

# OFA

## Synopsis of Governor's Budget Plan

FY 24 - FY 25

February 2023

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*The following is intended to provide information on the Governor's FY 24 and FY 25 Budget, revenue and capital plan for the committees of Appropriations and Finance, Revenue and Bonding as background for the Office of Policy and Management presentation. Since the budget was released Wednesday, we have tried to highlight major areas of interest rather than provide a full-scale comprehensive analysis. Such in-depth analysis will be undertaken by both committees with the assistance of OFA staff in the coming weeks.*

**EXECUTIVE SUMMARY**

The Governor's Biennial Budget (the proposal) appropriates \$25.0 billion in FY 24 and \$25.5 billion in FY 25 across 11 appropriated funds. The proposal has positive balances of \$344.9 million in FY 24 and \$400.6 million in FY 25. The Office of Policy and Management (OPM) calculates that the proposal is under the spending cap by \$57.4 million in FY 24 and \$405.3 million in FY 25.

OPM projects that through a combination of operating surpluses and volatility deposits, the proposal will result in Budget Reserve Fund balances of \$4.8 billion in FY 24 and \$4.9 billion in FY 25.

**I. MAJOR POLICY CHANGES**

**Regulation of Adult Use of Cannabis**

The governor's recommended budget assumes revenue from recreational cannabis sales, which began on January 10th, and provides resources to support the regulation, public health and safety, and social equity issues related to cannabis through various funds.

The budget proposes the creation of two new appropriated funds derived from two non-appropriated funds originally enacted under PA 21-1 JSS: the Social Equity and Innovation Fund and the Prevention and Recovery Services Fund.

The table below provides current cannabis revenue projections by fund that are assumed in the budget proposal. As retail sales began this past January, the current estimates reflect the original revenue projections under PA 21-1 JSS. Revenue estimates will be updated when further sales and tax data are available.

**Cannabis Revenues by Fund<sup>1</sup>** (in millions)

<b>Fund</b>	<b>FY 24 \$</b>	<b>FY 25 \$</b>
General Fund	21.5	33.5
Special Transportation Fund	1.9	1.9
Social Equity and Innovation Fund	5.8	10.2
Prevention and Recovery Services Fund	2.4	4.2
<b>Total Revenue</b>	<b>31.6</b>	<b>49.8</b>

<sup>1</sup>This table only includes funds with corresponding cannabis expenditures. It does not reflect the portion of sales tax that transfers to the Municipal Revenue Sharing Account or the local cannabis tax.

The budget provides funding for the regulation, public health and safety, and social equity issues related to cannabis through these two new funds as well as the General Fund and Special Transportation Fund. The table below provides recommended cannabis expenditures by fund and agency.

**Cannabis Expenditure by Fund and Agency** (in millions)

<b>Agency</b>	<b>Description</b>	<b>FY 24 \$</b>	<b>FY 25 \$</b>
DCP	Licensing, enforcement, product safety, health reporting, outreach, and administration	5.9	6.0
DESPP	Drug Recognition Experts (DRE) and Advanced Roadside Impaired Driving Enforcement (ARIDE) training	1.2	1.2
DRS	Revenue examination and enforcement	0.5	0.5
DPH	Public health surveillance	0.4	0.5
OAG	Regulation review, and support enforcement, including violations of the Connecticut Unfair Trade Practices Act	0.4	0.4
AES	Regulatory lab testing to ensure safe consumption	0.3	0.3
UConn	Increased poison control call volumes and reporting requirements	0.2	0.2
OWS	Workforce development coordinator for cannabis industry	0.1	0.1
<b>Total General Fund</b>		<b>9.0</b>	<b>9.2</b>
DECD	Social Equity Council administration	5.8	10.2
<b>Total Social Equity and Innovation Fund</b>		<b>5.8</b>	<b>10.2</b>
DMHAS	Cannabis prevention activities such as media campaigns, secret shopper programs, and grants to local prevention coalitions that will pilot cannabis prevention strategies	2.4	3.4
<b>Total Prevention and Recovery Services Fund</b>		<b>2.4</b>	<b>3.4</b>
DOT	Drugged driving outreach and classes to increase the number of ARIDE and DRE certified officers	0.6	0.6
DMV	Behavior-based administrative license suspensions for drug-impaired drivers	0.5	0.5
<b>Total Special Transportation Fund</b>		<b>1.1</b>	<b>1.1</b>
<b>GRAND TOTAL</b>		<b>18.3</b>	<b>23.8</b>
<b>Total Positions</b>		<b>105</b>	<b>105</b>

In addition, the Social Equity and Innovation Fund is projected to end this fiscal year with surplus revenues of approximately \$20 million from one-time fees collected. The Social Equity Council intends to develop a plan with review and approval from the Office of Policy and Management for use of those funds this fiscal year on workforce development, community reinvestment, and other activities.

**Information Technology Centralization**

In total, 193 positions at various General Fund agencies and 90 positions at the Special Transportation Fund agencies are transferred to Department of Administrative Services to support IT Optimization. Funding remains budgeted in the agencies.

## IT Centralization Transfer

General Fund	
Agency	Positions
DAS	193
DOL	-19
OHS	-2
DDS	-22
DMHAS	-44
DSS	-75
DCF	-31
<b>Total</b>	<b>0</b>

Special Transportation Fund	
Agency	Positions
AS	90
DOT	-52
DMV	-38
<b>Total</b>	<b>0</b>

## II. FINANCIAL SUMMARY

The Governor's Recommended General Fund Budget has an operating surplus of \$335.7 million in FY 24 and \$398.9 million in FY 25. After reflecting the surplus budgeting requirements, the Governor's Recommended General Fund Budget has a budgeted surplus of \$9.2 million in FY 24 and \$1.7 million in FY 25.

### Balance Summary (in millions)

General Fund	Recommended	Recommended
	FY 24 \$	FY 25 \$
Revenues	22,379.9	22,793.3
Appropriations	22,035.0	22,392.7
<b>Surplus / (Deficit)</b>	<b>344.9</b>	<b>400.6</b>
Required Surplus <sup>1</sup>	335.7	398.9
<b>Remaining Surplus / (Deficit)</b>	<b>9.2</b>	<b>1.7</b>
<b>Special Transportation Fund</b>		
Revenues	2,379.6	2,347.4
Appropriations	2,149.1	2,244.0
<b>Surplus / (Deficit)</b>	<b>230.5</b>	<b>103.4</b>
Required Surplus <sup>1</sup>	35.7	41.1
<b>Remaining Surplus / (Deficit)</b>	<b>194.8</b>	<b>62.3</b>
<b>Other Appropriated Funds</b>		
Revenues	861.0	871.5
Appropriations	859.8	869.1
<b>Surplus / (Deficit)</b>	<b>1.2</b>	<b>2.4</b>
<b>All Appropriated Funds</b>		
Revenues	25,620.5	26,012.2
Appropriations	25,043.9	25,505.8
<b>Surplus / (Deficit)</b>	<b>576.6</b>	<b>506.4</b>
Required Surplus	371.4	440.0
<b>Remaining Surplus / (Deficit)</b>	<b>205.2</b>	<b>66.4</b>

<sup>1</sup>PA 17 - 2 JSS limits total appropriations for the General Fund and the Special Transportation Fund to a set percentage of total revenues: 98.5% in FY 24 and 98.25% in FY 25.

The Governor's Recommended Appropriated Fund Budget has a growth rate of 3.5% in FY 24 and 1.8% in FY 25. See the table below for details.

