

PRELIMINARY FISCAL NOTES

Appropriations Committee Meeting

April 1, 2014



OFFICE OF FISCAL ANALYSIS

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Below are preliminary fiscal impacts for the bills on today's agenda. These estimates were prepared under a short time frame and could be revised after further analysis. For bills on the agenda with proposed substitutes, the fiscal impact is based on the substitute language.

A. Refer to Finance, Revenue and Bonding

1. SB 306 - An Act Allocating Funding for the Provision of Potable Water to Certain Communities and Reauthorizing the Commissioner of Energy and Environmental Protection to Provide Potable Water to Communities under Certain Circumstances

B. Contingency Reserve Bills

The following are Contingency Reserve Bills (which have no fiscal impact):

2. SB 344 - An Act Concerning Expenditures of State Agencies Providing Public Health, Mental Health and Developmental Services
3. SB 345 - An Act Concerning Expenditures of the Department of Correction
4. SB 346 - An Act Concerning Expenditures of the Judicial Department, the Division of Criminal Justice and the Public Defender Services Commission
5. SB 347 - An Act Concerning Expenditures of Appropriated Funds Other than the General Fund
6. HB 5399 - An Act Concerning Expenditures of the General Fund
7. HB 5400 - An Act Concerning Expenditures for the Programs and Services of the Department of Education
8. HB 5401 - An Act Concerning Expenditures for Programs and Services Related to Higher Education

9. HB 5402 - An Act Concerning Expenditures of State Agencies Providing Social Services

The bill requires the current acquired brain injury (ABI) waiver to be continuously operated and that no person receiving services under the waiver shall be institutionalized in order to meet cost neutrality. As this language is not anticipated alter the manner in which the waiver is currently operated, there is no fiscal impact.

The bill also allows the Department of Social Services to seek a second ABI waiver. Most individuals on the current ABI wait list are currently receiving state funded services from the Department of Mental Health and Addiction Services. Should this

second waiver succeed in gaining federal reimbursement for these costs, additional state revenue may result.

C. Raised Bills

10. SB 340 - An Act Concerning a Two-Generation School Readiness Plan

The bill requires the Child Advocate to establish a two-generational school readiness plan to promote long-term learning. sHB 5030, the revised FY 15 budget bill, as favorably reported by the Appropriations Committee, \$200,000 carried forward for this purpose.

11. SB 341 - An Act Concerning Professional Fees for Administration of the Retired Teachers Health Insurance Premium Account

The bill has no fiscal impact to the Teachers Retirement Board (TRB) agency budget. The bill removes the annual cap of \$150,000 on the amount the TRB may spend for outside professional fees from the Teachers Health Insurance Premium account (also referred to as the Retiree Health Fund - a non-appropriated non-lapsing account). This change allows the TRB greater flexibility to engage necessary healthcare consulting services. The TRB utilizes a healthcare consultant to maintain benefits and control plan costs. It is anticipated that the TRB will spend approximately \$110,000 for their annual health plan consultant and up to an additional \$200,000 for a prescription plan claims audit in FY 15. The cost for healthcare consulting has been paid from the Retiree Health Fund since 2010. The FY 14 fund balance is approximately \$100 million.

12. SB 343 - An Act Concerning the Availability of Certain Property-Related Municipal Information

The bill, which requires the Office of Policy and Management and the State Department of Education to transmit certain municipal information to the Office of Fiscal Analysis, has no fiscal impact.

13. HB 5396 - An Act Concerning Retention of the Coparticipant Option under the Teachers' Retirement System after Divorce

The bill has no fiscal impact to the Teachers Retirement Board (TRB). The Teachers' Retirement System (TRS) offers a retirement payment option called a co-participant option. This option provides the retired member with a reduced benefit and in the event the member dies prior to the co-participant, the co-participant would receive a benefit for his or her life as well. In Connecticut, the portion of the pension benefit earned during a marriage is considered to be marital asset subject to division upon a divorce. Under current laws governing the TRS the co-participant option is terminated

upon divorce. This bill allows the member to retain the co-participant option upon divorce so the co-participant may retain the benefit for his or her lifetime. Since all retirement payment options are actuarially equal allowing members to maintain the co-participant option after divorce this has no fiscal impact.

14. HB 5397 - An Act Concerning Interest on Unclaimed Contributions for Inactive Members of the Teachers' Retirement System and Eliminating Certain Obsolete Language

The bill has no fiscal impact to the Teachers Retirement Board (TRB) agency budget. TRB currently credits interest on the accounts of inactive non-vested members for 25 years after they leave service. Accounts that have been inactive for this period of time are often abandoned. Under the bill, the TRS would credit interest for 10 years. This would result in less interest being credited from the Teachers' Retirement System to non-vested members who are not eligible for a benefit.

