

OFFICE OF LEGISLATIVE RESEARCH
PUBLIC ACT SUMMARY



PA 14-47—HB 5596
Emergency Certification

AN ACT MAKING ADJUSTMENTS TO STATE EXPENDITURES AND REVENUES FOR THE FISCAL YEAR ENDING JUNE 30, 2015

SUMMARY: This act modifies appropriations and revenue estimates for FY 15. The previous appropriations were adopted in 2013 as part of the 2014-2015 biennial state budget. Among other things, the act:

1. reduces net General Fund appropriations for FY 15,
2. modifies certain FY 15 budgeted lapses,
3. carries forward unspent balances from FY 14 appropriations and directs funds to be spent in FY 15 for specific programs and purposes,
4. specifies each municipality’s Education Cost Sharing (ECS) grant, and
5. transfers \$25 million from the Connecticut Student Loan Foundation’s (CSLF) assets for various purposes.

The act also makes various state tax and revenue changes. Among other things, it:

1. delays, by one month, the effective date of a sales and use tax exemption on clothing and footwear costing less than \$50;
2. beginning April 1, 2015, exempts nonprescription drugs and medicines from the sales and use tax;
3. exempts a portion of state teacher pension income from the income tax; and
4. repeals the authorization for the state to operate keno as a lottery game.

EFFECTIVE DATE: July 1, 2014, unless otherwise noted below.

§§ 1-44, 30-31, & 65 — FY 15 BUDGET ADJUSTMENTS

The act modifies FY 15 appropriations for state agency operations and programs in seven of the state’s 10 appropriated funds, as shown in Table 1. (PA 14-217 (§§ 80 & 231-233) adjusts certain FY 15 General Fund appropriations, resulting in a \$526,814 net increase.)

Table 1: Changes in FY 15 Net Appropriations, by Fund*

§	Fund	FY 15 Net Appropriation		
		Prior Law	Act	Increase (Reduction)
1	General Fund	\$17,497,560,861	\$17,457,150,607	(\$40,410,254)*
2	Special Transportation Fund (STF)	1,322,312,395	1,321,563,162	(749,233)
3	Regional	941,498	1,029,273	87,775

OLR PUBLIC ACT SUMMARY

	Market Operation Fund			
4	Banking Fund	27,845,849	28,791,624	945,775
5	Insurance Fund	31,968,453	68,344,562	36,376,109
6	Consumer Counsel and Public Utility Control Fund	25,384,201	25,589,345	205,144
7	Workers' Compensation Fund	24,789,229	26,157,484	1,368,255

* PA 14-217 (§§ 80 & 231-233) changes the net appropriation total for the General Fund to (\$39,883,440).

It also modifies the FY 15 budgeted lapses for General Fund, personal services, and “other expenses” expenditures, as shown in Table 2. As under prior law, the Office of Policy and Management (OPM) secretary must recommend spending reductions in each government branch to reduce these expenditures. The provision concerning personal services reductions does not apply to the higher education constituent units.

Table 2: Changes in FY 15 Budgeted Lapses for General Fund, Personal Services, and Other Expenses

Branch	General Fund		Personal Services		Other Expenses	
	Prior Law	Act	Prior Law	Act	Prior Law	Act
Executive	\$13,785,503	\$9,678,316	\$16,675,121	\$8,060,000	\$3,312,000	\$0
Legislative	56,251	39,492	579,285	280,000	140,000	0
Judicial	401,946	282,192	3,434,330	1,600,000	548,000	0

§§ 8, 10, 12, 14-17, 24, & 40 — FUNDS CARRIED FORWARD

The act carries forward funds from FY 14 to FY 15 for the purposes shown in Table 3.