Fund	FY 23 Appropriation	Recommended FY 24	FY 24 Change		Recommended FY 25	FY 25 Change	
			\$	%		\$	%
General	22,089.2	22,035.0	(54.2)	-0.2%	22,392.7	357.7	1.6%
Transportation	1,826.2	2,149.1	322.9	17.7%	2,244.0	94.9	4.4%
Other Appropriated	280.7	859.7	579.0	206.3%	869.1	9.4	1.1%
<b>TOTAL</b>	<b>24,196.0</b>	<b>25,043.8</b>	<b>847.8</b>	<b>3.5%</b>	<b>25,505.9</b>	<b>462.1</b>	<b>1.8%</b>

### FY 24 and FY 25 Budget Fund Summaries

Fund Summary	FY 24 \$	FY 25 \$
General Fund	22,123,710,878	22,511,419,621
Special Transportation Fund	2,161,057,938	2,256,007,775
Municipal Revenue Sharing Fund	598,580,213	598,580,213
Banking Fund	33,653,637	34,085,629
Insurance Fund	136,658,838	139,446,647
Consumer Counsel and Public Utility Control Fund	37,104,980	37,614,961
Workers' Compensation Fund	28,835,998	29,128,141
Mashantucket Pequot and Mohegan Fund	-	-
Criminal Injuries Compensation Fund	2,934,088	2,934,088
Tourism Fund	13,794,188	13,794,188
Cannabis Social Equity and Innovation Fund	5,800,000	10,200,000
Cannabis Prevention and Recovery Services Fund	2,358,000	3,358,000
<b>Subtotal</b>	<b>25,144,488,758</b>	<b>25,636,569,263</b>
<b>General Fund Lapses</b>		
Unallocated Lapse	(48,715,570)	(48,715,570)
Unallocated Lapse - Judicial	(5,000,000)	(5,000,000)
<b>Reflect Historical Staffing</b>	<b>(35,000,000)</b>	<b>(65,000,000)</b>
<b>Subtotal</b>	<b>(88,715,570)</b>	<b>(118,715,570)</b>
<b>Special Transportation Fund Lapses</b>		
Unallocated Lapse	(12,000,000)	(12,000,000)
<b>Subtotal</b>	<b>(12,000,000)</b>	<b>(12,000,000)</b>
<b>Net Appropriations</b>		
General Fund	22,034,995,308	22,392,704,051
Special Transportation Fund	2,149,057,938	2,244,007,775
Municipal Revenue Sharing Fund	598,580,213	598,580,213
Banking Fund	33,653,637	34,085,629
Insurance Fund	136,658,838	139,446,647
Consumer Counsel and Public Utility Control Fund	37,104,980	37,614,961
Workers' Compensation Fund	28,835,998	29,128,141
Mashantucket Pequot and Mohegan Fund	-	-
Criminal Injuries Compensation Fund	2,934,088	2,934,088
Tourism Fund	13,794,188	13,794,188
Cannabis Social Equity and Innovation Fund	5,800,000	10,200,000
Cannabis Prevention and Recovery Services Fund	2,358,000	3,358,000
<b>TOTAL NET APPROPRIATIONS</b>	<b>25,043,773,188</b>	<b>25,505,853,693</b>

## **Spending Cap**

The proposal is calculated by the Office of Policy and Management to be under the spending cap by \$57.4 million in FY 24 and \$405.3 million in FY 25. The calculation utilizes allowable capped growth rates of 5.7% and 4.2% in FY 24 and FY 25, respectively, with FY 24 utilizing the 12-month change in the core Consumer Price Index and FY 25 utilizing the five-year compound annual growth in Connecticut personal income.<sup>1</sup>

Base adjustments are made in FY 24 to reflect the following items moving on-budget: Municipal Revenue Sharing Fund (\$93.1 million), Town Aid Road (\$60 million), cannabis funds (\$8.2 million), federally-funded Office of Workforce Strategy positions (\$0.4 million), and funding for the Parent Cabinet within the Office of Early Childhood (\$0.2 million). Additionally, FY 24 adjustments are made for temporary CARES Act funding (\$100 million) and for pandemic preparedness costs within the Department of Public Health being funded through ARPA (\$0.3 million).

## **III. SIGNIFICANT CHANGES BY SUBCOMMITTEE**

### **LEGISLATIVE**

#### **Reduce Funding to Reflect Current Services and Historical Lapses - OLM**

Reduce Personal Services and Other Expenses funding by \$3.5 million in FY 24 and \$3 million in FY 25 to reflect current services and historical lapses.

#### **Provide Funding for General Assembly Salary Increases - OLM**

Provide funding of \$2.2 million in FY 24 and \$2.4 million in FY 25 for salary increases for General Assembly members pursuant to PA 22-85.

### **GENERAL GOVERNMENT A**

#### **Establish the Office of Workforce Strategy as a Stand-Alone Agency - GOV**

The proposal reallocates \$470,000 in FY 24 and FY 25 from the Governor's Office to the Office of Workforce Strategy to serve as a stand-alone agency. Currently the Office of Workforce Strategy is included in Governor's Office for budgetary purposes.

#### **Provide Funding for the Centralized Voter Registration System - SOS**

The proposal provides an additional \$1,025,000 in both FY24 and FY 25 to the Secretary of State's Office. The existing Voter Registration system was funded through state bonding, and additional funding is requested to account for ongoing operating costs.

#### **Provide Funding for the Accessible Ballot Marking System - SOS**

The proposal provides \$170,000 in FY 24 and \$204,000 in FY 25 to the Secretary of State's Office. This is to provide additional funding for the maintenance cost of the Accessible Ballot Marking System. This is a program that is required by the Help America Vote Act at each polling station to help disabled citizens vote.

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<sup>1</sup>Per CGS Sec. 2-33a, the spending cap utilizes the greater of these two growth factors.

## GENERAL GOVERNMENT B

### Payoff Outstanding GAAP Deficit Bond with FY 2023 Surplus

The proposal provides \$211.7 million of FY 23 surplus funds to pay off the 2013 GAAP bonds in full, which would eliminate the need for both future debt service payments and revenue set asides through FY 28.

### Provide Funding for Existing Wage Agreements – Various Agencies & RSA

Provide a net funding increase of \$237,168,523 in FY 24 and \$393,964,210 in FY 25, across six appropriated funds, to reflect current services wage-related adjustments resulting from existing wage agreements.

### Increase Funding for Existing Wage Agreements (in millions)

FY 24 \$			FY 25 \$		
Various Agencies	RSA	Net Impact	Various Agencies	RSA	Net Impact
403.0	(165.8)	237.2	458.6	(64.7)	394.0

### Remove Funding for 27<sup>th</sup> Payroll – Various Agencies

Remove funding of \$128,456,014 in FY 24 and FY 25, across six appropriated funds, that was attributed to paying for the 27<sup>th</sup> payroll in FY 23.

### Reflect Utilization of Anticipated FY 2023 Carryforward - RSA

Reduce Reserve for Salary Adjustment (RSA) appropriation by \$50 million in FY 25 to reflect use of FY 23 carryforward to fund FY 25 anticipated costs.

### Municipal Revenue Sharing Fund - OPM

The proposal redirects the 0.5 percentage point sales tax diversion from the Municipal Revenue Sharing Account, a non-appropriated fund, to the Municipal Revenue Sharing Fund (MRSF), an appropriated fund. The proposal also transfers funds from the General Fund and the Mashantucket Pequot and Mohegan Fund to the MRSF. The MRSF will be used to fund: (1) all PILOT grants, (2) a combined GF-Revenue Sharing grant (supplemental PILOT) and Municipal Stabilization grant, (3) the Motor Vehicle Tax grant, and (4) the Pequot grant.

The change in sales tax diversion to the MRSF will begin in FY 24. Sales tax revenue deposited into the Municipal Revenue Sharing Account in FY 23 will be distributed to municipalities in FY 24 according to the Municipal Revenue Sharing Account – grant formula.

### Provide Funding for Medical Debt Erasure - OPM

The proposal provides \$20 million in FY 24 to relieve residents with medical debt by partnering with a non-profit that buys debt.

ARPA – CSFRF - \$20 million in FY 24

### Provide Funding for Essential State Employee Premium Pay - OPM

The proposal provides \$6.5 million in FY 24 to support premium pay for essential state employees and National Guard members.

ARPA – CSFRF - \$6.5 million in FY 24



**Provide Funding for Durational Grants and Contracts Specialists - OPM**

The proposal provides \$5.7 million in FY 24 for eight durational Grants and Contracts Specialists to support grant administration and compliance for approximately the next three years.

ARPA – CSFRF - \$5.7 million in FY 24

**Provide Funding for CSCU Post-Pandemic Structural Review Study - OPM**

The proposal provides \$250,000 in FY 24 for a structural review of the Connecticut State Colleges and Universities system.

ARPA – CSFRF - \$250,000 in FY 24

**Reduce Funding for COVID Response Measures - OPM**

The proposal reduces funding by \$71.5 M in FY 24 for testing, personal protective equipment, and other COVID response measures.

