



Office of Fiscal Analysis

PRELIMINARY FISCAL NOTES

Introduction

Below is a summary of preliminary fiscal notes on today's agenda. These estimates were prepared under a short time frame and could be revised after further analysis. For bills on the agenda with proposed substitutes, the fiscal impact is based on the substitute language.

1. SB 1117 – An Act Concerning Expenditures for Fringe Benefits

The bill does not result in a fiscal impact to the state or municipalities as the bill requires the Office of the State Comptroller to complete a study regarding fringe benefits and the constituent units of higher education and report on their findings not later than February 1, 2020 which is within the agency's expertise.

2. SB 1119 – An Act Concerning Expenditures for the State Employees Retirement System and the Teachers' Retirement System – *proposed substitute language*

The substitute bill limits participation in the Teachers' Retirement System (TRS) to teachers at the Children's Center in Hamden and its successors, who are hired prior to July 1, 2019. There are currently 21 TRS members teaching at the Children's Center out of the over 50,000 active TRS members. This change results in a future minimal savings to the TRS as new teachers are hired.

The substitute bill changes the current Teachers' Retirement Board (TRB) secretary to an executive director position. This raises the maximum salary for the current secretary (administrator) from \$145,000 to \$178,000. The current administrator's salary is approximately \$109,000. This change could result in a potential future cost in the agency's Personal Services account to the extent that the Department of Administrative Services and the Office of Policy and Management reclassify the position and the agency's executive director salary exceeds \$145,000.

The substitute bill also makes numerous technical and clarifying changes throughout the Teachers' Retirement System (TRS) statutes which have no fiscal impact as they codify current practice.

3. HB 7403 – An Act Concerning the State Budget Process – *proposed substitute language*

The substitute bill changes the submittal date of the Fiscal Accountability Report from November fifteenth, annually to November twentieth.

The bill also specifies that the Appropriations Committee does not have to hold an annual November public hearing and committee meeting on projected state agency deficiencies.

These provisions have no fiscal impact.

4. HB 7407 – An Act Concerning Medicaid Expenditures

The bill, which requires the Department of Social Services to review Medicaid expenditures and report by February 1, 2020, has no fiscal impact as the agency has the expertise necessary to conduct the review.



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5. **SB 872 – An Act Implementing the Governor’s Budget Recommendations for General Government – proposed substitute language**

Section 1 delays, until February 15, 2022, the statutory requirement for the Department of Revenue Services to produce a biennial Tax Incidence Report which results in a one-time savings of \$375,000 in FY 20.

Section 2 of the bill is technical in nature and will not result in a fiscal impact.

Section 3 raises the threshold at which funds may be appropriated through the Office of Higher Education for matching donations to the constituent unit endowment funds. The bill allows such matching funds to be made when the Budget Reserve Fund equals 15 percent or more of net General Fund appropriations. The current threshold is 10 percent.

Section 4 increases by \$125,000 the amount of any appropriation which a constituent unit board may transfer among its appropriations without consent from the Finance Advisory Committee. The bill allows \$175,000 to be transferred instead of \$50,000. The additional limit of 10 percent of any appropriation (whichever is less) is unchanged.

Section 5 updates the formula for calculating Municipal Transition Grants, which are used to reimburse municipalities for the revenue loss resulting from the motor vehicle mill rate cap. It specifies that FY 20 grants will be calculated using actual FY 18 mill rate data, and that FY 21 grants will be calculated using actual FY 19 mill rate data.

sHB 7148, the FY 20 and FY 21 budget bill, as favorably reported by the Appropriations Committee, appropriated \$29.6 million in FY 20 and \$32.3 million in FY 21 for Municipal Transition Grants.

Sections 6 through 8 make adjustments to the Labor Department’s statutes to facilitate modernization of the agency’s unemployment insurance information technology platform through a multi-state consortium.

Section 9 may result in a revenue loss to the General Fund by diverting any excess recoveries for the State Employees’ Retirement System (SERS) to the SERS fund as opposed to the General Fund, which is current practice. The section may reduce the state’s SERS actuarially determined employer contribution (ADEC) to the extent excess recoveries are deposited in the SERS fund. The impact to the SERS ADEC will be reflected in future SERS actuarial valuations. There is no impact in FY 20, as the state’s ADEC reflects what is certified in the June 30, 2018 SERS actuarial valuation. The earliest an impact could be realized is FY 21.

6. **SB 873 – An Act Stabilizing the Teachers’ Retirement Fund – proposed substitute language**

The substitute bill establishes the Teachers’ Retirement Fund Bonds Special Capital Reserve Fund (TRF-SCRF). There is a cost to the General Fund of \$380.9 million based on the FY 19 appropriation to the TRF-SCRF in section 8 of the bill. Additionally, the Reserve Fund is secured by revenues of the Connecticut Lottery Corporation, in the event the Reserve Fund is ever depleted.



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Capitalizing and securing the TRF-SCRF will serve to fulfill the adequacy provision for holders of Pension Obligation Bonds (POBs) by further securing the payment of the principal and interest of the bonds issued in 2008. The POBs covenant included a requirement that the state pay annually the actuarially determined employer contribution (ADEC) based on a closed amortization period ending in 2032. Making adequate provision for bondholders allows the restructuring of the ADEC.

The substitute bill also makes changes to the actuarial funding methodology and benefit design of the Teachers' Retirement System (TRS), which lower the projected ADEC by \$183.4 million in FY 20 and \$189.4 million in FY 21, while increasing the unfunded actuarial accrued liability (UAAL) by \$3.5 billion (a 26% increase).