Table 3: Funds Carried Forward to FY 15

§	From FY 14		To FY 15		Amount
	Agency	Purpose	Agency	Purpose	
8	Secretary of the State	Personal Services	Secretary of the State	Other Expenses — programming costs for the online business registration system	\$60,000
10	Department of Housing (DOH)	Housing/Homeless Services	DOH	<ul style="list-style-type: none"> \$1 million for rental assistance \$650,000 for rapid rehousing 	1,650,000
12	Soldiers', Sailors' and Marines' Fund (SSMF)	Personal Services	SSMF	Same, but the comptroller must record such FY 15 expenditures in FY 14	Unspent balance
14	Department of Energy and	Emergency Spill Response	DEEP	Other Expenses — marketing costs for a free park admission weekend	40,000

OLR PUBLIC ACT SUMMARY

	Environmental Protection (DEEP)				
15	Department of Revenue Services (DRS)	Personal Services	DRS	Other Expenses — modifications to tax systems and forms related to changes to the Connecticut Higher Education Trust (CHET) plans and the implementation of the CHET Baby Scholars program	80,000
16	DEEP	Solid Waste Management	DEEP	Updating the state's comprehensive materials management strategy	600,000
17 (a)	Office of Early Childhood (OEC)	School Readiness	OEC	Other Expenses — developing a statewide universal prekindergarten (pre-k) plan	450,000
17 (b)	DOH	Tax Relief for Elderly Renters	OEC	School Readiness Quality Enhancement — district and regional universal pre-k planning grants	600,000
17 (c)	OEC	Child Care Services	OEC	School Readiness — startup costs for additional pre-k seats in districts eligible for school readiness competitive grants	1,000,000
17 (d)	DOH	Tax Relief for Elderly Renters	OEC	School Readiness — startup costs for additional pre-k seats in districts eligible for school readiness competitive grants	275,000
24	Department of Labor (DOL)	Workforce Investment Act	DOL	Personal Services	1,345,600
40	Department of Social Services (DSS)	Medicaid	State Comptroller	<ul style="list-style-type: none"> • \$170,000 for Personal Services • \$186,000 for Other Expenses • \$13,000 for State Comptroller—Fringe Benefits, for Employers Social Security Tax • \$31,000 for State Comptroller—Fringe Benefits, for State Employees Health Service Cost to fund a market feasibility study and support a public retirement plan for Connecticut employers 	400,000

§ 9 — FEDERAL REIMBURSEMENT FOR DSS PROJECTS

For FY 14 and FY 15, the act authorizes DSS to establish receivables for the anticipated reimbursement from the Department of Development Services' (DDS) Medicaid waiver management system. Existing law allows DSS to do so for the (1) health insurance and information exchanges, (2) Medicaid data analytics system, (3) integrated eligibility management system, and (4) other related information technology systems. By law, it must do so in compliance with advanced planning documents approved by the federal Department of Health and Human Services for developing these projects.

EFFECTIVE DATE: Upon passage

§ 11 — NEWBORN SCREENING ACCOUNT

For FY 15, the act increases, from \$1.15 million to \$1.735 million, the amount allocated to the General Fund's newborn screening account. The funding comes from fees the Department of Public Health (DPH) charges institutions for comprehensive newborn testing, parent counseling, and treatment. DPH must use the money (1) to buy upgraded screening technology and (2) for its testing expenses.

EFFECTIVE DATE: Upon passage

OLR PUBLIC ACT SUMMARY

§ 13 — DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES (DMHAS) COST RECONCILIATION WITH NONPROFIT PROVIDERS

For FY 15, the act requires nonprofit organizations providing services under contract with DMHAS to reimburse DMHAS for the difference between their actual expenses and the amount they received from DMHAS under the contract. The reimbursement amount must be (1) 100% of the difference or (2) an alternate amount identified by the DMHAS commissioner, approved by the OPM secretary, and allowed by applicable state and federal laws and regulations.

§ 18 — ECS GRANTS TO TOWNS

The act overrides the statutory formula for calculating ECS grants for FYs 14 and 15 and specifies each town’s grant for such years.