ARPA – CSFRF - (\$71.5 million) in FY 24

**Reduce Funding for Invest CT - OPM**

The proposal reflects a reduction of approximately \$5.3 M in FY 24. The funds have been directed instead to education, health, and workforce development. The new balance under this proposal as of the release of the Governor's Budget is \$117.37 M.

ARPA – CSFRF - (\$5.3 million) in FY 24

**Adjust Actuarially Determined Employer Contribution (ADEC) Based on the Anticipated FY 23 Budget Reserve Fund Deposit - OSC Fringe Benefits**

Funding of \$114 million in the GF and \$13.5 million in the STF in FY 25 is reduced for the State Employees Retirement Contribution ADEC – Unfunded Accrued Liability (UAL) to reflect the impact of additional pension fund contributions from the anticipated FY 23 Budget Reserve Fund deposit.

**Reduce Funding for Retired State Employee Health Costs to Reflect Savings from Plan Change – OSC Fringe Benefits**

Funding of \$120 million in both FY 24 and FY 25 is reduced in the Retired State Employee Health Cost account to reflect the savings from a recent plan change. Effective January 1, 2023, Aetna is the new Medicare Advantage Prescription Drug Administrator for the state retiree health plan under a 3-year contract. Approximately 57,000 Medicare eligible retirees and dependents are enrolled in the plan.

**REGULATION AND PROTECTION**

**Provide Funding to Expand the Drug Prescription Monitoring Program – DCP**

The proposal provides funding of \$761,601 in FY 24 and \$511,601 in FY 25 to expand the Connecticut Drug Prescription Monitoring Program. The expansion will collect data on legend and non-legend drug or medical devices and present a more complete assessment of a patient's prescriptions resulting in more integrated care and better patient outcomes.

**Eliminate Funding for Volunteer Fire Companies on Limited Highways - DESPP**

This proposal reduces funding by \$1.5 million in both FY 24 and FY 25, eliminating funding for payments of \$500 per call to volunteer fire companies responding to calls on limited access highways.

**Provide Funding for the State Forensic Science Laboratory - DESPP**

This proposal provides \$670,000 in FY 24 and \$921,000 in FY 25 for equipment, software maintenance contracts, and supplies which are required to maintain lab accreditation. These requirements were previously supported by federal grant funds.

**Support Clean Slate Phase 2 Information Technology Needs - DESPP**

This proposal provides \$1.5 million in FY 24 to support Clean Slate implementation requirements and information technology needs using Federal Coronavirus State Fiscal Recovery Funds.

ARPA - CSFRF - \$1.5 million in FY 24

**Create the Financial Protection & Innovation Team - DOB**

This proposal provides \$1.0 million and five positions in both FY 24 and FY 25 for the creation of the Financial Protection and Innovation Team. The proposed team would be responsible for analyzing, regulating, and overseeing highly specialized areas of the banking industry such as cannabis banking, cryptocurrency, and cybersecurity, with more enforcement focus on Fair Credit, Truth-in-Lending, and other consumer protection laws.

**Provide Funding for Additional Insurance Regulation Staff - DOI**

The proposal provides \$1,808,022 in FY 24 and \$1,768,022 in FY 25 and 15 new positions to assist the agency in regulating an increasingly complex insurance industry. Five of the new positions are supported by existing agency funding.

New Insurance Fund appropriations - \$1,808,022 in FY 24; \$1,768,022 in FY 25

**CONSERVATION AND DEVELOPMENT**

**Provide Funding for Connecticut's Youth Employment Program - DOL**

Provide funding of \$10 million in FY 24 only for Connecticut's Youth Employment Program, which supports job opportunities and work experiences for economically disadvantaged youth from ages 14-24.

**Provide Funding to Implement Unemployment Insurance (UI) System Restructuring - DOL**

Provide funding of \$659,159 in FY 24 only to implement the provisions of PA 21-200, *AA Restructuring Unemployment Insurance Benefits and Improving Fund Solvency*, which made several changes to the UI system beginning in 2024.

**Reduce Funding for the Manufacturing Pipeline Initiative - DOL**

Reduce funding of \$1.4 million in both FY 24 and FY 25 for the Manufacturing Pipeline Initiative.

**Eliminate Funding for YouthBuild - DOL**

Reduce funding of \$750,000 in both FY 24 and FY 25 within Opportunities for Long Term Unemployed to reflect the elimination of funding for The WorkPlace's YouthBuild program.

**Provide Funding for UI Administration - DOL**

Provide funding of \$5 million in FY 24 to maintain temporary UI staff to process benefits, adjudicate claims and appeals, and respond to Consumer Contact Center inquiries.

ARPA - CSFRF - \$5 million in FY 24

**Eliminate Funding for Veterans' Opportunity Pilot - DOL**

Eliminate appropriated funding of \$245,047 in both FY 24 and FY 25, and \$0.7 million in Coronavirus State Fiscal Recovery Funds in FY 24 only, for the Veterans' Opportunity Pilot. Due to the pandemic, this program ceased operations in March 2020 and has not since been reestablished.

ARPA - CSFRF - \$0.7 million in FY 24

**Provide Funds for a Flexible Funding Subsidy Pool for Housing and Homeless Support - DOH**

The proposal provides \$2 million in FY 24 for housing subsidies and flexible assistance.

ARPA-CSFRF - \$2 million in FY 24

**Support Hartford Region Venue Shortfalls - DECD**

The proposal provides funding of \$4.5 million in FY 24 and \$4.6 million in FY 25 to provide support for Hartford area venues including the XL Center, Convention Center, Rentschler Field and the new Bushnell South garage. Since 2020, these facilities have experienced operational budgetary shortfalls due to cancellation of events and attendance levels that are below pre-pandemic levels.

**Provide Funding for the Municipal Regional Development Authority - DECD**

The proposal provides funding of \$600,000 and three positions to support the administration of the Municipal Regional Development Authority within DECD. The Authority is intended to support economic and community development in regions across the state, similar to the Capital Region Development Authority which services the Greater Hartford region.

**Provide Funding for Various Positions - DEEP**

The proposal includes funding of \$301,139 in both FY 24 and FY 25 for four new positions, as follows: (1) \$74,184 in both FY 24 and FY 25 for a Wildlife Biologist position to provide technical assistance to the public on black bear issues and to assist with decision-making on black bear issues; (2) \$129,317 in both FY 24 and FY 25 for two Environmental Analyst positions to coordinate the application and implementation of Environmental Justice laws; and (3) \$97,638 in both FY 24 and FY 25 for a new supervisor due to park redistricting.

**Provide Funding for Various Initiatives - DEEP**

The proposal provides funding of \$6 million for three programs, listed in the table below:

<b>DEEP - New ARPA Allocation:</b>	<b>FY 24 \$</b>
Green infrastructure for stormwater management	5,000,000
Accessibility equipment for parks	500,000
Climate equity through urban forestry	500,000
<b>TOTAL</b>	<b>6,000,000</b>

ARPA - CSFRF - \$6 million in FY 24

### **Funding the Director of Utility Oversight and Regulatory Reform Position - OCC**

This proposal provides \$219,000 in FY 24 and FY 25 to the Office of Consumer Counsel to fund this position. This position is requested to provide a more proactive, affirmative role in utility oversight, rate design and changes in performance based on regulatory structure to better align with consumer interests and policy goals. This position will be charged with attention on these issues and to come up with strategic proposals for reform as well as oversee the critical work on rate cases and performance regulation.

### **Provide Funding for Nine Positions in the Bureau of Energy and Technology Policy - DEEP**

This proposal provides \$1,389,487 in FY24 and FY25 for the Bureau of Energy and Technology Policy within the Department of Energy and Environmental Protection. These positions will concentrate on competing for federal Inflation Reduction Act funding. The grants being sought will support investments to lower energy costs for families and businesses and acceleration of clean energy investments.

## **HEALTH**

### **Add Eleven New Positions to Support Agency Objectives - OHS**

Funding of \$85,000 in FY 24 and \$86,577 in FY 25 is provided to the General Fund and approximately \$2.3 million in FY 24 and \$2.2 million in FY 25 is provided to the Insurance Fund for new staff positions within the Office of Health Strategy. The General Fund supports one paralegal specialist for the Certificate of Need program, and the Insurance Fund supports 10 positions related to the Governor's health care affordability proposal, the 5-year statewide Health Information Technology (HIT) plan, and health care data analytics.

