

Synopsis of
Governor's Revised FY 17
Budget and Revenue Plan

Appropriations Committee
Hearing

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OFFICE OF FISCAL ANALYSIS

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TABLE OF CONTENTS

I. OVERVIEW	1
II. FINANCIAL SUMMARY.....	3
Spending Growth	3
Spending Cap.....	5
Other Major Highlights	6
III. SIGNIFICANT CHANGES BY SUBCOMMITTEE & AGENCY.....	8
IV. SIGNIFICANT REVENUE CHANGES	14
V. MUNICIPAL AID AND OTHER CHANGES AFFECTING MUNICIPALITIES	15
VI. SIGNIFICANT CAPITAL BUDGET CHANGES	18
VII. APPENDIX A: Authorized Position Table	21

The following is intended to provide information on the Governor's Revised FY 17 Budget, revenue and capital plan for the Appropriations Committee as background for the OPM presentation today. Since the budget was released yesterday, we have tried to highlight major areas of interest rather than provide a full-scale comprehensive analysis. Such analysis will be undertaken by both committees with the assistance of OFA staff in the coming weeks.

I. OVERVIEW

Budget Balance

The original FY 17 budget contained a \$2.5 million General Fund balance. The Governor's Revised FY 17 Budget increases that balance to \$10.6 million.

Budget Growth

The original FY 17 budget appropriations grew over original FY 16 appropriations by 3.0% in the General Fund and 3.2% all funds. The Governor's Revised FY 17 Budget has growth rates of 0.4% in the General Fund, and 1.0% for all funds when comparing the Governor's Revised FY 17 Budget to Governor's FY 16 Estimated Expenditures.

Impact of 2015 Deficit Mitigation

The Governor's Revised FY 17 Budget reduces state agency General Fund FY 17 appropriations by \$90.2 million in total to reflect savings initiatives of \$195.8 million contained in PA 15-1 DSS. Based on data available at this time it appears that portions of the remaining \$105.6 million in mitigation efforts may be incorporated in other reduction efforts.

Across-the-Board Reductions

The Governor's Revised FY 17 Budget consolidates line item appropriations within state agencies, with some significant exceptions such as debt service and Education Cost Sharing (ECS) Grants, and applies a 5.75% reduction to those consolidated line items within the General Fund. In addition, percentage reductions are made to various line items which are not consolidated. The total General Fund reduction associated with these adjustments is \$360.8 million.

Spending Cap

The Governor's Revised FY 17 Budget increases room under the spending cap by \$35 million in FY 16 and \$542.7 million in FY 17. The FY 16 adjustments assume an increase of \$35 million in debt service appropriations (which are exempt from the cap) and other corresponding reductions which result in a net zero deficiency appropriation for that year.

Bonding

The Governor's Revised FY 17 Budget is below the statutory bond cap on General Obligation (GO) bonds for the fiscal year, based on revenue estimates that include tax

proposals. However, the revised budget, coupled with these revenue proposals, result in net indebtedness of 89.9%; near 90% of the statutory threshold requiring the Governor to make further recommendations to cancel bond authorizations. In order to remain under the 90% threshold, the Governor's FY 17 revised capital budget cancels approximately \$385.4 million in GO authorizations, including \$151.5 million of unissued bond funds for the conversion to Generally Accepted Accounting Principles (GAAP).

Positions

The Governor's Revised FY 17 Budget eliminates 247 authorized positions (net) through various program adjustments with the bulk of the eliminated positions in the Departments of Developmental Services (214) and Correction (24) due to privatizing certain community residential living arrangements and closing a prison, respectively. In addition, the Governor's Revised FY 17 Budget eliminates the authorized position count for the constituent units of higher education to reflect recommended policy changes to the higher education block grant funding, including fringe benefits as described in the "Other Major Highlights" section of this report.

Town Aid

The Governor's Revised FY 17 Budget reduces municipal aid by \$54.5 million or 1.2% less than original FY 17 appropriations, and rolls out the budgeted FY 17 MORE Commission lapse by specifying an additional \$20 million in reductions to town aid which were originally included as a bottom line reduction to town aid. In addition, the Governor's Revised FY 17 Budget exempts businesses with personal property assessed at less than \$10,000 from the personal property tax. This is estimated to result in a \$6 million revenue loss to municipalities.

Rainy Day Fund (Budget Reserve Fund)

The Governor's Revised FY 17 Budget will increase the balance of the Rainy Day Fund from its current balance of \$406.0 million to \$416.6 million in FY 17.

Lapse (Bottom-Line) Reductions (General Fund)

The Governor's Revised FY 17 Budget assigns \$100.8 million of the unallocated lapses in the original budget to line items, reducing the budgeted bottom line lapse from \$205.7 million to \$104.9 million.

Budget Process

In addition to consolidating line items as referenced above, the Governor's Revised FY 17 Budget document eliminates references to current services adjustments (reflecting all recommended changes as policy) and disaggregates appropriations to cover the cost of fringe benefits by appropriating funds to cover fringe benefit costs directly to state agencies (the current practice is to budget these funds centrally, within the Office of the State Comptroller).

II. FINANCIAL SUMMARY

The Governor's Revised FY 17 Budget has a surplus of \$50.1 million in FY 17 on an all appropriated funds basis. See the table below for details.

