Question & Answers and Reference Material related to RFP# OPM-SEC-10302019
Identification and Recommendation of Efficiency Improvements in Connecticut State Government

Question 1
Item 4.b of the Scope of Services section of the RFP, lists functional areas. Is the consultant tasked with reviewing these areas in each executive branch agency or in specific agencies? For example, "general administrative services" takes place throughout State government but there is also a CT Department of Administrative Services.

Answer to question 1
The consultant is tasked with examining each State Executive Branch agency to understand existing workflows, unit deliverables, associated metrics, and staffing in order to make intelligent recommendations to ensure continuity of operations, increase automation, improve service, eliminate deliverables where possible, and right size the staffing against a backdrop of a substantial number of employee retirements by June 30, 2022.

Question 2
Item 4.b of the Scope of Services section of the RFP refers to "motor vehicles". Does this refer to vehicle licensing and registration that may be performed by a department of Motor Vehicles or a Secretary of State or does it refer to management of the State's motor vehicle fleet?

Answer to question 2
In this instance delivery of services pertaining to motor vehicles refers to the Department of Motor Vehicles which handles a large variety of functions including driver licensing and services of the registration, automobile dealer licensing, and motor vehicle inspections among other things.

Question 3
The Contract Period of the RFP states:

> *The State anticipates that the successful proposer will commence work on or about Monday, February 3, 2020 and continue until Friday, July 31, 2020. The contract may, upon mutual consent, be extended.*

The scope of services in the RFP is likely to take considerably longer than 6 months. Should we provide a workplan only covering what can be accomplished in 6 months, or should we provide a workplan that covers the entire scope of services presented in the RFP, even if the project timeline would exceed 6 months?

Answer to question 3
Time is of the essence as a hard deadline of June 30, 2022 exists because a substantial number of employees will already have retired. As a result, the consultant is tasked with examining each State Executive Branch agency to understand existing workflows, unit deliverables, associated metrics, and staffing in order to make intelligent recommendations to ensure continuity of operations, increase automation, improve service, eliminate deliverables where possible, and right size the staffing against a backdrop of a substantial number of employee retirements by June 30, 2022.

Accordingly, the respondents should have sufficient staff to deliver a substantially completed report with recommendations by the advertised deadlines so the necessary implementation steps can be taken, including necessary legislative changes.

Question 4

Required Format section: Section 3.e requests that we provide 3 letters of reference with the contact information. Many governments do not provide letters of reference because it may be viewed as an endorsement; but they will respond to requests for references from another government. Is it acceptable to provide contact information and a project description without a letter of reference?

Answer to question 4

The letters of reference requested should be from recent clients which includes both public and private. However, if a governmental agency will not provide a letter of reference, it is acceptable to submit contact information and a name for the assigned government contract administrator and project description.

Question 5

This section states a maximum of thirty (30) for each area in the Scope of Services. Please confirm that this is a maximum of 120 pages (30 for each of the 4 items under Scope of Services) or a maximum of 30 pages for the entire Scope of Services.

Answer to question 5

The Scope of Services contains four sections: Overall Project Management and Coordination, Mission of State Agencies, Continuity of Operations, and Expense Management of State Agencies. The intent of the RFP is to limit to 30 pages for each section including Mission of State Agencies, Continuity of Operations, and Expense Management of State Agencies for a total of 90.

Additional pages needed for Overall Project Management and Coordination, table of contents, proposer information, financial condition, references, resumes, conflicts of interest, and affidavits can extend the length of the proposal as needed.

Question 6

Required Format for Proposals, page 8 -- The RFP specifies that one (1) electronic copy must be submitted. Will the State accept a PDF file sent by e-mail to the Official State Contact?

Answer to question 6

The RFP states that five (5) copies as well as an electronic copy must be submitted by the due date and time. A PDF of the proposal will be accepted but the PDF digital copy of the proposal must be included (typically on disk or thumb drive) with the five (5) hard copies by the due date. Disks or thumb drives used in the submission of digital copies will not be returned.

Question 7

Required Format for Proposals, Section 3d, page 9 -- Section 3d requests that proposers include two (2) recent financial statements. As privately held corporations do not publish financial statements, will the State consider an alternative statement confirming the privately held organization's total gross revenues, shareholders' equity, comprehensive income, and working capital for the past two years to satisfy the requirement?

Answer to question 7
Yes. For privately held entity or newly formed business organizations the State will accept an alternative statement confirming the organization's total gross revenues, shareholders' equity, comprehensive income, and working capital for past years.

Question 8
Required Format for Proposals, page 8 -- The RFP specifies that the maximum number of pages is thirty (30) for each area in the scope of services, but not including Sections 3b, 3c, 4, 5a, and 6. Can the State clarify and confirm what is expected to be included within each separate thirty (30) page count and what is to be duplicated throughout each Scope of Services section (e.g., is the State expecting a separate Section 4 – Statement of Work to be included for each Scope of Service area in 30 pages each and the other sections, such as relevant experience, staffing plan, and price only be included once)?

Answer to question 8
Please see the answer provided for question 5.

Question 9
Required Format for Proposals, pages 8-10; and Evaluation of Proposals, Section 5, page 11 -- The State plans to evaluate proposals based on "5. Demonstrated Commitment to Affirmative Action"; however, there is no stated requirement to include information regarding subcontractors or an affirmative action plan within the "Required Format for Proposals" section or any additional forms to be completed that provide information regarding potential subcontractors and/or affirmative action plan. Will the State confirm how they plan to evaluate this criteria factor? If information is requested, will the State specify where it should be included?

Answer to question 9
With respect to "Demonstrated Commitment to Affirmative Action", the State will review the Commission on Human Rights and Opportunity Contract Compliance Regulations Compliance to Bidders form.

Question 10
RFP Conditions (O), page 6 -- The RFP states, "The proposer accepts the State's Standard Contract Language". As some companies may not be able to submit proposals without modifications/exceptions to the terms and conditions in Attachment A that exceed the standard clauses that are commonplace in the industry for these types of services, will the State be willing to negotiate a mutually acceptable contract with the awardee?

Answer to question 10
The State's standard contract has been developed and reviewed over the years, in concert with the Office of the Attorney General. In many instances there are constitutional and statutory requirements for the standard clauses and as such no modifications of the language is permitted. Further, as Connecticut adheres to the doctrine of Sovereign Immunity, the state cannot agree to mutual cross indemnity or other similar industry contract standards.

Question 11

RFP Conditions (B), page 4 -- RFP Condition B states that "Confidential Information must be separated and isolated from other material in the proposal and labeled CONFIDENTIAL and enclosed in a separate envelope." Due to the manner in which offerors prepare their proposals, it may not always be possible to clearly segregate confidential and non-confidential information. For instance, only one paragraph on a given page may contain confidential information while the remainder is non-confidential. To ensure that vendors have the opportunity to protect their confidential information, would the State allow offerors to submit a redacted version of the proposal along with a version that indicates the proposed redactions in lieu of extracting and compiling confidential content in a separate envelope? Given that confidential information may include trade secrets, this will allow the State to evaluate the information within the proposal context to fully assess the soundness of the offeror's approach.

Answer to question 11

The State will accept a redacted copy of the proposal along with a version including proposed redactions.

Question 12

RFP Budget -- Is the State able to share a "not-to-exceed" budget for the project? Without such information, based on a fixed price structure to the RFP, some bidders may respond with proposals that substantially exceed the State's budget for the project, while others may base their proposals on substantially lower commitment of resources than would best meet the State's needs. By sharing a "not-to-exceed" budget, the State can increase the likelihood of receiving a large number of proposals that meet the State's needs within the State's targeted budget for the project.

Answer to question 12

The State has not developed a "not to exceed budget" on this project. We understand that a thorough analysis needs to be completed which should be articulated on Exhibit B, Cost Proposal 1 which is required. Each proposer may submit optional alternative proposals on Exhibit B, Cost Proposal 2.

