

Policies Details - General Fund

Personal Income

| Revenue Components | Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|------------------------------|----------------------|-----------------------|----------------------|-----------------------|---------------------|---------------------|
| January Consensus | 9,748,600,000 | 10,304,700,000 | 9,748,600,000 | 10,304,700,000 | - | - |
| April Consensus Update | - | - | (83,500,000) | (106,400,000) | (83,500,000) | (106,400,000) |
| Policy Estimates and Updates | 12,700,000 | 8,500,000 | 169,300,000 | 158,900,000 | 156,600,000 | 150,400,000 |
| Total | 9,761,300,000 | 10,313,200,000 | 9,834,400,000 | 10,357,200,000 | 73,100,000 | 44,000,000 |

April Consensus Update

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | (83,500,000) | (106,400,000) | (83,500,000) | (106,400,000) |

The April Consensus estimates for FY 16 and FY 17 are lower than the January Consensus by \$83.5 million and \$106.4 million, respectively, due to the following: A) a net \$65.5 million decrease in the FY 15 estimate which effectively lowered the FY 16 revenue base, B) an increase in the aggregate FY 16 growth rate from 5.3% to 5.4% (consisting of a reduction in the withholding growth rate from 4.4% to 4.2%, and an increase in the estimated and final payments growth rate from 6.6% to 7.2%), and C) a decrease in the aggregate FY 17 growth rate from 5.7% to 5.5% (consisting of a reduction in the withholding growth rate from 5.3% to 4.8%, and an increase in the estimated and final payments growth rate from 6.2% to 6.6%).

It should be noted that both the January and April Consensus estimates include the revenue impact of the partial teachers' pension exemption included in PA 14-47, the FY 15 Revised Budget, which lowered revenue by \$11.8 million and \$20.8 million in FY 16 and FY 17, respectively.

Policy Revisions

Delay Increase in the Personal Exemption for Single Filers

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| 12,700,000 | 8,500,000 | 10,800,000 | - | (1,900,000) | (8,500,000) |

Background: Pursuant to CGS Sec. 12-702(a), the personal exemption for certain unmarried (single) filers of the Personal Income Tax is due to increase incrementally from the basis of \$12,250 in 2000 culminating in a personal exemption of \$15,000 in 2015 and thereafter. The 2014 personal exemption is \$14,500. In accordance with the statute, these personal exemptions may be reduced or eliminated entirely based upon how much a single filer's adjusted gross income exceeds the personal exemption amount.

Governor: Delay until 2018 the final scheduled incremental increase of \$500, which increases the current personal exemption from \$14,500 to \$15,000. Sections 1-3 of SB 946, "AAC Revenue Items to Implement the Governor's Budget," implement these changes. The estimated revenue gain of \$12.7 million in FY 16 is 50% greater than the revenue gain of \$8.5 million in FY 17 because the FY 16 impact includes 18 months of activity, retroactive to January 1, 2015, through June 30, 2016. The FY 17 estimated revenue gain reflects 12 months of activity.

Legislative: Delay until 2016 the final scheduled incremental increase of \$500, which increases the current personal exemption from \$14,500 to \$15,000. Sections 67-68 of PA 15-244, the FY 16 and FY 17 budget, implement this provision.

Adjust Marginal Rates

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | 151,500,000 | 137,900,000 | 151,500,000 | 137,900,000 |

Background: Pursuant to CGS Sec. 12-700, the Personal Income Tax is composed of six marginal tax rates ranging from 3.0% to 6.7% depending on income level and filing status.

Legislative: Adjust the marginal tax rates under the Personal Income Tax by: 1) increasing, from 6.7% to 6.9%, the marginal rate for filers with income above \$250,000 (single/separate), \$400,000 (head of household), or \$500,000 (joint), 2) establishing a new marginal tax rate of 6.99% for filers with income above \$500,000 (single/separate), \$800,000 (head of household), or \$1.0 million (joint), and 3) updating the Tax Recapture table to conform to the marginal tax rate adjustments. Section 66 of PA 15-244, the FY 16 and FY 17 budget, enacts these provisions. The estimated revenue gain of \$151.5 million in FY 16 is greater than the revenue gain of \$137.9 million in FY 17 because the FY 16 impact includes 18 months of activity, retroactive to January 1, 2015 through June 30, 2016. The FY 17 estimated revenue gain reflects 12 months of activity.

Increase Exemption for Military Retirement Pay

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | (6,000,000) | (4,000,000) | (6,000,000) | (4,000,000) |

Background: Pursuant to CGS Sec. 12-701(20)(B)(xvii), 50% of military retirement pay is exempt from the Personal Income Tax.

Legislative: Increase, from 50% to 100%, the military retirement pay exemption under the Personal Income Tax. Section 65 of PA 15-244, the FY 16 and FY 17 budget, enacts this provision. The estimated revenue loss of \$6.0 million in FY 16 is greater than the revenue loss of \$4.0 million in FY 17 because the FY 16 impact includes 18 months of activity, retroactive to January 1, 2015 through June 30, 2016. The FY 17 estimated revenue loss reflects 12 months of activity.

Reduce Property Tax Credit

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | 13,000,000 | 25,000,000 | 13,000,000 | 25,000,000 |

Background: Pursuant to CGS Sec. 12-704c, income tax filers are entitled to a credit of up to \$300 for property taxes paid on real property and motor vehicles.

Legislative: Reduce the Property Tax Credit against the Personal Income Tax by: 1) lowering the adjusted gross income threshold at which the maximum credit amount starts to phase out beginning with the 2015 income year (FY 16), and 2) lowering, from \$300 to \$200, the maximum credit amount beginning with the 2016 income year (FY 17). The overall associated revenue gain of \$52.0 million in FY 16 and \$100.0 million in FY 17 is reflected under both the Personal Income Tax and Refunds of Taxes line items as it is anticipated that a majority of the revenue will be realized in the form of lower income tax refunds in each fiscal year, with the remainder realized through higher income tax collections. Section 70 of PA 15-244, the FY 16 and FY 17 budget, enacts these provisions.

Sales and Use

| Revenue Components | Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| January Consensus | 4,251,000,000 | 4,431,100,000 | 4,251,000,000 | 4,431,100,000 | - | - |
| April Consensus Update | - | - | (35,600,000) | (53,100,000) | (35,600,000) | (53,100,000) |
| Policy Estimates and Updates | 70,400,000 | (10,200,000) | (94,335,000) | (293,335,000) | (164,735,000) | (283,135,000) |
| Total | 4,321,400,000 | 4,420,900,000 | 4,121,065,000 | 4,084,665,000 | (200,335,000) | (336,235,000) |

April Consensus Update

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | (35,600,000) | (53,100,000) | (35,600,000) | (53,100,000) |

The April Consensus estimates for FY 16 and FY 17 are lower than the January Consensus by \$35.6 million and \$53.1 million respectively due primarily to the lowering of the growth rates from FY 15-18 from the January to April Consensus. This is due to a technical recalculation of the FY 15 base, and not a negative reforecast of out-year growth from January.

The FY 15 estimate was also lowered by \$5 million due to year-to-date collections at that time, which effectively lowered the FY 15 revenue base for FY 16.

Policy Revisions

Adjust General Sales and Use Tax Rate

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| (70,100,000) | (154,900,000) | - | - | 70,100,000 | 154,900,000 |

Background: As of July 1, 2011, the general sales and use tax rate in the state is 6.35%.

Governor: Reduce the sales and use tax rate from 6.35% to 6.20% effective November 1, 2015 and 5.95% effective April 1, 2017. Sections 9 - 16 of SB 946, "AAC Revenue Items to Implement the Governor's Budget," implement this change.

Legislative: Maintain the General Sales and Use Tax Rate at 6.35%. A portion of the revenue generated by the 6.35% tax is to be dedicated to (1) the Special Transportation Fund and (2) the Municipal Revenue Sharing Account. (See below for more details).

Eliminate Exemption on Clothing and Footwear

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| 138,000,000 | 142,100,000 | 136,800,000 | 142,600,000 | (1,200,000) | 500,000 |

Background: An exemption for children's clothing has been in effect since the enactment of the sales and use tax in 1947. PA 85-3 expanded the exemption to other clothing and footwear under \$50. Various public acts afterward changed the threshold amount for exemption. PA 03-2 placed the threshold for exemption at \$50 which remained until PA 11-6, the FY 12-13 biennial budget, eliminated the exemption all together.

PA 13-184 restored the exemption on or after June 1, 2015. PA 14-47 delayed the restoration of the exemption to July 1, 2015, which resulted in a revenue gain of \$11.5 million for FY 15.

Governor: Eliminate sales tax exemption for clothing and footwear under \$50 due to take effect July 1, 2015. Section 45 of SB 946, "AAC Revenue Items to Implement the Governor's Budget," implements this change.

Legislative: Same as Governor. Section 219 of PA 15-244, the FY 16 and FY 17 budget, enacts this policy. The adopted estimates are based on OFA's analysis of the policy.

Limit Sales Tax Free Week Items \$100 or Less

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| 1,000,000 | 1,100,000 | 1,000,000 | 1,000,000 | - | (100,000) |

Background: CGS Sec. 12-407e provides a sales tax 'free week' on items of clothing and footwear costing less than \$300 beginning on the third Sunday in August until the next succeeding Saturday. PA 00-170 originally established the exemption.

Governor: Limit the sales tax 'free week' to clothing and footwear under \$100. Section 17 of SB 946, "AAC Revenue Items to Implement the Governor's Budget," implements this change.

Legislative: Same as Governor. Section 71 of PA 15-244, the FY 16 and FY 17 budget, enacts this policy. The adopted estimates are based on OFA's analysis of the policy.

Amend Various Alcohol Policies

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| 1,500,000 | 1,500,000 | 2,065,000 | 2,065,000 | 565,000 | 565,000 |

Background: CGS Sec. 30-68m defines a minimum bottle price of alcoholic liquor at which retailers may sell.

CGS Sec. 30-48a allows three alcoholic beverage retail permits to be acquired by a person or backer prior to July 1, 2015.

CGS Sec. 30-91 defines the times during which alcoholic beverage sales are permitted. Sales by places with package store permits, and other various retail permits, were allowable from 10am to 5pm on Sundays and from 8am to 9pm on all other days prior to July 1, 2015.

Governor: Implement the following changes regarding alcoholic beverage sales: (1) Eliminate the minimum bottle price requirement; (2) increase the number of allowable alcoholic beverage retail permits from three to six; (3) increase permissible sale hours to 10am to 8pm on Sundays and from 8am to 10pm on all other days. Sections 41-43 of SB 946, "AAC Revenue Items to Implement the Governor's Budget," implement these changes.

Legislative: Implement the following changes: (1) increase the number of allowable alcoholic beverage retail permits from three to four permits; (2) extend permissible sale hours for alcoholic beverage retail permittees; (3) authorize certain entities to sell sealed containers of draught beer i.e. "growlers." Sections 78-82 of PA 15-244, the FY 16 and FY 17 budget, enact these policies.

