

CONNECTICUT GENERAL ASSEMBLY
OFFICE OF FISCAL ANALYSIS

OFA

Synopsis of Governor's Budget Plan FY 23 Revised

February 2022

This document is intended to provide a brief summary of the Governor's Revised FY 23 Budget for the Committees of Appropriations and Finance, Revenue and Bonding as background in advance of the Office of Policy and Management's budget presentation. We have highlighted major areas of interest rather than provide a full-scale comprehensive analysis. Such an analysis will be undertaken by both Committees with the assistance of OFA staff in the coming weeks.

EXECUTIVE SUMMARY

General Fund revenue projections for FY 23 have improved by \$883.9 million since the FY 22 – FY 23 Biennial Budget was adopted in June of 2021. The Governor's Recommended Budget responds to this improvement by: (1) reducing certain taxes and reliance on federal ARPA funds as General Fund revenues (thus, freeing up more ARPA funds to be allocated and spent); and (2) increasing General Fund appropriations subject to the spending cap as the allowable growth rate is adjusted upwards from 3% to 5.5% to reflect rising prices (\$400 million of additional room under the spending cap results) and other technical adjustments are made.

The Governor's Recommended Budget allocates \$209 million in projected FY 22 General Fund surplus to be spent in addition to the recommended increase in using federal ARPA funds to support spending. Lastly, the Governor's Recommended Budget recognizes constraints placed on state tax reductions while receiving federal ARPA funds as revenue. The Governor's Recommended Budget provides an estimate of that limit, ranging from \$250 million to \$300 million in FY 23.

Fund Balances

In Millions of Dollars

Fund	Projected Amounts	Governor's Revisions	BALANCE
General Fund (GF)			
Revenue	22,693.7	(325.2)	22,368.5
Appropriations	21,534.3	537.8	22,072.1
GF Operating Balance	1,159.4		296.4
Required Surplus	283.7		279.6
GF BALANCE	875.7		16.7
Special Transportation Fund (STF)			
Revenue	2,129.6	-	2,129.6
Appropriations	1,809.8	15.7	1,825.5
STF Operating Balance	319.8		304.1
Required Surplus	26.6		26.6
STF BALANCE	293.2		277.5

SPENDING CAP

The proposal is calculated by the Office of Policy and Management to be under the spending cap by \$0.2 million in FY 22 and \$5.6 million in FY 23 (the original FY 22-FY 23 Biennial Budget was under the cap by \$22.2 million in FY 22 and \$35.7 million in FY 23). The FY 23 allowable capped growth rate increased from 3% in the original budget to 5.5% in the Governor's proposal due to the growth factor changing from the five-year compound annual growth rate in personal income to the 12-month change in the core Consumer Price Index based on the latest available economic data. This change alone yielded approximately \$400 million in additional room under the cap.

Additionally, new base adjustments are made in FY 23 to reflect (1) Department of Veterans' Affairs pharmaceutical costs being funded from the General Fund rather than the Institutional General Welfare Fund (\$337,000), (2) the Department of Housing's Congregate Facilities Operations Costs moving to the General Fund from the Housing Repayment and Revolving Loan Fund (\$2 million), and (3) a timing shift in the receipt of federal revenue (\$289.1 million).

ARPA AND SURPLUS FUNDING

The Governor's proposal includes a variety of new spending initiatives funded via 1) reallocations or new allocations of \$1,120.3 million in ARPA funding, and 2) \$208.9 million in FY 22 surplus funding.

ARPA

The Governor's proposal reallocates \$809.9 million in ARPA funding allocated by SA 21-15, as amended by PA 21-2, JSS and allocates \$310.4 million in previously unallocated ARPA funding – for a total of \$1,120.3 million.

Funding is reallocated from the \$1,758.4 million allocated for General Fund revenue replacement in FY 22 and FY 23. This reduces General Fund revenue by \$559.9 million in FY 22 and \$250 million in FY 23. The reallocation also includes \$2 million in FY 22 ARPA funding currently earmarked for the Connecticut Airport Authority. Funding for this purpose is shifted to FY 22 surplus funding. No other funding is reallocated from the \$889.1 million in expenditure earmarks funded via ARPA.

The table below shows the proposed distribution of the ARPA allocation.

Proposed Reallocation or New Allocation of ARPA \$

Category	Proposed \$
Behavioral Health	109,436,562
Broadband/Technology	100,400,612
Community Investment	15,000,000
Courts System	8,306,610
Criminal Justice	25,540,017
Economic Assistance	42,250,000
Economic Development	23,000,000
Education	159,965,000
Government Services	12,533,148
Higher Education	500,000
Higher Education Support	70,000,000
Housing	50,000,000
Human Services	22,850,000
Judicial	26,183,207
Lead Abatement	70,000,000
Pandemic Response	272,325,000
Recreation	25,000,000
Workforce	87,000,000
Total	1,120,290,156

Surplus Funding

The Governor's proposal allocates \$208.9 million in FY 22 estimated surplus funding for a variety of initiatives. The table below shows the proposed distribution by agency.

Proposed Use of FY 22 Surplus Funding

Agency	Amount \$
OPM - Reserve for Salary Adjustments	75,000,000
UConn Health Center	55,643,466
Dept. of Labor	30,894,159
DAS - Workers' Comp. Claims	15,000,000
CT State Colleges and Univ.	10,000,000
Univ. of Connecticut	7,991,695
Dept. of Energy and Environmental Protection	5,100,000
Secretary of the State	2,000,000
Dept. of Economic and Community Development	2,000,000
Dept. of Administrative Services	1,715,460
Office of Early Childhood	1,000,000
Dept. of Emerg. Svs and Public Protection	970,605
Comm. On Human Rights and Opportunities	641,320
Office of Policy and Management	575,000
Dept. of Revenue Services	200,000
State Library	100,000
Office of the Governor	100,000
Dept. of Public Health	50,000
Grand Total	208,981,705

SPECIAL TRANSPORTATION FUND

The Governor's Revised FY 23 Budget proposes a \$15.7 million net increase to expenditures and no new changes to revenue. The proposal includes initiatives in rail operations, support for implementation of the federal infrastructure bill, and makes technical adjustments to reflect new pension valuations and increased costs for certain DMV expenses. The STF is projected to end FY 23 with an annual balance of \$304.1 million and a cumulative balance of \$814.9 million.

