

Republican Budget Adjustment



Budget Gimmicks: Governor Malloy Quotes

“Too much borrowing over the years for ongoing expenses is one of the reasons we’re in the bad shape we’re in.”

“...we’re finally going to require the state to do what it requires all 169 cities and towns to do: be honest and transparent about the way it keeps its books.”

“We brought honesty and transparency to the state’s books.”

“...we made our budget honest, transparent, and built to address Connecticut’s long-term obligations”

“THE BUDGET I am proposing today keeps Connecticut moving toward that destination.”

“It follows the simple principles we agreed on two years ago – passing an honest, balanced budget; living within our means; making government smaller and more responsive; and sticking to our plan for growing Connecticut’s economy.”



What's a Budget Gimmick?

In both the adopted budget and proposed budgets, Governor Malloy and Democrats included “techniques” to hide the true cost of government spending. Here are a few of the most common gimmicks:

- Fund raid – Take money from off-budget accounts to help pay for budgeted spending
- Delayed payments – Artificially reduce the amount of spending by pushing current year payments out into future years.
- One-time revenue – Use temporary revenue sources to fund program expenses that will continue into future years ... building holes in future budgets.



Current Budget Gimmicks

<i>Gimmicks (in millions of dollars)</i>	<i>FY 15</i>
Economic Recovery Notes (Delayed payment)	\$196.0
Special Transportation Fund (Fund raid)	\$18.4
Tobacco Health Trust (Fund raid)	\$6.0
Pre-trial Alcohol to RACs (Fund raid)	\$1.7
FY 13 "Surplus" (One-time revenue use)	\$30.0
MRSA Revenue to General Fund (Fund raid)	\$41.5
Municipal Video Competition Fund (Fund raid)	\$5.0
Keno (Revenue Gimmick)	\$13.5
Public Education and Government TV Programming (Fund Raid)	\$3.5
Clean Energy Finance & Investment Authority (Fund raid)	\$19.2
Total - Gimmicks	\$490.5



New Gimmicks Proposed in Democrats' Budget

because \$490.5 million the previous year just wasn't enough.

<i>Gimmicks (in millions of dollars)</i>	<i>FY 15 Value</i>
Magnet Schools (Underfunded by Democrats and the Governor)	\$18.8
Retiree Healthcare (Underfunded by Governor; Democrats use one-time revenue - carryforward)	\$51.0
Higher Education (revenue intercept – spends money, but does not count the money an appropriation in the budget)	\$60.0
Immunization Funding - (Transfer spending to Insurance Fund)	\$31.0
DRS Tax Refund Administration (Use of one-time revenue - carryforward)	\$1.7
Governor's \$55 Tax Rebate (Political Gimmick)	\$156.7
Other Irresponsible Spending (Use of one-time revenue - carryforward)	\$11.7
Operating Expenses to the State Credit Card (DEEP and DOT)	\$5.9
Total - Gimmicks	\$336.8



Spending Money We Don't Have

What's in the Democrats' Budget...

- Creates more than 400 **NEW** state employee positions
- Adds millions in spending on irresponsible spending
- Creates bigger problems in future budgets
- In total, the Democrats' budget includes \$827.4 million in one-time gimmicks
- If you eliminate gimmicks:
 - Democrat spending levels would increase by \$345 million
 - Democrats' budget would be approximately \$150 million over the spending cap



The Republican Alternative Budget Adjustment

- Eliminates Gimmicks
- Reduces Spending
- Under the Cap
- Balanced
- Reduces Long-Term Liabilities
- Provides Modest Tax Relief
- Provides Additional Spending in Critical Areas
- Increases Municipal Aid



Republican Alternative Budget Adjustment

How we get there...

