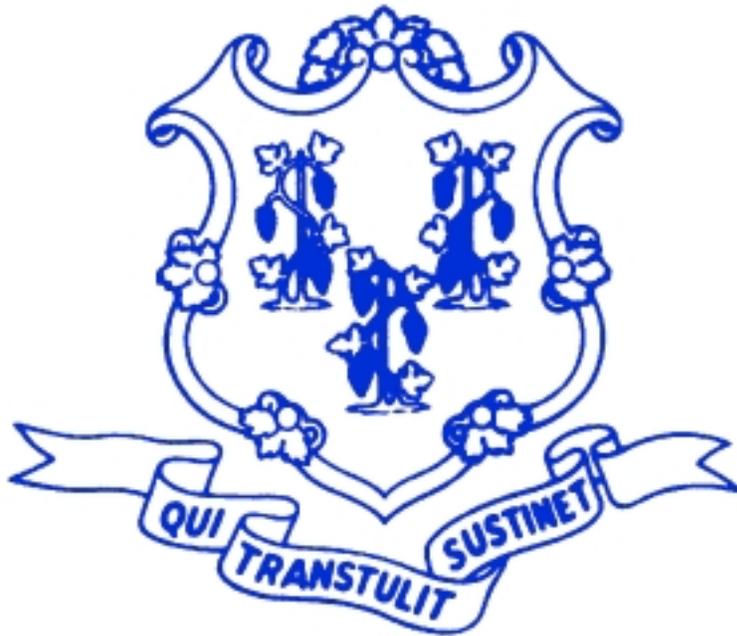


Analysis of the Governor's Proposed Revisions for the FY 01 Budget



**Connecticut General Assembly
Office of Fiscal Analysis**

March 3, 2000

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Introduction and Highlights

Recommended Revisions

The governor has recommended a net budget increase of \$110.8 million from the original FY 01 total appropriations authorized by the 1999 General Assembly. Two items of particular note are the restoration of \$50 million to reflect the lost of the IT privatization savings and the appropriation of the federal Workforce Investment Act (WIA) funds of \$26.7 million (this is a new federal requirement).

Categorizing all of the recommended revisions as either technical or policy, one finds that the technical items come to a net increase of \$208.7 million, while the policy items total a net decrease of \$97.9 million. These totals comprised dozens of individual changes, both upward and downward. The technical revisions represent those items of adjustment, which were anticipated to be made to the budget in the off-year. The policy initiatives are beyond the technical revisions necessary to sustain present services through the remainder of the biennial budget period.

A summary and detailed listings of these items can be found beginning [on page 17](#).

Budget Growth Rate

The budget enacted by the General Assembly for FY 01 (including OFA adjustments for comparability) is \$12,203.6 million, which represents an increase of \$534.6 million, or 4.6%, over the budget enacted for FY 00. OFA's calculation of the governor's proposed revisions to the FY 01 budget shows an increase of \$550.5 million, or 4.7%, over estimated expenditures for FY 00. (See [page 13](#) for a schedule of growth rates.)

Revenue Estimates

OFA General Fund revenue projections for FY 01, including the governor's proposed changes, are \$35.8 million lower than the Governor's estimates. OFA considers this potential revenue difference to be relatively insignificant because it is within the margin of error for revenue estimation. (See [page 46](#).)

Grants To Towns

The governor has proposed net decreases of \$10.5 million for Grants to Towns. The largest change is \$(7.6) million shown in the Mashantucket Pequot and Mohegan Fund grant. This reduction reflects an estimate of what various towns owe the state for General Assistance overpayments. (See [pages 36 - 38.](#))

Use of Transportation Fund Surplus

While the governor has made recommendations to specifically use some of the projected General Fund surplus to pay for capital outlays (such as \$90 million appropriated to the Dept. of Education for school construction projects), the major use of FY 00 Transportation Fund surplus is for an appropriation to the treasurer for debt service. The treasurer is then authorized to use these funds to either defease existing debt or for making payments in lieu of issuing debt for the transportation infrastructure program. These provisions are contained in Sec. 38 of HB 5217. A related provision, contained in Sec. 4 of HB 5240, repeals the provisions of subsection (b) of Sec. 13b-68 that gave the treasurer several options for the use of surplus funds for debt retirement in the Transportation Fund. These were enacted in 1997. It is unclear why these changes have been recommended.

Our projections for the Transportation Fund (see [pages 54 - 56](#)) are based on the assumption that the treasurer will use the defeasance option. If the latter option is chosen, then expenditures for capital outlay would be made from the debt service account – apparently in contradiction to the comptroller’s state accounting manual. It would seem that a specific allocation of the surplus for the purposes desired by the legislature would be advisable. If surplus funds are to be used for capital outlay for the infrastructure program, then an appropriation should be made to the Dept. of Transportation for such purpose.

Out-Year Projections

The OFA analysis of the General Fund for FY 02, 03, and 04 indicates that with modest growth in revenues and current service expenditures the Fund would be approximately in balance with the possibility of a small gap in FY 04 (less than 1%). The effect of the Governor’s mid term budget proposals is to create a potential gap of \$250 million in FY 02 and FY 03 and increasing to \$450 million in FY 04. See [page 53](#) for details of the out-year analysis.

Please see the following pages for summaries and highlights of the significant budgetary changes made in the governor’s proposed revisions to the FY 01 budget.

Impact of Certain Governor's Proposals on OFA's FY 00 Projected Surplus

The following items, if approved, are estimated to have the impact indicated:

| General Fund | Amount (in millions) |
|--|---------------------------------|
| Expenditures: | |
| Tax Rebate Deficiency (HB 5214) – Due to one of the accounts used to fund this shortfall, the affect is to lessen the deficiency previously projected, thereby increasing the projected surplus. | 5.0 |
| Carry Forward Provisions – There are a number of sections in HB 5217 and Sec. 3 of SB 129 that provide for the non-lapse (carry forward) of various account balances from FY 00 into FY 01. Since OFA anticipated these balances to lapse, and if approved, they will be carried forward instead, the General Fund surplus estimate will be reduced. | <u>(13.6)</u> |
| Total | \$(8.6) |

If these measures are approved, the General Fund surplus projected by OFA on February 8, 2000 to be \$247.1 million will be reduced to \$238.5 million.

**Governor's FY 00 Surplus Recommendations:
One-time or Ongoing?**

On the following schedules, we have listed the governor's FY 00 recommendations as well as comments as to whether his proposals appear to be one-time, potentially ongoing or ongoing in nature. Any item described as potentially ongoing or ongoing may require continued funding in future years, whether it be from appropriations, any future year surplus that develops or in some cases from bonding. Totals associated with each characterization by OFA of the governor's expenditure-related proposal are as follows:

| Expenditure-Related Uses of General Fund And Transportation Fund Surplus (in millions) | |
|---|-----------------|
| One-Time | \$172.3 |
| Potentially Ongoing | 36.6 |
| Ongoing | 43.3 |
| Total | \$252.20 |

It is uncertain as to whether the two largest items that we have characterized as potentially ongoing will require continued funding in future years. The governor has recommended that \$20 million be provided from FY 00 surplus for the UConn Health Center deficit and the funding of strategic initiatives. Continued funding in future years will depend upon whether the problem is eliminated in FY 01. The governor has also recommended that \$8.2 million be provided from FY 00 surplus to help the Department of Mental Health and Addiction Services build community programs to shift from more expensive state-provided mental health and substance abuse services to less expensive private provider services. We anticipate that \$1 million to \$2 million of this funding to be one-time in nature, but that approximately \$6 million to \$7 million may be required on an ongoing basis to satisfy the increase in demand for services that will result from the reconstituted program.

**Governor's Recommendations Regarding Using the Projected FY 00
General Fund Surplus
(in millions)**

**Governor's Proposal
as of 2/9/00**

Projected Surplus \$ 241.300

Revenues

Hospital Gross Receipts Tax

| | | |
|--|------|---------------|
| Eliminate the Hospital Gross Receipts Tax Effective 4/1/00 | 17.5 | |
| Total Revenue Changes | | 17.500 |

Expenditures

OFA Comment

Appropriate for the following:

Avoid Issuing Debt (\$132.15m)

| | | |
|--|------|---|
| SDE - School Construction Projects | 90.0 | One-time - normally funded through bonding. |
| DoIT - CT Education Network (\$10 m) / School Wiring (\$20m) | 30.0 | Funds intended for FY 01 and 02 - in future, will use surplus or bonding. |
| DoIT - Core Financial Systems (1st phase) | 7.5 | Funds provided for FY 01 - in future, will use surplus or bonding. |
| DoIT - Pay for move to new facilities | 3.5 | One-time. |
| DOC - Storage lockers for prisoners | 0.75 | One-time. |
| Leg. Mgmt. - Capitol Security Requirements | 0.4 | Additional funding may be required in FY 01 (\$2.1m) and future (\$.8m). |

OPM - UConn Health Center Deficit for FY 00 and FY 01, plus funding of strategic initiatives

| | | |
|--|------|--|
| | 20.0 | Potentially ongoing - depends upon whether problem is eliminated in FY 01. |
|--|------|--|

Various Projects totaling \$38.31m

| | | |
|---|-------|--|
| OPM - Hire a consultant re: Health Insurance | 0.75 | One-time. |
| OPM - Operation Sail 2000 | 5.5 | One-time. |
| OPM - CT Paralympics - state match | 0.15 | One-time (potentially periodic). |
| OPM - Census Consultant | 0.25 | One-time (every 10 years). |
| Retail Gas Pricing Monitoring and Enforcement Program | | |
| OPM | 0.100 | Potentially ongoing - depends upon cyclical nature of gas pricing problem. |
| DCP | 0.125 | Potentially ongoing - depends upon cyclical nature of gas pricing problem. |
| Attorney General - litigation account | 0.8 | Potentially ongoing - if litigation costs deplete the account. |
| POST - Obstacle Course | 0.01 | One-time. |