Question 13

Proposed cost, Section 6, page 9 -- Exhibit B provides space for bidders to provide an alternative cost proposal. Is it the State's requirement that Cost Proposal 2 (if offered) must be for the identical scope of work as supported by Cost Proposal 1? Or would the State be interested to consider an alternative cost proposal that is based on incremental scope of support and resources, provided that this distinction in scope and resources is clearly delineated by bidders in Section 4 (Statement of Work) and Section 5 (Personnel Resources)? Such an approach may afford the State greater flexibility in selecting the proposal (option) that represents the best value to the State.

Answer to question 13

Cost Proposal 1 which is required should represent the cost of the work the proposer believes needs to be undertaken to complete the task and make meaningful recommendations breaking down the cost by the categories detailed in Exhibit B.

Cost Proposal 2 which is optional does not have to duplicate the Exhibit B Cost Proposal 1 categories. By offering a second, optional proposal for the State to consider, the State hopes to receive creative and flexible proposals to complete the scope of services in the most efficient and cost-effective way possible.

Question 14
Required Format for Proposals, page 8 -- Will the state allow for deviations from the 12-point-font requirement, for exhibits that are embedded in responses?

Answer to question 14
Yes, a 12-pitch font relates to narrative text and not the exhibits.

Question 15
RFP scope -- Given the forecasted 25% reduction in state employees reflected in the RFP, it may be important for OPM and your chosen contractor to consider as part of this engagement whether certain state operations may be conducted by outsourcing vendors, either indefinitely or as a means of ensuring continuity of operations. To ensure there is no real or perceived Conflict of Interest, such assessments will require an independent and objective review of state operations, without downstream commercial interests in outsourcing contracts, that could be potential outcomes from the state's decisions on this engagement. In this context, can the state please confirm that the successful bidder selected for award of this effort may not currently provide outsourced operational services to the State of Connecticut (as a prime contractor or subcontractor), and may not bid on such outsourcing contracts in the future which may arise from this engagement?

Answer to question 15
Outsourcing is not a goal of this contract.

Question 16
Does this RFP involve all state agencies? Is there an identified state organizational chart that serves as the starting point?

Answer to question 16
Yes, this RFP does involve the examination of all Executive Branch state agencies. A worksheet entitled The State Executive Branch of Connecticut Office of Policy and Management Headcount and Appropriations as of June 30, 2019 prepared as of November 4, 2019 details headcount and salary appropriations for each State Executive Branch agency is attached. As to an organization chart, no single State organization chart exists for this initiative.

Question 17
Can you please share information on the number of state employees, years of experience, agencies they work with and expected number of retirements by agency/year?

Answer to question 17
There are 30,985 State employees, excluding higher education with average years of service of 13.7 years. A worksheet entitled The State of Connecticut Office of Policy and Management Headcount and Appropriations as of June 30, 2019 prepared as of November 4, 2019 details headcount and salary appropriations for each State agency is attached.

Answer to question 17 (cont.)
Please understand that the number of possible retirements by June 30, 2022 is estimated. That estimate is likely to be 5,000 current employees and possibly up to 10,000 current employees. Finally, while 15,000 current employees could retire, that scenario is unlikely.

Question 18
Can you please share agency-level financials and information on pressure points?

Answer to question 18
A worksheet entitled The State of Connecticut Office of Policy and Management Headcount and Appropriations as of June 30, 2019 prepared as of November 4, 2019 details headcount and salary appropriations for each State agency is attached and is responsive to the question.

Question 19
Can you please share information on any extended forecasts relating to revenues, expenses, debt service, capital outlays, pension/OPEB contributions and revenue impact (cash cost) of maturing tax credits? What is the anticipated impact of pensions/OPEB costs and tax credits?

Answer to question 19
The State of Connecticut's July 9, 2019 credit opinion as detailed by Moody's Investors Services is attached and is responsive to your question.

Question 20
Are there agency level staffing studies/analyses/reports that have been prepared internally or by 3rd party contractors that can be shared?

Answer to question 20
Yes. There have been seven different State of Connecticut efficiency studies compiled dating back to 1971. All seven of the reports are expansive with some of the reports more illustrative than others. A summary of all seven reports is attached for review.

Question 21
Are there studies or reports on changing demographics and the actual/anticipated impact of the new federal tax law capping the deduction for state taxes?

Answer to question 21
The State has not created a report of changing demographics or the impact of federal tax law changes capping state tax deductions for this initiative.

Question 22
How will project be managed on the state side? Will OPM speak for the Governor's Office? Will agencies have a voice in recommendations and, if so, how will this be coordinated?

Answer to question 22
The management of this project will reside primarily in OPM in conjunction with the Governor's Office. We envision that both agency heads, agency implementation staff, employees and state union leadership will have input in the recommendations. The successful proposer should articulate a process whereby communication to and from agency heads, agency implementation staff, and employees is consistently gathered.

Question 23
If legislative changes are required, how will project timeline be managed to account for uncertainty?

Answer to question 23
OPM will, based on the recommendations contained within the report, handle legislative changes.

Question 24
Have any material IT investments been made in the recent past that are viewed as essential building blocks for any plan of reorganization?

Answer to question 24
Yes, the Core-CT integrated financial and human resources system. Also, the administration's new Digital Services initiative is in the final stages of selecting a technology platform for citizen and business engagement, workflow and cross-agency integration as part of the Business One Stop procurement (19PSX0210). This platform will be the foundation of a long-term strategy to provide a unified, personalized front-end for accessing state services and information, and additional productivity tools for state employees. Additional details will be available in January when the procurement is complete. Further, the state has invested in a new Department of Motor Vehicles software platform.

Question 25
Please confirm the specific agencies that are in scope of this initiative. What are the sizes of each agency?

Answer to question 25
A worksheet entitled The State of Connecticut Office of Policy and Management Headcount and Appropriations as of June 30, 2019 prepared as of November 4, 2019 details headcount and salary appropriations for each State agency is attached.

Question 26
Have you prioritized the list of agencies based on need? If so, can you share the list?

Answer to question 26
Aside from the list of agencies attached related to Question 25 above, no prioritization has been made.

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Question 27
What are the anticipated levels of retirement across the different agencies? Are there agencies that will have significantly higher or lower retirement %'s than others?

Answer to question 27
Currently, there are 30,985 State employees excluding higher education with average years of service of 13.7 years. A worksheet entitled The State of Connecticut Office of Policy and Management Headcount and Appropriations as of June 30, 2019 prepared as of November 4, 2019 details headcount and salary appropriations for each State agency is attached.

Please understand that the number of possible retirements by June 30, 2022 is estimated. That estimate is likely to be 5,000 current employees and possibly up to 10,000 current employees. Finally, while 15,000 current employees could retire, that scenario is unlikely.

We are currently examining the impact by agency, but that analysis has not been finalized.

Question 28
What specific goals and focus areas do you have in mind for revenue maximization?

Answer to question 28
We are leaving the revenue maximization ideas up to the creatively of each individual proposer.

Question 29
What work has been completed to date on this effort?

Answer to question 29
There have been seven different State of Connecticut efficiency studies compiled dating back to 1971. All seven of the reports are expansive with some of the reports more illustrative than others. A summary of all seven reports is attached for review.

Due to the likely loss of a substantial number of State employees, the timely completion of this work is critical to continuity of operations, increased reliance on automation, reexamining agency deliverables, and represents a new way to look at more efficiently delivering State services to residents.

Question 30
As we define the staffing plan, can you share what, if any, key internal capabilities and roles will be provided to support the project?

Answer to question 30
The project resides within and will be managed by OPM, which is the Governor's Budget Office. The report recommendations will be implemented with the help of Agency Commissioners and Executive Directors, Agency implementation staff, employees and state union leadership.

Question 31
Have targets already been set for desired cost savings from this program? Are these targets overall or per individual agency? Can you share these with us at this time?

Answer to question 31

No targets by agency or for the organization have been created but cost savings are expected to be a product of this report.

Time is of the essence as a hard deadline of June 30, 2022 exists because a substantial number of employees will already have retired. As a result, the consultant is tasked with examining each State agency to understand existing workflows, unit deliverables, associated metrics, and staffing in order to make intelligent recommendations to ensure continuity of operations, increase automation, improve service, eliminate deliverables where possible, and right size the staffing against a backdrop of a substantial number of employee retirements by June 30, 2022.

