



The Hon. Dannel P. Malloy  
Governor

The Hon. Martin Looney  
President Pro Tempore

The Hon. Brendan Sharkey  
Speaker of the House

The Hon. Len Fasano  
Senate Minority Leader

The Hon. Themis Klarides  
House Minority Leader

November 24, 2015

Dear Governor Malloy and Legislative Leaders,

Thank you for your efforts to address the problems with Connecticut's budget now, rather than waiting to make last minute cuts near the end of the fiscal year. We appreciate your bipartisan commitment to reducing spending.

In an effort to be of service, the Yankee Institute for Public Policy would like to add our ideas to yours, as you undertake the difficult and often thankless task of finding ways to cut the budget. We know that you face tough choices, and we applaud your willingness to make them.

Ultimately, all of us share a common goal of agreeing on a budget that reflects Connecticut's values -- including the importance of living within our means. In addition, the Yankee Institute believes that to overcome Connecticut's challenges, we must work together to create the conditions that will encourage economic growth -- and the expanded employment, greater confidence and higher tax revenues that accompany it. Only such an approach, we believe, will allow Connecticut to meet the needs of our most vulnerable citizens, without resorting to excessive levels of taxation that will prompt the state's most affluent taxpayers to seek residence elsewhere.

With these objectives in mind, we stand with you in supporting many of your budget-cutting ideas:

- Reduce overtime costs;
- Reduce the size of the state workforce;
- Close a prison, and two courthouses;
- Eliminate the legislative commissions;
- Delay raises for state managers;
- Consolidate agency functions;
- Eliminate tax credits for Energy Star appliances; and,
- Lower the bonding cap.

Together, these changes would save at least \$50 million. We also respectfully suggest that you examine the following areas for further cost savings:

- Eliminate the Council on Environmental Quality. **Estimated savings: \$184,000.**
- Given the decrease in the state prison population, continue reducing the Department of Correction budget to offset 10 percent of spending on the Second Chance Initiative. **Estimated savings: \$12.3 million.**
- Reduce health care spending for all elected officials, legislative staff, and other non-unionized employees by \$4,000 per employee. For example, these employees could contribute an extra \$77 per week toward their health care. In the future, the state could offer lower-cost plans if employees would prefer to return to their original premium cost. **Estimated savings: \$3 million.**
- Suspend the use of Project Labor Agreements and the prevailing wage for state projects and state-funded local projects. **Estimated savings: \$5 million.**
- Delay the transfer of sales tax revenues to municipalities and the transportation fund. Instead implement the tax revenue shift as part of a holistic plan, based on recommendations of the Tax Panel. **Estimated savings: \$245 million.**

Of course, these are short-term fixes. We believe the state must also adopt a long-term approach to cutting costs to limit the need for additional short-term fixes. To this end, we support your efforts to approach the coming year's state employee contract negotiations with the objective of achieving fairer and more equitable agreements.

In particular, Connecticut is spending significantly more on state employee health care than most other states. For example, according to a Pew Foundation study of state employee health care costs in 2013, Colorado – with 5.3 million people – spent \$213 million per year on state employee health care, a per capita cost of \$40. Meanwhile, Connecticut spent \$641 million for a per capita cost of \$178 – more than four times Colorado's per person spending. Although the number of state employees accounts for part of the difference, Pew found that Connecticut's average premium per employee was more than 60 percent higher.

By reducing the public's share of the cost of state employee health care – both for current and retired employees – the state could save a significant sum. If, for example, Connecticut brings per employee premiums down to the national average for state employees, the savings are likely to exceed \$100 million.

Lawmakers can set the example now. We encourage you to repeal the law requiring lawmakers to receive the same benefits as state employees. This game-changing step could be followed by amending the health care plan for current legislators. Whether offering them the opportunity to buy insurance on Connecticut's health exchange with a stipend from the state, or changing the state's health plan options to reduce costs, there are a number of ways to achieve meaningful savings – even as lawmakers lead the way in modeling the “shared sacrifice” that has been (and will be) required of our state's citizens.

In addition, we advocate other savings that can be realized through contract negotiations. For example:

- Eliminate the use of overtime in pension calculations;
- Eliminate union release time provisions from bargaining agreements;
- Increase employee contributions toward their own pensions;
- Eliminate future risk by moving from defined-benefit plans to defined-contribution plans; and
- In partnership with Gov. Malloy, more realistically assess current pension costs by changing the expected rate of return from 8 percent to 5.5 percent.

Again, we commend you for taking the first step in putting Connecticut on a more sustainable fiscal path. It is undoubtedly a difficult endeavor, requiring many hard choices.

We remain confident, however, that our state's leaders will rise to the occasion, and adopt policies that will ultimately be seen as having been the turning point in restoring our beloved state's prosperity. All of us at the Yankee Institute thank you for your efforts, and stand ready to be of assistance in any way.

Best regards,

A handwritten signature in black ink that reads "Carol Platt Liebau". The signature is written in a cursive, flowing style.

Carol Platt Liebau  
President  
Yankee Institute for Public Policy

cc: Members of the Connecticut General Assembly