

BUDGET HIGHLIGHTS*

FY 14 - FY 15 Budget

June 14, 2013

*Revised based on budgetary changes included in PA 13-234, HB 6706, and PA 13-232



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This document is intended to provide highlights of the FY 14 and FY 15 Budget. It is not intended to be all inclusive. OFA will be producing a Budget Book based on the FY 14 and FY 15 Budget that will include a detailed compilation of agency budget changes and financial schedules.

I. OVERVIEW

The budget¹ appropriates \$18,606.5 million in FY 14 and \$18,995.4 million in FY 15. The appropriations are supported by estimated revenues² of \$18,612.1 million in FY 14 and \$18,999.9 million in FY 15. The table below compares the revenue estimates to the appropriations.

(A) Budgeted Appropriations Compared to Revenue Estimates (in millions)

| Fund | FY 14 \$ | | | FY 15 \$ | | |
|------------------------|-----------------|-----------------|-----------------------|-----------------|-----------------|-----------------------|
| | Approp. | Revenue | Surplus/ (Deficit) | Approp. | Revenue | Surplus/ (Deficit) |
| General | 17,188.7 | 17,193.1 | 4.4 | 17,497.6 | 17,500.7 | 3.1 |
| Special Transportation | 1,243.2 | 1,243.7 | 0.5 | 1,322.3 | 1,322.7 | 0.4 |
| Other Appropriated | 174.6 | 175.3 | 0.7 | 175.5 | 176.5 | 1.0 |
| TOTAL | 18,606.5 | 18,612.1 | 5.6 | 18,995.4 | 18,999.9 | 4.5 |

The amounts above have been updated to include policy changes in PA 13-234, HB 6706 and PA 13-232.

The budget includes appropriations totaling \$18,606.5 million in FY 14 and \$18,995.4 million in FY 15 as summarized in the table below.

(B) Appropriations Fund Summary

| Item | FY 14 \$ | FY 15 \$ |
|--|-----------------------|-----------------------|
| Gross Appropriations | | |
| General Fund ¹ | 17,361,371,991 | 17,656,098,266 |
| Special Transportation Fund | 1,254,182,080 | 1,333,312,395 |
| Banking Fund | 26,608,448 | 27,845,849 |
| Insurance Fund | 30,744,674 | 31,968,453 |
| Consumer Counsel and Public Utility Control Fund | 24,868,827 | 25,384,201 |
| Workers' Compensation Fund | 23,199,856 | 24,789,229 |
| Mashantucket Pequot and Mohegan Fund | 61,779,907 | 61,779,907 |
| Soldiers, Sailors and Marines' Fund | 3,099,619 | - |
| Regional Market Operation Fund | 921,680 | 941,498 |
| Criminal Injuries Compensation Fund | 3,380,286 | 2,787,016 |
| Total - Gross Appropriations | 18,790,157,368 | 19,164,906,814 |
| General Fund (GF) Lapses | | |
| GAAP Lapse | (5,500,000) | (7,500,000) |

¹PA 13-184, the FY 14 and FY 15 Budget as adjusted by HB 6706, the general government implementer.

²PA 13-184 as adjusted by HB 6706, PA 13-234 and PA 13-232.

| Item | FY 14 \$ | FY 15 \$ |
|---|-----------------------|-----------------------|
| General Lapse – Executive | (13,785,503) | (13,785,503) |
| General Lapse – Judicial | (401,946) | (401,946) |
| General Lapse – Legislative | (56,251) | (56,251) |
| Unallocated Lapse | (91,676,192) | (91,676,192) |
| Unallocated Lapse – Judicial | (7,400,672) | (7,400,672) |
| Unallocated Lapse – Legislative | (3,028,105) | (3,028,105) |
| Transfer GAAP Funding | (40,000,000) | - |
| Municipal Opportunities and Regional Efficiencies Program | - | (10,000,000) |
| General Other Expenses Reductions – Legislative | (140,000) | (140,000) |
| General Other Expenses Reductions – Executive | (3,312,000) | (3,312,000) |
| General Other Expenses Reductions – Judicial | (548,000) | (548,000) |
| Statewide Hiring Reduction – Executive | (5,478,184) | (16,675,121) |
| Statewide Hiring Reduction – Judicial | (1,128,261) | (3,434,330) |
| Statewide Hiring Reduction – Legislative | (190,309) | (579,285) |
| Total – GF Lapses | (172,645,423) | (158,537,405) |
| Transportation Fund (TF) Lapses | | |
| Unallocated Lapse | (11,000,000) | (11,000,000) |
| Total – TF Lapses | (11,000,000) | (11,000,000) |
| Net Appropriations | | |
| General Fund ¹ | 17,188,726,568 | 17,497,560,861 |
| Special Transportation Fund | 1,243,182,080 | 1,322,312,395 |
| Banking Fund | 26,608,448 | 27,845,849 |
| Insurance Fund | 30,744,674 | 31,968,453 |
| Consumer Counsel and Public Utility Control Fund | 24,868,827 | 25,384,201 |
| Workers' Compensation Fund | 23,199,856 | 24,789,229 |
| Mashantucket Pequot and Mohegan Fund | 61,779,907 | 61,779,907 |
| Soldiers, Sailors and Marines' Fund | 3,099,619 | - |
| Regional Market Operation Fund | 921,680 | 941,498 |
| Criminal Injuries Compensation Fund | 3,380,286 | 2,787,016 |
| TOTAL - NET APPROPRIATIONS | 18,606,511,945 | 18,995,369,409 |

¹The FY 14 and FY 15 General Fund appropriations for the Medicaid account in the Department of Social Services reflect only the state share of the joint state/federal program. Thus to remove the federal share of the Medicaid appropriation in FY 14, the General Fund appropriation was reduced by \$2.8 billion. In FY 15, \$3.2 billion was reduced from the General Fund appropriation.

(C) Net Funding of Medicaid

The FY 14 and FY 15 appropriation for the Department of Social Services' Medicaid account reflects only the state's share of this joint state/federal program, as shown in the table below. For FY 13, the \$4,697,969,332 gross appropriation for Medicaid included both the state's obligation as well as the reimbursable federal funds. The table below reflects the state and federal share of the Medicaid expenditures in FY 14 and FY 15.

State and Federal Share of Medicaid Expenditures

| Item | FY 14 \$ | FY 15 \$ |
|---------------------------|----------------------|----------------------|
| State Appropriation | 2,409,314,923 | 2,289,569,579 |
| Federal Share | 2,768,723,827 | 3,204,946,670 |
| GROSS EXPENDITURES | 5,178,038,750 | 5,494,516,249 |

The appropriation of only the state's portion of costs for Medicaid (net appropriations) rather than the combined state and federal cost of Medicaid (gross appropriations - which includes the reflection of the federal reimbursement as state revenue), requires the removal of federal reimbursements for Medicaid from the revenue schedule. This change removed \$2.8 billion in FY 14 and \$3.2 billion in FY 15 from the Federal Grants revenue category in the General Fund revenue schedule provided in Appendix C.

(D) Spending Cap

Based on sections 1-10, 62, 67, and 69 of PA 13-184, the FY 14 and FY 15 Budget, and HB 6706, the general government implementer, the budget is under the spending cap by approximately \$9.4 million in FY 14 and \$166.2 million in FY 15. Due to the implementation of net funding of Medicaid in the Department of Social Services (DSS), the base upon which the FY 14 spending cap is calculated has been adjusted to also reflect net funding. Similarly, the base upon which the FY 15 spending cap is calculated has been adjusted to reflect the shifting of the Soldiers, Sailors, and Marines' Fund to the American Legion. Consequently, the spending cap calculation base is adjusted downward by \$2,225.3 million in FY 14 and \$3.2 million in FY 15.