EFFECTIVE DATE: Upon passage

§ 19 — CSLF

The act transfers the following amounts from CSLF’s assets:

1. \$4.4 million, by October 30, 2014, to the CHET Baby Scholars fund for the Baby Scholars program;
2. \$19 million, by June 30, 2015, to the Board of Regents for Higher Education (BOR) for Transform CSCU; and
3. \$1.6 million, by June 30, 2015, to the Office of Higher Education (OHE) for the Governor’s Scholarship program.

§§ 20 & 25 — RESERVED AMOUNTS FROM LINE ITEM APPROPRIATIONS

The act reserves certain amounts from line items in agency budgets for various purposes, as shown in Table 4. (PA 14-217 (§ 231) reserves additional amounts from certain DRS and Department of Emergency Services and Public Protection (DESPP) FY 15 appropriations for different purposes.)

Table 4: Reserved Amounts from FY 15 Line Item Appropriations

§	Agency	Appropriation For	Reserved For	Amount
20	State Department of Education (SDE)	After School Program	Plainville (\$50,000), Thompson (\$25,000), and Montville (\$25,000) school districts	Up to \$100,000

OLR PUBLIC ACT SUMMARY

25	Judicial Department	Court Support Services Division: to provide continued support for children of incarcerated parents	Institute for Municipal and Regional Policy – Central Connecticut State University, pursuant to a memorandum of understanding, and made available to the New Haven Family Alliance, pursuant to a personal service agreement	Up to \$100,000
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§ 21 — TOBACCO SETTLEMENT FUND ALLOCATIONS

The act allocates money from the Tobacco Settlement Fund in FY 15 for the programs and purposes shown in Table 5.

Table 5: Tobacco Settlement Fund Allocations

Agency	Program/Purpose	Amount
DMHAS	Grants for Substance Abuse	\$3,000,000
	Grants for Mental Health Services	7,000,000
SDE	After School Program: grants for after school programs in the following towns – Waterbury (\$143,000), Meriden (\$71,000), Lighthouse Program of Bridgeport (\$164,000), Stamford (\$123,000), New Britain (\$87,000), East Hartford (\$65,000), Hartford (\$172,000), New Haven (\$149,000), and Windham (\$26,000)	1,000,000
Department of Economic and Community Development (DECD)	Other Expenses: grant to Connecticut Innovations, Inc. (CII) for regenerative medicine and bioscience grant award management	500,000

§ 22 — PAYMENTS IN LIEU OF TAXES (PILOT) FOR BRADLEY INTERNATIONAL AIRPORT PROPERTY

OLR PUBLIC ACT SUMMARY

Beginning in FY 15, the act eliminates the state PILOT for any Bradley International Airport real property located in the four towns (Windsor Locks, Suffield, East Granby, and Windsor) receiving specific annual payments from the Connecticut Airport Authority for such property.

§ 23 — OPERATION FUEL ENERGY ASSISTANCE

For FY 15, the act transfers \$500,000 from funds collected through the systems benefit charge (SBC) on electric utility customers to DEEP for energy assistance through Operation Fuel. (PA 14-217 (§§ 208 & 256) repeals this transfer and instead, beginning in FY 15, annually transfers \$1.1 million from the SBC to Operation Fuel.)

§ 26 — YOUTH SERVICES PREVENTION APPROPRIATIONS

The act eliminates a \$100,000 grant to the Chester Addison Community Center, funded through OPM's FY 15 Youth Services Prevention appropriation, and instead directs the grant funds to Domus of Stamford. (PA 14-217 (§ 230) repeals this provision and modifies these and other youth services prevention grants for FY 15.)

§ 27 — SDE EDUCATIONAL GRANTS TO BRIDGEPORT

The act requires SDE to provide grants for educational purposes to Bridgeport in the amount of (1) \$1,200,000 for FY 14 and (2) \$700,000 for FY 15.

