

# PRELIMINARY FISCAL NOTES

## Appropriations Committee Meeting

March 29, 2012

### **OFFICE OF FISCAL ANALYSIS**

Room 5200, Legislative Office Building

Hartford, CT 06106 • (860) 240-0200

E-Mail: [ofa@cga.ct.gov](mailto:ofa@cga.ct.gov)

[www.cga.ct.gov/ofa](http://www.cga.ct.gov/ofa)

The following contains preliminary fiscal impacts for the bills on today's agenda.

**1. HB 5015 - An Act Making Deficiency Appropriations for the Fiscal Year Ending June 30, 2012**

**Sections 1 - 4** result in no net increase to the General or Transportation Funds. The increases in appropriations to the General Fund (GF) of \$7.6 million and to the Transportation Fund (TF) of \$1.8 million are both offset by corresponding reductions. The following table shows the changes in agency appropriations contained in the bill.

| <b>Changes in FY 12 Appropriations</b>                    | <b>Amount \$</b> |
|---|------------------|
| <b>General Fund (GF) - Increase Appropriations</b>        |                  |
| Department of Energy and Environmental Protection         | 600,000          |
| Teachers' Retirement Board                                | 2,400,000        |
| Public Defender Services Commission                       | 2,500,000        |
| OSC - Miscellaneous - Adjudicated Claims                  | 2,100,000        |
| <b>Subtotal - GF</b>                                      | <b>7,600,000</b> |
| <b>General Fund - Reduce Appropriations</b>               |                  |
| Department of Children and Families - Personal Services   | (7,600,000)      |
| <b>Total GF</b>   | <b>-</b>         |
| <b>Transportation Fund (TF) - Increase Appropriations</b> |                  |
| OSC - Fringe Benefits                                     | 1,800,000        |
| <b>Transportation Fund (TF) - Reduce Appropriations</b>   |                  |
| Department of Transportation - Rail Operations            | (1,800,000)      |
| <b>Total TF</b>   | <b>-</b>         |

OFA's descriptions of the factors in each agency's deficiency are in the 3/27/12 document prepared for the Appropriations Committee Deficiency public hearing and on our website's home page ([available here](#)).

**Section 5** allows for the unexpended FY 11 carry forward in the Reserve for Salary Adjustments account to lapse in FY 12 and not be carried forward into FY 13. This results in additional available funds to offset shortfalls in the General Fund. OFA is currently projecting \$83.7 million available carry forward funds to lapse in the RSA account. This would reduce OFA's projected deficit as identified in our March 26, 2012 General Fund Monthly statement ([available here](#)).

## 2. sHB 5014 - An Act Making Adjustments to State Expenditures and Revenues for the Fiscal Year Ending June 30, 2013.

The Appropriations Committee Budget includes proposed appropriations in 12 funds totaling \$20.7 billion in FY 13 as presented below. A comparison to the Governor's Revised FY 13 Budget can be found in the accompanying Appropriations Committee Budget book.

