

Governor Malloy's FY 2014-FY 2015 Biennial Budget  
Top 10 Most Egregious Items

1. It increases spending by \$1.8 billion or 9.7% over the biennium during a time when the state faces continued deficits, revenue deterioration, high unemployment and a nagging recession.
2. It is not compliant with the spending cap – even with the Governor's proposed definitional changes.
  - a. In the calculation of the FY 2013 spending cap the Governor erroneously omits \$50 million in spending. After required deficiency appropriations occur, the state will have exceeded the spending cap in this current fiscal year.
  - b. In the calculation of the FY 2014 spending cap, the Governor erroneously omits \$85.7 million in appropriations. Given that the Governor's budget was only under the spending cap by \$1.4 million, if these expenditures were counted towards the cap like they should be, the Governor's budget would be over the cap (even with his proposed definition changes).
3. It is the antithesis of a transparent budget – so much so that one has to assume that it was purposefully formatted to be confusing and to mislead.
  - a. It eliminates 145 line item appropriations.
  - b. It transfers municipal aid between accounts.
  - c. It transfers municipal aid between funding sources.
4. It does not hold municipalities harmless – the proposed car tax elimination will cost municipalities at least \$632.8 million in FY 2015. In addition, the Governor's proposals to eliminate municipal operating grants and either transfer the lost monies to bonding or Education Cost Sharing, thereby making unrestricted monies restricted will cost Connecticut municipalities over \$128 million.
5. It proposes to bond \$750 million to bail out the state of its cash flow problems (because we spend too much) and it pushes out the Economic Recovery Note debt for an additional two years – costing state taxpayers \$217 million in interest costs.
6. It contains tax increases. Direct and indirect tax increases.
7. It is balanced with hundreds of millions of dollars in one-time revenues and other gimmickry. Once again, the Governor proposes to raid the Special Transportation Fund, this time to the tune of \$74.8 million.
8. Proposals tucked in bills which continue the Governor's executive branch power grab. Specific proposals include:
  - a. Moving all statewide human resource administration from the Department of Administrative Services to the Office of Policy and Management. DAS currently serves as a "check" against personnel actions that are sought by

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- OPM. If OPM is the only agency involved in the administration of all state employees, the only additional layer will be removed.
- b. Allowing the Governor to rescind up to 10% of any appropriation.
  - c. Allowing the Governor to rescind up to 5% of municipal aid. He currently has no authority to impose rescissions against municipal aid.
  - d. Proposes, in numerous ways, to exert his influence over the operation of the watchdog agencies. Including allowing the Governor to modify the budgets of the Ethics and Elections agencies.
9. Under the auspices of "Connecticut residents are paying too much" it auctions off CL&P and UI customer's patronage to the highest bidder. Rather than return the money made from the auction to those who arguably have been paying too much, the Governor is proposing that the General Fund retain the auction earnings to support its spending habit.
10. The details of the budget, of which the top ten to be leery of are:
1. It moves numerous operating programs to the capital side of the budget causing the state to pay for the project over 20 years with interest what should be paid for on an annual basis.
  2. The potential that our needy veterans will not receive assistance from the Soldiers, Sailors and Marines Fund. The Governor is proposing to have the American Legion administer the financial benefits to veterans which is not controversial. Legislation submitted however also has the General Fund not assisting to make up any gaps if the needs of Connecticut veterans exceed the amount of monies available.
  3. A total of \$550.4 million in proposed reductions to CT hospitals. The administration has apparently not looked at the solvency of the hospitals after this proposed reduction.
  4. Even though the Governor claims that he fully funds all pension and healthcare expenses the Governor is proposing to not fund the state's share of retired teachers' healthcare expenses thereby freeing up \$70 million to be spent elsewhere at the expense of the TRB Health Fund.
  5. It transfers the constituent units of higher education fringe benefit expense to appropriate block grants. By doing so, the Governor is shifting a potential significant cost to the institutions thereby indirectly causing tuitions to continue to increase.
  6. It includes \$125 million in FY 2014 for salary increases for state employees, both union and non-union.

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7. It hits independent pharmacies twice by reducing their enhanced reimbursement rate by 0.02% and then by reducing the dispensing fee for all Medicaid clients from \$2.00 to \$1.40.
8. It requires Connecticut businesses to file returns with the Department of Revenue Services electronically. Small mom-and-pop businesses can conceivably be negatively impacted as a result.
9. It reduces state assistance for student financial aid by \$8 million. This is at a time when tuition charges, especially at the public institutions of higher education are routinely increased in order to absorb block grant reductions.
10. It includes a total of \$10.6 million over the biennium for the New Britain-Hartford busway.