### **Provide Funding for Gun Violence Intervention and Prevention Program - DPH**

Provide funding of \$2,500,000 in FY 24 and \$800,000 in FY 25 to DPH's Office of Injury and Violence Prevention (OIVP) to support a statewide community gun violence intervention and prevention program that emphasizes public health- and community-led strategies, with input from the Commission on Community Gun Violence Intervention and Prevention. The program distributes grants to community-based organizations that seek to stop the cycles of gun violence, in partnership with law enforcement focusing on high-risk individuals. OIVP collects, analyzes, and reports data, and evaluates the effectiveness of its programmatic investments.

ARPA - CSFRF - \$2.5 million in FY 24

### **Provide Funding for the Office of Pandemic Preparedness - DPH**

Provide funding of \$300,000 in both FY 24 and FY 25 for the Office of Pandemic Preparedness. This Office was authorized one position and \$300,000 in both fiscal years from the General Fund in the last biennial budget (FY 22 and FY 23).

ARPA - CSFRF - \$300,000 in both FY 24 and FY 25

### **Establish a Healthcare Facility Quality Assurance and Performance Improvement Program - DPH**

Provide three positions and funding of \$263,312 in FY 24 and \$267,756 in FY 25 to DPH's Facility Licensing and Investigations Section (FLIS) for data collection, analysis, and compilation of best practices to improve the quality of care in, and the performance of, Connecticut healthcare facilities.

**Establish an Infant Mortality and Maternal Health Review Program – DPH**

Provide one position and funding of \$90,970 in FY 24 and \$96,444 in FY 25 to study infant deaths, and to produce recommendations to improve health disparities as they pertain to maternal care.

**Provide Funding to Support an Additional Medical Examiner – CME**

Provide funding of \$250,000 in FY 24 and \$262,500 in FY 25 to support an additional Medical Examiner position, increasing the Office of the Chief Medical Examiner’s total number of Medical Examiners from 10 to 11. Adding a Medical Examiner will assist CME in maintaining the National Association of Medical Examiners (NAME) accreditation standard of 325 cases per physician. Currently, the average caseload for CME’s Medical Examiners is 321.

**Consolidate Funding for Residential Services Under the Department of Developmental Services– DDS**

Funding of \$782.3 million in FY 24 and \$784.6 in FY 25 is transferred from the Department of Social Services to DDS in the Community Residential Services account that supports services for DDS consumers.

**Provide Funding to Support Caseload Growth in Employment and Day Services Programs - DDS**

Funding of \$7.3 million in FY 24 and \$17.5 million in FY 25 is provided for over 900 new placements in Employment Opportunities and Day Services programs for high school graduates (400 in FY 24 and 370 in FY 25) and those aging out of services provided by the Department of Children and Families, local education agencies or the Behavioral Services Program (71 in FY 24 and 60 in FY 25).

**Provide Funding to Support Caseload Growth in Community Residential Services - DDS**

Funding of \$5.8 million in FY 24 and \$13.5 million in FY 25 is provided for over 188 residential placements for young adults aging out of other services provided by the Department of Children and Families, local education agencies or the Behavioral Services Program and Money Follows the Person (MFP) transitions.

**Adjust Funding for the Behavioral Services Program – DDS**

Funding of \$4.0 million in FY 24 and in \$4.8 million FY 25 is reduced in the Behavioral Services Program to reflect attrition and current year spending levels.

**TRANSPORTATION**

**Appropriate Town Aid Road – DOT**

The Governor's proposal recommends funding the Town Aid Road (TAR) program through STF appropriations rather than from bond authorizations, as has been done for the previous 10 years. The total proposed amount is unchanged at \$60 million in each year of the biennium.

**Expand Bus Service – DOT**

The Governor's proposal recommends expansion of public bus service across several of the state's bus systems, including all CTtransit divisions and the following transit districts: Greater Bridgeport Transit, Valley Transit District, Southeast Area Transit District, Housatonic Area Regional Transit District, and Windham Region Transit District. The proposal focuses on access to large employment hubs as well as on people working second and third shift jobs. An additional \$8.7 million in FY 24 and \$8.9 million in FY 25 is recommended to support these expansions.

### **Adjust Rail Service - DOT**

The Governor's proposal recommends reducing rail service on the New Haven Line from 100% (current level) to 86% and on Shore Line East from 66% (current level) to 44%, as compared to pre-COVID levels. The proposal continues Hartford Line operations at 100% of pre-COVID levels. Despite these service level reductions, the proposal recommends additional funding for rail operations to account for a reduction in available COVID-relief funding.

## **HUMAN SERVICES**

### **Adjust Out-of-Home Care and Individualized Family Supports Expenditures - DCF**

A net reduction in funding of \$16,474,981 in FY 24, and \$13,911,603 in FY 25, reflects updated expenditure projections for out-of-home care accounts (adoption, foster, residential, and no nexus special education), and individualized family supports.

<b>Account</b>	<b>FY 24 \$</b>	<b>FY 25 \$</b>
No Nexus Special Education	(432,892)	(432,892)
Board and Care for Children - Adoption	1,923,019	4,463,936
Board and Care for Children - Foster	(10,125,996)	(10,027,505)
Board and Care for Children - Short-term and Residential	(7,354,985)	(7,431,015)
Individualized Family Supports	(484,127)	(484,127)
<b>TOTAL</b>	<b>(16,474,981)</b>	<b>(13,911,603)</b>

### **Provide Funding for Pediatric Mobile Crisis Intervention - DCF**

Provide funding of \$8,600,000 in FY 25 only for Pediatric Mobile Crisis Intervention to achieve statewide, 24/7 pediatric mobile crisis intervention services. Funding of \$8.6 million was provided in the FY 23 Revised Budget for this purpose with ARPA funding. Funding is not provided in FY 24 for this purpose.

ARPA - CSFRF - \$8.6 million in FY 25

### **Adjust Funding for Direct Service Contracts - DCF**

Reduce funding by \$3,335,558 in both FY 24 and FY 25 to reflect utilization trends within several direct service types. Reductions are possible in services showing a less than 80% utilization rate in FY 22, with no waitlists, and minimal vacancies, or vacancies that did not impact service provision.

### **Consolidate Middletown and Meriden Offices - DCF**

With the shift to telework, DCF has identified excess office space in the Meriden office, allowing for the consolidation of the Middletown office into the Meriden office, creating a savings of \$667,856 in both FY 24 and FY 25.

### **Provide Funding for Regional Ombudsperson for Community Home Care Program - ADS**

Funding of \$98,000 in both FY 24 and FY 25 for one ombudsperson position is provided to enhance consumer outreach, respond to consumer complaints, and improve the quality of home and community-based services for older adults and individuals with disabilities.

### **Consolidate Funding for Residential Services Under the Department of Developmental Services (DDS) - DSS**

Funding of \$782.3 million in FY 24 and \$784.6 in FY 25 is transferred from DSS to DDS in the Community Residential Services account that supports services for DDS consumers.

### **Rebase Rates for Residential Care Homes - DSS**

The proposal provides funding of \$5.2 million in both FY 24 and FY 25 to reflect rebasing residential care home (RCH) rates based on 2022 cost reports. The proposal also includes ARPA funding of \$5 million in FY 24 to support updates to RCHs grandfathered under outdated health and safety codes.

GF - \$5.2 million in FY 24 and FY 25

ARPA - CSFRF - \$5 million in FY 24

### **Increase Asset Limits under Temporary Family Assistance and State Administered General Assistance - DSS**

The proposal provides total funding of \$900,000 in FY 24 and \$3,740,000 in FY 25 associated with increasing the asset limit for (1) Temporary Family Assistance (TFA) from \$3,000 to \$6,000 and (2) State Administered General Assistance (SAGA) from \$250 to \$500.

### **Adjust Earned Income Disregard under TFA - DSS**

The proposal provides funding of \$1,230,000 in FY 24 and \$3.1 million in FY 25 to reflect increasing the earned income disregard under TFA from 100% FPL to 230% FPL, allowing individuals to remain on the program longer.

### **Add Agency-Based Services under Community First Choice - DSS**

The proposal reduces funding by \$12.3 million in FY 24 and provide funding of \$3.1 million in FY 25 related to expanding the Community First Choice (CFC) program to allow for consumers to utilize agency-based services in addition to self-direction. FY 24 savings reflect a reduced state share of expenditures due to the enhanced federal match (6%) available under CFC.

