

# **BUDGET SUMMARY**

## **FY 16 - FY 17 Budget**

June 30, 2015

(Includes impact of PA 15-244, the budget bill, as well as implementer bills).



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This document is intended to provide a summary of the FY 16 and FY 17 Budget. It is not intended to be all inclusive. OFA will be publishing detailed agency budgets the week of 7/6/15 and a detailed final budget document later this summer that will include a compilation of budget changes and financial schedules.

## I. OVERVIEW

The budget<sup>1</sup> appropriates \$19,807.2 million in FY 16 and \$20,438.3 million in FY 17. The appropriations are supported by estimated revenues of \$19,873.3 million in FY 16 and \$20,555.9 million in FY 17.

### Comparison of FY 16 and FY 17 Appropriations to Revenue Estimates (in millions)

Fund	FY 16 \$			FY 17 \$		
	Approp.	Revenue	Surplus / (Deficit)	Approp.	Revenue	Surplus / (Deficit)
General	18,161.6	18,162.4	0.8	18,711.2	18,713.6	2.5
Special Transportation	1,416.1	1,468.1	52.0	1,496.1	1,596.9	100.8
Other Appropriated	229.6	242.8	13.2	231.0	245.4	14.4
<b>TOTAL</b>	<b>19,807.2</b>	<b>19,873.3</b>	<b>66.0</b>	<b>20,438.3</b>	<b>20,555.9</b>	<b>117.6</b>

### Out-Years

On a current services basis, the expenditures are projected to exceed revenues by \$649.9 million to \$759.1 million in the out-years.

### Out-Year Projections of Expenditures and Revenues (in millions)

Fund	FY 18 \$			FY 19 \$			FY 20 \$		
	Est. Expend.	Revenue	Surplus / (Deficit)	Expend Exp.	Revenue	Surplus / (Deficit)	Est. Expend.	Revenue	Surplus / (Deficit)
General	19,902.6	18,975.5	(927.1)	0,557.4	19,726.3	(831.1)	21,419.8	20,521.7	(898.1)
Special Transportation	1,568.9	1,725.3	156.4	1,601.5	1,775.3	173.8	1,636.1	1,809.2	173.1
Other Appropriated	237.6	249.3	11.7	244.6	252.0	7.4	251.9	256.7	4.8
<b>TOTAL</b>	<b>21,709.1</b>	<b>20,950.1</b>	<b>(759.1)</b>	<b>22,403.5</b>	<b>21,753.6</b>	<b>(649.9)</b>	<b>23,307.8</b>	<b>22,587.5</b>	<b>(720.2)</b>

<sup>1</sup>HB 7061, the State Budget for the Biennium Ending June 30, 2017, and Making Appropriations Therefor, and Other Provisions Related to Revenue, Deficiency Appropriations and Tax Fairness and Economic Developments passed by the House and Senate.

The budget includes appropriations totaling \$19,807.2 million in FY 16 and \$20,438.3 million in FY 17.

**Fund Summary of FY 16 and FY 17 Appropriations (in millions)**

<b>Gross Appropriations by Fund</b>	<b>FY 16 \$</b>	<b>FY 17 \$</b>
General Fund	18,362,169,386	18,916,880,389
Special Transportation Fund	1,428,073,382	1,508,138,933
Banking Fund	29,636,246	29,889,297
Insurance Fund	79,933,789	81,351,940
Consumer Counsel and Public Utility Control Fund	26,990,146	26,953,593
Workers' Compensation Fund	27,312,126	26,982,874
Mashantucket Pequot and Mohegan Fund	61,779,907	61,779,907
Regional Market Operation Fund	1,061,237	1,067,306
Criminal Injuries Compensation Fund	2,851,675	2,934,088
<b>Total Gross Appropriations</b>	<b>20,019,807,894</b>	<b>20,655,978,327</b>
<b>General Fund Lapses</b>		
Unallocated Lapse	(93,076,192)	(94,476,192)
Unallocated Lapse - Legislative	(5,028,105)	(3,028,105)
Unallocated Lapse - Judicial	(7,400,672)	(7,400,672)
General Employee Lapse	(7,110,616)	(12,816,745)
General Lapse - Legislative	(39,492)	(39,492)
General Lapse - Judicial	(282,192)	(282,192)
General Lapse - Executive	(9,678,316)	(9,678,316)
Municipal Opportunities and Regional Efficiencies Program	(20,000,000)	(20,000,000)
Overtime Savings	(10,500,000)	(10,500,000)
Statewide Hiring Reduction - Executive	(30,920,000)	(30,920,000)
Statewide Hiring Reduction - Judicial	(3,310,000)	(3,310,000)
Statewide Hiring Reduction - Legislative	(770,000)	(770,000)
Targeted Savings	(12,500,000)	(12,500,000)
<b>TOTAL</b>	<b>(200,615,585)</b>	<b>(205,721,714)</b>
Transportation Fund Lapses		
Unallocated Lapse	(12,000,000)	(12,000,000)
<b>TOTAL</b>	<b>(12,000,000)</b>	<b>(12,000,000)</b>
General Fund	18,161,553,801	18,711,158,675
Special Transportation Fund	1,416,073,382	1,496,138,933
Banking Fund	29,636,246	29,889,297
Insurance Fund	79,933,789	81,351,940
Consumer Counsel and Public Utility Control Fund	26,990,146	26,953,593
Workers' Compensation Fund	27,312,126	26,982,874
Mashantucket Pequot and Mohegan Fund	61,779,907	61,779,907
Regional Market Operation Fund	1,061,237	1,067,306
Criminal Injuries Compensation Fund	2,851,675	2,934,088
<b>Total Net Appropriations</b>	<b>19,807,192,309</b>	<b>20,438,256,613</b>

## Spending Cap

The budget is under the spending cap by \$8.1 million in FY 15, \$23.0 million in FY 16 and \$106.2 million in FY 17. Pursuant to Section 35 of PA 15-244, these calculations reflect a five-year personal income growth rate calculated on a calendar year rather than a fiscal year basis, and assume that appropriations for the unfunded liabilities of the State Employees' Retirement System, Judges, Family Support Magistrates and Compensation Commissioners' Retirement System, and Teachers' Retirement System are exempt from being counted as general budget expenditures under the spending cap.

## Growth Rate

The FY 16 growth rate for the General Fund is 3.90% over FY 15 estimated expenditures.<sup>2</sup> The FY 17 General Fund growth rate is 3.03% over FY 16. See the table below for details on other funds.

### FY 16 and FY 17 Budget Growth Rates (by fund - in millions)

Fund	FY 15 Est. Expenditure	FY 16 Approp	FY 16 Change		FY 17 Approp	FY 17 Change	
	\$	\$	\$	%	\$	\$	%
General	17,480.5	18,161.6	681.1	3.90%	18,711.2	549.6	3.03%
Transportation	1,341.8	1,416.1	74.3	5.54%	1,496.1	80.1	5.65%
Other Appropriated	214.5	229.6	15.1	7.03%	231.0	1.4	0.61%
<b>TOTAL</b>	<b>19,036.7</b>	<b>19,807.2</b>	<b>770.5</b>	<b>4.05%</b>	<b>20,438.3</b>	<b>631.1</b>	<b>3.19%</b>

On a current services basis, expenditures are projected to grow in the General Fund by 3.3% - 6.4% annually in the out-years.

### FY 18 - FY 20 Projected Growth Rate (by fund - in millions)

Fund	FY 18 Approp	FY 18 Change		FY 19 Approp	FY 19 Change		FY 20 Approp	FY 20 Change	
	\$	\$	%	\$	\$	%	\$	\$	%
General	19,902.6	1,191.4	6.4%	20,557.4	654.8	3.3%	21,419.8	862.4	4.2%
Special Transportation	1,568.9	72.8	4.9%	1,601.5	32.6	2.1%	1,636.1	34.6	2.2%
Other Appropriated	237.6	6.6	2.9%	244.6	7.0	2.9%	251.9	7.3	3.0%
<b>TOTAL</b>	<b>21,709.1</b>	<b>1,270.9</b>	<b>6.2%</b>	<b>22,403.5</b>	<b>694.3</b>	<b>3.2%</b>	<b>23,307.8</b>	<b>904.3</b>	<b>4.0%</b>

<sup>2</sup>Based on the FY 15 estimated expenditure level contained in the Governor's FY 16 - FY 17 Budget document.

The budget reflects a net increase in all appropriations of \$681.1 million in FY 16 and \$549.6 million in FY 17.

### Budget Adjustments to General Fund (in millions)

	Governor FY 16 \$	Governor FY 17 \$	Legislative FY 16 \$	Legislative FY 17 \$	Legislative - Governor FY 16 \$	Legislative - Governor FY 17 \$
<b>Budget Expansions</b>						
Technical	1,421.9	740.0	1,404.1	724.0	(17.9)	(16.0)
Policy	82.3	6.7	205.6	27.9	123.3	21.1
<b>Subtotal</b>	<b>1,504.2</b>	<b>746.7</b>	<b>1,609.7</b>	<b>740.5</b>	<b>105.4</b>	<b>(6.3)</b>
<b>Budget Reductions</b>						
Technical	(158.6)	(9.8)	(199.0)	-	(40.4)	9.8
Policy	(812.3)	(165.1)	(714.1)	(180.0)	98.2	(14.9)
<b>Subtotal</b>	<b>(970.9)</b>	<b>(174.9)</b>	<b>(913.1)</b>	<b>(168.6)</b>	<b>57.8</b>	<b>6.3</b>
<b>Net Expansions</b>	<b>533.4</b>	<b>571.8</b>	<b>696.6</b>	<b>571.8</b>	<b>163.3</b>	<b>0.0</b>
<b>Transfers</b>	<b>(12.0)</b>	<b>(22.5)</b>	<b>(15.5)</b>	<b>(22.2)</b>	<b>(3.5)</b>	<b>0.2</b>
<b>TOTAL CHANGES</b>	<b>521.3</b>	<b>549.3</b>	<b>681.1</b>	<b>549.6</b>	<b>159.8</b>	<b>0.3</b>

### Budgeted Lapses

The FY 16 and FY 17 budget includes lapses (bottom-line reductions) of \$200.1 million in FY 16 and \$205.2 million in FY 17. The lapses are identified below with a brief explanation.

