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**OLR Bill Analysis**

**HB 6701**

***Emergency Certification***

***AN ACT CONCERNING THE BUDGET FOR THE BIENNIUM  
ENDING JUNE 30, 2013.***

**§ 1 — CHANGES IN PREVIOUSLY ADOPTED GENERAL FUND  
APPROPRIATIONS**

The bill revises required reductions in total General Fund appropriations for FYs 12 and 13 adopted in PA 11-61 as shown below.

| CURRENT (PA 11-61 § 67)                |              |              | THE BILL  |              |               |
|--|--------------|--------------|---|--------------|---------------|
|  | 2011-12      | 2012-13      |   | 2011-12      | 2012-13       |
| Labor Management Savings - Legislative | -\$4,586,734 | -\$6,671,872 | Budget savings and employee reduction - Legislative | -\$9,000,000 | -\$13,000,000 |
| Labor Management Savings - Executive   | -625,947,354 | -806,963,225 | Budget savings and employee reduction - Executive   | -543,777,737 | -724,632,425  |
| Labor Management Savings - Judicial    | -27,670,929  | -30,622,622  | Budget savings and employee reduction - Judicial    | -43,205,632  | -42,961,413   |

It also increases net General Fund appropriations adopted in PA 11-61 by \$62,221,648 for FY 12 and \$63,663,881 for FY 13.

EFFECTIVE DATE: Upon passage

**§ 2 — CHANGES IN PREVIOUSLY ADOPTED SPECIAL  
TRANSPORTATION FUND APPROPRIATIONS**

The bill increases required reductions in total Special Transportation Fund appropriations for FYs 12 and 13 adopted in PA 11-61 as shown below.

| CURRENT (PA 11-61 § 68) |               |               | THE BILL       |                |                |
|-------------------------|---------------|---------------|----------------|----------------|----------------|
|                         | 2011-12       | 2012-13       |                | 2011-12        | 2012-13        |
| Labor                   | -\$42,536,383 | -\$56,949,138 | Budget savings | -\$104,758,031 | -\$120,613,019 |

|                    |  |  |                        |  |  |
|--------------------|--|--|------------------------|--|--|
| Management Savings |  |  | and employee reduction |  |  |
|--------------------|--|--|------------------------|--|--|

It also reduces net Special Transportation Fund appropriations adopted in PA 11-61 by \$62,221,648 for FY 12 and \$63,663,881 for FY 13.

EFFECTIVE DATE: Upon passage

### **§§ 3 & 4 — EARNED INCOME TAX CREDIT**

PA 11-6 gives Connecticut residents who qualify for, and claim, the federal earned income tax credit (EITC) a refundable credit against their state income tax liability for the same year. The bill reduces the state EITC from 30% to 25% of the federal credit. It makes the same reduction in the credit percentage for couples eligible for the state EITC who file joint federal returns but have to file separate state returns for the same tax year.

EFFECTIVE DATE: Upon passage and applicable to tax years starting on or after January 1, 2011.

### **§ 5 — GOVERNOR'S AUTHORITY TO TRANSFER FUNDS BETWEEN AGENCIES**

The law requires the governor, with Finance Advisory Committee (FAC) approval, to determine the appropriations amount to be transferred when, as a result of legislation, powers, functions, or duties are transferred from one department, institution, or agency to another. Between July 1 and September 30, 2011, the bill also requires the governor, with FAC approval, to determine the FY 12 and FY 13 appropriation amounts to be transferred from one agency to another when personnel, functions, powers, or duties are transferred because of any reorganization due to reductions in the number of employees or rescissions in appropriations.

EFFECTIVE DATE: Upon passage

### **§ 6 — GOVERNOR'S RESCISSION AUTHORITY**

Between July 1 and September 30, 2011, the bill allows the governor

to decide to impose larger-than-normal rescissions in FY 12 and FY 13 budget appropriations.

An existing law allows the governor, without legislative or FAC approval, to unilaterally rescind up to 3% of the total appropriations from any fund or 5% of any appropriation if he determines that (1) circumstances have changed since the budget was adopted or (2) there are not enough estimated resources to fund all appropriations. The bill allows the governor, between July 1 and September 30, 2011, to impose rescissions of up to 10% of the total FY 12 and FY 13 appropriations from any fund or 10% of any appropriation for FYs 12 and 13.

Under the bill, as under existing law, the governor may cut appropriations for municipal aid only with legislative approval. In addition, the bill does not change the process for, or the governor's authority over, legislative and judicial branch budget rescissions.

To make rescissions under the bill, the governor must determine that (1) there is either a fiscal exigency related to the budget or there are not enough estimated resources to fund all appropriations and (2) his statutory rescission authority will not be enough to deal with the exigency or shortfall.