Statutory Spending Cap Calculations (in millions)

| Item | Revised FY 13 \$ | FY 14 \$ | FY 15 \$ |
|--|---------------------|-----------------|-----------------|
| All Appropriated Funds - Prior Year | 20,140.8 | 20,685.0 | 18,606.5 |
| Less Medicaid (FY 14)/SSMF (FY 15) - base adjustment | - | 2,225.3 | 3.2 |
| Extraordinary spending | - | - | - |
| Prior Year Appropriations | 20,140.8 | 18,459.8 | 18,603.4 |
| Less Prior Year "Non-Capped" Expenditures | | | |
| Debt Service | 2,373.0 | 2,328.9 | 2,183.6 |
| Statutory grants to distressed municipalities ¹ | 1,458.8 | 1,550.6 | 1,529.3 |
| Prior Year "Non-Capped" Expenditures | 3,831.7 | 3,879.6 | 3,712.9 |
| Allowable Growth Calculation | | | |

| Item | Revised FY 13 \$ | FY 14 \$ | FY 15 \$ |
|---|---------------------|-----------------|-----------------|
| Total "capped" expenditures | 16,309.1 | 14,580.2 | 14,890.4 |
| Times the 5-year average growth in personal income ² | 3.0% | 1.8% | 2.5% |
| = Allowable "capped" growth | 485.9 | 261.1 | 364.9 |
| Allowable Capped Expenditures | 16,795.0 | 14,841.3 | 15,255.3 |
| Plus Current Year "Non-Capped" Expenditures | | | |
| Debt service | 2,328.9 | 2,183.6 | 2,333.6 |
| Federal mandates and court orders (new funding) | 20.0 | 61.7 | 10.4 |
| Statutory grants to distressed municipalities | 1,541.4 | 1,529.3 | 1,562.3 |
| Current Year "Non-Capped" Expenditures | 3,890.3 | 3,774.7 | 3,906.3 |
| Expenditures Allowed Under the Cap | 20,685.3 | 18,615.9 | 19,161.6 |
| Appropriation for this year ³ | 20,685.0 | 18,606.5 | 18,995.4 |
| TOTAL OVER/(UNDER) THE SPENDING CAP | (0.2) | (9.4) | (166.2) |

¹FY 14 is adjusted to reflect new distressed grant percentages.

²Except Consumer Price Index (CPI) in FY 13 & FY 15.

³FY 13 is adjusted to reflect the net deficiency appropriation of \$142 million in PA 13-184.

(E) Growth Rate

The growth rate for all appropriated funds is 3.7% over FY 13 estimated expenditures in FY 14 and 2.1% in FY 15. The FY 13 estimated expenditures from the DSS Medicaid account have been adjusted downward by \$2.5 billion to reflect only the state share of the joint state/federal Medicaid program. See the table below for details.

Budget Growth Rates (in millions)

| Fund | FY 13 Est. Expend. \$ ¹ | FY 14 Approp. \$ | FY 14 Change | | FY 15 Approp. \$ | FY 15 Change | |
|--------------------|---------------------------------------|---------------------|-----------------|-------------|------------------------|-----------------|-------------|
| | | | \$ | % | | \$ | % |
| General | 16,554.7 | 17,188.7 | 634.0 | 3.8% | 17,497.6 | 308.8 | 1.8% |
| Transportation | 1,214.9 | 1,243.2 | 28.3 | 2.3% | 1,322.3 | 79.1 | 6.4% |
| Other Appropriated | 170.3 | 174.6 | 4.3 | 2.5% | 175.5 | 0.9 | 0.5% |
| TOTAL | 17,939.9 | 18,606.5 | 666.6 | 3.7% | 18,995.4 | 388.9 | 2.1% |

¹The FY 13 General Fund estimated expenditure from the DSS Medicaid account has been adjusted downward by \$2.5 billion to reflect only the state share of the joint state/federal Medicaid program in DSS.

(F) Generally Accepted Accounting Principles

The budget provides funding to support budgeting according to Generally Accepted Accounting Principles (GAAP).

- Provides funding in agencies' budgets for prospective obligations on a GAAP basis, total amounts provided are \$15.9 million in FY 14 and \$76.7 million in FY 15.
- Reserves up to \$40 million received pursuant to the settlement of litigation under the 1998 tobacco Master Settlement Agreement to help fulfill the requirements of GAAP budgeting in FY 14.
- Authorizes a bond issuance of up to \$750 million to reduce the state's approximate \$1,200 million accumulated (historical) General Fund deficit under GAAP, with a related interest cost over twenty years estimated to be \$186 million.
- Reduces, from 15 to 13 years, the statutory term to extinguish the remaining historical GAAP deficit by delaying the first payment from FY 14 to FY 16. This delay removes the need to appropriate funding in each of FY 14 and FY 15, thereby increasing the appropriation requirements for the remaining years because the amortization term required by law is reduced by two years.

II. MAJOR BUDGET CHANGES

(A) Significant Changes in the FY 14 and FY 15 Budget

| Agency | FY 14 \$ | FY 15 \$ | Item |
|---|---------------|---------------|---|
| Office of the State Treasurer - Debt Service | (196,000,000) | (196,000,000) | Savings are achieved in each year of the biennium by restructuring debt related to the Economic Recovery Notes issued to help cover the FY 09 General Fund budget deficit. The interest cost related to the restructuring, which pushes the planned retirement of the ERNs debt from FY 16 to FY 18, is \$45 million. |
| DSS | (194,679,082) | (328,922,505) | Gross savings from reduced hospital reimbursement through the elimination of enhanced funding from the user fee, phase out of DSH funding, and elimination of ASO transitional payments. |
| DSS | 107,170,00 | 47,630,000 | Gross funding for primary care physician rate increase pursuant to the Affordable Care Act (100% federally reimbursed). |
| DSS | (64,475,974) | (103,430,488) | Gross savings from Medicaid fraud initiatives. |
| SDE | 50,756,719 | 91,513,445 | Increase funding for Education Cost Sharing. |
| UConn | - | 15,000,000 | A total of 66 positions and funding for Next Generation Connecticut. |
| DMHAS | (15,262,500) | (25,525,000) | Savings associated with reductions to grant accounts to reflect anticipated reduction in need for services for the under and uninsured as of January 1, 2014 due to the provisions of the Affordable Care Act. |
| DSS | 15,000,000 | 15,000,000 | Gross funding for increase in Medicaid discharge rate for hospitals with disproportionately high government payer mix. |
| DSS | (11,800,000) | (15,800,000) | Gross savings from implementation of Step Therapy in Medicaid Pharmacy Program. |
| DSS | (10,675,000) | (34,675,000) | Gross savings from reduced preventable hospitalizations and implementation of a non-emergency use emergency room co-payment. |
| DSS | 10,000,000 | 10,000,000 | Gross funding for Community Health Center (FQHC) rebasing. |
| TRB | (8,304,000) | (9,737,000) | Funding is reduced to reflect lowering the state contribution from 33% to 25% of the TRB sponsored basic retiree health plan cost. |
| SDE | 8,300,000 | 6,300,000 | Provide new funding for Common Core. |
| SDE | (5,000,000) | (5,000,000) | Reduce funding for Magnet Schools. |
| DMHAS | 4,662,845 | 4,045,000 | Funds support PA 13-3 AAC Gun Violence Prevention & Children's Safety. |
| DCF | (4,405,678) | (6,991,661) | Suspend residential rate increases determined by the Single Cost Accounting System in FY 14 and FY 15. |
| DESPP | 4,235,000 | 1,405,000 | Fund PA 13-3, AAC Gun Violence Prevention & Children's Safety. |
| SDE | 4,000,000 | - | Increase funding for Sheff Settlement based on the new agreement with the plaintiffs to increase participation in programs that contribute to the desegregation goals. |