Question 32

How would you describe the overall maturity of the organization's culture of change readiness when considering process, organizational structure and technology?

Answer to question 32

As in any organization, change will likely be difficult, but in this instance, necessary for continuity.

Question 33

What benchmark data can you share to help illustrate areas of the business you have been focused on maturing and improving to date?

Answer to question 33

No benchmarking has been completed so the process to deliver existing services with an organization fractionally smaller in the future than today's organization will be a substantial challenge.

Question 34

The RFP specifies that executive branch agencies are in scope for the project. Are there other agencies, commissions, or quasi-government agencies that will be involved in the project? If so, in what capacity? Are there any agencies within the executive branch that will not be involved, or involved in a different capacity than the other participating agencies?

Answer to question 34

The consultant is tasked with examining each State Executive Branch agency to understand existing workflows, unit deliverables, associated metrics, and staffing in order to make intelligent recommendations to ensure continuity of operations, increase automation, improve service, eliminate deliverables where possible, and right size the staffing against a backdrop of a substantial number of employee retirements by June 30, 2022. The report will not involve quasi-government agencies.

The report recommendations will be implemented with the help of Agency Commissioner's and Executive Directors, Agency Implementation staff, employees and state union leadership.

Question & Answers and Reference Material related to RFP# OPM-SEC-10302019
Identification and Recommendation of Efficiency Improvements in Connecticut State Government

Question 35
From the RFP format section (page 8), regarding the format criteria **"Maximum number of pages: thirty (30) for each area in the Scope of Services not including Section 1, Table of Contents; Section 2, Proposer Information; Section 3d, Financial Condition; Section 3e, References; Section 5b, Resumes of Key Personnel; Section 7 Conflict of Interest; and Section 8 Affidavits."** Does this mean that the maximum number of pages dedicated to the four areas in scope is 120?

Answer to question 35
Please see answer provided for question 5.

Question 36
Has there been weighting or priority assigned to the 5 criteria listed on pages 10-11 of the RFP, including (1) Proposed Work Plan, (2) Proposed Cost, (3) Experience, Expertise and Capabilities, (4) References, (5) Demonstrated Commitment to Affirmative Action Plan?

Answer to question 36
The criteria listed on pages 10-11 will be weighted, but that is not available to the proposers at this time.

Materials referenced as "attached" in the answers above are included in the pages to follow.

The State of Connecticut
Office of Policy and Management
Headcount and Appropriations as of June 30, 2019
Prepared as of November 4, 2019

#	Cell	Abbrev.	Department	30-Jun-19 Headcount	
1	8	AES	Agriculture Experiment Station	60	X
4	11	CEQ	Council on Environmental Quality	-	
5	12	CME	Office of the Chief Medical Examiner	46	X
7	14	CSL	Connecticut State Library	46	X
9	16	DAG	Department of the Agriculture	47	X
10	17	DAS	Department of Administrative Services	459	X
11	18	DCC	Department of Consumer Counsel	11	Ins. FD
12	19	DCF	Department of Children and Families	2,888	X
13	20	DCJ	Division of Criminal Justice	433	X
14	21	DCP	Department of Consumer Protection	167	X
16	23	DDS	Department of Developmental Services	1,909	X
17	24	DEP	Department of Energy and Environmental Control	684	X
18	25	DHE	Department of Higher Education	17	X
20	27	DMV	Department of Motor Vehicles	615	Trans FD
21	28	DOB	Department of Banking	112	Bank FD
22	29	DOC	Department of Correction	5,608	X
23	30	DOH	Department of Housing	33	X
24	31	DOI	Department of Insurance	148	Ins. FD
25	32	DOL	Department of Labor	250	X
26	33	DOT	Department of Transportation	2,758	Trans FD
27	34	DPH	Department of Public Health	447	X
28	35	DPS	Department of Public Safety	1,355	X
30	37	DRS	Department of Revenue Services	558	X
32	39	DSS	Department of Social Services	1,638	X
33	40	DVA	Department of Veteran's Affairs	200	X
34	41	ECD	Department of Econ. and Community Development	73	X
36	43	ELE	Elections Enforcement Commission	33	Legis.
38	45	ETH	Office of State Ethics	12	Legis.
39	46	FOI	Freedom of Information Commission	14	Legis.
42	49	GOV	Office of the Governor	16	X
43	50	HCA	Office of Healthcare Advocate	-	Ins. FD
44	51	HRO	Human Rights and Opportunities	67	X
47	54	LGO	Office of the Lieutenant Governor	6	X
48	55	MCO	Office of the Healthcare Advocate	17	Ins. FD
49	56	MHA	Mental Health and Addiction	2,923	X
50	57	MIL	Military Department	57	X
51	58	OAG	Office of the Attorney General	266	X
53	60	OCC	Office of Consumer Counsel	-	
54	61	OEC	Office of Early Childhood	92	X
55	62	OGA	Office of Government Accountability	14	Legis.
56	63	OHS	Office of Health Strategy	31	X
58	65	OPM	Office of Policy and Management	98	X
59	66	OSC	Office of the State Comptroller	236	X
60	67	OTT	Office of the State Treasurer	41	X
63	70	PSR	Psychiatric Security Review Board	3	X
67	74	SDE	State Department of Education	1,581	X
68	75	SDR	State Department of Rehabilitation	115	X
69	76	SOS	Secretary of State	62	X
71	78	TRB	Teacher's Retirement Board	23	X
72	79	WCC	Workers' Compensation Commission	107	WC FD
				26,376	
75	84	JUD	Judicial Department	3,701	X
76	85	PDS	Public Defender Services Commission	382	X
77	87	APA	Auditors of Public Accounts	108	X
81	91	CEO	Commission of Equality and Opportunity	2	X
84	94	CWS	Commission on Women, Children, and Seniors	1	X
86	96	OLM	Office of Legislative Management	415	X
	Grand Total			30,985	

	Schedule B-3 30-Jun-19 Expenditures	Headcount Mapping	Exp/HC
Legislative Management	40,541,660	415	97,691
Auditors of Public Accounts	10,229,458	108	94,717
Commission on Women, Children, and Seniors	165,689	1	165,689
Commission on Equity and Opportunity	305,006	2	152,503
Governor's Office	1,744,697	16	109,044
Secretary of State	2,546,959	62	41,080
Lieutenant Governor's Office	536,436	6	89,406
State Treasurer	2,770,107	41	67,564
State Comptroller	21,104,522	236	89,426
Department of Revenue Services	51,744,037	558	92,731
Office of Policy and Management	9,755,932	98	99,550
Department of Veteran's Affairs	18,513,580	200	92,568
Department of Administrative Services	43,594,351	459	94,977
Attorney General	27,962,585	266	105,123
Division of Criminal Justice	43,189,177	433	99,744
Department of Emergency Services and Public Protection	141,682,595	1,355	104,563
Military Department	2,598,236	57	45,583
Department of Consumer Protection	11,906,869	167	71,299
Labor Department	9,601,399	250	38,406
CHRO	5,783,618	67	86,323
Dept. of Agriculture	3,275,714	47	69,696
Dept. of Energy and Environmental Protection	21,765,191	684	31,820
DECD	6,789,929	73	93,013
Dept. of Housing	1,752,335	33	53,101
Agricultural Experiment Station	5,638,964	60	93,983
Dept. of Public Health	33,213,113	447	74,302
Office of Health Strategy	1,839,577	31	59,341
Office of the Chief Medical Examiner	5,134,328	46	111,616
Department of Developmental Services	196,580,702	1,909	102,976
Department of Mental Health and Addiction	188,425,861	2,923	64,463
Psychiatric Security Review Board	272,323	3	90,774
Department of Social Services	117,047,788	1,638	71,458
State Department of Rehabilitation	6,379,277	115	55,472
Department of Education	14,733,630	1,581	9,319
Office of Early Childhood	7,757,017	92	84,315
State Library	4,792,446	46	104,184
Office of Higher Education	1,276,554	17	75,091
Teacher's Retirement Board	1,476,745	23	64,206
Department of Corrections	402,891,783	5,608	71,842
Department of Children and Families	267,335,533	2,888	92,568
Judicial Department	318,319,383	3,701	86,009
Public Defender Services Commission	39,299,366	382	102,878
Total	2,173,357,792	27,144	80,068
Grand Total (from left)		30,985	
Difference		(3,841)	
Headcount Allocations to Other Funds	Extrapolated		
Transportation Fund			
Dept. of Transportation	220,826,731	2,758	
Dept. of Motor Vehicles	49,241,639	615	
Insurance Fund			
Dept. of Consumer Counsel and Healthcare Advocate	2,241,896	28	
Dept. of Insurance	11,850,020	148	
Banking Fund			
Dept. of Banking	8,967,583	112	
Workers' Comp. Fund			
WC Commission	8,567,244	107	
Legislative			
Election Enforcement	2,642,234	33	
Office of State Ethics	960,812	12	
Freedom of Information	1,120,948	14	
Office of Governmental Accountability	1,120,948	14	
Total Headcount to Other Funds	307,540,056	3,841	
Total/Difference	2,480,897,848	-	