GOVERNOR'S CAPITAL BUDGET

The Governor's capital proposal increases GO bond authorizations by \$165 million in FY 23, including \$75 million of new authorization to support state matching requirements for grants through the federal Infrastructure and Investment Jobs Act (IIJA). When combined with existing GO bond authorizations adopted for FY 23, net effective GO bond authorizations are \$2,066 million for FY 23 - total indebtedness is expected to be approximately 81% of the debt limit. There are no proposed changes to other bond authorizations.

NOTABLE EXPENDITURE ITEMS

CONSERVATION & DEVELOPMENT

Provide Funding to Continue Free Summer Programming - DECD

Provide funding of \$15 million in FY 23 and \$12.5 million in FY 24 to support two additional years of free summer admission for Connecticut children at various museums and cultural venues in the state.

The original "[Connecticut Summer at the Museum](#)" program, funded with \$15 million in APRA-CSFRF funds, allowed children to receive free admission at more than 90 museums during the 2021 summer months.

ARPA - CSFRF - \$15 million in FY 23; \$12.5 million in FY 24

Provide Funding to Invest in the Revitalization of Downtowns and Main Streets Statewide - DECD

Provide funding of \$20 million to support the [Innovation Corridor](#) program, a competitive grant program that seeks to fund two or more transformational, placemaking projects in major urban areas or regional economic centers.

The projects are to be designed to facilitate the creation of at least 15,000 new jobs in data science, advanced manufacturing, insurance technology, or other high-growth industries. Additional resources for this program are available from bond funds.

ARPA - CSFRF - \$20 million

Expand Workforce Programming Through CareerConneCT - DECD

Provide funding of \$15 million in FY 24 to support the [CareerConneCT](#) program which funds career programs for workers to train, upskill and reskill for in-demand careers.

This funding will expand upon \$70 million in ARPA-CSFRF funds previously allocated for the Governor's Workforce Initiatives that are being utilized to support CareerConneCT.

Additionally, PA 21-111 authorizes \$20 million in General Obligation bond funds in FY 22 and FY 23 to support CareerConneCT.

ARPA - CSFRF - \$15 million in FY 24

Fund Additional Support for Airport Authority to Offer Direct Flights to Jamaica - DECD

Provide funding of \$2 million from the FY 22 surplus to support the Connecticut Airport Authority (CAA) to offer direct flights from Connecticut to Jamaica.

Under PA 20-2 JSS, funding of \$2 million from the ARPA-CSFRF was allocated to DECD for a grant to the CAA, the purpose of which was unspecified in the act. This proposal shifts the \$2 million grant from ARPA-CSFRF to the FY 22 surplus in order to support this initiative which is not permitted under the guidelines for APRA expenditures.

FY 22 Surplus - \$2 million

ARPA-CSFRF - (\$2 million)

Provide Funding for Outdoor Recreation - DEEP

The proposal includes funding of \$25 million proposed from Coronavirus State Fiscal Recovery Funds (CSFRF) for additional outdoor recreation opportunities and visitor experiences, including improved accessibility, repairs, and improvements to state park amenities, and increasing outdoor recreation and education opportunities.

Increase Support for Affordable Housing - DOH

The proposal allocates \$50 million of Coronavirus State Fiscal Recovery Funds (CSFRF) in FY 23 for the Department of Housing (DOH) to support the creation of affordable housing across the state. Specifically, DOH anticipates supporting the creation of 350 additional units of affordable housing targeted for households earning between 30% and 50% of the area median income and leveraging those investments to support the production of additional units at other levels of affordability as well.

ARPA - CSFRF

Provide Funding for Unemployment Insurance (UI) Administration - DOL

Provide funding of \$30 million to support the continuation of additional temporary staff to administer the UI program. This is in addition to the \$15 million in ARPA-CSFRF funding that was provided in the enacted biennial budget.

Carry Forward Funds - \$30 million in FY 23

Provide Funding to Restructure the UI System and Enhanced Reporting Requirements - DOL

Provide funding of \$969,486 to provide administrative and technical support to implement (1) the restructuring of the UI system included in PA 21-200, AA Restructuring Unemployment Insurance Benefits and Improving Fund Solvency (\$659,159) and (2) enhanced wage reporting requirements included in PA 21-2 JSS, the FY 22-FY 23 Biennial Budget (\$310,327). The latter includes one position (\$75,327) and technical system upgrades (\$235,000).

New General Fund appropriation - \$75,327 in FY 23

Carry Forward Funds - \$894,159 in FY 23

Provide Funding for a Legislative and Regulations Specialist - DOL

Provide funding of \$16,400 and one position to support a legislative and regulations specialist for legislative inquiries and proposals.

New General Fund appropriation - \$16,400 in FY 23

ELEMENTARY AND SECONDARY EDUCATION

Adjust the ECS Formula - SDE

The proposal adjusts the ECS formula in several ways to ensure that towns do not experience ECS reductions in FY 23 (compared to FY 22) and to smooth out the formula phase-in process. Additionally, the few towns that will no longer be considered Alliance Districts in FY 23 (due to the districts' performance improvements) are held harmless from ECS losses in the future. The revisions along with updates to the ECS formula's student and town wealth data result in a proposed decrease in the appropriation of \$6,151,269.

Fund Requirements of the Sheff Settlement - SDE

Additional funding is provided for the revised requirements of the proposed Sheff settlement. Provide funding of \$12,334,185 in Sheff Settlement, \$1,427,476 in Sheff Transportation, \$8,018,000 in Open Choice and \$4,442,409 in Magnet Schools.

New General Fund Appropriations

Increase College Opportunities Through Dual Enrollment - SDE

Provide \$7.35 million in FY 2023 to boost career and college readiness through enhanced access to dual enrollment courses and other related opportunities. Funding will allow students to graduate high school with college credit, easing the transition into higher education or the workforce.

ARPA - CSFRF

Provide Additional Summer Enrichment Opportunities - SDE

Provide \$4.5 million in FY 2023. Funds will support summer enrichment and camp programs during the summer of 2022. These funds will be supplemented by previously allocated funds and ARP ESSER set aside funds. It is estimated that the summer program could reach 93,000 students statewide.