Governor's Proposal
as of 2/9/00

| | | |
|--|-----------------------|--|
| Military Dept. - Microfiche Historical Militia & National Guard Records | 0.05 | One-time. Potentially ongoing - depends on whether continued state support is needed. |
| DOL - Hartford Jobs Funnel | 0.5 | Potentially ongoing - depends upon whether problem is eradicated in FY 01. |
| DEP - Mosquito-transmitted diseases | 1.0 | One-time (every 5 years). |
| DEP - Digital aerial photo project | 0.9 | Potentially ongoing - depends upon when grants deplete the account. |
| DECD - Job Incentive Grant | 0.4 | One-time. |
| DMR - Early Intervention - longitudinal study | 0.15 | Potentially ongoing - \$6m to \$7m may be required due to increased capacity. |
| DMHAS - Community programs - private providers | 8.2 | |
| Utilize welfare reform work participation bonus of \$2.4m for: | | |
| DSS - Fatherhood Initiatives (OE) | 0.5 | Potentially ongoing. |
| DSS - Teen Pregnancy and Domestic Violence prevention (OE) | 0.5 | Potentially ongoing. |
| DOL - Individual Development Accounts | 0.4 | Ongoing. |
| DSS - Offset SSBG FY 01 cuts | 1.0 | Ongoing. |
| DSS - Outreach for HUSKY A & B | 1.0 | One-time. |
| State Library - Arts Enhancement | | Potentially ongoing - depends on whether continued state support is needed. |
| International Festival of the Arts expansion to other CT cities | 1.0 | One-time. |
| Greater New Haven arts strategic planning study and endowment | 1.0 | Ongoing for at least 5 years. |
| State Library - Digital Library | 2.0 | Ongoing for at least 5 years. |
| Charter Oak College - CT Distance Learning Consortium | 2.0 | One-time. |
| DHE - establish Gov. O'Neill Chair in Public Policy at CCSU | 1.0 | Potentially ongoing - represents 1st year phase-in of program to be developed. |
| DCF - Community-based systems of care transition | 3.5 | |
| DCF - Transition staff and clients from Long Lane to new CT Juvenile Training School | 4.95 | One-time. |
| DCF - Regional office moving expenses | 0.175 | One-time. |
| Judicial - Aid re: takeover of courthouse security, 10/1/00 | <u>0.4</u> | One-time. |
| Subtotal - Proposed Approps. of FY 00 GF Surplus | <u>190.460</u> | |
| Revised Balance | \$ 33.340 | |
| Amount required to fund the Budget Reserve Fund [1] | <u>33.400</u> | Assumes Governor's bottom-line is what is approved. |
| Remaining Balance based on Governor's Proposals [1] | \$ (0.060) | |

[1] Due to rounding, the Governor's proposed uses of surplus exceed the available surplus by \$60,000. In actuality, this amount would be deducted from the level to be transferred to the Budget Reserve Fund, resulting in a zero balance. Adding \$33.4 million to the Budget Reserve Fund would increase it from \$529.1 million to \$562.5 million.

**Governor's Recommendations Regarding Using the Projected FY 00
Transportation Fund Surplus
(in millions)**

| | Governor's Proposal <u>as of 2/9/00</u> | |
|---|--|--|
| Projected Surplus | \$ 105.8 | |
| Revenues | | |
| Motor Fuels Tax | | |
| Reduce Motor Fuels Tax by \$.07 Effective 4/1/00 | <u>25.1</u> | |
| Total Revenue Changes | 25.1 | |
| Expenditures | | |
| <u>OFA Comment</u> | | |
| Appropriate for the following: | | |
| DOT - Grant to Tweed New Haven Airport Authority | 1.8 | One-time. |
| Debt Service - for defeasance or to use in lieu of issuance of debt | <u>60.0</u> | One-time. Reflects using surplus to pay future debt service. |
| Sub-total - Proposed Approps. of FY 00 TF Surplus | <u>61.8</u> | |
| Revised Surplus Balance | \$ 18.9 | |

Revised Current Services Estimates and Utilization of Available Excess Revenue

In early February 2000, OFA projected that revenues would exceed expenditures on a current services basis for FY 01. While a specific current services estimate is not shown in the governor's document, OFA has estimated one based on an analysis of his proposals from a technical vs. policy perspective. The following table displays projected revenues and expenditures for the FY 01 budget as enacted, with updated current services estimates for both the governor and OFA.

General Fund and Transportation Fund (in millions)

| | Original FY 01 | Governor's Current Services FY 01 [1] | OFA's Current Services FY 01 |
|--------------------------------|-------------------|---|------------------------------------|
| Revenues (at current rates) | \$11,982.7 | \$12,363.6 | \$12,313.1 |
| Expenditures | 11,940.1 | 12,146.9 | 12,092.5 |
| Balance | \$42.6 | \$216.7 | \$220.6 |

The governor's proposals for the \$216.7 million of projected extra revenue include revenue reductions of \$243.4 million (partially offset by policy reductions affecting expenditures). The largest of these are the elimination of the Hospital Gross Receipts Tax (\$70.7 million) and the \$.07/gallon reduction in the Motor Fuels Tax (\$94.2 million) from \$.32 to \$.25 per gallon for a combined total of \$164.9 million.

[1] The governor's current services revenue amount shown here is \$11.1 million lower than the amount reflected in his budget, because OFA has treated the proposed reduction in the amount to be transferred from the Tobacco Settlement Fund to the General Fund as a policy revision rather than as a technical revision.

**Current Services Differences
Between OFA and OPM
(General and Transportation Funds)**

In early February 2000, OFA projected that \$102.7 million in net increases in FY 01 would be necessary to maintain the current level of state services provided. OPM has indicated that the governor's budget includes \$159.7 million in current services increases. This \$57 million difference represents 0.5% of the total amounts originally appropriated to the General and Transportation Funds for FY 01. Both of these figures exclude restoration of the \$50 million in recognition that savings from state information technology (IT) privatization will not be achieved due to the inability to reach a contract to implement this effort through a private company.

The following table indicates the major areas of difference between the OFA and OPM current services projections. These differences are currently being reviewed.

| Major Current Services Differences Between OFA and OPM (in millions) | | | | |
|--|---------|---------|--------|---|
| Agency | OFA | OPM | Diff. | OFA Comment |
| Social Services | \$25.3 | \$67.3 | \$42.0 | Difference is largely attributable to the Medicaid calculation, which OFA will review with OPM. |
| Correction | 12.5 | 26.2 | 13.7 | OFA's estimate is based on a prison population of 17,500, whereas OPM's estimate is based on 19,000. Potential lapses may offset some of the additional anticipated cost. OFA will be reviewing prison population trends and will attempt to determine if the costs are realistic based on whether there is sufficient institutional capacity to house the projected additional inmates. |
| Debt Service | (7.2) | 8.5 | 15.7 | Difference reflects an increase in the issuance assumption for General Obligation bonds. The OPM estimate is based on the additional issuance of \$75 million in Spring 2000 and \$249 million in Fall 2000, at a 6% interest rate for both issues. The additional issuance is due to an anticipated increase in bond fund allocations by the State Bond Commission. OFA is awaiting information regarding the proposed increase in Bond Commission allocations from OPM. |
| All Others | 72.1 | 57.7 | (14.4) | |
| Totals | \$102.7 | \$159.7 | \$57.0 | |

1999-2001 Biennial Budget Statutory Spending Cap

Original Budget v. Governor's Recommended Budget

The original 1999-2001 biennial budget was under that statutory spending cap by \$68.6 million in FY 00 and by \$59.3 million in FY 01. The governor's recommended budget is under the cap by \$0.9 million in FY 00 and by \$84.1 million in FY 01.

The FY 00 difference is due to an increase of \$67.7 million in total appropriations for General Fund and Transportation Fund deficiencies. This additional appropriation raises the base for the FY 01 statutory spending cap calculation from \$11,618.9 million to \$11,686.6 million.

In addition to the adjustment in the base for the FY 01 calculation, there are several other changes that affect the FY 01 cap. The five-year average growth in personal income has increased from an estimated 5.16% used in 1999, to 5.48%. Applying this larger percentage to the adjusted base results in an increase in allowable capped growth of \$33.2 million from the original budget.

Total FY 01 non-capped expenditures in the governor's recommended budget are \$34.8 million higher than in the original budget. A breakdown of these increases is as follows: debt service, \$5.2 million; federal mandates and court orders, \$24.2 million; and grants to distressed municipalities, \$5.4 million.

One item of concern is treating the appropriation of the Workforce Investment Act (WIA) federal grant funds of \$26.7 million as a federal mandate, thus exempting them from the cap in FY 01. While it is true that federal law requires the states to appropriate these funds, it appears that doing so does not meet the requirements of a federal mandate as defined in the statutory cap language. It may be possible to provide for an adjustment to FY 00 base appropriations to reflect the level of Job Training Partnership Act (JTPA) funds the state is to receive in FY 00. The WIA funds replace JTPA funds, which were not subject to appropriation.

Calculations based on all of the above-mentioned factors show that the governor's total recommended FY 01 expenditures allowed by the statutory spending cap are \$135.6 million higher than the original budget, and total appropriations are \$110.8 million higher.

The table on the following page compares the original 1999-2001 biennial budget to the governor's recommended budget.