Revenue Estimates to Appropriations (in millions)

Fund	FY 17 \$		
	Revenue Estimate	Appropriation	Surplus/ (Deficit)
General	18,152.3	18,141.7	10.6
Transportation	1,537.7	1,499.0	38.7
Pequot	58.2	58.2	-
Other Appropriated ¹	169.2	168.4	0.8
TOTAL	19,917.4	19,867.3	50.1

¹Includes the following: the Regional Market Operation Fund, the Insurance Fund, the Consumer Counsel and Public Utility Control Fund, the Banking Fund, the Workers' Compensation Fund, and the Criminal Injuries Compensation Fund.

Spending Growth

The Governor's Revised FY 17 Budget growth rate for all appropriated funds is 1.0% above the Governor's Estimated FY 16 Expenditures. See the table below for details.

Governor's Revised FY 17 Budget Growth Rates (in millions)

Fund	FY 16 Estimated Expenditures \$	FY 17 Appropriations \$	FY 17 Revised \$	Changes from FY 16 Estimated to FY 17 Revised	
				\$	%
General	18,069.9	18,711.2	18,141.7	80.8	0.4%
Transportation	1,388.8	1,496.1	1,499.0	110.2	7.9%
Pequot	61.8	61.8	58.2	(3.6)	-5.8%
Other Appropriated	167.8	169.2	168.4	0.6	0.4%
TOTAL	19,679.3	20,438.3	19,867.3	188.0	1.0%

Governor's Revised FY 17 Expenditure Changes

Item	Original \$	Revised \$	Difference \$
Gross Appropriations			
General Fund	18,916,880,389	18,246,589,299	(670,291,090)
Special Transportation Fund	1,508,138,933	1,510,979,769	2,840,836
Banking Fund	29,889,297	30,017,068	127,771
Insurance Fund	81,351,940	80,498,095	(853,845)
Consumer Counsel/Public Utility Fund	26,953,593	26,971,235	17,642
Workers' Compensation Fund	26,982,874	26,917,168	(65,706)
Mashantucket Pequot and Mohegan Fund	61,779,907	58,227,562	(3,552,345)
Regional Market Operation Fund	1,067,306	1,067,306	-
Criminal Injuries Compensation Fund	2,934,088	2,934,088	-
Gross Appropriations	20,655,978,327	19,984,201,590	(671,776,737)
General Fund (GF) Lapses			
Unallocated Lapse	(94,476,192)	(94,476,192)	-
Unallocated Lapse - Legislative	(3,028,105)	(3,028,105)	-
Unallocated Lapse - Judicial	(7,400,672)	(7,400,672)	-
General Lapse - Executive	(9,678,316)	-	9,678,316
General Lapse - Judicial	(282,192)	-	282,192
General Lapse - Legislative	(39,492)	-	39,492
Municipal Opportunities and Regional Efficiencies Program	(20,000,000)	-	20,000,000
Statewide Hiring Reduction - Executive	(30,920,000)	-	30,920,000
Statewide Hiring Reduction - Judicial	(3,310,000)	-	3,310,000
Statewide Hiring Reduction - Legislative	(770,000)	-	770,000
General Employee Lapse	(12,816,745)	-	12,816,745
Overtime Savings	(10,500,000)	-	10,500,000
Targeted Savings	(12,500,000)	-	12,500,000
GF Lapses	(205,721,714)	(104,904,969)	100,816,745
Transportation Fund (TF) Lapses			
Estimated Unallocated Lapses	(12,000,000)	(12,000,000)	-
TF Lapses	(12,000,000)	(12,000,000)	-
Net Appropriations			
General Fund	18,711,158,675	18,141,684,330	(569,474,345)
Special Transportation Fund	1,496,138,933	1,498,979,769	2,840,836
Banking Fund	29,889,297	30,017,068	127,771
Insurance Fund	81,351,940	80,498,095	(853,845)
Consumer Counsel/Public Utility Fund	26,953,593	26,971,235	17,642
Workers' Compensation Fund	26,982,874	26,917,168	(65,706)
Mashantucket Pequot and Mohegan Fund	61,779,907	58,227,562	(3,552,345)
Regional Market Operation Fund	1,067,306	1,067,306	-
Criminal Injuries Compensation Fund	2,934,088	2,934,088	-
TOTAL NET APPROPRIATIONS	20,438,256,613	19,867,296,621	(570,959,992)

Spending Cap

The FY 16 - FY 17 Biennial Budget is under the spending cap by \$23 million in FY 16 and \$106.2 million in FY 17. The Governor's Revised FY 17 Budget is under the spending cap by \$58 million in FY 16 and \$648.9 million in FY 17, assuming passage of deficiency appropriations contained in the Governor's proposed deficiency bill. The Governor's proposed FY 16 budget is an additional \$35 million from the cap than the original FY 16 budget due to the net impact of the deficiency bill, which includes a \$35 million increase to debt service (which is exempt from the cap).

Pursuant to Section 35 of PA 15-244, both the FY 16 - FY 17 Biennial Budget and the Governor's Revised FY 17 Budget reflect a five-year personal income growth rate calculated on a calendar year rather than a fiscal year basis, and assume that appropriations for the unfunded liabilities of the State Employees' Retirement System (SRS), Judges, Family Support Magistrates and Compensation Commissioners' Retirement System (JRS), and Teachers' Retirement System (TRS) are exempt from being counted as general budget expenditures under the spending cap through FY 17.