| Fund Summary                                      | Original FY 13<br>Appropriation \$ | Committee's<br>Revised FY 13 \$ | Difference \$        |
|---|------------------------------------|---------------------------------|----------------------|
| <b>Gross Appropriations by Fund</b>               |                                    |                                 |                      |
| General Fund                                      | 19,918,305,927                     | 19,350,660,487                  | (567,645,440)        |
| Special Transportation Fund                       | 1,345,782,066                      | 1,305,349,793                   | (40,432,273)         |
| Banking Fund                                      | 26,176,878                         | 25,605,784                      | (571,094)            |
| Insurance Fund                                    | 26,131,750                         | 28,516,537                      | 2,384,787            |
| Consumer Counsel and Public Utility Control Fund  | 25,986,745                         | 25,351,390                      | (635,355)            |
| Workers' Compensation Fund                        | 22,037,360                         | 21,167,588                      | (869,772)            |
| Mashantucket Pequot and Mohegan Fund              | 61,779,907                         | 61,779,907                      | -                    |
| Soldiers, Sailors and Marines' Fund               | 3,051,536                          | 3,039,412                       | (12,124)             |
| Regional Market Operation Fund                    | 932,821                            | 932,821                         | -                    |
| Criminal Injuries Compensation Fund               | 3,602,121                          | 3,602,121                       | -                    |
| Outdoor Fund                                      | -                                  | 12,613,849                      | 12,613,849           |
| Military Fund                                     | -                                  | 569,742                         | 569,742              |
| <b>Total Gross Appropriations</b>                 | <b>21,433,787,111</b>              | <b>20,839,189,431</b>           | <b>(594,597,680)</b> |
| <b>General Fund Lapses</b>                        |                                    |                                 |                      |
| General Other Expenses Reductions - Executive     | (9,066,200)                        | -                               | 9,066,200            |
| General Other Expenses Reductions - Legislative   | (374,000)                          | -                               | 374,000              |
| General Personal Services Reduction - Executive   | (11,538,800)                       | -                               | 11,538,800           |
| General Personal Services Reduction - Legislative | (476,000)                          | -                               | 476,000              |
| Labor Management Savings - Executive              | (806,963,225)                      | -                               | 806,963,225          |
| Labor Management Savings - Judicial               | (30,622,622)                       | -                               | 30,622,622           |
| Labor Management Savings - Legislative            | (6,671,872)                        | -                               | 6,671,872            |
| Unallocated Lapses                                | (91,676,192)                       | (91,676,192)                    | -                    |
| Unallocated Lapses - Judicial                     | (5,400,672)                        | (5,400,672)                     | -                    |
| Unallocated Lapses - Legislative                  | (3,028,105)                        | (3,028,105)                     | -                    |
| <b>General Fund Lapses Total</b>                  | <b>(965,817,688)</b>               | <b>(100,104,969)</b>            | <b>865,712,719</b>   |
| <b>Special Transportation Fund Lapses</b>         |                                    |                                 |                      |
| Estimated Unallocated Lapses                      | (11,000,000)                       | (11,000,000)                    | -                    |
| Labor-Management Savings                          | (56,949,138)                       | -                               | 56,949,138           |
| <b>Special Transportation Fund Lapses Total</b>   | <b>(67,949,138)</b>                | <b>(11,000,000)</b>             | <b>56,949,138</b>    |
| <b>Banking Fund Lapses</b>                        |                                    |                                 |                      |
| Branch Savings Target - Judicial                  | (63,729)                           | (63,729)                        | -                    |
| <b>Net Appropriations by Fund</b>                 |                                    |                                 |                      |
| General Fund                                      | 18,952,488,239                     | 19,250,555,518                  | 298,067,279          |
| Special Transportation Fund                       | 1,277,832,928                      | 1,294,349,793                   | 16,516,865           |
| Banking Fund                                      | 26,113,149                         | 25,542,055                      | (571,094)            |
| Insurance Fund                                    | 26,131,750                         | 28,516,537                      | 2,384,787            |
| Consumer Counsel and Public Utility Control Fund  | 25,986,745                         | 25,351,390                      | (635,355)            |
| Workers' Compensation Fund                        | 22,037,360                         | 21,167,588                      | (869,772)            |
| Mashantucket Pequot and Mohegan Fund              | 61,779,907                         | 61,779,907                      | -                    |
| Soldiers, Sailors and Marines' Fund               | 3,051,536                          | 3,039,412                       | (12,124)             |
| Regional Market Operation Fund                    | 932,821                            | 932,821                         | -                    |
| Criminal Injuries Compensation Fund               | 3,602,121                          | 3,602,121                       | -                    |
| Outdoor Fund                                      | -                                  | 12,613,849                      | 12,613,849           |
| Military Fund                                     | -                                  | 569,742                         | 569,742              |
| <b>Total Net Appropriations</b>                   | <b>20,399,956,556</b>              | <b>20,728,020,733</b>           | <b>328,064,177</b>   |

## Spending Cap

The revised FY 13 budget is under the spending cap by \$700,000, assuming any deficiency appropriations in FY 12 do not deviate from the originally budgeted total on an all-funds basis. This is \$277.7 million closer to the cap than the original FY 13 budget, which is under the spending cap by \$278.4 million.

## Growth Rate

The Committee's FY 13 Revised Budget growth rate for all appropriated funds is 2.7% over estimated FY 12 expenditures. See the table below for details.

