



STATE OF CONNECTICUT
OFFICE OF POLICY AND MANAGEMENT

TO: Heads of All Executive Branch Agencies
FROM: Ben Barnes, Secretary
SUBJECT: Planning Process for FY 2017 and FY 2018 Budgets
DATE: June 8, 2016

A handwritten signature in blue ink that reads "Benjamin Barnes".

Thank you for your help this spring. Our new budget for FY 2017 allows Connecticut state government to adapt to the new economic reality while restoring fiscal strength and confidence. Its passage reflects positively on the work you have done. Of course, it will also demand more difficult work and more painful choices from all of state government in the coming year and through the next biennium as well.

These tough choices will put us on a better, more sustainable and predictable path. Over the next two years, we have an opportunity to realign state government in a way that will be sustainable and responsive. This budget will enable us to garner the public support needed to continue providing the most critical public services into the future, while we make determined progress on the long-term stability of our state finances. Many of the choices we will make in the coming year will be criticized, but we should remain confident that we can make important changes to state government while holding true to our ideals and our values. I thank you in advance for the valuable advice and counsel that you will provide to me, to the Governor and to the legislature as this coming year unfolds.

Public Act 16-2 of the May Special Session, the revised budget for FY 2017, reduces appropriations by more than \$847 million from the FY 2017 budget adopted a year ago. Among these cuts, the revised budget includes allocable bottom line savings (lapses) of more than \$209.3 million in the General Fund, much more than in previous years. These savings will be implemented through holdbacks by OPM, and should result in recurring savings within agencies. How we implement these cuts will be critical to our success in FY 2017 and in FY 2018 as well.

We currently project that FY 2018 will see a continuation of slow revenue growth. Fixed costs for pensions and health care mean most agencies will likely face discretionary spending reductions of at least 10 percent below FY 2017 levels in FY 2018. As a result, we will be significantly challenged to provide all of the services and programs that many have come to expect. Planning for FY 2017 and the next budget biennium must therefore reflect this new economic reality.

In February, most Executive branch agencies were asked to identify core services and assess the level of agency activity that could be supported within the resources anticipated for FY 2017. Programs were prioritized, and agency plans for living within available resources were submitted, reviewed and approved. Implementation of those plans—many of which incorporated headcount reductions—is underway. The purpose of this memo is to ask that you evaluate the resource levels available to you for FY 2017 after all holdbacks required by Public Act 16-2, May Spec. Sess. are applied, and update (or

develop, if required) plans for living within available resources. In many cases, I expect agencies may need to further reduce, or perhaps cease delivering altogether, certain programs or services, and additional headcount reductions may be necessary.

Agencies funded from the General Fund should prepare and, by July 15, 2016, submit plans for operating within available resources for FY 2017. If you envision FY 2017 headcount reductions beyond those already reviewed and approved by this office, please contact your assigned analyst as soon as possible for more detailed guidance about the information we will need and the steps you must take before such reductions can be implemented. Because FY 2018 will be even more challenging than FY 2017, your plans should provide a glide path to the next biennium. Instructions for developing and reporting budget requests for the next biennium will be issued this summer, but your planning and development of reduction options for FY 2018 should begin now. To the extent possible, agencies should develop strategies for changes that can begin in FY 2017 and annualize to the expected level of resources for FY 2018.

Please contact your assigned agency analyst with any questions about this guidance.

Thank you.

Xc: Agency Fiscal Officers