| Agency | FY 14 \$ | FY 15 \$ | Item |
|--------|-------------|--------------|---|
| OHE | (3,989,579) | (2,377,479) | Establish Governor's Scholarship Program. The Governor's Scholarship Program consolidates the existing financial aid programs within the Office of Higher Education. The consolidation results in approximately a \$4.0 million reduction in financial aid in FY 14 and a \$2.4 million reduction in FY 15. |
| SDE | 3,700,000 | 3,700,000 | Increase funding for Talent Development. |
| OPM | 3,500,000 | 3,500,000 | Provide funding for Youth Service Grants. |
| DCF | 3,500,000 | 3,500,000 | Expand Trauma-Focused Cognitive Behavioral Therapy for children age four through 18 that are experiencing anxiety, depression, trauma and conduct disorders, reflecting support for mental health related initiatives. |
| DOH | 3,318,046 | 3,318,046 | Maintain PILOT and Tax Abatement Funding. |
| SDE | 3,300,000 | 10,800,000 | Increase funding for Commissioner's Network. The increased funding allows SDE to fund the full cohort of 22 schools. |
| SDE | 3,000,000 | 3,000,000 | Provide additional funding for Vocational Agriculture. |
| DCF | 3,000,000 | 3,000,000 | Expand Foster and Adoptive Support Team (FAST) to kinship care families (kinFAST). FAST is a home and community-based program designed to provide intensive services to foster and adoptive families to reduce the number of placements experienced by children in the foster care and adoption systems. |
| DSS | (2,800,000) | (14,800,000) | Gross savings from implementation of a Medicaid Clinical Pharmacy Management Program. |
| DPH | 2,723,666 | 2,723,666 | Annualize support for FY 13 Revised Budget funding for new or expanded School Based Health Centers. |
| SDE | 2,000,000 | 2,000,000 | Increase funding for OPEN Choice for transportation expenses. |
| SDE | (2,000,000) | (2,000,000) | Reduce funding for Development of Mastery Exams. |
| DESPP | 2,000,000 | - | Provide funding to help reduce backlog at State Police Crime Lab. |
| DCF | 2,000,000 | 2,000,000 | Expand support for home-based services (IICAPS, MST and MST-PSB) to reflect support for mental health related initiatives. |
| DCF | (2,000,000) | (2,000,000) | Reduce Personal Services funding to reflect the elimination of 30 vacant social worker positions due to a DCF caseload reduction of 9% associated with the implementation of the Differential Response System. |
| SDE | 1,895,000 | 9,125,000 | Provide funding for New State and Local Charter Schools. The additional funding allows for four new local and three new state charters to open over the FY 14- FY 15 biennium. |
| TRB | (1,815,790) | (1,815,790) | Funding is reduced to reflect lowering the state contribution from 33% to 25% of the municipal health insurance subsidy cost. |
| DCF | 1,810,000 | 1,810,000 | Support the establishment of a regional behavioral health consultation and care coordination program for primary care providers that serve children, as directed under Section 69 of PA 13-3, AAC Gun Violence Prevention and Children's Safety. |
| JUD | 1,796,754 | 3,688,736 | Provide for Judges' salary increases. |
| DECD | 1,593,600 | 1,593,600 | Maintain funding for Tourism Districts. |

| Agency | FY 14 \$ | FY 15 \$ | Item |
|--------|-----------|-----------|--|
| SDE | 1,370,000 | 1,370,000 | Increase Priority School District Aid for Norwalk. |
| SDE | 1,200,000 | 1,200,000 | Provide funding for adult education incentive program. This includes \$500,000 each for New Haven and Bridgeport Adult Education to provide additional instructional services including but not limited to technology, soft technical skills, counseling, literacy and numeracy; and \$200,000 for Literacy How. |
| DEEP | 1,105,091 | 1,108,297 | One Environmental Analyst III position and \$1.1 million is provided in both FY 14 and FY 15 for the transfer of care and control of five Connecticut Resources Recovery Authority (CRRA) post-closure landfills to the state. The majority of funding represents costs associated with contracts for ongoing testing and maintenance of landfills that will be managed by the newly created position. |
| DOL | 1,000,000 | 1,000,000 | Jobs First Employment Services for program monitoring and evaluation. |
| DMHAS | 850,500 | 855,500 | Funds supplemental PA 13-3 through various mental health initiatives. |
| DMV | - | 565,653 | Provide funding in FY 15 for eighteen half year positions and other costs to allow undocumented individuals to obtain motor vehicle operator's licenses. |
| DECD | 525,000 | 525,000 | Increase funding for Statewide Marketing (i.e., Still Revolutionary" Campaign). |
| OGA | 170,000 | 170,000 | Provide funding for Contracting Standards Board. |

See *Appendix A* for Appropriations by Expenditure Type and *Appendix E* for Municipal Formula Grants and Other Major Aid.

(B) State Government Reorganization

Office of Early Childhood

The budget includes the creation of an Office of Early Childhood (OEC). The budget for OEC includes various transfers from agencies with early childhood programs in addition to new funding. The table below reflects the transfers and new funding for the OEC.

OEC Funding Summary

| Agency | FY 14 \$ | FY 15 \$ |
|---|--------------------|--------------------|
| Department of Public Health | - | 2,276,721 |
| Department of Social Services | 15,786,565 | 125,063,655 |
| Department of Education | 112,241,097 | 111,829,980 |
| Board of Regents | 473,657 | 486,499 |
| Office of Early Childhood - New Funding | 1,082,638 | 1,645,487 |
| Total General Fund | 129,583,957 | 241,302,342 |
| Federal Funds | 16,672,568 | 33,261,381 |
| TOTAL FUNDS | 146,256,525 | 274,563,723 |

The following bulleted list summarizes the programs transferred into OEC included in the budget (transfers starting in FY 14 unless otherwise noted):

- Department of Social Services – Care4Kids (transferred in FY 15), Charts a Course, funding for 211 Infoline, and Children’s Trust Fund.
- Department of Education – School Readiness, Head Start and other early childhood programs.
- Department of Public Health – Licensure and regulation of child day care centers and administration of the federal home visitation program (both in FY 15).
- Board of Regent – CT Charts a Course.

Other Agency Structure Changes

- Transferred the Department of Construction Services into the Department of Administrative Services (results in the elimination of 13 positions and savings of \$1.1 million in both FY 14 and FY 15).
- Eliminated funding for the Gaming Policy Board (\$2,621).
- Transferred various housing programs from the Departments of Economic and Community Development, Social Services, Developmental Services, Children and Families and the Office of Policy and Management to the Department of Housing (DOH). The total amount of funding transferred into DOH is \$105.7 million in FY 14 and \$112.6 million in FY 15 with 18 associated staff positions. There are no savings associated with these transfers.
- Transfer the fund management, investment responsibility and associated operational costs (\$3,130,761) of the Soldiers’, Sailors’ and Marines’ Fund to the American Legion in FY 15.