15. HB 5398 - An Act Concerning the Availability of Actuarial Valuations

The bill, which requires the timely release of actuarial reports and data, does not result in a fiscal impact.

16. HB 5463 - An Act Concerning Preparation of the State Budget

The bill requires the budget document beginning with the next biennium to contain figures that are rounded to the nearest thousand. It also requires that mid-term budgets include information on additional funds available that is currently included in the biennial budget but not in the midterm budget. These provisions have no fiscal impact.

D. Governor's Bills

17. HB 5031 - An Act Concerning the Budget Reserve Fund

The bill raises the maximum allowable in the BRF from 10% to 15% of net General Fund appropriations. The current balance of the BRF is \$270.7 million. Based on the net General Fund appropriations in sHB 5030, the revised FY 15 budget bill, as favorably reported by the Appropriations Committee, the maximum allowable in the BRF under the bill (15%) would be \$2.6 billion.

18. HB 5032 - An Act Concerning the Expenditure Cap and Reducing Long-Term Liabilities

Section 1 amends the spending cap statute to exempt appropriations to the State Employees' Retirement System (SERS) and the Teachers' Retirement System in excess of the annual required contribution (ARC).

Section 2 appropriates \$100 million out of the resources of the General Fund to SERS in FY 14. In the absence of the provisions of Section 1, this would result in the budget being over the spending cap in FY 14.

Section 2 is also anticipated to result in a savings to the state starting in FY 16 when the additional payment is reflected in the calculation of the state's SERS ARC, as reported in the next SERS actuarial valuation as of June 30, 2014.

19. SB 21 - An Act Implementing the Budget Recommendations of the Governor Concerning General Government

Section 1 of the bill eliminates the statutory requirement that \$135 million be transferred into the Mashantucket Pequot and Mohegan Fund and instead requires the transfer to be the amount that is equal to the appropriation for the Mashantucket Pequot and Mohegan Fund Grants to Towns. The appropriation for the Mashantucket Pequot and Mohegan Fund Grants to Towns in FY 14 and FY 15 is \$61.8 million.

Section 2 of the bill requires OPM to certify to the Comptroller, the amount of land-use penalty funds withheld from municipalities Pequot grant payment and the Comptroller is required to deposit these funds into the General Fund. This has no fiscal impact.

Section 3 establishes a requirement that all state and local police training programs include a course on responding to incidents involving serious mental illness. This requirement is anticipated to result in a cost to DESPP of \$50,000 in FY 15. sHB 5030, the revised FY 15 budget bill, as favorably reported by the Appropriations Committee, appropriated \$50,000 for this purpose.

Section 4 eliminates the transfer of funds from the Dry Cleaning Remediation account to Dry Cleaning Remediation administration account, a non-appropriated account. There will be an estimated cost of \$150,000 to the General Fund to support the administration of the program when the balance of the admin account is fully expended, which is anticipated to occur by FY 17.

Section 5 requires the date certified notifications are sent. This has no fiscal impact.

Sections 6 - 11 re-opens the Renters' Rebate Program and transfers it back to OPM which is anticipated to cost \$6.5 million. sHB 5030, the revised FY 15 budget bill, as favorably reported by the Appropriations Committee, includes the \$6.5 million necessary to re-open the program.

Section 12 has no cost to the Office of the State Treasurer to transfer military medals received as unclaimed property to the Department of Veterans' Affairs.

Section 13 expands the School Buildings Projects Advisory Council's membership. This has no fiscal impact.

Sections 14 - 22 limit benefits from the Soldiers, Sailors and Marines' Fund to \$2 million annually. (Annual benefits in FY 12, FY 13 and FY 14 are approximately \$2 million.) The bill permits these benefits to be paid from interest income and dividends generated by the Fund or from the principal of the Fund itself if interest income and dividends are insufficient in any given year. The current principal of the Fund is approximately \$68.2 million. The bill prohibits the American Legion, which will begin to administer the Fund in FY 15, from charging administrative costs to the Fund. Instead, sHB 5030, the revised FY 15 budget bill, as favorably reported by the Appropriations Committee, includes \$635,000 in the budget of the Department of Veteran's Affairs to cover the cost to the American Legion to administer the Fund.

Sections 23 - 25 establish the assessment mechanism for the State Innovation Model (SIM). sHB 5030, the revised FY 15 budget bill, as favorably reported by the Appropriations Committee, includes the \$3.2 million in the proposed FY 15 revised budget for the SIM.

Section 25 will result in a fiscal impact to the state employee and retiree health plan. The State Innovation Model fee, payable to the Dept. of Insurance, applies to the State Employee's and Retiree Health Plan, through their Third Party Administrator (TPA). The fee is anticipated to be passed through to the state health plan. It is uncertain what the actual fee for the state plan will be. The total program expenditures being assessed is approximately \$3.2 million. In general the fee is calculated based the number of covered lives in the plan. The state health plan currently covers 207,099 lives.