Spending Cap Calculation (in millions)

Item	FY 16 \$	FY 17 \$
All Appropriated Funds - Prior Year	19,014.1	19,807.2
Less Birth to Three & HUSKY B (FY 16) - base adjustment	34.4	-
Extraordinary spending	-	-
Prior Year Appropriations	18,979.7	19,807.2
Less Prior Year "Non-Capped" Expenditures		
Debt Service	2,172.9	2,474.5
SERS/TRS/JRS unfunded liability	1,736.1	1,828.8
Statutory grants to distressed municipalities ¹	1,568.8	1,611.4
Prior Year "Non-Capped" Expenditures	5,477.9	5,914.7
Total "capped" expenditures	13,501.8	13,892.5
Times the 5-year average growth in personal income	3.2%	3.3%
= Allowable "capped" growth	438.1	461.5
Allowable Capped Expenditures	13,939.9	14,354.0
Plus Current Year "Non-Capped" Expenditures		
Debt service	2,474.5	2,626.1
SERS/TRS/JRS unfunded liability	1,828.8	1,947.4
Federal mandates and court orders (new funding)	42.9	7.9
Statutory grants to distressed municipalities	1,579.2	1,580.9
Current Year "Non-Capped" Expenditures	5,925.3	6,162.2
Expenditures Allowed Under the Cap	19,865.2	20,516.2
Appropriation for this year	19,807.2	19,867.3
TOTAL OVER/(UNDER) THE SPENDING CAP	(58.0)	(648.9)

¹Adjusted to reflect the latest distressed grant percentages.

Other Major Highlights

Budgeting Fringe Benefit Costs within Agency Operating Funds

The Governor's Revised FY 17 Budget proposes budgeting certain fringe benefits within agencies' new Agency Operations account for General Fund (GF) and Special Transportation Fund (STF) supported employees. Currently, funding for fringe benefits for GF and STF supported employees are budgeted centrally in the Office of the State Comptroller (OSC) fringe benefit accounts. The Governor utilizes a budgetary rate of 37.44%, which is applied to all GF and STF wages to come up with each agency's fringe benefit allocation for FY 17. An agency's allocation includes funding for employer Social Security and Medicare Taxes (7.65%), active employee health benefits (21.79%) and the normal cost of employees' pensions (8%). Approximately, \$1.5 billion is transferred from OSC into various state agencies for fringe benefits. Agencies will be responsible for remitting fringe benefit funding to OSC.

The following fringe benefits continue to be budgeted centrally in OSC: (1) unemployment compensation, (2) the unfunded liability for the State Employees' Retirement System (SERS), except for higher education employees, (3) pensions and retirements - other statutory (mainly pensions for past Governors), (4) the full actuarially determined employer contribution for the Judges' and Compensation Commissioners' Retirement System, and (5) retired state employee health expenses. Approximately, \$40.7 million remains in the State Employees' Health Service Cost and Employers Social Security Tax accounts within the GF and STF for various miscellaneous expenses, predominately the state's cost for its health plan's third party administrator.

Higher Education Fringe Benefit Changes

Currently, fringe benefits are budgeted centrally in OSC for block grant supported employees. Fringe benefits for tuition supported employees are charged to higher education tuition funds. Higher education institutions manage which employee's salaries and fringe benefits are charged to either the state or tuition funds. The Governor's Revised FY 17 Budget recommends transferring a total of \$432.8 million from the OSC fringe benefit accounts to the higher education block grants to support state supported positions. In addition, a total of \$260.1 million is transferred from the State Employees' Retirement System account within OSC to a new account within the budgets for the higher education institutions to pay for their portion of the State Employees' Retirement System's unfunded liability.

Consolidation of Grant Funding within the Office of the State Comptroller - Miscellaneous Accounts

The Governor’s Revised FY 17 Budget recommends transferring \$21.3 million for various grant programs from the Departments of Economic and Community Development (DECD), Labor (DOL), Children and Families (DCF), the State Department of Education (SDE), and the State Library (CSL) to the Office of the State Comptroller - Miscellaneous accounts (OSC). This recommended transfer reflects a \$1.1 million (4.7%) reduction in funding from the original FY 17 budget for these programs. Funding is transferred into one of five new accounts within OSC: Art Grants, Community Development Grants, Tourism Grants, Workforce Development Grants, and Youth Development Grants. The Governor’s Revised FY 17 Budget includes an additional funding reduction to these new OSC accounts of \$5.3 million. This is a 28.5% reduction in funding from the grant programs’ original FY 17 budget amount, and a 25% reduction in the amount transferred out of the agencies to the OSC in the Governor’s Revised FY 17 Budget.

The table below reflects the following: (1) original FY 17 funding for the various grant programs, (2) the reduced funding transferred from other agencies to the new OSC accounts, (3) additional recommended funding reductions, and (4) the final Governor Revised FY 17 funding for the new grant accounts under OSC.

