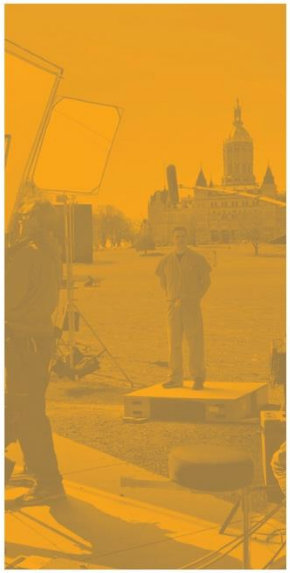
Connecticut in Transition



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An Unprecedented Situation

State Senate deadlocked at 18-18

Democrats hold a 79-72 majority in the State House

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September 2017: Where We Left Off…

Slide Reserved for Budget Highlights

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Legislature in Overtime, No State Budget

- Governor threatens October 1 Executive Order
- Legislative Democrats and Republicans each work on their own budget plans

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September 15, 2017 – A Stunning and Historic Event

- Three Democratic senators support the Republican Budget

- Six House Democrats vote with Republicans to pass the Republican Budget

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September 16, 2017
- A “Bipartisan” Budget

- Budget includes 3-year agreement with hospitals

- Malloy vows to veto the budget

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September 28, 2017 – Malloy Vetoes the Budget

Reasons for veto:

- Legally risky state pension cuts
- Insufficient aid to Hartford
- Cuts to public colleges
- Administration must find more savings

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October 3, 2017
– Veto Override Effort Fails

No budget since July 1 – 13 weeks

Deficit balloons to $3.5 million

- Legislative leaders developing a plan
- Governor developing a plan - his 4th
- State being run by Executive Order
- Municipal funding at risk

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October 18, 2017 – A Bipartisan Budget Agreement

Legislative leaders develop a new biennial budget

- Includes hospital agreement

Governor releases his own plan

- Reserves judgment on bipartisan plan

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October 26, 2017
– Bipartisan Budget Approved

Budget passed by "veto-proof" margins in each chamber

Hospital agreement will bring more federal dollars to Connecticut

Governor still reserving judgment…

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October 31, 2017
– Governor Uses Line-Item Veto

Governor signs bipartisan budget into law…

…but line-item vetoes the appropriation of supplemental payments to hospitals!

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November 1, 2017 – Discussions Begin

Hospitals:

- Endeavor to refute claims about language included in the budget
- Demonstrate that similar language was approved for use in other states
- Accommodate the state's concerns within the framework of our approved agreement

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November, 2017 – "Budget Fix" Legislation

November 14, 2017 – passes Senate 34-0

November 15, 2017 – passes House 123-12

November 21, 2017 – signed into law by the Governor

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Highlights of the "Budget Fix" Legislation

- Increases hospital tax from $556 to $900 million during the biennium
- Reduces the tax from $900 to $384 million starting July 1, 2019
- Increases Medicaid rates effective January 1, 2018
- Increases supplemental payments to hospitals by $671 million in biennium

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Highlights of the "Budget Fix" Legislation (continued)

- Allows hospitals to use purchased tax credits
- Provides for a cash advance on a supplemental payment
- Permits deferral of tax payment due to undue financial hardship
- Eliminates Governor's power to rescind supplemental payments in biennium

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2017 Session Finally Ends

State suffered 144 days without a budget

- 2018 session begins in 78 days

- Loss of 15,300 jobs from June-November
- Weakest rise in job growth in 7 years
- Economic recovery leaving CT behind
- 2018 – Little to no economic growth

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January 16, 2018 – State Budget Still in the Red

2017-18 deficit projected at $500 million

- Despite a $675 million income tax windfall
- Unexpected job losses
- Tax receipts lower than estimates
- Out of balance 5 of last 8 years

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February 5, 2018 – Governor's Budget Adjustments

Governor targets hospitals again

- Repeal the hospital tax reduction
- Eliminate Medicaid funding for graduate medical education

Other Proposals

- Reduce mental health grants
- Repeal property tax credit
- Tolls on certain roadways

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Hospitals Testify Against Governor's Budget

Oppose

- Changes to hospital tax agreement
- Cuts to graduate medical education
- Mental health funding cuts
- Cuts to primary care funding
- Elimination of grants to hospitals for capital needs

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Commission on Fiscal Stability and Economic Growth

14-member panel of experts charged to:

- Develop policies to achieve state government fiscal stability
- Promote economic growth and competitiveness in the state

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General Recommendations

- Cut state income tax by $2.1 billion
- Increase sales and gas taxes, plus tolls
- Raise minimum wage to $15 by 2022
- Allow cities to impose a sales tax
- Restrict collective bargaining

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Recommendations About Hospitals: Good

Economic Growth

- Healthcare, finance, and manufacturing are the most important economic sectors
- CT employment is higher than national average in all three
- We must undertake growth initiatives to support these sectors

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Recommendations About Hospitals: Not So Good

Fiscal Stability

- No mention of historic tax agreement maximizing federal funds
- No relief from hospital tax
- Local service fees on hospitals
- 0.5% local sales and use tax

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April 6, 2018
– Hospital Day at the Capitol

Hundreds of hospital employees

- Representatives and Senators from both parties stand with hospitals
- Hospitals should be part of the solution to improving the economy

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Bipartisan Budget Discussions Commence

Revenues run $250 million ahead of estimate due to wealthy hedge fund managers exercising an expiring tax break

Partisan budgets released:

- Maintain hospital tax agreement
- Cut Medicaid GME funding

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May 9, 2018 – Bipartisan Adjustment Agreement

Final day of Session!

- Keeps the hospital agreement intact
  - On supplemental payments
  - On increased Medicaid rates
  - On taxes
- No cuts to graduate medical education
- Provides $166 million in supplemental payments in 2020

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May 9, 2018 – Bipartisan Adjustment Agreement (cont.)

- Restores $130 million to the Medicare Savings Plan
- Eliminates bond funding for hospital capital projects
- Restores funding for state-sponsored health insurance for about 13,500 adults under the state's HUSKY A Medicaid plan
- Adds $5 million for emergency placements for people with intellectual and developmental disabilities

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May 15, 2018 – Governor Signs the Budget Adjustment Bill

Governor warns of out-year deficits

Good – Adjustments adopted on time

Bad – Future deficits loom

Ugly – Fiscal reform put off again

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August 1, 2018 – Projected Deficit Grows

Comptroller Lembo projects a Fiscal Year 2018 deficit of **$504.6 million**

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Governor's Term Ends on January 9, 2019

Least popular governor in the nation (21% approval)

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Candidates For Governor – Republican Mark Stefanowski

Big Ideas: Phase out the income tax over eight years as part of a broad tax-cutting policy, including cuts to corporate and estate taxes

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Candidates for Governor - Democrat Ned Lamont

Big Ideas: $15 minimum wage, equal pay for equal work, support small business

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Candidates for Governor
- Independent Nelson "Oz" Griebel

Big ideas: Only an independent governor can fix chronic budget deficits and tax increases, and lack of economic growth

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Election Day is
Tuesday, November 6, 2018

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Questions?

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