Lapse	FY 16 \$	FY 17 \$	Explanation
<b>General Fund Lapses</b>			
General Lapse <sup>1</sup>	(10,000,000)	(10,000,000)	This reduction reflects savings in a manner to be determined by OPM. All General Fund agency accounts could be subject to this reduction. Sec. 10 (a)(b)(c) of PA 15-244 implements this provision.
Unallocated Lapse <sup>1</sup>	(105,504,969)	(104,904,969)	This reduction reflects an adjustment to gross appropriations due to an anticipated level of under spending across all General Fund agencies and accounts.
Overtime Savings <sup>1</sup>	(10,500,000)	(10,500,000)	OPM shall recommend reductions in overtime expenditures in the General Fund by \$10,500,000 in both FY 16 and FY 17. Sec. 41 of PA 15-244 implements this provision.
Municipal Opportunities & Regional Efficiencies	(20,000,000)	(20,000,000)	Savings to be achieved in FY 16 and FY 17 with a reduction in municipal aid as a result of various municipal saving initiatives and efficiencies. Sec. 12 of PA 15-244 implements this provision.

Lapse	FY 16 \$	FY 17 \$	Explanation
General Employee Lapse <sup>1</sup>	(7,110,616)	(12,816,745)	OPM shall recommend reductions in an appropriate and proportionate manner among branches and agencies to facilitate a reduction in General Fund expenditures of \$7,110,616 in FY 16 and \$12,816,745 in FY 17. This shall apply to state employees. Sec. 38 of PA 15-244 implements this provision.
Targeted Savings	(12,500,000)	(12,500,000)	OPM may recommend reductions in various General Fund accounts in order to achieve targeted savings of \$12.5 million in FY 16 and in FY 17. Sections 156 and 157 of SB 1502 implements this provision.
Statewide Hiring Reduction <sup>1</sup>	(35,000,000)	(35,000,000)	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. Sec. 11 (a),(b),(c) of PA 15-244 implements this provision.
<b>Total GF Lapse</b>	<b>(200,615,585)</b>	<b>(205,721,714)</b>	
<b>Transportation Fund Lapse</b>			
Unallocated Lapse	(12,000,000)	(12,000,000)	This reduction reflects an adjustment to gross appropriations due to an anticipated level of under spending across all Transportation Fund agencies and accounts.
<b>Total TF Lapse</b>	<b>(12,000,000)</b>	<b>(12,000,000)</b>	
<b>TOTAL LAPSES</b>	<b>(200,115,585)</b>	<b>(205,221,714)</b>	

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

### Significant Changes by Account

Identified in the table below are the General Fund accounts having the most significant changes in FY 16 and FY 17, as compared to the Governor's FY 15 estimated expenditures levels.

Agency	CS-PR	Write-Up Title	FY 16 \$	FY 17 \$
OTT - Debt Service	Current Services	Increase Debt Service to Reflect Current Requirements	357.2	483.6
OSC - Fringe Benefits	Current Services	Adjust Operating Expenses to Reflect Current Requirements	258.3	409.1
Various	Current Services	Adjust Funding to Reflect Wages & Compensation Related Costs	162.4	199.3
OTT - Debt Service	Policy Revisions	Adjust Debt Service to Reflect Projected Lapse Savings	(147.7)	(167.5)
DSS	Current Services	Update Medicaid Caseload and Utilization Estimates	77.1	154.5
UAL	Current Services	Reflect Allocation of Lapses	72.2	72.2
DSS	Current Services	Medicaid Net Funding Re-Estimate	(67.6)	(54.2)
UAL	Current Services	Revert to Pre-Rescission Funding Levels	54.7	54.7
DSS	Current Services	Update Expenditure Estimates for Medicaid	47.1	62.2
DSS	Policy Revisions	Update Hospital Provider Tax	50.8	51.2
OTT - Debt Service	Current Services	Reflect Revised Budget Request	(54.9)	(32.9)

Agency	CS-PR	Write-Up Title	FY 16 \$	FY 17 \$
Reserve for Salary Adjustment	Current Services	Adjust Funding for Unsettled Contracts	(8.0)	68.8
DSS	Policy Revisions	Net Appropriate Husky B Program	(27.1)	(31.9)
DSS	Current Services	Adjust Operating Expenses to Reflect Current Requirements	22.9	35.1
SDE	Current Services	Increase Funding for Magnet Schools	25.6	28.3
UAL	Policy Revisions	Implement Hiring Reduction	(25.0)	(25.0)
DSS	Policy Revisions	Transition Certain HUSKY A Adults to the Exchange	(2.4)	(43.5)
DDS	Current Services	Provide Funding for Age Outs	12.0	28.3
OSC - Fringe Benefits	Policy Revisions	Adjust Fringe Benefits to Reflect the Addition of Positions	16.8	23.0
DSS	Current Services	Reflect Annualization of Autism Coverage	12.5	24.4
TRB	Current Services	Fully Fund Retirement Contribution	(8.5)	28.1
DSS	Policy Revisions	Reduce Medicaid Expenditures	(17.5)	(17.5)
MHA	Policy Revisions	Support Grants for Mental Health & Substance Abuse Services	17.0	17.0
TRB	Current Services	Adjust Operating Expenses to Reflect Current Requirements	15.4	18.2
TRB	Policy Revisions	Reduce State Share of Retiree Health Service Costs	(14.0)	(16.8)
DSS	Current Services	Provide Funding for Rate Increases for Long Term Care	7.9	20.0
DDS	Current Services	Annualize Previous Year Partial Funding	13.9	13.9
DCF	Policy Revisions	Provide Funding for Juan F Compliance	9.0	17.7
DSS	Current Services	Restructure Hospital Related Revenue Diversion	(13.3)	(13.3)
DSS	Policy Revisions	Provide Rate Increase for Direct Care Workers	13.0	13.0
OSC - Miscellaneous	Policy Revisions	Provide Funding for Rowland Settlement	20.7	4.7
UAL	Policy Revisions	Targeted Savings	(12.5)	(12.5)
DSS	Policy Revisions	Eliminate Statutory or Regulatory Rate Increases	(6.9)	(17.8)
SDE	Policy Revisions	Provide Additional ECS Funding	12.0	12.0
OSC - Fringe Benefits	Policy Revisions	Adjust Fringe Benefits to Reflect the Reduction of Positions	(8.6)	(14.5)
SDE	Current Services	Increase Funding for State Charter Schools	8.6	13.1
JUD	Policy Revisions	Adjust Probate Court Subsidy	(10.8)	(10.8)
DDS	Policy Revisions	Rollout of FY 15 Rescissions	(10.9)	(10.5)
UAL	Policy Revisions	Overtime Lapse	(10.5)	(10.5)
DDS	Current Services	Provide Funding for New High School Graduates	6.2	14.3
DSS	Policy Revisions	Achieve Medication Administration Savings	(10.0)	(10.0)
OSC - Fringe Benefits	Policy Revisions	Reduce Funding for Prior Authorization for Compound Drugs	(10.0)	(10.0)
UAL	Policy Revisions	Increase M.O.R.E Commission Lapse	(10.0)	(10.0)
UAL	Policy Revisions	Wage Adjustment	(7.1)	(12.8)
MHA	Current Services	Update Expenditures for Young Adult Services	6.8	12.2
DSS	Current Services	Update Expenditure Estimates for Money Follows the Person	(5.9)	(11.3)
MHA	Current Services	Update Expenditures for Home and Community Based Services	5.0	11.4
DDS	Current Services	Provide Funding for Community Placements	4.3	12.1
OTT - Debt Service	Current Services	Adjust Debt Service to Reflect POB Requirements	(1.2)	(14.3)
Various	Policy Revisions	Second Chance Society Initiatives	(5.1)	(9.6)
DSS	Policy Revisions	Eliminate Rate Increases for Various Programs	(4.9)	(9.8)
DSS	Current Services	Update Expenditure Estimates for HUSKY B	5.7	8.2
SDE	Policy Revisions	Provide Additional ECS Funding	3.2	10.6
DOH	Current Services	Adjust Funding for the Rental Assistance Program	4.2	9.4



Agency	CS-PR	Write-Up Title	FY 16 \$	FY 17 \$
Reserve for Salary Adjustment	Policy Revisions	Reduce Wage Increases	-	(13.0)
OPM	Policy Revisions	Provide Funding for 1% Private Provider COLA in FY 17	-	8.5

## II. REVENUE IMPACT

In the General Fund, the budget includes various policy changes that yield additional net revenue (taxes plus other revenue) increases of \$802.1 million in FY 16 and \$664.4 million in FY 17 identified in the table below.