The bill's provisions do not apply in time of war, invasion, or a natural disaster emergency. Thus, under these circumstances, the existing law applies which specifically provides that the governor's rescission authority is not limited in time of war, invasion, or a natural disaster emergency.

As under the statute, before making the authorized reductions, the governor must file a report with the Appropriations and Finance, Revenue and Bonding committees that describes the fiscal exigency or the basis for his determination that resources will be insufficient to fund full appropriations.

EFFECTIVE DATE: Upon passage

**§ 7 — GOVERNOR’S AUTHORITY TO TRANSFER OR REVISE AGENCY APPROPRIATIONS**

***Transfers***

The bill gives the governor additional authority, from July 1 and September 30, 2011, to transfer funds between specific appropriations within a budgeted agency without FAC approval. It increases the maximum amount he may transfer on his own authority from the lesser of \$50,000 or 10% of any specific appropriation in any one year, to the greater \$250,000 or 10% of any specific appropriation in a single year. The governor may make such transfers only at the agency’s request and when the appropriation to which the funds are transferred is insufficient to meet required expenses for FY 12 and Y 13.

Under the bill as under existing law, the governor must notify the Appropriations Committee, through the Office of Fiscal Analysis, of any transfers.

***Revisions***

The bill also temporarily expands governor’s authority to with FAC approval, revise appropriations. By law, the governor can revise appropriations when legislation or management studies modify a budgeted agency’s work, procedures, or organization. Between July 1 and September 30, 2011, the bill allows him to revise appropriations when employee reductions necessitate such modifications. It allows the governor, with FAC approval, to adopt recommendations from the OPM secretary for increases and decreases in work locations and authorized position counts as well as for increases or decreases in the number of the agency’s appropriations functions and their amounts.

As under the statute, the governor’s appropriation revisions under the bill cannot exceed the agency’s total original appropriation.

EFFECTIVE DATE: Upon passage

**§ 8 — IMPLEMENTATION OF EXPENDITURE REDUCTIONS**

For FY 12 and 13, the bill requires authorities in the three branches of government to implement the budget savings and employee

reductions the bill requires for FY 12 and FY 13. The authorities are:

1. the OPM secretary, on the governor's approval, for the executive branch;
2. the Legislative Management Committee for the legislative branch; and
3. the chief court administrator, on the chief justice's approval, and the chief public defender for the judicial branch and the Public Defenders Services Division, respectively. The bill limits reductions for the Court Support Services and the Public Defenders Services divisions to their pro rata shares of the Judicial Branch's required reductions.

The also bill allows OPM to reduce appropriations for higher education constituent unit operating funds to achieve the budget savings and employee reductions the bill requires.

EFFECTIVE DATE: Upon passage

#### **§ 9 — TRANSFER FROM GENERAL FUND TO SPECIAL TRANSPORTATION FUND**

For FY 12, the bill reduces the required revenue transfer from the General Fund to the Special Transportation Fund from \$81.55 million to \$41 million.

EFFECTIVE DATE: July 1, 2011

#### **§ 10 — DEBT SERVICE CARRY FORWARD**

The bill carries forward to FY 12 and FY 13 up to \$23,266,835 of the unspent balance of funds appropriated for debt service in FY 11. Of that amount, it makes \$21,371,068 and \$1,895,767 available for debt service in FY 12 and FY 13, respectively.

EFFECTIVE DATE: July 1, 2011

#### **§ 11 — GENERAL ASSEMBLY APPROVAL OF SEBAC DELAYED**

PA 11-61 established a method for the General Assembly to approve

the tentative contract signed by SEBAC and the state on May 27, 2011. This bill eliminates the references to the specific SEBAC agreement signed on that date and instead refers to an agreement with SEBAC. The bill extends the deadline, from June 30 to August 31, for the General Assembly to approve a SEBAC contract while keeping the same procedural steps for the approval. SEBAC is a coalition that represents 15 state employee unions that includes 34 local bargaining units representing roughly 85% of all state employees.

Under the bill, the General Assembly may call itself into special session for the purpose of approving or rejecting a SEBAC contract no later than five calendar days after a contract is filed with the Senate and House clerks, or by August 31, 2011, whichever is first. Under the bill and the act, if the General Assembly does not call itself into session within five days of the contract being filed with the clerks of each house the agreement is deemed approved by the General Assembly as of the date it was filed.

***Applying Terms Comparable to SEBAC to Nonunionized State Employees***

PA 11-61 required the Administrative Services commissioner and the Office of Policy and Management (OPM) secretary, once the General Assembly approves the contract, to apply terms comparable to the SEBAC contract to all nonunion classified and unclassified officers and state employees. The bill gives OPM, the chief court administrator, and the legislative management executive director until September 30, rather than June 30, to submit plans to the Appropriations Committee detailing how the terms of the SEBAC contract will apply to nonunion classified and unclassified officers and employees in the executive branch, judicial branch, and legislative management, respectively.