ARPA - CSFRF

Provide Funding for the American School for the Deaf - SDE

Provide \$1,115,000 in FY 2023 to support summer enrichment activities, workforce development, and technological upgrades at the American School for the Deaf.

ARPA - CSFRF

Adjust Retiree Health Funding to Reflect Anticipated Savings from the Medicare Advantage (MAPD) Plan (GF) - TRB

Reduce funding by \$17 million to reflect lower than budgeted health premiums. The TRB changed the base plan from a Medicare Advantage Plan with a self-insured pharmacy benefit to a fully insured Medicare Advantage Prescription Drug (MAPD) plan, effective January 1, 2022.

HIGHER EDUCATION

Increase Operating Support - CSCU

The proposal provides \$104 million in additional operating support to the Connecticut State Colleges and Universities (CSCU). Of this funding, \$70 million is provided for CSCU use across the institutions for various specified purposes, including support for student financial aid. An additional \$34 million is associated with payroll needs (including the 27th payroll), with approximately \$19.5 million for the four state universities, \$13.9 million for the 12 community colleges, and \$607,000 for Charter Oak State College.

ARPA-CSFRF: \$70 million

New General Fund appropriations: \$24 million

Carry Forward Funds: \$10 million

Provide Funding for Healthcare Workforce Needs – CSCU

The proposal provides \$25 million in both FY 23 and FY 24, as well as \$5 million in FY 25, to increase the number of nursing and mental health professionals. Of the FY 23 funding, \$20 million is provided to hire faculty for these areas and \$5 million is designated for financial aid for students pursuing relevant degrees.

ARPA - CSFRF: \$25 million in FY 23

Increase Operating Support – UHC

The proposal provides \$55,643,466 in additional operating support to the University of Connecticut, associated with payroll and other needs (including the 27th payroll).

Carry Forward Funds: \$35,643,466

New General Fund appropriations: \$20 million

Replenish Medical Malpractice Fund – UHC

The proposal provides \$20 million to the UConn Health Center's Medical Malpractice Fund to replace the same total amount that was swept from the fund in FY 10 and FY 11.

FY 22 Surplus: \$20 million

Increase Operating Support – UOC

The proposal provides \$27,991,695 in additional operating support to the University of Connecticut, associated with payroll needs (including the 27th payroll).

New General Fund appropriations: \$20 million

FY 22 Surplus: \$7,991,695

DEFICIENCY BILL

Provide Deficiency Funding for FY 22 Wage Increases – UHC, UOC, CSCU

The proposal provides \$75,810,209 in deficiency funding to the constituent units. This funding would be used to support wage increases to non-block grant employees among the units in the following amounts: \$28.9 million to UConn Health Center, approximately \$25.3 million to UConn, and \$21.6 million to CSCU institutions.

GENERAL GOVERNMENT A

Provide Funding for an Election Security Program – SOTS

The Governor’s proposal provides carry forward funding of \$2 million for a statewide public information campaign (TV, radio, digital media, social media) on voting, including absentee voting. In addition, the Governor proposes an appropriation of \$150,000 to hire a security analyst who will provide full-time monitoring to mitigate election misinformation.

General Fund appropriations: \$150,000

Carry Forward Funds: \$2 million

GENERAL GOVERNMENT B

Provide Funding of \$15 million to Settle Workers' Compensation Claims to Reduce Future Liabilities

FY 22 Surplus

Provide Maintenance Funding for Integrated Tax Administration System - DRS

Provide funding of \$4.5 million for contractual costs associated with an updated tax administration system to be provided by a third-party vendor.

New General Fund appropriation - \$4.5 million in FY 23

Provide Payments to Households Eligible for the Earned Income Tax Credit - DRS

Provide funding of \$42.3 million for a one-time payment to income tax filers eligible for the earned income tax credit (EITC) in 2022. The payment effectively increases eligible filers' EITC rate to 40% of the federal credit.

ARPA - CSFRF - \$42.3 million in FY 23

Centralize Executive Branch IT Functions - DAS

The Governor proposes centralizes Executive Branch IT functions in the Department of Administrative Services' new unit, the Bureau of Information Technology Solutions (BITS). This centralization transfers 483 positions and \$39 million in Personal Services and \$32 million in Other Expenses across all appropriated funds to DAS.

Adjust Pension Funding to Reflect New Valuations (New GF) - OSC Fringe Benefits

Increase net funding for pensions by \$53 million. Increase funding by \$56 million for the State Employee Retirement System to reflect the June 30, 2021 actuarial valuation. This increase has two components: 1) \$36 million is to fund the Actuarially Determined Employer Contribution (ADEC) in the new valuation and 2) \$19.4 million is the result of a lower than budgeted BRF transfer deposit. Funding for the Judges and Compensation Commissioner Retirement System is reduced by \$2.6 million to reflect the ADEC in the new valuation.

Increase Funding to Enhance Health and Retirement Benefit for DDS-Contracted Providers (New GF) - OPM

Provide additional funding of \$15 million in the Private Providers account to support benefit enhancements under the 2021 DDS settlement agreement.

Reduce Motor Vehicle Mill Rate Cap and Reimburse Towns for Revenue Loss - OPM

Provide new General Fund appropriations of \$160.4 million to municipalities to reimburse them for the revenue loss resulting from a reduction in the motor vehicle mill rate from 45 mills to 29 mills.

Provide ARPA-CSFRF Funding for Pandemic Response - OPM

Provide funding of \$272 million in new ARPA allocation for continued COVID response measures, including testing and personal protective equipment.

HEALTH

Provide Funding to Enhance Community Engagement and Improve Camps for Individuals with ID - DDS

Provide funding of \$5 million to enhance community engagement opportunities for individuals with disabilities and \$5 million to support improvements in camps for individuals with developmental disabilities.

ARPA - CSFRF

Provide Funding for Community Placements - DMHAS

Provide funding of \$2.5 million to support 26 placements in the community for individuals at Connecticut Valley Hospital and Whiting Forensic Hospital.

New General Fund Appropriations

Enhance Mobile Crisis Services - DMHAS

Provide \$3 million in FY 23 and FY 24 to support 24/7 coverage in privately-provided mobile crisis teams and provide \$1.6 million in each year to support case management services for individuals awaiting treatment post-crisis.