Maintain the minimum bottle price of alcoholic liquor, as defined under CGS 30-68m, with no enacted policy changes.

Repeal Exemption for World Wide Web Services

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | 7,800,000 | 10,800,000 | 7,800,000 | 10,800,000 |

Background: Prior to October 1, 2015, CGS Sec. 12-407(a)(37)(A) exempted from the sales and use tax services rendered in connection with the creation, development hosting or maintenance of all or part of a web site which is part of the graphical, hypertext portion of the Internet, commonly referred to as the World-Wide Web. PA 97-316 created the exemption.

Legislative: Eliminate exemption on the sales of world wide web services and tax at the 1% rate for computer and data processing services, effective October 1, 2015. Sections 74-76 of PA 15-244, the FY 16 and FY 17 budget, as amended by Sections 132-134 of PA 15-5 JSS, a budget implementer, enact this policy.

Increase the Cigarette Tax Rate

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | 200,000 | 400,000 | 200,000 | 400,000 |

Background: Pursuant to CGS Sec. 12-296, cigarettes are taxed at a rate of 170 mills per cigarette, or \$3.40 per pack.

Legislative: Increase the Cigarette Tax rate to 182.5 mills per cigarette (\$3.65 per pack) in FY 16 and 195 mills per cigarette (\$3.90 per pack) in FY 17, resulting in a Cigarette Tax revenue gain of \$21.7 million in FY 16 and \$40.0 million in FY 17 (the revenue gain is lower in FY 16 because the rate increase is implemented on 10/1/15, resulting in partial-year revenue). This also results in increased Sales Tax revenue of \$0.2 million in FY 16 and \$0.4 million in FY 17 due to a higher base price for cigarettes.

Additionally, implement a "floor tax" on all existing inventory of cigarettes on 10/1/15 and 7/1/16 to ensure all cigarettes are sold at the same tax rate. This results in a Cigarette Tax revenue gain of \$2.8 million in each of FY 16 and FY 17.

Sections 176-180 of PA 15-244, the FY 16 and FY 17 budget, enact these policies.

Increase the Luxury Sales Tax Rate

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | 6,200,000 | 6,400,000 | 6,200,000 | 6,400,000 |

Background: PA 11-6 established the luxury tax at 7.0% for the sales of various merchandise (motor vehicles, jewelry, clothing) costing above a set price.

Legislative: Increase the luxury tax rate from 7.0% to 7.75%, effective July 1, 2015. Sections 72-73 of PA 15-244, the FY 16 and FY 17 budget, enact this policy.

Divert Sales Tax Revenue to the Special Transportation Fund

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | (158,600,000) | (260,600,000) | (158,600,000) | (260,600,000) |

Legislative: Divert a portion of the revenue associated with the 6.35% sales tax rate into the Special Transportation Fund based on the following schedule.

- October 1, 2015, but prior to October 1, 2016 - 0.3 percentage points;
- October 1, 2016, but prior to July 1, 2017 - 0.4 percentage points;
- July 1, 2017 and forward - 0.5 percentage points.

PA 15-244, the FY 16 and FY 17 budget act, as amended by PA 15-5 JSS, a budget implementer, enact this policy.

Repeal Exemption for Water Companies

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | 4,000,000 | 4,000,000 | 4,000,000 | 4,000,000 |

Background: CGS Sec. 12-412(90) exempted from the sales and use tax the sales of and the storage, use or other consumption of any personal property or any services to a water company employed for the purpose of supplying water to fifty or more customers. PA 94-4 MSS created the exemption.

Legislative: Eliminate the exemption on the sales of and the storage use or other consumption to a water company as provided through CGS Sec. 12-412(90). Section 219 of PA 15-244, the FY 16 and FY 17 budget, enacts this policy.

Extend the Sales and Use Tax to Car Wash Services

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | 6,800,000 | 6,800,000 | 6,800,000 | 6,800,000 |

Background: PA 89-251 made car-wash services taxable. Coin-operated car-washes were excluded by PA 91-3 of the June Special session and all other car-washes were excluded by PA 93-74.

Legislative: Extend the sales and use tax to car washing services, including coin-operated car washes. PA 15-244, the FY 16 and FY 17 budget act, as amended by PA 15-5 JSS, a budget implementer, enact this policy.

Eliminate Regional Planning Incentive Account Diversion

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | - | 10,000,000 | - | 10,000,000 |

Background: PA 11-6 established the Regional Performance Incentive Account (later renamed the Regional Planning Incentive Account by PA 13-247). The law requires 1 percentage point of the 15% hotel tax rate and 1 percentage point of the 9.35% rental car tax to be deposited into the account.

By law, the OPM secretary uses the account to fund (1) annual grants to regional councils of government and (2) grants awarded under the regional performance incentive program.

Legislative: Eliminate the transfer of funding from the hotel tax and the rental car tax to the Regional Planning Incentive Account in FY 17. Section 74 of PA 15-244, the FY 16 and FY 17 budget, enacts this policy.

Repeal Exemption for Certain Motor Vehicle Parking

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | 5,100,000 | 5,100,000 | 5,100,000 | 5,100,000 |

Background: Under current law, motor vehicle parking services are taxable with some exemptions. PA 89-251 originally enacted the sales and use tax to motor vehicle parking services. CGS 12-407(a)(37)(N) exempts the following services from the sales tax:

- Lots with less than 30 spaces;
- Metered spaces;
- Space in a parking lot owned or leased under the terms of a lease of not less than ten years' duration and operated by an employer for the exclusive use of its employees;
- Space in municipally-operated railroad parking facilities in municipalities located within an area of the state designated as a severe nonattainment area for ozone under the federal Clean Air Act.

Legislative: Eliminate the sales tax exemption for certain motor vehicle parking services, listed below.

Non-metered parking in seasonal lots with 30 or more spaces provided by a:

- nonprofit charitable hospital, nursing home, rest home, residential care home, certain acute-care for-profit hospitals. For example, hospital garages;
- nonprofit organization exempt from federal income taxes;
- Political subdivision (i.e. U.S., state, municipality). Such examples include parking at town beaches and state parks.

Sections 75 and 77 of PA 15-244, the FY 16 and FY 17 budget, as amended by Section 135 of PA 15-5 JSS, a budget implementer enact this policy.

Divert Sales Tax Revenue to Municipal Revenue Sharing Acct

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | (105,700,000) | (221,900,000) | (105,700,000) | (221,900,000) |

Background: PA 11-6 increased the general sales tax rate from 6.0% to 6.35%, and transferred 0.1% of the 6.35% to the Municipal Revenue Sharing Account (MRSA). The remaining revenue associated with 6.25% of the 6.35% rate was deposited into the General Fund. PA 13-184 eliminated the transfer of the 0.1% of the 6.35% into MRSA effective July 1, 2013 and required all revenue generated by the 6.35% rate to be deposited into the General Fund.

Legislative: Divert a portion of the revenue associated with the 6.35% sales tax rate into the Municipal Revenue Sharing Account based on the following schedule.

- January 1, 2016, but prior to May 1, 2017 - 0.3 percentage points;
- May 1, 2017, but prior to July 1, 2017 - 0.4 percentage points;
- July 1, 2017 and forward - 0.5 percentage points.

PA 15-244, the FY 16 and FY 17 budget act, as amended by PA 15-5 JSS, a budget implementer, enact this policy.

Corporations

| Revenue Components | Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|------------------------------|--------------------|--------------------|----------------------|----------------------|---------------------|---------------------|
| January Consensus | 627,300,000 | 669,800,000 | 627,300,000 | 669,800,000 | - | - |
| April Consensus Update | - | - | 16,800,000 | 18,100,000 | 16,800,000 | 18,100,000 |
| Policy Estimates and Updates | 273,200,000 | 154,400,000 | 258,100,000 | 222,800,000 | (15,100,000) | 68,400,000 |
| Total | 900,500,000 | 824,200,000 | 902,200,000 | 910,700,000 | 1,700,000 | 86,500,000 |

April Consensus Update

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | 16,800,000 | 18,100,000 | 16,800,000 | 18,100,000 |

The April Consensus estimates for FY 16 and FY 17 are higher than the January Consensus by \$16.8 million and \$18.1 million, respectively, due to the following: A) a \$21.7 million increase in the FY 15 estimate related to above-target collections for the most significant quarterly payment of the fiscal year which effectively increased the FY 16 revenue base, B) a reduction in the FY 16 growth rate from 4.5% to 3.6%, and C) a slight increase in the FY 17 growth rate from 2.9% to 3.0%.

It should be noted that both the January and April Consensus estimates include an adjustment related to one-time revenue of \$28.0 million received in FY 15 from a Tax Gap Initiative by the Department of Revenue Services that would not be received in the FY 16-FY 17 biennium.

Policy Revisions

Adjust Business Entity Tax

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | (40,000,000) | - | - | - | 40,000,000 |

Background: CGS Sec. 12-284b(b) requires any business registered as one of the following: 1) limited liability company; 2) limited liability partnership; 3) limited partnership; or 4) S corporation to pay a tax of \$250 every other year. PA 11-1 of the October Special Session made the tax payable every other year. (Previously it had been payable every year.)

Governor: Repeal the tax. Section 21 of SB 946, "AAC Revenue Items to Implement the Budget," implements this change.

Legislative: Maintain current law. Do not repeal the Business Entity Tax.

Adjust the Surcharge on the Corporate Income Tax

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| 44,400,000 | 75,000,000 | 44,400,000 | 75,000,000 | - | - |

Background: CGS Sec. 12-214(b) imposes a temporary surcharge equal to 20% of the tax paid at a rate of 7.5% on net income derived from in-state sources, which results in a tax rate of 9.0% for corporations paying under the net income base method. PA 11-6, the FY 12 and FY 13 Budget, established a temporary 20% corporate income tax surcharge for income years 2012 and 2013. PA 13-184, the FY 14 and FY 15 Budget, continues the policy on a temporary basis with it due to expire in FY 16.

Governor: Make the 20% corporate income tax surcharge permanent. Sections 5-6 of SB 946, "AAC Revenue Items to Implement the Governor's Budget," implement this change.

Legislative: Extend the 20% corporate income tax surcharge for two additional years to the 2016 and 2017 income years, and impose a temporary 10% surcharge for the 2018 income year. As under current law, companies paying the \$250 minimum tax and companies that have less than \$100 million in gross income are exempt from the surcharges. Sections 83-84 of PA 15-244, the FY 16 and FY 17 budget, enact these provisions.

Restrict Net Operating Loss Carryforward Use by Corporations

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| 156,300,000 | 90,100,000 | 156,300,000 | 90,100,000 | - | - |

Background: Federal and state law, pursuant to CGS Sec. 12-217(a)(4)(A), allow a corporation to apply a prior year loss against net income to the maximum extent possible and in a consecutive fashion when computing the amount of tax due.

Governor: Permanently limit the applicability of loss carryforwards to 50% of net income in any income year. Section 18 of SB 946, "AAC Revenue Items to Implement the Budget," implements this change.