Governor Revised FY 17 Funding for New Office of the State Comptroller - Miscellaneous Grant Accounts

New OSC Account (Original Agency Grant Location)	Original FY 17 Budget \$	Governor Revised FY 17		
		Transfers \$	Funding Reductions \$	TOTAL \$
Arts Grants (DECD, CSL)	5,389,249	5,125,282	(1,281,321)	3,843,961
Community Development Grants (DECD)	676,114	642,889	(160,722)	482,167
Tourism Grants (DECD)	4,645,108	4,388,359	(1,097,090)	3,291,269
Workforce Development Grants (DOL)	8,387,023	8,061,852	(2,015,463)	6,046,389
Youth Development Grants (DECD, DCF, SDE)	3,243,944	3,068,245	(767,061)	2,301,184
TOTAL	22,341,438	21,286,627	(5,321,657)	15,964,970

III. SIGNIFICANT CHANGES BY SUBCOMMITTEE & AGENCY

The table below highlights significant specific policy changes recommended by the Governor.

Significant Changes by Subcommittee and Agency (in millions)

Subcommittee/Agency/Description of Change	Governor Revised FY 17 \$
Legislative	
Legislative Management	
Reduce the FY 17 appropriation by \$11.4 million.	(11.4)
Auditors of Public Accounts	
Provide funding of \$365,543 including fringe benefits for four positions to conduct compliance audits of certain private special education providers on a five-year audit cycle basis.	0.4
General Government A	
Secretary of the State	
Reduce funding of \$361,595 and four positions to transfer the licensing responsibility and oversight of the Board of Accountancy to the Department of Consumer Protection (DCP). There is no corresponding increase in DCP for this transition of this responsibility.	(0.4)
Office of Governmental Accountability	
Transfer \$8.5 million and 74 positions from the Commission on Human Rights and Opportunities to OGA.	8.5
General Government B	
Debt Service - State Treasurer	
Provide additional funding for UConn - 2000 Debt Service for additional debt service associated with a bond issuance.	10.0

Subcommittee/Agency/Description of Change	Governor Revised FY 17 \$
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Office of Policy and Management

Reduce funding for State Property PILOT.	(16.4)
Reduce funding for College & Hospital PILOT.	(9.6)
Reduce funding for Pequot grants.	(3.6)

Department of Administrative Services

Eliminate funding for the Connecticut Education Network (CEN).	(2.9)
Provide funding for the DSS ImpaCT automated eligibility system.	1.1

Regulation and Protection

Department of Emergency Services and Public Protection

Eliminate the grant funding of \$510,000 for the nine fire training schools.	(0.5)
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Commission on Human Rights and Opportunities

Consolidate 74 positions and funding from CHRO into Office of Governmental Accountability (OGA).	(8.5)
Eliminate 11 positions and funding for the Set Aside Program that would not be transferred to OGA.	(0.6)

Office of Consumer Counsel

Eliminate the Office of State Broadband and the one position associated with it.	(0.3)
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Conservation and Development

Department of Energy and Environmental Protection

Eliminate funding for Conservation Districts and Soil and Water Councils.	(0.3)
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Department of Economic and Community Development

Eliminate legislatively directed grants funded through the "Other Expenses" account. This includes: Dream It. Do It., OpSail, Schooner, Inc., Stamford Parade, New Haven Symphony, Blackwell School of Music, CT Grizzlies.	(0.5)
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Subcommittee/Agency/Description of Change	Governor Revised FY 17 \$
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Department of Housing

Reduce funding for the Rental Assistance Program to reflect the current pace of placement in the Money Follows the Person program which continues to be slower than anticipated.	(3.5)
Eliminate the Tax Abatement program in FY 17 as part of the annualization of the FY 16 lapses.	(1.2)

Agricultural Experiment Station

Eliminate funding for three vacant Assistant Agricultural Scientist 2 (AAG 2) positions.	(0.2)
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Health

Department of Developmental Services (DDS)

Transfer funding for Community Residential Services and Cooperative Placements programs to the DSS for Medicaid claiming responsibility. This begins the transition from provider grants under DDS to fee-for-service payments under DSS. The purpose of this proposal is to ensure federal reimbursement on all eligible services while also ensuring appropriate Medicaid billing, provider enrollment, and client eligibility.	(537.1)
Convert 30 residential group homes from public to private operation.	(6.2)
Transfer Autism Division to the DSS to reflect the expansion of medically necessary services for individuals under 21 with autism spectrum disorder under the Medicaid State Plan. Lead agency responsibilities and supporting resources are transferred to DSS.	(2.4)

Department of Mental Health and Addiction Services

Reduce funding for mental health (\$11.2 million) and substance abuse (\$4.6 million) grants.	(15.8)
Eliminate new funding for acute care and emergency behavioral health grants.	(3.0)
Reduce funding to Regional Action Councils and Regional Mental Health Boards to reflect consolidation.	(1.3)

Subcommittee/Agency/Description of Change	Governor Revised FY 17 \$
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Transportation

Department of Transportation

Increase funding for safety and maintenance on Metro North.	6.1
Eliminate funding for Non-ADA Para Transit.	(0.6)

Human Services

Department of Social Services

Transfer funding from DDS for Community Residential Services and Cooperative Placements programs to DSS for Medicaid claiming responsibility.	537.1
Transfer Autism Services Division from DDS.	1.6
Limit Medicaid orthodontia coverage.	(3.2)
Reduce burial benefit to \$1,000.	(1.1)
Reduce funding for Connecticut Children's Medical Center.	(0.7)