### General Fund Revenue Changes by Source (in millions)

Revenue Source	FY 16 \$	FY 17 \$	FY 18 \$	FY 19 \$	FY 20 \$
Personal Income	169.3	158.9	167.3	177.5	190.1
Sales & Use	(94.3)	(293.3)	(537.6)	(557.4)	(578.3)
Corporations	258.1	222.8	200.3	162.8	147.8
Health Provider	224.8	229.8	229.9	230.0	230.1
Insurance Companies	22.7	22.7	-	-	-
Inheritance and Estate	(4.0)	(8.0)	(8.0)	(8.0)	(8.0)
Admissions and Dues	(0.4)	(0.4)	-	-	-
Alcoholic Beverages	0.5	0.5	0.5	0.5	0.5
Cigarettes	24.5	42.8	37.6	35.3	33.2
Miscellaneous Taxes	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Oil Companies	-	-	(7.1)	(41.0)	(58.1)
Earned Income Tax Credit	11.0	11.0	-	-	-
Less Refunds	39.0	75.0	75.0	75.0	75.0
<b>Total Taxes</b>	<b>651.1</b>	<b>461.7</b>	<b>157.8</b>	<b>74.7</b>	<b>32.2</b>
Licenses, Permits and Fees	2.7	2.3	2.3	2.3	2.3
Miscellaneous	2.5	2.5	2.5	2.5	2.5
Transfer Special Revenue	13.6	30.0	30.0	30.0	30.0
<b>Total Other Revenue</b>	<b>18.8</b>	<b>34.8</b>	<b>34.8</b>	<b>34.8</b>	<b>34.8</b>
Federal Grants	(40.4)	(45.9)	(48.3)	(50.9)	(46.2)
Transfer from Tobacco Settlement	17.0	17.0	6.0	6.0	6.0
Transfers From/To Other Funds	155.6	196.9	118.2	118.2	118.2
<b>Total Other Sources</b>	<b>132.2</b>	<b>168.0</b>	<b>75.9</b>	<b>73.3</b>	<b>78.0</b>
<b>TOTAL GENERAL FUND</b>	<b>802.1</b>	<b>664.4</b>	<b>268.5</b>	<b>182.7</b>	<b>145.0</b>

In all Appropriated Funds, the budget yields an additional estimated net tax revenue gain of \$1 billion each year. This revenue includes the new Municipal Revenue Sharing Account (MRSA), which provides grants to municipalities.

Over three fiscal years, the budget diverts up to 1.0% of the state's Sales and Use Tax from the General Fund equally to the Special Transportation Fund and MRSA.

**All Appropriated Funds Tax Changes by Source (in millions)**

Description	FY 16 \$	FY 17 \$	FY 18 \$	FY 19 \$	FY 20 \$
<b>General Fund</b>					
<b>Taxes</b>					
Personal Income	169.3	158.9	167.3	177.5	190.1
Sales and Use	(94.3)	(293.3)	(537.6)	(557.4)	(578.3)
Corporations	258.1	222.8	200.3	162.8	147.8
Health Provider	224.8	229.8	229.9	230.0	230.1
Insurance Companies	22.7	22.7	-	-	-
Admissions and Dues	(0.4)	(0.4)	-	-	-
Alcoholic Beverages	0.5	0.5	0.5	0.5	0.5
Cigarettes	24.5	42.8	37.6	35.3	33.2
Inheritance and Estate	(4.0)	(8.0)	(8.0)	(8.0)	(8.0)
Miscellaneous Taxes	(0.1)	(0.1)	(0.1)	(0.1)	(0.1)
Oil Companies	-	-	(7.1)	(41.0)	(58.1)
Earned Income Tax Credit	11.0	11.0	-	-	-
Less Refunds	39.0	75.0	75.0	75.0	75.0
<b>General Fund Total</b>	<b>651.1</b>	<b>461.7</b>	<b>157.8</b>	<b>74.7</b>	<b>32.2</b>
<b>Special Transportation Fund</b>					
<b>Taxes</b>					
Oil Companies	-	-	7.1	41.0	58.1
Sales and Use	158.6	260.6	361.7	375.1	389.0
<b>Special Transportation Fund Total</b>	<b>158.6</b>	<b>260.6</b>	<b>368.8</b>	<b>416.1</b>	<b>447.1</b>
<b>MRSA</b>					
<b>Taxes</b>					
Sales and Use	105.7	221.9	361.7	375.1	389.0
<b>MRSA Total</b>	<b>105.7</b>	<b>221.9</b>	<b>361.7</b>	<b>375.1</b>	<b>389.0</b>
<b>TOTAL TAXES</b>	<b>915.4</b>	<b>944.2</b>	<b>888.3</b>	<b>865.8</b>	<b>868.2</b>

A listing and descriptions of the various revenue policy changes appear below.

### General Fund Policy Changes (in millions)

Enacting Policy	Revenue Source	Policy	FY 16 \$	FY 17 \$
PA 15-244	Personal Income	Increase, from 50% to 100%, the Income Tax exemption for military retirement pay.	(6.0)	(4.0)
PA 15-244	Personal Income	Establish a new top marginal rate of 6.99% in the Income Tax for those tax filers with CT Adjusted Gross Incomes over certain thresholds. Increases the current Top Marginal Rate to 6.9%.	151.5	137.9
PA 15-244	Personal Income	Reduce Property Tax Credit phase out thresholds for the credit in FY 16. Reduce the credit from \$300 to \$200 in FY 17.	52.0	100.0
PA 15-244	Personal Income	Delay the scheduled increase in the personal exemption for Single Filers of the Income Tax from \$14,500 to \$15,000.	10.8	-
PA 15-244	Sales and Use	Reduce, from \$300 to \$100, the per-item exemption from the Sales and Use Tax during the "Sales Tax Free Week."	1.0	1.0
PA 15-244	Sales and Use	Eliminate the Sales and Use Tax exemption for clothing and footwear costing less than \$50.	136.8	142.6
PA 15-244	Sales and Use	Increase the Luxury Sales and Use tax from 7.0% to 7.75%.	6.2	6.4
PA 15-244, as amended by SB 1502	Sales and Use	Extend Sales and Use tax to World Wide Web Services at 1.0% effective 10/1/15.	7.8	10.8
PA 15-244	Sales and Use	Authorize certain entities to sell sealed containers of draught beer i.e. "growlers", which is anticipated to increase the volume of beer consumed.	1.6	1.6
PA 15-244	Sales and Use	Increase the number of allowable alcoholic beverage retail permits. Extends permissible sale hours for alcoholic beverage retail permittees.	0.5	0.5
PA 15-244, as amended by SB 1502	Sales and Use	Establish a municipal share of the Sales and Use Tax. The rate is 0.3% effective 1/1/16, 0.4% effective 5/1/17, and 0.5% effective 7/1/17 and thereafter.	(105.7)	(221.9)
PA 15-244, as amended by SB 1502	Sales and Use	Establish a transportation share of the Sales and Use Tax. The rate is 0.3% effective 10/1/15, 0.4% effective 10/1/16, and 0.5% effective 7/1/17 and thereafter.	(158.6)	(260.6)
PA 15-244	Sales and Use	Repeal the Sales Tax Exemption for Water Companies.	4.0	4.0
PA 15-244	Sales and Use	Extend the Sales and Use tax to car wash services.	6.8	6.8
PA 15-244	Sales and Use	Eliminate FY 17 Regional Performance Incentive Account Diversion.	0.0	10.0
PA 15-244	Sales and Use	Increase the tax on cigarettes by \$0.25 in FY 16 and \$0.50 in FY 17. Implements a floor tax on cigarettes.	0.2	0.4
PA 15-244, as amended by SB 1502	Sales and Use	Repeal Sales Tax Exemption for certain Motor Vehicle Parking, except maintain the exemption for employer-owned lots.	5.1	5.1
PA 15-244, as amended by SB 1502	Corporations	Establish Mandatory Combined Reporting effective 1/1/16.	14.9	23.7
PA 15-244	Corporations	Extend the 20% surcharge on the Corporate Income Tax for certain filers and phases out the surcharge after the FY 16 and FY 17 Biennium.	44.4	75.0

Enacting Policy	Revenue Source	Policy	FY 16 \$	FY 17 \$
PA 15-244	Corporations	Lower, from 70% to 50.01%, the maximum percentage to which tax credits may be used against the total liability under the Corporate Income Tax.	42.5	34.0
PA 15-244	Corporations	Limit the use of loss carryforwards against the Corporate Income Tax to 50% of net income in any income year when computing the amount of tax due.	156.3	90.1
PA 15-244	Inheritance and Estate	Create a \$20 million lifetime cap on total Unified Gift and Estate tax liability.	(4.0)	(8.0)
PA 15-244	Insurance Companies	Delay the scheduled expiration of the two lower tiers of caps on credit utilization against the Insurance Premiums Tax.	18.7	18.7
PA 15-244	Insurance Companies	Delay the scheduled expiration of the moratorium on the issuance of new film tax credits, which may be applied to the Insurance Premiums Tax.	4.0	4.0
PA 15-244	Cigarettes	Increase the tax on cigarettes by \$0.25 in FY 16 and \$0.50 in FY 17.	21.7	40.0
PA 15-244	Cigarettes	Implement a floor tax on cigarettes.	2.8	2.8
PA 15-244	Alcoholic Beverages	Authorize certain entities to sell sealed containers of draught beer i.e. "growlers", which is anticipated to increase the volume of beer consumed.	0.2	0.2
PA 15-244	Alcoholic Beverages	Increase the number of allowable alcoholic beverage retail permits. Extends permissible sale hours for alcoholic beverage retail permittees.	0.3	0.3
PA 15-244	Admissions and Dues	Exempt Harbor Yard in Bridgeport from the Admissions and Dues tax.	(0.4)	(0.4)
PA 15-244	Health Provider	Limit the use of tax credits against a liability under the Hospital Tax to 50.01% of the total.	2.8	2.8
No legislation required	Health Provider	Increase Hospital Tax Rate to 6% and update the base to FFY 13 Revenues.	207.0	207.0
PA 15-244	Health Provider	Establish a provider tax of 6% on ambulatory surgical centers.	15.0	20.0
PA 15-244	Miscellaneous Taxes	Limit the applicability of the rental surcharge to people or businesses generating at least 51% of their total annual revenue from rentals.	(0.1)	(0.1)
PA 15-244	Earned Income Tax Credit	Delay the scheduled restoration of the state's Earned Income Tax Credit (EITC) rate to 30% from 27.5% of the federal EITC.	11.0	11.0
<b>Total Taxes</b>			<b>651.1</b>	<b>461.7</b>
PA 15-244	Transfer Special Revenue	Authorize Keno Gaming.	13.6	30.0
PA 15-244	Licenses, Permits and Fees	Require manufacturers and sellers of electronic nicotine delivery devices to register with the Department of Consumer Protection and annually renew their registration accompanied by fees.	2.0	1.6
PA 15-244	Licenses, Permits and Fees	Transfer Palliative Use of Marijuana to General Fund.	0.6	0.6
PA 15-244	Licenses, Permits and Fees	Create a swimming pool installer license.	0.1	0.1