Section 25 also transfers the health and welfare fee assessment revenue from the General Fund (GF) to the Insurance Fund (IF). This change is in concert with the transfer of the Immunization Services account under DPH from the GF to the IF, provided in sHB 5030, the revised FY 15 budget bill, as favorably reported by the Appropriations Committee.

Sections 26 – 27 repeal certain sections of the statutes that have no fiscal impact.

20. SB 22 - An Act Concerning the Prevention of Fraud in Government Programs.

This bill expands application of the False Claims Act from Medicaid to all health and human services programs. sHB 5030, the revised FY 15 budget bill, as favorably reported by the Appropriations Committee, appropriated \$0.2 million to the Office of the Attorney General for potential litigation costs. The FY 15 adopted budget assumes \$104 million in savings through enhanced efforts to curtail fraud.

It is unclear to what extent savings would occur in other programs beyond those budgeted in Medicaid. No fraud savings have been budgeted in sHB 5030, the revised FY 15 budget bill, as favorably reported by the Appropriations Committee, for other state programs.

E. Change of Reference Bills

21. SB 104 - An Act Providing Financial Relief to Nursing Homes for Uncompensated Care

The bill delays the receipt of revenue from the nursing home bed tax on beds that are occupied by residents with pending Medicaid determinations. The bill specifies that the nursing home does not have to pay the tax (currently approximately \$21 per day) until the resident has been determined to be eligible for Medicaid and the home has received Medicaid payment for the stay. For those residents who are finally determined eligible, this represents not a permanent loss in revenue for the state, but a shift in when that revenue is received. This may result in a reduction in revenue in FY 15 should assumed revenue be delayed beyond the end of the fiscal year. For those residents who are finally determined to be ineligible for Medicaid, this represents a loss in revenue, as the bill does not appear to have a method to recoup the tax from the time of pending eligibility.

The total amount of revenue affected is not known. A survey in 2012 found that approximately \$58 million was collectively owed to nursing homes by Medicaid for patients with pending determinations that exceeded 90 days. This would indicate that approximately 290,000 Medicaid bed days. Based on the bed tax of \$21 per day, \$6.1 million in revenue would be impacted. Additionally, the bill would affect delayed determinations from the first day of service. It is not known how many additional bed days are impacted by delayed determinations that are under 90 days.

22. sSB 323 - An Act Concerning Capital Expenditures at Residential Care Homes

The bill does not result in a fiscal impact to the DSS as the current rate setting methodology incorporates the capitalization parameters of the bill.

23. SB 442 - An Act Providing Funds for the Garbage Museum in Stratford

The bill allows DEEP to make a grant-in-aid of up to \$100,000 from the Municipal Tipping Fee Fund to CRRA. This would result in a cost of up to \$100,000 to the Municipal Tipping Fee Fund and a revenue gain in the same amount to CRRA. It is unclear how DEEP would make grants-in-aid as DRS administers the Municipal Tipping Fee Fund.

24. sHB 5052 - An Act Implementing the Governor's Budget Recommendations for Human Services Programs

Section 1 does not result in a fiscal impact to DSS as it is administrative in nature.

Section 2 requires the Commissioner of Housing to prioritize veterans in the security deposit program. sHB 5030, the revised FY 15 budget bill, as favorably reported by the Appropriations Committee, appropriates \$50,000 to support veterans in the program.

Section 3 increases the Adults with Disabilities Pilot Program under the Connecticut Home Care Program from 50 slots to 100. Funding of \$600,000 is included in sHB 5030, the revised FY 15 budget bill, as favorably reported by the Appropriations Committee for the additional slots.

Section 4 repeals CGS Sec. 19a-402, which moved the Commission on Medicolegal Investigations and the Office of the Chief Medical Examiner within the University of Connecticut Health Center for administrative purposes only. sHB 5030, the revised FY 15 budget bill, as favorably reported by the Appropriations Committee, appropriates \$193,660 and three full-time positions (two Fiscal Administrative Officers and an Accountant) to provide human resources and financial services support to CME in-house.

25. HB 5325 - An Act Eliminating the Home-Care Cost Cap

The provisions of the bill do not result in a fiscal impact to DSS because they do not change the overall cost cap of the program. The bill will provide greater administrative flexibility within the current overall cost cap.

26. HB 5440 - An Act Concerning Medicaid Reimbursement for Emergency Department Physicians

The bill does not result in a cost to DSS as the bill requires any rate established for emergency room physicians to be budget neutral. The bill allows emergency room physicians who are not employed by a hospital to qualify for direct reimbursement from Medicaid.