	Schedule B-3 30-Jun-19 Expenditures	5% Target	10% Target	Sizing
Department of Corrections	402,891,783	20,144,589	40,289,178	16.24%
Judicial Department	318,319,383	15,915,969	31,831,938	12.83%
Department of Children and Families	267,335,533	13,366,777	26,733,553	10.78%
Department of Developmental Services	196,580,702	9,829,035	19,658,070	7.92%
Department of Mental Health and Addiction	188,425,861	9,421,293	18,842,586	7.60%
Department of Emergency Services and Public Protection	141,682,595	7,084,130	14,168,260	5.71%
Department of Social Services	117,047,788	5,852,389	11,704,779	4.72%
Department of Revenue Services	51,744,037	2,587,202	5,174,404	2.09%
Department of Administrative Services	43,594,351	2,179,718	4,359,435	1.76%
Division of Criminal Justice	43,189,177	2,159,459	4,318,918	1.74%
Legislative Management	40,541,660	2,027,083	4,054,166	1.63%
Public Defender Services Commission	39,299,366	1,964,968	3,929,937	1.58%
Dept. of Public Health	33,213,113	1,660,656	3,321,311	1.34%
Attorney General	27,962,585	1,398,129	2,796,259	1.13%
Dept. of Energy and Environmental Protection	21,765,191	1,088,260	2,176,519	0.88%
State Comptroller	21,104,522	1,055,226	2,110,452	0.85%
Department of Veteran's Affairs	18,513,580	925,679	1,851,358	0.75%
Department of Education	14,733,630	736,682	1,473,363	0.59%
Department of Consumer Protection	11,906,869	595,343	1,190,687	0.48%
Auditors of Public Accounts	10,229,458	511,473	1,022,946	0.41%
Office of Policy and Management	9,755,932	487,797	975,593	0.39%
Labor Department	9,601,399	480,070	960,140	0.39%
Office of Early Childhood	7,757,017	387,851	775,702	0.31%
DECD	6,789,929	339,496	678,993	0.27%
State Department of Rehabilitation	6,379,277	318,964	637,928	0.26%
CHRO	5,783,618	289,181	578,362	0.23%
Agricultural Experiment Station	5,638,964	281,948	563,896	0.23%
Office of the Chief Medical Examiner	5,134,328	256,716	513,433	0.21%
State Library	4,792,446	239,622	479,245	0.19%
Dept. of Agriculture	3,275,714	163,786	327,571	0.13%
State Treasurer	2,770,107	138,505	277,011	0.11%
Military Department	2,598,236	129,912	259,824	0.10%
Secretary of State	2,546,959	127,348	254,696	0.10%
Office of Health Strategy	1,839,577	91,979	183,958	0.07%
Dept. of Housing	1,752,335	87,617	175,234	0.07%
Governor's Office	1,744,697	87,235	174,470	0.07%
Teacher's Retirement Board	1,476,745	73,837	147,675	0.06%
Office of Higher Education	1,276,554	63,828	127,655	0.05%
Lieutenant Governor's Office	536,436	26,822	53,644	0.02%
Commission on Equity and Opportunity	305,006	15,250	30,501	0.01%
Psychiatric Security Review Board	272,323	13,616	27,232	0.01%
Commission on Women, Children, and Seniors	165,689	8,284	16,569	0.01%
Total	2,173,357,792	108,667,890	217,335,779	87.60%
Other Funds				
Dept. of Transportation	220,826,731	11,041,337	22,082,673	8.90%
Dept. of Motor Vehicles	49,241,639	2,462,082	4,924,164	1.98%
Dept. of Consumer Counsel and Healthcare Advocate	2,241,896	112,095	224,190	0.09%
Dept. of Insurance	11,850,020	592,501	1,185,002	0.48%
Dept. of Banking	8,967,583	448,379	896,758	0.36%
WC Commission	8,567,244	428,362	856,724	0.35%
Election Enforcement	2,642,234	132,112	264,223	0.11%
Office of State Ethics	960,812	48,041	96,081	0.04%
Freedom of Information	1,120,948	56,047	112,095	0.05%
Office of Governmental Accountability	1,120,948	56,047	112,095	0.05%
Total Other Funds	307,540,056	15,377,003	30,754,006	12.40%
Total All Funds	2,480,897,848	124,044,892	248,089,785	100.00%

MOODY'S
INVESTORS SERVICE

CREDIT OPINION
9 July 2019

Rate this Research

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EMEA 44-20-7772-5454

Connecticut (State of)

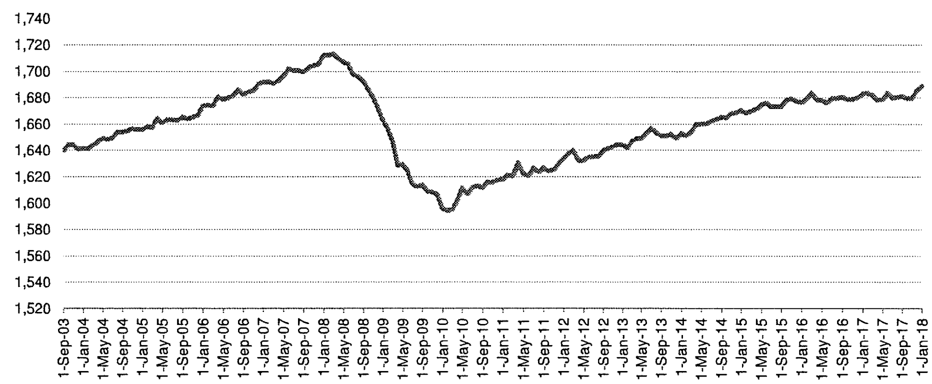
Update to credit analysis following affirmation of rating

Summary

Connecticut (A1 stable) has high income levels, strong governance, and strong liquidity, offset by high fixed costs for debt service, pension, and post-employment benefits relative to the state's budget. Unfunded pension liabilities combined with debt outstanding are among the highest, relative to revenues, of any state in the country. The rating also reflects a lagging economy that is highly dependent on volatile revenue sources and recent consecutive years of population loss. Recently, the state has been able to build considerable reserves, improving its preparedness for economic downturns and revenue volatility.

Exhibit 1

Connecticut total employment still well short of pre-recession peak



Source: US BLS; Moody's Analytics

Credit strengths

» Wealthiest state in the nation with per capita personal income levels well above national levels

» Demonstrated willingness to make mid-year budget adjustments

» Recently-enacted pro-active initiatives to mitigate impacts of revenue volatility and build rainy day fund

Credit challenges

» Fixed costs for debt, pension and other post-employment benefits (OPEB) relative to budget are among the highest in the nation and restrict budgetary flexibility

» Vulnerability to financial market fluctuations due to effect on capital gains for very high-wealth residents and employment in the financial services sector

» Unfavorable demographic trends resulting in population loss and an aging population

Rating outlook

Connecticut's outlook is stable, reflecting high level of budgetary reserves and the state's strong provisions to promote fiscal discipline, which pair redressing elements of its high leverage position and requiring GAAP-based budgeting.