ARPA - CSFRF

Adjust Funding for the Substance Use Disorder (SUD) Waiver - DMHAS/DSS/DCF/JUD

Pending federal approval, the substance use disorder (SUD) demonstration waiver (known as an 1115 waiver), is expected to begin implementation in FY 22. In conjunction with a Medicaid State Plan Amendment (SPA), the proposal will enable the state to receive Medicaid reimbursement for an array of SUD services provided to individuals in various settings. The waiver will generate new federal revenue and allow for reinvestment in the SUD service system.

In FY 23, funding is adjusted across DMHAS, DCF, DSS and Judicial for a net state cost of \$24.6 million, with an associated Federal Grants Revenue impact of approximately \$25.5 million. New appropriations include support for 30 positions across the four agencies, while fringe benefits costs are funded centrally in the Office of the State Comptroller-Fringe Benefits accounts.

Agency	\$ FY 23 Adjustment (in millions)	Positions
Department of Mental Health and Addiction Services	(5.7)	25
Department of Social Services	29.6	2
Department of Children and Families	.6	1
Judicial Department	.2	2
Office of State Comptroller- Fringe Benefits	.9	-
Total General Fund Appropriations	25.5	18
Federal Grants Revenue	25.5	
Net State Impact in FY 23	-	

Provide Support for the ARPA HCBS Reinvestment Plan - DMHAS/DDS/DSS

See write-up under Human Services Subcommittee

Department of Public Health

Provide \$50 million in FY 23 and \$20 million in FY 24, in Federal Coronavirus State Fiscal Recovery Funds, to support lead remediation/abatement and other health and safety improvements in housing.

Provide \$3 million in FY 23, \$7 million in FY 24, and \$7 million in FY 25, in Federal Coronavirus State Fiscal Recovery Funds, to expand a student loan repayment program for primary care clinicians and extend the program to behavioral health professionals.

Provide \$1,989,606 in FY 23 and \$1,644,811 in FY 24, in Federal Coronavirus State Fiscal Recovery Funds, to fund community gun violence prevention and intervention activities.

Provide \$325,000 in FY 23, in Federal Coronavirus State Fiscal Recovery Funds, for personal protective equipment, ventilator storage, and ventilator maintenance.

Office of the Chief Medical Examiner

Provide Federal Coronavirus State Fiscal Recovery funding of \$333,799 in FY 23, \$269,684 in FY 24, and \$257,184 in FY 25 to support predominately additional personal protective equipment, testing, and storage expenses.

Provide approximately \$750,000 in additional resources to support seven (7) new full-time staff and four (4) new part-time staff, and associated funding, for additional testing, transportation, and related expenses to directly respond to the agency's increased caseload. Critical positions include lab assistants, a medical records clerk, a specialized photographer, forensic technicians, and special investigators.

Office of Health Strategy

Provide \$500,000 in FY 23 and \$650,000 in FY 24, in Federal Coronavirus State Fiscal Recovery Funds, to initiate systems changes required to collect race and ethnicity language (REL) data pursuant PA 21-35.

Provide \$400,000, in Federal Coronavirus State Fiscal Recovery Funds, to support one-time consulting experts to develop a health system plan on which regulatory decisions will be based.

Provide \$281,290 to support four (4) additional positions to manage and respond to increasing numbers of Certificate of Need applications, healthcare policy implementation, and evaluation activities.

Provide \$200,000, in Federal Coronavirus State Fiscal Recovery Funds, to study behavioral health coverage by private insurers.

HUMAN SERVICES

Increase Medicaid Rates for Adult Dental Services - DSS

Provide funding of \$6.5 million to increase adult dental rates by 25% and increase the rate for adult endodontic services to align with the rates for children's services.

New General Fund appropriations

Provide Funding to Support Individuals on the Autism Waiver Wait List - DSS

Provide funding of \$700,000 to support 150 new placements on the Autism Waiver.

New General Fund appropriations

Increase Medicaid Rates for Family Planning Clinics - DSS

Provide funding of \$300,000 to increase rates to 90% of obstetrician/gynecologist rates.

New General Fund appropriations

Provide Funding to Support the ARPA Home and Community-Based Services (HCBS) Reinvestment Plan - DMHAS/DDS/DSS

Under ARPA, states will receive a 10% enhanced federal match on eligible home and community-based services (HCBS) expenditures from April 1, 2021 through March 31, 2022. The value of the enhanced match, an estimated \$213 million, must be reinvested to enhance, expand, or strengthen home and community-based services through March 2024. The state will provide additional funds of \$20 million to fully meet funding commitments in the ARPA plan. As funding is reinvested, those state expenditures will be subject to federal matching funds, which is anticipated to leverage \$228 million in additional federal reimbursement. In total, approximately \$461 million is estimated to be expended from April 2022 through March 2024, with an ongoing net state cost of approximately \$25 million in FY 25 and beyond.

FY 23 reinvestments total approximately \$173.8 million across DSS, DDS, and DMHAS, with an associated Federal Grants Revenue impact of approximately \$59.4 million. New appropriations include support for 18 positions in DSS and DDS, while fringe benefits costs are funded centrally in the Office of the State Comptroller-Fringe Benefits accounts.

Agency	\$ FY 23 Adjustment (in millions)	Positions
Department of Social Services (includes \$52.6 million for Community Residential Services DDS clients)	116.1	11
Department of Developmental Services	56.5	7
Department of Mental Health & Addiction Services	1.2	-
Office of State Comptroller- Fringe Benefits	.6	-
Total General Fund Appropriations	174.4	18
Federal Grants Revenue	59.4	
Net State Impact in FY 23- cost/(savings)	115.0	

Adjust Funding for the Substance Use Disorder (SUD) Waiver - DMHAS/DSS/DCF/JUD

See write-up under Health Subcommittee

Expand Medical/Psychiatric Inpatient Unit at Connecticut Children's Medical Center - DSS

Allocate \$25 million in ARPA funds to develop a new 12- bed specialized psychiatric and medical unit. Funds support capital and temporary staffing costs.

ARPA - CSFRF

Provide Support for Infant and Early Childhood Mental Health Services - DSS

Allocate \$5,000,000 in FY 23 and \$10,000,000 in FY 24 to build capacity for specialized mental health providers to deliver infant and early childhood mental health treatment services that prevent, treat, or ameliorate symptoms of behavioral and/or emotional dysregulation identified in early childhood.