### **Provide Temporary Funding for Access to Abortions and Contraceptives for Nonresidents- DSS**

The proposal provides funding of \$2 million in FY 24 to support individuals coming to Connecticut to access contraceptives and abortion services from states that restrict such services.

### **Provide Temporary Premium Support - DSS**

The proposal provides funding of \$10 million in FY 24 to fund two months of premium payments for individuals with income above the Covered Connecticut threshold of 175% FPL but below 200% FPL, who enroll in a qualified health plan under Access Health CT.

ARPA - CSFRF - \$10 million in FY 24

## **HIGHER EDUCATION**

### **Consolidate Block Grants for UConn and UConn Health Center - UOC, UCHC**

The Governor's budget consolidates the UConn and UConn Health Center block grants along with the UConn Health Area Health Education Centers (AHEC) account into a single grant of \$324.6 million in FY 24 and \$330.3 million in FY 25. The proposal also consolidates 2,413 UConn positions and 1,698 UConn Health positions for a total of 4,111 in both FY 24 and FY 25.

Funding is broken down as follows:

Account	FY 24 \$	FY 25 \$
UConn Operating Expenses	173.9	177.4
UConn Health Operating Expenses	150.3	152.5
Area Health Education Centers	0.423	0.430
<b>Consolidated Block Grant</b>	<b>324.6</b>	<b>330.3</b>
UConn Positions	2,413	2,413
UConn Health Positions	1,698	1,698
<b>Total Consolidated Positions</b>	<b>4,111</b>	<b>4,111</b>

#### **Adjust Roberta Willis Scholarship Program - OHE**

The proposal provides \$4 million in both FY 24 and FY 25 to increase funding to the Roberta Willis Scholarship Program, which represents a 12 percent increase to the FY 23 appropriation and is anticipated to result in 1,000 additional scholarships for eligible students. Additionally, ARPA funding to the Roberta Willis Scholarship Program is reduced by \$15 million, reflecting unused CSCU funds.

GF - \$4 million in both FY 24 and FY 25

ARPA - CSFRF - (\$15 million) in FY 24

#### **Fringe Benefit Realignment - Higher Education Constituent Units/ Office of the State Comptroller**

The proposal includes a realignment of the payment of higher education fringe benefit costs in both FY 24 and FY 25. The realignment would result in the payment of direct-charged fringe benefits (employee healthcare, Social Security taxes, group life and unemployment insurance) by the unit of higher education in which the employee is employed, for all constituent unit employees. Remaining fringe costs (pension, retiree healthcare, and OPEB match) for all constituent unit employees would be paid by the General Fund (Office of the State Comptroller-Fringe Benefits, OSC-FB). Currently, the General Fund through OSC-FB effectively pays for the fringe benefits costs of constituent unit employees paid out of the General Fund, while the constituent units bear the fringe benefits costs of those constituent unit employees who are paid out of other college and university funds (e.g., tuition revenues).

The proposal is intended to be net-neutral to both the constituent units and the General Fund, and consequently, adjustments to the block grants and OSC-FB are made. The table below provides a summary of the General Fund appropriation changes for the realignment:

Agency	FY 24 \$	FY 25 \$
Office of the State Comptroller (Fringe)	(66.4)	(66.4)
UConn (including UConn Health)	(60.4)	(60.4)
BOR	41.7	41.7
<b>TOTAL</b>	<b>(85.1)</b>	<b>(85.1)</b>

#### **Extend Funding for Guided Pathways - BOR**

The proposal provides \$6.5 million in FY 25 for additional support to Guided Pathways for academic advising and student support. Guided Pathways received ARPA allocations of \$6.5 million annually for FY 22 through and FY 24 within the FY 22 and FY 23 Budget.



### **Maintain Funding for PACT – BOR**

The proposal provides \$15 million in each of FY 24 and FY 25 to maintain funding for debt free community college, i.e. the PACT program, with General Fund appropriations. The initiative began in fall 2020 as statutorily required. In FY 23, the program is funded with \$15 million in carry forward funding. Currently statute requires that in FY 24 and beyond, funding is provided from online lottery revenues.

### **Provide Operating Support- BOR, UCONN**

The proposal provides new ARPA investments for temporary operating support in FY 24 and FY 25 for both BOR (\$97.7 million in FY 24 and \$48.8 million in FY 25) and UCONN (UConn and UCHC) (\$73.6 million in FY 24 and \$36.8 million in FY 25).

ARPA – CSFRF - \$171.3 million in FY 24; \$85.6 million in FY 25

### **Provide Block Grant Increases – BOR, UCONN**

The proposal provides for constituent unit block grant increases for wage agreement costs: (1) for UConn, \$26.3 million in FY 24 and \$29.8 million in FY 25; (2) for UConn Health (rolled into the consolidation of the UConn and UConn Health block grants under UCONN), \$16.9 million in FY 24 and \$19.2 million in FY 25; and (3) for the Board of Regents, \$40.3 million in FY 24 and \$45.6 million in FY 25.

## **ELEMENTARY AND SECONDARY EDUCATION**

### **Increase School Readiness and Child Day Care Contract Rates – OEC**

Funding of approximately \$15.5 million in FY 25 is provided to increase rates for Pre-K slots in the child day care contract and school readiness program from \$8,924 to \$10,500. In FY 24, programs will also receive stabilization payments through ARPA totaling approximately \$15 million.

GF - \$15.5 million

### **Provide Funding for Increased Rates in the Care4Kids System – OEC**

Funding of approximately \$14 million in FY 24 and \$53 million in FY 25 is provided to support a 10% annual rate increase for licensed providers and a 5% annual rate increase for unlicensed providers. Additional funding through ARPA totaling \$35 million is provided in FY 24 to help OEC implement an enrollment management strategy to reduce enrollment to the target level of 17,000 children over the upcoming biennium.

GF - \$14 million in FY 24; \$53 million in FY 25

ARPA – CSFRF - \$35 million in FY 24

### **Provide Additional Fiscal and Administrative Support – CTEC**

The proposal provides 22 new positions and corresponding funding of \$1.8 million in FY 24 and \$1.9 million in FY 25 to increase fiscal and administrative support throughout the CTECS.

### **Increase Funding for Food and Supply Costs – CTEC**

The proposal provides \$6.9 million in each of FY 24 and FY 25 to pay for increased utility and food costs throughout the CTECS.

### **Increase Trade Options - CTEC**

The proposal provides three new positions and corresponding funding of \$961,737 (\$211,737 in PS and \$750,000 in OE) in FY 24 and six new positions and corresponding funding of \$1.2 million (\$420,433 in PS and \$750,000 in OE) to increase trade options, including: collision, criminal justice, sustainable architecture, masonry and health tech.

### **Fully Fund Actuarially Determined Employer Contribution (ADEC) for the Teachers' Retirement System - TRB**

Funding of \$23.5 million in FY 24 is reduced and funding of \$53.8 million in FY 25 is provided to reflect the amounts necessary to fully fund the ADEC for the Teachers' Retirement System as determined by the system's actuary.

### **Adjust ADEC for the Teachers' Retirement System Based on the Anticipated FY 23 Budget Reserve Fund Deposit -TRB**

Funding of \$72.8 million is reduced for the ADEC to reflect the impact of additional pension fund contributions from the anticipated FY 23 Budget Reserve Fund deposit.

### **Fully Fund Teachers' Retirement Board Health Plan - TRB**

Funding of \$140,691 in FY 24 and \$3.1 million in FY 25 is provided in the Retiree Health Services account to fully fund the state share at the statutory one-third of base plan cost level.

### **Maintain the Education Cost Sharing (ECS) Phase-In - SDE**

The proposal provides an additional \$45.4 million in ECS funding in FY 24 and \$90.7 million in FY 25 (an increase of \$45 million over FY 24) to continue the ECS phase in to full funding. The proposal maintains ECS current law, including: (1) continued annual increases for underfunded towns until they achieve full funding in FY 28; and (2) the resumption in FY 24 of annual decreases for overfunded towns until they reach full funding in FY 30.