The provisions of the substitute bill specify the following changes:

- Reduce assumed rate of return from 8% to 6.9%.
- Re-amortize the UAAL over a new 30-year period.
- Transition from a level percent of payroll to level dollar amortization over a 5-year period.
- Calculate the ADEC based on the 7% member contribution.
- Set the credited interest percentage on member contributions to 4% from the current actuarially determined rate of return calculation.
- Change the percentage reduction to members' accounts as benefits are received from 25% to 50%. This impacts the partial refund death benefit a TRS member's beneficiary may receive under the Plan N payment option.

7. **sSB 1018 - An Act Concerning the Opportunity Gap** - *proposed substitute language*

The substitute bill could result in a revenue loss to various priority school districts that do not show performance index improvement by FY 22. The loss of priority district funding will be redistributed to districts showing improvement, and could result in a potential revenue gain to such districts.

Additionally, the bill could result in a redistribution of (1) Priority District, (2) Alliance District, and (3) Commissioner's Network funds within a district, as the bill specifies how certain funds must be spent if a district is not showing measurable improvement.

8. **sSB 1022 - An Act Concerning Minority Teacher Recruitment and Retention** - *proposed substitute language*

The substitute bill makes a number of procedural changes related to minority teacher recruitment and retention and does not result in a fiscal impact. The bill (1) clarifies various tasks for the Minority Teacher Recruitment Policy Oversight Council, (2) specifies the terms of reciprocity agreements, (3) clarifies various conditions for teacher certification, and (4) expands the eligibility of the specified down payment assistance program, which is a bond-funded program, but does not authorize new bond funding for the program.

9. **HB 7109 - An Act Concerning Interdistrict Magnet School Program Funding** - *proposed substitute language*

The substitute bill increases funding for interdistrict magnet school programs by two percent. The anticipated per pupil operating grants for interdistrict magnet schools totals approximately \$298 million,



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annually. A two percent increase result in an additional cost of \$6 million, annually. sHB 7148, the FY 20 and FY 21 budget bill, as favorably reported by the Appropriations Committee, appropriated \$6 million in both FY 20 and FY 21 for this purpose.

10. **sSB 7110 – An Act Concerning Enhanced Classroom Safety and School Climate** – *proposed substitute language*

The substitute bill does not result in a fiscal impact to the State Department of Education as they have the staff and expertise necessary to solicit public input regarding the biennial state-wide school climate survey, and may assist local and regional boards of education with various strategies related to school climate.

11. **sSB 7150 – An Act Implementing the Governor’s Budget Recommendations Concerning Education** – *proposed substitute language*

The substitute bill makes various conforming changes to sHB 7148, the FY 20 and FY 21 budget bill, as favorably reported by the Appropriations Committee.

Section 1 allows for the continued payment of Sheff magnet transportation grants and a Sheff magnet supplemental transportation payment. The bill allows but does not require the State Department of Education to pay a supplemental transportation grant. It is estimated that the cost of the supplemental transportation payment would be \$10.5 million in FY 20 and \$4.5 million in FY 21. This cost is not included in the budget. The estimated payment amount for the regular transportation grants is approximately \$30 million in FY 20 and \$30.5 million in FY 21. This funding is included in sHB 7148, the FY 20 and FY 21 budget bill, as favorably reported by the Appropriations Committee.

Sections 2 - 6 extend the caps on various statutory grants and make the caps permanent. This results in a savings of approximately \$67.7 million in FY 20 and \$74.4 million in FY 21, which would have otherwise been paid to various municipalities. This savings is included in sHB 7148, the FY 20 and FY 21 budget bill, as favorably reported by the Appropriations Committee.

Sections 8 - 13 and 16 - 20 delay by two years the mandated steps that transition the Connecticut Technical and Education Career Center into an independent agency, separate from the State Department of Education. The delay of this transfer is reflected in sHB 7148, the FY 20 and FY 21 budget bill, as favorably reported by the Appropriations Committee.

12. **HB 5152 – An Act Requiring a Study of Marijuana-Impaired Driving and Methods to Detest Marijuana-Impaired Driving.** – *proposed substitute language*

The substitute bill requires the Department of Transportation (DOT) to study marijuana impaired driving in consultation with UConn and other state agencies. DOT is currently conducting this study and therefore no fiscal impact is anticipated.

13. **sHB 7092 An Act Expanding the Katie Beckett Waiver Program** – *proposed substitute language*

The substitute bill allows the Department of Social Services to expand the Katie Beckett program, which has no fiscal impact as the agency currently has the ability to do so via the Medicaid waiver process.



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14. HB 7102 - An Act Concerning Senior Centers - *proposed substitute language*

The substitute bill, which makes clarifying changes and codifies current practice by allowing municipalities to establish multipurpose senior centers, has no fiscal impact.

15. sSB 7267 - An Act Concerning Public Options for Health Care in Connecticut - refer to fiscal note on file copy 353.

16. sSB 134 - An Act Concerning Public Options for Health Care in Connecticut - refer to fiscal note on file copy 361.

17. sSB 356 - An Act Establishing the Connecticut Apprenticeship and Education Committee - refer to fiscal note on file copy 313.

18. sHB 6931 - An Act Concerning Domestic Workers - *proposed substitute language*

The elimination of sections 1 and 3 removes the fiscal note.

19. SB 931 - An Act Concerning Payments to Child Care Providers - *proposed substitute language*

The substitute bill specifies that increases in the per child cost for Child Day Care Centers and School Readiness programs under the Office of Early Childhood, must be used to increase the salaries of the teachers and individuals providing child care under such programs. This has no fiscal impact.