ARPA - CSFRF

Strengthen Family Planning - DSS

Allocate \$3,950,000 in FY 23 and \$5,100,000 in FY 24 to (1) establish a technical assistance and training model for primary care providers, and (2) provide funding to FQHCs to ensure immediate availability of long-acting reversible contraceptives (LARCs).

ARPA - CSFRF

Provide \$2.9 million for Additional Supports for Victims of Domestic Violence

ARPA - CSFRF

Shift Support of Temporary ICF Rate Increase from the General Fund - DSS

Allocate \$2.8 million in FY 23 to cover the costs of the \$501 minimum per diem, per bed rate provided to intermediate care facilities for pandemic-related support.

ARPA - CSFRF

Department of Children and Families

Provide approximately \$4.5 million to establish one (1) short- term sub- acute crisis stabilization unit to accept referrals from a children's behavioral health urgent crisis center when a stay of less than two weeks is needed. The urgent crisis center, supported by American Rescue Plan Act (ARPA) funding, pursuant to Public Act 21-2 of the June Special Session, will accept intakes/ referrals from mobile crisis intervention services and divert children from emergency departments.

Provide \$2 million to implement a plan to be developed by the DCF that shall include recommendations for Youth Service Bureaus and Juvenile Review Boards to expand coverage to all municipalities in the state, increase the adoption of evidence-based and quality assurance practices, receive staff training, and develop a data collection and reporting system.

Provide \$500,000 to add expert medical staff to allow the state's two Child Abuse Centers for Excellence (CACE) to perform 600 additional consultations a year. The CACE support and improve equity and justice by promoting consistent medical practices being applied in cases of suspected child maltreatment. Roughly one third of the children that are evaluated by CACE consultative services are able to have their needs met through health systems, eliminating the need for a child protection services report and investigation.

Provide \$21,000,000 in FY 23, in Federal Coronavirus State Fiscal Recovery Funds, to establish three (3) additional urgent crisis centers, partnered with subacute crisis stabilization units, to provide diversionary services across the state,

Provide \$8,600,000 in FY 23 and \$8,600,000 in FY 24, in Federal Coronavirus State Fiscal Recovery Funds, to complete the expansion of pediatric mobile crisis intervention services to statewide 24/7 coverage.

Provide \$500,000 in FY 23, in Federal Coronavirus State Fiscal Recovery Funds, for capital improvements to ready an ambulance entrance for an urgent crisis center.

JUDICIAL & CORRECTIONS

Enhance Funding for Providers of Victim Services - JUD

The proposal allocates \$14.9 million in FY 23 to offset anticipated reductions in federal Victims of Crimes Act grants to victim service organizations. Funding is provided directly to providers of victim services.

ARPA - CSFRF

Expand Housing Opportunities for Individuals on Bail - JUD

The proposal allocates \$2.9 million in FY 23 and FY 24 to expand bail services to assist individuals in the criminal justice system to find appropriate housing and residential treatment.

ARPA - CSFRF

Provide Funding to Comply with Police Accountability Act - DCJ

The proposal provides funding of \$2 million in FY 23 for digital data storage related to enacting the Police Accountability Act.

New General Fund

Provide Funding for Additional Mental Health and Education Staff - DOC

Provide funding of \$1,725,000 to hire 19 additional employees at Manson Youth Institution to enhance education and mental health services.

New General Fund

REGULATION AND PROTECTION

Provide Funding for Staff Resources - CHRO

The proposal provides funding of \$796,187 from surplus and new appropriations for various purposes. Of this total, (1) \$154,867 in new appropriations is proposed for temporary staff to address discrimination public hearings in state and federal courts associated with COVID-19, (2) \$441,320 in proposed carry forward funding for continued funding for temporary staff to reduce the claims backlog related COVID-19, and (3) \$200,000 is also proposed from carry forward funding for temporary staff to automate portions of the Affirmative Action process.

Provide Funding for State and Local Police to Address Increases in Violence and Auto Theft - DESPP

Provide funding of \$2.6 million in FY 23 and FY 24 to the state police, and cities and towns impacted by increased violence and auto theft.

ARPA - CSFRF

Provide Funding for Municipal Real Time Crime Centers - DESPP

Provide funding of \$4.25 million in FY 23 to municipalities with real time crime centers. Funding will enhance data collection and sharing between the state police and municipal police departments.

ARPA - CSFRF

Upgrade Forensic Technology at the State Crime Lab - DESPP

Provide funding of \$2,843,000 in FY 23 for technology upgrades to reduce turnaround time in completing testing and controlled substance identifications.

ARPA - CSFRF

Provide Funding for the Gun Tracing Task Force - DESPP

Provide funding of \$1.25 million in FY 23 and FY 24 to provide overtime for state police and stipends for municipal police departments to participate in the Gun Tracing Task Force.

ARPA - CSFRF

DEPARTMENT OF TRANSPORTATION

Provide Funding to Outfit M8 Rail Cars with 5G - DOT

Provide funding of \$23 million to upgrade internet access to 5G on M8 rail cars. As of June 2021, DOT owned 275 of these rail cars (currently only on the New Haven Main Line and New Canaan Branch Line of Metro-North) with an additional 66 pending delivery.

ARPA - CSFRF - \$23 million

Provide Funding for Limited Free Bus Service in July and August 2022 - DOT

Provide funding of \$5 million to allow for free public bus service at night and on weekends in July and August 2022.

ARPA - CSFRF - \$5 million

Provide Funding for New Express Train Service to New York - DOT

Provide funding of \$4.35 million to launch two new express rail services. Specifically, this includes (1) a new service, operated by Amtrak, originating from the Springfield/New Haven Corridor, through Hartford, and continuing to Penn Station (one train on weekdays only) and (2) three new express trains from New Haven to Grand Central each weekday (currently these express trains run only on weekends).

DOT Appropriations - \$4.35 million

NOTABLE REVENUE ITEMS

The Governor's Revised FY 23 Budget reflects improvements to revenue projections for the second year of the budget. In total, FY 23 projected revenues exceed budget by \$883.9 million in the General Fund and \$100.3 million in the Special Transportation Fund. In addition, the Governor's Revised FY 23 Budget recommends policies that, if enacted, would reduce revenues by \$325.2 million in the General Fund and leave the Special Transportation Fund unchanged.