***Longevity Pay for Executive Branch and Higher Education Employees***

PA 11-61 required the executive branch and Board of Regents of Higher Education, by August 1, 2011, to implement changes to longevity pay for nonunion classified and unclassified officers and employees that are comparable to SEBAC longevity provisions. The

bill requires changes to the longevity payments for these employees, but does not require it be comparable to SEBAC. Instead it requires longevity to be comparable to the eligibility provisions of the executive longevity pay plan. The executive longevity pay plan is set by the Department of Administrative Services. It specifies the change to longevity only takes place if the SEBAC agreement is approved.

This bill extends the deadline to implement these changes to October 1, 2011.

***Wages and Longevity Pay for Judicial and Legislative Branch Employees***

PA 11-61 required the judicial and legislative branches, by August 1, 2011, to consider and implement changes to longevity pay and wages for nonunionized officers and employees of the judicial and legislative branches that are comparable to the longevity pay and wage provisions of the SEBAC contract. The bill requires changes to the longevity for these employees to be contingent upon approval of the SEBAC agreement, but does not require it be comparable to SEBAC. Instead it requires longevity to be comparable to the eligibility provisions of the executive longevity pay plan.

This bill extends the deadline to implement these changes to October 1, 2011.

PA 11-61 and the bill specify that nothing regarding the judicial branch wage provisions apply to officers or employees whose wages are set in statute. Judges, family support magistrates, workers' compensation commissioners, and others' wages are set in statute.

EFFECTIVE DATE: Upon passage

**§§ 12 & 16 — EFFECTIVE DATE OF CHANGES TO JUDGES RETIREMENT**

The bill provides that the changes to the judicial retirement system by PA 11-61 take effect upon the General Assembly's approval of an agreement with SEBAC under the deadline and procedures stated in the bill. It also repeals those changes to the judicial retirement system if

an agreement between SEBAC and the state is not approved by the General Assembly under the bill's deadline and procedures.

EFFECTIVE DATE: Upon passage, with the repeal provision effective September 1, 2011

**§ 13 — LEGISLATIVE ACTION ON PROPOSED EXECUTIVE BRANCH SPENDING REDUCTIONS**

By July 15, 2011, the bill requires the governor and the chief court administrator to submit to the House speaker and Senate president pro tempore detailed plans of the respective executive and judicial branch spending reductions they consider necessary. The governor's plan must include rescissions made both under his existing statutory authority and with the additional authority granted by the bill.

The leaders can refer any provisions of either plan to the Appropriations Committee, which may hold a public hearing on them and, by August 15, 2011, submit its findings to the leaders.

By August 31, 2011, the bill allows the General Assembly to call itself into special session and, enact legislation to adjust state spending for the 2012-2013 biennium in place of any plan provisions. The substitute spending modification and reductions in the legislation must be equal those proposed in the plan provisions.

EFFECTIVE DATE: Upon passage

**§ 14 – REPEALING BUDGET PROVISIONS OF THIS BILL IF SEBAC IS APPROVED**

If the General Assembly approves a SEBAC agreement, the bill repeals certain sections and in certain cases specifies what prior provisions are reinstated.

Changes in previously adopted General Fund appropriations and in previously adopted Special Transportation Fund appropriations (§§ 1 & 2) are repealed and PA 11-61 (§§ 67 and 68) in effect immediately prior to the effective date of said sections are reinstated.

Also the following budgetary changes in the bill become ineffective

upon the date a SEBAC agreement is approved: (1) changes to the earned income tax credit (§§ 3 & 4), and (2) transfer from general fund to special transportation fund (§ 9). In both situations the subsections in effect immediately prior to the repealed sections effective date are reinstated.

The following sections of this bill are repealed on the date the SEBAC agreement is approved:

1. governor's authority to transfer funds between agencies (§ 5),
2. governor's rescission authority (§ 6),
3. governor's authority to transfer or revise agency appropriations (§ 7),
4. implementation of expenditure reductions (§ 8),
5. debt service carry forward (§ 10), and
6. requirement that the governor report to the legislative leaders by July 15, 2011 regarding rescissions and reductions and steps the legislature can take, including rejecting rescissions or reductions and proposing new legislation (§ 13).

EFFECTIVE DATE: Upon passage

**§ 15 — REPEALING BUDGET PROVISION REGARDING SEBAC**

The bill repeals the section of PA 11-6 (the budget act) that addresses steps the governor, General Assembly, and OPM were to take in two different scenarios: (1) the SEBAC agreement is reached and approved and (2) the SEBAC agreement is not reached.

EFFECTIVE DATE: Upon passage