Legislative: Same as Governor. Section 87 of PA 15-244, the FY 16 and FY 17 budget, enacts this provision.

Reduce the Use of Credits against Certain Taxes

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| 72,500,000 | 29,300,000 | 42,500,000 | 34,000,000 | (30,000,000) | 4,700,000 |

Background: Current law permits entities paying certain taxes to offset a portion or the entirety of their respective tax liabilities through the application of credits. CGS Sec. 12-217zz(a) limits the application of tax or other credits against the Corporation Business Tax to 70% of the total amount of the tax due otherwise. However, CGS Sec. 12-263b(a) permits an entity paying the Hospital Net Patient Revenue Tax to offset the entirety of its tax liability through the application of tax or other credits.

Governor: Lower the cap on the usage of credits against the Corporation Business Tax from 70% to the following: 1) 35% of the tax due in Income Year 2015; 2) 45% of the tax due in Income Year 2016; and 3) 60% of the tax due in Income Years 2017 and permanently thereafter. Establish a cap on the usage of credits against the Hospital Net Patient Revenue Tax as follows: 1) 35% of the tax due in 2015; 2) 45% of the tax due in 2016; and 3) 60% of the tax due in 2017 and permanently thereafter. Sections 19-20 of SB 946, "AAC Revenue Items to Implement the Budget," implement these changes.

Legislative: Lower the cap on the usage of credits against the Corporation Business Tax from 70% to 50.01% of the tax due beginning with the 2015 income year. Establish a cap on the usage of credits against the Hospital Net Patient Revenue Tax at 50.01% of the tax due beginning with any payments due on or after July 1, 2015. Sections 88-89 of PA 15-244, the FY 16 and FY 17 budget, enact these provisions.

Establish Mandatory Combined Reporting

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | 14,900,000 | 23,700,000 | 14,900,000 | 23,700,000 |

Background: Pursuant to CGS Sec. 12-223a, certain Corporation Business Tax filers may elect to file combined state tax returns.

Legislative: Require any company that is: (1) a member of a corporate group of related companies meeting certain criteria and (2) subject to the state Corporation Business Tax to file a combined return. Sections 138-163 of PA 15-244, the FY 16 and FY 17 budget, as amended by sections 139-153 of PA 15-5 JSS, a budget implementer, enact this provision.

Public Service Corporations

| Revenue Components | Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|------------------------------|--------------------|--------------------|----------------------|----------------------|---------------------|---------------------|
| January Consensus | 308,000,000 | 316,500,000 | 308,000,000 | 316,500,000 | - | - |
| April Consensus Update | - | - | - | - | - | - |
| Policy Estimates and Updates | 700,000 | 700,000 | - | - | (700,000) | (700,000) |
| Total | 308,700,000 | 317,200,000 | 308,000,000 | 316,500,000 | (700,000) | (700,000) |

April Consensus Update

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | - | - | - | - |

The April Consensus estimates for FY 16 and FY 17 are unchanged from the January Consensus estimates as the collections data utilized in the April Consensus trended consistently with the data utilized in the January Consensus.

Policy Revisions

Adjust Revenue Diversion to CT-N

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| 700,000 | 700,000 | - | - | (700,000) | (700,000) |

Background: CGS Sec. 2-71x was amended in the Revised FY 15 budget to divert \$3.2 million annually, up from \$2.5 million, from the Public Service Corporations Tax to provide television coverage of state government deliberations and public policy events. This supports the operations of the Connecticut Television Network (CT-N).

Governor: Permanently reduce the annual revenue diversion from the Public Service Corporations Tax by \$700,000 to \$2.5 million. Section 33 of SB 946, "AAC Revenue Items to Implement the Governor's Budget," implements this change.

Legislative: Maintain current law. Do not reduce the annual revenue diversion from the Public Service Corporations Tax.

Inheritance and Estate

| Revenue Components | Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|------------------------------|--------------------|--------------------|----------------------|----------------------|---------------------|---------------------|
| January Consensus | 177,400,000 | 182,700,000 | 177,400,000 | 182,700,000 | - | - |
| April Consensus Update | - | - | - | - | - | - |
| Policy Estimates and Updates | - | - | (4,000,000) | (8,000,000) | (4,000,000) | (8,000,000) |
| Total | 177,400,000 | 182,700,000 | 173,400,000 | 174,700,000 | (4,000,000) | (8,000,000) |

April Consensus Update

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | - | - | - | - |

The April Consensus estimates for FY 16 and FY 17 are unchanged from the January Consensus estimates as the collections data utilized in the April Consensus trended consistently with the data utilized in the January Consensus.

Policy Revisions

Establish a Cap on Total Gift & Estate Tax Liability

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | (4,000,000) | (8,000,000) | (4,000,000) | (8,000,000) |

Background: The state Gift and Estate Tax applies to the aggregate amount of all taxable gifts and estates over \$2.0 million.

Legislative: Establish a \$20.0 million cap as the maximum amount of (1) estate tax imposed on estates of residents and nonresidents who die on or after January 1, 2016 and (2) gift tax imposed on taxable gifts donors make on or after January 1, 2016. Sections 174-175 of PA 15-244, the FY 16 and FY 17 budget, enact this provision.

Insurance Companies

| Revenue Components | Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|------------------------------|--------------------|--------------------|----------------------|----------------------|---------------------|---------------------|
| January Consensus | 237,200,000 | 239,700,000 | 237,200,000 | 239,700,000 | - | - |
| April Consensus Update | - | - | (16,100,000) | (16,400,000) | (16,100,000) | (16,400,000) |
| Policy Estimates and Updates | 22,700,000 | 22,700,000 | 22,700,000 | 22,700,000 | - | - |
| Total | 259,900,000 | 262,400,000 | 243,800,000 | 246,000,000 | (16,100,000) | (16,400,000) |

April Consensus Update

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | (16,100,000) | (16,400,000) | (16,100,000) | (16,400,000) |

The April Consensus estimates for FY 16 and FY 17 are lower than the January Consensus by \$16.1 million and \$16.4 million, respectively, due the following: A) a \$30.8 million decrease in the FY 15 estimate (assumed to be due to the use of tax credits as a result

of the 1/1/15 expiration of the statutory cap on credit usage) which effectively lowered the FY 16 revenue base, and B) a slight increase in the FY 16 growth rate from 2.2% to 2.3%.

Policy Revisions

Maintain the 3-Tier Credit System against the Ins. Prem. Tax

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| 18,700,000 | 18,700,000 | 18,700,000 | 18,700,000 | - | - |

Background: CGS Sec. 12-211a(a) limits tax or other credits allowable against the Insurance Premiums Tax to 70% of the amount due prior to the application of any credit. In addition, CGS Sec. 12-211a(a)(5) temporarily establishes two lower caps (a three-tiered cap system) at 55% and 30% depending upon the mix of credits to be applied. The two lower tiers are due to expire in 2015.

The applicable tiers are governed by the mix of different types of credits, as defined in CGS Sec. 12-211a(a)(4), including the following: 1) Insurance Reinvestment Fund Tax Credit; 2) Digital Animation Production Tax Credit; 3) Film Production Tax Credit; 4) Film Production Infrastructure Tax Credit; and 5) any other credits.

Governor: Delay until 2017 the scheduled expiration of the two lower tiers of caps on credit utilization against the Insurance Premiums Tax. Section 7 of SB 946, "AAC Revenue Items to Implement the Budget," implements this change.

Legislative: Same as Governor. Section 85 of PA 15-244, the FY 16 and FY 17 budget, enacts this provision.

Maintain the Moratorium on New Film Tax Credits

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| 4,000,000 | 4,000,000 | 4,000,000 | 4,000,000 | - | - |

Background: CGS Sec. 12-217jj allows a credit for qualified production expenses or eligible costs incurred during the production of a film in Connecticut. The credit percentage ranges from 10% to 30% depending on total eligible expenses. Credits may be claimed in the year the costs were incurred or the three succeeding years after the year the costs were incurred, and may be sold, assigned, or transferred in whole or in part no more than three times.

PA 13-184, the FY 14 and FY 15 Budget, established a two-year moratorium on film production tax credits for motion pictures through FY 14 and FY 15. This policy (1) bars the issuance of tax credit vouchers for motion pictures; and (2) excludes motion pictures from the types of qualified productions that are eligible for the credits for those years, with certain exceptions.

Governor: Delay until FY 18 the scheduled expiration of the moratorium on the issuance of new film tax credits. Section 8 of SB 946, "AAC Revenue Items to Implement the Budget," implements this change. Maintain the exceptions to the moratorium.

Legislative: Same as Governor. Section 86 of PA 15-244, the FY 16 and FY 17 budget, enacts this provision.

Cigarettes

| Revenue Components | Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|------------------------------|--------------------|--------------------|----------------------|----------------------|---------------------|---------------------|
| January Consensus | 336,700,000 | 320,500,000 | 336,700,000 | 320,500,000 | - | - |
| April Consensus Update | - | - | - | - | - | - |
| Policy Estimates and Updates | - | - | 24,500,000 | 42,800,000 | 24,500,000 | 42,800,000 |
| Total | 336,700,000 | 320,500,000 | 361,200,000 | 363,300,000 | 24,500,000 | 42,800,000 |

April Consensus Update

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | - | - | - | - |

April Consensus Update

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | - | - | - | - |

The April Consensus estimates for FY 16 and FY 17 are unchanged from the January Consensus estimates as the collections data utilized in the April Consensus trended consistently with the data utilized in the January Consensus.

Alcoholic Beverages

| Revenue Components | Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|------------------------------|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| January Consensus | 61,200,000 | 61,600,000 | 61,200,000 | 61,600,000 | - | - |
| April Consensus Update | - | - | - | - | - | - |
| Policy Estimates and Updates | 1,800,000 | 1,800,000 | 500,000 | 500,000 | (1,300,000) | (1,300,000) |
| Total | 63,000,000 | 63,400,000 | 61,700,000 | 62,100,000 | (1,300,000) | (1,300,000) |

April Consensus Update

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | - | - | - | - |

The April Consensus estimates for FY 16 and FY 17 are unchanged from the January Consensus estimates as the collections data utilized in the April Consensus trended consistently with the data utilized in the January Consensus.

Policy Revisions

Amend Various Alcohol Policies

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| 1,800,000 | 1,800,000 | 500,000 | 500,000 | (1,300,000) | (1,300,000) |

Background: CGS Sec. 30-68m defines a minimum bottle price of alcoholic liquor at which retailers may sell.

CGS Sec. 30-48a allows three alcoholic beverage retail permits to be acquired by a person or backer prior to July 1, 2015.

CGS Sec. 30-91 defines the times during which alcoholic beverage sales are permitted. Sales by places with package store permits, and other various retail permits, were allowable from 10am to 5pm on Sundays and from 8am to 9pm on all other days prior to July 1, 2015.