Factors that could lead to an upgrade

» Achievement and maintenance of higher GAAP-basis combined available reserve levels

» Established trend of structural budget balance

» Evidence of sustained stronger economic performance

» Reduced pension and debt leverage relative to Moody's 50-state medians, resulting in lower annual fixed costs

Factors that could lead to a downgrade

» Significant additional leverage, encompassing bonded debt, pension and OPEB obligations and negative unassigned GAAP balances

» Rapid acceleration of revenue/economic/demographic weakness

» Significant decline in liquidity position

Key indicators

Connecticut (State of)	2014	2015	2016	2017	2018	50-State Median (2017)
Operating Fund Revenues (000s)	$16,880,411	$17,187,461	$17,750,816	$17,940,062	$20,026,439	$10,869,281
Available Balances as % of Operating Fund Revenues	-1.2%	-2.3%	-4.3%	-3.4%	4.8%	4.6%
Nominal GDP (billions)	$249.0	$259.7	$263.0	$265.5	$274.2	$224.0
Nominal GDP Growth	0.9%	4.3%	1.3%	1.0%	3.3%	3.9%
Total Non-Farm Employment Growth	0.7%	0.8%	0.3%	0.2%	0.1%	1.1%
Fixed Costs as % of Own-Source Revenue	29.0%	30.7%	30.0%	33.6%	30.7%	8.9%
Adjusted Net Pension Liabilities (000s)	$53,119,206	$52,942,059	$53,742,607	$71,223,221	$62,059,644	$12,033,341
Net Tax-Supported Debt (000s)	$20,272,617	$22,103,517	$23,265,534	$23,479,445	$24,299,690	$4,412,204
(Adjusted Net Pension Liability + Net Tax-Supported Debt) / GDP	29.5%	28.9%	29.3%	35.7%	31.7%	8.2%

Source: Moody's Investors Service; Connecticut financial statements

Profile

The State of Connecticut has a population of 3.57 million people located in the coastal northeastern US, bordered by Rhode Island (Aa2 stable), Massachusetts (Aa1 stable) and New York (Aa1 stable) with 618 miles of shoreline, according to the National Oceanic and Atmospheric Administration (NOAA). The state has a large and diverse economy with a gross state product of $274 billion in 2018. It is the wealthiest state in the country with per capita income of 139% of the US average.

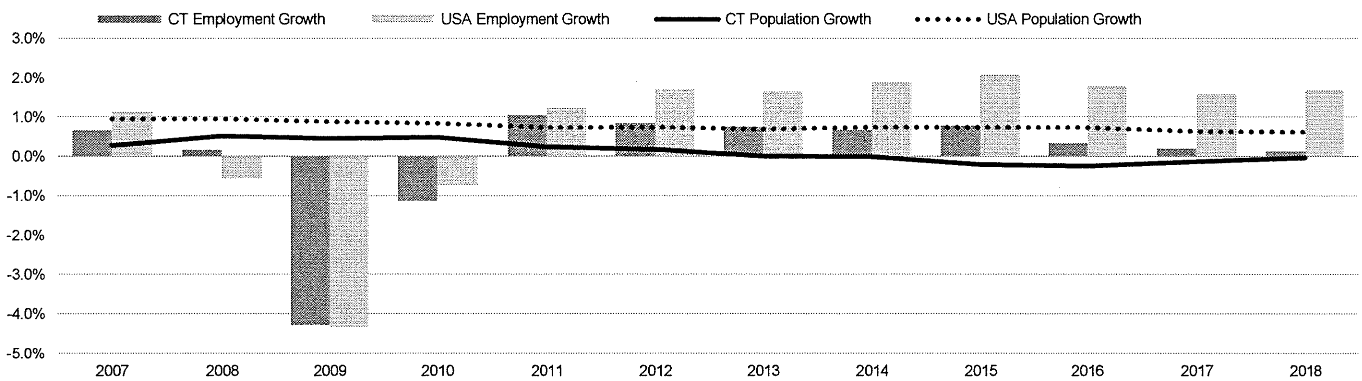
Detailed credit considerations

Economy: high income state lags US growth

We expect Connecticut's economy to continue to lag the nation. Connecticut is a wealthy state, with per capita personal income exceeding 139% of the US. However, the state's population has declined 0.6% since its peak in 2013. The population trends contribute to an underperforming housing market and lagging labor force growth. In 2018, the state's labor force grew 0.4%, compared to 1.1% nationwide. At the same time, the state's employment grew by a lackluster 0.1%, compared to 1.7% nationwide. Real GDP growth was positive in 2018, at 1.0% growth, but still less than the 2.9% growth nationally.

Exhibit 3

Employment and population growth lag US
% change from previous year



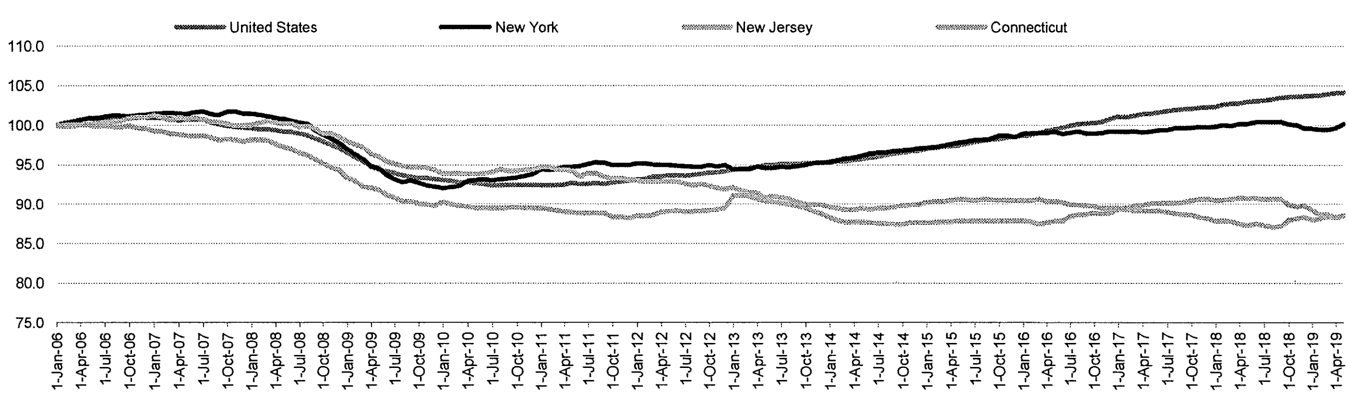
Source: US BLS, US Census Bureau

The state's payroll employment still remains shy of its pre-recession peak. In 2018, the job counts in the state's manufacturing and financial activities sectors were each considerably lower than pre-recession levels. State and local government employment is also lower as government budget cuts led to headcount reductions across the state. However, manufacturing has seen some turnaround in recent years, bolstered by defense-related production. Overall job growth has been primarily driven by services, especially the state's education and health sector and leisure and hospitality sectors.

Economic headwinds include lackluster performance in the state's high-paid financial activities sector (see Exhibit 4). While the US recovered all the financial activities jobs lost in the recession and neighboring New York recovered most of them, Connecticut's finance sector has alternately declined and stalled. The failure of the sector to recover contributes to the state's slow wage growth: growth in total wages in the post-recession period has grown at roughly half the rate as in the expansion leading up to the recession.

Exhibit 4

Connecticut's financial activities sector fails to gain traction
Jan 2006 financial activities employment is indexed to 100



Source: US BLS, Moody's Analytics, Moody's Investors Service

With the US economy in the late phase of an economic expansion, Connecticut's economy has shown some recent signs of improvement, although still considerably underperforming the US. Employment growth ticked up slightly in late 2018, and a long slide in residential housing permits may be coming to an end.

Environmental Considerations

The US states sector in general has low exposure to environmental risk. However, due to its coastline along the Long Island Sound, Connecticut is moderately exposed to climate change risks. With its southern counties situated along the shore of the Long Island Sound, the state is vulnerable to sea level rise and coastal storms, although the storm risk is mitigated by the protective barrier formed by Long Island to the south. The state does not currently have a systematic climate resiliency plan although state officials report that the state is evaluating the location of key utilities along the coast.