**1999-2001 Biennial Budget
Statutory Spending Cap Calculations**

| | Original FY 00 <u>Budget</u> | Original FY 01 <u>Budget</u> | Governor's Revised FY 00 <u>Budget</u> | Governor's Revised FY 01 <u>Budget</u> |
|---|---|---|---|---|
| Total All Appropriated Funds - Prior Year | \$ 11,074.8 | \$ 11,618.9 | \$ 11,074.8 | \$ 11,686.6 |
| Less "Non-Capped" Expenditures: | | | | |
| Debt Service | \$ 1,237.5 | \$1,328.7 | \$ 1,237.5 | \$ 1,328.7 |
| Statutory Grants to Distressed Municipalities | <u>1,016.1</u> | <u>1,074.2</u> | <u>1,016.1</u> | <u>1,074.2</u> |
| Total "Non-Capped" Expenditures - Prior Year | <u>2,253.6</u> | <u>2,402.9</u> | <u>2,253.6</u> | <u>2,402.9</u> |
| Total "Capped" Expenditures | 8,821.2 | 9,216.0 | 8,821.2 | 9,283.7 |
| Times Five-Year Average Growth in Personal Income | 5.08% | 5.16% | 5.08% | 5.48% |
| Allowable "Capped" Growth | <u>448.1</u> | <u>475.5</u> | <u>448.1</u> | <u>508.7</u> |
| "Capped" Expenditures | 9,269.3 | 9,691.6 | 9,269.3 | 9,792.4 |
| Plus "Non-Capped" Expenditures: | | | | |
| Debt Service | 1,328.7 | 1,414.2 | 1,328.7 | 1,419.4 |
| Federal Mandates and Court Orders (new \$) | 15.3 | 7.9 | 15.3 | 32.1 |
| Statutory Grants to Distressed Municipalities | <u>1,074.2</u> | <u>1,102.4</u> | <u>1,074.2</u> | <u>1,107.8</u> |
| Total "Non-Capped" Expenditures | <u>2,418.2</u> | <u>2,524.5</u> | <u>2,418.2</u> | <u>2,559.3</u> |
| Total All Expenditures Allowed | 11,687.5 | 12,216.1 | 11,687.5 | 12,351.7 |
| Total Appropriations | <u>11,618.9</u> | <u>12,156.8</u> | <u>11,686.6</u> | <u>12,267.6</u> |
| Amount Total Appropriations are Over (Under) the Cap | (68.6) | \$ (59.3) | \$ (0.9) | \$ (84.1) |

**FY 00 and FY 01 Budget Growth Rates
(Based on OFA Adjustments)**

| | FY 00 OFA Est. Expend. [1] | Gov. Rec. Revised FY 01 Budget | Amount of Change | Percent Change (Adjusted) |
|-------------------------------------|----------------------------------|---|---------------------|---------------------------------|
| General Fund | | | | |
| Base | \$ 10,674.9 | \$11,249.4 | | |
| Adjustments [2] | 45.3 | (18.5) | | |
| Subtotal | \$ 10,720.2 | \$11,230.9 | \$ 510.7 | 4.8% |
| Transportation Fund | | | | |
| Base | \$ 809.4 | \$ 815.0 | | |
| Adjustments [3] | 6.1 | 48.1 | | |
| Subtotal | \$ 815.5 | \$ 863.1 | \$ 47.6 | 5.8% |
| Other Appropriated Funds [4] | | | | |
| Base | \$ 212.3 | \$ 203.1 | | |
| Adjustments [5] | (1.4) | - | | |
| Subtotal | \$ 210.9 | \$ 203.1 | \$ (7.8) | -3.7% |
| Total [6] | \$ 11,746.6 | \$12,297.1 | \$ 550.5 | 4.7% |

[1] General Fund and Transportation Fund estimates are as of February, 2000.

[2] The following are adjustments to the General Fund for purposes of comparability with prior years.

| | FY 00 Adopted Budget | FY 01 Gov. Rec. Budget |
|---|----------------------------|------------------------------|
| (a) Pre-fund higher education endowment match from the FY 99 surplus | \$ 9.1 | \$ 7.7 |
| (b) Department of Education library books from the FY 99 surplus | 3.1 | 3.1 |
| (c) Department of Social Services – Pre-fund Medicaid capitation payments (equal to one-month's cost) from surplus. (The amount shown in FY 99 was paid in FY 98 but constituted an extra month's payment (a 13 th) that year. By placing these amounts as adjustments in each fiscal year, a total of 12 payments is reflected.) | 34.2 | 35.9 |
| Change accounting for ConnPACE drug rebates to a net basis | - | 8.0 |
| (d) Transfer of General Fund costs to other funds or off-budget for: | | |
| Equipment purchases to Capital Equipment Purchase Fund (bond funds); the increase is over the FY 99 level of \$15.1 million | 11.9 | 5.9 |
| Connecticut Historical Commission – Fund Freedom Trail and the Rochambeau Route from Tourism Fund. | - | 0.1 |

| | FY 00 Adopted Budget | FY 01 Gov. Rec. Budget |
|--|----------------------------|------------------------------|
| DECD – Fund Freedom Trail and Film Comm. From Tourism Fund | - | 0.3 |
| DMHAS – Fund compulsive gamblers from Chronic Gamblers account | - | 0.1 |
| State Library – Fund Impressionist Art Trail from the Tourism Fund | - | 0.1 |
| (e) Transfers to the General Fund of costs previously paid by other funds: | | |
| Department of Social Services – Services previously paid from Social Services Block Grant (SSBG) | - | (11.5) |
| Department of Correction – continue funding for 125 halfway house beds previously supported by federal funds that have expired | (1.4) | (2.3) |
| DCF – Pickup of previously federally funded programs | - | 1.0 |
| Judicial Department – previously supported by federal funds: | | |
| Programs | (4.7) | (4.7) |
| Grants | (0.9) | (1.4) |
| Family violence dockets | (1.7) | (1.8) |
| Project READ and Zero-Tolerance Program | - | 1.0 |
| State Police Highway Motor Patrol Fringe Benefits from the Transportation Fund | (13.1) | (14.4) |
| Department of Transportation – Town Aid Road Grants were paid from Transportation Fund | - | (35.0) |
| (f) Reserve for Salary Adjustments – Funding is provided from the FY 99 carry- forward | - | 10.0 |
| (g) OPM Safe Neighborhoods – Reflect use of FY 99 surplus to provide higher level of program funding | 1.3 | 1.3 |
| (h) Private Providers Increase – A portion of the FY 00 cost is being paid from FY 99 surplus | 7.2 | - |
| (i) State Library – Funds were transferred from FY 99 to supplement the budgeted level for the Statewide Database Management program | 0.4 | 0.4 |
| Digital Library – Fund from FY 00 surplus | - | 2.0 |
| (j) Department of Labor – Appropriation of federal Workforce Investment Act (WIA) funds, previously “off-budget” as Job Training Partnership Act (JTPA) funds | - | (26.7) |
| Individual Development Accounts – Fund from FY 00 Surplus | - | 0.4 |
| (k) Charter Oak College – Fund Distance Learning Consortium from FY 00 Surplus | - | 2.0 |
| Total General Fund | \$ 45.3 | \$ (18.5) |

[3] The following are adjustments to the Transportation Fund for purposes of comparability with prior years.

| | FY 00 Adopted Budget | FY 01 Gov. Rec. Budget |
|--|----------------------------|------------------------------|
| (a) Transfer of State Police Highway Motor Patrol Fringe Benefits to the General Fund | 13.1 | 14.4 |
| (b) Transfer to the Transportation Fund of costs previously paid by other funds: | | |
| Motor Vehicles Department | | |
| Transfer 34 positions from the Emissions Fund | (1.5) | (1.5) |
| Eliminate the Insurance Enforcement Fund and transfer five positions and \$0.4 million in revenues | (0.3) | (0.4) |
| (c) Remove "one-time" costs for 27 th payroll | (5.2) | - |
| (d) Transfer Town Aid Road to the General Fund | - | 35.0 |
| (e) Pay FY 01 (and next biennium's) costs for Tweed-New Haven Airport from FY 00 Surplus | - | 0.6 |
| Total Transportation Fund | \$ 6.1 | \$ 48.1 |

[4] Includes the following: Banking, Insurance, DPUC/Consumer Counsel, Workers' Compensation, Regional Market, Soldiers', Sailors' and Marines', Criminal Injuries Compensation, and Mashantucket Pequot and Mohegan funds.

[5] Remove "one-time" costs for 27th payroll (\$1.4 million) from FY 00.

[6] The amounts shown for FY 00 Estimated Expenditures and FY 01 Revised Budget do not include funds appropriated from the FY 99 or FY 00 surplus for one-time expenditures. Expenditures from the FY 99 and FY 00 surplus for one-time items that are not included above are as follows.

| | FY 00 Estimated Expend. | FY 01 Gov. Rev. Budget |
|--|-------------------------------|------------------------------|
| General Fund | | |
| Tax Rebate Program (including supplemental payment (FY 98) an administrative costs). For FY 00, a carry-forward of \$13.3 million will be made available to augment the appropriation of \$96.2 million from the FY 99 surplus. | \$ 119.5 | \$ - |
| Year 2000 Conversion (Y2K) - Of the \$80 million available in FY 99, \$34.4 million was spent. The balance of \$45.6 million was carried forward and made available for expenditure in FY 00. Of the \$15 million appropriated for use in FY 00, \$6 million is to be redirected for other purposes. | 9.0 | - |
| Pre-fund the 27th payroll that occurs every 11 years | 90.0 | - |
| County Sheriffs - 27th payroll | 1.0 | - |
| Pre-fund Medicaid capitation incentive payments | 3.8 | 4.1 |
| State Employees Health Insurance | | |
| Convert to fully-insured plan from self-insured plan (the "tail") | 30.0 | 4.5 |

| | FY 00 Estimated Expend. | FY 01 Gov. Rev. Budget |
|--|-------------------------------|------------------------------|
| Pay off deficit in Rate Stabilization Reserve Account with Anthem Blue Cross and Blue Shield | 30.0 | 4.5 |
| Pre-fund certain pier diem costs of private providers in the departments of Mental Retardation, Mental Health and Addiction Services, and Children and Families due to the leap year (FY 00) | 4.8 | - |
| Fund Payment of Uconn Educational Properties, Inc. developer's claim | 2.5 | - |
| Fund moving costs for the State Library Archives | 1.0 | 1.0 |
| Department of Information and Technology - Fund automated forms and licenses ("e-government") | 0.5 | 1.2 |
| Department of Environmental Protection - Fund aerial photo survey | 0.3 | 0.9 |
| Ethics Commission - Fund electronic filing system | 0.2 | - |
| Legislative Management - Security cameras, emergency management, building access | 0.8 | 0.4 |
| Office of Policy and Management - One-time LoCIP supplemental grant | 5.4 | 14.6 |
| Department of Education - Appropriate funds for school construction | 55.0 | 90.0 |
| Teachers' Retirement - Computer software for new benefits system | 0.2 | 1.3 |
| Payment of various lawsuits and related costs | 20.2 | - |
| Legislative Management - Redistricting | 0.2 | 0.9 |
| Auditors - Information technology consulting | 0.1 | - |
| Office of Policy and Management - Tallships (Operation Sail 2000) | 1.7 | 5.5 |
| Office of Policy and Management - Art grants | 6.0 | - |
| Department of Veterans' Affairs - Veterans' Memorial | 0.3 | - |
| Department of Public Works - Capital Projects Revolving Fund | 6.0 | - |
| Department of Economic and Community Development - Amistad | 0.3 | - |
| Office of Health Care Access - Distressed hospitals | - | 5.8 |
| Department of Education - Audit Hartford schools | 0.6 | - |
| PILOT - State-Owned - Long Lane and Courthouse retroactive payment | 0.2 | - |
| Dept. of Labor - Workforce Investment Act - Title I | 0.4 | - |
| DEP - Mosquito-transmitted diseases | - | 1.0 |
| DMHAS - Community programs - private providers | - | 8.2 |
| DSS - Outreach for HUSKY A & B | - | 1.0 |
| State Library - Arts Enhancement | - | 2.0 |
| DHE - Establish Gov. O'Neill Chair in public policy at CCSU | - | 1.0 |
| DCF - Various programs/items | - | 8.6 |
| DOIT - Education Network; School wiring; Core fin. sys.; Move to new facility | - | 41.0 |
| OPM - UConn Health Center Deficit | - | 20.0 |
| Misc. Uses of FY 00 Surplus | - | 5.4 |
| General Fund Total | \$ 390.0 | \$ 222.9 |
| Transportation Fund | | |
| Motor Vehicles Department - reflectorized license plate replacement | \$ 0.3 | \$ 12.6 |
| Department of Transportation - Payment of lawsuit settlement | 3.9 | - |
| Transportation Fund Total | \$ 4.2 | \$ 12.6 |
| Total | \$ 394.2 | \$ 235.5 |

If these amounts were included in the percent calculation, the increase would be 3.2% in FY 01.