Governor: Implement the following changes regarding alcoholic beverage sales: (1) Eliminate the minimum bottle price requirement; (2) increase the number of allowable alcoholic beverage retail permits from three to six; (3) increase permissible sale hours to 10am to 8pm on Sundays and from 8am to 10pm on all other days. Sections 41-43 of SB 946, "AAC Revenue Items to Implement the Governor's Budget," implement these changes.

Legislative: Implement the following changes: (1) increase the number of allowable alcoholic beverage retail permits from three to four permits. (2) extend permissible sale hours for alcoholic beverage retail permittees. (3) authorize certain entities to sell sealed containers of draught beer i.e. "growlers." Sections 78-82 of PA 15-244, the FY 16 and FY 17 budget, enact these policies.

Maintain the minimum bottle price of alcoholic liquor, as defined under CGS 30-68m, with no enacted policy changes.

Admissions and Dues

| Revenue Components | Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|------------------------------|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| January Consensus | 38,700,000 | 40,000,000 | 38,700,000 | 40,000,000 | - | - |
| April Consensus Update | - | - | - | - | - | - |
| Policy Estimates and Updates | - | - | (400,000) | (400,000) | (400,000) | (400,000) |
| Total | 38,700,000 | 40,000,000 | 38,300,000 | 39,600,000 | (400,000) | (400,000) |

April Consensus Update

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | - | - | - | - |

The April Consensus estimates for FY 16 and FY 17 are unchanged from the January Consensus estimates as the collections data utilized in the April Consensus trended consistently with the data utilized in the January Consensus.

Policy Revisions

Exempt Bridgeport's Harbor Yard Ballpark

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | (400,000) | (400,000) | (400,000) | (400,000) |

Background: CGS Sec. 12-541 imposes a 10% Admissions Tax on admissions charges to various events at certain venues.

Legislative: Exempt Atlantic League professional baseball games played at Bridgeport's Harbor Yard Ballpark from the Admissions Tax. Section 216 of PA 15-244, the FY 16 and FY 17 budget, enacts this provision.

Health Provider

| Revenue Components | Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|------------------------------|--------------------|--------------------|----------------------|----------------------|---------------------|---------------------|
| January Consensus | 479,900,000 | 482,000,000 | 479,900,000 | 482,000,000 | - | - |
| April Consensus Update | - | - | (27,800,000) | (27,900,000) | (27,800,000) | (27,900,000) |
| Policy Estimates and Updates | 170,200,000 | 169,000,000 | 224,800,000 | 229,800,000 | 54,600,000 | 60,800,000 |
| Total | 650,100,000 | 651,000,000 | 676,900,000 | 683,900,000 | 26,800,000 | 32,900,000 |

April Consensus Update

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | (27,800,000) | (27,900,000) | (27,800,000) | (27,900,000) |

The April Consensus estimates for FY 16 and FY 17 are lower than the January Consensus by \$27.8 million and \$27.9 million, respectively, due to anticipated increase in the utilization of tax credits against the net patient revenue hospital tax. This forecast is based upon year to date collections available at the time of the April Consensus which showed a greater year-over-year decrease in collections than previously shown in data available at the time of the January Consensus.

Policy Revisions

Reduce the Use of Credits against Certain Taxes

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| 5,000,000 | 3,800,000 | 2,800,000 | 2,800,000 | (2,200,000) | (1,000,000) |

Background: Current law permits entities paying certain taxes to offset a portion or the entirety of their respective tax liabilities through the application of credits. CGS Sec. 12-217zz(a) limits the application of tax or other credits against the Corporation Business Tax to 70% of the total amount of the tax due otherwise. However, CGS Sec. 12-263b(a) permits an entity paying the Hospital Net Patient Revenue Tax to offset the entirety of its tax liability through the application of tax or other credits.

Governor: Lower the cap on the usage of credits against the Corporation Business Tax from 70% to the following: 1) 35% of the tax due in Income Year 2015; 2) 45% of the tax due in Income Year 2016; and 3) 60% of the tax due in Income Years 2017 and permanently thereafter. Establish a cap on the usage of credits against the Hospital Net Patient Revenue Tax as follows: 1) 35% of the tax due in 2015; 2) 45% of the tax due in 2016; and 3) 60% of the tax due in 2017 and permanently thereafter. Sections 19-20 of SB 946, "AAC Revenue Items to Implement the Budget," implement these changes.

Legislative: Lower the cap on the usage of credits against the Corporation Business Tax from 70% to 50.01% of the tax due beginning with the 2015 income year. Establish a cap on the usage of credits against the Hospital Net Patient Revenue Tax at 50.01% of the tax due beginning with any payments due on or after July 1, 2015. Sections 88-89 of PA 15-244, the FY 16 and FY 17 budget, enact these provisions.

Update the Hospital Net Revenue Tax

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| 165,200,000 | 165,200,000 | 160,500,000 | 160,500,000 | (4,700,000) | (4,700,000) |

Background: PA 11-6, as amended by PA 11-44 and PA 11-61, implemented a tax on hospital net patient revenue effective July 1, 2011. The fee, determined by the Department of Social Services, has not changed since instituted. It is based on Federal Fiscal Year 2009 total net patient revenues as reported to the Department of Public Health's Office of Health Care Access (OHCA). Prior to July 1, 2015 the fee was 5.5% of inpatient revenues and 3.83% of outpatient revenues. The fee may not exceed the maximum rate allowed by the federal government, currently 6% of net patient revenues.

Hospitals deemed to be financially distressed were exempted from the fee on outpatient revenues. The user fee totals approximately \$349 million annually and is paid on a quarterly basis.

Governor: Update the base for the Hospital Net Revenue Tax from Federal Fiscal Year 2009 to 2013 total net patient revenues. Equalize the tax rates on inpatient and outpatient services. No legislation is required for this change.

In conjunction to the tax update, increase supplemental Medicaid payments to hospitals to \$165.3, the amount of tax to be collected. From this payment \$55.3 million will be paid by the state with the remaining \$110 million by the federal government. In total, the tax revenue of \$165.3 million and supplemental state payments of \$55.3 million result in a net gain to the state of \$110 million.

Legislative: Same as Governor with technical adjustments that more accurately reflect the policy impact. In total, the tax revenue of \$160.5 and increased supplemental Medicaid state payments of \$50.8 million result in a net gain to the state of \$109.7 million.

Increase Hospital Tax Rate to 6%

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | 46,500,000 | 46,500,000 | 46,500,000 | 46,500,000 |

Legislative: In addition to the changes to the hospital tax listed above, increase the hospital tax rate from 5.5% to 6.0% for both inpatient and outpatient services. This incremental change from the policy adopted above generates an additional \$46.5 million.

In total, all changes to the hospital tax included in this budget, (1) updating the base from FFY 09 to FFY 13 and (2) increasing the rate to 6% for both inpatient and outpatient services generates an additional \$207 million in tax revenue. The total anticipated gross revenue attributable to hospital tax is \$556 million.

Establish Ambulatory Surgical Centers Tax at 6%

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | 15,000,000 | 20,000,000 | 15,000,000 | 20,000,000 |

Background: Ambulatory surgical centers perform surgery and related services on patients that take less than a day and do not require hospitalization. In general, these centers are for-profit institutions that are unaffiliated with hospitals. Those that are unaffiliated with hospitals were not subject to the hospital tax prior to October 1, 2015.

Legislative: Enact a 6% gross receipts tax on Department of Public Health-licensed and Medicare-certified ambulatory surgical centers, excluding: (1) any portion of a center's gross receipts that are subject to the hospital tax; and (2) the first one million dollars in gross receipts. Sections 172 of PA 15-244, the FY 16 and FY 17 budget, as amended by Section 130 of PA 15-5 JSS, a budget implementer, enacts this policy.

Miscellaneous Taxes

| Revenue Components | Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|------------------------------|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| January Consensus | 20,900,000 | 21,400,000 | 20,900,000 | 21,400,000 | - | - |
| April Consensus Update | - | - | - | - | - | - |
| Policy Estimates and Updates | - | - | (100,000) | (100,000) | (100,000) | (100,000) |
| Total | 20,900,000 | 21,400,000 | 20,800,000 | 21,300,000 | (100,000) | (100,000) |

April Consensus Update

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | - | - | - | - |

The April Consensus estimates for FY 16 and FY 17 are unchanged from the January Consensus estimates as the collections data utilized in the April Consensus trended consistently with the data utilized in the January Consensus.

Policy Revisions

Limit Rental Surcharge

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | (100,000) | (100,000) | (100,000) | (100,000) |

Background: CGS Sec. 12-692 imposes a surcharge on short-term car, truck, and machinery rentals (i.e., 30 days or less). The surcharge is (1) 3% for car and truck rentals and (2) 1.5% for machinery rentals.

Legislative: Limit the rental companies subject to the surcharge to people or businesses generating at least 51% of their total annual revenue from rentals, excluding retail or wholesale rental equipment sales. Section 107 of PA 15-244, the FY 16 and FY 17 budget, enacts this provision.

Refunds of Taxes

| Revenue Components | Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|------------------------------|------------------------|------------------------|------------------------|------------------------|---------------------|---------------------|
| January Consensus | (1,165,200,000) | (1,214,900,000) | (1,165,200,000) | (1,214,900,000) | - | - |
| April Consensus Update | - | - | 35,800,000 | 36,800,000 | 35,800,000 | 36,800,000 |
| Policy Estimates and Updates | - | - | 39,000,000 | 75,000,000 | 39,000,000 | 75,000,000 |
| Total | (1,165,200,000) | (1,214,900,000) | (1,090,400,000) | (1,103,100,000) | 74,800,000 | 111,800,000 |

April Consensus Update

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | 35,800,000 | 36,800,000 | 35,800,000 | 36,800,000 |

The April Consensus estimates for FY 16 and FY 17 are lower than the January Consensus by \$35.8 million and \$36.8 million, respectively, due to the following: A) a \$35.0 million decrease in the FY 15 estimate (due primarily to positive trends in non-Income Tax refunds) which effectively decreased the FY 16 revenue base, and B) a slight increase in the FY 16 growth rate from 4.5% to 4.6%.

Policy Revisions

Reduce Property Tax Credit

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | 39,000,000 | 75,000,000 | 39,000,000 | 75,000,000 |

Background: Pursuant to CGS Sec. 12-704c, income tax filers are entitled to a credit of up to \$300 for property taxes paid on real property and motor vehicles.

Legislative: Reduce the Property Tax Credit against the Personal Income Tax by: 1) lowering the adjusted gross income threshold at which the maximum credit amount starts to phase out beginning with the 2015 income year (FY 16), and 2) lowering, from \$300 to \$200, the maximum credit amount beginning with the 2016 income year (FY 17). The overall associated revenue gain of \$52.0 million in FY 16 and \$100.0 million in FY 17 is reflected under both the Personal Income Tax and Refunds of Taxes line items as it is anticipated that a majority of the revenue will be realized in the form of lower income tax refunds in each fiscal year, with the remainder realized through higher income tax collections. Section 70 of PA 15-244, the FY 16 and FY 17 budget, enacts these provisions.