Enacting Policy	Revenue Source	Policy	FY 16 \$	FY 17 \$
PA 15-244	Miscellaneous	Adjust reimbursement rates for resident state trooper costs to 85%.	2.5	2.5
<b>Total Other Revenue</b>			<b>18.8</b>	<b>34.8</b>
PA 15-244	Federal Grants	Revenue loss resulting from expenditure changes.	(13.2)	(14.0)
PA 15-244	Federal Grants	Net Appropriate HUSKY B.	(27.1)	(31.9)
PA 15-244	Transfer from Tobacco Settlement	Divert Tobacco Settlement Funds from Preschool Expansion.	5.0	5.0
PA 15-244	Transfer from Tobacco Settlement	Divert the scheduled transfers from the Tobacco Settlement Fund to the Tobacco Health Trust Fund during the FY 16 and FY 17 Biennium.	12.0	12.0
PA 15-244	Transfers From/To Other Funds	Permanently diverts 3/5 revenue from the Municipal Video Competition Account.	3.0	3.0
No legislation required	Transfers From/To Other Funds	Amortize the Accumulative GAAP Deficit	(47.6)	(47.6)
PA 15-244	Transfers From/To Other Funds	Divert Revenue from the Community Investment Act Account.	6.8	13.5
PA 15-244	Transfers From/To Other Funds	Transfer funds from the Public, Educational and Governmental Programming and Education Technology Investment Account (PEGPETIA).	4.2	4.3
PA 15-244	Transfers From/To Other Funds	Reduce Scheduled Transfer from GF to STF.	152.8	162.8
PA 15-244	Transfers From/To Other Funds	Divert revenue from the Connecticut Health and Educational Facilities Authority.	3.5	3.5
PA 15-244	Transfers From/To Other Funds	Transfer Resources from the General Fund from FY 16 to FY 17.	(25.0)	25.0
PA 15-244	Transfers From/To Other Funds	Transfer the Municipal Revenue Sharing Account balance to the Resources of the General Fund.	12.7	-
PA 15-244	Transfers From/To Other Funds	Transfer funds from the resources of the Banking Fund.	7.0	7.0
SB 1502	Transfers From/To Other Funds	Transfer funds from the Citizens' Election Fund	0.0	7.8
PA 15-244	Transfers to the Resources of the Special Transportation Fund	Deposit the Oil Companies tax into the Special Transportation Fund (STF) and eliminates 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.	38.2	17.6
<b>Total Other Sources</b>			<b>132.2</b>	<b>168.0</b>
<b>GRAND TOTAL</b>			<b>802.1</b>	<b>664.4</b>

### Special Transportation Fund Policy Changes (in millions)

Enacting Policy	Revenue Source	Policy	FY 16 \$	FY 17 \$
PA 15-244	Sales Tax DMV	Establish a transportation share of the Sales and Use Tax. The rate is 0.3% effective 10/1/15, 0.4% effective 10/1/16, and 0.5% effective 7/1/17 and thereafter.	158.6	260.6
PA 15-244	Transfers From/To Other Funds	Deposits the Oil Companies tax into the Special Transportation Fund and eliminates the provision to hold the General Fund harmless as of July 1, 2015.	(38.2)	(17.6)
PA 15-244	Transfers From/To Other Funds	Reduce Scheduled Transfer from GF to STF.	(152.8)	(162.8)
<b>GRAND TOTAL</b>			(32.4)	80.2
*Amounts may not appear to sum due to a rounding effect.				

The table below reconciles the General Fund revenue schedules adopted on 6/1/15 and 6/29/15 and provides an update of the estimated General Fund balances corresponding to each revenue schedule. PA 15-244, the FY 16 – FY 17 Biennial Budget, and SB 1502, the Biennial Budget Implementer, make various policy changes impacting revenue and also expenditure changes impacting balances which are reflected in the table.

### General Fund Policy Revisions to PA 15-244 (in millions)

	FY 16 \$	FY 17 \$
<b>Starting Balance: FRB Schedule as of 6/1/15</b>	<b>2.4</b>	<b>1.0</b>
<b>Policy Revisions in PA 15-244</b>		
Delay until FY 17 the reduction in the Property Tax Credit from \$300 to \$200.	(48.0)	-
Reduce Sales and Use Tax rate from 3% to 2% in FY 16 for services related to web sites that are part of the World Wide Web.	(19.9)	-
Reduce the Sales and Use Tax rate for computer and data processing services from 3% to 2% in FY 16.	(7.8)	-
Increase the tax on cigarettes by \$0.25 in FY 16 and \$0.50 in FY 17. Implements a floor tax on cigarettes.	24.7	43.2
Eliminate the Scheduled FY 15 Transfer from the General Fund to the Municipal Revenue Sharing Account to reimburse the MRSA for lost revenue in FY 13; Credit the FY 16 Revenue Schedule.	12.7	-
Adjust the credit of FY 16 Resources to FY 17.	42.1	(42.1)
<b>Subtotal: Net Revenue Changes</b>	<b>3.8</b>	<b>1.1</b>
<b>Ending Balance: PA 15-244</b>	<b>6.2</b>	<b>2.1</b>
<b>Policy Revisions in Implementer</b>		
Computer and Data Processing - maintain at 1%.	(39.9)	(83.1)
World Wide Web - set at 1%.	(7.7)	(21.6)
Exempt employer-provided parking.	(1.0)	(1.0)
Delay start date of 0.4% STF diversion from 7/1/16 to 10/1/16.	-	16.3
Divert revenue from the Citizens' Election Fund.	-	7.8
Delay start date of 0.3% MRSA diversion from 10/1/15 to 1/1/16; Delay start date of 0.4% MRSA from 7/1/16 to 5/1/17.	52.9	55.0

	FY 16 \$	FY 17 \$
Combined Reporting - defer eff. date to 1/1/16.	(23.7)	-
<b>Subtotal: Net Revenue Changes</b>	<b>(19.4)</b>	<b>(26.6)</b>
Net Expenditure Changes	(14.0)	(27.0)
Change to Balance	(5.4)	0.4
<b>Ending Balance: PA 15-244 + Implementer Policy Revisions</b>	<b>0.8</b>	<b>2.5</b>

\*Amounts may not appear to sum due to a rounding effect.

### **Municipal Revenue Sharing Account and Property Tax Changes**

The budget as amended establishes revenue diversions from the sales and use tax to the Municipal Revenue Sharing Account and the Special Transportation Fund. The percentage point diversions and effective dates are listed below. The general sales and use tax rate, from which the diversions occur, remains at 6.35%.

<b>Municipal Revenue Sharing Account</b>	
<b>Months Commencing On or After</b>	<b>Percentage Point</b>
January 1, 2016 - April 30, 2017	0.30%
May 1, 2017 - June 30, 2017	0.40%
July 1, 2017	0.50%
<b>Special Transportation Fund</b>	
October 1, 2015 - September 30, 2016	0.30%
October 1, 2016 - June 30, 2017	0.40%
July 1, 2017	0.50%

The budget 1) changes the reimbursement rates, and the basis for determining those rates, for the State Property PILOT and College & Hospital PILOT grant programs; 2) caps the motor vehicle mill rate at 32 in FY 17 and 29.36 in FY 18 and annually thereafter; 3) distributes a portion of sales tax revenue to municipalities; and 4) establishes an optional commercial property tax revenue sharing system for regional councils of government.

#### ***Sales Tax Distribution***

The budget diverts a portion of sales tax revenue (\$158.6 million in FY 16 and \$276.9 million in FY 17) to the Municipal Revenue Sharing Account.

Due to the timing of payments, this results in a FY 17 revenue gain of \$224.4 million to municipalities and \$3.0 million to regional councils of government. In FY 18, it is estimated that municipalities will receive \$285.7 million and regional councils of government will receive \$7 million.

This funding will be provided to: 1) ensure that municipalities are held harmless that experience a revenue loss as a result of the motor vehicle mill rate cap established by the bill; 2) fund the additional cost of the State Property PILOT and College & Hospital PILOT, beyond appropriated amounts; 3) provide funding of \$10 million in each of FY

16 and FY 17 for supplemental Education Cost Sharing grants; and 4) provide additional funding to municipalities, distributed according to a formula established by the budget.