Technical vs. Policy Revisions in the FY 01 Governor's Budget

The governor's recommended changes for FY 01 may be divided into technical and policy revisions. Technical revisions include: (1) increases or decreases resulting from caseload or uncontrollable cost changes and (2) changes required as a result of existing mandates (e.g. due to legislation previously passed without the proper adjustment to the budget). Policy revisions include: (1) increases due to new or expanded programs, and (2) decreases due to programmatic reductions or eliminations resulting from new policy directions, including the movement of programs from appropriated to non-appropriated funds. OFA generally treats transfers as policy revisions.

The technical and policy revisions for all appropriated funds may be categorized as follows:

| Governor's Recommended Adjustments (as categorized by OFA) | Amounts (in millions) |
|---|----------------------------------|
| 1. Decreasing Technical Revisions | \$ (109.2) |
| 2. Increasing Technical Revisions | <u>317.9</u> |
| Net Technical Revisions | \$ 208.7 |
| 3. Decreasing Policy Revisions | \$ (226.7) |
| 4. Increasing Policy Revisions | <u>128.8</u> |
| Net Policy Revisions | \$ (97.9) |
| Total Net Budget Changes | \$ 110.8 |

Detailed schedules outlining all of the above changes follow.

Technical Revision Reductions

General Fund

Freedom of Information Commission

Adjust Personal Services to Reflect Collective Bargaining Settlements -1,338

State Properties Review Board

Adjust Personal Services to Reflect Collective Bargaining Settlements -1,075

State Treasurer

Adjust Personal Services to Reflect Final Collective Bargaining Settlements -2,345

State Comptroller

Adjust Personal Services to Reflect Final Collective Bargaining Settlements -44,461

Reduce State Employees Retirement Database Account -100,000

Total Agency -144,461

Department of Revenue Services

Adjust Personal Services to Reflect Final Collective Bargaining Settlements -35,195

Division of Special Revenue

Reduce Sealed Ticket Costs -100,000

Gaming Policy Board

Reduce Agency Operating Expenses -400

Office of Policy and Management

Reduce Funding for the High Efficiency Licensing Program -100,000

Reestimate Funding for Justice Assistance Grants -1,000,000

Reestimate Funding Requirement for the Elderly Property Tax Relief
Circuit Breaker Program -2,500,000

Reestimate Funding Requirement for the Veterans' Property Tax Relief Program -500,000

Total Agency -4,100,000

Department of Administrative Services

Adjust Personal Services to Reflect Final Collective Bargaining Settlements -19,081

Attorney General

Adjust Personal Services to Reflect Final Collective Bargaining Settlements -29,424

Division of Criminal Justice

Adjust Funding for Forensic Sex Evidence Exam Reimbursements -10,000

Department of Public Safety

Adjust Personal Services to Reflect Final Collective Bargaining Settlements -103,144

Increase Turnover -100,000

Transfer Funding for OEM Merger Shortfall -76,372

Total Agency -279,516

Police Officer Standards and Training Council

Adjust Personal Services to Reflect Final Collective Bargaining Settlements -2,036

Commission on Fire Prevention and Control

Adjust Personal Services to Reflect Final Collective Bargaining Settlements -2,667

| | |
|---|--------------------|
| Labor Department | |
| Transfer Tax Credit Programs from Other Expenses to New Accounts | -250,000 |
| Connecticut Historical Commission | |
| Adjust Personal Services to Reflect Final Collective Bargaining Settlements | -1,531 |
| Department of Economic and Community Development | |
| Reduce Assisted Living PILOT | -1,214,392 |
| Agricultural Experiment Station | |
| Adjust Personal Services to Reflect Final Collective Bargaining Settlements | -3,253 |
| Department of Public Health | |
| Adjust Personal Services to Reflect Final Collective Bargaining Settlements | -32,108 |
| Office of the Medical Examiner | |
| Adjust Personal Services to Reflect Final Collective Bargaining Settlements | -7,795 |
| Department of Mental Retardation | |
| Adjust Personal Services to Reflect Final Collective Bargaining Settlements | -51,438 |
| Department of Mental Health and Addiction Services | |
| Adjust Personal Services to Reflect Final Collective Bargaining Settlements | -106,347 |
| Department of Social Services | |
| Connecticut Home Care Program Caseload Re-estimate | -2,600,000 |
| HUSKY Program Cost and Caseload Update | -4,661,572 |
| Eliminate Separate Account for Immigrant Medical Services | -510,000 |
| FINANCIAL ASSISTANCE Temporary Family Assistance Cost and Caseload Update | -19,448,559 |
| Supplemental Assistance Cost and Caseload Update | -7,573,644 |
| Child Care Cost and Caseload Update | -14,577,786 |
| Adjust Personal Services to Reflect Final Collective Bargaining Settlements | -17,370 |
| Total Agency | -49,388,931 |
| Department of Education | |
| Adjust Personal Services | -43,543 |
| Re-Estimate Training of Paraprofessionals Account | -263,000 |
| Re-estimate Grant Program Needs and Utilization | -1,114,000 |
| Total Agency | -1,420,543 |
| Commission on the Deaf and Hearing Impaired | |
| Adjust Personal Services to Reflect Final Collective Bargaining Settlements | -624 |
| State Library | |
| Adjust Personal Services | -507 |
| Department of Higher Education | |
| Adjust Personal Services to Reflect Final Collective Bargaining Settlements | -29,033 |
| Adjust Funding for the Minority Teacher Incentive Program | -30,000 |
| Total Agency | -59,033 |
| University of Connecticut Health Center | |
| Adjust Personal Services to Reflect Collective Bargaining Settlements | -357,616 |
| Teachers' Retirement Board | |
| Adjust Personal Services to Reflect Collective Bargaining Settlements | -5,555 |

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|---|---------------------|
| Regional Community - Technical Colleges | |
| Adjust Personal Services to Reflect Final Collective Bargaining Settlements | -138,227 |
| Connecticut State University | |
| Adjust Personal Services to Reflect Collective Bargaining Settlements | -100,168 |
| Department of Correction | |
| Adjust Personal Services to Reflect Final Collective Bargaining Settlements | -138,059 |
| Department of Children and Families | |
| Transfer Funding for Transitional Youth to DMHAS | -1,800,000 |
| Recognize Decreasing Caseloads/Consent Decree | -1,517,499 |
| Adjust Personal Services to Reflect Final Collective Bargaining Settlements | -28,547 |
| Adjust Position Count/Consent Decree | -1,188,287 |
| Expenditure Update/Office Lease Costs | -22,000 |
| Expenditure Update/Juvenile Justice Community Beds | -1,460,000 |
| Achieve Enhanced Levels of Care Within Available Funds | -3,500,000 |
| Expenditure Update/FY 00 Enhancement Funds | -122,771 |
| Expenditure Update/Group Home Services | -153,300 |
| Total Agency | -9,792,404 |
| County Sheriffs | |
| Adjust Personal Services to Reflect Final Collective Bargaining Settlements | -4,908 |
| Debt Service - State Treasurer | |
| Reduce Debt Service by Defeasing Bonds | -6,483,126 |
| Eliminate Debt Service on New Haven Tax Incremental Financing (TIF) Bonds | -1,916,321 |
| Eliminate Debt Service on Bridgeport Tax Incremental Financing (TIF) Bonds | -4,983,333 |
| Eliminate Debt Service on Patriots Stadium Bonds | -2,950,000 |
| Reduce Debt Service to Reflect Actual Interest Rate on UConn 2000 Bonds | -825,500 |
| Total Agency | -17,158,280 |
| Reserve for Salary Adjustments | |
| Transfer Funding for Special Deputy Sheriffs to Agency | -500,000 |
| Transfer Funding for Accruals for Employees Charged to Federal Programs | -1,153,350 |
| Total Agency | -1,653,350 |
| Judicial Review Council | |
| Reduce Funding in Other Expenses | -52,200 |
| Unemployment Compensation | |
| Reduce Funding Due to Revised Estimates | -1,375,000 |
| State Employees Retirement Contributions | |
| Adjust Requirements Due to Increases in Recoveries | -3,886,000 |
| Employers Social Security Tax | |
| Adjust Requirements Due to Increases in Recoveries | -2,750,000 |
| State Employees Health Service Cost | |
| Adjust Requirements Due to Increases in Recoveries | -1,578,000 |
| Reduce Funding Due to Revised Estimates | -8,198,063 |
| Total Agency | -9,776,063 |
| Total General Fund | -104,451,870 |

Workers' Compensation Fund

Workers' Compensation Commission

Adjust Personal Services to Reflect Final Collective Bargaining Settlements -33,187

Soldiers', Sailors', and Marines' Fund

Soldiers, Sailors and Marines' Fund

Adjust Personal Services to Reflect Final Collective Bargaining Settlements -4,239