Revenue Changes

In Millions of Dollars

Fund	Budget	Consensus Revenue updates	Governor Policy	Governor TOTAL
General Fund	21,809.8	883.9	(325.2)	22,368.5
Special Transportation Fund	2,029.3	100.3	-	2,129.6
TOTAL	23,839.1	984.2	(325.2)	24,498.1

Expand Property Tax Credit

Expand the existing property tax credit under the personal income tax by (1) accelerating the scheduled sunset of the current eligibility limitation to those over the age of 65 or with dependents and (2) increasing the maximum credit amount from \$200 to \$300. This results in a revenue loss of \$123 million in FY 23.

Accelerate Pension and Annuity Exemption Phase-In

Accelerate the existing personal income tax exemption for pension and annuity income by making all qualifying pension and annuity income exempt for eligible filers beginning with the 2022 income year. Under current law, the exemption is scheduled to ramp up from 56% in the 2022 income year to 100% in the 2025 income year. This results in a revenue loss of \$42.9 million in FY 23.

Expand Student Loan Tax Credit

Expand the existing tax credit under the corporation business tax by making all Connecticut Higher Education Supplemental Loan Authority (CHESLA) loans credit-eligible; under current law only refinanced CHESLA loans are eligible. This results in a revenue loss of \$9.4 million in FY 23.

Establish a Captive Insurers Initiative

Establish an incentive to relocate a firm's captive insurer to Connecticut, including (1) a 3-year look-back for the payment of taxes owed, plus interest, and (2) a waiver of penalties on outstanding liabilities. This incentive is available for Connecticut insureds who establish a branch captive in the state or re-domicile a foreign or alien captive insurer to the state before July 1, 2023. This results in a revenue gain of \$7.5 million in FY 23.

Jobs CT Tax Credit

Establish a new tax credit against the corporation business tax, insurance premiums tax, or passthrough entity tax for employers in certain industries who create a minimum of 25 new full-time jobs with salaries at or above 85% of the median household income in the municipality where the jobs will be located (the minimum qualifying salary is \$37,500). The credit is equal to 25% (or 50% in the case of jobs created in distressed municipalities and opportunity zones) of

associated income taxes withheld and is allowed annually for up to seven years (the last two at the discretion of the DECD commissioner). The credit is capped at \$5,000 per credit-eligible job and is subject to an annual aggregate cap of \$40 million; businesses creating jobs in 2021 would be eligible for double the amount of the credit. This results in a revenue loss beginning in FY 25.

SIGNIFICANT CAPITAL BUDGET CHANGES

The Governor’s recommended capital budget increases authorizations for several programs while maintaining most existing FY 23 authorizations.

Net Effective GO Bonds (in millions \$)

General Obligation Bonds (GO)	FY 23
Current authorizations	1,901
Proposed new or increased authorizations	165
Proposed Net Effective Authorizations	2,066

The proposal includes:

- \$75 million of state matching funds for various Infrastructure Investment and Jobs Act (IIJA) programs, including clean water, resiliency, and electric vehicle-related projects
- \$60 million for capital improvements/repairs to Department of Corrections facilities
- Additional funding for existing bond programs, such as State Park infrastructure (\$15 million) and the Capital Equipment Purchase Fund (\$15 million)

Debt Limit Calculation - The Governor’s proposed bond package for the biennium is projected to be below the statutory bond cap on General Obligation bonds in each fiscal year, based on revenue estimates that include his tax proposals. The table below shows the debt percentage is expected to be approximately 81% as of July 1, 2022. This level of indebtedness is approximately \$2,851 below the 90% threshold of the debt limit.

CGS Section 3-21 stipulates that if the level of bonded indebtedness reaches 90% of the limit, the governor must review each bond act for which no obligations have yet been incurred and recommend to the General Assembly priorities for repealing these authorizations.

MUNICIPAL AID

The Governor's budget increases municipal aid by \$150.3 million over FY 23 original appropriations. This includes a \$17 million decrease in Teachers' Retirement payments on behalf of municipalities. Without this, the budget increases municipal aid by \$167.3 million over original appropriations.

Car Tax Grants

The increase in municipal aid is largely due to an increase of \$160.4 million in Municipal Transition Grants (aka Car Tax grants) to reimburse municipalities for the revenue loss resulting from a reduction in the motor vehicle mill rate from 45 mills to 29 mills. This reimbursement is calculated using FY 22 mill rates.

Governor's Proposed Revised FY 23 Municipal Aid

Grant or Account	FY 22 Estimated	FY 23 Appropriated	FY 23 Gov. Rec.	FY 23 Gov. Rec. - FY 23 Appropriated	FY 23 Gov. Rec. - FY 22 Est.
Appropriated Property Tax Relief and General Aid					
State Property PILOT ¹	54,944,031	54,944,031	54,944,031	-	-
College and Hospital PILOT ¹	108,998,308	108,998,308	108,998,308	-	-
Disability Exemption	364,713	364,713	364,713	-	-
Distressed Municipalities	1,500,000	1,500,000	1,500,000	-	-
Elderly Freeze Program	10,000	10,000	10,000	-	-
Property Tax Relief for Veterans	2,708,107	2,708,107	2,708,107	-	-
Municipal Revenue Sharing	36,819,135	36,819,135	36,819,135	-	-
Municipal Transition	32,331,732	32,331,732	192,696,889	160,365,157	160,365,157
Municipal Stabilization Grant	37,853,335	37,853,335	37,853,335	-	-
Municipal Restructuring	7,300,000	7,300,000	7,300,000	-	-
Municipal Restructuring - Debt Service	54,677,710	54,098,049	54,098,049	-	(579,661)
Pequot Grant	51,472,796	51,472,796	51,472,796	-	-
Tiered PILOT	66,400,000	80,000,000	80,000,000	-	13,600,000
Subtotal	455,379,867	468,400,206	628,765,363	160,365,157	173,385,496
ECS and other Education Aid					
Vocational Agriculture	18,824,200	18,824,200	18,824,200	-	-
Adult Education	21,214,072	21,333,248	21,333,248	-	119,176
Health and Welfare Services Pupils Private Schools	3,438,415	3,438,415	3,438,415	-	-
Education Equalization Grants	2,139,188,097	2,184,789,061	2,178,637,792	(6,151,269)	39,449,695
Bilingual Education	1,916,130	1,916,130	1,916,130	-	-
Priority School Districts	30,818,778	30,818,778	30,818,778	-	-
Extended School Hours	2,919,883	2,919,883	2,919,883	-	-
School Accountability	3,412,207	3,412,207	3,412,207	-	-
Interdistrict Cooperation	1,537,500	1,537,500	1,537,500	-	-
School Breakfast Program	2,158,900	2,158,900	2,158,900	-	-
Excess Cost - Student Based	140,619,782	140,619,782	140,619,782	-	-
Open Choice Program	25,480,849	30,342,327	38,360,327	8,018,000	12,879,478
Magnet Schools	277,438,044	284,584,077	289,026,486	4,442,409	11,588,442