EFFECTIVE DATE: Upon passage

§ 28 — REGIONAL EMERGENCY MEDICAL SERVICES COORDINATORS

The act increases, from \$500,000 to \$525,000, the amount allocated to DPH from the Tobacco Health and Trust Fund in FY 15 for regional emergency medical services coordinators.

§ 29 — DSS REIMBURSEMENT TO PHARMACIES

For FY 15, the act authorizes the DSS commissioner, with the OPM secretary's approval, to revise the methodology DSS uses to reimburse pharmacies for prescriptions dispensed to Medicaid recipients to meet the requirements of the federal Patient Protection and Affordable Care Act (P.L. 111-148) and Health Care and Education Reconciliation Act of 2010 (P.L. 111-152). It also authorizes the commissioner to increase the dispensing fee that DSS pays pharmacists for each prescription they fill for beneficiaries of DSS pharmacy assistance programs (e.g., Medicaid) to help pharmacists transition to the new reimbursement methodology.

§§ 32-33 & 36-38 — TRANSFERS TO THE GENERAL FUND

As Table 6 shows, the act transfers funds from various sources to the General

OLR PUBLIC ACT SUMMARY

Fund.

Table 6: Transfers to the General Fund

§§	Source	Amount (millions)	FY
32-33	Tobacco and Health Trust Fund	\$1.0*	14
		1.0*	15
		3.0*	15
36	1998 Tobacco Master Settlement Agreement	Up to \$19.46	15
37	Biomedical Research Trust Fund	0.5 (transfer must be made in FY 14)**	15
		0.5	15
38	Private Occupational School Student Protection Account	0.5	15

*PA 14-217 (§§ 214-216) (1) repeals the FY 14 transfer from the Tobacco and Health Trust Fund, (2) requires the \$1 million transfer for FY 15 to be made in FY 14, and (3) makes a technical change to the \$3 million FY 15 transfer.

**Although the act requires this \$500,000 transfer to be made in FY 14, the provision is effective July 1, 2014. PA 14-217 (§ 217) makes the transfer effective upon passage.

EFFECTIVE DATE: July 1, 2014, except for the provisions transferring (1) \$1 million from the Tobacco and Health Trust Fund for each of FYs 14 and 15 and (2) funds from the 1998 Tobacco Master Settlement Agreement, which are effective upon passage. (PA 14-217 (§§ 217-218) makes the transfers from the Biomedical Research Trust Fund and Private Occupational Student Protection Account effective upon passage.)

§§ 34 & 35 — TOBACCO MASTER SETTLEMENT AGREEMENT LITIGATION SETTLEMENT AND GAAP ACCRUALS

The act reduces by \$13,955,945 from \$40,000,000 to \$26,044,055, the amount of litigation settlement funds received under the 1998 Master Settlement Agreement reserved to reduce FY 14 aggregate appropriations for “Nonfunctional-Change to Accruals” (i.e., GAAP accruals). These appropriations represent the change to accruals in an agency’s budget due to the conversion to GAAP-based budgeting. The act similarly reduces, from \$40,000,000 to \$26,044,055, the amount by which FY 14 General Fund appropriations must be reduced for Transfer GAAP Funding.

It also eliminates the FY 14 appropriation to DSS for GAAP accruals.

EFFECTIVE DATE: Upon passage

§ 39 — OHE’S MINORITY ADVANCEMENT PROGRAM

The act requires \$686,538 in unused funds for OHE’s Minority Advancement program to lapse in FY 14, instead of being carried forward to FY 15.

EFFECTIVE DATE: Upon passage

§§ 41-44 — ADJUSTMENTS IN FY 14 GENERAL FUND AND STF APPROPRIATIONS

OLR PUBLIC ACT SUMMARY

The act adjusts certain FY 14 General Fund and STF appropriations, as shown in Table 7. The adjustments result in a \$1 million (1) net decrease in General Fund appropriations and (2) net increase in STF appropriations.