### ***Changes to PILOT Grants***

The revenue gain to municipalities will vary based on grand list and mill rate data that municipalities have not yet finalized. For FY 17, the first year it takes effect, the budget specifies the distribution of \$46.4 million to municipalities. This funding is equal to the increased funding towns would have received if the law was in effect in FY 15.

### ***Motor Vehicle Tax Cap***

The budget caps each town's motor vehicle mill rate at 32 in FY 17, and 29.36 in FY 18 and annually thereafter. If these caps had been in place in FY 14, it is anticipated that, at a cap of 32, 33 municipalities would have lost \$59.1 million and, at a cap of 29.36 mills, 57 municipalities would have lost approximately \$82.6 million in revenue.

Beginning in FY 18, the bill requires that a portion of the grant a municipality receives be reduced in the event that municipal spending growth exceeds 2.5%, or inflation (whichever is greater) based on the two prior years. The other portions of the grant are intended to: 1) provide additional PILOT funds; 2) offset the revenue loss from the motor vehicle mill rate cap; and 3) provide supplemental ECS funding.

### **Budget Reserve Fund**

Beginning in FY 19, the budget establishes a transfer of any excess General Fund (GF) revenue to the Budget Reserve Fund (BRF) and the State Employees' Retirement Fund (SERF). This results in a potentially significant diversion of revenue from the GF to the BRF and SERF in FY 19 and annually thereafter.<sup>3</sup>

In order for a revenue transfer to be triggered, total "combined revenue"<sup>4</sup> must be in excess of a calculated threshold based on the average difference (as a percentage) between actual revenue and the ten year average. The budget allows for the threshold to be adjusted for changes in tax policy that impact the corporation business tax or the personal income tax.

Based on historical data, the transfer of GF revenue to the BRF and SERF may exceed \$800 million in a fiscal year. The table below compares actual deposits into the BRF to deposits that would have occurred had the new law been in effect.

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<sup>3</sup>Per the Act, BRF revenue can be accessed in the event of a decrease in GF revenue greater than 2% over the prior year (for example, during a recession).

<sup>4</sup>For the purposes of the bill "combined revenue" is equal to the sum of: 1) the corporation business tax, and 2) the estimated & final payments portion of the personal income tax.



### Comparison of Historical BRF Transfers to Formula

FY	Actual Deposit into BRF \$	Transfers as Calculated Under the Bill \$
04	302,200,000	24,557,248
05	363,900,000	433,646,700
06	446,500,000	697,097,504
07	269,200,000	815,841,033
08	-	818,479,382
09	-	-
10	(1,278,500,000)	-
11	(103,200,000)	-
12	93,500,000	74,994,072
13	177,200,000	200,364,682
14	248,500,000	-

The breakout of the transfer from the GF to the BRF or SERF varies based on the amount of funds currently in the BRF relative to total GF appropriations, which is illustrated in the table below.

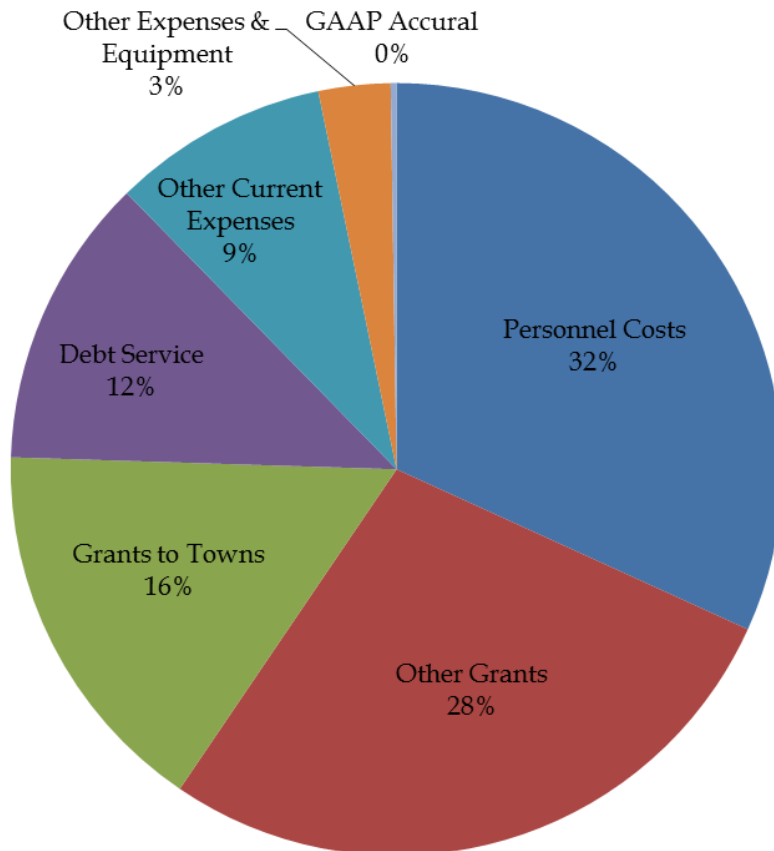
#### BRF and SERF Diversions Calculation

BRF Balance / Appropriations	Budget Reserve Fund	State Employees Retirement Fund
0 to 5%	95%	5%
5 to 10%	90%	10%
10 to 15%	85%	15%
Greater than 15%	0%	100%

## Appendix A

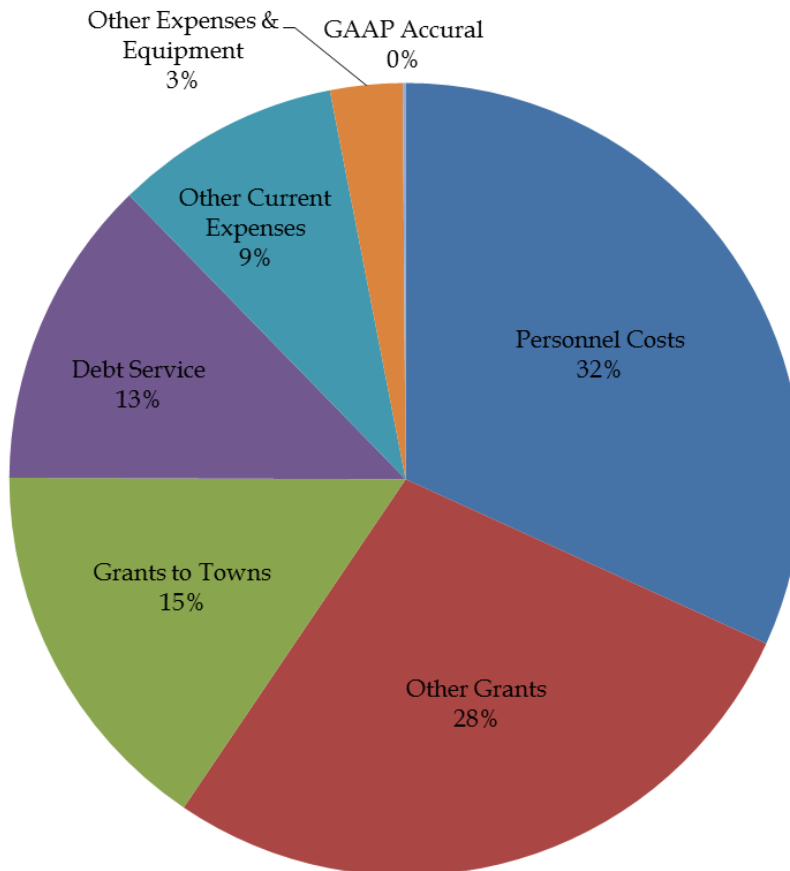
### FY 16 All Appropriated Funds (by account type - in millions)

Expenditure Type	FY 16 \$	% of Total
Personnel Costs	6,366.5	31.8%
<i>Fringe Benefits</i>	2,930.1	14.6%
Other Grants	5,544.9	27.7%
<i>Medicaid</i>	2,469.9	12.3%
<i>Teacher's Retirement: Pension &amp; Health</i>	995.7	5.0%
Grants to Towns	3,203.4	16.0%
<i>Education Equalization Grants</i>	2,155.8	10.8%
<i>Magnet Schools</i>	328.4	1.6%
<i>PILOTS - State Owned &amp; Private</i>	233.1	1.2%
Debt Service	2,439.5	12.2%
Other Current Expenses	1,814.7	9.1%
Other Expenses & Equipment	603.5	3.0%
GAAP Accrual	48.8	0.2%
<b>Gross Total</b>	<b>20,021.3</b>	<b>100.0%</b>
Lapses	(200.1)	
<b>NET TOTAL</b>	<b>19,821.2</b>	