Regional Market Operation Fund

Department of Agriculture

Adjust Personal Services to Reflect Final Collective Bargaining Settlements -477

Transportation Fund

Motor Vehicle Department

Adjust Personal Services to Reflect Final Collective Bargaining Settlements -135,706

Department of Transportation

Adjust Personal Services Account to Reflect Final Collective Bargaining Settlements -27,795

Debt Service - State Treasurer

Reduce Debt Service by Defeasing Bonds -4,587,181

Total Transportation Fund

-4,750,682

Grand Total

-109,240,455

Technical Revision Additions

General Fund

Secretary of the State

Adjust Personal Services to Reflect Collective Bargaining Settlements 3,679

Lieutenant Governor's Office

Increase Other Expense Account 10,000

Ethics Commission

Adjust Personal Services to Reflect Collective Bargaining Settlements 7,331

Freedom of Information Commission

Annualize Position Reclassifications 18,591

Division of Special Revenue

Adjust Personal Services to Reflect Final Collective Bargaining Settlements 2,232

Office of Policy and Management

Adjust Personal Services to Reflect Final Collective Bargaining Settlements 51,197

Increase Funding for Other Expenses 100,000

Reestimate Funding for Disability Exemption 10,979

Reestimate Funding Requirement for the PILOT for New Manufacturing Machinery
and Equipment 4,500,000

Total Agency 4,662,176

Department of Veterans Affairs

Adjust Personal Services to Reflect Final Collective Bargaining 2,100

Department of Information Technology

Adjust Personal Services to Reflect Final Collective Bargaining Settlements 10,544

Department of Public Works

Implement Provisions of PA 99-142, Standard Wage Rates for Standard Wage
Rates for Service 650,000

Workers

Adjust Personal Services to Reflect Final Collective Bargaining Settlements 15,706

Total Agency 665,706

Office of the Claims Commissioner

Adjust Personal Services to Reflect Final Collective Bargaining Settlements 24,558

Division of Criminal Justice

Provide Funding for Racial Profiling Law 75,000

Adjust Personal Services to Reflect Final Collective Bargaining Settlements 43,440

Total Agency 118,440

Department of Public Safety

Increase Funding to Reflect Sworn Position Adjustment 1,478,641

Police Officer Standards and Training Council

Increase Funding for Copier Rental 2,500

| | |
|---|-------------------|
| Military Department | |
| Increase Funding for OEM Merger Shortfall | 94,372 |
| Increase Funding for Honorary Firing Squads | 28,000 |
| Provide Funding for Employee Retirement Payouts | 21,883 |
| Increase Per Diem Pay for Honorary Firing Squad Members | 222,000 |
| Adjust Personal Services to Reflect Final Collective Bargaining Settlements | 12,696 |
| Total Agency | 378,951 |
| Department of Consumer Protection | |
| Adjust Personal Services to Reflect Collective Bargaining Settlements | 9,105 |
| Labor Department | |
| Adjust Personal Services to Reflect Final Collective Bargaining Settlements | 32,108 |
| Appropriate Funds for the Workforce Investment Act | 26,694,366 |
| Add Funds for Accrued Sick and Vacation Leave | 200,000 |
| Total Agency | 26,926,474 |
| Office of Victim Advocate | |
| Adjust Personal Services to Reflect Final Collective Bargaining Settlements | 3,391 |
| Commission on Human Rights and Opportunities | |
| Adjust Personal Services to Reflect Final Collective Bargaining Settlements | 26,211 |
| Add Funds to the Commission for Human Rights Referees Salary Adjustment | 106,632 |
| Total Agency | 132,843 |
| Office of Protection and Advocacy for Persons with Disabilities | |
| Adjust Personal Services to Reflect Final Collective Bargaining Settlements | 7,156 |
| Office of the Child Advocate | |
| Adjust Personal Services to Reflect Collective Bargaining Settlements | 9,125 |
| Annualize Position Reclassification | 10,869 |
| Total Agency | 19,994 |
| Department of Agriculture | |
| Adjust Personal Services to Reflect Final Collective Bargaining Settlements | 76,670 |
| Department of Environmental Protection | |
| Provide Staff for Ft. Trumbull | 359,500 |
| Provide Funds for Federal Employees Sick and Vacation Accruals | 16,600 |
| Adjust Personal Services to Reflect Final Collective Bargaining Settlements | 6,542 |
| Provide Staff for Silver Sands | 309,000 |
| Total Agency | 691,642 |
| Department of Economic and Community Development | |
| Adjust Personal Services to Reflect Final Collective Bargaining Settlement | 13,686 |
| Department of Public Health | |
| Continue Support for Two School Based Health Centers | 204,000 |
| Current Services Update/Nail Technician Licensure Program | 179,500 |
| Meet Federal Data Reporting Requirements | 38,400 |
| Implement Inactive Nurse Licensure Program | 10,000 |
| Expenditure Update/Electronic Vital Registry System | 144,450 |
| Total Agency | 576,350 |
| Office of Health Care Access | |
| Adjust Personal Services to Reflect Final Collective Bargaining Settlements | 9,483 |

| | |
|---|--------------------|
| Department of Mental Retardation | |
| Adjustment for Age Outs Funding | 4,351,034 |
| Expenditure Update/Birth-to-Three System | 1,472,000 |
| Funding for Independent Ombudsperson | 98,000 |
| Enhance Community Placements for Southbury Training School Residents | 2,981,965 |
| Expenditure Update/Workers' Compensation Claims | 2,600,000 |
| Total Agency | 11,502,999 |
| Department of Mental Health and Addiction Services | |
| Annualize Funding for Special Populations | 8,800,000 |
| Fund Transitional Youth Program | 3,279,998 |
| General Expenditure Updates | 3,600,000 |
| Total Agency | 15,679,998 |
| Department of Social Services | |
| MEDICAID Medicaid Expenditure Re-estimate | 93,846,025 |
| ConnPACE Cost and Caseload Update | 11,131,128 |
| State Administered General Assistance Cost and Caseload Update | 7,927,832 |
| General Cost Update | 3,808,443 |
| Total Agency | 116,713,428 |
| Board of Education and Services for the Blind | |
| Fund the Impact of the Standard Wage Act | 132,000 |
| Adjust Personal Services to Reflect Final Collective Bargaining Settlements | 3,773 |
| Total Agency | 135,773 |
| University of Connecticut | |
| Adjust Personal Services | 95,066 |
| Charter Oak College | |
| Adjust Personal Services | 6,800 |
| Teachers' Retirement Board | |
| Increase Funding for the Municipal Retirees Health Insurance Costs | 561,000 |
| Connecticut State University | |
| Provide Funding for New Facilities | 574,858 |
| Department of Correction | |
| Provided Funds for Out of State Prison Beds | 11,912,900 |
| Meet Additional Utility Requirements | 362,608 |
| Adjust for Increased Inmate Population | 8,385,720 |
| Provide Additional Funding for Inmate Medical Services and Workers Compensation | 5,664,738 |
| Total Agency | 26,325,966 |
| Board of Parole | |
| Adjust Personal Services to Reflect Final Collective Bargaining Settlements | 16,925 |
| Department of Children and Families | |
| Establish Infant Safe Homes/Consent Decree | 185,055 |
| Add Specialized Foster Care Beds/Consent Decree | 463,579 |
| Expenditure Update/Services for Transitional Youth | 1,800,000 |
| Expenditure Update/Annualization-FY 00 Deficiency | 5,887,799 |
| Implement Federal Child Abuse Prevention and Treatment Act Regulations | 87,000 |
| Pickup with State Funds/Child Welfare Staff | 591,460 |
| Maintain Local Systems of Care Programs | 400,000 |
| Total Agency | 9,414,893 |

| | |
|---|--------------------|
| County Sheriffs | |
| Provide Funds for Holiday and Personal Leave for Qualified Special Deputy Staff | 1,153,350 |
| Judicial Department | |
| Provide Deficiency Funding for Juvenile Detention Enhancement | 5,459,387 |
| Fund the Impact of the Standard Wage Act | 53,312 |
| Total Agency | 5,512,699 |
| Public Defender Services Commission | |
| Adjust Personal Services to Reflect Final Collective Bargaining | 177,997 |
| Debt Service - State Treasurer | |
| Increase Debt Service by Increasing General Obligation (GO) Bond Issuance Assumption | 15,720,000 |
| Increase Arbitrage Rebate | 1,500,000 |
| Increase Interest Rate and Issuance Assumptions | 8,464,504 |
| Total Agency | 25,684,504 |
| Workers' Compensation Claims - Department of Administrative Services | |
| Increase Funding for Workers' Compensation Claims | 2,000,000 |
| Employers Social Security Tax | |
| Adjust Funding Due to Positions Changes | 520,500 |
| State Employees Health Service Cost | |
| Adjust Funding Due to Position Changes | 860,000 |
| Retired State Employees Health Service Cost | |
| Increase Funding Due to Revised Estimates | 9,200,000 |
| Lapses | |
| IT Savings | 50,000,000 |
| Total General Fund | 311,988,999 |
| Banking Fund | |
| Department of Banking | |
| Adjust Personal Services to Reflect Final Collective Bargaining | 2,393 |
| Add Funds to the Department Due to an Adjustment to the Fringe Benefit Recovery Rate | 132,321 |
| Total Agency | 134,714 |
| Insurance Fund | |
| Department of Insurance | |
| Adjust Personal Services to Reflect Final Collective Bargaining Settlements | 5,088 |
| Add Funds to the Department for an Adjustment in the Fringe Benefit Recovery Rate | 223,133 |
| Add Funds to the Department to Implement Public Act 99-284 - An Act Concerning Managed Care | 649,180 |
| Accountability | |
| Total Agency | 877,401 |

Consumer Counsel and Public Utility Control Fund**Office of Consumer Counsel**

| | |
|---|---------------|
| Adjust Personal Services to Reflect Collective Bargaining Settlements | 10,542 |
| Provide Funding to Increase Consumer Counsel's Salary | 10,652 |
| Increase Funding for Fringe Benefits | 30,236 |
| Total Agency | 51,430 |

Department of Public Utility Control

| | |
|---|----------------|
| Adjust Personal Services to Reflect Collective Bargaining Settlements | 66,005 |
| Provide Funding to Increase the Chairperson and Commissioners' Salaries | 95,704 |
| Increase Funding for Fringe Benefits | 228,688 |
| Fund Telecommunications Positions Authorized Through FAC Action | 259,556 |
| Total Agency | 649,953 |