Earned Income Tax Credit

| Revenue Components | Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|------------------------------|----------------------|----------------------|----------------------|----------------------|---------------------|---------------------|
| January Consensus | (138,400,000) | (144,900,000) | (138,400,000) | (144,900,000) | - | - |
| April Consensus Update | - | - | - | - | - | - |
| Policy Estimates and Updates | 11,000,000 | 11,000,000 | 11,000,000 | 11,000,000 | - | - |
| Total | (127,400,000) | (133,900,000) | (127,400,000) | (133,900,000) | - | - |

April Consensus Update

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | - | - | - | - |

The April Consensus estimates for FY 16 and FY 17 are unchanged from the January Consensus estimates as actual data regarding the utilization of the Earned Income Tax Credit is unavailable until after the Consensus estimates have been finalized.

Policy Revisions

Delay Increase in the Earned Income Tax Credit

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| 11,000,000 | 11,000,000 | 11,000,000 | 11,000,000 | - | - |

Background: CGS Sec. 12-214e provides a refundable state earned income tax credit against the Personal Income Tax that is equal to a percentage of the federal credit.

PA 11-6, the FY 12 and FY 13 Budget, as amended by PA 11-1 JSS, established a refundable, state Earned Income Tax Credit (EITC) against the Personal Income Tax that is equal to 30.0% of the federal EITC. This policy was effective upon passage and applicable to tax years starting on or after January 1, 2011. In 2011, 181,620 households claimed the state EITC for a total credit amount of \$109,194,583. The average credit amount was \$601.

PA 13-184, the FY 14 and FY 15 Budget, temporarily reduced the state's EITC to 25.0% of the federal EITC in 2013 and 27.5% of the federal EITC in 2014. According to PA 13-184, the EITC rate is scheduled to revert to the original 30.0% of the federal EITC in 2015.

Governor: Delay until 2017 the scheduled restoration of the rate to 30.0% from 27.5%. Section 4 of SB 946, "AAC Revenue Items to Implement the Governor's Budget," implements this change.

Legislative: Same as Governor. Section 69 of PA 15-244, the FY 16 and FY 17 budget, enacts this provision.

R & D Credit Exchange

| Revenue Components | Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|------------------------------|--------------------|--------------------|----------------------|----------------------|---------------------|---------------------|
| January Consensus | (7,100,000) | (7,400,000) | (7,100,000) | (7,400,000) | - | - |
| April Consensus Update | - | - | - | - | - | - |
| Policy Estimates and Updates | - | - | - | - | - | - |
| Total | (7,100,000) | (7,400,000) | (7,100,000) | (7,400,000) | - | - |

April Consensus Update

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | - | - | - | - |

The April Consensus estimates for FY 16 and FY 17 are unchanged from the January Consensus estimates as the collections data utilized in the April Consensus trended consistently with the data utilized in the January Consensus.

Transfer Special Revenue

| Revenue Components | Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|------------------------------|--------------------|--------------------|----------------------|----------------------|---------------------|---------------------|
| January Consensus | 329,800,000 | 339,300,000 | 329,800,000 | 339,300,000 | - | - |
| April Consensus Update | - | - | - | - | - | - |
| Policy Estimates and Updates | - | - | 13,600,000 | 30,000,000 | 13,600,000 | 30,000,000 |
| Total | 329,800,000 | 339,300,000 | 343,400,000 | 369,300,000 | 13,600,000 | 30,000,000 |

April Consensus Update

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | - | - | - | - |

The April Consensus estimates for FY 16 and FY 17 are unchanged from the January Consensus estimates as the collections data utilized in the April Consensus trended consistently with the data utilized in the January Consensus.

Policy Revisions

Authorize Keno Gaming

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | 13,600,000 | 30,000,000 | 13,600,000 | 30,000,000 |

Background: PA 13-184, the FY 14-FY 15 biennial budget, authorized the Connecticut Lottery Corporation to operate keno, and allowed the Secretary of the Office of Policy and Management to enter into agreements with the Mashantucket Pequot Tribe and the Mohegan Tribe of Indians of Connecticut to distribute to each Tribe up to 12.5% of the gross state operating revenue from the operation of keno. PA 14-47, the FY 15 Revised Budget, subsequently repealed the authorization for the state to operate keno as a lottery game.

Legislative: Authorize the Connecticut Lottery Corporation to operate keno gaming, contingent upon the Secretary of the Office of Policy and Management entering into agreements with the Mashantucket Pequot Tribe and the Mohegan Tribe of Indians of Connecticut to distribute to each Tribe up to 12.5% of gross operating revenue from keno. Sections 103-106 of PA 15-244, the FY 16 and FY 17 budget, as amended by section 138 of PA 15-5 JSS, a budget implementer, enact this provision.

Indian Gaming Payments

| Revenue Components | Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|------------------------------|--------------------|--------------------|----------------------|----------------------|---------------------|---------------------|
| January Consensus | 260,700,000 | 254,300,000 | 260,700,000 | 254,300,000 | - | - |
| April Consensus Update | - | - | (1,900,000) | (1,900,000) | (1,900,000) | (1,900,000) |
| Policy Estimates and Updates | - | - | - | - | - | - |
| Total | 260,700,000 | 254,300,000 | 258,800,000 | 252,400,000 | (1,900,000) | (1,900,000) |

April Consensus Update

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | (1,900,000) | (1,900,000) | (1,900,000) | (1,900,000) |

The April Consensus estimates for FY 16 and FY 17 are lower than the January Consensus by \$1.9 million in each year due to a decrease in the FY 15 estimate which effectively lowered the FY 16 and FY 17 revenue base.

Licenses, Permits and Fees

| Revenue Components | Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|------------------------------|--------------------|--------------------|----------------------|----------------------|---------------------|---------------------|
| January Consensus | 295,900,000 | 273,300,000 | 295,900,000 | 273,300,000 | - | - |
| April Consensus Update | - | - | 9,900,000 | 15,200,000 | 9,900,000 | 15,200,000 |
| Policy Estimates and Updates | 15,900,000 | 18,700,000 | 2,712,500 | 2,275,000 | (13,187,500) | (16,425,000) |
| Total | 311,800,000 | 292,000,000 | 308,512,500 | 290,775,000 | (3,287,500) | (1,225,000) |

April Consensus Update

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | 9,900,000 | 15,200,000 | 9,900,000 | 15,200,000 |

The April Consensus estimates for FY 16 and FY 17 are higher than the January Consensus by \$9.9 million and \$15.2 million, respectively, due to the following: A) a \$17.4 million increase in the FY 15 estimate which effectively increased the FY 16 revenue base, B) a decrease in the FY 16 growth rate from 0.6% to negative 2.5%, and C) an increase in the FY 17 growth rate from 2.8% to 4.6%.

It should be noted that both the January and April Consensus estimates include adjustments to control for the biennial receipt of revenue related to Insurance Agent Licenses, which results in a revenue gain of approximately \$30.0 million in even numbered fiscal years (including FY 16).

Policy Revisions

Adjust Filing Fees for Pass-Through Entities

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| 10,000,000 | 12,800,000 | - | - | (10,000,000) | (12,800,000) |

Background: The Secretary of the State's Commercial Recording Division is responsible for maintaining certain records concerning the formation and changes to business entities in the state.

Governor: Sections 22-24 of SB 946, "AAC Revenue Items to Implement the Governor's Budget," increase the fee for filing an annual report for certain entities from \$20 to \$100 per year.

Legislative: Maintain current law. Do not increase the filing fee for certain annual reports.

Adjust Assessment for Solid Waste Processing

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| 5,300,000 | 5,300,000 | - | - | (5,300,000) | (5,300,000) |

Background: Pursuant to CGS Sec. 22a-232, Resource Recovery Facilities currently pay \$1.50 per ton of solid waste processed at such facilities. These facilities convert solid waste received from municipalities into energy. There are currently seven in Connecticut which paid a total amount of \$3.5 million in FY 14.

Governor: Permanently increase the assessment from \$1.50 to \$2.50 per ton of solid waste processed at Resource Recovery Facilities and expand the applicability of the assessment to include construction / demolition waste landfilled in CT, the export / import of municipal solid waste and the export of construction / demolition waste to other states. Section 25 of SB 946, "AAC Revenue Items to Implement the Governor's Budget," implements these changes. The increased assessment is estimated to yield an additional \$2.2 million with the expansion to yield an additional \$3.1 million.

Legislative: Maintain current law. Do not increase or expand the solid waste assessment.

Transfer Palliative Use of Marijuana Revenue to General Fund

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| 600,000 | 600,000 | 600,000 | 600,000 | - | - |

Background: Pursuant to CGS, Chapter 420f, Section 21a-408, patients who are currently receiving medical treatment for a debilitating medical condition set out in the law may qualify for a registration certificate for the palliative marijuana program. To qualify, a patient must also be at least 18 years of age and a Connecticut resident. Each patient may also register one primary caregiver if the need for a caregiver is documented by the patient's physician. In FY 15 fees for growing, distribution and use of palliative marijuana are deposited into the Palliative Marijuana Administration Account.

Governor: Deposit revenue associated with the palliative use of marijuana to the General Fund rather than the Palliative Marijuana Administration Fund for FY 16 and each year thereafter. Total revenue for FY 16 and FY 17 is \$600,000. Sections 37-40 and 44 of SB 946, "An Act Concerning Revenue Items to Implement the Governor's Budget," implement this permanent change.

Legislative: Same as Governor. Sections 99-102 and 221 of PA 15-244, the FY 16 and FY 17 budget, enact this provision.

Establish Registration Fees: E-Cig Sales & Manufacturing

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | 2,000,000 | 1,600,000 | 2,000,000 | 1,600,000 |

Legislative: Require manufacturers and sellers of electronic nicotine delivery devices to register with the state Department of Consumer Protection and annually renew their registration accompanied by fees. The application fee is \$75 which must be paid to register as a manufacturer or seller. In addition, there is a \$400 annual registration/registration renewal fee. Sections 108-111 of PA 15-244, the FY 16 and FY 17 budget, enact the registration process and corresponding fees.

Establish a Swimming Pool Installer License and Fee

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | 112,500 | 75,000 | 112,500 | 75,000 |

Legislative: Section 217 of PA 15-244, the FY 16 and FY 17 budget, creates a swimming pool installer license fee of \$150 with an annual renewal fee of \$100.

Sales of Commodities

| Revenue Components | Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|------------------------------|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| January Consensus | 44,600,000 | 45,800,000 | 44,600,000 | 45,800,000 | - | - |
| April Consensus Update | - | - | (6,600,000) | (6,700,000) | (6,600,000) | (6,700,000) |
| Policy Estimates and Updates | - | - | - | - | - | - |
| Total | 44,600,000 | 45,800,000 | 38,000,000 | 39,100,000 | (6,600,000) | (6,700,000) |

April Consensus Update

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | (6,600,000) | (6,700,000) | (6,600,000) | (6,700,000) |

The April Consensus estimates for FY 16 and FY 17 are lower than the January Consensus by \$6.6 million and \$6.7 million, respectively, due to the following: A) a \$7.0 million decrease in the FY 15 estimate related to a delay in the processing of non-Medicaid inpatient claims within the Department of Mental Health and Addiction Services which effectively lowered the FY 16 revenue base, B) an increase in the FY 16 growth rate from 2.5% to 4.1%, and C) an increase in the FY 17 growth rate from 2.7% to 2.9%.