Finances and Liquidity: state increases reserves despite fixed cost budget pressures

A slowly growing revenue base and high fixed costs will continue to characterize Connecticut's credit profile and create budgeting and political challenges for the foreseeable future. Spending growth is driven by rising costs for pension and retiree health expenses, as well as Medicaid, crowding out other more discretionary state spending.

However, an influx of revenue in the last two years due to a variety of factors occurred just as the state had put in place a mechanism to channel some of its revenues into reserves (see Liquidity section below). As a result, the state is much better positioned than just two years ago to weather an economic downturn.

Future budget deficits, such as have occurred in recent years, could erode this cushion even in the absence of a recession, however. The state ended the fiscal year with operating deficits in fiscal years 2015 through 2018, each time drawing on the rainy day fund to balance the budget. The fiscal 2019 operating surplus of roughly $700 million stands out in contrast but is not expected to recur. The consecutive years of deficits point to difficulty managing a structural deficit. It is possible that more conservative revenue forecasting, which featured in fiscal 2019 operating results, will aid in reducing that deficit.

The enacted biennial budget closed budget gaps most recently estimated at $1.2 billion in fiscal 2020 and $1.8 billion in fiscal 2021, leaving small projected year-end surpluses. The gaps were largely closed on the revenue side, most significantly with the extension of a hospital tax that improves the state's ability to draw down federal Medicaid reimbursements. In addition, the sales tax base was broadened to include certain services. The state is also planning expenditure savings from renegotiating provider rates for employee and retiree health insurance and its restructuring of the contribution schedule for the Teachers Retirement System (see Pensions below). Governor Ned Lamont was unsuccessful in achieving additional state pension savings by shifting a portion of annual service costs for teachers to local governments.

The enacted budget includes non-recurring resources that grow from $150 million in fiscal 2020 and $440 million in fiscal 2021, representing 0.8% and 2.2% of projected revenues, respectively. This number grows to $1.1 billion in fiscal 2022, or 5.6% of revenue, according to projections by the state budget office.

Exhibit 5
Biennium budget balance emphasizes revenue actions
$ millions

	2020	2021
Projected gap	(1,220)	(1,798)
Revenues changes	1,054	1,448
Spending changes	209	366
Operating results	44	15

Source: Connecticut Office of Policy and Management

Fixed Costs Command a Third of Budget

We expect the state's fixed costs to remain stubbornly high at about 30% of revenues for the foreseeable future, creating a significant drag on its credit profile. These obligations reduce the share of discretionary spending and the state's budgetary flexibility during economic downturns. The state's combined debt service, pension, and OPEB contributions in fiscal 2017 were 30% of own-source governmental revenues, among the highest of the states. Fixed costs would represent an even higher (33.6%) share of revenues had the state made sufficient payments to "tread water" on its pension contributions (see Pensions and OPEB below). However, this shortfall relative to the tread water threshold is expected to shrink as the state phases in a new pension contribution schedule. High fixed costs show the tight squeeze that the state's long-term obligations are placing on the operating budget. They are partly attributable to the state's absorption of certain costs covered by local governments in most other states.

Long-Term Plan to Address Large Negative GAAP Balance Unfolds Slowly

On a GAAP basis, the state has a long-standing large cumulative unassigned GAAP deficit, which stood at -$241 million on June 30 2018. The state implemented a plan to address the deficit, which included devoting the proceeds of $560 million of 2013 general obligation bonds to reduce it and committing to amortize the remaining gap from annual payments from the general fund. The payments were suspended in fiscal 2017 through 2019 as the state applied the contributions toward closing budget gaps, but better fiscal discipline has nonetheless reduced the GAAP unassigned deficit from almost $1 billion in 2016. The enacted budget appropriates $75 million in GAAP amortization payments in fiscal 2020, but syspends them again for fiscal 2021.

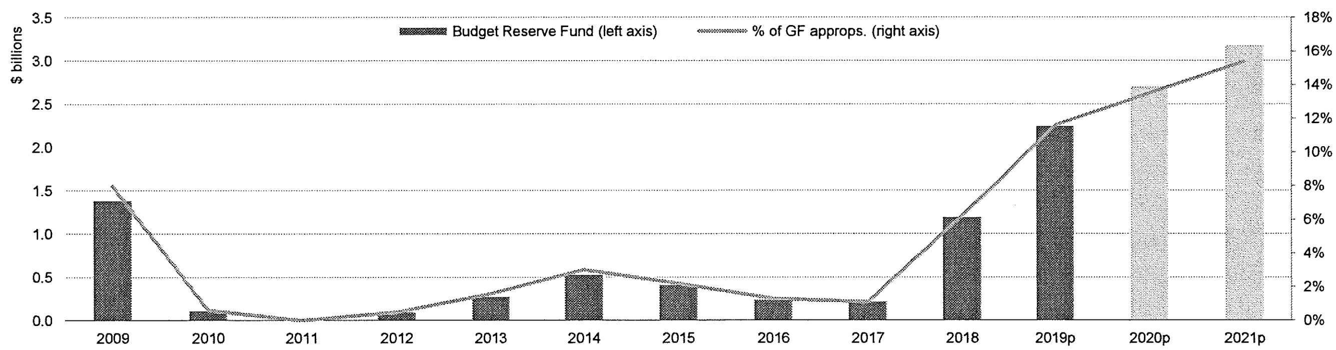
LIQUIDITY

Connecticut's liquidity has strengthened dramatically. The state has not needed to borrow for cash purposes in recent years. As of mid-June 2019 available cash was about $5 billion.

A tax windfall and new rainy day fund rules have helped the state bolster its finances by providing significant funds for its budget reserve fund. Last year, one-time tax payments by hedge funds pursuant to federal law and mandatory rainy day fund deposits pursuant to a recent "volatility cap" provision resulted in a rainy day fund deposit of $972 million. In fiscal 2019, strong personal income tax withholding taxes and final settlement payments will help swell the state's coffers sufficiently to double the fund's balance to an estimated $2.24 billion. The biennial budget projects a deposit of $459 million in fiscal 2020 and another deposit of $467.7 million in fiscal 2021, which would bring the fund to more than $3 billion and exceed a cap on the fund set at 15% of net appropriations (see Exhibit 6). Were the state to maintain that 15% target, by statute additional funds in excess of the state's thresholds are to be deposited to the state employees and teachers retirement systems and then toward bonded indebtedness.

Exhibit 6

Revenue upside has been channeled into reserves



Fiscal 2020 and 2021 balances are projections

Source: Connecticut Office of Policy and Management

Debt and Pensions: large liabilities underlie high fixed costs

Connecticut is a frequent borrower and the state's debt per capita and debt-to-personal income ranked first and second, respectively, among the 50 states for Moody's 2019 debt medians. Net tax-supported debt equaled $6,802 per capita and 9.4% of total state personal income, well above the 50-state median of $1,068 in debt per capita and 2.2% for debt-to-personal income. These high debt ratios are partly due to substantial capital financing for K-12 school building construction that is carried out at the local level in many other states; combined state and local debt metrics place Connecticut closer to the middle of the pack. However, pension obligation bonds and GAAP conversion bonds to address a portion of the state's sizeable cumulative GAAP deficit add considerably to the state's normal sizeable annual debt issuances and ensure that Connecticut's debt ratios will remain among the highest in the country for the foreseeable future. Governor Lamont's capital plan, which decreases the pace of borrowing, is pending final approval.

DEBT STRUCTURE

Connecticut's $24.8 billion in net tax-supported debt outstanding consists primarily of general obligation bonds, which account for 66% of NTSD (see Exhibit 7). Bonds backed by special taxes for highway construction account for another 24% of state debt. Most GO debt is structured with 20-year principal amortization and a declining debt service schedule, resulting in a pay-out rate of 70% within 10 years. Other debt consists primarily of bonds issued by the University of Connecticut through a debt service commitment and by related organizations for which the state guarantees payment from special capital reserve funds. In 2018, the state also absorbed about $540 million in general obligation debt issued by the city of Hartford (B1 issuer rating) as a form of municipal assistance.