Total Consumer Counsel and Public Utility Control Fund **701,383**

Workers' Compensation Fund**Workers' Compensation Commission**

| | |
|-------------------------------------|---------|
| Adjust Fringe Benefit Recovery Rate | 195,952 |
|-------------------------------------|---------|

Soldiers', Sailors', and Marines' Fund**Soldiers, Sailors and Marines' Fund**

| | |
|--|--------|
| Add Funds to Other Expenses for Revision in Fringe Benefit Recovery Rate | 18,054 |
|--|--------|

Regional Market Operation Fund**Department of Agriculture**

| | |
|--|-------|
| Adjustment to Fringe Benefit Recovery Rate | 2,717 |
|--|-------|

Transportation Fund**Debt Service - State Treasurer**

| | |
|-----------------------------------|-----------|
| Increase Interest Rate Assumption | 1,285,934 |
|-----------------------------------|-----------|

Workers' Compensation Claims - Department of Administrative Services

| | |
|---|-----------|
| Increase Funding for Workers' Compensation Claims | 1,500,000 |
|---|-----------|

State Employees Retirement Contributions

| | |
|--|-----------|
| Adjust Requirements Due to Increases in Recoveries | 1,254,000 |
|--|-----------|

Total Transportation Fund **4,039,934**

Grand Total **317,959,154**

Policy Revision Reductions

General Fund

Governor's Office

Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions -96,000

Secretary of the State

Annualization of the FY 2000 Hiring Freeze and Allotment Recisions -18,950

Lieutenant Governor's Office

Annualize Savings from FY 00 Hiring Freeze -20,000

Ethics Commission

Annualization of the FY 2000 Hiring Freeze and Allotment Recisions -3,428

State Properties Review Board

Annualization of the FY 2000 Hiring Freeze and Allotment Recision -2,480

State Comptroller

Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions -233,000

Department of Revenue Services

Annualize Savings from FY 00 Hiring Freeze -250,000

Division of Special Revenue

Transfer UConn Microchemistry Lab Costs for Urine Testing to Greyhound
Racing Facilities -463,190

Annualize Savings from FY 00 Hiring Freeze -121,665

Total Agency -584,855

Gaming Policy Board

Annualize Savings from FY 00 Hiring Freeze -200

Office of Policy and Management

Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions -286,294

Transfer Funding for Jobs Program Coordinator -100,000

Eliminate Inflation in the Drug Enforcement Program -193,728

Reduce Rate Schedule for the PILOT for New Manufacturing Machinery
and Equipment -2,300,000

Eliminate Funding for Interlocal Agreements -208,080

Total Agency -3,088,102

Department of Veterans Affairs

Reduce Funds From the Department as a Result of the Level of Care Study -395,000

Department of Administrative Services

Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions -1,010,000

Reduce Funding for Automated Personnel System -400,000

Transfer the Automated Personnel System to DOIT -1,502,299

Transfer Positions to CHRO for the Set-Aside Program -61,190

Total Agency -2,973,489

| | |
|---|-------------------|
| Department of Information Technology | |
| Eliminate Funding for Vacant Positions | -150,000 |
| Reduce Funding for Other Expenses | -10,000 |
| Total Agency | -160,000 |
| Attorney General | |
| Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions | -100,000 |
| Office of the Claims Commissioner | |
| Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions | -1,645 |
| Division of Criminal Justice | |
| Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions | -200,000 |
| Department of Public Safety | |
| Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions | -131,462 |
| Police Officer Standards and Training Council | |
| Consider Elimination of Alzheimer's Association Subsidy | -50,000 |
| Board of Firearms Permit Examiners | |
| Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions | -9,000 |
| Military Department | |
| Provide FY 00 Surplus Funds for Completion of Microfiche Project | -50,000 |
| Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions | -10,000 |
| Total Agency | -60,000 |
| Department of Consumer Protection | |
| Annualization of the FY 2000 Hiring Freeze and Allotment Recision | -113,891 |
| Reduce Occupational Licensing Support Services | -10,595 |
| Transfer Public Charities Regulation Program | -173,613 |
| Total Agency | -298,099 |
| Labor Department | |
| Annualize Savings from FY 00 Hiring Freeze | -200,000 |
| Transfer Funds from the Department of Labor to Create a New Office of Workforce Competitiveness | -7,000,000 |
| Reduce Funds for Connecticut Employment and Training Commission | -650,000 |
| Job Funnels for Hartford Projects | -500,000 |
| Reduce Funds from the Community Employment Incentive Program | -1,069,825 |
| Total Agency | -9,419,825 |
| Commission on Human Rights and Opportunities | |
| Reduce Funds to Effect Efficiencies | -168,000 |
| Office of Protection and Advocacy for Persons with Disabilities | |
| Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions | -5,572 |
| Office of the Child Advocate | |
| Reduce Funding to Effect Economies | -17,451 |
| Department of Agriculture | |
| Eliminate Funding for the Food and the Seafood Councils | -100,000 |
| Department of Environmental Protection | |
| Annualize Savings from FY 00 Hiring Freeze | -427,378 |

| | |
|---|-------------------|
| Connecticut Historical Commission | |
| Reduce Funds for Statewide Historical Resource Inventory | -20,000 |
| Reduce Personal Services | -3,300 |
| Transfer Funding for the Rochambeau | -25,000 |
| Transfer Funding for the Freedom Trail | -40,000 |
| Total Agency | -88,300 |
| Department of Economic and Community Development | |
| Annualize Savings from FY 00 Hiring Freeze | -100,000 |
| Replace Funding Source for the Freedom Trail and the Film Commission | -250,000 |
| Reduce Industry Cluster Funding | -400,000 |
| Reduce Other Expenses Account | -150,000 |
| Eliminate Funding for Entrepreneurial Centers | -50,000 |
| Eliminate Funding for Housing Aid | -5,143,276 |
| Total Agency | -6,093,276 |
| Agricultural Experiment Station | |
| Annualize Savings from FY 00 Hiring Freeze | -5,503 |
| Department of Public Health | |
| Transfer Children's Sexual Abuse Clinic Funding | -350,000 |
| Postpone Distribution of Rotavirus Vaccine | -2,389,774 |
| Restrict Funding for Community Health Centers to FY 00 Levels | -382,747 |
| Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions | -1,174,841 |
| Repeal Nail Technician Licensure Program | -179,500 |
| Total Agency | -4,476,862 |
| Office of Health Care Access | |
| Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions | -170,758 |
| Office of the Medical Examiner | |
| Annualize Savings from FY 00 Hiring Freeze | -15,205 |
| Department of Mental Retardation | |
| Transfer Funding to DSS for the Conversion of Southbury Training School Prescription Program to Medicaid | -1,200,000 |
| Reduce Funding as a Result of Residential Phase-In | -1,500,000 |
| Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions | -19,280 |
| Total Agency | -2,719,280 |
| Department of Mental Health and Addiction Services | |
| Close Geriatric Services at CVH | -177,929 |
| Restructure State Operated Acute Psychiatric Services | -463,712 |
| Restructure State Operated Detoxification Services | -255,033 |
| Eliminate Funding for Ambulance Transportation | -300,000 |
| Eliminate New Funding Initiatives | -712,500 |
| Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions | -1,776,820 |
| Transfer Compulsive Gambling Program from General Fund | -100,000 |
| Total Agency | -3,785,994 |
| Department of Social Services | |
| Eliminate Medicaid Adult Health Benefits Under HUSKY A | -22,700,000 |
| Enhance Oral Health | -100,000 |
| Implement Medicaid Equity | -912,000 |
| MEDICAID AND RELATED MEDICAL PROGRAMS Pharmacy Restructuring - Generic Substitutions | -6,700,000 |

| | |
|---|---------------------|
| Pharmacy Restructuring - Most Favorable Pricing | -13,700,000 |
| Revise Accounting Treatment of ConnPACE Rebates | -8,000,000 |
| Reflect Saving Due to Elderly Congregate Housing Changes | -257,000 |
| Restructure HUSKY Outreach | -2,000,000 |
| Strengthen Audit Functions | -3,870,000 |
| Realign Disproportionate Share Hospital Funding | -40,000,000 |
| Provide Additional Resources for Financial Data Matches | -51,230 |
| Strengthen Employment Services Non-Compliance Sanctions | -115,452 |
| Change Security Deposit Program | -224,000 |
| Restructure SAGA Non-Emergency Transportation | -3,942,000 |
| OTHER SERVICES Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions | -1,500,000 |
| Transfer Food Stamp Training Program | -130,800 |
| Implement Administrative Efficiencies | -595,000 |
| Change Processing of Child Support Refunds | -1,800,000 |
| Total Agency | -106,597,482 |

Department of Education

| | |
|---|-------------------|
| Reduce School Accountability Funding | -1,000,000 |
| Annualize FY 00 Hiring Freeze and Allotment Recisions | -1,093,100 |
| Fund 60 Family Resource Centers | -100,000 |
| Total Agency | -2,193,100 |

Board of Education and Services for the Blind

| | |
|--|-----------------|
| Reduce Other Expenses | -70,085 |
| Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions | -78,717 |
| Total Agency | -148,802 |

Commission on the Deaf and Hearing Impaired

| | |
|--|---------|
| Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions | -37,011 |
|--|---------|

State Library

| | |
|--|-----------------|
| Eliminate Funding for the Impressionist Arts Trail | -50,000 |
| Annualize FY 00 Account Reductions | -166,393 |
| Total Agency | -216,393 |

Department of Higher Education

| | |
|----------------------------------|---------|
| Eliminate Inflationary Increases | -69,689 |
|----------------------------------|---------|

Regional Community - Technical Colleges

| | |
|---|------------|
| Eliminate Funding for Access to Opportunity | -2,000,000 |
|---|------------|

Department of Correction

| | |
|--|------------|
| Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions | -2,298,700 |
|--|------------|

Department of Children and Families

| | |
|---|-----------------|
| Realign Voluntary Services | -338,056 |
| Rescind Education Payments After Age 21 | -49,099 |
| Total Agency | -387,155 |