Rentals, Fines and Escheats

| Revenue Components | Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|------------------------------|--------------------|--------------------|----------------------|----------------------|---------------------|---------------------|
| January Consensus | 119,900,000 | 121,800,000 | 119,900,000 | 121,800,000 | - | - |
| April Consensus Update | - | - | 6,100,000 | 6,200,000 | 6,100,000 | 6,200,000 |
| Policy Estimates and Updates | - | - | - | - | - | - |
| Total | 119,900,000 | 121,800,000 | 126,000,000 | 128,000,000 | 6,100,000 | 6,200,000 |

April Consensus Update

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | 6,100,000 | 6,200,000 | 6,100,000 | 6,200,000 |

The April Consensus estimates for FY 16 and FY 17 are higher than the January Consensus by \$6.1 million and \$6.2 million, respectively, due to an increase in the FY 15 estimate which effectively increased the FY 16 and FY 17 revenue base.

Investment Income

| Revenue Components | Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|------------------------------|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| January Consensus | 2,800,000 | 5,900,000 | 2,800,000 | 5,900,000 | - | - |
| April Consensus Update | - | - | (300,000) | (300,000) | (300,000) | (300,000) |
| Policy Estimates and Updates | - | - | - | - | - | - |
| Total | 2,800,000 | 5,900,000 | 2,500,000 | 5,600,000 | (300,000) | (300,000) |

April Consensus Update

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | (300,000) | (300,000) | (300,000) | (300,000) |

The April Consensus estimates for FY 16 and FY 17 are lower than the January Consensus by \$0.3 million in each year due to a \$0.3 million increase in the FY 15 estimate related to collections trends which effectively increased the FY 16 and FY 17 revenue base.

It should be noted that the April Consensus estimates included an offsetting adjustment to the FY 16 revenue base to account for the one-time deposit of interest related to Connecticut Health & Educational Facilities Authorities bonds that occurred in FY 15.

Miscellaneous

| Revenue Components | Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|------------------------------|--------------------|--------------------|--------------------|--------------------|------------------|------------------|
| January Consensus | 163,700,000 | 165,800,000 | 163,700,000 | 165,800,000 | - | - |
| April Consensus Update | - | - | 5,100,000 | 5,100,000 | 5,100,000 | 5,100,000 |
| Policy Estimates and Updates | 4,600,000 | 4,600,000 | 2,500,000 | 2,500,000 | (2,100,000) | (2,100,000) |
| Total | 168,300,000 | 170,400,000 | 171,300,000 | 173,400,000 | 3,000,000 | 3,000,000 |

April Consensus Update

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|----------------|----------------|-------------------|-------------------|------------------|------------------|
| - | - | 5,100,000 | 5,100,000 | 5,100,000 | 5,100,000 |

The April Consensus estimates for FY 16 and FY 17 are higher than the January Consensus by \$5.1 million in each year due to an increase in the FY 15 estimate which effectively increased the FY 16 and FY 17 revenue base.

It should be noted that the April Consensus estimates include an adjustment to the FY 16 revenue base to account for the one-time impact of the receipt of revenue related to a settlement agreement with the ratings agency Standard and Poor's.

Policy Revisions

Adjust Reimbursement Rate for Resident State Troopers

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|----------------|----------------|-------------------|-------------------|------------------|------------------|
| 4,600,000 | 4,600,000 | 2,500,000 | 2,500,000 | (2,100,000) | (2,100,000) |

Background: The Department of Emergency Services and Public Protection operates the Resident State Trooper program as established in CGS Sec. 29-5. Through this voluntary program, state troopers are appointed as resident state troopers in participating municipalities. Currently, 56 towns participate in the program. Such municipalities are responsible for paying seventy percent (70%) of regular time costs and one hundred percent (100%) of overtime costs, including fringe benefits.

Governor: Section 26 of SB 946, "AAC Revenue Items to Implement the Governor's Budget," permanently requires municipalities participating in the Resident State Trooper program to pay one hundred percent (100%) of all costs for such policemen.

Legislative: Require municipalities participating in the Resident State Trooper program to pay (1) 85% of the compensation, maintenance, and other expenses of the first two troopers assigned to the town; (2) 100% of such costs for any additional troopers assigned there; and (3) 100% of the overtime costs and the portion of the fringe benefits directly associated with those costs. Section 170 of PA 15-244, the FY 16 and FY 17 budget, enacts this provision.

Refunds of Payments

| Revenue Components | Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|------------------------------|---------------------|---------------------|---------------------|---------------------|------------------|------------------|
| January Consensus | (74,200,000) | (75,100,000) | (74,200,000) | (75,100,000) | - | - |
| April Consensus Update | - | - | - | - | - | - |
| Policy Estimates and Updates | - | - | - | - | - | - |
| Total | (74,200,000) | (75,100,000) | (74,200,000) | (75,100,000) | - | - |

April Consensus Update

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | - | - | - | - |

The April Consensus estimates for FY 16 and FY 17 are unchanged from the January Consensus estimates as the collections data utilized in the April Consensus trended consistently with the data utilized in the January Consensus.

Federal Grants

| Revenue Components | Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|------------------------------|----------------------|----------------------|----------------------|----------------------|---------------------|---------------------|
| January Consensus | 1,298,100,000 | 1,322,000,000 | 1,298,100,000 | 1,322,000,000 | - | - |
| April Consensus Update | - | - | 7,500,000 | (23,400,000) | 7,500,000 | (23,400,000) |
| Policy Estimates and Updates | (25,662,705) | (30,644,608) | (40,370,030) | (45,913,278) | (14,707,325) | (15,268,670) |
| Total | 1,272,437,295 | 1,291,355,392 | 1,265,229,970 | 1,252,686,722 | (7,207,325) | (38,668,670) |

April Consensus Update

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | 7,500,000 | (23,400,000) | 7,500,000 | (23,400,000) |

Federal grants are increased by \$7.5 million in FY 16 and decreased by \$23.4 million in FY 15 from January Consensus. Changes are primarily related to other agency expenditures that receive federal Medicaid reimbursement. In FY 16, the change is primarily due to notable increases in the Department of Developmental Services Comprehensive (DDS COMP) and Individual and Family Services (IFS) Waivers, which are lowered in FY 17 and offset by various other DDS adjustments.

Policy Revisions

Reflect Reimbursement Impact of Savings Initiative in MHA

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| (55,253) | (111,612) | (55,253) | (111,612) | - | - |

Background: Within the Department of Mental Health and Addiction Services (MHA), the Governor's proposed budget reduces certain expenditures. Section 1 of HB 6824, "AAC the State Budget for the Biennium Ending June Thirtieth 2017, and Making Appropriations Therefor and Other Provisions Related to Revenue," includes this appropriations adjustment.

Governor: Adjust revenue estimate to reflect the impact of this change in appropriations.

Legislative: Same as Governor.

Net Appropriate HUSKY B

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | (27,140,000) | (31,900,000) | (27,140,000) | (31,900,000) |

Background: Historically, HUSKY B has been gross appropriated, meaning both the state and federal shares of the program are included in the state budget appropriation. State expenditures are matched with a federal reimbursement rate of 65% until October 1, 2015, at which point the rate increases to 88% through September 30, 2019. Net appropriating reflects removing funding associated with the federal share of the program and appropriating only the state's share of the program, estimated at \$6,550,000 in FY 16 and \$4,350,000 in FY 17.

Legislative: Adjust revenue estimate to reflect the impact of this change in appropriations.

Reflect Reimbursement Impact of Clinical Services Savings

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| (295,920) | (295,920) | (295,920) | (295,920) | - | - |

Background: Within the Department of Developmental Services (DDS), the Governor's proposed budget reduces funding to reflect elimination of a contracted Medical Director at Southbury Training School and limiting the use of contracted and nursing pool services. Section 1 of HB 6824, "AAC the State Budget for the Biennium Ending June Thirtieth 2017, and Making Appropriations Therefor and Other Provisions Related to Revenue," includes this appropriations adjustment.

Governor: Adjust revenue estimate to reflect the impact of this change in appropriations.

Legislative: Same as Governor.

Reflect Reimbursement Impact of Autism Initiatives in DDS

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| 375,000 | 375,000 | - | - | (375,000) | (375,000) |

Background: Within the Department of Developmental Services (DDS), the Governor's proposed budget provides funding to implement recommendations of the Autism Feasibility Study to improve services and supports for individuals with autism. Section 1 of HB 6824, "AAC the State Budget for the Biennium Ending June Thirtieth 2017, and Making Appropriations Therefor and Other Provisions Related to Revenue," includes this appropriations adjustment.

Governor: Adjust revenue estimate to reflect the impact of this change in appropriations.

Legislative: The funding source for autism initiatives is changed from the General Fund to the Tobacco and Health Trust Fund pursuant to section 39(b) of PA 15-244, the FY 16 and FY 17 budget bill.

Reflect Reimbursement Impact of Autism Waiver Adjustment

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| (500,000) | (500,000) | - | - | 500,000 | 500,000 |

Background: Within the Department of Developmental Services (DDS), the Governor's proposed budget eliminates funding for the Early Childhood Autism Waiver since the treatment is now a Medicaid-covered service. Shifting funding for the program to the net-appropriated Medicaid line item from the gross-appropriated budget of DDS reduces the amount of appropriations necessary and has a corresponding impact on the General Fund revenue schedule. Section 1 of HB 6824, "AAC the State Budget for the Biennium Ending June Thirtieth 2017, and Making Appropriations Therefor and Other Provisions Related to Revenue," includes this appropriations adjustment.

Governor: Adjust revenue estimate to reflect the impact of this change in appropriations.

Legislative: Adjust revenue estimate to reflect the restoration of funding to ensure coverage in the Early Childhood Autism Waiver.

Reflect Reimbursement Impact of Comm. Placements Funding

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| (2,131,250) | (6,030,166) | (676,250) | (1,456,034) | 1,455,000 | 4,574,132 |

Background: Within the Department of Developmental Services (DDS), the Governor's proposed budget reduces funding for community placements, the cost of which is subject to 50% federal reimbursement, in order to support the transfer of individuals out of Southbury and other facilities. Section 1 of HB 6824, "AAC the State Budget for the Biennium Ending June Thirtieth 2017, and Making Appropriations Therefor and Other Provisions Related to Revenue," includes this appropriations adjustment.

Governor: Adjust revenue estimate to reflect the impact of this change in appropriations.

Legislative: Adjust revenue estimate to reflect the partial restoration of funding.