**Growth Rates of Appropriations (in millions)**

|                     | Estimated Expenditures FY 12 \$ | Original Appropriation FY 13 \$ | Committee's Revised FY 13 \$ | Change From FY 12 Est. to Comm. Revised FY 13 \$ |             | Change From Orig. FY 13 to Comm. Rev. FY 13 \$ |             |
|---------------------|---------------------------------|---------------------------------|------------------------------|--|-------------|--|-------------|
| General Fund        | 18,782.5                        | 18,952.5                        | 19,250.6                     | 468.1  | 2.5%        | 298.1  | 1.6%        |
| Transportation Fund | 1,230.5                         | 1,277.8                         | 1,294.3                      | 63.8   | 5.2%        | 16.5   | 1.3%        |
| Other Approp. Funds | 164.5                           | 169.6                           | 183.1                        | 18.6   | 11.3%       | 13.5   | 8.0%        |
| <b>TOTAL</b>        | <b>20,177.5</b>                 | <b>20,400.0</b>                 | <b>20,728.0</b>              | <b>550.5</b>                                     | <b>2.7%</b> | <b>328.0</b>                                   | <b>1.6%</b> |

**Sections 1 - 19 of the back of budget language are identified below:**

**Section 1** allocates funding of up to \$460,000 in FY 13 in DSS' Housing/Homeless Services account to upgrade the Homeless Management Information System.

**Section 2** suspends the provisions of CGS Sec. 17a-17 in FY 13 to allow for a 1% Department of Children and Families (DCF) cost of living adjustment for residential care of children private providers. Funding for this purpose is provided in DCF's budget.

**Section 3** distributes the four subgrants of the Priority School District Grant by the four programs. Funds totaling \$123,100,581 is included in SDE's budget in FY 13 for these programs.

**Section 4** reduces Franklin's manufacturing transition grant by \$395,228 to reflect the actual payment the town should have received. Section 44 (b) of PA 11-61 had misapplied the total acquisition cost of a certain commercial motor vehicle in calculating the town's grant.

**Section 4** also includes an additional one-time payment of \$39,411 to the town of Ledyard and \$62,954 to the town of Montville to compensate the two towns for a shortfall that occurred when phasing in previously exempted tribal lands to the State Owned PILOT program.

**Section 5(a)** carries forward<sup>1</sup> from FY 12 into FY 13 the unexpended balance of the strategic master plan for higher education funding (estimated at \$172,830) within the Office of Financial and Academic Affairs for Higher Education and transfers this funding to the Office of Legislative Management. Of the total, \$28,854 will be used by the Connecticut Academy of Science and Engineering for the purposes of studying the effectiveness of state programs to provide a skilled workforce. The remaining \$143,976 will be used to develop a strategic master plan for higher education within Connecticut.

**Section 5(b)** carries forward \$52,050 from the Office of Legislative Management (OLM), Other Expenses account from FY 12 into FY 13 and transfers the funding to the Connecticut Academy of Science and Engineering (CASE) for the purpose of a study to evaluate the effectiveness of state programs to provide a skilled workforce.

**Section 6** carries forward \$500,000 from Other Expenses in the Commission on Human Rights and Opportunities (CHRO) from FY 12 into FY 13 and transfers such funding to the Connecticut Academy of Science and Engineering (CASE) account in the Office of Legislative Management (OLM). CASE will use the funding to conduct a disparity study on the state's current set-aside program.

**Section 7** transfers \$2 million from the systems benefits charge, a non-appropriated account, to the Operation Fuel account in the Department of Energy and Environmental Protection.

**Section 8** carries forward \$20,000 of DECD's Main Street Initiatives account from FY 12 into FY 13 for the West Indian parade.

**Section 9** carries forward up to \$300,000 of the Department of Motor Vehicles Equipment account from FY 12 into FY 13 and transfers to the Other Expenses account for a one time programming cost for the implementation of an Organ and Tissue Donation account.

**Section 10** carries forward \$5.0 million of DSS' Connecticut Home Care Program account from FY 12 into FY 13 for the Connecticut Home Care Program for Elders. This adjustment will allow the same level of service to be provided in FY 13 due to existing funding levels.

**Section 11** specifies the parameters of the Youth Violence Initiative. Funding of \$1.5 million is provided for this program in the Judicial Department.

**Section 12** allows the Governor, under certain circumstances, to recommend the transfer of non-appropriated accounts for the purposes of funding Generally Accepted Accounting Practices (GAAP) implementation. The potential non-appropriated accounts eligible for recommendation include 17 funds with over 100 accounts. The FY 11 end-of-year balance for these funds and accounts exceeded \$120 million.

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<sup>1</sup> In Sections 1 - 19, any funds that are carried forward that would otherwise have lapsed would affect the surplus/deficit balance in the relevant funds.