Grant or Account	FY 22 Estimated	FY 23 Appropriated	FY 23 Gov. Rec.	FY 23 Gov. Rec. - FY 23 Appropriated	FY 23 Gov. Rec. - FY 22 Est.
Sheff Transportation	51,843,244	52,813,212	54,240,688	1,427,476	2,397,444
After School Programs	5,750,695	5,750,695	5,750,695	-	-
Subtotal	2,726,560,796	2,785,258,415	2,792,995,031	7,736,616	66,434,235
Various Other Grants					
Youth Service Bureau	2,640,772	2,640,772	2,640,772	-	-
Youth Service Bureau Enhancement	1,093,973	1,093,973	1,093,973	-	-
Housing/Homeless Services - Municipality	607,063	637,088	637,088	-	30,025
Local and District Departments of Health	6,997,620	7,919,014	7,163,572	(755,442)	165,952
School Based Health Clinics	10,678,013	10,680,828	10,680,828	-	2,815
Teen Pregnancy Prevention - Municipality	98,281	98,281	98,281	-	-
Connecticard Payments	703,638	703,638	703,638	-	-
Subtotal	22,819,360	23,773,594	23,018,152	(755,442)	198,792
Major Bonding and Other Funding Sources					
MRSA*	81,855,369	71,666,002	71,666,002	-	(10,189,367)
Town Aid Road	60,000,000	60,000,000	60,000,000	-	-
LoCIP	30,000,000	30,000,000	30,000,000	-	-
Grants for Municipal Projects/ MME	91,000,000	91,000,000	91,000,000	-	-
Subtotal	262,855,369	252,666,002	252,666,002	-	(10,189,367)
TOTAL - Less TRS	3,467,615,392	3,530,098,217	3,697,444,548	167,346,331	229,829,156
Teacher's Retirement System (TRS)					
Retirement Contributions	1,443,656,000	1,578,038,000	1,578,038,000	-	134,382,000
Retirees Health Service Cost	18,207,000	29,901,000	12,901,000	(17,000,000)	(5,306,000)
Municipal Retiree Health Insurance Cost	5,100,000	5,100,000	5,100,000	-	-
Subtotal	1,466,963,000	1,613,039,000	1,596,039,000	(17,000,000)	129,076,000
GRAND TOTAL	4,934,578,392	5,143,137,217	5,293,483,548	150,346,331	358,905,156

¹Figures reflect the estimated portion of Tiered PILOT that will be paid via MRSA. FY 23 Tiered PILOT payments are estimated to total \$315.6 million. Funding received by individual towns will fluctuate based on changes to municipal grand lists and mill rates, but the Governor's proposal includes no changes to the Tiered PILOT formula or overall funding level. Revenue sharing grants made from MRSA pursuant to CGS 4-661 are not included.

Appendix A - Growth Rates and Summary of Funds

Fund Summary

In Millions of Dollars

Fund Summary	Original	Revised	Difference
General Fund	21,661,537,548	537,812,226	22,199,349,774
Special Transportation Fund	1,921,830,975	15,684,428	1,937,515,403
Banking Fund	29,521,021	189,651	29,710,672
Insurance Fund	122,471,874	443,555	122,915,429
Consumer Counsel and Public Utility Control Fund	30,976,441	1,740,126	32,716,567
Workers' Compensation Fund	26,955,096	301,912	27,257,008
Mashantucket Pequot and Mohegan Fund	51,472,796	-	51,472,796
Criminal Injuries Compensation Fund	2,934,088	-	2,934,088
Tourism Fund	13,069,988	-	13,069,988
Subtotal	23,860,769,827	556,171,898	24,416,941,725
General Fund Lapses			
Unallocated Lapse	(48,715,570)	-	(48,715,570)
Unallocated Lapse – Judicial	(5,000,000)	-	(5,000,000)
CREATES Savings Initiative Lapse	(73,487,242)	-	(73,487,242)
Subtotal	(127,202,812)	-	(127,202,812)
Special Transportation Fund Lapses			
Unallocated Lapse	(12,000,000)	-	(12,000,000)
Temporary Federal Support for Transportation Operations	(100,000,000)	-	(100,000,000)
Subtotal	(112,000,000)	-	(112,000,000)
Net Appropriations			
General Fund	21,534,334,736	537,812,226	22,072,146,962
Special Transportation Fund	1,809,830,975	15,684,428	1,825,515,403
Banking Fund	29,521,021	189,651	29,710,672
Insurance Fund	122,471,874	443,555	122,915,429
Consumer Counsel and Public Utility Control Fund	30,976,441	1,740,126	32,716,567
Workers' Compensation Fund	26,955,096	301,912	27,257,008
Mashantucket Pequot and Mohegan Fund	51,472,796	-	51,472,796
Criminal Injuries Compensation Fund	2,934,088	-	2,934,088
Tourism Fund	13,069,988	-	13,069,988
TOTAL NET APPROPRIATIONS	23,621,567,015	556,171,898	24,177,738,913

Growth Rates

In Millions of Dollars

Fund	FY 22 Estimated Expenditures	FY 23 Appropriations	FY 23 Revised	Changes from FY 22 Estimated to FY 23 Revised	
				\$	%
General	20,428.7	21,534.3	22,072.1	1,643.4	8.0%
Transportation	1,702.7	1,809.8	1,825.5	122.8	7.2%
Other Appropriated	275.1	277.4	280.1	4.9	1.8%
TOTAL	22,406.6	23,621.6	24,177.7	1,771.1	7.9%