Reflect Reimbursement Impact of Birth to Three Transfer

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| (7,250,000) | (7,250,000) | (7,250,000) | (7,250,000) | - | - |

Background: The Birth-to-Three Program currently is in the Department of Developmental Services (DDS). The Governor's proposed budget transfers the portion of the program's funding associated with Medicaid eligible children from DDS to the Medicaid line item within the Department of Social Services (DSS) in order to reduce appropriations.

The program is currently budgeted entirely on a gross basis within DDS, with corresponding federal revenue reflected in the state's General Fund revenue schedule for the portion of the appropriation attributable to clients who meet the eligibility criteria for Medicaid. Since the Medicaid line item within DSS is budgeted on a net (instead of gross) basis, the transferred appropriation was reduced by 50% to reflect the federal revenue DSS will receive. Section 1 of HB 6824, "AAC the State Budget for the Biennium Ending June Thirtieth 2017, and Making Appropriations Therefor and Other Provisions Related to Revenue," includes this appropriations adjustment.

Governor: Adjust revenue estimate to reflect the impact of this change in appropriations: moving a portion of funding for the Birth-to-Three Program to the net-appropriated Medicaid line item within DSS.

Legislative: Same as Governor.

Reflect Reimbursement Impact of Rescissions Rollout in DDS

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| (2,500,000) | (2,500,000) | (2,500,000) | (2,500,000) | - | - |

Background: Within the Department of Developmental Services (DDS), the Governor's proposed budget continues FY 15 savings achieved through mid-year rescissions into FY 16 and FY 17. This rollout includes a reduction of \$5,000,000 in each year to the Employment and Day Services Program, which is subject to federal reimbursement. Section 1 of HB 6824, "AAC the State Budget for the Biennium Ending June Thirtieth 2017, and Making Appropriations Therefor and Other Provisions Related to Revenue," includes this appropriations adjustment.

Governor: Adjust revenue estimate to reflect the impact of this change in appropriations.

Legislative: Same as Governor.

Reflect Reimbursement Impact of Day Programs Change in DDS

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| (3,100,500) | (7,137,000) | (560,050) | (838,700) | 2,540,450 | 6,298,300 |

Background: Within the Department of Developmental Services (DDS), the Governor's proposed budget eliminates funding of \$6,201,000 in FY 16 and \$14,274,000 in FY 17 for day programs for new high school graduates in the Employment and Day Services Program, which is subject to federal reimbursement. Section 1 of HB 6824, "AAC the State Budget for the Biennium Ending June Thirtieth 2017, and Making Appropriations Therefor and Other Provisions Related to Revenue," includes this appropriations adjustment.

Governor: Adjust revenue estimate to reflect the impact of this change in appropriations.

Legislative: Adjust revenue estimate to reflect the partial restoration of funding for employment and day services for high school graduates.

Reflect Reimbursement Impact of VSP Reduction in DCF

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| (189,500) | (189,500) | (189,500) | (189,500) | - | - |

Background: Within the Department of Children and Families (DCF), the Governor's proposed budget includes a reduction of \$500,000 in each year of the FY 16 and FY 17 Biennium associated with the Voluntary Services Program (VSP). Section 1 of HB 6824, "AAC the State Budget for the Biennium Ending June Thirtieth 2017, and Making Appropriations Therefor and Other Provisions Related to Revenue," includes this appropriations adjustment.

Governor: Adjust revenue estimate to reflect the impact of this change in appropriations.

Legislative: Same as Governor.

Reflect Reimbursement Impact of VSP Reduction in DDS

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| (10,015,282) | (7,005,410) | (1,703,057) | (1,371,512) | 8,312,225 | 5,633,898 |

Background: Within the Department of Developmental Services (DDS), the Governor's proposed budget includes reductions of \$20 million in FY 16 and \$14 million in FY 17 associated with the Voluntary Services Program (VSP), which is subject to federal reimbursement. Section 1 of HB 6824, "AAC the State Budget for the Biennium Ending June Thirtieth 2017, and Making Appropriations Therefor and Other Provisions Related to Revenue," includes this appropriations adjustment.

Governor: Adjust revenue estimate to reflect the impact of this change in appropriations.

Legislative: Adjust revenue estimate to reflect a partial restoration in funding.

Transfer from Tobacco Settlement

| Revenue Components | Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|------------------------------|--------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| January Consensus | 86,100,000 | 83,000,000 | 86,100,000 | 83,000,000 | - | - |
| April Consensus Update | - | - | 3,500,000 | 4,500,000 | 3,500,000 | 4,500,000 |
| Policy Estimates and Updates | 21,000,000 | 16,000,000 | 17,000,000 | 17,000,000 | (4,000,000) | 1,000,000 |
| Total | 107,100,000 | 99,000,000 | 106,600,000 | 104,500,000 | (500,000) | 5,500,000 |

April Consensus Update

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | 3,500,000 | 4,500,000 | 3,500,000 | 4,500,000 |

The April Consensus estimates for FY 16 and FY 17 are higher than the January Consensus by \$3.5 million and \$4.5 million, respectively. This is due to an increase in the FY 16 growth rate from negative 4.4% to negative 0.5%, and an increase in the FY 17 growth rate from negative 3.6% to negative 2.3%.

Policy Revisions

Divert Tobacco Settlement Funds from the THTF

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| 12,000,000 | 12,000,000 | 12,000,000 | 12,000,000 | - | - |

Background: The purpose of the Tobacco and Health Trust Fund (THTF) is to create a continuing significant source of money to (1) support and encourage programs to reduce tobacco abuse through prevention, education and cessation, (2) support and encourage program development for substance abuse reduction and (3) develop and implement programs to meet the state's unmet physical and mental health needs. A THTF Board of Trustees was established pursuant to Section 15 of PA 00-216 to select programs to receive money from the Fund. The Board's selections, per CGS Sec. 4-28f, must be submitted to the Appropriations and Public Health Committees for authorization. The THTF receives an annual, statutory disbursement from the Tobacco Settlement Fund (TSF) as well as any TSF revenue that exceeds the total statutory disbursements from the TSF.

Pursuant to CGS 4-28e(c)(2), the THTF is to receive \$12 million disbursements annually in addition to any revenue deposited into the TSF which is greater than the sum of all scheduled disbursements, including to the General Fund.

Governor: Eliminate the scheduled disbursement to the THTF in each year of the FY 16 and FY 17 Budget. Section 27 of PA 946, "AAC Revenue Items to Implement the Governor's Budget," implements this change. In addition, Section 27 permanently reduces future scheduled disbursements to \$6 million annually beginning in FY 18.

Legislative: Same as Governor. Section 90 of PA 15-244, the FY 16 and FY 17 budget, enacts this provision.

Adjust Biomedical Trust Fund Transfer

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| 4,000,000 | 4,000,000 | - | - | (4,000,000) | (4,000,000) |

Background: The Biomedical Research Trust Fund (BRTF) was established by PA 00-216 as a separate non-lapsing fund that can accept transfers from the Tobacco Settlement Fund and receive gifts, grants or donations from public or private sources. The Commissioner of Public Health awards grants-in-aid from the Fund to eligible institutions for the purpose of supporting biomedical research in the fields of heart disease, cancer and other tobacco-related diseases, Alzheimer's disease, stroke, and diabetes. PA 13-208 authorized not more than 2% of the total available amount held in the BRTF to be made available to the Department of Public Health for administration expenses relating to the Fund, such as determining and awarding grants-in-aid.

Governor: Eliminate the annual \$4 million transfer from the Tobacco Settlement Fund to the BRTF beginning in FY 16. Section 27 of SB 946, "AAC Revenue Items to Implement the Governor's Budget," implements this change.

Legislative: Maintain current law. Do not eliminate the annual transfer from the Tobacco Settlement Fund to the BRTF.

Divert Tobacco Settlement Funds from Preschool Expansion

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| 5,000,000 | - | 5,000,000 | 5,000,000 | - | 5,000,000 |

Background: Section 138 of PA 14-217, codified as CGS 4-28e(c)(6), established an annual revenue diversion of \$10 million scheduled from FY 16 - FY 25 to provide grants-in-aid to towns for the purpose of establishing or expanding preschool programs.

Governor: Reduce the scheduled transfer in FY 16. Maintain the \$10 million scheduled transfer in each of the nine remaining years of the program. Section 27 of PA 946, "AAC Revenue Items to Implement the Budget," implements this change.

Legislative: Reduce the scheduled transfer by \$5.0 million in each of FY 16 and FY 17. Maintain the scheduled transfer in each of the eight remaining years of the program. Section 90 of PA 15-244, the FY 16 and FY 17 budget, enacts this provision.

Transfers From/To Other Funds

| Revenue Components | Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|------------------------------|----------------------|----------------------|----------------------|----------------------|---------------------|---------------------|
| January Consensus | (212,700,000) | (222,700,000) | (212,700,000) | (222,700,000) | - | - |
| April Consensus Update | - | - | - | - | - | - |
| Policy Estimates and Updates | (20,900,000) | (9,800,000) | 117,350,000 | 179,300,000 | 138,250,000 | 189,100,000 |
| Total | (233,600,000) | (232,500,000) | (95,350,000) | (43,400,000) | 138,250,000 | 189,100,000 |

April Consensus Update

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | - | - | - | - |

The April Consensus estimates for FY 16 and FY 17 are unchanged from the January Consensus as the underlying statutory transfer amounts did not change.

Policy Revisions

Divert Revenue to Amortize the Accumulative GAAP Deficit

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| (47,600,000) | (47,600,000) | (47,600,000) | (47,600,000) | - | - |

Background: Generally Accepted Accounting Principles (GAAP) are the common set of accounting principles, standards and procedures that are used to compile financial statements. GAAP are a combination of authoritative standards and simply the commonly accepted ways of recording and reporting account information.

Historically, the state has not used GAAP standards to report budgetary information but instead has reported using a modified cash basis of accounting. This method most significantly differs from GAAP by recognizing expenditures when bills are paid rather than when expenditures are actually incurred - generally when a good or service is received. However, under Connecticut's modified cash basis, most revenue was recognized when earned, which more closely, but not completely, follows GAAP standards.

The difference in accounting methodologies between expenditures and revenues has over time generated a negative unassigned fund balance often referred to as the State's, "accumulative GAAP deficit." As of June 30, 2013, the State's accumulative GAAP deficit was \$1.2 billion. PA 11-48, as modified by PA 13-239 and PA 13-247, required: 1) elimination of the historical (accumulative) deficit; and 2) budgeting prospectively to preclude future growth in the GAAP deficit.

Section 68 of PA 13-239, "AA Authorizing and Adjusting Bonds of the State for Capital Improvements, Transportation, Elimination of the Accumulated GAAP Deficit and Other Purposes," authorize the State Treasurer to issue bonds in the amount of \$750 million to extinguish a portion of the \$1.2 billion accumulative GAAP deficit. The Treasurer has deposited bond proceeds of \$598.5 million from a bond issuance on October 4, 2013. In accordance with the law, the remaining \$618.8 million is to be amortized over thirteen years (FY 16 - FY 28). Distributed equally among 13 years, the annual amounts would be \$47.6 million.

