PA 11-1, June 2011 Special Session—HB 6701
Emergency Certification

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

SUMMARY:

This act changes mandatory reductions in total General and Special Transportation fund appropriations for FYs 12 and 13. It increases net General Fund appropriations by $62.2 million and $63.7 million for FYs 12 and 13, respectively, and makes corresponding reductions in net Special Transportation Fund appropriations for the same years. It also:

1. reduces the refundable state earned income tax credit (EITC) for eligible Connecticut residents established by PA 11-6 from 30% to 25% of the federal EITC;
2. temporarily expands the governor's authority to rescind, reduce, transfer, or revise agency appropriations for FY 12 and FY 13 without legislative approval;
3. requires chief administrative authorities in the three branches of government to implement the act's budget savings and employee reductions;
4. allows the Office of Policy and Management (OPM) secretary to reduce higher education operating funds to achieve the required budget and employee reductions;
5. requires the governor and the chief court administrator to submit budget reduction plans to the General Assembly and allows the legislature to hold a public hearing on, and call itself into special session to modify, plan provisions;
6. reduces the required revenue transfer from the General Fund to the Special Transportation Fund by $41.55 million for FY 12; and
7. carries forward $23.3 million in unspent FY 11 debt service appropriations and makes the funds available for debt service expenses in FY 12 and FY 13.

The act repeals all of the provisions described above if an agreement between the state and the State Employees Bargaining Agent Coalition (SEBAC) is approved. Such an agreement was deemed approved on August 22, 2011.

The act establishes an expedited method for the General Assembly to approve any such agreement by August 31, 2011. If an agreement is approved, the act also requires (1) the Department of Administrative Services (DAS) and OPM to implement comparable terms for nonunion Executive Branch employees, (2) the legislative and judicial branches to implement wage provisions comparable to the agreement's wage provisions for their respective nonunion employees, and (3) all

three branches of government and the Board of Regents of Higher Education to implement changes to their respective nonunion employees' longevity pay that are comparable to the executive longevity pay plan.

The act also makes PA 11-61's changes to the judicial retirement system contingent upon approval of an agreement with SEBAC.

EFFECTIVE DATE: Various, see below. However, as required by § 14, many of the act's provisions were repealed or ceased to be effective as of August 22, 2011, the date the General Assembly approved the agreement with SEBAC.

§§ 1 & 2 — CHANGES IN GENERAL FUND AND SPECIAL TRANSPORTATION FUND APPROPRIATIONS

The act adjusts required reductions in total General Fund and Special Transportation Fund appropriations for FYs 12 and 13 adopted in PA 11-61, §§ 67 and 68, respectively. It attributes the reductions to budget savings and employee reductions rather than labor-management savings. The adjustments are shown in Table 1 below.

Table 1: Mandatory Reductions in Total General Fund and Special Transportation Fund Appropriations for FY 12 and FY 13

PA 11-61, §§ 67 & 68			THE ACT		
General Fund					
	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
Special Transportation Fund					
	2011-12	***2012-13***		***2011-12***	***2012-13***
Labor Management Savings	-$42,536,383	-$56,949,138	Budget savings and employee reduction	-$104,758,031	-$120,613,019

For FY 12 and FY 13, the act also increases annual net General Fund appropriations from those in PA 11-61 and reduces net Special Transportation Fund appropriations by the same amounts as shown in Table 2.

Table 2: Adjustments in Net General and Special Transportation Fund Appropriations

	Prior Net Appropriation (PA 11-61, §§ 67 & 68)		Adjustment (The Act)	
	FY 12	***FY 13***	***FY 12***	***FY 13***
General Fund	$18,707,734,750	$18,952,488,239	$62,221,648	$63,663,881

Special Transportation Fund	1,261,932,205	1,277,832,928	(62,221,648)	(63,663,881)

EFFECTIVE DATE: Upon passage, but because the General Assembly approved the agreement with SEBAC, under § 14 these budget changes were repealed and the provisions of PA 11-61, §§ 67 and 68, reinstated on August 22, 2011.

§§ 3 & 4 — EARNED INCOME TAX CREDIT

PA 11-6 gave Connecticut residents who qualify for, and claim, the federal EITC a refundable credit against their state income tax liability for the same year. This act reduces the state EITC from 30% to 25% of the federal credit. It makes a conforming 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. Because the General Assembly approved the agreement with SEBAC, under § 14 of the act the EITC reduction ceased to be effective and the 30% credit established in PA 11-6 was restored on August 22, 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 act 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, but because the General Assembly approved the agreement with SEBAC, under § 14 of the act the governor's additional authority to transfer funds between agencies was repealed on August 22, 2011.

