a regular 1115 Research and Demonstration waiver "to actuarially reduce the State's Medicaid benefit to more closely resemble the largest commercial HMO coverage."[57] The Governor also proposes to make other changes to "streamline" the program (such as "streamlining notice of action and fair hearings," "simplifying auditing and paperwork requirements," and "requiring mandatory lock-in to a plan once chosen for various populations.")[58]. It is anticipated that this re-structuring would occur January 1, 2004 at the earliest and would "save" about $6.5 million in FY 04 and $15 million in FY 05.[59]

Managed care plan rate increase. The managed care plans would receive another rate increase – this time 2.5% effective January 1, 2004 (HUSKY B rates would increase as well). The Commissioner justifies the fee increases as being necessary to keep managed care companies in the program; the number of providers has decreased from about a dozen to four. If "reforms" in the benefit package and fee increases prove inadequate to keep providers in the system, the Commissioner states DSS will explore alternatives, which include "keeping with the current HMO network but moving to self-insured status or contracting with a non-managed care provider network in the state." [60]

Elimination of HUSKY A benefits for low-income parents. While PA 03-2 suspended for two years enrollment of parents and relative caregivers of children in HUSKY A if family income was between 100% and 150% of the federal poverty level, the Governor proposes to totally eliminate this coverage. Coverage was expanded for parents between these income levels effective January 1, 2001. Coverage will be eliminated effective April 1, 2003. Parents and relative caregivers with family income below 100% of the federal poverty level and children in families with income below 185% of the federal poverty level will continue to be eligible. It is estimate that 27,000 parents and relative caregivers will lose health insurance because of this change, "saving" $54.9 million in FY 04 and $65.9 million in FY 05.

Elimination of presumptive, guaranteed and continuous eligibility. The Governor proposes eliminating the optional presumptive eligibility coverage group that allows persons who apply for Medicaid at certain sites to be given immediate eligibility for up to 60 days before their full applications are processed and eligibility is determined. Presumptive eligibility for pregnant women with income under 185% of the federal poverty level would continue. It is estimated that this change will "save" $2.8 million in FY 04 and $3.0 million in FY 05. The Governor also proposes to continue the elimination of guaranteed and continuous eligibility, a part of PA 03-2. These changes are effective April 1, 2003. It is estimated that about 7,000 children and parents will lose benefits, "saving" $7.2 million in FY 04 and $12 million in FY 05.

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57 Testimony of Commissioner Wilson-Coker to the Appropriations Committee, March 14, 2003.

58 *FY 2003-2005 Governor's Budget Summary*, p. 83.

59 Another alternative to managing Medicaid costs when state budgets are in deficit is to increase the federal rate of reimbursement (FMAP). This would allow states to maintain the benefits currently provided. Rather than lobbying for this alternative, Governor Rowland has taken a lead in asking the federal government for increased "flexibility" to reduce Medicaid benefits. A bi-partisan bill in the United States Senate, S. 138, would increase the FMAP rate and bring $271 million of additional federal funds into Connecticut over the next 18 months. The bill would also give states additional funds in temporary fiscal relief grants through the Social Services Block Grant. The increase in the FMAP is being supported by a number of Connecticut Mayors as a way of assuring quality and affordable health care.

60 Testimony of Commissioner Wilson-Coker to the Appropriations Committee, March 14, 2003.

Elimination of adult dental services and re-structuring of children's dental service. The Governor proposes eliminating for adult dental services under the Medicaid program and re-allocating the $!0 million "saved" into the children's dental program to improve dental access. The $10 million and monies currently given to the managed care plans for dental services will be combined and re-allocated into a dental carve-out program with a dental benefits manager to coordinate coverage. An RFP has been issued for an Administrative Service Organization (ASO) to manage the dental services and perform other administrative functions such as claims processing, provider enrollment and utilization review. The ASO contractor would not be at risk for the costs of dental services; the ASO would be paid a per member/per month fee to cover administrative services only. The goal of the system, according to the Commissioner, is to "have a hybrid system of private dentists and new innovative community-based programs that will help increase access, enhance oral education and improve medical outcomes." [61] The target implementation date is January 1, 2004.[62]

Co-payments. The Governor proposes to require premiums and other co-payments of recipients to the maximum extent allowed by federal law on doctors' visits, out-patient services and pharmacy. Also, to the extent allowed by law, the Governor proposes to withhold services or discontinue eligibility if a person fails to make co-payments. Federal law prohibits co-pays of more than 5% of the service fee. Certain individuals are exempt from co-payments under federal law (such as children under age 21, pregnant women, and persons living in nursing homes) as are certain services (hospital in-patient care, emergency room services, family planning drugs or supplies). PA 03-2 imposed $1 co-payments on out-patient visits and prescription drugs.

Competitive bidding. The Governor proposes to competitively bid the following Medicaid services: durable medical equipment, laboratory services, and medical surgical supplies. The Governor also is proposing that DSS study whether or not to competitively bid long-term nursing home care in the Medicaid program so as to avoid continuing to pay tens of millions of dollars of "hardship" rate adjustments due to "low census and financial factors."

Transitional Medicaid. Section 334 of HB 6548 would provide for *one* year of Medicaid eligibility (rather than the current two years of eligibility) for families who become ineligible for cash assistance while employed or for families with parents who, within six months of becoming ineligible for cash assistance, become employed.

2. HUSKY B. The HUSKY B program provides health care for children whose family income is between 185% and 300% of the federal poverty level. It complements the Medicaid/HUSKY A program that serves children whose family incomes are under 185% of the poverty level. Enrollees with higher incomes contribute to the cost of the insurance on a sliding fee scale. HUSKY B is also available to children in families with income over 300% of the poverty level if the family pays the full cost of the premium and co-payments. As of January 2003, the HUSKY B program insured about 14,000 children. The cost to cover children in families with income at or above 185% of the federal poverty level is projected to be $22.3 million in FY 03. Connecticut is reimbursed by the federal government for HUSKY B, as it is for HUSKY A/Medicaid, although the SCHIP matching rate is 65% rather than the current 50% Medicaid matching rate. For HUSKY B, the Governor is proposing to:

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[61] Testimony of Commissioner Wilson-Coker to the Appropriations Committee, March 14, 2003.
[62] DSS, *Information for Appropriations Sub-Committee,* March 19, 2003.

Increase premiums for participation. If family income is between 185% and 235% of the federal poverty level (income band 1), a monthly premium of $30/child will be required, up to a maximum of $50/month/household. Currently, this lower-income group pays *no* premium. The Governor proposes also to increase the premiums for families with income between 236% and 300% of the poverty level (income band 2) from $30/child/month to $50/child/month with a family maximum of $75/month (rather than the current $50/month).

Suspend enrollment. To "further control cost and mitigate the growth in enrollment" the Governor proposes also to suspend enrollment in HUSKY B for the biennium.

Re-design benefits. Under SCHIP (Title XXI of the Social Security Act), states must offer benefits that are no less than the largest commercially-available HMO coverage. The Governor proposes to reduce HUSKY B benefits to this level.

HUSKY Plus. The Governor would continue to keep intake closed for this program that is targeted to meet the needs of children and youth with complex behavioral health problems.

The Governor projects that these changes to HUSKY B will result in $4.6 million in "savings" in FY 04 and $10.78 million in FY 05.

3. *HUSKY outreach and Children's Health Council.* The Governor proposes to totally eliminate funding for the Children's Health Council. CHC was established when DSS switched to a managed care model for health care for children on Medicaid and has been invaluable in reporting on the extent to which the managed care plans are, and are not, meeting the health care needs of the children in their care. With access to encounter data, the CHC provides an independent voice on whether DSS is getting the services for which is paying millions of dollars, and whether children and parents are getting the health services to which they are entitled under federal law.

ConnPACE. The ConnPACE program currently serves 49,100 elderly and disabled persons at a *monthly* cost of $5.6 million. The program experienced dramatic growth since FY 01 when income eligibility was increased to 233% of the federal poverty level (with income limits to $20,300 for singles and $27,500 for married couples). To target this benefit to those seniors and disabled who are most in need, the Governor proposes to: a) institute an asset test with limits of $50,000 for singles and $75,000 for married couples (with "assets" to include bank accounts, stocks, bonds, certificates of deposit, cash surrender value of life insurance, and non-home property and to *exclude* a home used as a primary residence); b) limit the quantity dispensed to a 30-day supply; c) suspend the Cost of Living Adjustment (COLA) used in determining income eligibility and freeze eligibility levels for next two years; and d) allow DSS to recover from an enrollee's estate the cost of benefits paid out for the enrollee. In addition, PA 03-2 increased the co-pay from $12 per prescription to $16.25/prescription.

5. *Pharmacy changes.* To further limit the cost of prescription drugs in fee-for-service Medicaid, SAGA and ConnPACE, the Governor proposes to: a) effective May 1, 2003, begin a generic substitution and prior authorization program and implement a maximum allowable cost schedule for generic drugs not included on the federal pricing schedule; b) reduce the dispensing fee to $3.50 (PA 03-2 already reduced it from $3.85/prescription to $3.60); c) phase-in a preferred drug list targeted for a class of drugs used to treat ulcers; d) reduce drug cost reimbursement to pharmacies from the

average wholesale price (AWP) less 12% to AWP less 13.5%; e) maximize dosing efficiencies by promoting appropriate dosing as approved by the FDA (e.g., one single 40 mg dose rather than 2 20 mg doses). The 30-day supply limit for prescriptions is expected to result in a savings, as well. Although DSS will pay more in dispensing fees with this limit (since prescriptions will need to be dispensed more frequently), the recipient's required co-payment of $16.25/prescription will more than cover this additional cost. Also, by limiting the quantity dispensed, DSS anticipates savings by reducing the proportion of medications that go unused when clients have adverse reactions to new drug therapies.[63]

6. Behavioral health partnership. The Governor's budget provides for implementation of this partnership in FY 05. The partnership – a joint venture of DSS, DCF and DMHAS – seeks to provide access to a more complete, coordinated, and effective system of community-based services and supports. When operative, it is to coordinate the funding and administration of all behavioral health services covered under the Medicaid/HUSKY A and SCHIP/HUSKY B programs, DCF's Voluntary Services Program. Originally, it also was to have included the DMHAS General Assistance Behavioral Health Program, however the GABHP would not be included in the partnership if the program is converted to grant funding as is proposed in the Governor's budget. The contract with the Administrative Services Organization (ASO) was to have commenced October 1, 2003. This proposed budget now assumes that it will be deferred until July 1, 2004. In FY 05, funds for the Behavioral Health Partnership from DSS and DCF will total $293.5 million ($200 million from DSS from Medicaid and HUSKY B carveouts, and $93.5 million from DCF's KidsCare program). DMHAS will participate by using its existing account structure.

7. Provider rate increases. Hospital out-patient rates will be increased 4.5% in FY 04 (for an additional cost of $3.1 million), managed care plans will get a 2.5% increase, durable medical equipment a 5% increase, and a variety of other services a 2% rate increase (e.g., nursing homes at $9 million additional cost; TBI; personal care attendants; community care; home health agencies, and state-funded home care). Physicians and other practitioners will receive a 1.5% increase effective January 1, 2004. NOTE: the proposed budget also proposes to cut inflationary rate increases for Medicaid providers in the upcoming biennium "saving" $55.7 million in FY 04 and $92.4 million in FY 05. Instead of these increases, the budget includes this one-time 2% rate increase on January 1, 2004 for most Medicaid providers.

Cuts & Changes to Other Services for Needy Connecticut Children and Adults

Eliminate State Administered General Assistance (SAGA). Although Connecticut has had a three century-old commitment to meeting the essential needs of its poor, Governor Rowland proposes in this budget "to make the hard choice" to eliminate medical assistance under SAGA for approximately 25,000 needy adults who are not eligible for Medicaid, TFA or the Aid to the Aged, Blind or Disabled programs, as well as SAGA cash assistance for about 4.700 adults.[64] Section 348

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[63] DSS, *Information for Appropriations Sub-Committee*, March 19, 2003.

[64] Importantly, cuts to SAGA already are being implemented. Effective April 1, 2003 SAGA will no longer pay for lab services, transportation and individual practitioners. This elimination of covered services results from a January, 2003 rescission by the Governor of $3.4 million from the SAGA budget line and a further reduction of $2.5 million in PA 03-2. The fiscal note for PA 03-2 said that only the greater of these sums was to be cut (i.e., $3.4 million), consistent with the text of section 1 of PA 03-2. However, DMHAS testified to the Appropriations Committee that is was being told by OPM to cut the total -- $5.9 million. Testimony of DMHAS Commissioner Kirk to Appropriations Committee, March 14, 2003.

of HB 6548 would also eliminate state payment for the burial expenses of indigent persons.

To attempt to mitigate some of damage this proposal will cause, the Governor proposes to provide $58.3 million in funding to the uncompensated care program for acute care hospitals and $1.7 million to the John Dempsey Hospital to fund some portion of the additional costs they will incur when these needy adults turn to hospitals for their health care. Importantly, the *net* cost to the state of this enhancement would be only $30 million; the federal government will reimburse Connecticut 50% of the cost under Medicaid. In addition, the Governor proposes to transfer $42.5 million of funds from the GA Behavioral Health Managed Care program at DMHAS to DMHAS' Community Substance Abuse and Mental Health Accounts to continue behavioral health services. In addition, DSS has stated that of the 4,700 SAGA cash assistance cases, 500 are "family" cases that will be transferred to the TFA program "where their financial needs will be met" and that 53% of the SAGA cash assistance cases have Medicaid rather than SAGA medical coverage so their medical benefits will continue "with no interruption." DSS will offer training to clinical staff at the Community Health Centers and to the 12 SSBG providers current providing services to SAGA clients (in all but the Danbury and Torrington areas) to educate them regarding the disability determination process and impairment criteria, with the expectation that some portion of the persons on SAGA will be found eligible for Medicaid.[65]

The *net* "savings" for DSS and DMHAS are anticipated to be $69.2 million in FY 04 and $104.4 million in FY 05. In FY 04, this results from a "savings" of $105.4 million in DSS' budget from eliminating SAGA and an additional $66.4 million in DMHAS' budget from eliminating GA Behavioral Health Managed Care. These two "savings" are offset by the increased funding for uncompensated care ($60 million) and for DMHAS' community substance abuse and mental health programs ($42.5 million). In addition, $4 million of funds are transferred from DSS to DMHAS to help pay for prescription drugs for clients in DMHAS-funded and operated programs.

Eliminate benefits for legal immigrants. The Governor proposes to eliminate cash assistance, medical assistance, and the state food stamp supplement for legal immigrants as of June 30, 2003. DSS reports that its State-Funded Medical and Non-Citizens (SMANC) program would stop accepting new applications after June 30, 2003, but that the 2,500 persons currently enrolled would be "grandfathered" and remain on assistance, including persons living in nursing homes.[66] The Governor's proposed change would "save" $1.2-$1.3 million in FY 04 and $0.9-$1.0 million in FY 05.

Limit Temporary Family Assistance. The *Budget Summary* states, "Because of the fiscal crisis, the Governor is proposing some modifications to the social compact he forged with welfare recipients eight years ago in the areas of welfare eligibility and child care." That is, despite the good faith efforts of Connecticut's low-income parents to comply with Connecticut's welfare reform program, Connecticut will now renege on its side of the bargain – that if parents get employment, Connecticut will continue to provide them with help with child care and health care expenses. PA 03-2 limits to two the number of extensions a parent can receive under TFA after the original 21 months period has passed; this change takes effect July 1, 2003. Previously, TFA recipients could have up to 3 6-month extensions, with certain recipients allowed four or more depending on their barriers to

[65] DSS, *Information for Appropriations Sub-Committee,* March 19, 2003.
[66] DSS, *Information for Appropriations Sub-Committee,* March 19, 2003.

employment. As of November 2002, there were 2,570 families in extensions.