**FY 17 All Appropriated Funds**  
(by account type - in millions)

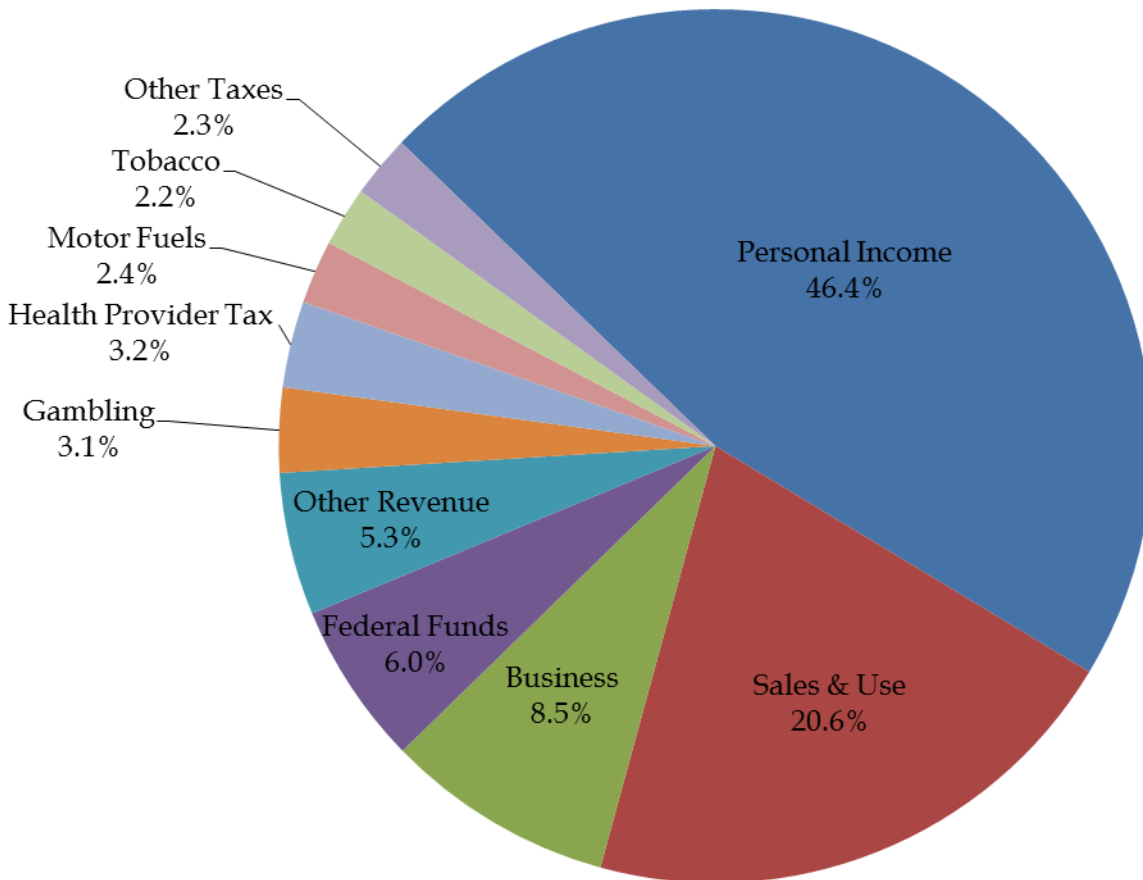
<b>Expenditure Type</b>	<b>FY 17 \$</b>	<b>% of Total</b>
Personnel Costs	6,574.6	31.8%
<i>Fringe Benefits</i>	3,092.8	15.0%
Other Grants	5,716.4	27.7%
<i>Medicaid</i>	2,544.3	12.3%
<i>Teacher's Retirement: Pension &amp; Health</i>	1,032.3	5.0%
Grants to Towns	3,224.2	15.6%
<i>Education Equalization Grants</i>	2,172.5	10.5%
<i>Magnet Schools</i>	325.0	1.6%
<i>PILOTS - State Owned &amp; Private</i>	233.1	1.1%
Debt Service	2,616.1	12.7%
Other Current Expenses	1,905.3	9.2%
Other Expenses & Equipment	609.5	2.9%
GAAP Accrual	24.4	0.1%
<b>Gross Total</b>	<b>20,670.5</b>	<b>100.0%</b>
Lapses	(205.2)	
<b>NET TOTAL</b>	<b>20,465.3</b>	



## Appendix B

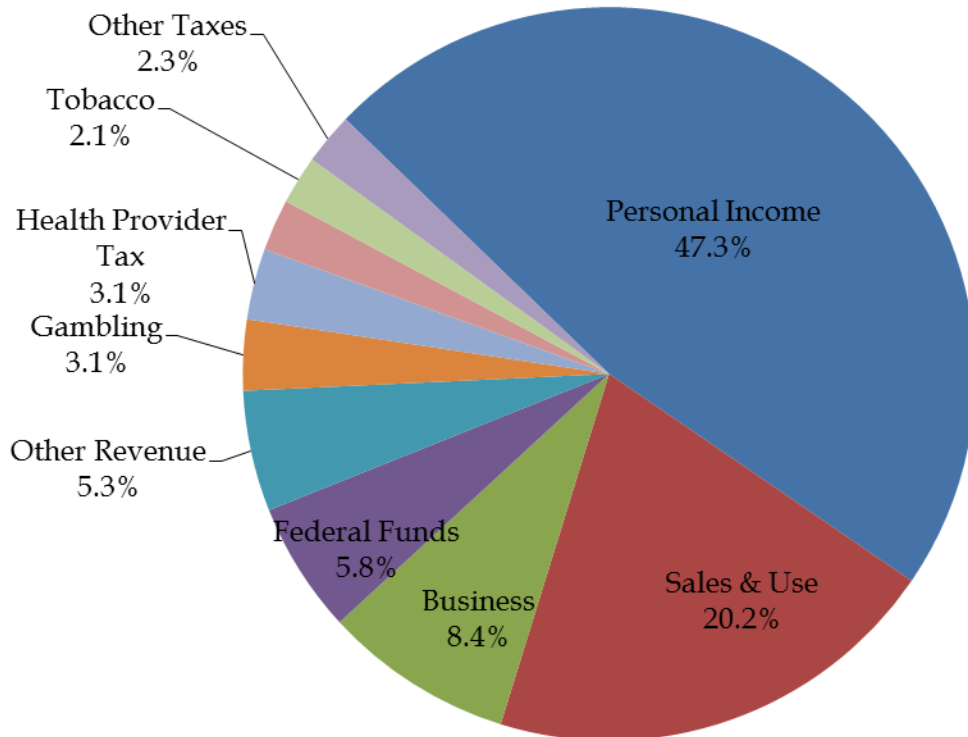
### FY 16 All Appropriated Funds Revenue (by revenue item - in millions)

Revenue Item	FY 16 \$	% of Total
Personal Income	9,834.4	46.4%
Sales & Use	4,363.7	20.6%
Business	1,793.1	8.5%
Federal Funds	1,277.3	6.0%
Other Revenue	1,118.0	5.3%
Gambling	664.0	3.1%
Health Provider Tax	676.9	3.2%
Motor Fuels	499.0	2.4%
Tobacco	467.8	2.2%
Other Taxes	488.9	2.3%
<b>Gross Total</b>	<b>21,183.1</b>	
Reductions	<b>(1,310.1)</b>	
<b>NET TOTAL</b>	<b>19,873.0</b>	



**FY 17 All Appropriated Funds Revenue**  
(by revenue item - in millions)

<b>Revenue Item</b>	<b>FY 17 \$</b>	<b>% of Total</b>
Personal Income	10,357.2	47.3%
Sales & Use	4,430.3	20.2%
Business	1,832.9	8.4%
Federal Funds	1,264.8	5.8%
Other Revenue	1,165.6	5.3%
Gambling	683.5	3.1%
Health Provider Tax	683.9	3.1%
Motor Fuels	502.3	2.3%
Tobacco	467.8	2.1%
Other Taxes	498.5	2.3%
<b>Gross Total</b>	<b>21,886.8</b>	
Reductions	(1,330.8)	
<b>NET TOTAL</b>	<b>20,556.0</b>	



## Appendix C

### Finance, Revenue and Bonding Committee June 29, 2015

#### FY 16 and FY 17 General Fund Estimates (in thousands)

Item	FY 16 \$	FY 17 \$
<b>Taxes</b>		
Personal Income Tax	9,834,400	10,357,200
Sales & Use Tax	4,121,065	4,084,665
Corporation Tax	902,200	910,700
Public Service Tax	308,000	316,500
Inheritance & Estate Tax	173,400	174,700
Insurance Companies Tax	243,800	246,000
Cigarettes Tax	361,200	363,300
Real Estate Conveyance Tax	194,700	200,800
Oil Companies Tax	-	-
Alcoholic Beverages Tax	61,700	62,100
Admissions & Dues Tax	38,300	39,600
Health Provider Tax	676,900	683,900
Miscellaneous Tax	20,800	21,300
<b>Subtotal - Taxes</b>	<b>16,936,465</b>	<b>17,460,765</b>
Less Refunds	(1,090,400)	(1,103,100)
Less Earned Income Tax Credit	(127,400)	(133,900)
Less R&D Credit Exchange	(7,100)	(7,400)
<b>Net - Taxes</b>	<b>15,711,565</b>	<b>16,216,365</b>
<b>Other Revenue</b>		
Transfers - Special Revenue	343,400	369,300
Indian Gaming Payments	258,800	252,400
Licenses, Permits and Fees	308,513	290,775
Sales of Commodities	38,000	39,100
Rents, Fines and Escheats	126,000	128,000
Investment Income	2,500	5,600
Miscellaneous	171,300	173,400
Less Refunds of Payments	(74,200)	(75,100)
<b>Net - Other Revenue</b>	<b>1,174,313</b>	<b>1,183,475</b>
<b>Other Sources</b>		
Federal Grants	1,265,230	1,252,687
Transfer From Tobacco Settlement	106,600	104,500
Transfers (To)/From Other Funds	(95,350)	(43,400)
Transfers to the Resources of the Special Transportation Fund	-	-
<b>Net - Other Sources</b>	<b>1,276,480</b>	<b>1,313,787</b>
<b>GF TOTAL</b>	<b>18,162,357</b>	<b>18,713,627</b>
<b>Special Transportation Fund (STF)</b>		
<b>Taxes</b>		
Motor Fuels Tax	499,000	502,300
Oil Companies Tax	339,100	359,700