Original Budget Appropriation - The amount of spending in the FY 15 budget passed last year. \$17,497.6

Current Service Adds - Required spending additions since the FY 15 budget passed last year. (due to caseload increases or other factors) \$199.0

Current Services Reductions - Less spending required compared to what was expected when the original FY 15 budget was adopted last year. (\$226.7)

Policy Additions - Additional appropriations to fund areas of the budget we believe are in critical need. \$45.1

Policy Reductions - Less appropriation due to decisions made that will have little (or no) impact on core state services. (\$54.8)

Total Alternative GF Spending \$17,470.9



Republican Alternative Budget Adjustment Un-Doing Enacted FY 2015 Gimmicks

<i>Gimmick Change</i>	<i>GF Revenue Loss</i>
Reinstitute the Municipal Revenue Sharing Account	(\$26.0)
Deposit FY 2013 Surplus Carryforward in Budget Reserve Fund	(\$30)
Return Monies to Clean Energy Finance and Investment	(\$19.2)
Return Monies to the STF	(\$18.4)
Eliminate Keno	(\$13.5)
Return Monies to the Tobacco and Health Trust Fund	(\$6.0)
Return Monies to the Municipal Video Competitiveness Acct	(\$5.0)
Return Monies to the Public, Education and Gov't Account	(\$3.5)
<hr/> Total Revenue Loss-	<hr/> (\$121.6)



Republican Alternative Budget Adjustment

Municipal Aid

Restarting the Municipal Revenue Sharing Account

“I simply refuse to balance the state’s budget on the backs of our local taxpayers.”
- Governor Malloy, 2012 – 2013 Biennial Budget Address

- Governor Malloy and Democrats pass tax increases – sales tax, conveyance tax, hotel tax, and luxury tax – under the guise of property tax reform. The money \$98 million would go back to cities and towns through the Municipal Revenue Sharing Account (MRSA).
- To save money, the Governor completely eliminated the account but kept the revenue in the General Fund to help cover the deficit.
- Last year, the Democrats bonded \$57 million of the \$98 million for towns. Municipalities lost the remaining \$41 million.

We are proposing to help the Governor keep his promise by restarting the Municipal Revenue Sharing Account; and add back the \$26 million.



Republican Alternative Budget Adjustment

Critical Program Funding

<i>Critical Program Funding</i>	<i>FY 15</i>
Maintain Primary Care Increased Provider Rates	\$15.1
Provide Monies for the American Legion/SSMF Administration	\$0.6
Provide Funding for the Reduction of the ABI Waiver Waitlist	\$0.7
Expand the Katie Beckett Program	\$0.8
Provide an Increase to Vocational Education	\$1.5
Provide 1% COLA for Home Care Services	\$3.3
Provide Funding for DDS Waiting List- 100 Individuals Half-Year Funding	\$4.4
Restore Fully Funding to Retired Teachers Health Care	\$9.1
Provide Funding to Maximize Federal Revenue	\$0.2
<u>Provide Funding for Governor's Mental Health Initiative</u>	<u>\$3.1</u>
Total Policy Additions	\$45.1



Republican Alternative Budget Adjustment *Revenue Policy Changes*

<i>Revenue Changes</i>	<i>FY 15</i>
Expand Apprenticeship Program	-\$0.7
Eliminate Earned Income Tax Credit	120.7
Federal Revenue Maximization under DCF	\$5.8
Create Pension Exemption (yr 1 - 5%; yr 2 - 7.5%; yr 3 - 10%)	-\$11
Net Revenue Policy Changes	\$114.8



Use of Excess Revenue

Reducing Long-Term Liabilities

Economic Recovery Notes

Last year, Democrats delayed two years of debt payments to save \$196 million each year of the two-year budget. We are proposing to use FY 14 excess revenue to make a payment of \$196 million this year... to save on long-term debt costs.

State Employee Pensions

This proposal includes an additional \$100 million payment into the underfunded State Employee Pension Fund.



Use of Excess Revenue

Modest Tax Relief

Sales Tax Exemption on Clothing and Footwear

Accelerate restoring the exemption from June 2015 to July 2014.
(\$133.1 million)

Unemployment Fund Special Assessment

Use excess revenue to pay the interest portion of the state's debt to federal government. (approximately \$60 million over three years)

Sales Tax Exemption on Non-Prescription Drugs

Restore the sales tax exemption eliminated by Democrats in 2011.
(\$16.5 million)



Budget Comparisons

	Revenue	Spending	Balance
Alternative GF Budget Balance	17,522.6	17,470.9	51.7

<i>Spending Comparisons</i>	General Fund	All Funds
Appropriations Committee (Democrats)	17,514	19,044.9
Governor Malloy	17,496	19,032.6
Original Enacted	17,498	18,995.4
Republican Alternative	17,471	18,979.1