4. *Reduce Child Care Subsidies.* PA 03-2 also reduced eligibility for *transitional childcare* benefits from families with income below 75% of the state median income to families with incomes below 55% of SMI. The Governor proposes to *further reduce* eligibility to 50% of SMI. The combined effect of these changes would be to deny childcare subsidies to families with incomes between $28,119-$42,178 (for a family of 2), between $34,735-$52,102 (for a family of 3) and $41,351-$62,027 (for a family of four). The average annual cost for childcare in a formal setting in Connecticut is about $10,000/child/year. Without subsidies, these low-wage parents will have great difficulty making ends meet and affording high quality care for their children. Currently, a majority of low-wage working families who are receiving a child care subsidy through DSS' Care 4 Kids program choose a family member or relative to care for their children. These families commonly work non-traditional hours (nights and weekends) when licensed child care facilities are not open. DSS has been working to link the nearly 8,000 registered "kith and kin" providers to connect them to the formal training and educational opportunities available to licensed providers.[67]

5. *Eliminate safety net services.* The Governor proposes to eliminate *all* funding for safety net services. These essential services were established when welfare reform was adopted to protect children in families that lose cash assistance benefits from harm. The "savings" from eliminating safety net services would be $3.72 million in FY 04, but the risk to children would be incalculable. The transitionary rental assistance program (T-RAP) would continue, but funds would be less than in the revised FY 03 budget. DSS proposes to mitigate this elimination of intensive case management and care coordination services by directing clients to the United Way's Infoline caseworkers who would attempt to reach clients by phone and mail "apprise them of available services in their community or through other government programs that can meet their needs" and make a "follow-up contact after a month to see if they accessed such services." DSS also anticipates working "closely" with DCF to assure that children are protected, noting that "even when a referral to DCF becomes necessary because of neglect, that agency, during its intake investigation, works to connect the client to these community resources to address the family's basic and other needs. If such needs are addressed in this manner DCF does not find it necessary to open an ongoing case."[68]

6. Fuel assistance. The SFY 03 revised budget eliminated all state funds for the fuel assistance program (a cut of $2.081 million), "anticipating" that funds available under the federal Low Income Home Energy Assistance block grant will be sufficient to maintain the program at its current service level. The proposed FY 04 budget includes no funding for fuel assistance.

7. Home care services. The Governor's proposed FY 04 budget includes additional funding for the Home Care expansion, assisted living in congregate and HUD housing, and 276 free-standing assisted living units, as well as a 2% rate increase for all community, home care, and adult day care providers. All of these initiatives are directed at reducing the number of seniors institutionalized in nursing homes. The CT Home Care Program for Elders currently serves about 13,000 seniors

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[67] DSS, *Information for Appropriations Subcommittee,* March 19, 2003. Note: DSS also reports in this *Information* that a recent survey for DSS by the Child Care INFOLINE program in the fall of 2002 found "vacant spaces" for approximately 2,400 infants and toddlers, 6,600 preschoolers, and 4,123 school-age children in various licensed settings, including child care centers, group day care homes and family day care homes. In addition, the survey reported 611 openings in Heat Start programs and 1,376 openings in nursery school programs. Obviously, the fact that openings exist does not mean that supply exceeds demand; mismatches in geography and in schedule can result in significant unmet need.
[68] DSS, *Information for Appropriations Subcommittee,* March 19, 2003.

(providing a range of home health and community-based services); enrollment is expected to increase to 15,000 by FY 05. Expansion of these programs is not only good for seniors, it also is cost-effective. Average costs for nursing home care in Connecticut for persons on Medicaid ($5,177/month) far exceeds either assisted-living ($1,450/month) or home care ($1,180/month).[69]

8. *Cost of living adjustments.* The Governor proposes to eliminate for the biennium the cost of living adjustment that persons receiving Temporary Family Assistance and Aid to the Aged, Blind, and Disabled were to have received July 1, 2003 and annually thereafter. This will "save" $3.5 million in FY 04 and $7.7 million in FY 05, but result in cash assistance benefits falling farther and farther behind OPM's self-sufficiency standard. Conversely, the Governor proposes to require that the COLA given by the federal government to persons receiving Social Security and Supplemental Security Income be considered "income" that is applied to the recipients' cost of care – that is, the state would "take" the recipients' COLA. PA 02-7 (MSS) would have allowed recipients of Aid to the Aged, Blind and Disabled programs to keep one-half of their annual cost of living increase in their Social Security or Supplemental Security check and use only one-half to pay for care. This change would be revoked, and the state would continue to take the whole COLA. This would "save" about $0.5 million each year.

Other Changes

1. *DSS re-organization.* The Governor proposes to merge into DSS the Commission on the Deaf and the Hearing Impaired (CDHI) and all functions of the Board of Education and Services for the Blind (BESB) *excepting* the education of children (which is transferred to SDE). $5.4 million in each of FY 04 and FY 05 is transferred from BESB to DSS (to support 48 full-time positions and funding for vocational and rehabilitation services, programs to enhance life skills and promote independence for legally blind adults). This is anticipated to result in "more efficient administration and improved client services." In addition, $0.962 million is transferred from the CDHI to DSS. Importantly, the sums transferred to DSS and SDE total *less* than the current combined budgets of BESB and CDHI.

2. *Federal funds maximizing efforts.* The Governor proposes several changes that would allow DSS to claim more of the federal funds to which it is entitled. It would *not* deduct child support payments form the TFA grant (as is current practice, with a $50 disregard), but would maintain the benefit level "thereby making available additional TFA funds as revenue."[70] The Governor also proposes to move several services currently funded through the Social Services Block Grant into DSS' budget to be funded with state funds, "where they can be claimed for federal reimbursement." Specifically, four grants totaling $0.786 million will be transferred to their corresponding General Fund accounts and ten grants totaling $1.2 million will be consolidated under a new single General Fund account – the "Community Services" account. There is to be no net reduction to program funding. The change in the child support methodology pass-through is expected to increase TANF-related spending by $6.75 million in FY 04 and by $9.0 million in FY 05. The change in SSBG allocations will increase funds claimed under TANF by $3.5 million and in other revenue areas by $1.1 million.

3. *Annualization of FY 03 reductions/Removing inflationary increases.* The Governor's proposed FY 04 budget includes a reduction of $28 million, representing the annualization (making permanent) various reductions made in FY 03. An additional reduction of $3.9 million is proposed to remove

[69] *FY 2003-2005 Governor's Budget Summary,* p. 73.
[70] *FY 2003-2005 Governor's Budget Summary,* p. 94.

inflationary increases.

4. *Personnel.* The Governor's proposed FY 04 budget includes a reduction of $11.2 million in personal services costs resulting from "layoffs necessitated by failure to achieve concessions." In addition, $7.6 million is removed from DSS' proposed FY 04 budget for unsettled collective bargaining agreements and $0.65 million in proposed reductions related to the Early Retirement Incentive Plan. DSS' 245 layoffs have resulted in office closures (Ansonia, Bristol, Killingly, Norwalk, Meriden, and Willimantic) and compromised the ability of DSS to "process applications, make changes to clients' cases or respond to requests for information."[71]

8. Department of Children and Families (DCF)

a. A bit of background. DCF has statutory responsibility for child protective services (child abuse and neglect), children's behavioral health, juvenile justice (for children and youth who have been adjudicated delinquent) and prevention. Over the last decade, its budget has grown significantly – from a General Fund budget of $227.6 million in FY 94, to the revised FY 03 General Fund budget of $573.7 million (before mid-year reductions) - a $346.1 million increase. This 150% growth in DCF's budget over 9 years represents an average growth of about 17%/year. As of March, 2003, DCF was caring for 6,300 children and youth outside their own homes. DCF estimates that 50%-60% of these children in state care have mental health needs.

As shown in the table below, much of DCF's budget increase has been in "board and care" expenses for children who have been placed out of their homes because of abuse, neglect or a serious mental health problem. Growth in "board and care" accounts exceeded growth in DCF's overall budget, and far exceeded growth in non-board and care accounts (including DCF staffing).

Change in DCF Budget: FY 94 to FY 03 (rev) ($ in millions)[73]

	FY 93-94	FY 02-03 (rev.)	$ Change	% Increase
Total DCF General Fund budget	**$227.6**	**$573.7**	**$346.1**	**152%**
Board and Care – Adoption	$14.3	$40.7	$26.4	185%
Board and Care – Foster Care	$23.1	$78.9	$55.8	242%
Board & Care – Residential Treatment	$46.9	$127.8	$80.9	172%
All other DCF services/staff	$143.3	$326.3	$183	128%

These comparisons show that growth in DCF's budget has been uneven, failing to provide sufficient

71 Testimony of Commissioner Wilson-Coker to Appropriations Committee, March 14, 2003.

72 The budget figures in these two tables are not inflation-adjusted. Inflation over this period was about 22%; that is, a dollar of funding in 1994 is equivalent to $1.22 in 2002. Comparing total DCF spending in inflation-adjusted dollars ($2002) shows more than a 100% increase in total net spending from FY 94 to FY 03, or about 11.3%/year on average.

73 The budget figures in these two tables are not inflation-adjusted. Inflation over this period was about 22%; that is, a dollar of funding in 1994 is equivalent to $1.22 in 2002. Comparing total DCF spending in inflation-adjusted dollars ($2002) shows more than a 100% increase in total net spending from FY 94 to FY 03, or about 11.3%/year on average.

funding for supports to children and families early on, when problems first begin to manifest themselves. Rather, to date, Connecticut has chosen to wait until small problems grow into huge crises, and then, too often, act by placing children in out-of-home placements that are more costly, and in many cases less therapeutic, than caring for children in their homes and communities.

b. Proposed FY 04 budget. The table below shows the amount originally appropriated in the DCF's revised FY 03 budget, the FY 04 Current Services budget, and the amount proposed by the Governor for FY 04. It also compares the Governor's proposed FY 04 budget to the FY 03 revised budget (before mid-year cuts). As shown below, the Governor's proposed FY 04 budget for DCF would be about $34 million *less than* DCF's FY 04 Current Services Budget, but $19.5 million more than the revised FY 03 budget before mid-year reductions.[74]

The increase over FY 03 would not be an across-the-board increase. Rather, "board and care – adoption" would increase under the Governor's budget by more than $10 million, "board and care-residential" would increase by $6.6 million, Workers Compensation claims by $1.8 million, and special education costs by $1.55 million, while various home and community-based support programs would have their funding reduced. The proposed increase in funding for residential costs and reduction in funding for home and community-based services cut marks a *reversal* from a promising trend that had developed in DCF's budget over the last several years – that of shifting funds from institutional care toward home and community-based services.

Although not included in the table, a comparison between the Governor's proposed FY 04 budget and the FY 04 Current Services budget would show that only four budget accounts appear to show *increases* over the Current Services budget (Juvenile Justice Outreach, Support for Recovering Families, Substance Abuse Treatment, and Covenant to Care). However, a proposed "re-alignment" of funding for supportive housing for recovering families and for Multi-Systemic Therapy helps to explain some of these increases. *All* other budget accounts would be funded at *less than* what is necessary to maintain current levels of service.

Department of Children and Families	**FY 03 Budget (as revised)[75]**	**FY 04 Current Services**	**Governor's FY 04 Proposed**	**Gov's FY 04 Proposed Compared to FY 03**
	[$M]	**[$M]**	**[$M]**	**[$M]**
Personal Services	$212.055	$228.027	$209.853	**-$2.202**
Other expenses	$35.667	$39.582	$37.559	**-$2.024**
Other Current Expenses				
Short-term residential	$0.654	$0.672	$.658	$.004
Substance abuse screening	$1.714	$1.762	$1.681	**-$0.032**

74 This report does *not* compare the proposed FY 04 budget to the estimated FY 03 budget for two reasons. First, the *Biennial Budget Introduction Supplement* cautions against relying on the Budget Summary's estimates of FY 03 spending (after rescissions, lapses, and changes made by PA 03-2). Second, the *Supplement* asserts that some of the spending reductions in PA 03-2 are unattainable. Taking into account these limitations, the *Budget Summary* states that estimated General Fund spending in FY 03 for DCF is $568.22 million.

75 This column shows appropriated spending in the revised FY 03 budget *not* adjusted for changes made since the budget was adopted (through rescissions and other spending reductions in PA 03-2).

Workmen's comp claims	$4.018	$6.842	$5.842	$1.824
Local systems of care	$1.189	$1.780	$1.766	$0.577
Payments to Other than Local Gov'ts				
Health assessment & consultation	$0.266	$0.273	$0.264	**-$0.002**
Psychiatric clinics for children	$13.757	$14.142	$12.692	**-$1.064**
Day treatment programs	$5.731	$5.891	$5.346	**-$0.384**
Juvenile justice outreach	$2.630	$2.704	$3.046	$0.415
Treatment/prevention child abuse	$5.360	$5.510	$5.326	**-$0.034**
Community emergency services	$0.178	$0.183	$0.177	**-$0.001**
Community preventive services	$2.769	$2.846	$2.755	**-$0.014**
Family violence services	$0.502	$0.516	$0.499	**-$0.003**
Support for recovering families	$1.769	$1.818	$2.559	$0.790
No nexus special education	$5.921	$7.628	$7.467	$1.546
Family preservation services	$6.543	$6.726	$6.501	**-$0.041**
Substance abuse treatment	$3.246	$3.336	$3.581	$0.336
Child welfare support services	$0.352	$0.362	$0.351	**-$0.001**
Board & care –adoption	$40.738	$52.887	$51.005	$10.268
Board & care –foster care	$78.921	$81.936	$77.841	**-$1.079**
Board & care –residential	$127.824	$137.818	$134.385	$6.561
Individualized family supports	$7.570	$7.782	$7.507	**-$0.063**
CT Community KidCare	$14.309	$14.709	$14.398	$0.089
Covenant to Care	$0	$0	$0.151	$0.151
TOTAL –General Fund	**$573.678**	**$627.486**	**$593.211**	**$19.532**

c. **Federal and other funding.** DCF's federal funding is anticipated to fall from $15.975 million in the current fiscal year to $11.171 million in FY 04. Private contributions are anticipated to fall from $5.63 million in FY 03 to $1.44 million in FY 04.

d. **Specific FY 04 proposed program/service changes**

Savings due to closing Lone Lane School. The closure of Long Lane School (DCF's correctional facility for young women) would result in a net savings of $3.6 million. They result from $4.4 million of savings (from reduced staff and staff overtime, other expenses, and Workers Compensation claims) partially offset by $850,000 in increased costs associated with enhanced residential care for the girls who had been placed at Long Lane. Commissioner Dunbar testified that while Long Lane staff have been "redeployed" to the CT Juvenile Training School, "the recommended budget reduces the agency's Personal Services account, which will be a challenge for the agency to absorb."[76]

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[76] Testimony of DCF Commissioner Dunbar to the Appropriations Committee, March 14, 2003.