Appendix B - FY 23 General Fund Revenue Summary

In Millions of Dollars

Revenue Type	Adopted Revenue Estimates	Consensus Updates	January Consensus Estimates	Governor Policies	Governor FY 23 Revised
Taxes					
Personal Income	10,522.1	307.8	10,829.9	(42.9)	10,787
Withholding	7,668.2	322.8	7,991.0	(42.9)	7,948.1
Estimates and Finals	2,853.9	(15)	2,838.9	-	2,838.9
Sales and Use	4,297.2	361.6	4,658.8	-	4,658.8
Corporations	1,114	66	1,180.0	(9.4)	1,170.6
Pass-Through Entity Tax	1,567.9	-	1,567.9	-	1,567.9
Public Service Corporations	269.3	-	269.3	-	269.3
Inheritance and Estate	150.2	-	150.2	-	150.2
Insurance Companies	235.8	(0.2)	235.6	7.5	243.1
Cigarettes	305.6	2.5	308.1	-	308.1
Real Estate Conveyance	244.8	-	244.8	-	244.8
Alcoholic Beverages	77	-	77	-	77
Admissions, Dues and Cabaret	31	-	31	-	31
Health Provider Tax	991.8	-	991.8	-	991.8
Miscellaneous	58.5	8	66.5	-	66.5
Total Taxes	19,865.2	745.7	20,610.9	(54.8)	20,566.1
Refunds of Tax	(1,627.7)	(81.4)	(1,709.1)	(123)	(1,832.1)
Earned Income Tax Credit	(150.4)	6.6	(143.8)	-	(143.8)
R & D Credit Exchange	(6.8)	-	(6.8)	-	(6.8)
Total Taxes Less Refunds	18,080.3	670.9	18,751.2	(167.8)	18,583.4
Other Revenue					
Transfer Special Revenue	396.5	6.4	402.9	-	402.9
Indian Gaming Payments	251.8	-	251.8	-	251.8
Licenses, Permits and Fees	327.5	-	327.5	-	327.5
Sales of Commodities and Services	26.6	(2.7)	23.9	-	23.9
Rentals, Fines and Escheats	164.9	-	164.9	-	164.9
Investment Income	7.4	(2.6)	4.8	-	4.8
Miscellaneous	237.9	(18)	219.9	-	219.9
Refunds of Payments	(63.8)	-	(63.8)	-	(63.8)
Total Other Revenue	1,348.8	(16.9)	1,331.9	-	1,331.9
Other Sources					
Federal Grants	1,628.8	205.1	1,833.9	92.6	1,926.5
Transfer from Tobacco Settlement Fund	122.1	-	122.1	-	122.1
Transfers From / (To) Other Funds	1,428	-	1,428	(250)	1,178
Total Other Sources	3,178.9	205.1	3,384	(157.4)	3,226.6
Volatility Cap Adjustment	(798.2)	24.8	(773.4)	-	(773.4)
GRAND TOTAL	21,809.8	883.9	22,693.7	(325.2)	22,368.5

Appendix C - FY 23 Special Transportation Fund Revenue Summary

In Millions of Dollars

Revenue Type	Adopted Revenue Estimates	Consensus Updates	January Consensus Estimates	Governor Policies	Governor FY 23 Revised
Taxes					
Motor Fuels Tax	496	(1.1)	494.9	-	494.9
Oil Companies	268.9	25.8	294.7	-	294.7
Sales and Use Tax	774.7	19.7	794.4	-	794.4
Highway Use	-	45	45	-	45
Sales Tax - DMV	89.7	13.1	102.8	-	102.8
Refunds of Taxes	(16.2)	-	(16.2)	-	(16.2)
Total Taxes Less Refunds	1,613.1	102.5	1,715.6	-	1,715.6
Other Sources					
Motor Vehicle Receipts	266.5	-	266.5	-	266.5
Licenses, Permits and Fees	142.1	-	142.1	-	142.1
Interest Income	5.5	(2.2)	3.3	-	3.3
Federal Grants	10.1	-	10.1	-	10.1
Transfers From/(To) Other Funds	(5.5)	-	(5.5)	-	(5.5)
Refunds of Payments	(2.5)	-	(2.5)	-	(2.5)
Total Other Sources	416.2	(2.2)	414	-	414
GRAND TOTAL	2,029.3	100.3	2,129.6	-	2,129.6

Appendix D - Revenue Changes by Policy

GENERAL FUND

In Millions of Dollars

Revenue Type	Policy	FY 22	FY 23	FY 24	FY 25	FY 26
Personal Income Tax	Accelerate Existing Pensions/ Annuities Exemption to 100% in TY 2022	-	(42.9)	(29.3)	(15.6)	-
	Personal Income Tax Total	-	(42.9)	(29.3)	(15.6)	-
Corporation Tax	Expand Employer Student Loan Tax Credit Eligibility to all CHESLA Borrowers	-	(9.4)	(9.9)	(10.4)	(10.9)
	Corporation Tax Total	-	(9.4)	(9.9)	(10.4)	(10.9)
Insurance Companies Tax	Captive Insurers Initiative	-	7.5	0.2	0.2	0.2
	Insurance Companies Tax Total	-	7.5	0.2	0.2	0.2
Refunds of Taxes	Jobs CT Tax Rebate	-	-	-	(40.0)	(40.0)
	Accelerate Reversion to Full Eligibility of the Property Tax Credit to Tax Year 2022	-	(53)	-	-	-
	Expand Property Tax Credit Value from \$200 to \$300	-	(70)	(70)	(70)	(70)
	Refunds of Taxes Total	-	(123)	(70)	(70)	(70)
	Taxes Total	-	(167.8)	(109)	(135.8)	(120.7)
Federal Grants	Revenue Attributable to Expenditure Changes	-	9.4	9.6	9.6	9.6
	Transfer HCBS/SUD Revenue from FY 2022 to FY 2023	(83.2)	83.2	-	-	-
	Federal Grants Total	(83.2)	92.6	9.6	9.6	9.6
Transfers From / (To) Other Funds	Reduce Revenue Replacement from ARPA 2021 - Federal Stimulus	(559.9)	(250)	-	-	-
	Other Revenue Transfers from General Fund in FY 2022	(20.9)				
	Transfers From / (To) Other Funds Total	(580.8)	(250)	-	-	-
	Other Sources Total	(664)	(157.4)	9.6	9.6	9.6
	General Fund Total	(664)	(325.2)	(99.4)	(126.2)	(111.1)