



**The Republican Alternative Budget  
for Fiscal Years 2012 and 2013**

**April 19, 2011**

**Introduction:**

Please find in these pages the Republican Alternative Budget for fiscal years 2012 and 2013. This proposal balances a budget of \$16,694.4 billion for FY 2012 and \$17,317.7 billion for FY 2013.

	Estimated	Governor Recommended		Republican Alternative Budget	
	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2012</u>	<u>FY 2013</u>
General Fund Gross Appropriations	\$ 18,279.2	\$ 19,407.3	\$ 19,850.2	\$ 18,070.5	\$ 18,731.2
Less: Bottom Line Lapses	(334.2)	(1,139.2)	(1,140.6)	(1,376.1)	(1,413.5)
Total Recommended Net Appropriations	\$ 17,945.0	\$ 18,268.1	\$ 18,709.6	\$ 16,694.4	\$ 17,317.7

The Republican Alternative Budget is a blueprint for ending Connecticut’s current budget crisis and helping to prevent a future crisis. The proposal achieves its objective by refocusing state government on its core functions, eliminating waste and redundancy, and beginning the process of restructuring state government for the long-term.

The result is a balanced budget proposal that is both fiscally and socially responsible.

Consistent with the aims of the Republican Common Sense Commitment to Connecticut, the Republican Alternative Budget significantly reduces government spending, paves the way for job growth and economic recovery, and will make living and working in Connecticut more affordable.

The budget accomplishes this without increasing ANY state taxes.

**How We Got There:**

The process of crafting a state budget consists of:

1. defining government’s purpose and core functions;
2. estimating the expenses necessary to facilitate those core functions and uphold the constitution and laws of the State of Connecticut; and
3. creating a plan to raise the revenues necessary to meet those expenses.



**State Government’s purpose and core functions:**

Government’s purpose and core functions are largely defined by our state constitution and statutes. First and foremost, a state budget must provide the resources necessary to uphold the constitution and laws of the State of Connecticut.

In accordance with the constitution and laws of the State of Connecticut, and for the purposes of crafting the Republican Alternative Budget, we define the following as the core functions of state government:

- To uphold the rule of law and a system of justice in accordance with the Connecticut State Constitution
- To ensure public safety
- To provide for adequate public education
- To preserve public property including Connecticut’s natural resources, as well as manmade resources (i.e. state roads and bridges).
- To promote public health and provide a safety net of social services adequate to maintain public order and the wellbeing of Connecticut residents

These core functions served as our highest priorities in appropriating state resources in this budget.

**Summary of Notable Initiatives**

**I. Expenditures:**

	<u>FY 12</u>	<u>FY 13</u>
Legislative	\$ 61,687,274	\$ 62,212,367
General Government	4,679,395,742	5,349,384,439
Regulation and Protection	243,491,888	236,677,293
Conservation and Development	124,654,699	122,430,132
Human Services	7,584,446,622	7,661,822,555
Education	4,178,650,852	4,187,354,669
Judicial and Corrections	1,198,125,410	1,111,335,926

- **Municipal Aid:** The Republican Alternative Budget preserves municipal aid at current levels for all cities and towns in Connecticut.
- **New State Trooper Class:** The Republican Alternative Budget creates a new trooper class in FY 2012 which will add 60 new state troopers, reducing annual overtime costs by \$2.2 million.



- **Medicaid Section 1115i Waiver:** Within the Medicaid program, states have the opportunity to apply for and receive a “waiver” for certain initiatives. Generally these waivers grant states greater flexibility in how they manage their Medicaid programs. Connecticut is currently in a fiscal crisis and cannot afford all of the healthcare mandates that are imposed by the federal government. With a Section 1115i waiver, the state has the potential to save \$70 million in 2012 and \$140 million in FY 2013.
- **Medicaid Fraud Recovery:** Nationally, improper Medicaid payments total over \$22.5 billion annually which is equal to 9.4% of all Medicaid outlays. Improper payments not only include those that not only go to the wrong recipient but also those that are received through fraud.

Connecticut currently maintains a Medicaid Fraud Control Unit within the Division of Criminal Justice whose purpose is to discover and prosecute those engaged in Medicaid fraud. By expanding the enforcement capability of this division, it is estimated that we can reduce or rate of Medicaid fraud from the national average of 9.4% to 5.0%. This initiative will conservatively result in \$224 million of savings to the state.

## II. Spending Reductions:

### Workforce Restructuring

The Republican Alternative Budget accepts most of the Governor’s proposed spending reductions and expands upon those to change the structure of state government, eliminating waste and redundancy, making government smaller and more efficient. The budget restructures the government workforce in the following ways:

- **Agency Consolidations:** Legislative Republicans have proposed a restructuring of state government through agency consolidations for several years. Those efforts have been largely ignored by the Democratic Majority. But, at long last, there seems to be a growing consensus among legislators of both parties and our new Governor that agency consolidations are both feasible and necessary.

The Governor’s proposed budget reduces the number of budgeted agencies from 81 to 57, which we believe is a good start. However, the practical result of the Governor’s consolidation plan is a savings of only approximately \$9.0 million per year.

We believe government can and must be more efficient. We have a fiduciary responsibility to our taxpayers to run government as efficiently as possible. That means eliminating waste and redundancy wherever we find it.



To that end, the Republican Alternative Budget calls for additional restructuring, including the consolidation not only of agencies, but also the consolidation of some job functions, particularly administrative functions, and the elimination of unnecessary government positions.

In all, the non-partisan Office of Fiscal Analysis (OFA) estimates that our agency consolidation plan will result in the elimination of more than 27 state agencies, 383 government positions, and a savings of more than \$18.9 million in FY 12 and \$27.6 million in FY 13.