Exhibit 7

Connecticut's debt outstanding consists mostly of GOs and highway bonds

	2018
General Obligation Bonds	16,397,019
Lease Rental Bonds/Appropriation Debt	11,095
Highway Revenue Bonds:	6,064,065
Capital Leases:	15,811
Other Bonded Debt:	2,351,700
Total	24,839,690

Source: Connecticut financial statements; Moody's Investors Service

The state has $1.176 billion in variable rate debt as of July 1, most of which is indexed to SIFMA. Its variable rate debt accounts for about 7% of the state's total GO debt, One variable rate series (2016 Series C) is privately placed with an SBPA provided by Bank of America, N.A. (Aa2(cr)/ P-1(cr)). Two series are direct placements, 2017 Series C and 2017 Series D.

DEBT-RELATED DERIVATIVES

Only $20 million of the state's variable rate debt is swapped to fixed, based on 60% of LIBOR or a percentage point above CPI. The swap counterparty is JP Morgan Chase Bank, N.A. (Aa1(cr)/P-1(cr)). As of June 30, 2019, the mark-to-market was minimal, at negative $400,000 against the state. In accordance with its swap guidelines, the state generally negotiates provisions that permit funding a required termination payment over a period of time to allow time for a refunding. Accordingly, the state would have 270 days to fund a termination payment for its general obligation swaps. The state has no plan to incorporate swaps into future GO bonds.

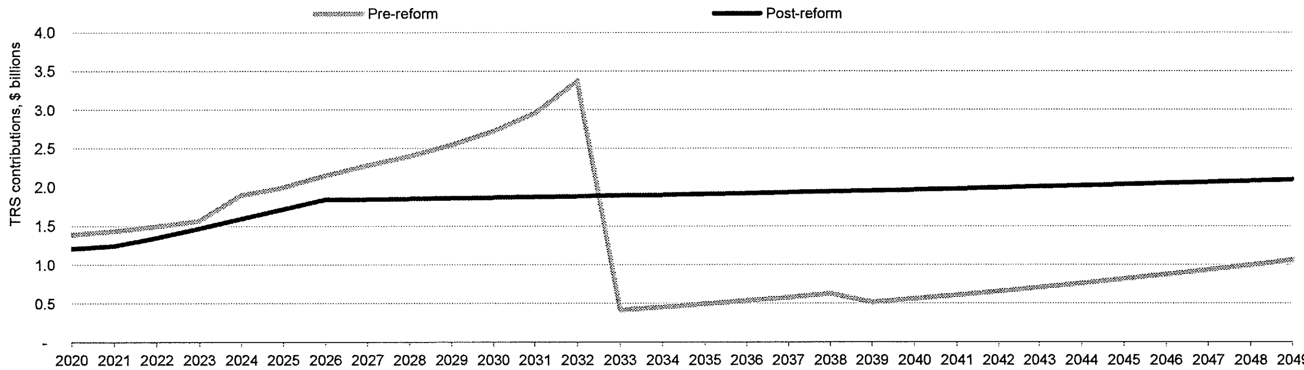
PENSIONS AND OPEB

Connecticut's adjusted net pension liability (ANPL), our measure of the government's pension burden, is significantly above the 50-state median. As of the state's 2018 financial statements, ANPL was $62 billion, or 22.6% of state GDP. In 2017, the state ranked second highest among the states for this measure. The state participates in several pension systems, of which the most significant are the State Employees Retirement System (SERS) and the Teachers Retirement System (TRS). Connecticut is among the handful of states that take responsibility for directly funding teacher pensions. Moody's ANPL reflects certain adjustments made to improve comparability of reported pension liabilities.

Pension contributions remain a very significant and growing part of the state's budget. The state contributes the full amount of its actuarially determined contributions, about $2.57 billion in fiscal 2018. It is required via bond indenture to pay the full required contribution to the TRS plan and by collective bargaining to do the same for SERS. Even so, its 2017 contributions were not enough to prevent its net pension liability (NPL) from growing even if investment returns all the actuarial assumptions associated with the plan had come to fruition. The contributions were about 80% of our "tread water" benchmark, which is the payment covering the year's newly accrued service costs and interest on the NPL.

The state has made substantial changes to its pension funding approach. It has stretched amortization periods for both SERS (in 2016) and TRS (in 2019), combined with lowering the discount rate for both systems to 6.9% and shifting to a level dollar amortization approach. In addition to maintaining an unrealistically high investment rate of return (discount rate) assumption, the state hitherto followed a less conservative funding approach linked to assumed wage growth that resulted in back-loaded pension contributions. It was to avoid rapidly escalating contributions, illustrated for the TRS in Exhibit 8, that the state took these actions. Nonetheless, to achieve the actuarially-determined level dollar payment requires several years of escalating contributions, during which time the state will continue to fall short of the tread water benchmark for each system.

Exhibit 8
Connecticut risked sharp escalation in Teachers Retirement System contributions over next decade
Unrealistic investment return assumption and amortization schedule would lead to escalating costs



Pre-reform projection assumes 8% discount rate but 6.9% average annual returns. Post-reform projection assumes TRS achieves assumed 6.9% average annual return but with longer amortization period.
Source: Connecticut Office of Policy and Management

Connecticut also has a very high OPEB liability. As reported under GASB 75 reporting standards in the fiscal 2018 financial statements, the net OPEB liability is $20.59 billion, including a $3.5 billion Teachers' OPEB liability as of the June 30 2017 measurement date. Adjusted for a common discount rate, we calculate the liability as a slightly lower $19.87 billion. Employees have been required to make contributions to prefund OPEB benefits since 2011, and the state is now making matching contributions, which total about $120 million in fiscal 2019.

Governance: state profile features strong practices

The state's financial management is characterized by strong practices that include timely budget adoption and binding consensus revenue forecasting conducted at least three times a year. Annual multi-year Fiscal Accountability reports are produced by both the governor's budget office and the legislative office of fiscal analysis, and the state releases monthly budgetary updates. The state constitution requires a balanced budget, given greater force by the state's recent move to GAAP-basis budgeting. In addition, the state is not constrained by supermajority requirements to enact tax increases, mandated initiatives or voter referenda.

The governor's executive authority to cut expenses mid-year without legislative approval is limited to 5% of an individual appropriation, not to exceed 3% of any fund providing only moderate flexibility. We consider strong executive flexibility to make mid-year spending adjustments a plus. If a deficit exceeds 1% of the general fund, a timely deficit mitigation plan is required to be developed by law. Some of the state's financial provisions are not highly effective, as the state has accumulated high debt levels and did not until this year make a constitutional spending cap operative.

The state has taken action to address some of its most pressing long-run financial challenges in recent years by implementing pension and OPEB reforms and committing to moving pension contributions to a more adequate level, although the state's long-term obligations remain formidable. In addition, the state legislature recently passed a number of measures designed to contain spending and debt growth, rebuild the state's rainy day fund, and more frequently assess the condition of its pension funds. Following some of these provisions will now be required by bond covenants. While the required practices would strengthen the state's long term credit profile, covenanting to follow them reduces budgetary flexibility.

Rating methodology and scorecard factors

The US States and Territories Rating Methodology includes a scorecard, which summarizes the 10 rating factors generally most important to state and territory credit profiles. Because the scorecard is a summary, and may not include every consideration in the credit analysis for a specific issuer, a scorecard-indicated outcome may or may not map closely to the actual rating assigned.