§ 6 — GOVERNOR'S RESCISSION AUTHORITY

Between July 1 and September 30, 2011, the act allows the governor 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 specific 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 act 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 specific appropriation for FYs 12 and 13.

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

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

The act's provisions do not apply in time of war, invasion, or a natural disaster emergency. Thus, under such circumstances, the existing law applies. That law 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, but because the General Assembly approved the agreement with SEBAC, under § 14 of the act the governor's additional rescission authority was automatically repealed on August 22, 2011.

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

Transfers

The act gives the governor additional authority, from July 1 to 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 $50,000 or 10% of any specific appropriation in any one year, whichever is less, to $250,000 or 10% of any specific appropriation in a single year, whichever is greater. 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 FY 13.

Under the act, as under existing law, the governor (1) must notify the Appropriations Committee, through the Office of Fiscal Analysis, of any transfers and (2) may transfer funds from appropriations for fringe benefits to higher education constituent unit operating funds without FAC approval only at the close of the fiscal year.

Revisions

The act also temporarily expands the governor's authority, with FAC approval, to 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 act allows him to revise appropriations when employee reductions necessitate such revisions. It allows the governor, with FAC approval, to adopt recommendations from the OPM secretary for increases and decreases in work locations, functions, authorized position counts, and appropriations amounts for FY 12 and FY 13.

As under the statute, the governor's appropriation revisions under the act cannot exceed the agency's total original appropriation.

EFFECTIVE DATE: Upon passage, but because the General Assembly approved the agreement with SEBAC, under § 14 of the act the governor's additional authority was repealed on August 22, 2011.

§ 8 — IMPLEMENTATION OF EXPENDITURE REDUCTIONS

For FY 12 and 13, the act requires authorities in the three branches of government to implement the budget savings and employee reductions the act requires for FY 12 and FY 13. The authorities are the:

1. OPM secretary, on the governor's approval, for the executive branch;
2. Legislative Management Committee for the legislative branch; and
3. 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 act 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 act also allows OPM to reduce appropriations for higher education constituent unit operating funds to achieve the budget savings and employee reductions the act requires.

EFFECTIVE DATE: Upon passage, but because the General Assembly approved the agreement with SEBAC, under § 14 of the act these provisions were repealed on August 22, 2011.

§ 9 — TRANSFER FROM GENERAL FUND TO SPECIAL TRANSPORTATION FUND

For FY 12, the act reduces the required revenue transfer from the General Fund to the Special Transportation Fund by $40.55 million, from $81.55 million to $41 million.

EFFECTIVE DATE: July 1, 2011, but because the General Assembly approved the agreement with SEBAC, under § 14 of the act the reduction ceases to be effective and the $81.55 million transfer for FY 12 required by PA 11-61 was restored on August 22, 2011.

§ 10 — DEBT SERVICE CARRY FORWARD

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

EFFECTIVE DATE: July 1, 2011, but because the General Assembly approved the agreement with SEBAC, under § 14 of the act these provisions were repealed on August 22, 2011.

§ 11 — GENERAL ASSEMBLY APPROVAL OF SEBAC DELAYED

PA 11-61 established an expedited method for the General Assembly to approve the tentative agreement signed by the state and SEBAC on May 27, 2011. (SEBAC is a coalition of the 15 state employee unions representing roughly 85% of all state employees.) In light of that particular agreement's failure to win approval by state employees, this act provides a similar method for the General Assembly to approve another SEBAC agreement with the state. As under PA 11-61, it requires that changes similar to those in the SEBAC agreement apply to all nonunion employees in the three branches of government.

This act extends PA 11-61's deadline, from June 30 to August 31, 2011, for the General Assembly to approve a SEBAC agreement while keeping the same procedural steps for its approval. Under the act, the General Assembly may call itself into special session to approve or reject a SEBAC agreement within five calendar days after the agreement is filed with the Senate and House clerks, or by August 31, 2011, whichever is first. Under the act and PA 11-61, if the General Assembly does not call itself into session within the five day period, the agreement is deemed approved by the General Assembly as of the date it was filed. The law otherwise requires 30 days of inaction by the General Assembly before a union agreement is deemed approved.