### **Adjust Funding for Various Programs to Reflect Current Enrollment - SDE**

The proposal reduces funding by a net \$16.7 million in FY 24 and \$7.3 million in FY 25 across three accounts due to current enrollment trends as follows:

- Magnet Schools: Reductions of \$11.3 million in FY 24 and \$3.4 million in FY 25
- Open Choice: Reductions of \$5.6 million in FY 24 and \$4.6 million in FY 25
- Non Sheff Transportation: Increases of \$195,700 in FY 24 and \$709,413 in FY 25

### **Provide Funding for Requirements of the Sheff Settlement and Related Costs - SDE**

The proposal provides funding of \$18.4 million in FY 24 and \$21.7 million in FY 25 to meet the requirements of the Sheff settlement and for related costs. Of this amount, \$16.2 million in FY 24 and \$20.3 million is for a new Sheff transportation contract to support transportation to choice programs in the Sheff region, including Open Choice and Magnet Schools. Additionally, the Governor's budget provides a net increase of \$2.2 million in FY 24 and \$1.4 million in FY 25 across four accounts (Sheff Settlement, Sheff Transportation, Open Choice, Magnet Schools) to meet the requirements of the Sheff Settlement in the biennium. This includes \$1.4 million in FY 24 and \$4.5 million in FY 25 for approximately 50 Open Choice seats and 102 magnet school seats in FY 24, and 100 Open Choice seats and 291 magnet school seats in FY 25.

### **Provide Funding for a Variety of Education Initiatives - SDE**

Provide funding of \$20.5 million in ARPA funding for three initiatives within the State Department of Education:

- \$10 million for a workforce development grant program to address staffing shortages in schools. This funding will be used for recruitment, professional development, and other immediate workforce needs.
- \$7 million for the Learner Engagement and Attendance Program
- \$3.5 million to increase access to dual enrollment courses to allow students to graduate high school with college credit.

ARPA - CSFRF - \$20.5 million in FY 24

## **JUDICIAL AND CORRECTIONS**

### **Adjust Funding to Reflect FY 23 Deficiency - DOC**

Provide funding of \$11.5 million in FY 24 and FY 25 to the Personal Services account to reflect higher costs in FY 23, with the aim of preventing a deficiency in future years.

### **Provide Funding for Additional Correction Officers to Support Inmate Messaging and Telephone Services - DOC**

Provide funding of \$0.9 million in FY 24 and FY 25 to hire 15 additional correction officers to enhance telephone and inmate messaging monitoring due to increased volume.

### **Fund Judges' Salary Increases- JUD**

The proposal provides funding of \$2.5 million in FY 24 and \$4.5 million in FY 25. This represents a 5.5% and 4.0% increase in salary for judges in each year respectively.

### **Expand the Early Screening and Intervention Program- DCJ**

The proposal provides funding of \$367,000 in FY 24 and FY 25 to fund the Early Screening and Intervention Program in which a prosecutor and social worker identify low-level offenders who could be diverted from the court system using community supports. This proposal would expand the program to be offered in all 13 judicial districts.

### **Provide Funding for Body Cameras- DCJ**

This proposal provides funding of \$249,085 annually for Division of Criminal Justice inspectors to utilize body cameras.

### **Provide Funding for Victim Services- JUD**

The proposed budget allocates \$13.1 million in FY 24 for victim service funding to supplement decreased VOCA funding.

ARPA- CSFRF- \$13.1 million in FY 24

### **Provide Funding for Equipment to Livestream Supreme Court Proceedings - JUD**

The proposed budget allocates \$350,000 for capital and initial expenses for livestreaming Supreme Court proceedings.

ARPA- CSFRF- \$350,000 in FY 24

### **Provide Funding to Modernize and Upgrade IT and Courthouse Security- JUD**

The proposal allocates \$1,250,000 to establish specialized resources with the Office of Protective Intelligence, modernize information technology, and upgrade courthouse security.

ARPA- CSFRF- \$1,250,000 in FY 24

## **IV. SIGNIFICANT REVENUE CHANGES**

### **Reduce Lowest Two Marginal Income Tax Rates**

Reduce the 3% marginal rate to 2% and the 5% marginal rate to 4.5% and adjust the marginal benefit recapture applicable to filers in certain income ranges. This results in a revenue loss of \$193.6 million in FY 24 and \$435.8 million in FY 25.

### **Maintain Temporary Corporate Tax Surcharge**

Extend, for three years, the corporate tax surcharge of 10% applicable to companies whose gross income is greater than \$100 million. Under current law, the 10% surcharge expired on January 1, 2023. This results in a revenue gain of \$80 million in FY 24 and \$50 million in FY 25.

### **Restore Credit for Pass-Through Entity Taxes Paid to Full Amount**

Increase, from 87.5% to 93.01%, the personal income tax credit for pass-through entity taxes (PET) paid, fully offsetting the cost of the PET for affected filers.<sup>2</sup> This results in a revenue loss of \$27 million in FY 24 and \$60 million annually thereafter.

### **Increase the Earned Income Tax Credit**

Increase, from 30.5% to 40% of the federal earned income tax credit (EITC), the state EITC rate beginning with the 2023 income year. This results in a revenue loss of \$44.6 million annually beginning in FY 24.

### **Extend the Filing Date for the Estate Tax**

Extend, from six to nine months, the timeline for the filing of state estate taxes for decedents dying on or after July 1, 2023 to match the federal timeline. This results in a one-time revenue loss of \$38 million in FY 24 only.

### **Eliminate the Angel Investor Tax Credit for Cannabis Businesses**

Eliminate the Angel Investor Tax credit for qualified cannabis businesses beginning July 1, 2023, limiting the credit solely to investments made in FY 22 and FY 23. This results in a revenue gain of \$12.5 million in FY 24 and \$15 million annually thereafter through FY 28.

### **Expand the Human Capital Investment Tax Credit**

Expand the human capital investment tax credit by: (1) increasing the rate from 5% to 10% of the amount that a qualifying corporation spends on job training and worker education programs, (2) establishing a 25% credit for corporate spending to develop child care facilities or to subsidize child care for employees, and (3) lifting the cap on the utilization of these credits from 50.01% to 70% of a corporation's tax liability. This results in a revenue loss of \$2.1 million in FY 24 and \$3.5 million annually thereafter.

### **Eliminate the Transfer of iLottery Revenues to the Debt Free Community College Account**

Eliminate the transfer of revenue from the operation of online lottery by the Connecticut Lottery Corporation to the Debt Free Community College account, resulting in a General Fund revenue

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<sup>2</sup>Additionally, the PET is made optional (it is currently mandatory for affected filers).

gain of \$2 million in FY 24 and \$3 million in FY 25 (and a commensurate revenue loss to the Debt Free Community College Account).

**Establish a Pharmaceutical Representative Licensing Program**

Establish a licensing program for pharmaceutical representatives through the Department of Consumer Protection, including nonrefundable application and annual renewal fees of \$500, which results in a revenue gain of \$1.1 million annually beginning in FY 24.

**Eliminate Use of ARPA for FY 23 Revenue Replacement**

Repeal usage of federal ARPA funds as revenue in the FY 23 budget, which frees up \$314.4 million to be spent.

**Eliminate Planned Revenue Set Asides to Extinguish the Generally Accepted Accounting Principles (GAAP) Deficit as the GAAP Bonds are Retired**

Use a portion of the projected FY 23 General Fund operating surplus (\$211.7 million) to payoff outstanding GAAP Deficit Bond amounts, which would eliminate the contractual obligation for both future debt service payments and revenue set asides through FY 28.

- Annual debt service savings: \$58.4 million
- Annual revenue set aside amounts no longer required: \$120.8 million

**Reduce (from \$12 million to \$6 million) the Annual Transfer to the Tobacco Health Trust Fund**

The Revised FY 23 Budget re-established the transfer after an approximate six-year hiatus. An administrative board is being set up to determine spending priorities.

**V. SIGNIFICANT CAPITAL BUDGET CHANGES**

The Governor’s recommended capital budget authorizations and cancellations are in the table below.