Exhibit 9

States rating methodology scorecard

Connecticut (State of)

Rating Factors	Measure	Score
Factor 1: Economy (25%)		
a) Per Capita Income Relative to US Average [1]	138.8%	Aaa
b) Nominal Gross Domestic Product ($ billions) [1]	$274.2	Aaa
Factor 2: Finances (30%)		
a) Structural Balance	Aa	Aa
b) Fixed Costs / State Own-Source Revenue [2]	30.7%	Ba
c) Liquidity and Fund Balance	Aa	Aa
Factor 3: Governance (20%)		
a) Governance / Constitutional Framework	Aa	Aa
Factor 4: Debt and Pensions (25%)		
a) (Moody's ANPL + Net Tax-Supported Debt) / State GDP [2] [3]	31.7%	Baa
Factors 5 - 10: Notching Factors [4]		
Adjustments Up: None	0	
Adjustments Down: Growth Trend; Economic or Revenue Concentration or Volatility	-1	
Rating:		
a) Scorecard-Indicated Outcome		A1
b) Actual Rating Assigned		A1

[1] Economy measures are based on data from the most recent year available.
[2] Fixed costs and debt and pensions measures are based on data from the most recent debt and pensions medians report published by Moody's.
[3] ANPL stands for adjusted net pension liability.
[4] Notching factors 5-10 are specifically defined in the US States and Territories Methodology.
Source: US Bureau of Economic Analysis; Connecticut audited financial statements; Moody's Investors Service

REPORT NUMBER 1182766

CLIENT SERVICES

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Japan	81-3-5408-4100
EMEA	44-20-7772-5454

MOODY'S
INVESTORS SERVICE

1. **1937 Cross Committee**

   Conclusions
   Recommended 17 departments

2. **1950 Bowles Study**

   Conclusions
   Recommended 17 departments

3. **1971 Etherington Commission Study**
   1. Gov. Meskill - Exec. Order 1
   2. Report completed due to concerns over the rising cost of government (see Forward – p. 3)
   3. Pension benefits were cited as too rich and out of touch (page 189)
   4. Concern was evidenced in the unfunded pension liability of $700 million
   5. Recommends a total of 9 departments
   6. 12-week duration to complete the report – done by loaned executives savings $600,000
   7. $100,000,000 annual savings plus one-time savings (about 10-15% of the then budget)
   8. Judicial and General Assembly not included
   9. Planned employee reductions and some additions in headcount
   10. 837 Troopers in the State Police in 1971
   11. Page 213 begins the list of items to institute

   Conclusions
   The report is remarkable for its detailed recommendations at a granular level and for its less than polite assessment of some employees, supervisors, and general practices (see AG's Office page 2). However, pension benefits and the unfunded liability don't appear to have been addressed in a serious or material way. A good study to reference for ideas.

4. **1976 Filer, Fesler, Sims, Wade Study**
   1. Gov. Grasso – four individuals championed the report
   2. Cited the problem being the rapidly growing state government cost
   3. Cited lack of public confidence in government
   4. State employees doubled in the last 20 years
   5. Report recommends many major organizational changes
   6. Advises to proceed without consensus or the opportunity will be lost
   7. Cited "too many agencies to effectively manage"
   8. Lots of platitudes, not much specificity

   Conclusions
   The report is unremarkable and lack detailed recommendations or the granular detail to be useful. Not a good reference document for future ideas.

5. **1977 Gengras Commission Study**
    1. Gov. Grasso – expected changes over 4-5 years
    2. Cited the concern that there are 40,000 employees costing $2 billion annually
    3. Cited collective bargaining as a problem
    4. They were grappling with the State's deteriorating credit rating
    5. Wanted investments in information and management automated systems
    6. Statutes reviewed; two-year budget process established
    7. Collaborative approach with officials, employees, and legislature
    8. Collective bargaining costing of each agreement for the current and future years
    9. Recommended only borrowing for capital projects
    10. They were bonding for operating deficits
    11. ZBB once at least every five years per department rather than incremental budgeting

    Conclusions

    This report doesn't delve into the granular detail of the 1971 report but is substantially better than the 1976 report. There were high level tangible recommendations along the lines of information and management systems creation, bi-annual and zero-based budgeting recommendations, and more discipline over collective bargaining including the future costing of the agreements. A good study to reference for ideas.

6. **1991 Thomas Commission Study**
    1. Governor O'Neill then Governor Weicker - $4.5 million cost
    2. Report need was cited as Connecticut was facing a major fiscal crisis
    3. State budget jumped from $4.2B to $7.1B in five years with no population growth
    4. Municipal aid, employee salaries and benefits, debt and transportation drove the costs
    5. State employees at 52,500 and compensation is high comparably
    6. 1984 report cited as management rights continue to be eroded via collective bargaining
    7. Dramatic action is asked for related to collective bargaining and arbitration (III-60)
    8. With an unmatched opportunity to streamline state government
    9. Deroy Thomas was President and COO of ITT Corp.
    10. 18 separate studies conducted and merged into this one report
    11. The reports cover 90% of the State budget
    12. Notes $2.58 billion in savings over three years
    13. Problems: DAS, Child Sup Enforce, DOC, Health, DMS, DRS, DOT, DSR, Higher Ed, and UCHC
    14. State employees are noted as an asset but with poor morale due to inconsistent treatment
    15. Data processing reform needed – too many decentralized duplicative programs
    16. Adding a COO is called for and quarterly review meetings with each agency
    17. Revenue Maximization Unit within OPM (Federal dollars)
    18. Attitudes must change – opposition to change kills everything
    19. New look at property management
    20. Expenses reduced first, before reveue is added
    21. Includes enabling legislation

    Conclusions

    The report is very comprehensive and in sufficient detail to be considered a good roadmap for thoughtful change. A COO has been added but has ZBB been instituted and are quarterly reviews by department occurring? A good report to reference for ideas.

7. **1992 Harper-Hill Commission**
    1. Major budget deficit cited as the reason for the creation of the commission
    2. Built from Thomas Commission recommendations not taken up by the Legislature
    3. Major focus was health delivery through DPH, Higher Education, Data Processing

Conclusions

This report isn't very expansion in all areas, but instead focuses on a few areas left largely untouched from the prior year Thomas Commission Study focusing on DPH Health Service delivery, Higher Education, and Data Processing. Seems there was no clear agreement on Higher Education and Data Processing with minority reports added to the back of the report. It a useful report if just DPH is the issue being examined.

8. **2004 Operation ACE (Task Force on Accountability, Creativity, and Efficiency)**
    1. Created to respond to two years of severe budget shortfalls ($817 million and $660 million)
    2. Joint focus between Administration and the Legislature
    3. Tax increases, raided the Rainy-Day Fund, used bonding, cut services, 2,000 laid off
    4. Cited ideas from Thomas and Harper-Hull Studies
    5. The study's focus is on 10 prominent items for action

Conclusions

The report is concise with a laser like focus on 10 core items for action. Seems reasonable and achievable especially with Administration and Legislative support. On the other hand, it falls short of a comprehensive reorganization of State government

9. **2010 Commission on Enhancing Agency Outcomes**
    1. Report commissioned by the Legislature
    2. Report completed to mitigate the FY 09 state budget deficit
    3. The report was to identify overlaps, redundancies, and promote efficiencies/accountability
    4. Two mergers recommended: DMHAS w/ Social Services, and Tourism, Workforce w/DECD
    5. The reports seeks to examine pensions, healthcare benefits, and unfunded liabilities
    6. The recommendations are workable but won't reduce materially the cost of government
    7. Senator Debicella's response letter provides excellent context and next steps (last pages)
    8. The reports list $478 million of savings but as an example, $120 million (times two years for a total of $240 million) of it hinges on moving the Executive Branch to a 1:10 supervisor to staff ratio and it doesn't seem like the Governor was at the table to implement the change or if the change could be implemented given collective bargaining. As an example, this item projects a savings of 101 supervisors making $102,000 per year for a saving of $10.4 million but there is no offset for those supervisors returning as non-supervisors making $95,000 per year reducing possible savings to $700,000.
    9. Another idea was to get a one-time grant from the Feds of $76 million related to TANF.
    10. On the most meaningful recommendation, the Commission punted (see page 39).

Conclusions

The report is a mix of platitudes interspersed with small, yet achievable recommendations that would reduce the cost of government, but unfortunately, not in a material way.

Common/Salient Concerns from all Reports

- Identified the rising cost of government
- Identified the rising headcount of state employees
- Identified that pension benefits were too rich
- Identified unfunded pension liabilities
- Identified a lack of public confidence in government
- Identified collective bargaining as being a problem
- Identified that management rights continue to be eroded via collective bargaining
- Identified that the State started bonding for operating deficits

Common/Salient Recommendations from all Reports

- Dramatic action is asked for related to collective bargain and arbitration
- Fewer departments
- Investments in information and management automated systems
- Collaborative approach with officials, employees, and Legislature
- Costing of collective bargaining agreement for the current and future years
- Borrowing only for capital projects
- ZBB at least every 5 years replacing incremental budgeting
- Quarterly COO budget review with each department