Applying Terms Comparable to SEBAC to Nonunionized State Employees

As under PA 11-61, once a SEBAC agreement is approved, the act requires the DAS commissioner and OPM secretary to apply terms comparable to the SEBAC agreement's to all nonunion classified and unclassified officers and state employees in the executive branch. It gives OPM, the chief court administrator, and the legislative management executive director until September 30, 2011, instead of June 30, 2011, 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, judicial, and legislative branches, respectively.

Longevity Pay for Executive Branch and Higher Education Employees

If a SEBAC agreement is approved, the act requires the DAS commissioner and OPM secretary, by October 1, 2011, instead of August 1, 2011, to implement changes to the longevity payments of nonunion classified and unclassified officers and employees of the Executive Branch, constituent units of higher education, and the Board of Regents for Higher Education that are comparable to the eligibility provisions of the executive longevity pay plan. The executive longevity pay plan is set by DAS and features fixed payment amounts based upon years of service. Under the existing plan, to be eligible for longevity payments, an employee must have been eligible to receive the October 2010 payment. The years of service used to determine an employee's payment is frozen at the years he or she had as of January 6, 2011. Employees who were not eligible to receive the payment in

October 2010 will not receive them in the future.

Wages and Longevity Pay for Judicial and Legislative Branch Employees

If a SEBAC agreement is approved, the act requires the Chief Court Administrator and Legislative Management Committee, by October 1, 2011, instead of August 1, 2011, to implement changes to their respective nonunionized officers' and employees' wages that are comparable to the agreement's wage provisions.

The act also requires the two branches to implement changes to the longevity payments of their respective nonunion classified and unclassified officers and employees that are comparable to the eligibility provisions of the executive longevity pay plan.

As under PA 11-61, the act specifies 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. It also specifies that the provisions regarding legislative employees' wages and longevity payments do not apply to elected officials.

EFFECTIVE DATE: Upon passage

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

The act provides that the changes to the judicial retirement system made by PA 11-61 take effect upon the General Assembly's approval of an agreement with SEBAC under the deadlines and procedures stated in the act. 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 act's deadlines and procedures by September 1, 2011.

EFFECTIVE DATE: Upon passage, with the repeal provision effective September 1, 2011 if the General Assembly does not approve a SEBAC agreement. Since the General Assembly approved such as agreement on August 22, 2011, this repeal did not take effect.

§ 13 — LEGISLATIVE ACTION ON PROPOSED EXECUTIVE BRANCH SPENDING REDUCTIONS

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

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 act 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 equal those proposed in the plan provisions.

EFFECTIVE DATE: Upon passage but because the General Assembly approved the agreement with SEBAC, under § 14 of the act these provisions were repealed on August 22, 2011.

§ 14 — REPEALING ACT PROVISIONS IF SEBAC AGREEMENT IS APPROVED

The act repeals several of its own provisions and, in certain cases, specifies the prior provisions to be reinstated, if the General Assembly approves a SEBAC agreement. Since the SEBAC agreement was approved on August 22, 2011, the following contingent provisions become effective as of that date:

1. changes in General and Special Transportation fund appropriations for FY 12 and FY 13 are repealed and the appropriations for those funds in PA 11-61 are restored;
2. the reduction in the earned income tax credit to 25% is eliminated and the 30% credit in PA 11-6 is restored; and
3. the reduced transfer from General Fund to the Special Transportation Fund for FY 12 is eliminated and the transfer amount required by PA 11-61 is restored; and
4. provisions related to the following are repealed: (a) the governor's enhanced authority to make budget rescissions, transfer funds between agencies; and transfer or revise agency appropriations; (b) plans for implementing expenditure reductions; (c) the debt service carry forward; and (d) the requirement that the governor report to the legislative leaders regarding rescissions and the reductions and steps the legislature can take, including rejecting rescissions or reductions and proposing new legislation.

EFFECTIVE DATE: Upon passage

§ 15 — REPEALING BUDGET ACT PROVISION REGARDING SEBAC

The act repeals a provision of PA 11-6 (the budget act) that addresses steps the governor, General Assembly, and OPM were to take if: (1) a SEBAC agreement is reached and approved by May 31, 2011 and (2) a SEBAC agreement is not reached.

EFFECTIVE DATE: Upon passage

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