Item	FY 16 \$	FY 17 \$
Sales & Use Tax	158,600	260,600
Sales Tax- DMV	84,000	85,000
Less Refunds	(7,300)	(7,500)
<b>Net - Taxes</b>	<b>1,073,400</b>	<b>1,200,100</b>
<b>Other Sources</b>		
Motor Vehicle Receipts	245,800	246,600
Licenses, Permits and Fees	139,300	139,900
Interest Income	7,700	8,500
Federal Grants	12,100	12,100
Transfers From/(To) Other Funds	(6,500)	(6,500)
Transfers from the Resources of the Special Transportation Fund	-	-
Refunds of Payments	(3,700)	(3,800)
<b>Net - Other Sources</b>	<b>394,700</b>	<b>396,800</b>
<b>STF TOTAL</b>	<b>1,468,100</b>	<b>1,596,900</b>
<b>Mashantucket Pequot and Mohegan Fund (MP&amp;MF)</b>		
Transfers from General Fund	61,800	61,800
<b>MP&amp;MF TOTAL</b>	<b>61,800</b>	<b>61,800</b>
<b>Regional Market Operating Fund (RMOF)</b>		
Rentals and Investment Income	1,100	1,100
<b>RMOF TOTAL</b>	<b>1,100</b>	<b>1,100</b>
<b>Banking Fund</b>		
Fees and Assessments	30,000	30,200
<b>BANKING FUND TOTAL</b>	<b>30,000</b>	<b>30,200</b>
<b>Insurance Fund</b>		
Fees and Assessments	79,950	81,400
<b>INSURANCE FUND TOTAL</b>	<b>79,950</b>	<b>81,400</b>
<b>Consumer Counsel and Public Utility Control Fund (CC&amp;PUCF)</b>		
Fees and Assessments	27,000	27,300
<b>CC&amp;PUCF TOTAL</b>	<b>27,000</b>	<b>27,300</b>
<b>Workers' Compensation Fund (WCF)</b>		
Fees and Assessments	24,867	28,122
Use of Fund Balance from Prior Years	14,960	12,516
<b>WCF TOTAL</b>	<b>39,827</b>	<b>40,638</b>
<b>Criminal Injuries Compensation Fund (CICF)</b>		
Restitutions	2,900	3,000
<b>CICF TOTAL</b>	<b>2,900</b>	<b>3,000</b>

## Appendix D

### Municipal Aid

The FY 16 and FY 17 budget includes overall net increases in municipal aid of \$31.1 million in FY 16 and \$295.4 million in FY 17. The increase in aid in FY 17 is mostly due to major property tax policy changes contained in PA 15-244.

#### **Property Taxes, and Property Tax-related State Aid**

Beginning in FY 17, the budget: 1) changes the reimbursement rates, and the basis for determining those rates, for the State Property PILOT and College & Hospital PILOT grant programs; 2) caps the motor vehicle mill rate at 32 mills in FY 17 and 29.36 mills in FY 18 and annually thereafter; 3) distributes a portion of sales tax revenue to municipalities; and 4) establishes an optional commercial property tax revenue sharing system for regional councils of government.

The budget establishes a new Municipal Revenue Sharing Account, and uses sales tax revenue diverted into the account to fund these initiatives. In FY 17, approximately \$214.8 million in MRSA funding will be used to provide: 1) \$46.1 million in additional funding to municipalities with high levels of tax-exempt property; 2) an estimated \$60.6 million to reimburse municipalities that lose revenue as a result of the motor vehicle mill rate cap; and 3) \$109.3 million in additional funding to municipalities for general government aid. Additionally, \$10 million in MRSA funding will be used in each of FY 16 and FY 17 to provide supplemental Education Cost Sharing (ECS) grants to towns.

#### **Other Significant Changes**

The budget also:

- Provides additional funding for Education Cost Sharing grants of \$13.5 million in FY 16 and \$20.8 million in FY 17 (not including the above mentioned ECS funding provided from the revenue contained in the MRSA account).
- Provides additional funding for Magnet Schools of \$34.7 million in FY 16 and \$31.2 million in FY 17.
- Provides additional funding for Grants for Municipal Projects of \$3.6 million in each of FY 16 and FY 17.
- Increases the MORE Commission Lapse from \$10 million to \$20 million in each of FY 16 and FY 17. This requires the Office of Policy and Management to make recommendations for reductions in state aid of \$20 million in each year.
- Eliminates the Department of Housing's PILOT grant program, resulting in a revenue loss to municipalities (and a corresponding savings to the state) of \$1.9 million in each of FY 16 and FY 17.



- Eliminates a FY 15 payment to municipalities from the Municipal Revenue Sharing Account. This funding was intended to offset revenue municipalities lost inadvertently when the account closed on June 30, 2013.

### Municipal Aid Summary

Agency/Grant Name	FY 15 Est. \$	FY 16 Legislative \$	FY 17 Legislative \$	FY 16 Leg. - FY 15 Est. \$	FY 17 Leg. - FY 15 Est. \$
<b>Appropriated Funds</b>					
<b>Connecticut State Library (CSL)</b>					
Grants To Public Libraries	203,569	190,846	193,391	(12,723)	(10,178)
Connecticard Payments	1,000,000	900,000	900,000	(100,000)	(100,000)
Connecticut Humanities Council	2,049,752	1,921,643	1,947,265	(128,109)	(102,487)
<b>Department of Housing (DOH)</b>					
Tax Abatement	1,444,646	1,118,580	1,153,793	(326,066)	(290,853)
Payment In Lieu Of Taxes	1,873,400	-	-	(1,873,400)	(1,873,400)
Housing/Homeless Services- Municipality	640,398	640,398	640,398	-	-
<b>Department of Public Health (DPH)</b>					
Local and District Departments of Health	4,685,779	4,458,648	4,692,648	(227,131)	6,869
Venereal Disease Control	197,171	197,171	197,171	-	-
School Based Health Clinics	12,048,716	11,747,498	11,898,107	(301,218)	(150,609)
<b>Department of Social Services (DSS)</b>					
Human Resource Development- Hispanic Programs - Municipality	5,364	5,029	5,096	(335)	(268)
Teen Pregnancy Prevention - Municipality	137,826	120,598	124,044	(17,228)	(13,782)
Community Services - Municipality	83,761	78,526	79,573	(5,235)	(4,188)
<b>Office of Early Childhood (OEC)</b>					
Early Childhood Program	11,235,264	10,840,145	10,840,145	(395,119)	(395,119)
Child Care Services	19,422,345	18,701,942	19,081,942	(720,403)	(340,403)
School Readiness Quality Enhancement	5,195,645	4,111,135	4,676,081	(1,084,510)	(519,564)
School Readiness	78,203,282	83,399,834	83,399,834	5,196,552	5,196,552
<b>Office of Policy and Management(OPM)</b>					
State Property PILOT	83,641,646	83,641,646	83,641,646	-	-
College & Hospital PILOT	125,431,737	125,431,737	125,431,737	-	-
Reimbursement Property Tax - Disability Exemption	400,000	400,000	400,000	-	-

Agency/Grant Name	FY 15 Est. \$	FY 16 Legislative \$	FY 17 Legislative \$	FY 16 Leg. - FY 15 Est. \$	FY 17 Leg. - FY 15 Est. \$
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 Elderly Freeze Program	171,400	120,000	120,000	(51,400)	(51,400)
Property Tax Relief for Veterans	2,970,098	2,970,098	2,970,098	-	-
Property Tax Relief	1,126,814	-	-	(1,126,814)	(1,126,814)
Focus Deterrence	475,000	-	-	(475,000)	(475,000)
Municipal Aid Adjustment	3,608,728	-	-	(3,608,728)	(3,608,728)
Pequot Grants	61,779,907	61,779,907	61,779,907	-	-
<b>Department of Education (SDE)</b>					
Vocational Agriculture	10,985,565	11,017,600	11,017,600	32,035	32,035
Transportation of School Children	24,884,748	23,329,451	23,329,451	(1,555,297)	(1,555,297)
Adult Education	21,045,036	21,035,200	21,037,392	(9,836)	(7,644)
Health and Welfare Services Pupils Private Schools	4,297,500	3,809,734	3,809,734	(487,766)	(487,766)
Education Equalization Grants <sup>1</sup>	2,038,840,614	2,052,299,985	2,059,689,238	13,459,371	20,848,624
Bilingual Education	1,916,130	2,991,130	3,491,130	1,075,000	1,575,000
Priority School Districts	47,197,022	43,747,208	44,837,171	(3,449,814)	(2,359,851)
Young Parents Program	229,330	229,330	229,330	-	-
Interdistrict Cooperation	9,242,379	7,164,885	7,164,966	(2,077,494)	(2,077,413)
School Breakfast Program	2,379,962	2,379,962	2,379,962	-	-
Excess Cost - Student Based	139,805,731	139,805,731	139,805,731	-	-
Non-Public School Transportation	3,595,500	3,451,500	3,451,500	(144,000)	(144,000)
School To Work Opportunities	213,750	-	-	(213,750)	(213,750)
Youth Service Bureaus	2,989,268	2,839,805	2,839,805	(149,463)	(149,463)
Open Choice Program	38,116,736	38,296,250	43,214,700	179,514	5,097,964
Magnet Schools	293,750,025	328,419,980	324,950,485	34,669,955	31,200,460
After School Program	5,393,286	5,363,286	5,363,286	(30,000)	(30,000)
<b>Teachers' Retirement Board (TRB)</b>					
Retirement Contributions	984,110,000	975,578,000	1,012,162,000	(8,532,000)	28,052,000
Retirees Health Service Cost	14,714,000	14,714,000	14,714,000	-	-
Municipal Retiree Health Insurance Costs	5,447,370	5,447,370	5,447,370	-	-
<b>Subtotal - Appropriations</b>	<b>4,093,492,100</b>	<b>4,121,001,688</b>	<b>4,169,413,627</b>	<b>27,509,588</b>	<b>75,921,527</b>
<b>Bond Funds and Other Revenue Sources</b>					
Municipal Revenue Sharing Account- Property Tax Related Aid <sup>2</sup>	-	-	215,900,000	-	215,900,000
Municipal Revenue Sharing Account- ECS Supplement <sup>2</sup>	-	10,000,000	10,000,000	10,000,000	10,000,000
Town Aid Road	60,000,000	60,000,000	60,000,000	-	-
LoCIP	30,000,000	30,000,000	30,000,000	-	-