Natchaug Hospital. The proposed FY 04 budget provides funding for a new program at Natchaug Hospital for girls who have been committed to DCF by the courts. With the closure of Long Lane School, this is one option for placement of the juvenile justice-committed girls who had been placed there. This proposed FY 04 funding, however, begs the question of what services are being provided to the young women formerly at Long Lane until this and other programs are up and running.

Reductions from consolidation of Regional Offices. The Governor proposes to move from 5 regional offices to 3. Four regional administrative positions would be eliminated (2 Regional Administrators and their two secretaries) for savings of $0.232 million in FY 04. Commissioner Dunbar testified that while "no closure of offices is proposed," this "was not a DCF proposal."[77]

Funding transfer from Judicial Department. $1.227 million of funds would be transferred from the Judicial Department to DCF to pay for at least six beds in the Sachem Unit at DCF's Riverview Hospital. The Sachem Unit is a forensic psychiatric unit that has had marked success with juvenile offenders with psychiatric needs. DCF and the Judicial Department have entered into a Memorandum of Understanding to assure at least six beds for Judicial Department clients (i.e., youth who are not yet sentenced).

Funding for intermediate forensic evaluations. $0.724 million of funds are proposed to *continue* funding for intermediate forensic evaluations. Funding from the Community Mental Health Strategic Investment Fund had been used to establish a pilot project for these intermediate evaluations, which are more comprehensive than assessments of arrested youth by Court Support Services but less intensive than a 30-day evaluation at Riverview Hospital. This increase is mandated by the Emily J court order. It is anticipated to help free up some of the bed space at Riverview Hospital, and also to assure higher quality assessments of these very at-risk youth.

KidCare. Although the KidCare plan envisions statewide coverage,[78] recommended funding in the proposed FY 04 budget provides funding for crisis stabilization beds in only three regions "without recognizing the need for these services across the remaining areas of the state."[79] Implementation of the Behavioral Health Partnership between DSS, DCF, and DMHAS is delayed until FY 05 to provide "critically needed time to negotiate the best possible contract with the Administrative Services Organization, to make sure that the ASO passes all readiness requirements prior to July 1, 2004, to engage providers and ensure they are ready, and to further refine our own workon the clinical criteria for each level of service."[80]

Voluntary services. The DCF Commissioner notes that this budget does not include "recognition of our increasing costs due to children with mental retardation accessing services through Voluntary Services. These costs continue to grow at a rate exceeding the growth in our accounts which fund such placements."[81]

Increased private provider rates. A little more than $2 million is provided to increase private provider

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77 Testimony of DCF Commissioner Dunbar to the Appropriations Committee, March 14, 2003.
78 KidCare now has 14 emergency mobile crisis teams and 60 care coordinators statewide. *Governor Rowland's Budget Proposal FY 2003-05 Biennium*, PowerPoint Presentation, March 4, 2003.
79 Testimony of DCF Commissioner Dunbar to the Appropriations Committee, March 14, 2003.
80 Testimony of DCF Commissioner Dunbar to the Appropriations Committee, March 14, 2003.
81 Testimony of DCF Commissioner Dunbar to the Appropriations Committee, March 14, 2003.

rates by 1.5% effective January 1, 2004. Providers paid under the Single Cost rate-setting system (primarily residential providers) would receive only the cost of living adjustment (COLA) that grant-funded providers would receive. This would violate of state law and regulation.

Continued funding for Covenant to Care. On-going funding for Covenant to Care is provided. In FY 03, $150,000 in SFY 01 surplus funds were used to support this program that oversees an "Adopt a Social Worker" program and also helps recruit minority foster and adoptive parents. A new DCF budget account is established specifically for this program.

Other additions. The proposed FY 04 budget would correct structural funding shortfalls in a number of DCF accounts, including Other Expenses, No-Nexus Special Education, Workers' Comp and Board & Care accounts.

Annualized SFY 03 reductions. Cuts made in SFY 03 to help balance the budget would be annualized (i.e. made permanent). This reduction totals $2.947 million in FY 04.

Other reductions. Also included in the proposed FY 04 budget are cuts of: a) $13.88 million (to remove inflation-related increases); b) $3.43 million associated with layoffs "necessitated by failure to achieve concessions;" c) $11.89 million from the elimination of funding for unsettled collective bargaining agreements; and d) $0.678 million associated with savings from the Early Retirement Incentive Plan. Included among Governor Rowland's layoffs were 69 full-time DCF staff and 6 part-time staff. In addition, there are 400 DCF who are eligible for the ERIP; about 150-180 are considering taking advantage of this early retirement program. Commissioner Dunbar views this loss of staff as a "problem," and notes that DCF is "trying to do some early analysis to inform us about future effects on the agency."[82]

9. Council to Administer the Children's Trust Fund

a. A bit of background. The Children's Trust Fund was created to establish and fund programs that prevent child abuse and neglect and support and strengthen families. Programs supported through the Fund include Healthy Families (which targets new parents in currently 19 of Connecticut's 29 hospitals, and provides home visiting for those identified as most at risk), other child abuse prevention and training programs, and Help Me Grow/Child Serve (a prevention initiative to identify and treat young children with behavioral health needs who do not meet the eligibility requirements of the Birth to Three program).

b. Proposed FY 04 Changes. Proposed funding for the Children's Trust Fund for FY 04 is $5.243 million. This is $0.828 million *less* than the amount originally budgeted for FY 03, $0.529 million *less* than what was budgeted for FY 03 in the revised budget, $0.702 million *less than* FY 04 Current Services, and $0.304 million *less than* what was spent on these cost-effective prevention services in FY 02.

[82] Comments of DCF Commissioner Dunbar to the Appropriations Subcommittee reviewing DCF's budget, March 20, 2003.

Children's Trust Fund	FY 03 Budget (as revised)[83]	FY 04 Current Services	Governor's FY 04 Proposed	Governor's FY 04 Proposed Compared to FY 03
	[$M]	[$M]	[$M]	[$M]
TOTAL –General Fund	$5.772	$5.945	$5.243	-$0.529

c. Specific program / service changes

Annualization of FY 03 reductions and elimination of inflation. The Children's Trust Fund's proposed FY 04 budget is reduced by a total of $0.636 million to annualize FY 03 cuts and eliminate inflation. A modest $35,109 is *added* for a 1.5% private provider COLA effective January 1, 2004.

Healthy Families. $300,000 of funds from the Tobacco & Health Trust Fund that had been earmarked previously for the Healthy Families program would be eliminated in the proposed FY 04 budget.[84] At the Appropriations Committee's hearing on DCF's proposed budget (March 14, 2003), the cut to Healthy Families funding was characterized as "a tragedy" by Rep. Farr. Others concurred, describing the program as "incredibly important" (Rep. Truglia) and an "excellent prevention program- a national model" (Sen. Handley).

10. Office of the Child Advocate

a. A bit of context. The Office of the Child Advocate was established in 1995 to be an independent state agency charged with protecting the rights of Connecticut's children and advancing policies to promote their well-being. Its specific responsibilities include: a) evaluating the care provided to children in state-run and state-funded institutions, programs and services; b) investigating complaints and concerns about care provided to children; and c) chairing the Child Fatality Review Panel, which conducts investigations of unexplained or unexpected child fatalities.

b. Proposed FY 04 budget changes.

Office of the Child Advocate	FY 03 Budget (as revised)[85]	FY 04 Current Services	Governor's FY 04 Proposed	Governor's FY 04 Proposed Compared to FY 03
	[$M]	[$M]	[$M]	[$M]
TOTAL – General Fund	$0.693	$0.733	$0.683	-$0.010

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83 This column shows appropriated spending in the revised FY 03 budget *not* adjusted for changes made since the budget was adopted through rescissions and other spending reductions.
84 OFA, *Synopsis of the Governor's 2003-2005 Biennium Budget Prepared for the Appropriations Committee,* March 5, 2003.
85 This column shows appropriated spending in the revised FY 03 budget *not* adjusted for changes made since the budget was adopted (through rescissions and other spending reductions, including in PA 03-2).

c. Specific program and service changes. Proposed FY 04 funding is very slightly reduced from the revised FY 03 budget. The reduction results from an annualization of FY 03 reductions, elimination of inflation increases, elimination of funding for unsettled collective bargaining contracts, and some equipment transfers to the CEPF. Staff is maintained at nine positions.

11. Legislative Commissions (Permanent Commission on the Status of Women, Commission on Children, Latino and Puerto Rican Affairs Commission, African-American Affairs Commission)

a. A bit of background. PCSW was established by the General Assembly in 1973 to study and inform leaders about sex discrimination in the state, serve as a liaison between government and private interest groups, promote consideration of women for positions in government, and work with state agencies in monitoring and assessing programs and policies that affect the status of women. The Commission on Children, established in 1985, studies the status of children and children's programs, policies, and legislation and informs state and local government leaders and others of its findings. The Latino and Puerto Rican Affairs Commission was established in 1994 to ensure proper representation and recognition of the Latino and Puerto Rican communities, provide advice to state leaders, and act as a liaison between state government and these communities. The African-American Affairs Commission was established in 1997 to ensure adequate representation and recognition of the African-American community, provide advice to state leaders and act in a liaison role.

b. Proposed FY 04 changes. The Governor proposes to *eliminate* all four commissions. Since, under law, he cannot adjust the budget submitted to him by the General Assembly, he proposes to realize savings from eliminating the Commissions in the "bottom line Legislative Lapse" in both years of the biennium. For this *technical* reason, the Governor's proposed FY 04 budget shows continued funding for the four commissions.

Legislative Commissions	FY 03 Budget (as revised)[86]	FY 04 Current Services	Governor's FY 04 Proposed	Governor's FY 04 Proposed Compared to FY 03
	[$M]	[$M]	[$M]	[$M]
Permanent Commission on the Status of Women	$0.593	$0.667	$0.667	$0.074
Commission on Children	$0.566	$0.695	$0.695	$0.129
Latino and Puerto Rican Affairs Commission	$0.414	$0.436	$0.436	$0.022
African-American Affairs Commission	$0.342	$0.346	$0.346	$0.004

[86] This column shows appropriated spending in the revised FY 03 budget *not* adjusted for changes made since the budget was adopted (through rescissions and other spending reductions).

12. Department of Mental Retardation (DMR)

a. A bit of background. The Department of Mental Retardation provides a range of services to persons with mental retardation and their families, including case management, respite, family support, residential, employment/day supports, and recreation services. DMR also acts as the lead agency in the Birth-to-Three program that serves infants and toddlers with developmental delays. It also helps assure that adequate health services are provided to persons receiving DMR residential care, and that adequate representation and services are provided to DMR clients who become involved in the criminal justice system. Persons are eligible for DMR services if they have an IQ score below 70 along with demonstrated deficits in adaptive behavior, both before age 18.

Currently, DMR serves about 19,430 children, adults, and their families. About 12,000 of these persons (62%) are served in their own homes (4,848 children receiving Birth-to-Three services and 7,186 adults living in their own homes without residential supports).[87] The remaining 7,394 persons (38%) are served in residential settings—about 1/3 (32%) in DMR-operated facilities, nearly 2/3 (62%) in private facilities, and the remainder (6%) in self-directed individual support programs. In FY 02, 9,200 of DMR's clients were under the age of 18. The number of persons served by DMR has increased by 60% over the last 10 years; counting the Birth-to-Three program, each year DMR adds about 800 children and adults to those it serves. DMR projects it will be serving over 21,000 children and families by the end of FY 05.

DMR maintains a waiting list of persons who need its services. While in June 2001 there were 1,562 people on this list, by March 2003 there were over 1,700 people on the list, with more than 200 of them having "very critical needs for residential care."[88] Each year about 300 people join the waiting list. DMR estimates that *reducing* the wait list would require *new* funding for at least 200 extra people *every year*, while *eliminating* it would require twice this.

A number of the services provided by DMR are eligible for reimbursement from the federal government under the Medicaid program. In FY 03, about $272.7 million of federal reimbursements are projected to be recovered: a) $80.8 million for intermediate care facilities for the mentally-retarded (ICF-MR); b) $183.4 million for services under the Home and Community-Based waiver; c) $4.9 million for targeted case management services; and d) $3.6 million for the Birth-to-Three program.

b. Proposed FY 04 budget. The table below shows the amount originally appropriated in the revised FY 03 budget, the FY 04 Current Services budget, and the amount proposed by the Governor for FY 04 for various DMR budget accounts. It also compares the Governor's proposed FY 04 budget to the FY 03 revised budget (before mid-year reductions).

DMR's proposed FY 04 General Fund budget of $745 million is $20.3 million more than its revised FY 03 budget (which was, in turn, $2.738 million more than DMR's *original* SFY 03 budget). Budget accounts with proposed spending increases include: cooperative placement program ($3.675 million), early intervention program ($3.612 million), workers' compensation claims ($3.199 million), new placements ($5.0 million), employment opportunities and day services ($2.211 million) and community residential services ($5.844 million). The *only* account that would be reduced in the

[87] Testimony of DMR Commissioner O'Meara to the Appropriations Committee, March 12, 2003.
[88] Testimony of DMR Commissioner O'Meara to the Appropriations Committee, March 12, 2003.

proposed FY 04 budget is personal services (reduced by $3.8 million).

However, a comparison between the Governor's proposed FY 04 budget and the FY 04 Current Services budget (not shown) shows that all budget accounts, *excepting* the "New Placements" and Workers' Compensation accounts, would be funded at amounts less what is necessary to maintain current levels of service.

Department of Mental Retardation (DMR)	**Revised FY 03 Budget[89]**	**Current Services Budget FY 04**	**Governor's Budget FY 04**	**Compare Governor's FY 04 Budget with FY03 (as revised)**
	[$M]	**[$M]**	**[$M]**	**[$M]**
Personal Services	$282.825	$298.016	$279.017	**-$3.808**
Other Expenses	$23.290	$23.915	$23.290	$0.000
Equipment	$0.001	$0.398	$0.001	$0.000
Other Current Expenses				
Human Resource Development	$0.231	$0.238	$0.231	$0.000
Family Support Grants	$0.993	$1.021	$0.993	$0.000
Pilot Programs for Client Services	$2.250	$2.325	$2.278	$0.028
Cooperative Placements Program	$11.071	$14.974	$14.746	$3.675
Clinical Services	$3.863	$4.556	$4.363	$0.500
Early Intervention (Birth-to-Three)	$20.642	$27.247	$24.254	$3.612
Temporary Support Services	$0.205	$0.211	$0.205	$0.000
Community Temporary Support Services	$0.067	$0.069	$0.067	$0.000
Community Respite Care Programs	$0.330	$0.340	$0.330	$0.000
Worker's Compensation Claims	$10.236	$13.435	$13.435	$3.199
New Placements			$5.000	$5.000
Payments to Other Than Local Govn'ts				
Rent Subsidy Program	$2.677	$2.752	$2.677	$0.000
Respite Care	$2.082	$2.140	$2.082	$0.000
Family Reunion Program	$0.138	$0.142	$0.138	$0.000
Employment Opportunities and Day Services	$115.533	$120.140	$117.745	$2.211
Family Placements	$1.844	$1.905	$1.867	$0.023
Emergency Placements	$3.644	$3.765	$3.690	$0.045
Community Residential Services	$242.809	$251.789	$248.654	$5.844
TOTAL – General Fund	**$724.733**	**$769.377**	**$745.063**	**$20.329**

c. Specific program and service changes

Eliminate Birth-to-Three program as an entitlement. The Birth-to-Three program provides early intervention services to infants and toddlers who are showing signs of developmental delays. The

[89] This column shows appropriated spending in the revised FY 03 budget *not* adjusted for changes made since the budget was adopted (through rescissions and other spending reductions including PA 03-2).