(C) Budgeted Lapses

The FY 14 and FY 15 Budget include \$183.7 million in FY 14 and \$169.5 million in FY 15 lapses. This is \$56.2 million above the FY 13 Revised Budget lapses. The lapses are identified below with a brief explanation.

Budgeted Lapses

| Lapse | FY 14 \$ | FY 15 \$ | Explanation |
|---|----------------------|----------------------|--|
| General Fund Lapses | | | |
| GAAP Lapse | (5,500,000) | (7,500,000) | This reduction reflects an adjustment across GAAP Accrual accounts in agencies to reflect a re-estimate of GAAP increases over the biennium. |
| General Lapse ¹ | (14,243,700) | (14,243,700) | This reduction reflects savings in a manner to be determined by OPM. All General Fund agency accounts could be subject to this reduction. |
| Unallocated Lapse ¹ | (102,104,969) | (102,104,969) | This reduction reflects an adjustment to gross appropriations due to an anticipated level of under spending across all General Fund agencies and accounts. |
| Transfer GAAP Funding | (40,000,000) | - | This reduction reflects the utilization of \$40 million from the Tobacco Master Settlement Agreement to help fulfill the requirements of GAAP. |
| Municipal Opportunities & Regional Efficiencies | - | (10,000,000) | Savings to be achieved in FY 15 with a reduction in municipal aid as a result of various municipal saving initiatives and efficiencies. |
| General Other Expenses ¹ | (4,000,000) | (4,000,000) | This reduction reflects savings in a manner to be determined by OPM such as the curtailing and delaying of purchases and various other as yet undetermined reductions. All General Fund agency Other Expenses accounts could be subject to this reduction. |
| Statewide Hiring Reduction ¹ | (6,796,754) | (20,688,736) | Savings anticipated to be achieved by hiring reductions and other savings initiatives in a manner to be determined by OPM. All General Fund agency Personal Services accounts could be subject to this reduction. |
| Total GF Lapse | (172,645,423) | (158,537,405) | |
| Transportation Fund Lapses | | | |
| Unallocated Lapse | (11,000,000) | (11,000,000) | This reduction reflects an adjustment to gross appropriations due to an anticipated level of under spending across all Transportation Fund agencies and accounts. |
| Total TF Lapse | (11,000,000) | (11,000,000) | |
| TOTAL LAPSES | (183,645,423) | (169,537,405) | |

¹The amounts shown are totals by category but the budget act contains a distribution of each by branch of government.

(D) Significant Changes by Account³

Identified in the table below are 13 General Fund accounts having the most significant changes in FY 14 and FY 15, as compared to the FY 13 base (Governor's FY 13 estimated expenditures).

Significant Changes by Account (in millions)

| Agency | Account | FY 14 \$ | FY 15 \$ |
|---------------|---|-----------------|-----------------|
| OSC - Fringe | State Employees Retirement Contributions | 194.5 | 247.8 |
| TRB | Retirement Contributions | 161.0 | 196.6 |
| Various | Personal Services | 103.9 | 208.1 |
| SDE | Education Equalization Grants ¹ | 59.0 | 115.3 |
| Various | Nonfunctional - Change to Accruals | 53.7 | 72.1 |
| OSC - Fringe | State Employees Health Service Cost | 47.9 | 82.9 |
| DMHAS | General Assistance Managed Care | 23.8 | 82.7 |
| SDE | Magnet Schools | 23.1 | 38.9 |
| Various | Other Expenses | 21.6 | 21.0 |
| DCF | Board and Care for Children - Residential | (35.6) | (34.9) |
| OSC - Fringe | Retired State Employees Health Service Cost | (65.4) | (45.5) |
| DSS | Disproportionate Share-Medical Emergency Assistance | (134.2) | (268.5) |
| OTT | Debt Service ² | (151.1) | (20.6) |

¹Includes Charter School Funding increase.

²Includes Debt Service, UConn 2000, and Pension Obligation Bonds - TRB.

³The table does not include the change in Medicaid from FY 13 to FY 14 of \$2,768.7 million and FY 15 of \$3,205.0 million related to the change from gross appropriating to net appropriating.

III. REVENUE IMPACT

PA 13-184, the FY 14 and FY 15 Budget as adjusted by HB 6033, PA 13-234, HB 6706, and PA 13-232, includes various policy changes that yield net General Fund revenue increases of \$732.3 million in FY 14 and \$441.5 million in FY 15, of which \$451.1 million in FY 14 and \$176.0 million in FY 15 are due to transfers. These changes are identified in the tables below. See *Appendix B* for revenue by item, *Appendix C* for the revenue estimates as adopted by the Finance, Revenue and Bonding Committee 6/1/13 and *Appendix D* for legislative actions affecting estimated revenue adopted 6/1/2013 per CGS 2-35(b).

Major General Fund Revenue Changes by Revenue Category (in millions)

| Revenue Category | FY 14 \$ | FY 15 \$ |
|---|-------------|-------------|
| Personal Income Tax | | |
| Tax Amnesty | 11.9 | (2.4) |
| Reduce Earned Income Tax Credit | 21.1 | 11.0 |
| subtotal | 33.0 | 8.6 |
| Sales & Use Tax | | |
| Eliminate Transfer to Municipal Revenue Sharing Account | 52.9 | 56.9 |
| Tax Amnesty | 12.6 | (2.5) |
| Enhanced Online Collections | 15.0 | 15.0 |
| Alternative Collections Methods Target | 10.0 | 15.0 |
| Phase-In Clothing Exemption | - | (11.5) |
| Eliminate Luxury Tax on Boats | (0.1) | (0.1) |
| Establish 60-Day Exemption for Boats | (2.0) | (2.0) |
| subtotal | 88.4 | 70.8 |
| Corporation Business Tax | | |
| Maintain 20% Surcharge for 2014 & 2015 | 44.4 | 74.0 |
| Tax Amnesty | 10.5 | (2.1) |
| subtotal | 54.9 | 71.9 |
| Insurance Companies Tax | | |
| Maintain Credit Cap for 2013 & 2014 | 18.7 | 18.7 |
| Urban/Industrial Site Credit Buy-Back | 20.0 | 20.0 |
| Feature Film Credit Moratorium | 2.0 | 4.0 |
| subtotal | 40.7 | 42.7 |
| Real Estate Conveyance Tax | | |
| Eliminate Transfer to Municipal Revenue Sharing Account | 39.5 | 41.0 |
| subtotal | 39.5 | 41.0 |
| Electric Generation Tax | | |
| Maintain Tax through 10/1/13 | 17.5 | - |
| subtotal | 17.5 | - |

| Revenue Category | FY 14 \$ | FY 15 \$ |
|---------------------------------------|--------------|--------------|
| Transfers from Special Revenue | | |
| Establish Keno | 3.8 | 27.0 |
| subtotal | 3.8 | 27.0 |
| Miscellaneous | | |
| Other Miscellaneous Changes | 3.4 | 3.5 |
| subtotal | 3.4 | 3.5 |
| TOTAL | 281.2 | 265.5 |