Table 7: Adjustments in FY 14 General Fund and STF Appropriations

<i>Agency</i>	<i>Purpose</i>	<i>Increase/(Reduction) in millions</i>
General Fund		
Department of Administrative Services	Personal Services	\$6.5
	State Insurance and Risk Management Operations	1.5
DESPP	Personal Services	3.9
	Other Expenses	0.5
	Workers' Compensation Claims	0.4
DECD	Capitol Region Development Authority	3.0
Office of the Chief Medical Examiner	Other Expenses	0.1
SDE	Magnet Schools	10.4
Public Defenders Services Commission	Personal Services	4.9
	Expert Witnesses	1.8
State Comptroller – Miscellaneous	Adjudicated Claims	6.2
Workers' Compensation Claims – Administrative Services	Workers' Compensation Claims	2.8
DSS	Medicaid	(43.0)
STF		
DOT	Personal Services	7.0
	Other Expenses	2.1
	Bus Operations	4.0
	ADA Para-transit Program	0.6
State Comptroller – Fringe Benefits	State Employees Health Service Cost	1.5
Workers' Compensation Claims – Administrative Services	Workers' Compensation Claims	0.8
Department of Motor Vehicles (DMV)	Personal Services	(1.5)
	Other Expenses	(0.5)
DOT	Pay-As-You-Go Transportation Projects	(4.0)
Debt Service – State Treasurer	Debt Service	(9.0)

EFFECTIVE DATE: Upon passage

§ 45 — CONNECTICUT TELEVISION NETWORK (CT-N) FUNDING

Beginning in FY 15, the act increases, from \$2.5 million to \$3.2 million, the amount the comptroller must set aside each fiscal year from the cable television companies' tax to defray the Office of Legislative Management's costs of providing CT-N coverage of state government deliberations and public policy events.

EFFECTIVE DATE: Upon passage

§ 46 — MUNICIPAL REVENUE SHARING GRANTS

The act requires the DRS commissioner to deposit \$12.7 million of FY 15 sales and use tax payments into the Municipal Revenue Sharing Account (MRSA). It requires the OPM secretary to distribute the funds to municipalities according to a specified municipal revenue sharing formula. Under the formula, the grants are distributed as follows:

1. 50% on a per capita basis and
2. 50% according to an existing property tax relief formula that apportions funds based on a municipality's population, adjusted equalized net grand

OLR PUBLIC ACT SUMMARY

list per capita, and per capita income of town residents.

These grants were previously funded through MRSA by a portion of sales, luxury, and state real estate conveyance tax revenue.

§§ 47-48 — SALES TAX EXEMPTIONS

Clothing and Footwear

The act delays, from June 1, 2015 to July 1, 2015, the effective date of a sales and use tax exemption on clothing and footwear costing less than \$50. The exemption was enacted in 2013 (PA 13-184 (§ 79)).

Nonprescription Drugs and Medicines

Beginning April 1, 2015, the act exempts from the sales and use tax nonprescription drugs and medicines for use in or on the body. The exemption applies to vitamin and mineral concentrates, dietary supplements, and natural or herbal drugs or medicine; cough, cold, asthma, allergy, or antihistamine products; antacids, laxatives, anthelmintics, emetics, and antiemetics; analgesics, antibiotic, antibacterial, antiviral, antifungal, antidiarrheal, and steroidal medicines; antiseptics, astringents, and anesthetics; and any eye, ear, or nose medication. It does not apply to cosmetics, dentrifices, mouthwash, shaving and hair care products, soaps, or deodorants.

An identical sales and use tax exemption was eliminated in 2011 (PA 11-6 (§ 166)).

EFFECTIVE DATE: July 1, 2014, and applicable to sales occurring on or after April 1, 2015.

§ 49 — ADMISSIONS TAX EXEMPTION

The act exempts admission charges for events held at the XL Center in Hartford from the 10% admissions tax. (PA 14-217 (§ 225) similarly exempts admission charges for events held at the Webster Bank Arena in Bridgeport.)