Governor proposes to "cap" this early intervention program and end the entitlement to services. He explains, "…expenditures have continued to grow, long past the point at which they were anticipated to level off based on the size of the Birth to Three population and the incidence rate of developmental delay for that age group."[90] The Governor proposes to make the program a "non-entitlement" and require DMR to "live within its appropriation each fiscal year by limiting intake, reducing the menu of services offered, or establishing or increasing asset tests and cost-sharing."[91] Because federal funding for this program is contingent on it remaining an entitlement, the Governor's proposed change would result in the loss of more than $4 million in federal funding in FY 04 (through Part C of the Individuals with Disabilities Education Act (IDEA)). In short, to "save" $8 million in state funds over the biennium ($3 million in FY 04 and $5 million in FY 05), DMR would *lose* more than $8 million in federal funds. At this point in time, Connecticut is the only state that has proposed to pull out of the federal program.

Commissioner O'Meara, at the March 24, 2003 meeting of the Health and Hospitals Subcommittee of the Appropriations Committee, provided a set of alternatives that could allow Connecticut to continue to offer Birth to Three services as an entitlement and thereby continue to receive federal funds (estimated to be $4.66 million this year) while operating the program within the Governor's proposed allocation of $24.2 million. He notes that without any changes, there would be a $2.5 million shortfall in the Governor's proposed budget.

Some combination of the following changes could keep the Birth-to-Three budget within the Governor's proposed budget. They total $5.773 million. (with $3.673 million of savings possible without changes to insurance statutes):

Proposed Change[92]	**Potential Savings, Revenue, or Re-Allocation in FY 04**	**Actions needed to implement**	**Impacts on**
Change CT insurance mandate for early intervention services to what is used by MA. Require insurance to pay up to $3,200 each year (rather than current $5,000), but broaden services that insurance must cover to include *all* early intervention services (simplifies claims process)[93]	$2,100,000 revenue	Amend CGS §38a-490a and CGS §38a-516	Individual and group health care plans sold in CT
Restrict eligibility criteria slightly; offer those excluded quarterly home visits to coach	$1,577,000 savings	Change to operational	Children with certain diagnosed conditions

[90] *FY 2003-2005 Governor's Budget Summary*, p. 97. DMR states that the developmental disability is present in about 1% of the Connecticut population.
[91] *FY 2003-2005 Governor's Budget Summary*, p. 98.
[92] Statement of Commissioner O'Meara to Health and Hospitals Subcommittee of Appropriations Committee, March 24, 2003. The Commissioner also suggested other changes that should be studied, but said it was not possible to assign a dollar amount for savings. They include: revising existing exit criteria used to determine whether eligible children continue to need early intervention services; working with local school districts to offer group experiences for children nearing age 3; reducing the administrative costs of providers by reviewing all data entry and paperwork requirements; considering additional fee charges for families who require intensive amounts of direct service.
[93] In FY 02, insurance companies paid $3.2 million toward Birth-to-Three services. In FY 03, this is expected to increase to $4.0 million.

families in assisting child's development and provide information about other resources		procedures, revision to federal application due May 23, 2003	and mild delays. Low birth weight infants. Children with only speech delays.
Charge monthly fee to families with gross income over $45,000, using existing fee scale. Collect fee either by centralized process or through Birth to Three programs	$864,000	Emergency regulation changes	All families of eligible children w/ gross income over $45,000
Re-allocate federal funds now used for administration to direct service and otherwise alter components of system	$435,000 Part C funds re-allocated	Revision to federal application due May 23, 2003	Reassignment of staff, reduction of admin. funding, shift of data network to web-enabled
Change payment methodology for contracted programs to exclude payment for those months when no direct services have been provided (w/ some exceptions) and increase number of services hours in contracted program from 13 to 15 hours/month/child	$795,440 savings	Change in FY 04 provider contracts and in payment procedure	36 contracted programs

New placements account. The Governor acknowledges that the proposed FY 04 budget does not provide sufficient funding to pick-up at DMR all children with development disabilities who are "aging-out" of DCF or who are graduating from high school and need day or other services.[94] To "attempt to meet the need of emergency situations and other high priorities on the waiting list and to provide some services to the age-outs and high school graduates"[95] the Governor proposes a flexible pool of $5 million in FY 04 and $7 million in FY 05 for services for the highest priority clients. Commissioner O'Meara told the Appropriations Committee that "the dollars provided will likely be insufficient to meet the demands of all of our 'age-outs' and high school graduates, let alone provide any significant new funding for individuals on the Waiting List."[96] As of March 2003, there were 1,700 families on the waiting list. This number is projected to increase to 1,900 in FY 04 and to more than 2,000 in FY 05, assuming current services.

Cooperative placement program. Additional funds are proposed for this program (though *less* than are necessary to maintain current services) that provides care to persons whom DMR is ordered to serve through court orders mandating placements and services. In past years, these mandated services have limited DMR's ability to address the waiting list; it is hoped that some additional funding will change this.

[94] DMR projects that in each of FY 04 and FY 05 34 youth will age-out of DCF and require DMR residential care, another 55 will age-out and need DMR day services, and there will be 170 high school graduates who need DMR services. The FY 04 cost to meet their needs (partial year) is about $6.14 million, while full-year costs in FY 05 will be $7.45 million. The Governor's budget provides $5 million to meet the FY 04 need, leaving a shortfall of $1.14 million. In addition, reducing the DMR waiting list by 150 persons would require an additional $3 million in partial year costs (and $10 million in FY 05 for a full-year). Therefore, the shortfall under the Governor's budget would be about $4.14 million in FY 04 and nearly $19.6 million in FY 05.

[95] *FY 2003-2005 Governor's Budget Summary*, p. 98.

[96] Testimony of DMR Commissioner O'Meara to the Appropriations Committee, March 12, 2003 and to the Health and Hospitals Subcommittee of the Appropriations Committee, March 24, 2003.

Optional services. The DMR budget includes funding for a variety of services needed by DMR clients that the Medicaid program no longer covers (as "optional" services). They include psychology, physical and occupational therapy, and podiatry. DMR considers these services critical to the continued support of clients in the community; an additional $0.5 million would be included in DMR's budget for them.

Residential services. The mandated closure of intake at the Southbury Training School periodically results in the closing of cottages as the census falls. With the next closure, anticipated by December 2004, will come some savings. In addition, the Governor's budget proposes to eliminate physician on-call services (and substitute health assessments by in-house professionals), close the 8-bed health care unit at the Training School, and "downsize" the Riverview Unit at the Mystic campus by 3 beds. The Governor proposes, as well, that DMR close or reduce the census in seven DMR-operated residential facilities. This would eliminate 19 residential beds; all clients would be moved "to opportune beds at other locations." These proposed changes would involve 33 full time and 27 part-time state employees who would be "relocated to direct care vacancies." Total savings are anticipated to be $2.7 million in FY 04, apart from staff reductions.

Home health services. The Governor proposes to have DMR pay for supplemental home health services for clients, rather than having such services provided and paid for by DSS. The Governor believes that these services can be provided through "the use of a fiscal intermediary" at lower cost than the DSS program. Funds totaling $1.9 million would be transferred from DSS to DMR.

Provider rates. Provider rates would be increased by 1.5% effective January 1, 2004. A total of $3 million is added to DMR's FY 04 budget for this purpose.

Annualized SFY 03 reductions. Various cuts made in SFY 03 to help balance the budget would be annualized (i.e. made permanent). This reduction totals $1 million in FY 04.

Other reductions. Also included in the proposed FY 04 budget are cuts of $12.34 million (to remove inflation-related increases), $10.8 million associated with layoffs "necessitated by failure to achieve concessions,"[97] $0.97 million from the elimination of funding for unsettled collective bargaining agreements, and $1.4 million associated with savings from the Early Retirement Incentive Plan.

11. Department of Mental Health and Addiction Services (DMHAS)

a. A bit of background. DMHAS is responsible for improving the quality of life of Connecticut's residents who have psychiatric or substance abuse disorders through treatment and recovery-oriented services. It also has responsibility for prevention and early intervention programs to reduce the onset and severity of such behavioral problems. Currently, each year DMHAS provides services through state-operated and private non-profit care providers to over 70,000 persons with substance use and/or psychiatric disorders. Thousands of youth and adults also benefit from DMHAS' mental health promotion services. DMHAS estimates that over 250,000 Connecticut citizens are impacted by the DMHAS health care system annually.[98]

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97 DMR's layoffs totaled 266. More than 1,100 of DMR's 4,500 staff are eligible for the Early Retirement Incentive Program.
98 Testimony of DMHAS Commissioner Tom Kirk to the Appropriations Committee, March 12, 2003.

Importantly, mental disorders are second only to cardiovascular disorders in terms of years lost due to premature death and disability. As Commissioner Kirk testified, high-quality services "curtail the rate of short- and long-term expenditures and makes future dollars available for alternative investments….We give a good return on investment. It must continue. The illnesses do not disappear during bad fiscal times."[99]

Proposed FY 04 budget. The table below shows the amount originally appropriated in the revised FY 03 budget, the FY 04 Current Services budget, and the amount proposed by the Governor for FY 04 for various DMR budget accounts. It also compares the Governor's proposed FY 04 budget to the FY 03 revised budget.

The Governor's proposed FY 04 General Fund budget for DMHAS ($428.65 million) is $9.4 million less than DMHAS' revised SFY 03 budget ($438.07 million) which, in turn, was $19.429 million *less* than DMHAS original SFY 03 budget. The proposed FY 04 budget is also $46.44 million *less than* the FY 04 Current Services budget ($475.09 million).

Department of Mental Health and Addiction Services (DMHAS)	**FY 03 Budget (as revised)[100]**	**Current Services Budget FY 04**	**Governor's Budget FY 04**	**Compare Governor's FY 04 Budget with FY03 (as revised)**
	[$M]	**[$M]**	**[$M]**	**[$M]**
Personal Expenses (001)	$157.603	$170.952	$154.872	**-$2.731**
Other Expenses (002)	$25.821	$27.342	$26.583	$0.761
Equipment (005)	$0.001	$1.710	$0.001	$0.000
Other Current Expenses (02X)				
Housing Supports and Services	$5.236	$6.298	$5.475	$0.239
Managed Service System	$23.606	$24.769	$23.835	$0.229
Behavioral Health Medications	$6.283	$6.597	$10.283	$4.000
Legal Services	$0.394	$0.408	$0.400	$0.006
CT Mental Health Center	$7.236	$7.585	$7.236	$0.000
Capitol Region Mental Health Center	$0.340	$0.356	$0.340	$0.000
Professional Services	$4.509	$5.077	$4.839	$0.330
Regional Action Councils	$0.466	$0.480	$0.000	**-$0.466**
General Assistance Managed Care	$67.605	$73.356	$7.500	**-$60.105**
Worker's Compensation Claims	$5.082	$7.585	$7.585	$2.503
Nursing Home Screening	$0.485	$0.508	$0.487	$0.002
Special Populations	$18.881	$21.064	$20.965	$2.083
TBI Community Services	$4.368	$4.948	$4.844	$0.476

99 Testimony of DMHAS Commissioner Tom Kirk to the Appropriations Committee, March 12, 2003.
100 This column shows appropriated spending in the revised FY 03 budget *not* adjusted for changes made since the budget was adopted (through rescissions and other spending reductions).

Transitional Youth	$3.388	$3.571	$3.433	$0.046
Jail Diversion	$3.190	$3.505	$3.435	$0.245
Other Than Payments to Local Governments				
Grants for Substance Abuse Services	$19.821	$20.875	$54.744	$34.922
Governor's Partnership to Protect CT's Workforce	$0.400	$0.411	$0.000	**-$0.400**
Grants for Mental Health Services	$73.754	$77.787	$82.080	$8.326
Employment Opportunities	$9.592	$9.909	$9.712	$0.120
TOTAL - General Fund	**$438.065**	**$475.092**	**$428.649**	**-$9.416**

c. Federal and other funds. Federal funds available to DMHAS are projected to decline from $45.125 million in FY 03 to $32.859 million in FY 04 – a 27% decline. Private contributions are projected to remain about the same, at a little over $22 million.

Federal funds maximization. DMHAS is proposing several projects to maximize federal revenues including revised billing procedures for state facilities (for a potential $1.125 million in additional federal revenues) and extension of targeted case management to substance abuse programs and new procedures for billing existing mental health programs (another $1.125 million). The Governor's *Budget Summary* does not include the adult Medicaid rehabilitation option among these initiatives, and this option is not yet part of the state Medicaid plan. However, it is estimated[101] that an additional $40 million of federal funds could be recovered simply by claiming federal reimbursement for services currently being funded *solely* with state dollars -- on assertive community treatment teams, mobile crisis services, mental health group homes, supervised apartments and supported apartments, and residential substance abuse programs.

d. Specific program and service changes

State Administered General Assistance managed care. As discussed in the DSS summary, above, the Governor proposes to eliminate SAGA and its medical assistance program, cutting essential supports to 24,700 single adults.

Many of the adults who would lose coverage have severe behavioral health needs. To try to address this, the Governor proposes to re-allocate $42.5 million from DMHAS' GA managed care account (that had funded behavioral health services for persons on GA) to DMHAS' grants for mental health services and grants for substance abuse services accounts. That is, some services would continue to be provided, but through a grant-based system, rather than a fee-for-service system. A total of $7.5 million is maintained in the GA Managed Care account to pay the claims lag that results when one converts from a fee-for-service to a grant-based system. In addition, there is a transfer of $4 million from DSS to DMHAS to help pay for prescription drugs for these persons. *Importantly*, the switch to this grants-based model would "cap" expenditure growth by eliminating clients' entitlement to behavioral health services. Even more troubling, the Governor's proposed "re-investment" in these grants for services is *$20.4 million less* than projected expenditures for these services in the current fee-for-service system. That is, the re-allocation of funds from fee-for-service

[101] Testimony of Sheila Amdur, NAMI-CT to the Appropriations Committee, March 14, 2003. Ms. Amdur previously worked on Medicaid funding issues at DMHAS.

to grants-based also includes *a cut of about one-third of current funding for these services*. The Commissioner notes that it will *not be possible* to hold providers harmless in terms of historical funding levels.

As seen in the chart below, the growth in behavioral health service costs for the GA population does *not* result from DMHAS' failure to curb the growth in costs. Indeed DMHAS has managed to *reduce* the monthly cost per client by 25% compared to FY 98. Rather, the increased costs for this program result from a 61% increase in the number of persons being served compared to FY 98. Cut-backs in other safety net programs and the failure of "front-end" services to provide appropriate assessment and care when DMHAS clients were younger (e.g., in the DCF system, our schools, our courts) may be contributing to this marked increase in demand at the "back-end."

GA Behavioral Health Program – Changes in Cost Per Client

	FY 98	**FY 99**	**FY 00**	**FY 01**	**FY 02**	**FY 03**
Average monthly GA caseload	16,235	17,560	19,117	21,612	23,627	26,158
-Growth		+8%	+9%	+13%	+9%	+11%
-Cum. Growth since FY 98		+8%	+18%	+33%	+46%	+61%
Estimated Monthly Costs Per Client[102]	$267.94	$235.81	$256.75	$267.60	$220.44	$200.70
-Growth		-12%	+8%	+4%	-18%	-9%
-Cum. Growth since FY 98		-12%	-4%	-0%	-18%	-25%

Program elimination. The Governor's proposed budget would eliminate all administrative funding for citizen advocacy groups such as the Regional Action Councils and the Regional Mental Health Boards. In addition, funding for prevention activities by the Governor's Partnership to Protect Connecticut's Workforce (formerly "Drugs Don't Work") would be eliminated. These collectively result in a funding cut of more than $1 million.