Department of Rehabilitation Services

Eliminate funding for Independent Living Centers.	(0.5)
Eliminate funding for health insurance coverage for individuals formerly employed in agency-run workshops. This proposal anticipates that these individuals are eligible for other forms of health insurance coverage.	(0.2)

Department of Children and Families

Adjust funding to reflect updated caseload projections for out-of-home placements (adoption, subsidized guardianship, foster, and residential congregate care) education, individualized services (wraparound funding), and workers' compensation claims.	(3.7)
Reduce excess congregate care capacity, by eliminating support for one Short Term Assessment and Respite (STAR) home, and by transitioning youth currently residing in traditional group homes to less costly alternative placements, aimed at successfully transitioning youth to independent living. Savings reflect partial year implementation (8 months) to allow time for well-planned transitions.	(1.3)

Subcommittee/Agency/Description of Change	Governor Revised FY 17 \$
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Elementary and Secondary Education

Department of Education

Reduce Funding for Magnet Schools.	(18.7)
Reduce ECS to FY 16 level.	(11.5)
Reduce Excess Cost Grant.	(8.0)
Reduce Funding for the Open Choice Program.	(3.0)
Reduce Priority School Districts.	(2.6)
Reduce Adult Education Grant.	(1.6)
Reduce Transportation of School Children Grant.	(1.3)

Higher Education

University of Connecticut

Reduce Operating Funds.	(12.8)
Reduce Operating Funds - Next Gen.	(1.2)
Revise Treatment of Fringe Benefits - Accrued Pension Liabilities.	76.8
Revise Treatment of Fringe Benefits.	62.3

University of Connecticut Health Center

Reduce Operating Funds.	(8.1)
Revise Treatment of Fringe Benefits - Accrued Pension Liabilities.	70.4
Revise Treatment of Fringe Benefits.	32.2

Board of Regents for Higher Education

Reduce Operating Funds.	(20.1)
Revise Treatment of Fringe Benefits - Accrued Pension Liabilities.	112.9
Revise Treatment of Fringe Benefits.	71.3

Subcommittee/Agency/Description of Change	Governor Revised FY 17 \$
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Judicial and Corrections

Department of Correction

Reduce funding due to Second Chance Society initiatives. Savings include the closure of facility wings and annexes in early FY 17 and the closure of a full facility by the end of FY 17.	(14.8)
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Judicial Department

Reduce funding Personal Services to reflect a reduction in Judicial Department personnel.	(20.0)
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IV. SIGNIFICANT REVENUE CHANGES

The Governor’s Revised FY 17 budget increases General Fund revenue by \$1.8 million on a net basis, including federal grants. Descriptions of the major changes to the general and other funds are described in the table below.

Significant Revenue Changes (in millions)

Description of Change	Governor Revised FY 17 \$
General Fund	
Decrease Mashantucket Pequot-Mohegan Fund Transfer	
Permanently reduce the General Fund transfer to the Mashantucket Pequot-Mohegan Fund from \$61.8 million to \$58.2 million.	3.5
Alcoholic Beverage Sales Changes	
Revise minimum pricing requirements on alcoholic beverages.	2.1
Eliminate Tobacco Health Trust Fund Support for Certain Programs	
Eliminate support for the Asthma Awareness Program and Easy Breathing Program in FY 17.	0.7
Increase Certain Labor Department Filing Fees	
Increase the grievance filing fee from \$25 to \$200.	0.2
Special Transportation Fund	
Increase Fees	
Increase permit fees for oversize/overweight vehicles.	0.8
Probate Court Administration Fund	
Cap Probate Estate Fee	
Cap the Probate Court decedent's estate fee to \$40,000. This change is anticipated to result in a revenue loss of \$6.5 million annually.	(6.5)
Federal Grants	
Reduce Federal Grants Revenue	
Reflect a revenue loss associated with expenditure reductions in DDS and DSS.	(4.7)

V. MUNICIPAL AID AND OTHER CHANGES AFFECTING MUNICIPALITIES

The Governor's Revised FY 17 Budget reduces municipal aid by \$54.5 million, or 1.2 percent, from FY 17 appropriations. However, \$151.2 million of municipal aid was consolidated into new agency operations accounts that agencies have greater authority over. Agencies could choose to spend more or less than the amounts transferred into the accounts.

The Governor also rolled out the budgeted FY 17 MORE Commission Lapse by making reductions to the State Property PILOT, College & Hospital PILOT, Education Cost Sharing (ECS) and Tax Abatement. The following is a summary of major changes to municipal aid:

- The State Property PILOT is reduced by \$16.4 million and the College & Hospital PILOT is reduced by \$9.6 million. This reflects: (1) the rollout of the FY 16 MORE Commission Lapse into FY 17, and (2) implementation of across-the-board reductions.
- ECS is reduced by \$4 million and Tax Abatement is reduced by \$1.2 million as part of the rollout of the FY 16 MORE Commission Lapse into FY 17.
- Pequot grants are reduced by \$3.6 million.
- 32 other municipal grants were reduced as part of the Governor's across the board reductions to discretionary spending.

The following table shows a breakdown of municipal aid in the Governor's revised FY 17 budget.

Synopsis of the Governor's Revised FY 17 Budget

For municipal aid accounts that were consolidated, the table on the following page shows what the reductions to the consolidated accounts might look like if distributed proportionally among the historical line item accounts. Please note that this exercise does not reflect the Governor's Revised FY 17 budget. This information is being displayed this way to provide some context. Under the Governor's Revised FY 17 budget, agencies will have the flexibility to decide where to achieve budgetary reductions.