Governor: Divert General Fund revenue to amortize the remaining accumulative GAAP deficit.

Legislative: Same as Governor.

Divert Revenue from the Community Investment Act Account

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| 13,500,000 | 27,000,000 | 6,750,000 | 13,500,000 | (6,750,000) | (13,500,000) |

Background: The Community Investment Act account (CIA) provides funding for: 1) agricultural sustainability; 2) historic preservation; 3) municipal Open Space grants; and 4) various other agricultural activities, including grants to nonprofit organizations. The account is funded through land use recording fees (the account receives \$26 of every \$30 recording fee imposed with municipalities retaining \$4). The account was established by PA 05-3 and does not lapse funds. On a quarterly basis funds are distributed according to a schedule under CGS 4-66aa.

The balance of the account as of 2/27/15 was \$48.3 million. HB 6825, "AA Making Deficiency Appropriations and Addressing the Deficit for the Fiscal Year Ending June 30, 2015," transfers \$15.2 million of the account balance to help solve the projected FY 15 General Fund budget deficit. This transfer is in addition to the revenue diversions included in the Governor's proposed budget for FY 16 and FY 17.

Governor: Divert 100% of quarterly payments associated with CIA into the General Fund from January 1, 2016 to June 30, 2017. Two of the quarterly payments (approximately \$6.75 million each) impact FY 16 and the remaining four quarterly payments impact FY 17. Section 29 of SB 946, "AAC Revenue Items to Implement the Governor's Budget," proposes this change.

Legislative: Divert 50% of the funds associated with CIA into the General Fund on a quarterly basis from January 1, 2016 to June 30, 2017. All remaining funds in the account are to be distributed according to existing law (CGS 4-66aa). Section 93 of PA 15-244, the FY 16 and FY 17 budget, enacts this policy.

Transfer Funds from CHEFA

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 | - | - |

Background: The Connecticut Health and Educational Facilities Authority (CHEFA) is a quasi-governmental agency created by CGS 10a-179 to help Connecticut-based non-profit organizations raise the funds needed to meet their goals of improving the health and education of the citizens of this state. Specifically, CHEFA provides Connecticut's nonprofit institutions access to low cost financing in the public municipal markets. Formed in 1965, CHEFA currently has in excess of \$8.1 billion in bonds outstanding.

In each of its last two fiscal years, CHEFA's operating revenues including loan servicing fees have exceeded its operating expenses by approximately \$4 million. A portion of these differences have been distributed as grants to CHEFA clients and non-client social service agencies. The grants (\$2.3 million in FY 13 and \$3.5 million in FY 14) were distributed to various entities following an application process, with non-client grant dollars distributed for shelter, food and healthcare-related purposes.

Governor: Transfer \$3.5 million from CHEFA to the General Fund in each year of the FY 16 and FY 17 Biennium. Sections 30-31 of SB 946, "AAC Revenue Items to Implement the Governor's Budget," implement these transfers.

Legislative: Same as Governor. Sections 94-95 of PA 15-244, the FY 16 and FY 17 budget, enact this provision.

Adjust Private Occupational Student Protection Acct. Funding

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| 2,500,000 | - | - | - | (2,500,000) | - |

Background: CGS 10a-22u requires each private occupational school to pay 1/2 of 1% of its quarterly net tuition revenue to the state treasurer for deposit into a special account administered by the State Department of Higher Education from which students can get tuition reimbursement if a school fails. PA 14-47, the FY 15 Midterm Revision Budget, transferred \$500,000 from the account. The current balance of the account is approximately \$6 million.

Governor: Transfer funds from the account in FY 16. Section 32 of SB 946, "AAC Revenue Items to Implement the Budget," implements this transfer.

Legislative: Maintain current law. Do not transfer funds from the Private Occupational Student Protection account.

Divert Revenue from the PEGPETIA Surtax

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| 4,200,000 | 4,300,000 | 4,200,000 | 4,300,000 | - | - |

Background: In accordance with CGS 16-331cc, the Public Educational and Governmental Programming and Education Technology Investment Account (PEGPETIA) provides grants to support public, educational, and governmental (i.e. community access) programming and education technology initiatives. The account is administered by the Public Utilities Regulatory Authority and is funded by a 0.25% tax on the gross earnings of cable-TV, satellite-TV, and certified competitive video (e.g., AT&T U-Verse) service providers. The 0.25% surtax designated for PEGPETIA is in addition to the 5.0% tax (per CGS 12-258) on the gross earnings of cable-TV, satellite-TV, and certified competitive video service providers which is deposited into the General Fund and not designated for any specific purpose. FY 14 revenue from the 0.25% surtax was \$4.2 million; FY 13 revenue was \$3.5 million. The FY 14 and FY 15 Budget diverted \$3.4 million from the surtax in FY 14 and \$3.5 million in FY 15. PA 14-98 provided a \$3.5 million bond authorization in FY 15 to fund grants for equipment, exclusively. (The revenue diversion supports operating expenses.)

Governor: Divert PEGPETIA revenue to the General Fund. Sections 34-35 of SB 946, "An Act Concerning Revenue Items to Implement the Governor's Budget," implements the diversion.

Legislative: Same as Governor. Sections 96-97 of PA 15-244, the FY 16 and FY 17 budget, enact this provision.

Adjust Revenue Diversion to Muni. Video Competition Acct.

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| 3,000,000 | 3,000,000 | 3,000,000 | 3,000,000 | - | - |

Background: Pursuant to CGS 16-331bb, the State Comptroller must deposit into the Municipal Video Competition Trust Account up to \$5 million each fiscal year from the Gross Earning Tax established under CGS 12-256 on certified competitive video service providers (i.e., certain cable TV companies). The amount deposited is then distributed to municipalities in which such companies are located for the purpose of property tax relief. The FY 14 and FY 15 Budget eliminated the annual revenue diversion to the account entirely in each year of the 2014-2015 Biennium.

Governor: Reduce from \$5 million to \$2 million the statutory annual deposit into the Municipal Video Competition Trust Account and allow \$3 million to remain in the General Fund. Section 36 of SB 946, "AAC Revenue Items to Implement the Governor's Budget," implements this permanent change. This represents a \$2 million increase over revenue diversions in FY 14 and FY 15.

Legislative: Same as Governor. Section 98 of PA 15-244, the FY 16 and FY 17 budget, enacts this provision.

Reduce Transfer from GF to STF

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | 152,800,000 | 162,800,000 | 152,800,000 | 162,800,000 |

Background: PA 09-3 originally created a yearly statutory transfer from the General Fund to the Special Transportation Fund.

Legislative: Eliminate the statutory transfer from the General Fund to the Special Transportation Fund. Sec. 92 of PA 15-244, the FY 16 and FY 17 budget, enacts this provision.

Transfer from Banking Fund

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | 7,000,000 | 7,000,000 | 7,000,000 | 7,000,000 |

Background: The Banking Fund primarily supports the ongoing operation of the Department of Banking. Revenue for the Fund is derived from: (1) consumer credit and securities licensing fees; (2) securities registration fees; and (3) a fee assessed on state banks and credit unions based on asset size. The FY 14-FY 15 Biennial Budget transferred a total of \$16.4 million from the Banking Fund to the General Fund to help balance the General Fund budget. The Banking Fund had an approximate fund balance of \$15.5 million at the end of FY 15 (including a \$5.7 million transfer out to the General Fund) and ran an operating surplus of \$1.9 million the same year.

Legislative: Transfer \$7 million from the Banking Fund to the General Fund in each year of the FY 16 and FY 17 Biennial Budget. Sections 181-182 of PA 15-244, the FY 16 and FY 17 budget, enact this provision.

Eliminate Scheduled Transfer from the General Fund to MRSA

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | 12,700,000 | - | 12,700,000 | - |

Background: PA 11-6 increased the general sales tax rate from 6.0% to 6.35%, and transferred 0.1% of the 6.35% to the Municipal Revenue Sharing Account (MRSA). The remaining revenue associated with 6.25% of the 6.35% rate was deposited into the General Fund.

PA 13-184 eliminated the transfer of the 0.1% of the 6.35% into MRSA effective July 1, 2013 and required all revenue generated by the 6.35% rate to be deposited into the General Fund. PA 14-47 required a one-time transfer of \$12.7 million to the MRSA to reimburse towns for the revenue they lost inadvertently when the Municipal Revenue Sharing account was terminated effective June 30, 2013 thus missing revenues deposited during the FY 13 accrual period which ended in early August.

Legislative: Eliminate the one-time transfer of \$12.7 million.

Transfer Funds from the Citizens' Election Fund

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | - | 7,800,000 | - | 7,800,000 |

Background: Chapter 157 of the Connecticut General Statutes establishes the Citizens' Election Program, administered by the Office of Governmental Accountability, which provides grants to qualifying candidates for primary and general elections of statewide constitutional offices and the offices of state senator or representative. The Citizens' Election Fund is the associated fund used to manage the finances of the program. A portion of General Fund revenue from the sale of abandoned property escheated to the State is deposited into the Citizens' Election Fund in accordance with CGS Sec. 3-69a.

Section 55(b) of PA 15-244, the FY 16 and FY 17 Budget, transferred \$2.25 million from the Citizens Election Fund and credited this amount to the resources of the General Fund for the fiscal year ending June 30, 2015. The current available balance in the CEF at the time was approximately \$9.9 million.

Legislative: Transfer funds from the Citizens' Election Fund to the General Fund in FY 17. Section 131 of PA 05-5 (JSS), the budget implementer, enacts this transfer.

Transfer to the Resources of the Special Transportation Fund

| Revenue Components | Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|------------------------------|---------------------|---------------------|----------------------|----------------------|---------------------|---------------------|
| January Consensus | (38,200,000) | (17,600,000) | (38,200,000) | (17,600,000) | - | - |
| April Consensus Update | - | - | - | - | - | - |
| Policy Estimates and Updates | - | - | 38,200,000 | 17,600,000 | 38,200,000 | 17,600,000 |
| Total | (38,200,000) | (17,600,000) | - | - | 38,200,000 | 17,600,000 |

Policy Revisions

Eliminate GF Hold Harmless of STF for Oil Companies

| Governor FY 16 | Governor FY 17 | Legislative FY 16 | Legislative FY 17 | Difference FY 16 | Difference FY 17 |
|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| - | - | 38,200,000 | 17,600,000 | 38,200,000 | 17,600,000 |

Background: PA 97-309 originally created a transfer of the Oil Companies tax from the General Fund to the Special Transportation Fund (STF). Section 41 of PA 05-4 established a procedure that requires the resources of the General Fund to cover any shortfall in revenue below the STF transfer.

Legislative: Deposit the Oil Companies tax into the Special Transportation Fund and eliminate the provision that requires the resources of the General Fund to cover any shortfall in revenue below the STF transfer as of July 1, 2015. Sec. 91 of PA 15-244, the FY 16 and FY 17 budget, enacts this provision.