Community Mental Health Strategic Investment Fund. This Fund was established two years ago with FY 01 surplus funds. Its mission is to fund innovative mental health interventions for children and adults. To date, $21 million of funding has been awarded to initiate a variety of such programs. Continued funding for these initiatives was to come from re-invested federal funds resulting from new Medicaid claiming under the rehabilitation option (among others). Yet, DMHAS has not broadly implemented the rehabilitation option; it is being used by all states *except* Connecticut as a financing vehicle for mental health services. The Governor has proposed $10 million of continued funding for DMHAS' *First Initiatives* and for intermediate juvenile forensic evaluations (see DCF summary), but for none of the other programs.

Step-down unit. The Governor proposes creating an in-patient residential program at Dutcher Hall that would serve as a bridge for Psychiatric Security Review Board patients between the current structured forensic units and community discharge. Lower staffing requirements for this unit (a

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102 DMHAS' estimated PMPM (per member per month) costs include all programs currently budgeted under the General Assistance Behavioral Health Program, excluding DMHAS pharmacy expenditures ($1.4 million in FY 98 increasing to $2.4 million in FY 03). Data come from the presentation by DMHAS to the Health and Hospitals Subcommittee of the Appropriations Committee, March 24, 2003.

shift from fully-staffed, third shift mobile crisis service to "on call" coverage and phone coverage by other 24-hour state-operated programs) would result in a savings of $0.525 million in FY 04.

Supportive housing. The Governor proposes to cut $0.525 million from the Housing Supports and Services account in FY 04 to reflect natural delays in Phase II of the Supportive Housing PILOT initiative. Between bond funds and operating budget funds, some $22.5 million would remain to permit DMHAS to continue the development of housing and wraparound services for persons in 650 units (up from the current 200 units in operation). This program provides stable housing for persons who are homeless or at risk of homelessness who have mental health or substance abuse needs.

Jail diversion. The Governor's FY 04 budget proposes a modest increase for jail diversion, but less than is necessary to maintain current services in FY 04 – another penny-wise, pound-foolish choice.

The Jail Diversion program conducts assessments in all GA courts to identify persons in need of behavioral health services and works with the courts and trained staff to divert such persons into out-patient services. In February 2003, these programs conducted about 400 assessments and also diverted over 130 persons from incarceration. The expansion of the program statewide has been credited with the decline in in-patient competency orders in the last year and a drop in the bed census at the CT Valley Hospital. DMHAS has been working collaboratively with DMR, also, to more effectively triage mentally retarded persons with behavioral health needs who are in the criminal justice system. Sadly, this program sustained a $0.4 million budget reduction effective July 1, 2002 and lost additional positions through the recent layoffs The result has been that two courts (New London and Norwich) have been left without daily diversion staff coverage and some diversion case management positions have been eliminated.[103]

Behavioral Health Partnership. See DSS summary.

Provider rates. A 1.5% rate increase would be effective January 1, 2004 (at a cost of $1.61 million).

Annualized SFY 03 reductions. Cuts made in SFY 03 to help balance the budget would be annualized (i.e. made permanent). This reduction totals $20.742 million in FY 04 (and includes the proposed $20.4 million reduction in the GA managed care program).

Other reductions. Also included in the proposed FY 04 budget are cuts of $11.644 million (to remove inflation-related increases), $12.942 million associated with layoffs "necessitated by failure to achieve concessions;" $1.045 million from the elimination of funding for unsettled collective bargaining agreements, and $0.842 million associated with savings from the Early Retirement Incentive Plan.

Commissioner Kirk expressed grave concerns about the impacts of recent and proposed staffing reductions on DMHAS' capacity to deliver services.[104] He testified to the Appropriations Committee on March12, 2003:

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103 These data are taken from *Jail Diversion Program: Achievements and the Impact of Recent Layoffs,* presented by DMHAS to the Health and Hospitals Subcommittee of the Appropriations Committee, March 24, 2003.

104 Commissioner Kirk stated that so far 235 staff have given notice they are taking early retirement, including 50 nurses (who are of "greatest concern" to Commissioner Kirk, especially in the southwest region where is it particularly hard to recruit nurses). Another of the budget casualties has been mobile crisis services; the impact of eliminating the mobile crisis unit in southwest Connecticut, for example, will be to defer assessments in emergency situations. Rep. Dillon

Personal services' reductions in the biennium are reflective of the annualization of layoffs [230 at DMHAS] that occurred this fiscal year (FY 2003). Adaptations to these reductions by the state-operated service system are still underway. They are far from painless, but I believe they will be managed appropriately. The larger concern for the continued operation of our state hospital and community facilities is the cumulative impact of these layoffs, coupled with the losses we will sustain by the Early Retirement Incentive Program (ERIP). Over 850 DMHAS staff are eligible; as many as half that number may take the ERIP. By its very nature, the ERIP will occur over a very short period of time – beginning as early as April 1st – and will result in the loss of many experienced managers, clinicians, and technicians. Many of them must be replaced to maintain the safety of our patients, staff, and the communities in which they operate….We believe we will need significant flexibility from OPM, and perhaps DAS, as we cope with the need to rapidly recruit and hire replacements for those who retire. Short-term use of 120-day retiree positions and the use of durational positions and per diems will be necessary.

Among the impacts of DMHAS staff reductions are the disruption of thousands of clinical relationships which potentially compromise clients' mental stability, increase in caseload sizes beyond clinically-desirable standards, a decline in the cultural competency of services, anticipated increases in hospital lengths of stay as clinical services, housing support services, and entitlement specialist services become increasingly scarce, and compromised client and staff safety.[105]

14. Office of Policy and Management (OPM)

a. A bit of background. OPM provides information and policy analyses to the Governor to assist him in formulating public policy and assists state agencies and municipalities in implementing policy. OPM also is responsible for preparing the Governor's budget and executing the budget as adopted. It seeks to improve the effectiveness of state services by ensuring efficient use of resources (through research, policy development and inter-agency coordination) and provides statewide organizational management for the state's various agencies.

b. Proposed FY 04 budget. The table below shows the amount originally appropriated in the revised FY 03 budget, the FY 04 Current Services budget, and the amount proposed by the Governor for FY 04. It also compares the Governor's proposed FY 04 budget to the FY 03 revised budget as originally adopted.

As shown below, the Governor's proposed FY 04 General Fund budget for OPM would be about $43.7 million *less than* OPM's revised FY 03 budget (*a 28% cut in just one year*), and $52.6 million *less than* OPM's FY 04 Current Services Budget. A comparison between the Governor's proposed FY 04 budget and the FY 04 Current Services budget (not shown) reveals *all* existing budget accounts would be funded at amounts equal to or less than what is necessary to maintain current levels of service. The proposed FY 04 budget is less than the revised FY 03 budget in nearly every budget

commented that she was "afraid someone will be hurt" by the reduction in mobile crisis services. Comments by DMHAS to the Health and Hospitals Subcommittee of the Appropriations Committee, March 24, 2003.

105 Comments by DMHAS to the Health and Hospitals Subcommittee of the Appropriations Committee, March 24, 2003.

account, and also *less than* actual spending in many accounts in FY 02, even without taking inflation into account.[106]

Office of Policy & Management (OPM)	FY 03 Budget (as revised)	Current Services Budget FY 04	Governor's Budget FY 04	Compare Governor's FY 04 Budget with FY03 (as revised)
	[$M]	[$M]	[$M]	[$M]
Personal Expenses (001)	$14.266	$15.300	$13.914	**-$0.352**
Other Expenses (002)	$2.140	$2.200	$2.102	**-$0.039**
Equipment (005)	$0.001	$0.047	$0.001	$0.000
Other Current Expenses (02X)				
Automated Budget System and Data Base Link	$0.104	$0.107	$0.000	**-$0.104**
Automated Personnel System		$0.000	$0.099	$0.099
Drugs Don't Work	$0.248	$0.255	$0.000	**-$0.248**
LEAP	$1.896	$1.949	$0.000	**-$1.896**
Children and Youth Program Development	$0.491	$0.505	$0.000	**-$0.491**
Justice Assistance Grants	$1.789	$5.695	$3.512	$1.723
Neighborhood Youth Centers	$1.226	$1.260	$0.000	**-$1.226**
Boys and Girls Club	$0.260	$0.268	$0.000	**-$0.260**
Other Than Payments to Local Governments				
Tax Relief for Elderly Renters	$12.800	$14.167	$13.808	$1.008
Drug Enforcement Program	$1.193	$1.227	$0.000	**-$1.193**
Grant Payments to Local Govn'ts				
Reimbursement Property Tax - Disability Exemption	$0.450	$0.475	$0.000	**-$0.450**
Distressed Municipalities	$8.251	$11.300	$5.014	**-$3.238**
Property Tax Relief Elderly Circuit Breaker	$22.000	$23.829	$20.506	**-$1.494**
Property Tax Relief Elderly Freeze Program	$2.700	$2.150	$2.150	**-$0.550**
Property Tax Relief for Veterans	$8.900	$8.750	$2.871	**-$6.029**

[106] Accounts that would be funded below FY 02 levels *by more than $150,000* include: litigation settlement costs (-$1.02 million); hospital grant and assistance program (-$0.5 million); Drugs Don't Work (-$0.404 million); Spanish American merchants (-$2.077 million); Leadership, Education, Athletics in Partnership (LEAP) (-$2.077 million); children and youth program development (-$0.638 million); neighborhood youth centers ($-1.333 million); high-efficiency licensing program (-$0.215 million); Boys and Girls clubs (-$0.315 million); drug enforcement program (-$1.057 million); arts grants (-$8.431 million); boundless playgrounds (-$0.941 million); reimbursement for property tax - disability exemption (-$.409 million); distressed municipalities (-$0.975 million); property tax relief - elderly freeze program (-$0.972 million); property tax relief for veterans (-$5.514 million); drug enforcement program grants to towns (-$13.053 million); Payment in Lieu of Taxes (PILOT) for new manufacturing machinery and equipment (-$28.795 million); and waste water treatment facility host town grant (-$0.250 million).

Drug Enforcement Program	$6.500	$5.032	$1.850	-$4.650
P.I.L.O.T - New Mfg. Mach. and Equip.	$71.725	$71.250	$47.664	-$24.061
Inter-local Agreements	0.000	$0.049	$0.049	$0.049
Cap. City Economic Development	$0.750	$0.771	$0.713	-$0.038
Waste Water Treatment Facility Host Town Grant	$0.250	$0.257	$0.000	-$0.250
TOTAL -- General Fund	**$157.940**	**$166.841**	**$114.251**	**-$43.689**

c. Specific program and service changes.

Eliminate grants in aid to non-profit organizations serving CT youth. The Governor proposes to eliminate *all* state funding for the following programs:

- Drugs Don't Work
- Leadership, Education, Athletics in Partnership (LEAP)
- Children and Youth Program Development.
- Neighborhood Youth Centers
- Boys and Girls Clubs.

Elimination of these programs would result in "savings" of $3.1 million in FY 04 and $3.3 million in FY 05.

This proposal continues a two-year trend of state disinvestment in programs supporting at-risk youth. Over the past two years, OPM's funding for programs that provide structured after-school and summer activities for at-risk children and youth have been devastated by budget cuts, as the following table illustrates:

Youth-Related Funding Cuts in OPM Budget: 2001 to 2003				
Program	**FY 01 budget (actual)**	**FY 01-03 Funding Cut (FY 01 less revised SFY 03)**	**FY 01-03 (rev) % reduction**	**Proposed FY 04 Funding**
Leadership, Education, Athletics in Partnership (LEAP)	$2,326,700	**($431,151)**	**-19%**	**$0**
Drugs Don't Work	$475,000	**($227,306)**	**-48%**	**$0**
Truancy Prevention	$580,000	**($560,000)**	**-100.0%**	**$0**
Child and Youth Program Development	$1,353,118	**($861,906)**	**-64%**	**$0**
Neighborhood Youth Centers	$1,846,107	**($620,192)**	**-34%**	**$0**
Boys and Girls Clubs	$350,000	**($89,725)**	**-26%**	**$0**

Cutting funds in these programs is "penny-wise, and pound-foolish" since they enhance educational outcomes, promote self-esteem, reduce substance use, and otherwise foster the healthy growth and development of some of Connecticut's most at-risk children and youth. The per person cost of programs to "treat" educational failure, drug use, and mental health problems will always far exceed the per person cost of these "front-end" prevention-oriented initiatives.

Eliminate non-means-tested portion of the Veterans Property Tax Reimbursement Program. The Governor proposes to eliminate state reimbursement for the non-means-tested portion of the veteran's property tax exemption but would require towns to continue to offer the exemption (now provided to about 185,000 veterans). State reimbursement for lost property tax revenues from the exemption for the 22,000 low-income veterans would continue, but towns would be left holding the bag for the property tax exemption for 185,000 veterans. That is, this proposed change would "save" the state $5.9 million but cost towns that same $5.9 million in lost property tax revenues.

Eliminate property tax exemption for the disabled. The Governor also proposes to eliminate the property tax exemption for totally disabled persons, explaining that "most totally disabled persons receive benefits under other state reimbursement programs." This change would "save" the state $0.419 million.

Cap state funding to programs assisting distressed municipalities and the elderly. The Governor proposes to cap funding at FY 03 levels for the distressed municipalities program and the Elderly Circuit Breaker Program.

Restructure PILOT for New Manufacturing Machinery and Equipment. The Governor proposes to restructure this program that began in FY 02 as a modest $15.8 million program then designed to help defense contracting manufacturers convert to other types of work. Since then it has expanded to cover activities and types of equipment not traditionally associated with manufacturing, and the state cost has increased to $72 million/year. The Governor proposes to reduce the state's reimbursement rate from 80% to 65% of the property taxes lost due to this exemption and to forbid towns from collecting the difference. The Governor also proposes to restrict the type of equipment eligible for the property tax exemption (excluding, for example, video and sound recordings, machinery and equipment used in direct or indirect mail distribution, and commercial trucks).

Annualizing SFY 03 reductions. The Governor proposes to annualize various cuts made in SFY 03 to help balance the budget, resulting in FY 04 savings of $12.5 million.

Other reductions. Also included in the proposed FY 04 budget is a reduction of $0.780 million from removing inflation-related increases, $0.921 million from layoffs "necessitated by failure to achieve concessions;" $0.270 million from the elimination of funding for unsettled collective bargaining contracts; and $0.195 million from the removal of accruals pursuant to the Governor's early retirement incentive plan.

15. Judicial Department

a. A bit of background. The Judicial Department operates the state's civil, criminal, family and juvenile courts, maintains a range of alternatives to incarceration programs for both pre-and post-conviction adults and juveniles, supervises probationers in the community, advocates for the victims of crime, provides mediation services to resolve family and interpersonal conflicts, enforces child support orders, provides for transportation of prisoners between courthouses and places of confinement, and operates our three juvenile detention facilities (in Bridgeport, New Haven, and Hartford).

b. Proposed FY 04 budget. The table below shows the amount originally appropriated in the revised FY 03 budget, the FY 04 Current Services budget, and the amount proposed by the Governor for FY 04 for various Judicial Department accounts. It also compares the Governor's proposed FY 04 budget to the FY 03 revised budget. A comparison between the Governor's proposed FY 04 budget and the FY 04 Current Services budget (not shown) reveals that all budget accounts would be funded at amounts less than necessary to maintain current levels of service.