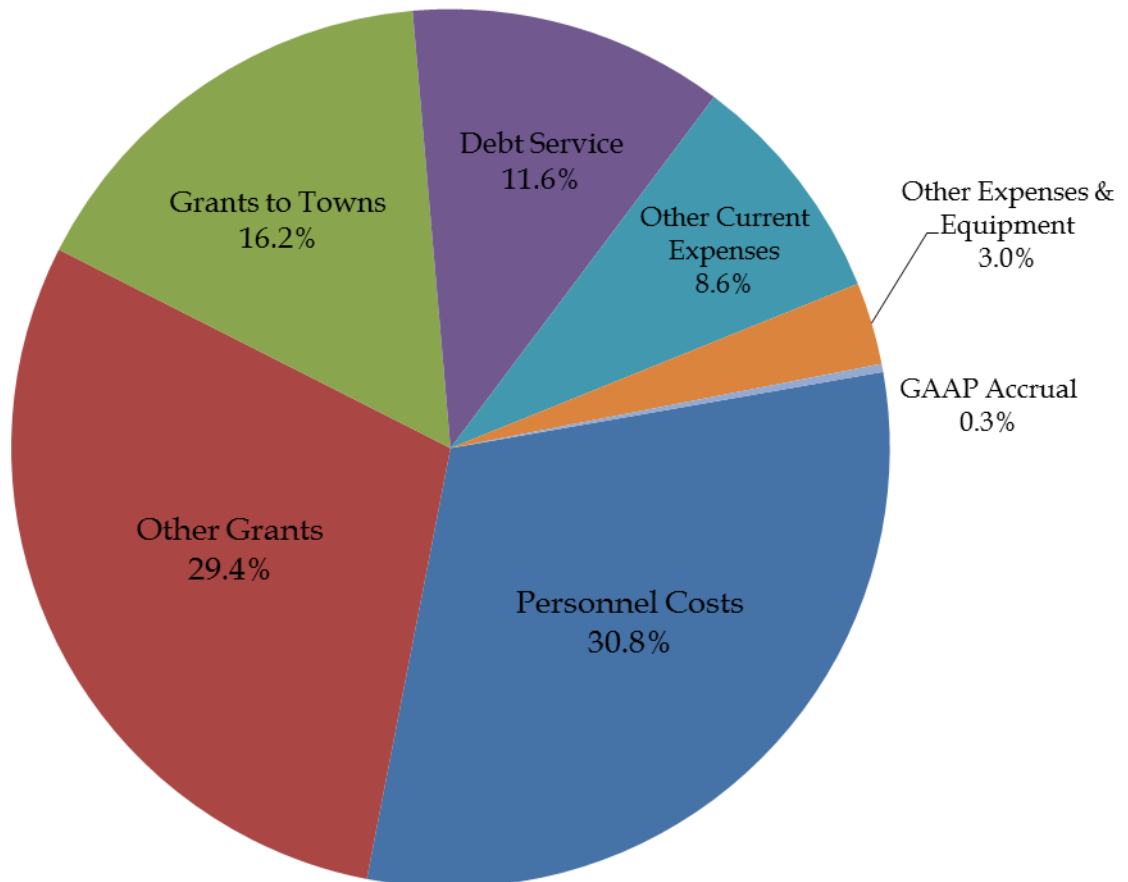
Transfers (To) and From Funds (in millions)

| Fund/Transfer | FY 14 \$ | FY 15 \$ |
|--|---------------|---------------|
| General Fund (GF) | | |
| Connecticut Resources Recovery Authority | 35.0 | - |
| Transfer from the Special Transportation Fund (STF) | 249.3 | 170.7 |
| Transfer Oil Companies Tax Revenue to STF | (158.0) | (152.3) |
| Transfer Public, Educational and Government Account | 3.4 | 3.5 |
| Reduce Pequot & Mohegan Transfer | 73.2 | 73.2 |
| Sweep Banking Fund | 10.7 | 5.7 |
| Transfer Tobacco Funds | 9.5 | 6.0 |
| Divert Stem Cell Funds | 10.0 | 10.0 |
| Transfer from Municipal Video Competitiveness Account | 5.0 | 5.0 |
| Tobacco Litigation Funds | 10.0 | - |
| Mortgage Recording System Revenues | 5.4 | 5.4 |
| Probate Fund Transfer | 1.0 | - |
| Transfer from CEFIA | 6.2 | 19.2 |
| Increase Lottery Diversion to Chronic Gamblers Account | (0.4) | (0.4) |
| Transfer FY 13 Surplus Funds | 190.8 | 30.0 |
| GF Total | 451.1 | 176.0 |
| STF | | |
| Transfer Oil Companies Tax Revenue to STF | 158.0 | 152.3 |
| Transfer to GF | (249.3) | (170.7) |
| STF Total | (91.3) | (18.4) |
| NET TOTAL | 359.8 | 157.6 |

APPENDIX A

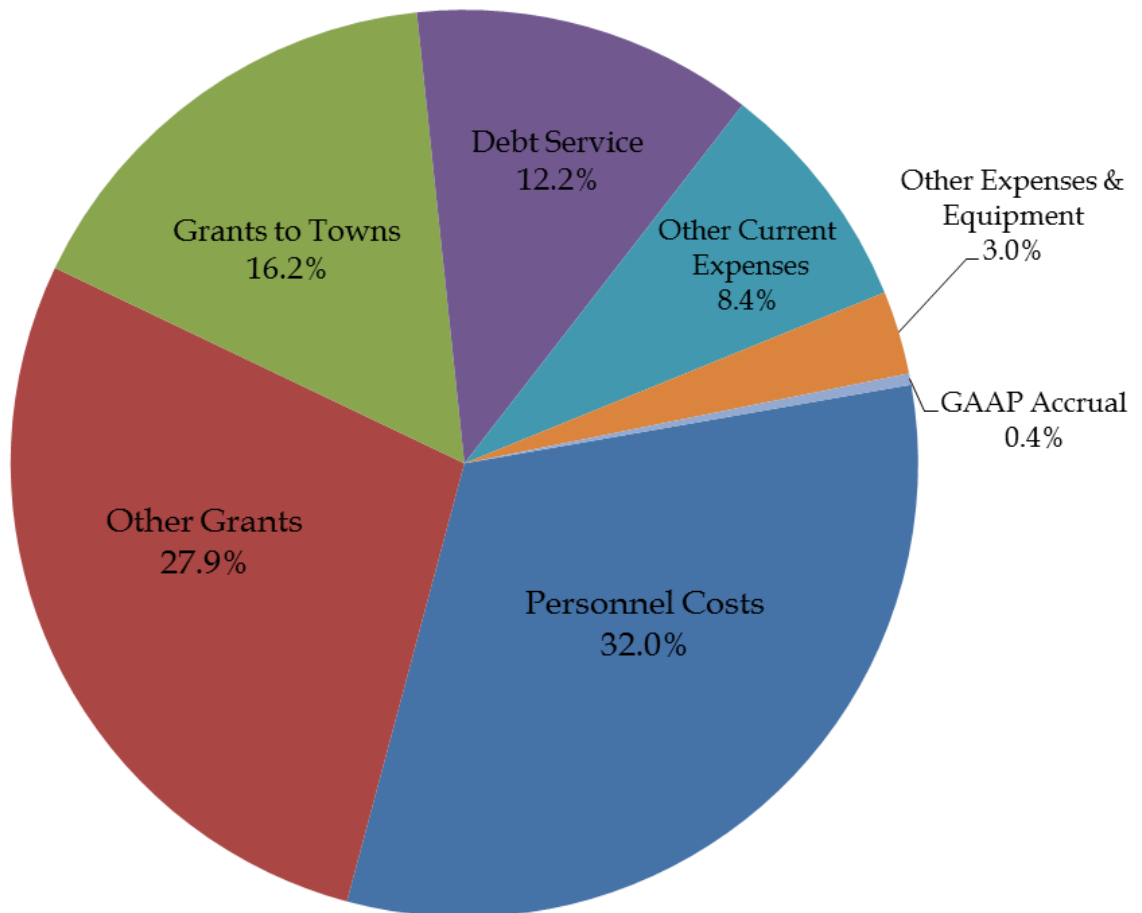
FY 14 All Appropriated Funds (by account type - in millions)