§ 50 — INCOME TAX EXEMPTION FOR TEACHER PENSIONS

The act exempts a portion of state teachers' retirement system (TRS) income from the income tax. It does so by allowing taxpayers, when calculating Connecticut adjusted gross income for state income tax purposes, to deduct 10% of TRS income for the 2015 tax year, 25% for the 2016 tax year, and 50% for 2017 and subsequent tax years.

EFFECTIVE DATE: July 1, 2015, and applicable to tax years beginning on or after January 1, 2015.

§ 51 — ANGEL INVESTOR TAX CREDIT

The act postpones the sunset date for the angel investor tax credit program from July 1, 2014 to July 1, 2016. By law, the angel investor tax credit program provides personal income tax credits for people investing at least \$25,000 in start-

OLR PUBLIC ACT SUMMARY

up, technology-based Connecticut businesses approved for such credit-eligible investments.

Prior law required CII to review the credit’s effectiveness by July 1, 2014. The act (1) requires CII to conduct this review annually, beginning by July 1, 2014; (2) specifies that CII must review the credit’s cumulative effectiveness; (3) requires it to report its findings to OPM, in addition to the Commerce Committee; and (4) identifies certain elements that CII must include in its report.

Under the act, the annual report must include the:

1. number, type, and current status of Connecticut businesses that received angel investments;
2. number and type of angel investors;
3. aggregate amount of cash investments;
4. number of employees each business employed in each year following the year in which it received the angel investment; and
5. economic impact each business has in the state.

The act also makes technical changes.

EFFECTIVE DATE: Upon passage, and applicable to tax years beginning on or after January 1, 2014.

§§ 52-53 & 66 — REPEAL OF KENO

The act repeals a law allowing the state to operate keno as a lottery game. It does so by eliminating the authority of the (1) Connecticut Lottery Corporation (CLC) to introduce keno as a lottery game and (2) OPM secretary, on the state’s behalf, to enter into separate profit-sharing agreements with the Mashantucket Pequot and Mohegan Tribes concerning CLC’s operation of keno. Under prior law, the agreements had to require the state to share with each tribe up to 12.5% of its keno profits.

EFFECTIVE DATE: Upon passage

§ 54 — GENERAL FUND TRANSFER TO THE STF

The act eliminates a \$2.1 million transfer to the STF from the General Fund for FY 15.

§§ 55-64 — REVENUE ESTIMATES

The act modifies previously adopted revenue estimates for FY 15 for nine of the state’s 10 appropriated funds, as shown in Table 8.

Table 8: Modified FY 15 Revenue Estimates

<i>Fund</i>	<i>Prior Law</i>	<i>Act</i>
General Fund	\$17,500,700,000	\$17,459,362,000
Special Transportation Fund	1,322,700,000	1,328,400,000
Mashantucket Pequot & Mohegan Fund	61,800,000	61,780,000
Regional Market Operation Fund	1,000,000	1,029,000
Banking Fund	27,847,000	28,800,000
Insurance Fund	31,968,000	68,345,000

OLR PUBLIC ACT SUMMARY

Consumer Counsel & Public Utility Control Fund	25,384,000	25,600,000
Workers' Compensation Fund	25,235,000	27,251,000
Criminal Injuries Compensation Fund	3,310,000	3,355,000

§ 65 — GRANT TO INSTITUTE OF MUNICIPAL AND REGIONAL POLICY

The act eliminates a \$150,000 earmark in FYs 14 and 15 for a grant to the Institute of Municipal and Regional Policy to assist in the development of the Connecticut-specific model within the Pew-MacArthur Results First Initiative. Under prior law, the funds were reserved from an appropriation to BOR for the initial stages of collection and arrangement of the official papers of former Governor William O'Neill (PA 13-184 (§ 42)).

OLR Tracking: RP:DC:PF:am