Revised FY 17 Municipal Aid Budget

Fund/Agency/Grant Name	Estimated FY 16 \$	Original FY 17 \$	Revised FY 17 \$ ¹	Revised FY 17 \$ - Original FY 17 \$	Revised FY 17 \$ - Estimate FY 16 \$
Appropriated Funds					
Connecticut State Library (CSL)					
Grants To Public Libraries ¹	190,846	193,391	181,788	(11,603)	(9,058)
Connecticard Payments ¹	900,000	900,000	846,000	(54,000)	(54,000)
Department of Housing (DOH)					
Tax Abatement	1,118,580	1,153,793	-	(1,153,793)	(1,118,580)
Housing/Homeless Services- Municipality	640,398	640,398	633,995	(6,403)	(6,403)
Department of Public Health (DPH)					
Local and District Departments of Health	4,458,648	4,692,648	4,115,926	(576,722)	(342,722)
Venereal Disease Control	197,171	197,171	197,171	-	-
School Based Health Clinics	11,747,498	11,898,107	10,653,268	(1,244,839)	(1,094,230)
Department of Social Services (DSS)					
Human Resource Development- Hispanic Programs - Municipality	5,029	5,096	5,046	(50)	17
Teen Pregnancy Prevention - Municipality	120,598	124,044	122,893	(1,151)	2,295
Community Services - Municipality	78,526	79,573	75,647	(3,926)	(2,879)
Office of Early Childhood (OEC)					
Early Childhood Program ¹	10,840,145	10,840,145	10,840,145	-	-
Child Care Services ¹	18,701,942	19,081,942	19,081,942	-	380,000
School Readiness Quality ¹ Enhancement	4,111,135	4,676,081	4,676,081	-	564,946
School Readiness ¹	83,399,834	83,399,834	83,399,834	-	-
Office of Policy and Management (OPM)					
State Property PILOT	83,641,646	83,641,646	67,253,486	(16,388,160)	(16,388,160)
College & Hospital PILOT	125,431,737	125,431,737	115,851,775	(9,579,962)	(9,579,962)
Reimbursement Property Tax - Disability Exemption	400,000	400,000	377,000	(23,000)	(23,000)
Distressed Municipalities	5,800,000	5,800,000	5,466,500	(333,500)	(333,500)
Property Tax Relief Elderly Circuit Breaker	20,505,900	20,505,900	19,326,811	(1,179,089)	(1,179,089)
Property Tax Relief Elderly Freeze Program	120,000	120,000	113,100	(6,900)	(6,900)
Property Tax Relief for Veterans	2,970,098	2,970,098	2,799,317	(170,781)	(170,781)
Pequot Grants	61,779,907	61,779,907	58,227,562	(3,552,345)	(3,552,345)
Department of Education (SDE)					
Vocational Agriculture ¹	11,017,600	11,017,600	11,017,600	-	-
Transportation of School Children	23,329,451	23,329,451	21,988,008	(1,341,443)	(1,341,443)
Adult Education	21,035,200	21,037,392	19,450,742	(1,586,650)	(1,584,458)
Health and Welfare Services Pupils Private Schools ¹	3,867,750	3,867,750	3,771,057	(96,693)	(96,693)

Fund/Agency/Grant Name	Estimated FY 16 \$	Original FY 17 \$	Revised FY 17 \$ ¹	Revised FY 17 \$ - Original FY 17 \$	Revised FY 17 \$ - Estimate FY 16 \$
Education Equalization Grants ²	2,058,215,809	2,062,299,985	2,058,215,809	(4,084,176)	-
Bilingual Education ¹	2,991,130	3,491,130	3,491,130	-	500,000
Priority School Districts	43,747,208	44,837,171	42,259,034	(2,578,137)	(1,488,174)
Young Parents Program ¹	229,330	229,330	227,037	(2,293)	(2,293)
Interdistrict Cooperation ¹	7,164,885	7,164,966	7,093,318	(71,648)	(71,567)
School Breakfast Program ¹	2,379,962	2,379,962	2,379,962	-	-
Excess Cost - Student Based	139,805,731	139,805,731	131,766,901	(8,038,830)	(8,038,830)
Non-Public School Transportation	3,451,500	3,451,500	3,253,039	(198,461)	(198,461)
Youth Service Bureaus	2,839,805	2,839,805	2,676,516	(163,289)	(163,289)
Open Choice Program	38,296,250	43,214,700	40,258,605	(2,956,095)	1,962,355
Magnet Schools	328,419,980	324,950,485	306,265,832	(18,684,653)	(22,154,148)
After School Program ¹	5,363,286	5,363,286	5,136,997	(226,289)	(226,289)
Teachers' Retirement Board (TRB)					
Retirement Contributions	975,578,000	1,012,162,000	1,012,162,000	-	36,584,000
Retirees Health Service Cost	14,714,000	14,714,000	14,566,860	(147,140)	(147,140)
Municipal Retiree Health Insurance Costs	5,447,370	5,447,370	5,392,897	(54,473)	(54,473)
Subtotal	4,125,053,885	4,170,135,125	4,095,618,631	(74,516,494)	(29,435,254)
Bond Funds and Other Revenue Sources					
Municipal Revenue Sharing Account- Property Tax Related Aid ³	-	233,700,000	233,700,000	-	233,700,000
Town Aid Road	60,000,000	60,000,000	60,000,000	-	-
LoCIP	30,000,000	30,000,000	30,000,000	-	-
Grants for Municipal Projects	60,000,000	60,000,000	60,000,000	-	-
Subtotal	150,000,000	383,700,000	383,700,000	-	233,700,000
GROSS TOTAL	4,275,053,885	4,553,835,125	4,479,318,631	(74,516,494)	204,264,746
MORE Commission Lapse	(20,000,000)	(20,000,000)	-	-	-
NET TOTAL	4,255,053,885	4,533,835,125	4,479,318,631	(54,516,494)	224,264,746