| Expenditure Type | FY 14 \$ | % of Total |
|---|-----------------|---------------|
| Personnel Costs | 5,793.6 | 30.8% |
| <i>Fringe Benefits</i> | 2,566.7 | 13.7% |
| Other Grants | 5,527.2 | 29.4% |
| <i>Medicaid</i> | 2,409.3 | 12.8% |
| <i>Teacher's Retirement: Pension & Health</i> | 970.9 | 5.2% |
| Grants to Towns | 3,034.9 | 16.2% |
| <i>Education Equalization Grants</i> | 2,066.6 | 11.0% |
| <i>Magnet Schools</i> | 265.4 | 1.4% |
| <i>PILOTS - State Owned & Private</i> | 189.1 | 1.0% |
| Debt Service | 2,183.6 | 11.6% |
| Other Current Expenses | 1,625.1 | 8.6% |
| Other Expenses & Equipment | 569.8 | 3.0% |
| GAAP Accrual | 55.9 | 0.3% |
| Gross Total | 18,790.2 | 100.0% |
| Lapses | (183.6) | |
| NET TOTAL | 18,606.5 | |



FY 15 All Appropriated Funds
(by account type - in millions)

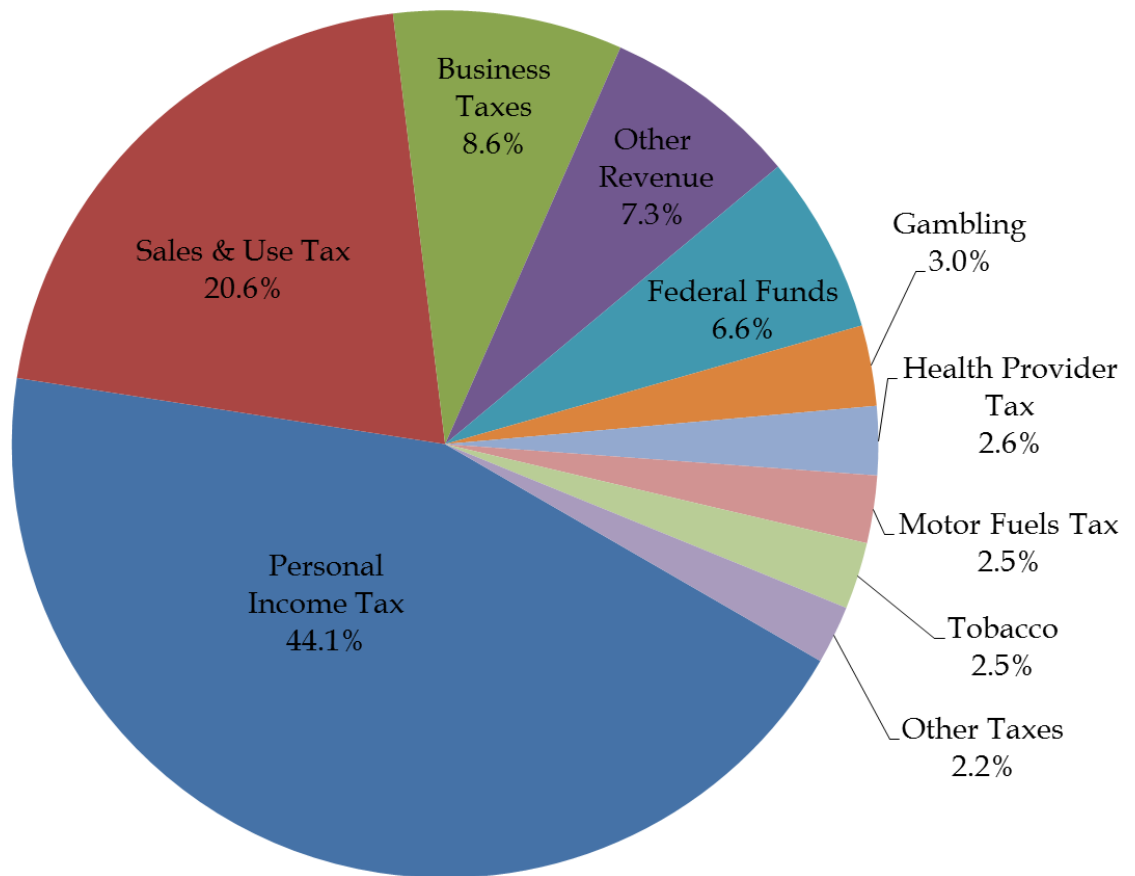
| Expenditure Type | FY 15 \$ | % of Total |
|---|-----------------|-------------------|
| Personnel Costs | 6,123.4 | 32.0% |
| <i>Fringe Benefits</i> | 2,715.5 | 14.2% |
| Other Grants | 5,350.7 | 27.9% |
| <i>Medicaid</i> | 2,289.6 | 11.9% |
| <i>Teacher's Retirement: Pension & Health</i> | 1,010.8 | 5.3% |
| Grants to Towns | 3,110.8 | 16.2% |
| <i>Education Equalization Grants</i> | 2,122.9 | 11.1% |
| <i>Magnet Schools</i> | 281.3 | 1.5% |
| <i>PILOTS - State Owned & Private</i> | 189.1 | 1.0% |
| Debt Service | 2,333.6 | 12.2% |
| Other Current Expenses | 1,600.3 | 8.4% |
| Other Expenses & Equipment | 569.5 | 3.0% |
| GAAP Accrual | 76.7 | 0.4% |
| Gross Total | 19,164.9 | 100.0% |
| Lapses | (169.5) | |
| NET TOTAL | 18,995.4 | |