The Governor's proposed FY 04 budget would be $3.943 million *less than* the revised FY 03 budget (before mid-year cuts) and $35.338 million less than the FY 04 Current Services budget. Indeed, accounts that would be funded *below FY 02* levels *by more than $150,000* include: alternative incarceration programs (-$2.353 million); juvenile alternative incarceration (-$1.378 million); juvenile justice centers (-$0.225 million); and truancy services (-$0.053 million).[107]

Judicial Department	FY 03 Budget (as revised)[108]	Current Services Budget FY 04	Governor's Budget FY 04	Compare Governor's FY 04 Budget with FY03 (as revised)
	[$M]	**[$M]**	**[$M]**	**[$M]**
Personal Services (001)	$239.620	$257.239	$236.178	**-$3.442**
Other Expenses (002)	$59.935	$67.108	$64.408	$4.472
Equipment	$2.208	$4.930	$1.698	**-$.510**
Other Current Expenses				
Alternative Incarceration Program	$34.367	$35.819	$31.798	**-$2.569**
Justice Education Center, Inc.	$0.219	$0.227	$0.200	**-$.019**
Juvenile Alternative Incarceration	$21.814	$24.130	$20.224	**-$1.590**
Juvenile Justice Centers	$2.868	$2.963	$2.615	**-$.253**
Truancy Services	$0.363	$0.376	$0.332	**-$.032**
TOTAL -- General Fund	**$361.396**	**$392.791**	**$357.453**	**-$3.943**

c. Federal and other funds. Federal funds in the Judicial Department budget are projected to decline from an estimated $7.673 million in FY 03 to $0 in FY 04. Private funds are also projected to decline.

107 One of the casualties of Judicial Department budget cuts were the Drug Courts, which closed August 1, 2002 with the lay-off of more than 90 staff. These courts (started in New Haven in 1996 and then expanded to Hartford, Bridgeport and Waterbury) offered drug treatment programs instead of jail time to addicts who pled guilty to non-violent drug charges. Addicts were eligible if they had serious drug problems and were ready for treatment; no violent offenders or major drug dealers could participate. If the addicts successfully completed the 48-week treatment program, they were put on probation where they were subject to random drug tests. If they completed the whole program (which could last up to 15 months) their charges were dropped. If they failed, they were incarcerated. Since 1996, 536 people statewide had enrolled: 195 graduated, 180 dropped out, and 170 were still enrolled. The closing of the courts (which were viewed as more costly and labor-intensive that regular courts since they provide more services) was anticipated to "save" the state about $1 million. However, others predicted that the failure to provide treatment to addicts would increase the crime rate and result in additional costs to the Judicial Department (as well as costs to others who are victimized by the crimes). Connecticut is apparently the first state to totally eliminate a drug court program.

108 This column shows appropriated spending in the revised FY 03 budget *not* adjusted for changes made since the budget was adopted (through rescissions and other spending reductions).

d. Specific program and service changes. The Governor proposes the following changes:

- *New Bridgeport Juvenile Detention Center.* In January 2002, the State Bond Commission approved $31.6 million for a new juvenile court and an adjacent, enlarged juvenile detention center in Bridgeport. The detention center would now have 44 double-occupancy rooms. The Governor's budget proposes $3.632 million in FY 05 for 49 staff and facility operating funds. This assumes occupancy in July 2004.

- *Mental health services for juvenile justice youth.* The Governor proposes an additional $1.21 million in FY 04 for enhanced mental health services for youth in the juvenile justice system. These new funds are provided to comply with a court order for supplemental relief in the Emily J case, which challenged conditions of confinement in the state's juvenile detention centers. Funds would be used to fund an upgrade in mental health services at alternative detention program facilities and to expand outpatient mental health services for youth in adolescent community treatment programs. In addition, as noted in the DCF summary, the Governor's proposed FY 04 budget would transfer $1.227 million in funding from the Judicial Department to DCF to ensure that the Judicial Department has access to six beds at DCF's RiverView Hospital for youth in detention who have significant mental health needs.

- *Electronic data processing services.* The Governor proposes $0.440 million in FY 04 for upgrades to various information technology systems used to manage criminal and offender information. One of the major projects in the CT Justice Information System is the Offender Based Tracking System. OBTS will route federal and state criminal justice data from many information sources into a single, central repository to enable law enforcement personnel to more effectively track offenders and make this data available instantaneously to police officers in the field. To date, more than $38 million has been authorized for the various CJIC projects.

- *Staff and facility costs for the Hartford Detention Center* are annualized from FY 03. This represents a proposed FY 04 increase of $3.29 million for 25 juvenile probation officers, and also for 63 staff and facility costs for the detention center.

- *State funding for programs currently funded with federal funds that are to expire.* The Governor proposes $0.28 million in FY 04 and $0.656 million in FY 05 in state funds to help cover the costs of programs funded through federal grants that are expiring. Funds would be used for Juvenile Justice Centers in Danielson and Middletown, for alternative sanctions and services for court-involved girls programs, and for a Hartford-based program of intensive supervision for sex offenders. The Governor proposes to re-allocate $0.252 million of funds from OPM's Drug Enforcement grant account to cover a portion of the state costs for the Hartford sex offender program (specifically to be sued for three adult probation officers and other expenses).

- *Savings from reduced trial activity in the courts.* The Governor's FY 04 budget anticipates a $0.3 million savings in FY 04 by not initiating new jury trials during the holiday weeks of Thanksgiving, Christmas, and New Years.

- *Annualized SFY 03 reductions*. Cuts made in SFY 03 to help balance the budget are annualized (made permanent), resulting in FY 04 savings of $7.27 million.

- *Other reductions.* Also included in the proposed FY 04 budget are reductions of: $3.39 million associated with removing inflation-related increases; $3.011 million from transferring equipment purchases to the CEPF; $8.861 million from layoffs "necessitated by failure to achieve concessions;" $11.262 million from the elimination of funding for unsettled collective bargaining contracts; and $0.980 million from the removal of accruals pursuant to the Governor's early retirement incentive plan.

16. Department of Correction (DOC)

a. A bit of background. The DOC operates Connecticut's 18 adult correctional facilities and 5 community enforcement offices. As of January 1, 2003, there were 21,031 persons under DOC supervision (up from 20,529 on July 1, 2002) – 19,216 in prisons and jails and 1,815 in DOC community supervision (e.g. half-way houses).[109] More than 9 in 10 were men. Included in this number are 500 sentenced inmates being held in prison in Greensville, Virginia. Of the total DOC population, nearly 80% were sentenced, while the balance were accused persons being held awaiting trial. More than one in four inmates are in prison for offenses that carry a mandatory minimum sentence, ranging from capital felony and murder (0.2% and 3.2% of all inmates, respectively) to first and subsequent DWI convictions (3.1% of inmates).[110]

The men and women who are in DOC custody are disproportionately non-white, with low educational attainment and high mental health and substance abuse treatment needs. For example:

- 78% of Connecticut's general population is non-Hispanic white, compared to 28% of the DOC population. By comparison, 9.4% of the general population is black, compared to 45% of the DOC population.
- 84% of Connecticut residents (over age 25) have high school degrees and 31% have a four-year college degree or higher. By comparison, only 23% of DOC's population has had 12 years of formal education or more; more than three in four inmates (77%) have an 11th grade education *or less.* Of the DOC inmates enrolled in educational programs (as of October 1, 2000), 20% were in Adult Basic Education (ABE) 1 (grades 0-4), 29% in ABE 2 (grades 5-8), 20% in ABE 3/GED (grades 9-12), 20% in vocational education, 3% in post-GED, 3% in English as a Second Language, and 5% in post-secondary education programs.[111]
- DOC estimates that *nearly 85%* of inmates have a substance abuse problem – drugs, alcohol, or both – yet treatment is provided to only 12% of the inmates who need it.[112]

Between 1990 and 2003, DOC's *incarcerated* inmate population increased by 100% (from 9,589 to 19,216 inmates) and its budget by 190% (from $186.9 million to $542 million). This growth is

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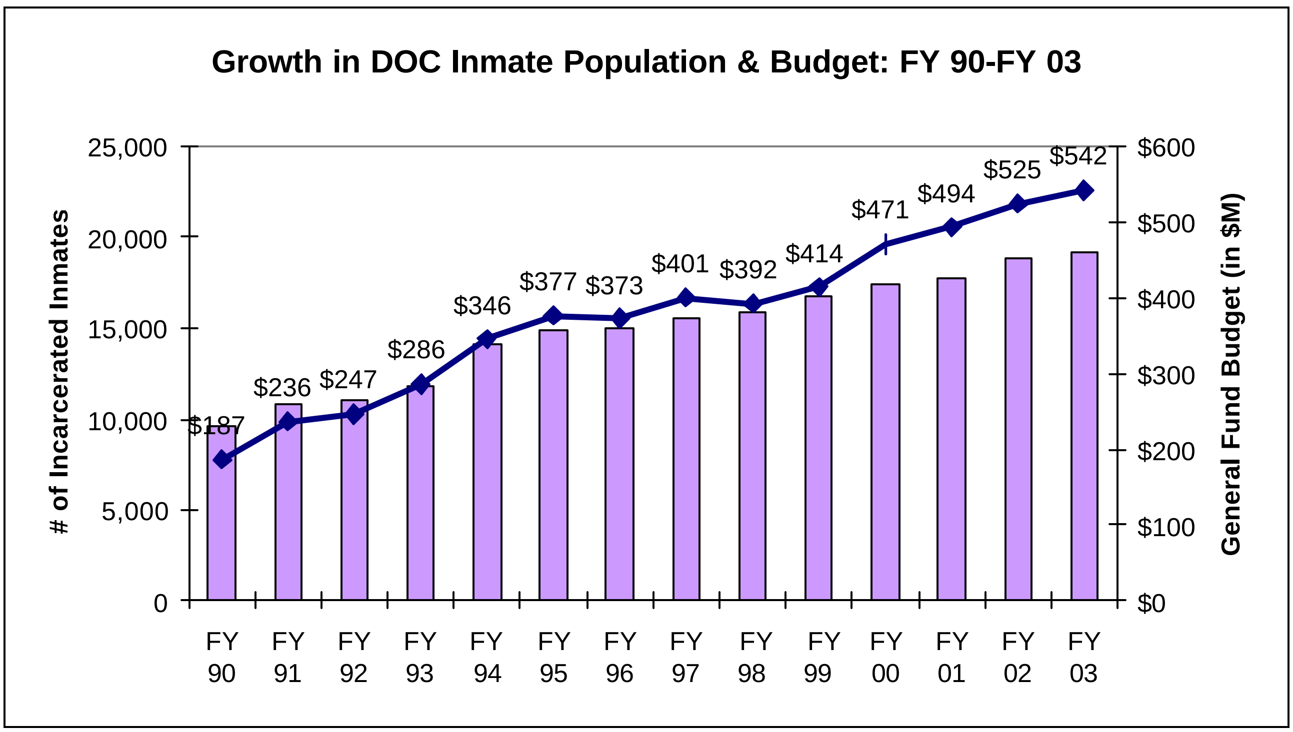
109 CT Department of Correction, *January 1, 2003 Statistics.*
110 OLR, *Mandatory Sentences-Inmate Population* (2000-R-0664) (July 25, 2002).
111 DOC Memorandum, October 25, 2000, from William Barber, Superintendent of Schools to Deputy Commissioner Peter Matos.
112 Legislative Program Review and Investigations Committee, *Factors Affecting Prison Overcrowding* (2000).

illustrated in the following chart that shows the growth in the number of incarcerated inmates and in General Fund spending (in millions) over the fourteen year period from 1990 through 2003 (revised budget).

It is noteworthy that the growth in the inmate population and in the DOC budget over the 1990s far outstripped growth in the *state* population and the overall state General Fund budget over that same period.[113] Indeed, as the Legislative Program Review and Investigations Committee wrote in its 2000 report, *Factors Affecting Prison Overcrowding*, "for the past 20 years, Connecticut's prisons have operated at or over capacity despite the addition of thousands of new beds since 1990 and a steady 10-year decrease in crime and arrest rates," and despite the fact that the *types* of crimes for which offenders are convicted and sentenced to prison have not changed significantly since the early 1990s.

Growth in the number of people Connecticut is placing in prisons and jails continues unabated. In the past fiscal year, DOC reports it has dealt with "the unprecedented growth of its inmate population. On average over the past fiscal year, *a new population record has been set every week*. In March, 2002 the agency for the first time exceeded 20,000 inmates under its supervision (including offenders on conditional release to the community). The 21,000 milestone was reached just five months later in September."[114]

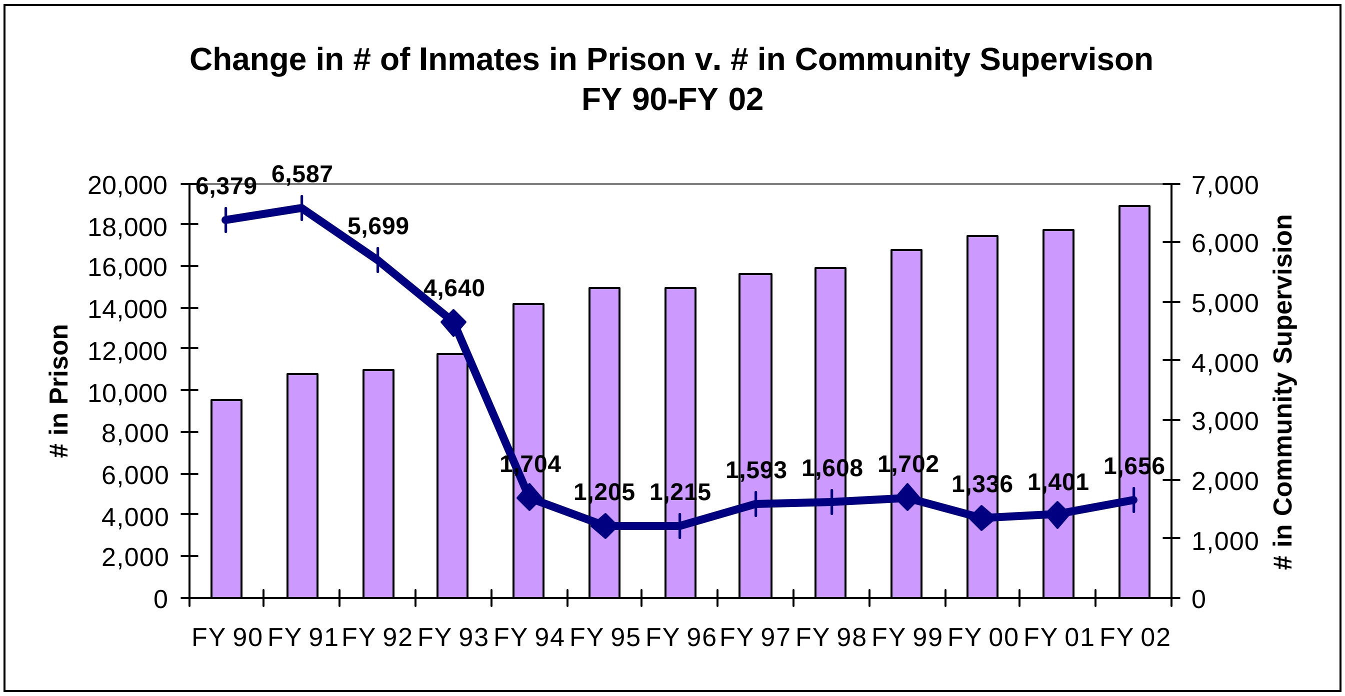


[113] The total number of persons in the criminal justice system exceeds the number in DOC supervision. In addition to the persons incarcerated in prisons and jails and supervised by DOC in the community, and the 500 or so Connecticut inmates incarcerated in Virginia, there are additional persons on probation and parole or on bond awaiting disposition of criminal charges, sentencing or an appeal. In 2000, there were about 58,000 offenders on probation, almost 1,600 on parole (and about 1,300 in the community under DOC supervisions in transitional supervision, furlough programs, and in half-way houses). Legislative Program Review and Investigations Committee, *Factors Affecting Prison Overcrowding* (2000).