Council to Administer the Children's Trust Fund

| | |
|---|-------------------|
| Reduce Support for Kinship Care Program | -6,375 |
| Eliminate Two Healthy Families/First Steps Programs | -400,000 |
| Reduce Support for Lengthening the Rope Services | -5,690 |
| Re-integrate Children's Trust Fund Into DCF | -3,708,592 |
| Total Agency | -4,120,657 |

| | |
|--|---------------------|
| County Sheriffs | |
| Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions | -89,407 |
| Office of Victim Services | |
| Transfer Funding for the Office of Victim Services (OVS) to the Judicial Department | -3,610,622 |
| Transfer the Sexual Assault Nurse Examiner (SANE) Program to the Division of Criminal Justice | -50,000 |
| Total Agency | -3,660,622 |
| Miscellaneous Appropriations to the Governor | |
| Annualize Savings from FY 00 Hiring Freeze and Allotment Recision | -900 |
| State Employees Retirement Contributions | |
| Consolidate Information Technology | -665,447 |
| Insurance - Group Life | |
| Consolidate Information Technology | -5,030 |
| Employers Social Security Tax | |
| Consolidate Information Technology | -257,620 |
| Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions | -606,300 |
| Total Agency | -863,920 |
| State Employees Health Service Cost | |
| Consolidate Information Technology | -358,970 |
| Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions | -509,600 |
| Adjust Funding Due to Position Changes | -86,600 |
| Total Agency | -955,170 |
| Lapses | |
| Gavel to Gavel | -2,160,000 |
| Legislative Lapse FY 99-00 Hiring Freeze | -700,000 |
| Legislative Lapse FY 00-01 Hiring Freeze | -400,000 |
| Statewide Hiring Freeze | -6,100,000 |
| Total General Fund | -169,838,599 |
| Banking Fund | |
| Department of Banking | |
| Annualize Savings from FY 00 Hiring Freeze | -388,149 |
| Consumer Counsel and Public Utility Control Fund | |
| Office of Consumer Counsel | |
| Annualization of the FY 2000 Hiring Freeze and Allotment Recision | -87,165 |
| Department of Public Utility Control | |
| Annualization of the FY 2000 Hiring Freeze and Allotment Recision | -139,340 |
| Total Consumer Counsel and Public Utility Control Fund | -226,505 |

Workers' Compensation Fund**Labor Department**

Eliminate Funding for the Occupational Health Clinics -674,725

Workers' Compensation Commission

Eliminate Rehabilitative Services Program -6,513,765

Total Workers' Compensation Fund -7,188,490

Mashantucket Pequot and Mohegan Fund Grant

Reduce Funding to Offset General Assistance Disabilities -7,600,000

Regional Market Operation Fund**Department of Agriculture**

Annualize Savings from FY 00 Hiring Freeze -18,687

Criminal Injuries Compensation Fund**Office of Victim Services**

Transfer Funding for the Office of Victim Services (OVS) to the
Judicial Department -1,900,000

Transportation Fund**Motor Vehicle Department**

Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions -272,815

Department of Transportation

Reduce Tweed-New Haven Airport Funding -600,000

Increase Bus Fares -3,481,361

Transfer Town Aid Road Grant to General Fund -35,000,000

Total Agency -39,081,361

State Employees Retirement Contributions

Consolidate Information Technology -86,120

Employers Social Security Tax

Consolidate Information Technology -33,290

Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions -11,500

Total Agency -44,790

State Employees Health Service Cost

Consolidate Information Technology -26,000

Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions -15,600

Total Agency -41,600

Total Transportation Fund -39,526,686

Grand Total -226,687,116

Policy Revision Additions

General Fund

Freedom of Information Commission

Enhance Commissioners' Per Diem Rates 18,050

Department of Revenue Services

Consolidate Information Technology Staff 162,597

Division of Special Revenue

Consolidate Information Technology Staff 36,172

Office of Policy and Management

Consolidate Information Technology 33,446

Department of Veterans Affairs

Consolidate Information Technology Staff 36,177

Office of Workforce Competitiveness

Transfer Funds From the Department of Labor to Create the Office of
Workforce Competitiveness 7,000,000

Transfer Funds From the Office of Policy and Management to the Office of
Workforce Competitiveness 100,000

Total Agency 7,100,000

Department of Administrative Services

Consolidate Information Technology Staff 133,058

Department of Information Technology

Transfer the Automated Personnel System from DAS 1,502,299

Department of Public Works

Provide Funding for Lease of New DOIT Facility 2,895,000

Consolidate Information Technology Staff 27,930

Total Agency 2,922,930

Attorney General

Transfer Public Charities Regulation Program 173,613

Establish an Account for Training and Education 52,500

Establish an Account for Litigation Costs 25,000

Total Agency 251,113

Division of Criminal Justice

Transfer Funds from the Office of Victim Services (OVS) for the Sexual Assault
Nurse Examiner (SANE) Program 50,000

Provide Funding for Police-Involved Shooting Investigations 128,200

Consolidate Information Technology Staff 33,022

Total Agency 211,222

Department of Public Safety

Consolidate Information Technology Staff 32,080

Commission on Fire Prevention and Control

Contract Out Facilities Management Functions 54,000

Commission on Human Rights and Opportunities

Transfer Funds and Position From Department of Administrative Services
to the Commission on Human Rights and Opportunities for the Set-Aside Program 46,500

Department of Economic and Community Development

Consolidate Information Technology Staff 33,446
Adjust Expenditures for Congregate Housing 803,088
Total Agency 836,534

Department of Public Health

Expand Oral Health Care Access 100,000
Consolidate Information Technology Staff 71,722
Total Agency 171,722

Department of Mental Retardation

Provide Funding to Support Group Home for Young Adults 827,820
Consolidate Information Technology Staff 71,308
Total Agency 899,128

Department of Mental Health and Addiction Services

Expand Special Population Program 3,715,625
Restructure SAGA Non-Emergency Transportation 2,956,000
Realign Disproportionate Share Hospital Funding 25,360,000
Consolidate Information Technology Staff 251,720
Total Agency 32,283,345

Department of Transportation

Transfer Town Aid Road Grant to General Fund 35,000,000

Department of Social Services

Establish Work Incentive Program for the Disabled 3,400,000
Convert Southbury Training School Prescription Program to Medicaid 1,200,000
Restructure DMHAS Services for Medicaid Eligible Clients 209,000
Expand Home Care Rates and Services 4,890,000
Fund Child Support Lien Registry 73,500
Establish Program for Disabled Rent Sharing 120,000
Consolidate Information Technology Staff 140,638
Enhance Child Care Reimbursement Rates 7,577,786
Total Agency 17,610,924

Department of Education

Increase Charter School Funding 1,000,000
Transfer Agency IT Managers to the department of Information Technology 33,424
Increase Support of the American School for the Deaf 60,000
Total Agency 1,093,424

State Library

Establish Voices for Children Parents Academy 50,000

University of Connecticut

Transfer and Increase Funds for Regional Campus Expansion 1,000,000

Teachers' Retirement Board

Consolidate Information Technology Staff 33,446
Funding Position Added Last Session 35,072
Increase Funding for the Medicare Eligible Retired Teachers Health Insurance Plans 1,366,885
Total Agency 1,435,403

| | |
|---|--------------------|
| Connecticut State University | |
| Create Undergraduate Programs | 405,000 |
| Department of Correction | |
| Consolidate Information Technology Staff | 31,726 |
| Board of Parole | |
| Consolidate Information Technology Staff | 36,177 |
| Department of Children and Families | |
| Consolidate Information Technology Staff | 91,298 |
| Re-Integrate Children's Trust Fund into DCF | 3,708,592 |
| Transfer Children's Sexual Abuse Clinic Funding | 350,000 |
| Total Agency | 4,149,890 |
| Judicial Department | |
| Transfer Funding for the Office of Victim Services (OVS) to the Judicial Department | 3,610,622 |
| Pick-Up Expiring Federal Grants with General Funds | 959,723 |
| Total Agency | 4,570,345 |
| State Employees Retirement Contributions | |
| Realign Psychiatric Disproportionate Share Funding | 6,898,000 |
| Insurance - Group Life | |
| Realign Psychiatric Disproportionate Share Funding | 30,000 |
| Employers Social Security Tax | |
| Realign Psychiatric Disproportionate Share Funding | 2,284,000 |
| Adjust Funding Due to Position Changes | 78,500 |
| Total Agency | 2,362,500 |
| State Employees Health Service Cost | |
| Realign Psychiatric Disproportionate Share Funding | 5,099,000 |
| Total General Fund | 126,502,762 |
| Criminal Injuries Compensation Fund | |
| Judicial Department | |
| Transfer Funding for the Office of Victim Services (OVS) to the Judicial Department | 1,900,000 |
| Transportation Fund | |
| Motor Vehicle Department | |
| Consolidate Information Technology Staff | 64,205 |
| Fund Insurance Enforcement Positions | 199,592 |
| Total Agency | 263,797 |
| Department of Transportation | |
| Consolidate Information Technology Staff | 102,636 |
| Total Transportation Fund | 366,433 |
| Grand Total | 128,769,195 |

Governor's Significant Policy Changes Concerning Grants to Towns

The following information is a summary of the governor's significant policy changes concerning grants to towns:

- The governor's budget recommendations represent a \$10.5 million decrease over the amount originally appropriated for FY 01 and an \$82.5 million or 3.6% increase over estimated expenditures for FY 00.
- The governor has reduced the Mashantucket Pequot and Mohegan Fund grant by \$7.6 million in lieu of reimbursements by the towns to the state in the same amount for General Assistance overpayments and audit adjustments owed by towns. Of this amount, \$3.2 million has been identified so far based on audits completed as of 12/31/99 affecting the following towns:

| Impact on Towns from Overpayments / Audit Adjustments (Figures in Millions) | |
|--|-----------------------|
| Town | Reduction |
| Bridgeport | \$2,067,415 |
| New Haven | 635,122 |
| Norwalk | 315,713 |
| Waterbury | 133,185 |
| Wolcott | 59,240 |
| Preston | 27,541 |
| Others Not Yet Identified | 4,361,784 |
| Total | \$7,600,000.00 |

- Based on the governor's budget and because of new properties coming on line and mill rate increases, the PILOT-State Property grant and the PILOT-Private Property grant to towns will need to be prorated downward by the full reimbursement level by \$2.5 million and \$3.1 million, respectively.
- The governor's budget eliminates funding for the Tax Abatement grant (\$2.2 million) and the Payment in Lieu of Taxes grant (\$2.9 million) within the Department of Economic Development.
- The governor's net \$2.2 million increase for the PILOT-New Manufacturing Machinery and Equipment grant includes a \$2.3 million reduction associated with: (1) decreasing the reimbursement level from 100% to 80% for new properties being added to the program over the next three fiscal years and (2) repealing the expansion of the program to commercial vehicles weighing 55,000 lbs. or more.