**Section 13** distributes surplus funds totaling \$1.8 million from the Probate Court Administration Fund. The chart below details the allocation of the funds:

### Probate Surplus Funds Distribution

| Section 13(b) | Agency | Program  | Amount \$        |
|---------------|--------|--|------------------|
| 5             | JUD    | Greater Hartford Male Youth Leadership Program   | 225,000          |
| 6             | JUD    | Forensic Sex Evidence Exam kits  | 300,000          |
| 7             | JUD    | ECHO program in the Justice Education Center   | 250,000          |
| 8             | DCF    | African Caribbean American Parents of Children with Disabilities                       | 50,000           |
| 9             | SDE    | Neighborhood Youth Center - Arte Inc. (Latino art, culture & talent)                   | 25,000           |
| 10            | DECD   | City of Norwich for the Norwich Freedom Bell   | 100,000          |
| 11            | SDE    | Boy & Girls Club of New London   | 75,000           |
| 12            | DEEP   | Connecticut Greenways Council  | 65,000           |
| 13            | DECD   | Nutmeg State Games   | 15,000           |
| 14            | JUD    | Justice Policy Division of the Institute for Municipal and Regional Policy             | 100,000          |
| 15            | SDE    | Technology Improvements for Education Reform Districts                                 | 500,000          |
| 16            | SDE    | Neighborhood Youth Center - Neighborhood Music School                                  | 50,000           |
| 17            | DSS    | Perlas Hispanas Center in New Britain (social services for low-income Spanish seniors) | 25,000           |
| 18            | JUD    | CT Pardon Team, Inc.   | 35,000           |
| <b>TOTAL</b>  |        |  | <b>1,815,000</b> |

**Section 14** eliminates the Department of Transportation's scheduled 4% fare increases on 1/1/13 for rail, bus and ADA transit. The Department of Transportation's budget includes an increase to the: (1) Rail Subsidy account of \$6,753,189, (2) Bus Subsidy account of \$1,487,670 and (3) ADA Para-Transit Subsidy account of \$59,150 to reflect the elimination of the scheduled fare increases.

**Section 15** transfers \$211,418 in FY 13 from the General Fund to the Military Fund to support the Governor's Guards and Governor's Guards Horses. There is a corresponding reduction in General Fund revenue.

**Section 16** clarifies the scope, timing and method by which budgetary information is transmitted between the Office of Policy and Management and Office of Fiscal Analysis. There is no related fiscal impact.

**Sections 17 - 21** requires Charter School payments be considered Education Equalization Grants. These payments must be sent to municipalities where such schools are located; furthermore the municipalities shall send this funding to the charter schools identified by SDE. The SDE's budget includes the transfer of \$59,839,400 from the Charter School account to the Education Equalization Grants account.

The Education Equalization Grants account is a distressed municipalities' grant and is therefore partially exempt from the spending cap.

**3. HB 5443 - An Act Concerning Benefits for Surviving Spouses Under the Teachers' Retirement System**

The fiscal impact to the Teachers' Retirement System from the changes to the surviving spouse benefits in the bill is anticipated to be minimal relative to the assets of the fund. It is not anticipated that the change in benefits will impact the state's contribution to the TRS. There are currently two surviving spouses whose benefits would be impacted by the bill as follows:

| Surviving Spouse | Current Benefit                  | Under the Bill                    |                          |
|------------------|----------------------------------|-----------------------------------|--------------------------|
|                  | Survivorship (Monthly/Annual) \$ | Plan D Option (Monthly/Annual) \$ | Lump Sum Account Bal. \$ |
| A                | 600/7,200                        | 3,800/45,600                      | 400,000                  |
| B                | 580/6,960                        | 1,900/22,800                      | 189,000                  |

Under current law:

If a teacher dies after meeting the age and service requirements for a retirement benefit, their spouse **when the sole designated beneficiary** may choose the following options in the settlement of the retirement account:

- Monthly Survivorship Benefit (plus one time lump sum death payment).
- Monthly Plan D 100% co-participant Benefit (this benefit is based on the retirement allowance you would have received at the time of death).
- Refund of your account balances in a lump sum.

If a **teacher fails to make their spouse their sole designated beneficiary**:

- The surviving spouse will receive Monthly Survivorship Benefits for life.
- The surviving spouse **will not** have option of the Monthly Plan D benefit.
- The surviving spouse **will not** have option of a refund of the account balances in a lump sum.
- The account balances will be paid to the designated beneficiary (i.e. Estate, Trust or other person) after the statutory survivorship benefits have been paid.

Under the bill, a surviving spouse of a member who, at the time of death was eligible for a retirement benefit and had not filed a waiver of the co-participant option could choose the following options in the settlement of the retirement account:

- Monthly Plan D 100% co-participant Benefit (this benefit is based on the retirement allowance you would have received at the time of death).
- Refund of your account balances in a lump sum.