[114] *FY 2003-2005 Governor's Budget Summary*, p. B-128.

A factor contributing to DOC's increasing budget is the shift in the proportion of persons under DOC supervision who are incarcerated in prisons and jails, as compared to the proportion who are in community supervision. In 1990, 60% of the DOC population was incarcerated, while 40% were being supervised in the community. In 2002, *more than 90%* (92%) of the DOC population was incarcerated, and only 8% -- *a fifth of the proportion in 1990* – were supervised in the community. The following graph illustrates this very fundamental shift:

This marked decline in the proportion of the DOC population in community supervision is, according to the Legislative Program Review and Investigations Committee, "a major cause of the rising prison and jail population."[115]



Connecticut's decision to incarcerate more persons, including thousands of non-violent persons with serious behavioral health needs, also has meant that funding for DOC has increasingly crowded out spending in the state General Fund for education, health care, and the many other services that can *prevent* or *reduce* crime (thereby perpetuating these trends). As of 2000, the average cost per inmate was $96/day, or $35,000/year. In addition, construction costs for a prison bed in a high

[115] The Legislative Program Review and Investigations Committee report, *Factors Impacting Prison Overcrowding* (2000), found two factors responsible for the 79% decline in the community supervision population between 1991 and 2000, which it found was a "major cause of the rising prison and jail population." The first was that DOC added almost 9,000 new beds in the early 1990s; "this allowed more offenders to be incarcerated and accounts for much of the population increase through 1995. The available bed space reduced the need for and reliance on early release programs." Second, the 1995 "truth in sentencing" legislation increased the time-served standards (that determine if and when offenders are eligible for early release options), narrowed community release criteria, and eliminated "good time." These changes meant that inmates must serve more time in prison prior to release. They also make more inmates ineligible for release (based on offense or poor prior performance on community release). In 1993, also, parole supervision was transferred from DOC to the Board of Parole. The Board may release an inmate from prison to parole and return him/her for a parole violation. DOC remains responsible for incarcerating these remanded inmates.

security prison are about $125,000/bed.[116] Community supervision, by comparison, is far less expensive. Annual costs (in 2000) averaged: $20,000 per community-based *residential* bed; $4,500-$10,000 per community based *non-residential* slot; $4,000 per parolee (for parole supervision); and $833 per probationer (for supervision by probation).

If the same proportion of DOC inmates were in community supervision *now* as were in community supervision in 1990, there would be 12,619 inmates in DOC prisons and jails (compared to DOC's January 1, 2003 census of 19,216) and 8,412 inmates in community supervision. If all of these additional inmates in community supervision were placed in community-based residential beds, $99 million could be saved (assuming a $35,000 annual prison bed cost less a $20,000 annual residential bed cost). If these inmates were all placed in *non*-residential community-based programs, savings could range from $165 million to $201 million.

b. **Proposed FY 04 budget.** The table below shows the amount originally appropriated in the revised FY 03 budget, the FY 04 Current Services budget, and the amount proposed by the Governor for FY 04 for various DOC accounts. It also compares the Governor's proposed FY 04 budget to the FY 03 revised budget. A comparison between the Governor's proposed FY 04 budget and the FY 04 Current Services budget (not shown) reveals that most budget accounts would be funded at amounts less than that necessary to maintain current levels of service.

The Governor proposes a FY 04 General Fund budget for DOC of $576.8 million. This is $15.8 million *less than* the FY 04 Current Services Budget, but nearly $35 million *more than* the FY 03 revised budget (before mid-year cuts). DOC's revised SFY 03 budget of $542 million was about $4 million *less* than its original SFY 03 budget of $546 million. Connecticut is now close to *spending nearly $1.6 million per day* on its prisons and jails.

Department of Corrections	FY 03 Budget (as revised)[117]	Current Services Budget FY 04	Governor's Budget FY 04	Compare Governor's FY 04 Budget with FY03 (as revised)
	[$M]	[$M]	[$M]	[$M]
Personal Services (001)	$348.961	$379.471	$352.162	$3.201
Other Expenses (002)	$66.969	$71.668	$67.376	$0.406
Equipment	$0.217	$2.198	$0.085	**-$0.132**
Other Current Expenses (02X)				
Out of State Beds	$12.305	$12.074	$33.073	$20.767
Stress Management		$0.100	$0.100	$0.100
Workers' Compensation Claims	$18.339	$25.279	$25.279	$6.941
Inmate Medical Services	$75.320	$81.222	$76.976	$1.656
Other Than Payments to Local Governments				
Aid to Paroled and Discharged Inmates	$0.048	$0.014	$0.009	**-$0.039**

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116 This does not include design and siting costs, nor the interest on bonds that are issued to pay for prison construction.

117 This column shows appropriated spending in the revised FY 03 budget *not* adjusted for changes made since the budget was adopted (through rescissions and other spending reductions).

Legal Services to Prisoners	$0.769	$0.790	$0.769	$0.000
Volunteer Services	$0.190	$0.195	$0.171	**-$0.019**
Community Residential Services	$17.479	$18.062	$0.000	**-$17.479**
Community non-Residential Services	$1.405	$1.528	$0.000	**-$1.405**
Community Support Services			$20.804	$20.804
Agency Total -- General Fund	**$542.002**	**$592.602**	**$576.803**	**$34.801**

c. Federal and other funds. Federal funds are projected to fall from an estimated $2.9 million in FY 03 to $1.73 million in FY 04. Private contributions also are projected to fall from $1.0 million to $0.725 million.

d. Specific program and service changes The Governor proposes the following changes to DOC's budget:

- *Send additional 1,000 inmates out-of-state.* Currently, Connecticut has 500 of its inmates incarcerated in Virginia. The Governor proposes to increase the total number of inmates placed there to 1,500. According to the Governor's *Budget Summary*, this would temporarily ("or even permanently") eliminate the need for a planned prison expansion that would connect the Northern and Osborn Correctional Institutions (a "cost avoidance of $61 million -$40 million in one time construction costs and $21 million in debt service over a 20 year period.") The placement of these additional 1,000 inmates out-of-state is also projected to result in "savings" of $1.6 million in FY 04 and $9.2 million in FY 05 through the elimination of 174 DOC positions in FY 05.

- *Prison expansions.* The Governor's budget also provides funding for *expansion* of the existing prison system, including: a) annualizing the operating costs of the MacDougall Correctional Institution in Suffield ($4.535 million in new costs in both FY 04 and FY 05); b) operational costs (174 additional staff positions and other facility costs) for an expansion of the Somers Correctional Institution which is scheduled to open in January 2005 (half-year funding of $5.795 million in FY 05); c) costs associated with the projected increase in inmate numbers to 20,310 by June 30, 2004 and to 20,935 by June 30, 2005 (at an additional cost of $4.35 million in FY 04 and $8.83 million in FY 05).

- *Transfer of Parole Board and Board of Pardons to Department of Correction.* The Governor proposes that these two boards be transferred to DOC. The DOC FY 04 budget includes $0.037M of funds transferred from the Board of Pardons and $10.063 million transferred from the Parole Board. Note that the FY 04 current services budget for the Parole Board is $11.287 million, so funds transferred to DOC for these functions is at least $1 million less than necessary to maintain current services.

- *Re-allocated funds.* The Governor proposes to reallocate funding from the Community Residential and the Community Non-Residential Services accounts into a single new "Community Support Services" account.

- *Alternatives to Incarceration.* While the Governor's proposed budget "continues the important Jail Diversion Program that was expanded statewide over the past few years," it "scales back due to budget constraints" support for Community Justice Centers. A 110-bed community justice center for women is scheduled to open July 2003. It is to provide a pretrial diversion option for non-violent drug dependent and non-violent mental health offenders, serve as a pre-release treatment center for the reintegration of sentenced offenders nearing community placement, and function as centralized revocation center for offenders under community supervision in lieu of re-incarceration for technical violations (using graduated sanctions and treatment first, and re-incarceration as a final option). This first center, to be funded through federal funds (the Violent Offender Truth-In-Sentencing Program), will be located near the York Correctional Center so that it can share core services (e.g., food and medical services) although staffing and treatment services will be contracted out. (See also description of Jail Diversion program in DMHAS summary.)

- *Staffing.* DOC's authorized position count would increase under the Governor's proposed budget by making 29 durational employees working in the Community Enforcement pilot program (24 correction officers and 5 sergeants) into permanent staff. Depleting DOC's staff are the 180 DOC employees who were among the 3,000 state employees laid-off. The annualized "savings" from these layoffs are $8.38 million in FY 04. In addition, 889 DOC employees are eligible for the Early Retirement Incentive Program; as of early March, 2003, 119 had decided to retire, "with many more anticipated….All ranks and positions from Correction Officer to Commissioner have submitted their plans to retire, depleting the agency of many experienced and valuable staff."[118] $1.436 million is cut from the FY 04 budget associated with early retirements, and $4.135 million eliminated for unsettled collective bargaining contracts.

- *Other.* The proposed FY 04 budget annualizes FY 03 cuts for a FY 04 reduction of $5.9 million. Also, inflationary increases are eliminated, for a savings of $2.44 million. Equipment purchases of $2.1 million would be moved off DOC's budget for FY 04 and into the Capital Equipment Purchasing Fund.

17. Department of Labor (DOL)

a. A bit of background. DOL's mission is to protect and promote the interests of Connecticut's workers, and assist workers and employers to be competitive in the global economy. DOL provides income support to assist workers between jobs, protection for workers on the job (by wage and salary regulations), work-related training programs, tax credit incentive programs, and job search and recruitment assistance. Also, as the Connecticut arm of the United States Bureau of Labor Statistics, DOL collects, analyzes, and disseminates workforce data to inform employers, employees, and policy leaders. The challenges facing DOL increase as unemployment increases. While Connecticut enjoyed a seasonally adjusted unemployment rate of only 2.1% from June 2000 through August 2000, the unemployment rate has continued to rise ever since. As of January 2003, it had more than doubled – to 4.8%. Yet, despite increase in unemployment, the Governor proposes to strip a number of DOL workforce development programs of *all* state funds.

b. Proposed FY 04 budget. The table below shows the amount originally appropriated in the revised FY 03 budget, the FY 04 Current Services budget, and the amount proposed by the

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[118] CT Department of Correction, *P.R.I.D.E. at Work* (March 2-15, 2003).

Governor for FY 04 for various DOL accounts. It also compares the Governor's proposed FY 04 budget to the FY 03 revised budget (before mid-year reductions).

As shown below, the Governor's proposed FY 04 budget for the Department of Labor would be $3.554 million *less than* DOL's revised FY 03 budget, and $4.307 million *less than* DOL's FY 04 Current Services Budget. Moreover, the funds proposed by the Governor for FY 04 are more than $13 million *less than* the funds spent in FY 02 (even without adjusting for inflation). Accounts that would be funded *below FY 02 levels by more than $150,000* include: the Workforce Investment Act (WIA) (-$3.839 million) and Jobs First Employment Services (-$1.230 million).

Department of Labor	FY 03 Budget (as revised)[119]	Current Services Budget FY 04	Governor's Budget FY 04	Compare Governor's FY 04 Budget with FY03 (as revised)
	[$M]	[$M]	[$M]	[$M]
Personal Expenses (001)	$9.608	$9.439	$7.388	**-$2.219**
Other Expenses (002)	$0.834	$1.505	$1.340	$0.506
Equipment (005)	$0.002	$0.179	$0.002	$0.000
Other Current Expenses (02X)				
Workforce Investment Act	$21.360	$21.360	$21.360	$0.000
WIA Business System	$0	$0	$1.000	$1.000
Vocational and Manpower Training	$1.576	$1.620	$0.000	**-$1.576**
Summer Youth Employment	$0.622	$0.639	$0.000	**-$0.622**
Jobs First Employment Services	$15.227	$15.227	$15.037	**-$0.190**
Opportunity Industrial Centers	$0.453	$0.465	$0.000	**-$0.453**
TOTAL -- General Fund	**$49.681**	**$50.434**	**$46.127**	**-$3.554**

c. Federal & other funds. Federal funds are projected to decline from about $0.522 million in FY 03 to just $0.022 million in FY 04. Private contributions also are projected to decline markedly, from $1.306 million in FY 03 to just $0.494 million in FY 04.

d. Specific program and service changes

Completion and Implementation of CT Works Business System (CTWBS). The Governor proposes $1 million of funds in FY 04 and $0.433 million in FY 05 to complete this project.

Elimination of all funding for various adult & youth workforce development and safety programs.[120] The Governor proposes to eliminate funding for the following programs:

- *Vocational and Manpower Training Function* (-$1.419 million). Staff associated with the administration and operation of the Apprenticeship and Customized Job Training

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119 This column shows appropriated spending in the revised FY 03 budget *not* adjusted for changes made since the budget was adopted through rescissions and other spending reductions.
120 Bracketed amounts indicate FY04 "savings."

Program were among the 3,000 state employees laid off. These positions have since been eliminated. In the absence of other resources "available to operate these programs" the Governor proposes to eliminate *all* funding for them.

- *Occupational Health Clinics* (-$0.727 million). This DOL program supports the collection of injury data through grants to occupational health clinics; the Governor asserts that "since occupational injury data are available from other sources, the elimination of this funding will have no adverse impact."[121]

- *State Summer Youth Employment Program* (-$0.622 million). This program is described as "somewhat redundant" with the federal Workforce Investment Act program for youth; it is "reluctantly" eliminated "given the fiscal exigencies we face in Connecticut."[122]

- *Opportunity Industrial Centers* (-$0.407 million). The OICs are local non-profit organizations affiliated with the Opportunities Industrialization Centers of America, Inc. which operates in 20 states with state funding and supplemental funding from foundations and major corporations. On-going state funding is proposed to be eliminated; one-time monies for two of the centers are included as carry-forward funds for a temporary FY 04 grant.

Staff. DOL lost 75 staff through the Governor's layoffs (a sizeable proportion of DOL's authorized FY 03 position count of 146). Four branch offices of DOL were closed as a result – in Ansonia, Bristol, Manchester, and Stamford. A number of FY 04 savings are incorporated in the Governor's budget associated with DOL staffing: $1.873 million from these layoffs necessitated by "failure to achieve concessions," $0.347 million from the elimination of funding for unsettled collective bargaining contracts; and $0.147 million from the removal of accruals pursuant to the Governor's early retirement incentive plan.

Other reductions. Cuts made in SFY 03 to help balance the budget are annualized (made permanent), resulting in FY 04 savings of $0.218 million. Also included in the proposed FY 04 budget are cuts of $0.097 million from removing inflation-related increases.