Agency/Grant Name	FY 15 Est. \$	FY 16 Legislative \$	FY 17 Legislative \$	FY 16 Leg. - FY 15 Est. \$	FY 17 Leg. - FY 15 Est. \$
Grants for Municipal Projects	56,429,907	60,000,000	60,000,000	3,570,093	3,570,093
<b>Subtotal - Bond Funds and Other Revenue</b>	<b>146,429,907</b>	<b>160,000,000</b>	<b>375,900,000</b>	<b>13,570,093</b>	<b>229,470,093</b>
<b>GROSS TOTAL</b>	<b>4,239,922,007</b>	<b>4,281,001,688</b>	<b>4,545,313,627</b>	<b>41,079,681</b>	<b>305,391,620</b>
MORE Commission Lapse	(10,000,000)	(20,000,000)	(20,000,000)	(10,000,000)	(10,000,000)
<b>NET TOTAL</b>	<b>4,229,922,007</b>	<b>4,261,001,688</b>	<b>4,525,313,627</b>	<b>31,079,681</b>	<b>295,391,620</b>

<sup>1</sup>These figures do not include funding for Charter Schools

<sup>2</sup>Expenditures from the Municipal Revenue Sharing Account are based on estimated deposits into the account in FY 16 and FY 17.

## Appendix E

### Changes in Hospital Funding

The biennial budget includes several tax and expenditure changes impacting the state's acute care hospitals. These changes have a positive net annual impact to the state budget of \$169,650,000. Inclusive of federal matching funds, these changes have a negative net impact to the hospitals of \$60,082,014. The table below summarizes the impact to the individual hospitals. These changes include:

- Rebasing the current hospital tax and Medicaid supplemental payments (Column A in table below). Previously, hospital net patient revenue was taxed at 3.83% (outpatient) and 5.5% (inpatient), based on the 2009 cost year. The budget assumes that the cost year is updated to 2013, and the outpatient tax levy is increased to the inpatient rate, 5.5%. This increased revenue is redistributed in whole back to the hospitals.
- Eliminating the current low cost hospital pool (Column B). These funds were allocated to hospitals with higher than average Medicaid and Medicare payer mix and lower than average Medicaid cost per case.
- Eliminating hospital revenue diversion (Column C). For the FY 14 - FY 15 biennium, hospitals were intended to be allocated the extra federal revenue available due to the higher federal matching rate on the Medicaid supplemental payments under the Affordable Care Act.
- Maintaining Medicaid rate (Column D). The Governor originally proposed a 5.6% Medicaid rate reduction. The final budget eliminates this rate change.
- Increasing hospital tax to 6% (Column E). The final budget increased the net patient inpatient and outpatient revenue tax to 6%.
- Establishing new small hospital pool (Column F). This pool is dedicated to hospitals with 160 or fewer beds that are not part of a hospital group and are not located in contiguous towns with another hospital.

**FY 16 & FY 17 Hospital Net Impact**

	A	B	C	D	E	F	=A+B+C+D+E+F	
	Net Impact of Base Tax Change	Eliminate Low Cost Pool	Eliminate Hospital Revenue Diversion	Medicaid Rate Reduction	Increase Tax to 6%	New Small Hospital Pool	Net Impact	Difference From Governor Proposal
BACKUS	\$797,153	(\$1,360,000)	(\$326,110)	\$0	(\$1,379,240)	\$0	(\$2,268,197)	\$1,100,760
BRIDGEPORT	\$10,942,880	(\$100,000)	(\$955,366)	\$0	(\$2,156,957)	\$0	\$7,730,557	\$3,493,043
BRISTOL	(\$1,633,981)	(\$1,960,000)	(\$174,538)	\$0	(\$633,446)	\$4,185,378	(\$216,588)	\$4,851,931
CT CHILDRENS	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,030,000
DANBURY / NEW MILFORD	(\$4,204,592)	\$0	(\$459,310)	\$0	(\$2,932,181)	\$0	(\$7,596,083)	(\$142,181)
DAY KIMBALL	(\$160,369)	(\$1,330,000)	(\$156,166)	\$0	(\$521,319)	\$2,996,974	\$829,120	\$3,565,655
DEMPSEY	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,450,000
GREENWICH	(\$4,892,395)	\$0	(\$87,269)	\$0	(\$1,627,628)	\$0	(\$6,607,292)	(\$1,037,628)
GRIFFIN	(\$876,423)	(\$730,000)	(\$206,690)	\$0	(\$634,155)	\$2,581,552	\$134,285	\$3,217,397
HARTFORD	\$3,640,348	\$0	(\$1,965,848)	\$0	(\$4,713,976)	\$0	(\$3,039,476)	\$3,896,024
HOSP. CENTRAL CT	\$3,779,747	(\$2,720,000)	(\$468,497)	\$0	(\$1,810,878)	\$0	(\$1,219,628)	\$1,919,122
HUNGERFORD	(\$472,850)	(\$770,000)	(\$179,131)	\$0	(\$589,437)	\$3,143,855	\$1,132,437	\$3,724,418
JOHNSON	(\$1,287,048)	(\$1,020,000)	(\$73,490)	\$0	(\$289,129)	\$1,201,757	(\$1,467,911)	\$1,362,627
LAWRENCE & MEM	\$1,108,754	(\$840,000)	(\$390,414)	\$0	(\$1,522,029)	\$0	(\$1,643,688)	\$1,117,971
MANCHESTER	\$2,487,573	\$0	(\$326,110)	\$0	(\$867,076)	\$0	\$1,294,386	\$872,924
MIDDLESEX	(\$2,276,717)	(\$540,000)	(\$381,228)	\$0	(\$1,763,997)	\$0	(\$4,961,942)	\$176,003
MIDSTATE	\$212,258	(\$1,930,000)	(\$215,876)	\$0	(\$1,127,963)	\$0	(\$3,061,582)	\$802,037
MILFORD	\$703,326	\$0	(\$55,117)	\$0	(\$172,146)	\$728,472	\$1,204,536	\$986,327
NORWALK	\$187,610	\$0	(\$440,938)	\$0	(\$1,685,257)	\$0	(\$1,938,585)	\$664,743
ROCKVILLE	(\$453,348)	(\$300,000)	(\$64,303)	\$0	(\$351,384)	\$0	(\$1,169,036)	\$158,616
ST FRANCIS	\$12,061,581	\$0	(\$1,157,462)	\$0	(\$3,302,124)	\$0	\$7,601,995	\$3,657,876
ST MARYS	\$5,632,639	(\$100,000)	(\$399,600)	\$0	(\$1,061,593)	\$0	\$4,071,446	\$1,818,407
ST VINCENTS	\$6,086,440	(\$100,000)	(\$707,338)	\$0	(\$2,032,463)	\$0	\$3,246,638	\$1,737,537
SHARON	(\$398,546)	(\$260,000)	(\$13,779)	\$0	(\$264,038)	\$0	(\$936,364)	(\$194,038)
STAMFORD	(\$1,711,091)	\$0	(\$399,600)	\$0	(\$2,398,050)	\$0	(\$4,508,741)	\$331,950
WATERBURY	\$5,231,169	(\$100,000)	(\$417,972)	\$0	(\$1,038,677)	\$0	\$3,674,519	\$1,171,323
WINDHAM	\$2,610,103	(\$940,000)	(\$78,083)	\$0	(\$181,763)	\$0	\$1,410,257	\$598,237
YALE / ST RAPHAEL	(\$37,114,218)	\$0	(\$3,219,766)	\$0	(\$11,443,094)	\$0	(\$51,777,078)	\$8,936,906
<b>TOTAL HOSPITAL IMPACT</b>	<b>(\$0)</b>	<b>(\$15,100,000)</b>	<b>(\$13,320,000)</b>	<b>\$0</b>	<b>(\$46,500,000)</b>	<b>\$14,837,987</b>	<b>(\$60,082,014)</b>	<b>\$57,267,987</b>
<b>STATE BUDGET IMPACT</b>	<b>\$109,700,000</b>	<b>\$5,130,000</b>	<b>\$13,320,000</b>	<b>\$0</b>	<b>\$46,500,000</b>	<b>(\$5,000,000)</b>	<b>\$169,650,000</b>	

- A - Updates base tax year from 2009 to 2013, increases outpatient rate to 5.5% (current inpatient level), redistributes revenue to hospitals
- B - Limited pool targeting certain low cost hospitals with higher percentage of Medicaid and Medicare clients
- C - Elimination of proposed revenue diversion of enhanced federal match from ACA expansion population
- D - No Medicaid rate reduction
- E - Impact of increasing tax rate from 5.5% to 6%
- F - New pool for hospitals that are: under 160 beds, not part of a hospital group, not in contiguous towns.