APPENDIX B

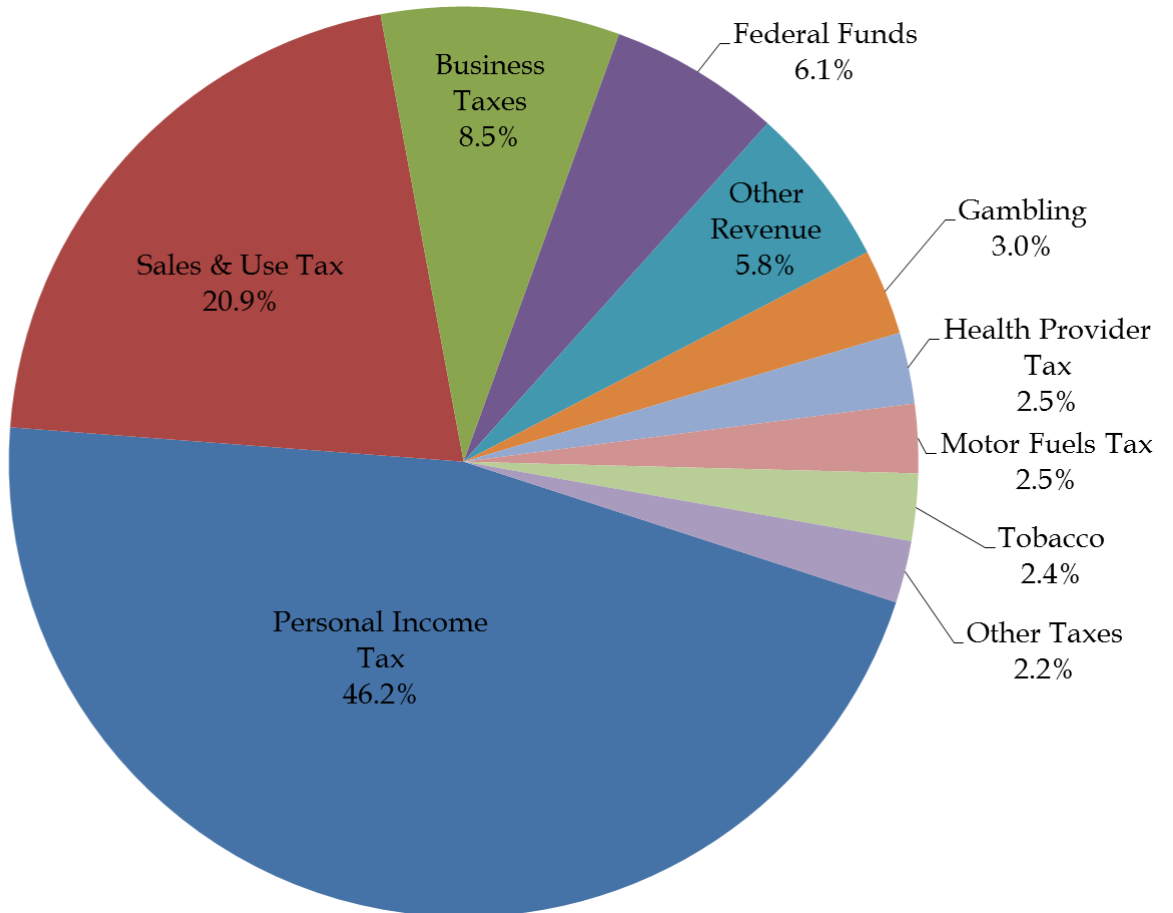
FY 14 All Appropriated Funds Revenue (by revenue item - in millions)

| Revenue Item | FY 14 | % of Total |
|---------------------|--|---------------|
| Personal Income Tax | 8,808.8 | 44.1% |
| Sales & Use Tax | 4,122.4 | 20.6% |
| Business Taxes | 1,709.3 | 8.6% |
| Other Revenue | 1,461.6 | 7.3% |
| Federal Funds | 1,325.8 | 6.6% |
| Gambling | 599.2 | 3.0% |
| Health Provider Tax | 512.0 | 2.6% |
| Motor Fuels Tax | 502.9 | 2.5% |
| Tobacco | 497.4 | 2.5% |
| Other Taxes | 433.7 | 2.2% |
| Gross Total | 19,973.1 | 100.0% |
| Reductions | (1,361.0) | |
| NET TOTAL | 18,612.1 | |



FY 15 All Appropriated Funds Revenue
(by revenue item - in millions)

| Revenue Item | FY 15 | % of Total |
|---------------------|-----------------|-------------------|
| Personal Income Tax | 9,399.8 | 46.2% |
| Sales & Use Tax | 4,244.7 | 20.9% |
| Business Taxes | 1,726.2 | 8.5% |
| Federal Funds | 1,241.0 | 6.1% |
| Other Revenue | 1,165.0 | 5.7% |
| Gambling | 618.8 | 3.0% |
| Health Provider Tax | 514.5 | 2.5% |
| Motor Fuels Tax | 499.1 | 2.5% |
| Tobacco | 485.5 | 2.4% |
| Other Taxes | 448.6 | 2.2% |
| Gross Total | 20,343.2 | 100.0% |
| Reductions | (1,343.3) | |
| NET TOTAL | 18,999.9 | |



APPENDIX C

**Finance, Revenue and Bonding Committee
June 1, 2013**

**FY 14 and FY 15 General Fund Estimates
(in thousands)**

| General Fund (GF) | | |
|-------------------------------|-------------------|-------------------|
| Item | FY 14 \$ | FY 15 \$ |
| Taxes | | |
| Personal Income Tax | 8,808,800 | 9,399,800 |
| Sales & Use Tax | 4,044,000 | 4,164,800 |
| Corporation Tax | 723,500 | 749,300 |
| Public Service Tax | 279,300 | 284,400 |
| Inheritance & Estate Tax | 172,900 | 179,800 |
| Insurance Companies Tax | 271,200 | 277,600 |
| Cigarettes Tax | 390,400 | 379,500 |
| Real Estate Conveyance Tax | 143,800 | 150,800 |
| Oil Companies Tax | 37,400 | 36,100 |
| Electric Generation Tax | 17,500 | - |
| Alcoholic Beverages Tax | 59,800 | 60,200 |
| Admissions & Dues Tax | 37,000 | 37,300 |
| Health Provider Tax | 512,000 | 514,500 |
| Miscellaneous Tax | 19,900 | 20,200 |
| Subtotal - Taxes | 15,517,500 | 16,254,300 |
| Less Refunds | (1,073,500) | (1,115,600) |
| Less Earned Income Tax Credit | (104,500) | (121,000) |
| Less R&D Credit Exchange | (5,500) | (6,200) |
| Net - Taxes | 14,334,000 | 15,011,500 |
| Other Revenue | | |
| Transfers - Special Revenue | 314,300 | 338,800 |
| Indian Gaming Payments | 285,300 | 280,400 |
| Licenses, Permits and Fees | 300,900 | 274,100 |
| Sales of Commodities | 38,200 | 39,400 |
| Rents, Fines and Escheats | 114,050 | 116,000 |
| Investment Income | 1,300 | 1,600 |
| Miscellaneous | 169,100 | 170,900 |
| Less Refunds of Payments | (69,800) | (71,300) |

| | | |
|----------------------------------|-------------------|-------------------|
| Net - Other Revenue | 1,153,350 | 1,149,900 |
| Other Sources | | |
| Federal Grants | 1,312,700 | 1,227,900 |
| Transfer From Tobacco Settlement | 107,000 | 106,000 |
| Transfers (To)/From Other Funds | 283,000 | 12,200 |
| Net - Other Sources | 1,702,700 | 1,346,100 |
| GF TOTAL | 17,190,050 | 17,507,500 |

**FY 14 and FY 15 Special Transportation Fund Estimates
(in thousands)**

| Special Transportation Fund (STF) | | |
|--|------------------|------------------|
| Item | FY 14 \$ | FY 15 \$ |
| Taxes | | |
| Motor Fuels Tax | 502,900 | 499,100 |
| Oil Companies Tax | 380,700 | 379,100 |
| Sales Tax- DMV | 78,400 | 79,900 |
| Less Refunds | (6,500) | (6,600) |
| Net - Taxes | 955,500 | 951,500 |
| Other Sources | | |
| Motor Vehicle Receipts | 234,000 | 237,500 |
| Licenses, Permits and Fees | 138,500 | 139,100 |
| Interest Income | 3,800 | 4,100 |
| Federal Grants | 13,100 | 13,100 |
| Transfers From/(To) Other Funds | (98,000) | (19,400) |
| Refunds of Payments | (3,200) | (3,200) |
| Net - Other Sources | 288,200 | 371,200 |
| STF TOTAL | 1,243,700 | 1,322,700 |