18. Department of Economic & Community Development (DECD) & Office of Workforce Competitiveness (OWC)

a. A bit of background. DECD has responsibility for improving the state's business environment, providing affordable housing for the state's low- and moderate-income families, revitalizing neighborhoods and communities, promoting job creation and retention, and fostering public-private partnerships to strengthen the state's economy, infrastructure and development capacity (including through its Industry Cluster initiative and its Initiative for a Competitive Inner City).

OWC was established first by Governor Rowland by Executive Order and then by the General Assembly through PA 00-192. It serves as the Governor's primary workforce development policy

[121] *FY 2003-2005 Governor's Budget Summary,* p. 110.
[122] *FY 2003-2005 Governor's Budget Summary,* p. 110.

advisor. OWC's Director reports directly to the Governor and acts as a liaison between the Governor and federal, state, and local agencies involved in workforce development. It also provides staff support to the Connecticut Employment and Training Commission (CETC) (a public-private partnership that oversees development of statewide workforce development policy) and the Governor's JOBS Cabinet (which guides implementation of integrated, multi-agency initiatives). OWC is responsible for overseeing implementation of the federal Workforce Investment Act of 1998.

b. Proposed FY 04 budget. The tables below show the amount originally appropriated in the revised FY 03 budget for DECD and OWC individually, their FY 04 Current Services budgets, and the amount proposed by the Governor for FY 04 for the combined DECD and OWC FY 04 budget. It also compares the Governor's proposed FY 04 budget and the FY 03 revised budget as originally adopted.

Office of Workforce Competitiveness	**FY 03 Budget (as revised)**	**Current Services Budget FY 04**	**Governor's Budget FY 04**	**Compare Governor's FY 04 Budget with FY03 (as revised)**
	[$M]	**[$M]**	**[$M]**	**[$M]**
Personal services	$0.509	$0.521	$0.000	**-$0.509**
Other Expenses	$0.493	$0.514	$0.000	**-$0.493**
Equipment	$0.002	$0.042	$0.000	**-$0.002**
CETC Workforce	$3.108	$3.195	$0.000	**-$3.108**
TOTAL-General Fund	**$4.112**	**$4.273**	**$0.000**	**-$4.112**
Department of Economic & Community Development	**FY 03 Budget (as revised)**	**Current Services Budget FY 04**	**Governor's FY 04 Proposed Budget**	**Compare Governor's FY 04 Proposed Budget with FY03 (as revised)**
	[$M]	**[$M]**	**[$M]**	**[$M]**
Personal Services	$7.324	$7.425	$5.551	**-$1.773**
Other Expenses (002)	$2.876	$2.957	$2.210	**-$0.667**
Equipment (005)	$0.001	$0.101	$0.001	$0.000
Other Current Expenses (02X)				
Elderly Rental Registry and Counselors	$0.618	$0.635	$0.618	$0.000
Cluster Initiative	$0.850	$0.909	$0.857	$0.007
OWC		$0.000	$3.489	$3.489
Payments to Other Than Local Governments				
Subsidized Assisted Living Demonstration	$0.394	$0.990	$0.970	$0.576
Congregate Facilities Operation Costs	$5.102	$5.341	$4.971	**-$0.131**
Housing Assistance and	$0.379	$0.398	$0.359	**-$0.020**

Counseling Program				
Elderly Congregate Rent Subsidy	$1.317	$1.423	$1.423	$0.106
Grant Payments to Local Governments				
Tax Abatement	$0.000	$2.243	$0.000	$0.000
Payment in Lieu of Taxes	$0.000	$2.900	$0.000	$0.000
TOTAL -- General Fund	**$18.861**	**$25.322**	**$20.449**	**$1.588**

As shown above, the Governor's proposed FY 04 budget for DECD would be just $1.6 million *more than* its FY 03 budget, despite the Governor's proposal to merge the Office of Workforce Competitiveness into DECD. OWC's FY 03 budget was $4.1 million; under the Governor's proposed FY 04 budget, its FY 04 funding would be just $3.49 million (in the DECD OWC account).

The "savings" from this proposed merger are illustrated in the table below. The Governor's proposed FY 04 budget provides $4.9 million *less than* the FY 04 Current Services Budget for just DECD. Adding the $4.3 million Current Services Budget requirements for OWC to DECD would push the FY 04 current services deficit of the agency when combined to $9.146 million. *That is, the consolidation of the two agencies, as proposed by the Governor, would result in a 30% reduction in funding from what was needed to maintain current services in FY 04.*

Impact of DECD & OWC Consolidation on Current Services Capacity			
	FY 03 Budget (as revised)	**Current Services Budget FY 04**	**Governor's Budget FY 04**
OWC TOTAL-General Fund	$4.112	$4.273	$0.000
DECD TOTAL -- General Fund	$18.861	$25.322	$20.449
Combined TOTAL – General Fund	$22.973	**$29.595**	**$20.449**

A comparison between the Governor's proposed FY 04 budget and the FY 04 Current Services budget (not shown) reveals that all but one existing budget item (the elderly congregate rent subsidy program) would lose funding compared to FY 04 current services. Under the Governor's proposed FY 04 budget, all other budget accounts would be funded at amounts less than that necessary to maintain current levels of service.

c. Specific program and service changes

Re-allocations and Transfers. The Governor proposes a number of re-allocations and transfers of function that impact on the budget of DECD, as follows:

- *The Office of Workforce Competitiveness.* The Governor proposes merging OWC into DECD. Despite a FY04 Current Services Budget of $4.3 million for OWC, the DECD budget account "OWC" would be funded at $3.5 million. The Governor notes, however, that he is "mindful of the need to keep the OWC as a truly neutral and independent force and consensus building that can bring disparate entities in state and local government together to meet the mandates of WIA and state statutes" and is open to keeping it as a freestanding entity if this might be compromised.

- *Office of Tourism and Film Commission.* These two functions would be taken out of DECD and merged (together with the CT Commission on the Arts and the Historical Commission) into a new Commission on Arts, Culture, & Tourism.

- *Transfer of Functions to CHFA*. Last year, $85 million of funds from the cash reserves of the CT Housing Finance Authority were transferred to the General Fund to help address the General Fund deficit. Subsequently, certain DECD housing "assets" were transferred to CHFA to generate earnings for CHFA that would have been generated by the $85 million in CHFA's transferred cash assets. The Governor's proposed budget includes, for FY 05 and FY 06 $1.3 million of funds for DECD to provide "operating expenses for 12 positions whose funding stream was part of the asset transfer" to CHFA

  In addition, the Governor has proposed legislation to direct DECD and CHFA to enter into a Memorandum of Understanding for the transfer of responsibilities. Savings to the General Fund from any transfer of responsibilities from DECD to CHFA is to be deducted from the $40 million/year of revenues would be transferred from CHFA to the General Fund again this year under the Governor's proposed budget.

Jobs Funnel Projects & School-to-Work. Both these programs had been funded in FY 03 with one-time carry-forward surplus funds. The Governor proposes *no further* funds for either in FY 04. However, up to $1 million of funds are proposed to be carried-forward from FY 03 to FY 04 from the CETC workforce account. A portion of these funds, at OWC's discretion, could be used to continue either or both of these initiatives on a slightly smaller scale.

Elimination of the state contribution to Tax Abatement and PILOT Grant. This would result in FY04 state "savings" of $4.886 million, but transfer more burden to cities and towns.

Annualized SFY 03 reductions. Cuts made in SFY 03 to help balance the budget would be annualized (made permanent), resulting in FY 04 savings of $0.627 million.

Other reductions. Also included in the proposed FY 04 budgets are cuts of $0.261 million from removing inflation-related increases. Other proposed FY 04 savings are associated with staffing: $0.592 million from layoffs "necessitated by failure to achieve concessions;" $0.236 million from the elimination of funding for unsettled collective bargaining contracts; and $0.074 million from the removal of accruals pursuant to the Governor's early retirement incentive plan.

19. Selected Other Proposed Changes

This summary has focused primarily on proposed changes in state agency budgets that would most directly impact the lives of children, youth, and families. The Governor proposes many other changes with less direct impact. Those of potentially greatest interest to persons who care about the well-being of our children, families and communities include:

Public safety – increased "homeland security" investments. The Governor's proposed bond package includes $3 million to equip Connecticut's new Urban Search and Rescue (UsaR) team, which is affiliated with the Division of Homeland Security and another $88,000 to purchase personal protective equipment for state troopers. $500,000 in federal Byrne funding already has been designated to provide training and basic startup for the UsaR team and to fund the Statewide Anti-Terrorism Task Force. In addition, the Governor's proposed bond package includes $1.1 million for the Military Department to purchase a mobile command post and related equipment. The Governor proposes $0.7 million in FY 04 for maintenance on the new state police helicopter.

As discussed in DPH's summary, $10 million in bond funds are proposed for a 100-bed mobile and surge hospital and for the development of 65 isolation rooms in emergency rooms around the state. These could provide interim care should it be needed to manage an outbreak of infectious disease such as smallpox. Together, these initiatives would increase from 6 to 165 the total number of beds that comply with CDC guidelines for treatment of smallpox patients.

A special federal 9-11 grant is being used to provide seed funding for Behavioral Health Crisis Response Teams ($75,000), continued services to families harmed by the 9-11 tragedy ($100,000) and training by the State Department of Education on School Crisis Response ($200,000).

Public safety – reduced investments in community safety. The Governor's proposed budget would cut funds for local Drug Enforcement Programs from $6.5 million in the revised FY 03 budget to only $1.85 million in FY 04 and would eliminate all funds for state drug enforcement programs, although the Governor says these programs are "central to his overall plan to improve public safety."

In addition, the Governor proposes to continue to *suspend* the statutory mandate that Connecticut have 1,248 sworn state police officers by July 1, 2001 through December 31, 2005. This statutory mandate was adopted in 1998 with the Governor's support. While "state troopers were made exempt from layoffs so as not to compromise public safety," "because of the continuing fiscal exigencies, the Governor was forced to cancel a trooper training class in December and one scheduled for this May." The Governor anticipates that there will be no trooper training classes (necessary to train new troopers to replace those who leave) "perhaps through June 30, 2005." Despite this, the Governor asserts "it is anticipated that the number of troopers protecting Connecticut will be well higher than before the statute was put into effect." Training programs for municipal, state agency, and university police officers also are to be reduced.

The Governor also proposes to close "several outdated or unnecessary" state armories; state military personnel would share physical plans with federal military personnel. The Governor explains, "The uniquely dual missions of state and federal military personnel makes the sharing of facilities not only feasible, but practical as well. The re-deployment of National Guard troops to other facilities would be made in a manner not compromising to public safety and support." He proposes to eliminate the state's $100 payment to volunteer fire companies for each response to emergency calls on limited access highways.

A number of the Governor's proposed budget cuts *could* impact on public safety, including eliminating DMV's vision screening of drivers' license holders on every other renewal and switching

DMV's safety inspections of service buses and taxis from semi-annually to biennial (many other safety inspections already have been eliminated).

Transportation. The Governor proposes to carry-forward the $6.3 million of unexpended funds for the Transportation Strategy Board to continue on-going initiatives at least through June 30, 2004. These include expanded bus and train service in certain targeted areas. His proposed budget also includes $14 million in bond funds for additional capital improvements (which would include additional parking at the New Haven and Bridgeport train stations).

However, fare increases also are proposed. Bus fares would increase by 25% and rail fares on the New Haven Line by 15%. The Governor notes that "some would argue that raising mass transit fees is counter to the idea of increasing ridership," but explains that "there is nothing inconsistent with asking riders to pay a fair share of the operating cost increase over time." The Governor also proposes to reduce state funding to towns for roads (the Town Aid Road grants) from the $35 million in the FY 02 budget to just $12.5 million in both FY 04 and FY 05.

Agency consolidation and down-sizing. Beyond the proposed consolidations discussed already in this report, the Governor proposes many others. They include eliminating the Office of Victim Advocate and the Council on Environmental Quality, and merging the Office of Managed Care Ombudsman into the Insurance Department and the Departments of Consumer Protection and Agriculture into a single new department. In addition, lay-offs in the Department of Environmental Protection would result in reduced hours or more limited use (walk-in only) at nearly 40 state parks. State layoffs are resulting in the closure of 9 DMV offices, 3 DECD offices, 6 DSS offices, 4 DOL offices, 4 state museums and various other state facilities.

V. Conclusion

Cuts to health insurance for low-wage parents will not prevent them from getting sick. It will only force them to hospital emergency rooms where they will receive care that is far more costly and divert resources are needed to respond to trauma and disease outbreaks.

Cutting funding for high quality early care and education programs will not put the development of infants and toddlers on temporary "hold" until the economy recovers. Rather, it will assure that we spend more on special education costs and remedial education programs.

Eliminating funding for after-school and summer job training and enrichment programs for urban youth will not make them sit idly by when out of school. Rather, it will predictably result in more mischief, more delinquency.

Slashing "safety net" programs for destitute parents will not make their children and their needs for food, shelter, and clothing disappear. Rather, it will lead to even more homelessness, lines at food pantries, and child neglect referrals to DCF.

In short, many of the proposed "savings" in this FY 2003-2005 budget will result in even greater costs, and far more human pain. The proposed budget foresees this. The agency with the largest percentage increase over FY 03 is the Department of Correction. It is closely followed by DCF.

Since the choices reflected in this proposed budget will lead to a Connecticut we don't like and a Connecticut we can't afford, it is essential that Connecticut address the *true* cause of its state budget problems – the more than $2 billion of taxes eliminated from the revenue stream when the economy was flourishing.

Restoring some greater part of those revenues now will allow us to preserve our precious investments in education, health and public safety. It will preserve Connecticut – and its high quality of life – for our children and grandchildren.

Agency (General Fund Budget) (in millions)	**FY 03 Budget (as revised)**	**Current Services Budget FY 04**	**Governor's FY 04 Proposed Budget**	**Compare Governor's FY 04 Proposed Budget with FY03 (as revised)**
	[$M]	**[$M]**	**[$M]**	**[$M]**
DCF	$573.678	$627.486	$593.211	$19.532
Children's Trust Fund	$5.772	$5.945	$5.243	-$0.529
SDE	$2,004.786	$2,145.296	$1,191.202	**-$13.584**
DHE	$45.788	$57.730	$48.384	$2.596
University of Connecticut	$193.667	$204.182	$197.739	$4.023
CT State University	$138.947	$145.902	$136.578	**-$2.369**
Regional Community-Technical Colleges	$125.484	$131.774	$120.850	**-$4.634**
Teachers' Retirement Board	$194.04	$286.117	$200.528	$6.488
State Library	$13.926	$16.156	$10.135	**-$3.79**
DSS	$3,697.360	$4,045.721	$3,765.984	$78.622
DPH	$75.528	$81.458	$59.734	**-$15.795**
DMR	$724.733	$769.377	$745.063	$20.329
DMHAS	$438.065	$475.092	$428.649	-$9.416
OPM	$157.940	$166.841	$114.251	**-$43.689**
JUDICIAL DEPARTMENT	$361.396	$392.791	$357.453	-$3.943
DOC	$542.002	$592.602	$576.803	$34.801
DOL	$49.681	$50.434	$46.127	**-$3.554**
OWC	$4.112	$4.273	$0	**-$4.112**
DECD	$18.861	$25.322	$20.449	$1.588
TOTAL—General Fund	**$12,091.804**	**$13,632.701**	**$12,476.497**	**$384.69**