**Proposed New Bond Authorizations by Type (in millions)**

	FY 24 \$	FY 25 \$
General Obligation (GO) bonds	1,404.3	1,656.8
Special Tax Obligation (STO) bonds	1,510.7	1,493.8
Clean Water Fund (CWF) revenue bonds	-	25.0
<b>TOTAL</b>	<b>2,915.0</b>	<b>3,175.6</b>

**General Obligation Bonding**

General Obligation Bonds (GO)	FY 24 \$	FY 25 \$
New authorizations	1,404.3	1,656.8
Existing authorizations effective July 1	371.7	344.0
<b>Net Effective Authorizations</b>	<b>1,776.0</b>	<b>2,000.8</b>

The proposal includes new GO bonds in each year, including:

- \$300 million for housing programs, including
  - \$150 million for affordable housing (flexible housing program and the housing trust fund (HTF))
  - \$100 million for workforce development program (through HTF)
  - \$50 million for Time-To-Own homebuyers assistance program (through HTF)
- \$150 million for school air quality improvements

- Funding for common municipal grant programs
  - \$30 million for LoCIP
  - \$91 million for Grants for Municipal Purposes
- \$65 million each year for IT capital investment, and
- \$60 million each year for Urban Act projects.

**Proposed New GO Bond Authorizations by Agency (in millions)**

Agency	FY 24 \$	FY 25 \$
Department of Economic and Community Development	62.0	62.0
Department of Public Health	25.0	25.0
Capital Region Development Authority	22.0	22.0
Connecticut State Colleges and Universities	127.5	125.8
Connecticut State Library	0.4	0.4
Department of Administrative Services	234.0	430.0
Department of Correction	35.0	35.0
Department of Education	10.0	10.0
Department of Emergency Services and Public Protection	18.5	41.5
Department of Energy and Environmental Protection	142.1	188.0
Department of Housing	300.0	300.0
Department of Mental Health and Addiction Services	48.5	31.0
Department of Motor Vehicles	2.0	2.0
Judicial Department	15.0	15.0
Military Department	5.3	3.2
Office of Policy and Management	303.0	333.0
Office of the Chief Medical Examiner	21.0	-
University of Connecticut Health Center	33.0	33.0
<b>Total</b>	<b>1,404.3</b>	<b>1,656.9</b>

**Debt Limit Calculation** - The Governor’s proposed bond package for the biennium is 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 74% as of July 1, 2023 and July 1, 2024.

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.

**Statutory Debt Limit Estimate for the Governor’s Proposed Bond Package**

	FY 24	FY 25
Estimated Debt Limit Percentage	74.3%	74.4%
Capacity Remaining Under 90% Threshold (millions \$)	5,061.6	5,150.0

**Transportation Capital**

The proposal includes \$1,510.7 million of new STO bonds in FY 24 and \$1,493.8 million in FY 25. Proposed authorizations include additional funding for bus and rail projects, resurfacing, bridge, and highways.

The proposed authorizations include \$398.2 million in FY 24 and \$438.2 million in FY 25 for Connecticut's share for the Northeast Corridor (NEC) Modernization competitive grant program. These STO bond authorizations are expected to be used to match approximately \$1.5 billion in federal grants for the program.

## VI. MUNICIPAL AID

### Funding the Municipal Revenue Sharing Fund

The Governor's proposed FY 24 and FY 25 budget redirects the 0.5 percentage point sales tax diversion from the Municipal Revenue Sharing Account to the Municipal Revenue Sharing Fund (MRSF). The MRSF will also be funded via transfers from the General Fund and the Mashantucket Pequot and Mohegan Fund. The MRSF will distribute a total of approximately \$598.6 million in town aid in both FY 24 and FY 25.

### Grants Funded via the Municipal Revenue Sharing Fund

The proposal would use MRSF to fund the entirety of:

1. All PILOT grants: State Property PILOT, College and Hospital PILOT, and Tiered PILOT;
2. A combined GF-Revenue Sharing grant (supplemental PILOT) and Municipal Stabilization grant, both of which are currently non-formulaic statutory payments to towns and would remain so under the proposal's new account (Supplemental Revenue Sharing Grants);
3. The Motor Vehicle Tax grant (i.e., Municipal Transition); and
4. The Pequot grant.

Total funding amounts and distribution methods for each of the above grants remains unchanged.

### Change in Funding Level for the Municipal Revenue Sharing Account - Grant

The MRSF uses a greater portion of the sales tax revenue diversion, instead of appropriated funds, to fund the Motor Vehicle Tax grant (i.e., Municipal Transition). This will result in a significant decrease in the Municipal Revenue Sharing Account - Grant that would be distributed in FY 25.

Please see the table below for a grant-by-grant breakdown of the Governor's budget proposal.

### FY 24 and FY 25 Municipal Aid Synopsis

Fund/Agency	FY 23 Estimated \$	FY 24 Gov. Rec. \$	FY 25 Gov. Rec. \$	FY 24 Gov. Rec. - FY 23 \$	FY 25 Gov. Rec. - FY 23 \$
<b>OFFICE OF POLICY AND MANAGEMENT</b>					
<b>GF - Appropriated Funds</b>					
State Property PILOT	54,944,031	-	-	(54,944,031)	(54,944,031)
College & Hospital PILOT	108,998,308	-	-	(108,998,308)	(108,998,308)
Reimbursement Property Tax - Disability Exemption	364,713	364,713	364,713	-	-
Distressed Municipalities	1,500,000	1,500,000	1,500,000		
Property Tax Relief Elderly Freeze Program	10,000	6,000	6,000	(4,000)	(4,000)
Property Tax Relief for Veterans	2,708,107	2,708,107	2,708,107	-	-
Municipal Transition (Car Tax Cap Reimbursement Grants)	132,331,732	-	-	(132,331,732)	(132,331,732)

Fund/Agency	FY 23 Estimated \$	FY 24 Gov. Rec. \$	FY 25 Gov. Rec. \$	FY 24 Gov. Rec. - FY 23 \$	FY 25 Gov. Rec. - FY 23 \$
Municipal Restructuring	24,585,000	7,300,000	7,300,000	(17,285,000)	(17,285,000)
Municipal Revenue Sharing (Supplemental PILOT)	36,819,135	-	-	(36,819,135)	(36,819,135)
Municipal Stabilization Grant	37,853,335	-	-	(37,853,335)	(37,853,335)
Tiered PILOT	83,092,573	-	-	(83,092,573)	(83,092,573)
<b>Mashantucket Pequot and Mohegan Fund</b>					
Pequot Grants	51,481,796	-	-	(51,481,796)	(51,481,796)
<b>Municipal Revenue Sharing Fund</b>					
Tiered PILOT	-	317,088,142	317,088,142	317,088,142	317,088,142
Motor Vehicle Tax Grants	-	155,337,805	155,337,805	155,337,805	155,337,805
Supplemental Revenue Sharing Grants	-	74,672,470	74,672,470	74,672,470	74,672,470
Mashantucket Pequot and Mohegan Grants	-	51,481,796	51,481,796	51,481,796	51,481,796
<b>Subtotal</b>	<b>534,688,730</b>	<b>610,459,033</b>	<b>610,459,033</b>	<b>75,770,303</b>	<b>75,770,303</b>
<b>STATE DEPARTMENT OF EDUCATION</b>					
Vocational Agriculture	18,824,200	18,824,200	18,824,200	-	-
Adult Education	21,978,248	22,326,496	22,326,496	348,248	348,248
Health and Welfare Services Pupils Private Schools	3,438,415	3,438,415	3,438,415	-	-
Education Equalization Grants	2,178,565,995	2,224,205,070	2,269,470,702	45,639,075	90,904,707
Bilingual Education	3,832,260	3,832,260	3,832,260	-	-
Priority School Districts	30,818,778	30,818,778	30,818,778	-	-
Interdistrict Cooperation	2,009,380	1,537,500	1,537,500	(471,880)	(471,880)
School Breakfast Program	2,158,900	2,158,900	2,158,900	-	-
Excess Cost - Student Based	156,119,782	156,119,782	156,119,782	-	-
Open Choice Program	38,360,327	28,588,386	29,921,705	(9,771,941)	(8,438,622)
Magnet Schools	282,776,486	282,542,141	292,984,265	(234,345)	10,207,779
After School Program	5,520,667	5,750,695	5,750,695	230,028	230,028
Sheff Transportation	54,240,688	70,825,009	75,465,173	16,584,321	21,224,485
Non-Sheff Transportation	10,078,550	14,944,797	15,675,787	4,866,247	5,597,237
Extended School Hours	2,919,883	2,919,883	2,919,883	-	-
School Accountability	3,412,207	3,412,207	3,412,207	-	-
<b>Subtotal</b>	<b>2,815,054,766</b>	<b>2,872,244,519</b>	<b>2,934,656,748</b>	<b>57,189,753</b>	<b>119,601,982</b>
<b>OTHER AGENCIES</b>					
<b>Other Appropriated Aid</b>					
Housing/Homeless Services - Municipality	675,409	675,409	675,409	-	-
Local and District Departments of Health	7,179,622	7,185,146	7,185,146	5,524	5,524
School Based Health Clinics	11,972,767	11,544,057	11,544,057	(428,710)	(428,710)
Teen Pregnancy Prevention - Municipality	98,281	98,281	98,281	-	-
Connecticard Payments	703,638	703,638	703,638	-	-
Municipal Restructuring (Debt Service)	56,314,629	54,677,710	54,098,049	(1,636,919)	(2,216,580)