¹These accounts were consolidated into agency operations accounts. For these accounts, the table shows what the reductions to the consolidated accounts might look like if distributed proportionally among the historical line item accounts. Please note that this exercise does not reflect the governor's revised FY 17 budget. This information is being displayed this way to provide some context. Under the governor's revised FY 17 budget, agencies will have the flexibility to decide where to achieve budgetary reductions.

²These figures do not include funding for Charter Schools.

³Expenditures from the Municipal Revenue Sharing Account are based on estimated deposits into the account in FY 16 and FY 17.

Property Tax Changes

The Governor proposes exempting businesses with personal property assessed at less than \$10,000 from the personal property tax. This was a recommendation of the Connecticut Tax Panel. According to a study conducted for the panel, this would result in a revenue loss to municipalities of \$6 million.

VI. SIGNIFICANT CAPITAL BUDGET CHANGES

The Governor's recommended capital budget authorizations and cancellations are in the table below.

Governor's Recommended Capital Budget (in millions)

Recommended Bond Authorizations	Governor Revised FY 17 \$
Prior General Obligation (GO) authorizations	1,886.3
Recommended new GO bonds	279.0
Recommended GO bond cancellations	(385.4)
Subtotal (GO)	1,779.9
Prior Special Tax Obligation (STO)authorizations	1,213.5
Recommended new STO bonds	58.3
Prior Clean Water Fund (CWF) Revenue bonds	180.0
Prior UCONN 21 st Century Program	266.4
Prior CSUS 2020 Program	95.0
Prior Bioscience Collaboration Fund	21.1
Prior Bioscience Innovation Fund	25.0
TOTAL	3,639.2

The table below shows the actual level of bond authorizations from FY 06 to FY 16 and the proposed level of authorizations for FY 17 in the Governor's capital budget.

General Obligation Bond Authorizations (in millions)

Fiscal Year	Legislative Session	Total New Authorizations \$	Gross Tax Supported \$	Clean Water Revenue Bonds \$	Cancellations \$	Net \$
06	2005	1,319.5	1,319.5	-	(41.2)	1,278.2
07	2005	1,513.7	1,413.7	100.0	-	1,513.7
08	2007	2,224.2	1,989.2	235.0	(206.9)	2,017.3
09	2007	1,767.9	1,587.9	180.0	-	1,767.9
10	2009	1,104.9	1,024.9	80.0	-	1,104.9
11	2009/10	1,264.5	1,144.5	120.0	(441.9)	822.6
12	2011	1,958.2	1,724.8	233.4	(10.8)	1,947.3
13	2011/12	2,927.2	2,688.8	238.4	(11.8)	2,915.4
14	2013	3,132.8	2,752.4	380.4	(22.5)	3,110.4
15	2013/14	3,147.5	2,815.5	332.0	(9.8)	3,137.7
16	2015	1,865.5	1,807.5	58.0	(267.5)	1,598.0
Proposed 17	2015/16	2,165.3	1,985.3	180.0	(385.4)	1,779.9

The table below lists major changes to GO bond authorizations recommended by the Governor.

Significant Recommended Capital Authorizations by Agency (in millions)

Description of Change	Governor Revised FY 17 \$
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General Obligation Bonds

Office of Policy and Management

Grants-in-aid to private, nonprofit health and human service organizations.	15.0
Transit-oriented development and predevelopment activities.	8.0

Department of Administrative Services

Alterations, renovations and improvements, including installation of air conditioning, development and demolition, to the State Office Building and associated parking facilities in Hartford.	181.0
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Department of Veterans' Affairs

Alterations, renovations and improvements to buildings and grounds.	5.0
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Department of Economic and Community Development

Urban and industrial site reinvestment tax credit program.	10.0
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Department of Correction

Design and construction for replacement of the central heating and cooling plant and underground distribution system at York Correctional Institution in East Lyme.	60.0
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Special Tax Obligation Bonds

Department of Transportation

Bus and rail facilities and equipment, including rights-of-way, other property acquisition and related projects.	60.0
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Bond Cap Calculation

The Governor’s proposed bond package for FY 17 is below the statutory bond cap on General Obligation bonds for the fiscal year, based on revenue estimates that include the tax proposals. The table below shows that the cap calculation as of July 1, 2016, is 89.9%. These figures compare to the Treasurer’s cap calculation on January 1, 2016, which was 83.54%, as shown below.

CGS Section 3-21 stipulates that if the level of bonded indebtedness reaches 90% of the ceiling amount, the Governor must review each bond act for which no obligations have yet been incurred and recommend to the General Assembly priorities for repealing these authorizations.