- **Middle Management Reduction:** Organizations that are “top-heavy” are rarely successful and almost never efficient. State government, in its current form, fits this description and its performance in delivering government services in an effective and cost efficient way suffers as a result.

In December, the Bipartisan Commission on Enhancing Agency Outcomes reported that “based on other government organizations’ experiences and the private sector, it could be suggested that the State attempt to at least double its current 1:6 ratio of managers + supervisors to employees to 1:12.” Taking into account other factors, the Commission ultimately recommended a ratio of “at least” 1:10 at human services agencies, as well as a 1:10 ratio at the remainder of executive branch agencies.

We agree with the Commission’s recommendation. Accordingly, the Republican Alternative Budget proposes the elimination of a total of 1,380 managerial positions of two years throughout state government (1:10 in human services and 1:12 for other agencies), which will result in savings of \$112.0 million in FY 12 and \$138.0 million in FY 13.

- **Elimination of Vacant Positions:** The Governor’s budget funds 166 vacant positions at a cost of \$10.8 million per year. The Republican Alternative Budget proposes eliminating these positions and re-delegating job responsibilities to existing state workers, saving \$21.6 million over two years.
- **Hard Hiring Freeze:** The Republican Alternative Budget assumes the natural rate of attrition for people retiring from state service. Only essential positions will be refilled. The savings achieved from this initiative is \$12.1 million in FY 2012 and \$19.3 million in FY 2013.
- **Labor Concessions:** Governor Malloy boldly called for \$1 billion in concessions from state employee unions in each year of his two-year budget. We applaud the Governor for finally taking aim at one of the largest drivers of state government spending. State employees should expect fair and honest compensation for the important public services they perform, but currently state employee salaries, healthcare benefits and retirement plans are among the best and most expensive in the world. Their costs are unsustainable and must be brought in-line with compensation plans offered for similar work in the private sector. We will support Governor Malloy in his efforts to achieve these necessary concessions saving the state \$2 billion over two years.



### III. Debt Restructuring:

Common sense tells us that you first pay off the credit card with the highest interest rate. Mirroring a common practice frequently used by fiscally prudent businesses, we propose restructuring \$200 million our outstanding debt in FY 2012. We are also proposing to appropriate an additional \$200 million for debt service in FY 2013 to accelerate the repayment of principal and interest on higher interest outstanding debt, thus realizing a net savings in this biennium while reducing future debt obligations.

### IV. Revenue Adjustments:

- **Tax Amnesty Program:** Tax amnesty programs are proven ways to encourage delinquent taxpayers to pay what they owe. Under the Republican proposal, modeled after a successful program administered by the Connecticut DRS in 2009, participants will have the opportunity to avoid penalties, pay less interest and escape criminal charges if they settle their overdue tax bills between July 1<sup>st</sup>, 2011 and December 31<sup>st</sup>, 2011.

As of February, there were more than \$440 million in delinquencies not on hold. The Republican Alternative Budget assumes \$25 million in new revenue from this program – a conservative estimate based on the past performance of similar programs.

- **Gas Tax Cap:** Connecticut motorists pay among the highest gasoline prices in America and significantly more than our neighbors in Rhode Island and Massachusetts. The difference in gas prices between Connecticut and these neighboring states is due in large part to the difference in state gas taxes.

The total state taxes Connecticut imposes on gasoline costs consumers nearly 50 cents per gallon. While countless factors contributing to the high price of fuel are outside of the legislature's control, the state gas tax is one factor over which we have total control.

Connecticut levies two different taxes on gasoline. The first is a flat tax of 25 cents per gallon. The second tax is known as the Petroleum Gross Receipts Tax and is calculated as a percentage of the wholesale price of petroleum. Every time the price of gas rises, so too does this hidden tax. This practice is patently unfair. The Republican Alternative Budget caps the wholesale price of gasoline for purposes of calculating the Petroleum Gross Earnings Tax at \$3.30 per gallon.

- **Automated Vehicle Insurance Identification Enforcement System:** Savings of \$150 million per year.



- **Elimination of Taxpayer Funded Elections:** The Citizens Election Fund has been successful in limiting the influence of special interest money on our elections. State law should continue to provide for these restrictions to ensure clean elections, but we can no longer afford to fund our elections with taxpayer dollars.

The Republican Alternative Budget maintains restrictions on special interest money, but sweeps the Fund and eliminates the use of taxpayer dollars for public elections moving forward. The proposal will save \$26.2 million in FY 12 and \$18 million in FY 13.

## V. Long Term Government Restructuring

While this budget makes necessary use of some one-time revenue streams, including debt restructuring in the first year and the carry forward of the FY 2011 surplus in the first year, this does not create a structural deficit in future years as we are making strategic reductions to ongoing expenditures.

Moreover, the Republican Alternative Budget begins the process of fundamentally restructuring state government for Connecticut's long-term fiscal health. By significantly reducing recurring state expenditures, this budget will relieve the State of the need to expend one-time revenues in FY 2014 and FY 2015.

Initiatives that will not result in savings during this biennium, but that have the widespread support of Republican legislators and will have a significant impact on Connecticut's long-term fiscal health include:

- Expansion of the use on non-profit agencies to provide high-quality community services at a lower cost.
- Creation of quasi-public agencies to maximize the economic benefit of state assets like airports, ferries, ports, etc.
- Provide real relief to cities and towns from unfunded municipal mandates
- Reform our statutory spending cap to be reset to the lower of the five-year moving average growth rate of Connecticut's personal income or the annual rate of inflation measured by the growth of the Consumer Price Index.
- Privatize DMV services