



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

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Melissa McCaw
Secretary
Office of Policy and Management

Konstantinos Diamantis
Deputy Secretary
Office of Policy and Management

Good afternoon Senator Osten, Representative Walker, Senator Lesser, Representative Baker, Senator Miner, Representative Bolinsky and members of the Appropriations Committee. My name is Melissa McCaw. I am here with Deputy Secretary Kosta Diamantis and members of my senior management team, responsible for implementing the wide-ranging and diverse statutes of OPM, to discuss the Governor's recommended FY 2022 - FY 2023 biennial budget for the Office of Policy and Management (OPM).

OPM's recommended budget reflects the Governor's priorities for a more affordable Connecticut, investing in our future, modernizing state government, positioning the state for economic growth, and providing steps towards long-term sustainability. OPM's All Funds recommended budget for FY 2022 and FY 2023 is approximately 0.5% less in each year than FY 2021. In addition, the OPM's recommended budget largely sustains municipal aid, achieves operational efficiencies, and supports the overall statutory mission of the agency.

OPM's recommended budget includes five (5) funds as follows:

- The **General Fund** recommended budget is \$327.5 million for FY 2022 and \$328.1 million for FY 2023. The FY 2022 recommended budget is \$2.9 million, or approximately .87%, less than the FY 2021 appropriation of \$330.4 million. The FY 2023 recommended budget represents a .18% increase over the FY 2022 recommended budget;
- The **Insurance Fund** recommended budget is \$574,218 for FY 2022 and \$599,832 for FY 2023. The FY 2022 recommended budget is \$32,171, or approximately 5.3%, less than the FY 2021 appropriation of \$606,389. The FY 2023 recommended budget represents a 4.5% increase over the FY 2022 recommended budget;
- The **Mashantucket Pequot and Mohegan Fund** recommended budget is \$51.5 for each year of the biennial and represents no change from the FY 2021 appropriation; and
- The Governor's recommended budget adds two new funds to OPM's budget including the **Consumer Counsel and Public Utility Control Fund** (\$469,399 in year 1 and \$381,452 in year 2) and the **Special Transportation Fund** (\$673,688 in year 1 and \$699,599 in year 2).

The net change to OPM's FY 2022 recommended budget over the current FY 2021 appropriation is a \$2.9 million decrease. The following is an overview of increases and decreases to the recommended budget and the status of municipal aid:

OPM's General Fund recommended budget for FY 2022 includes \$4,750,737 for 51 positions to centralize the labor relations functions for the state. This initiative, which is directed in Executive Order No. 2, is part of Governor Lamont's priorities to implement a centralized and modernized delivery of human resources and labor relations programs focused on providing the highest quality services at the lowest possible cost, delivering services more effectively while saving taxpayer dollars. The centralization of agency labor relations functions to OPM will allow for the standardization of practices in agencies and to establish a system of training and development of labor relations professionals. The centralization will also give the Office of Labor Relations an opportunity to be involved in labor issues at an earlier point, reducing the need for costly and lengthy appeals.

Other proposed increases to OPM's General Fund FY 2022 budget include:

- Funding for one (1) position in the amount of \$110,427 to support recently enacted Criminal Justice legislation, including requirements regarding the collection of immigration, customs enforcement, and jailhouse witness data; and
- Funding for one (1) permanent and one (1) durational position in the amount of \$182,818 to support the Equity Commission related to the legalization of Cannabis. In addition, one-time funding in the amount of \$75,000 is proposed for an Equity Analysis and Report.

Proposed reductions to OPM's General Fund FY 2022 budget include:

- The reallocation of \$6 million in the Private Providers account, which is not a reduction but rather reflects the transfer of the funds to other agency budgets for implementation of increases to the minimum wage;
- The reduction of \$400,000 for the Connecticut Municipal Redevelopment Authority, which reflects the FY 2021 holdback (\$250,000), FY 2021 rescission (\$25,000), and a \$125,000 policy adjustment to reflect the current need due to the proposal in SB 885 to delay the appointment of board members to July 1, 2022;
- The reduction of \$113,792 in the Personal Services account, which reflects the annualization of the FY 2021 rescission;
- The adjustment of \$49,937 for Project Longevity, which reflects the annualization of the FY 2021 rescission and maintains the FY 2021 existing funding level; and
- The reduction of \$40,000 to the Justice Assistance Grants account to reflect estimated FY 2021 federal match expenditures.

Regarding FY 2022 proposed General Fund municipal funding:

- The PILOT Tax Exempt Property account was reduced by \$891,126 to reflect both the conversion of tax-exempt properties to properties with a taxable status and towns with no claims;
- The Municipal Stabilization Grants account was reduced by \$500,000 to reflect the removal of temporary increases to Groton and Thompson;
- The Property Tax Relief Elderly Freeze account was reduced by \$30,000 due to the continued decline in the eligible population; and
- The balance of statutory and formula aid to municipalities totaling \$128.7 million remains unadjusted from the FY 2021 funding levels. And there is no change to the Tax Relief for Elderly Renters budget of \$25 million, which provides direct funding to over 48,000 eligible elderly and permanently disabled persons who rent real residential property.

The .18% increase in the FY 2023 recommended General Fund budget over the FY 2022 recommended budget is primarily attributable to the 27th pay period.

The proposed decrease in the FY 2022 recommended Insurance Fund budget adjusts for the current staffing needs and associated fringe benefits; and the increase in the FY 2023 recommended Insurance Fund budget over the FY 2022 recommended budget is primarily attributable to the 27th pay period.

As noted previously, there is no recommended change to the Mashantucket Pequot and Mohegan Fund budget of \$51.5 million each fiscal year, which provides municipal aid to towns.

New funding in the Consumer Counsel and Public Utility Control Fund reflects Governor Lamont's commitment to make affordable high-speed broadband available for all, to promote economic development, and to protect consumers while reducing costs. The Governor's recommended budget includes \$2.85 million in each fiscal year for this purpose, of which \$469,399 and \$381,452 is in OPM's FY 2022 and FY 2023 recommended budget, respectively, to lead broadband mapping, planning, and implementation required to ensure a comprehensive build out. These funds will be used by OPM to hire two (2) staff, for one-time consulting costs in the amount of \$100,000, and for other expenses. Additional funding has also been added to DEEP, PURA and the Office of Consumer Counsel budgets to achieve the Governor's broadband and digital divide objectives.

New funding in the Special Transportation Fund (\$673,688 in year 1 and \$699,599 in year 2), reflects funding for seven (7) positions pertaining to the centralization of labor relations functions in OPM.

OPM's recommended capital budget includes \$50 million in FY 2022 for 25 Distressed Municipalities. This funding, in addition to \$50 million from the federal Coronavirus Relief Fund awarded under the Coronavirus Aid, Relief, and Economic Security (CARES) Act for a total of \$100 million, will be distributed on a per-capita basis to provide crucial assistance to the state's neediest municipalities as they continue to recover from the impact of the COVID-19 pandemic and provide continuity of services in their respective communities.

Thank you for the opportunity to testify before you today. OPM looks forward to working with the General Assembly to achieve the objectives of the Governor's budget. OPM staff and I would be happy to answer any questions that you might have.