Statutory Bond Cap for the Governor’s Proposed FY 17 Bond Package

Calculations	As of January 1, 2016 \$	As of July 1, 2016 \$
Net Tax Revenues ¹	15,711,565,000	15,649,700,000
Multiplier	1.6	1.6
Debt Limit	25,138,504,000	25,039,520,000
Calculation of Bonds Subject to Debt Limit		
Net Indebtedness	21,000,067,079	22,518,849,044
Net Indebtedness as a Percent of Debt Limit	83.5%	89.9%
Debt Incurring Margin (to Debt Limit)	4,138,436,920	2,520,670,956
90% Limit	22,624,653,600	22,535,568,000
Debt Incurring Margin to 90% Limit	1,624,586,520	16,718,956

¹The 7/1/2016 net tax revenue figures include the Governor's tax proposals.

VII. APPENDIX A

Full Time Authorized Position Count by Agency and Fund

Fund/Agency	Authorized FY 16	Original FY 17	Governor's Revised FY 17	Difference From Original
General Fund				
African-American Affairs Commission	3	3	3	-
Agricultural Experiment Station	69	69	66	(3)
Asian Pacific American Affairs Commission	2	2	2	-
Attorney General	303	303	303	-
Auditors of Public Accounts	117	117	121	4
Board of Regents for Higher Education	4,625	4,633	-	(4,633)
Commission on Aging	4	4	4	-
Commission on Children	7	7	7	-
Commission on Human Rights and Opportunities	85	85	-	(85)
Council on Environmental Quality	2	2	2	-
Department of Administrative Services	663	663	663	-
Department of Agriculture	50	50	50	-
Department of Children and Families	3,240	3,240	3,240	-
Department of Consumer Protection	239	239	241	2
Department of Correction	6,216	6,141	6,117	(24)
Department of Developmental Services	3,318	3,318	3,104	(214)
Department of Economic and Community Development	89	89	89	-
Department of Education	1,806	1,815	1,815	-
Department of Emergency Services and Public Protection	1,733	1,733	1,733	-
Department of Energy and Environmental Protection	644	644	642	(2)
Department of Housing	23	23	23	-
Department of Mental Health and Addiction Services	3,438	3,438	3,438	-
Department of Motor Vehicles	-	-	-	-
Department of Public Health	479	479	481	2
Department of Rehabilitation Services	118	118	118	-
Department of Revenue Services	660	660	660	-
Department of Social Services	1,975	1,976	1,980	4
Department of Veterans' Affairs	243	243	243	-
Division of Criminal Justice	486	486	486	-
Governor's Office	28	28	28	-
Judicial Department	4,329	4,329	4,329	-
Labor Department	191	191	191	-
Latino and Puerto Rican Affairs Commission	4	4	4	-
Legislative Management	450	450	450	-
Lieutenant Governor's Office	7	7	7	-
Military Department	42	42	42	-
Office of Early Childhood	116	116	116	-
Office of Governmental Accountability	92	92	166	74
Office of Higher Education	27	27	27	-
Office of Policy and Management	125	125	125	-
Office of the Chief Medical Examiner	50	50	50	-
Permanent Commission on the Status of Women	6	6	6	-

Fund/Agency	Authorized FY 16	Original FY 17	Governor's Revised FY 17	Difference From Original
Protection and Advocacy for Persons with Disabilities	31	31	31	-
Psychiatric Security Review Board	3	3	3	-
Public Defender Services Commission	447	447	447	-
Secretary of the State	84	84	80	(4)
State Comptroller	276	276	272	(4)
State Department on Aging	28	28	28	-
State Library	55	55	55	-
State Treasurer	45	45	45	-
Teachers' Retirement Board	27	27	27	-
University of Connecticut	2,413	2,413	-	(2,413)
University of Connecticut Health Center	1,698	1,698	-	(1,698)
General Fund Total	41,211	41,154	32,160	(8,994)
Special Transportation Fund				
Department of Energy and Environmental Protection	28	28	29	1
Department of Motor Vehicles	603	603	603	-
Department of Transportation	3,279	3,353	3,352	(1)
State Treasurer	1	1	1	-
Special Transportation Fund Total	3,911	3,985	3,985	-
Banking Fund				
Department of Banking	120	120	124	4
Judicial Department	51	51	51	-
Banking Fund Total	171	171	175	4
Insurance Fund				
Department of Public Health	5	5	5	-
Insurance Department	159	159	159	-
Office of Policy and Management	2	2	2	-
Office of the Healthcare Advocate	29	29	29	-
Insurance Fund Total	195	195	195	-
Consumer Counsel/Public Utility Fund				
Department of Energy and Environmental Protection	127	127	127	-
Office of Consumer Counsel	15	15	14	(1)
Consumer Counsel/Public Utility Fund Total	142	142	141	(1)
Workers' Compensation Fund				
Department of Rehabilitation Services	6	6	6	-
Division of Criminal Justice	4	4	4	-
Labor Department	2	2	2	-
Workers' Compensation Commission	117	117	117	-
Workers' Compensation Fund Total	129	129	129	-
Regional Market Operation Fund				
Department of Agriculture	7	7	7	-
Regional Market Operation Fund Total	7	7	7	-
TOTAL	45,766	45,783	36,792	(8,991)