APPENDIX D

Legislative Actions Affecting Estimated Revenue adopted 6/1/2013 per CGS 2-35(b)

| Revenue Category | Description of Change and Source | FY 14 \$ | FY 15 \$ |
|--|---|------------------|--------------------|
| Transfers (To)/From Other Funds | Eliminate the transfer from the Regional Greenhouse Gas Initiative Fund per Section 386 of HB 6706, the general government budget implementer | - | (5,000,000) |
| Transfers (To)/From Other Funds | Reduce the FY 15 transfer from the Clean Energy Finance and Investment Authority (CEFIA) Fund per Section 378 of HB 6706 | - | (5,000,000) |
| Transfers (To)/From Other Funds | Increase the transfers of Banking Fund balances per Sections 149-150 of HB 6706 | 2,700,000 | 2,700,000 |
| Licenses, Permits, Fees | Increase fees per Sections 139, 140 and 142 of PA 13-234, the health and human services budget implementer | 301,227 | 342,738 |
| Licenses, Permits, Fees | Increase fines for driving while distracted and establish violations for motor vehicle repair shops per Sections 37, 45-49 of HB 6033, AAC Motor Vehicle Insurance Providers and Distracted Driving | 450,000 | 600,000 |
| Transfers-Special Revenue | Increase the Diversion of Lottery Revenue to the Chronic Gamblers Account per Section 133 of HB 6706 | (400,000) | (400,000) |
| Oil Companies Tax | Exempt Cosmetic Grade Mineral Oil & Certain Paint Ingredients per Sections 3 and 4 of PA 13-232, AAC Improving Tax Collection | (600,000) | (600,000) |
| Public Service Tax | Reduce the periods of interest payments on overpayments of tax, per Sections 1, 2, 5 and 6 of PA 13-232 | 300,000 | 300,000 |
| Inheritance & Estate Tax | Reduce the periods of interest payments on overpayments of tax, per Sections 1, 2, 5 and 6 of PA 13-232 | 300,000 | 300,000 |
| General Fund Total | | 3,051,227 | (6,757,262) |
| Transfers from the Trust Fund | Transfer fund management to the American Legion per Sections 121-122 of HB 6706 | - | (3,200,000) |
| Soldiers, Sailor and Marines Fund Total | | - | (3,200,000) |

APPENDIX E

Municipal Formula Grants and Other Major Aid

| Grant | FY 13 \$ Appropriation | FY 14 - FY 15 Budget Appropriations | | | |
|--|---------------------------|-------------------------------------|----------------------|------------------------|------------------------|
| | | FY 14 \$ | FY 15 \$ | FY 14 \$ - FY 13 \$ | FY 15 \$ - FY 13 \$ |
| Appropriated Funds | | | | | |
| Colleges & Hospitals PILOT | 115,431,737 | 115,431,737 | 115,431,737 | - | - |
| Reimbursement Property Tax - Disability Exemption | 400,000 | 400,000 | 400,000 | - | - |
| Distressed Municipalities | 5,800,000 | 5,800,000 | 5,800,000 | - | - |
| Property Tax Relief Elderly Circuit Breaker | 20,505,900 | 20,505,900 | 20,505,900 | - | - |
| Property Tax Relief for Veterans | 2,970,098 | 2,970,098 | 2,970,098 | - | - |
| Local and District Departments of Health | 4,662,487 | 4,669,173 | 4,669,173 | 6,686 | 6,686 |
| Vocational Agriculture | 6,485,565 | 9,485,565 | 9,485,565 | 3,000,000 | 3,000,000 |
| Health and Welfare Services Pupils Private Schools | 4,297,500 | 4,297,500 | 4,297,500 | - | - |
| Bilingual Education | 1,916,130 | 1,916,130 | 1,916,130 | - | - |
| Excess Cost - Student Based | 139,805,731 | 139,805,731 | 139,805,731 | - | - |
| Non-Public School Transportation | 3,595,500 | 3,595,500 | 3,595,500 | - | - |
| Youth Service Bureaus | 2,989,268 | 2,989,268 | 2,989,268 | - | - |
| Child Day Care ¹ | 18,419,752 | 18,419,752 | 18,419,752 | - | - |
| PILOT - State Property | 73,641,646 | 73,641,646 | 73,641,646 | - | - |
| Mashantucket Pequot and Mohegan Fund | 61,779,907 | 61,779,907 | 61,779,907 | - | - |
| Property Tax Relief Elderly Freeze Program | 390,000 | 235,000 | 235,000 | (155,000) | (155,000) |
| Tax Abatement | 1,704,890 | 1,444,646 | 1,444,646 | (260,244) | (260,244) |
| PILOT - Housing | 2,204,000 | 1,873,400 | 1,873,400 | (330,600) | (330,600) |
| Public School Transportation | 24,884,748 | 24,884,748 | 24,884,748 | - | - |
| Education Equalization Grants (ECS) ² | 1,939,607,087 | 1,991,000,000 | 2,030,901,002 | 51,392,913 | 91,293,915 |
| Priority School Districts ¹ | 121,875,581 | 47,427,206 | 46,947,022 | (74,448,375) | (74,928,559) |
| School Breakfast Program | 2,220,303 | 2,300,041 | 2,379,962 | 79,738 | 159,659 |
| OPEN Choice Program | 22,090,956 | 37,018,594 | 42,616,736 | 14,927,638 | 20,525,780 |
| Magnet Schools | 242,361,711 | 265,449,020 | 281,250,025 | 23,087,309 | 38,888,314 |
| School-Based Health Clinics | 11,543,438 | 12,747,463 | 12,638,716 | 1,204,025 | 1,095,278 |
| Interdistrict Cooperation | 10,131,935 | 9,146,369 | 9,150,379 | (985,566) | (981,556) |
| Early Childhood ¹ | 6,022,489 | 6,748,003 | 6,761,345 | 725,514 | 738,856 |
| School Readiness ¹ | - | 74,767,825 | 74,299,075 | 74,767,825 | 74,299,075 |
| Adult Education | 21,025,690 | 21,033,915 | 21,045,036 | 8,225 | 19,346 |
| Municipal Aid Adjustment Grant | - | 4,467,456 | 3,608,728 | 4,467,456 | 3,608,728 |
| Subtotal | 2,868,764,049 | 2,966,251,593 | 3,025,743,727 | 97,487,544 | 156,979,678 |

| Grant | FY 13 \$ Appropriation | FY 14 - FY 15 Budget Appropriations | | | |
|--|---------------------------|-------------------------------------|----------------------|------------------------|------------------------|
| | | FY 14 \$ | FY 15 \$ | FY 14 \$ - FY 13 \$ | FY 15 \$ - FY 13 \$ |
| Bond Funds and Other Revenue-Related Grants | | | | | |
| Local Capital Improvement Program | 30,000,000 | 30,000,000 | 30,000,000 | - | - |
| Town Aid Road Grants | 30,000,000 | 60,000,000 | 60,000,000 | 30,000,000 | 30,000,000 |
| Municipal Revenue Sharing Account | 94,100,000 | - | - | (94,100,000) | (94,100,000) |
| Bonded Payments Based on Municipal Revenue Sharing Account Formula | - | 56,429,907 | 56,429,907 | 56,429,907 | 56,429,907 |
| Regional Performance Incentive Account | 8,900,000 | 9,200,000 | 9,200,000 | 300,000 | 300,000 |
| School-Based Child Health | 4,500,000 | 4,900,000 | 5,400,000 | 400,000 | 900,000 |
| Subtotal | 167,500,000 | 160,529,907 | 161,029,907 | (6,970,093) | (6,470,093) |
| TOTAL | 3,036,264,049 | 3,126,781,500 | 3,186,773,634 | 90,517,451 | 150,509,585 |

¹School Readiness (removed from Priority School District account), Early Childhood, and Child Day Care were transferred from SDE to OEC in the budget.

²Does not include Charter School funding of \$75.6 million in FY 14 and \$92 million in FY 15.