Fund/Agency	FY 23 Estimated \$	FY 24 Gov. Rec. \$	FY 25 Gov. Rec. \$	FY 24 Gov. Rec. - FY 23 \$	FY 25 Gov. Rec. - FY 23 \$
Youth Service Bureaus	2,705,240	2,705,240	2,705,240	-	-
Youth Service Bureau Enhancement	1,115,161	1,115,161	1,115,161	-	-
Town Aid Road Grants	-	60,000,000	60,000,000	60,000,000	60,000,000
<b>Subtotal</b>	<b>80,764,747</b>	<b>138,704,642</b>	<b>138,124,981</b>	<b>57,939,895</b>	<b>57,360,234</b>
<b>Bonding and Other Non-Appropriated Aid</b>					
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	75,999,999	75,999,999	75,999,999	-	-
MRSA - Balance of Tiered PILOT	69,846,973	-	-	(69,846,973)	(69,846,973)
MRSA - Revenue Sharing	90,300,000	-	-	(90,300,000)	(90,300,000)
<b>Subtotal</b>	<b>326,146,972</b>	<b>105,999,999</b>	<b>105,999,999</b>	<b>(220,146,973)</b>	<b>(220,146,973)</b>
<b>TOTAL - Appropriated and Bond Funding less TRB Contributions</b>	<b>3,756,655,215</b>	<b>3,727,408,193</b>	<b>3,789,240,761</b>	<b>(29,247,022)</b>	<b>32,585,546</b>
<b>Teachers' Retirement Board</b>					
Retirement Contributions	1,578,038,000	1,554,542,000	1,558,960,000	(23,496,000)	(19,078,000)
Retirees Health Service Cost	12,301,000	13,041,691	16,030,802	740,691	3,729,802
Municipal Retiree Health Insurance Costs	9,840,000	9,840,000	9,840,000	-	-
<b>Subtotal</b>	<b>1,600,179,000</b>	<b>1,577,423,691</b>	<b>1,584,830,802</b>	<b>(22,755,309)</b>	<b>(15,348,198)</b>
<b>TOTAL</b>	<b>5,356,834,215</b>	<b>5,304,831,884</b>	<b>5,374,071,563</b>	<b>(52,002,331)</b>	<b>17,237,348</b>

**APPENDIX A: Revenue Policies** (in millions)

<b>Fund/Tax Type</b>	<b>Policy</b>	<b>FY 23 \$</b>	<b>FY 24 \$</b>	<b>FY 25 \$</b>	<b>FY 26 \$</b>
<b>Taxes</b>					
Personal Income Tax	Restore the Personal Income Tax (PET) Credit to the Full Amount	-	(27.0)	(60.0)	(60.0)
	Reduce Certain Marginal Income Tax Rates	-	(193.6)	(435.8)	(448.9)
	<b>Personal Income Tax Total</b>	-	<b>(220.6)</b>	<b>(495.8)</b>	<b>(508.9)</b>
Corporation Tax	Maintain the Temporary Corporate Tax Surcharge	-	80.0	50.0	20.0
	Expand the Human Capital Investment Tax Credit	-	(2.1)	(3.5)	(3.5)
	<b>Corporation Tax Total</b>	-	<b>77.9</b>	<b>46.5</b>	<b>16.5</b>
Inheritance and Estate Tax	Extend the Filing Date for the Estate Tax	-	(38.0)	-	-
	<b>Inheritance and Estate Tax Total</b>	-	<b>(38.0)</b>	-	-
Refunds of Taxes	Eliminate the Angel Investor Tax Credit for Cannabis Businesses	-	12.5	15.0	15.0
	<b>Refund of Taxes Total</b>	-	<b>12.5</b>	<b>15.0</b>	<b>15.0</b>
Earned Income Tax Credit	Increase the state's Earned Income Tax Credit (EITC) Rate	-	(44.6)	(44.6)	(44.6)
	<b>Earned Income Tax Credit Total</b>	-	<b>(44.6)</b>	<b>(44.6)</b>	<b>(44.6)</b>
<b>Taxes Total</b>		-	<b>(212.8)</b>	<b>(478.9)</b>	<b>(522.0)</b>
<b>Other Revenue</b>					
Transfers-Special Revenue	Eliminate the Transfer of iLottery Revenues to Debt Free Community College Account	-	2.0	3.0	7.5
	<b>Transfers-Special Revenue Total</b>	-	<b>2.0</b>	<b>3.0</b>	<b>7.5</b>
License, Permits, Fees	Recognize Revenue from Establishing a Pharmaceutical Representative Licensing Program (to be administered by the Department of Consumer Protection)	-	1.1	1.1	1.1
	<b>License, Permits, Fees Total</b>	-	<b>1.1</b>	<b>1.1</b>	<b>1.1</b>
Miscellaneous	Recognize General Fund Recovery of Fringe Benefit Costs due to Restructuring Higher Education Fringe Benefits	-	(85.0)	(85.0)	(85.0)
	Recognize General Fund Recovery of Additional Fringe Benefit Costs (in the Insurance Fund) due to an Expansion of Staffing in the Office of Health Strategy	-	0.2	0.2	0.2
	<b>Miscellaneous Total</b>	-	<b>(84.8)</b>	<b>(84.8)</b>	<b>(84.8)</b>
<b>Other Revenue Total</b>		-	<b>(81.7)</b>	<b>(80.7)</b>	<b>(76.2)</b>
<b>Other Sources</b>					
Federal Grants	Recognize Additional Federal Reimbursements as Appropriations are Increased within the Department of Social Services	-	1.0	1.1	1.1
	<b>Federal Grants Total</b>	-	<b>1.0</b>	<b>1.1</b>	<b>1.1</b>

<b>Fund/Tax Type</b>	<b>Policy</b>	<b>FY 23 \$</b>	<b>FY 24 \$</b>	<b>FY 25 \$</b>	<b>FY 26 \$</b>
Transfer From/(To) Other Funds	Eliminate Planned Revenue Set Asides to Extinguish the Generally Accepted Principles (GAAP) Deficit as the GAAP Bonds are Retired	-	120.8	120.8	120.8
	Eliminate Use of ARPA for FY 23 Revenue Replacement	(314.9)	-	-	-
	Transfer to Municipal Revenue Sharing Fund to provide Supplemental (Stabilization and Municipal Revenue Sharing) Grants	-	(74.7)	(74.7)	(74.7)
	Make an Additional Transfer to the Municipal Revenue Sharing Fund	-	(19.5)	(8.6)	-
	<b>Transfer From/(To) Other Funds Total</b>	<b>(314.9)</b>	<b>26.6</b>	<b>37.5</b>	<b>46.1</b>
Transfer From Tobacco Fund	Reduce (from \$12 million to \$6 million) to Annual Transfer to the Tobacco Health Trust Fund	-	6.0	6.0	6.0
	<b>Transfer From Tobacco Fund Total</b>	<b>-</b>	<b>6.0</b>	<b>6.0</b>	<b>6.0</b>
<b>Other Sources Total</b>		<b>(314.9)</b>	<b>33.6</b>	<b>44.6</b>	<b>53.2</b>
<b>Volatility Adjustment</b>					
Volatility Cap Adjustment	Restore the Personal Income Tax (PET) Credit to the Full Amount	-	21.6	48.0	48.0
	Reduce Certain Marginal Income Tax Rates	-	19.4	43.6	44.9
<b>Volatility Adjustment Total</b>		<b>-</b>	<b>41.0</b>	<b>91.6</b>	<b>92.9</b>
<b>GRAND TOTAL</b>		<b>(314.9)</b>	<b>(219.9)</b>	<b>(423.4)</b>	<b>(452.1)</b>