**Governor's Significant Policy Revisions
Concerning Grants to Towns
Comparison of Revised Budget for FY 01 with Original Budget for FY 01**

| Agency / Grant | 1 Estimated FY 00 | 2 Original FY 01 | 3 Revised FY 01 | 3-2 Difference Rev. - Orig. | Comment |
|----------------------------|-------------------------|------------------------|-----------------------|-----------------------------------|---|
| OPM | | | | | |
| PILOT-Manufacturing | \$ 72.3 | \$ 74.5 | \$ 76.7 | \$ 2.2 | The net \$2.2 million increase for the PILOT-New Manufacturing Machinery and Equipment grant includes a \$2.3 million reduction associated with: 1) decreasing the reimbursement level from 100% to 80% for new properties being added to the program over the next three fiscal years and 2) repealing the expansion of the program to commercial vehicles weighing 55,000 lbs. or more. |
| DECD | | | | | |
| Tax Abatement | 2.2 | 2.2 | - | (2.2) | Program eliminated. |
| Payment in Lieu of Taxes | 2.9 | 2.9 | - | (2.9) | Program eliminated. |
| SDE | | | | | |
| OPEN Choice Program | 6.2 | 9.4 | 8.3 | (1.1) | Modifies mandate to encourage new towns to seek creative solutions to racial inequities. |
| School Accountability | 0.3 | 2.7 | 1.7 | (1.0) | Limits the increase from \$300,000 in FY 00 to \$1.7 million in FY 01. |
| TRB [1] | | | | | |
| Retirees Health Service | 3.8 | 4.0 | 5.4 | 1.4 | Represents the net impact of increasing health insurance costs associated with the Medicare eligible retired teachers health insurance plans (\$8.6 million) and requiring a premium co-share (-\$7.2 million). |
| Mun. Retirees Health | 4.6 | 4.7 | 5.3 | 0.6 | Represents the net impact of increasing the subsidy to retired teachers covered under their local health insurance plans (\$2.4 million) and removing the statutory relationship between the municipal and state health plan subsidies (-\$1.8 million). |
| Non-Functional | | | | | |
| PILOT-State Property | 63.2 | 63.8 | 63.8 | - | Because of new properties coming on line and mill rate increases, the grant will need to be prorated downward by \$2.5 million from the full reimbursement level. |
| PILOT-Private Property | 97.2 | 97.2 | 97.2 | - | Because of new properties coming on line and mill rate increases, the grant will need to be prorated downward by \$3.1 million from the full reimbursement level. |
| Mashantucket-Pequot | 135.0 | 135.0 | 127.4 | (7.6) | Adjustment based on recouping \$7.6 million in General Assistance overpayments and audit adjustments owed by towns. |
| Total - Above Items | \$ 387.7 | \$ 396.4 | \$ 385.8 | \$ (10.6) | |
| All Others | 1,921.5 | 2,005.8 | 2,005.9 | 0.1 | |
| Grand Total | \$2,309.2 | \$2,402.2 | \$2,391.7 | \$ (10.5) | |

[1] Both items listed under the Teachers' Retirement Board represent payments that the state makes to the teachers' retirement health insurance plan as a payment on behalf of teachers. These amounts are not actually grant payments to towns, as they are not paid directly to the municipalities

**Governor's Significant Changes
Concerning Grants to Towns
Comparison of Revised Budget for FY 01 with Estimates for FY 00**

| Agency / Grant | 1 Estimated FY 00 | 2 Original FY 01 | 3 Revised FY 01 | 3-1 Difference Rev. - Est. |
|----------------------------|-------------------------|------------------------|-----------------------|----------------------------------|
| OPM | | | | |
| PILOT-Manufacturing | \$ 72.3 | \$ 74.5 | \$ 76.7 | \$ 4.4 |
| SDE | | | | |
| ECS | 1,349.1 | 1,395.0 | 1,394.0 | 44.9 |
| Magnet Schools | 20.3 | 32.8 | 31.7 | 11.4 |
| TRB [1] | | | | |
| Retirement Contributions | 204.4 | 214.7 | 214.7 | 10.3 |
| Retirees Health Service | 3.8 | 4.0 | 5.4 | 1.6 |
| Mun. Retirees Health | 4.6 | 4.7 | 5.3 | 0.7 |
| Non-Functional | | | | |
| Mashantucket-Pequot | 135.0 | 135.0 | 127.4 | (7.6) |
| Total - Above Items | \$1,789.5 | \$1,860.7 | \$1,855.2 | \$ 65.7 |
| All Others | 519.7 | 541.5 | 536.5 | 16.8 |
| Grand Total | \$2,309.2 | \$2,402.2 | \$2,391.7 | \$ 82.5 |

[1] All items listed under the Teachers' Retirement Board represent payments that the state makes to the teachers' retirement health insurance plan as a payment on behalf of teachers. These amounts are not actually grant payments to towns, as they are not paid directly to the municipalities.

Tobacco Settlement Fund

| | Original Budget | | Governor's Revised | | Difference | | Governor's | |
|--|-------------------|-------------------|--------------------|----------------------|--------------------|------------------|---------------------|-------------------|
| | Plan [1] | | Revenue Estimates | | (Rev. Minus Orig.) | | Deficit Elimination | |
| | FY 00 | FY 01 | FY 00 | FY 01 | FY 00 | FY 01 | FY 00 | FY 01 |
| Beginning Balance | \$ - | \$ 62.8 | \$ - | \$ 47.4 | \$ - | \$ (15.4) | \$ - | \$ 47.4 |
| CT Share of Tobacco Settlement | 165.8 | 133.5 | 150.4 | 111.8 | (15.4) | (21.7) | 150.4 | 111.8 |
| Subtotal - Available Funds | \$ 165.8 | \$ 196.3 | \$ 150.4 | \$ 159.2 | \$ (15.4) | \$ (37.1) | \$ 150.4 | \$ 159.2 |
| Less: Transfers | | | | | | | | |
| Transfer to General Fund (see following table for usage) | \$ (78.0) | \$ (150.3) | \$ (78.0) | \$ (150.3) | \$ - | \$ - | \$ (78.0) | \$ (139.2) |
| Transfer to Tobacco Health Trust Fund (PA 99-2, JSS provides \$20 million each year) | (20.0) | (20.0) | (20.0) | (20.0) | - | - | (20.0) | (20.0) |
| Transfer to Tobacco Grant Account (OPM) | (5.0) | - | (5.0) | - | - | - | (5.0) | - |
| Subtotal - Transfers | \$ (103.0) | \$ (170.3) | \$ (103.0) | \$ (170.3) | \$ - | \$ - | \$ (103.0) | \$ (159.2) |
| Ending Balance | \$ 62.8 | \$ 26.0 | \$ 47.4 | \$ (11.1) [2] | \$ (15.4) | \$ (37.1) | \$ 47.4 | \$ - |

[1] SA 99-10 (the Appropriations Act) transfers \$78 million in FY 00 and \$150.3 million in FY 01 from the Tobacco Settlement Fund to the General Fund. PA 99-2, JSS (the Public Health implementer) disburses \$20 million in each of FY 00 and FY 01 to the Tobacco Health Trust Fund and \$5 million to a Tobacco Grant account to be established within the Office of Policy and Management (OPM).

[2] The governor eliminates this deficit by reducing the amount of Tobacco Settlement Fund moneys that are transferred to the General Fund in FY 01 from \$150.3 million to \$139.2 million (which approximates his earmarked expenditures of \$139.7 million). As a result of making this reduction, a zero balance would exist at the end of FY 01 in the Tobacco Settlement Fund. The original budget plan showed a balance of \$26 million. However, it should be noted that the reduction in the amount of the transfer to the General Fund is predicated upon preliminary projections, which indicate that there will be upward adjustments from other revenue sources in FY 01 sufficient to keep the budget in balance.

Using Tobacco Settlement Funds [1]

| Item/Agency | Original Budget Plan | | Gov. Revised | Funding Reductions Reflected in Gov. Revised Budget |
|---|-------------------------|--------|-----------------|--|
| | FY 00 | FY 01 | FY 01 | <u>FY 01</u> |
| Public Health Initiatives | | | | |
| Smoking Enforcement - DMHAS | \$ 0.4 | \$ 0.4 | \$ 0.4 | |
| Programs for Women - DMHAS (SA 99-10 funds \$425,000 in FY 01) | 0.3 | 0.4 | - | Reflects Gov.'s elimination of funding for program. |
| Smoking Cessation for Veterans - DMHAS (\$50,000 per yr.) | 0.1 | 0.1 | - | Reflects Gov.'s elimination of funding for program. |
| Tobacco Education - DPH | 0.2 | 0.2 | 0.2 | |
| Universal Vaccine - DPH | 3.5 | 3.5 | 3.5 | |
| Community Health Centers Enhancement - DPH (PA 99-2, JSS provides \$1,315,000 in FY 00 and \$1,348,300 in FY 01) | 1.3 | 1.3 | 0.9 | Reflects Gov.'s allotment reduction of \$382,747. |
| Sexually Abused Children Clinics - DPH (\$350,000 per yr.) | 0.4 | 0.4 | 0.4 | No Reduction - Gov. transfers from DPH to DCF. |
| School Based Health Centers - DPH (\$563,332 in FY 00 and \$640,000 in FY 01) | 0.6 | 0.6 | 0.3 | No Reduction - total included in Gov.'s budget is \$0.9 million. |
| Rotavirus Immunization - DPH (\$2,389,774 in FY 01) | - | 2.4 | - | Reflects delay until vaccine's safety and efficacy are confirmed. |
| Enhance Oral Health | - | - | 0.1 | |
| Allow Disabled Individuals to Work without Jeopardizing their Medicaid Benefits | - | - | 3.4 | |
| Develop Assisted Living Pilots - DSS (\$1,022,700 in FY 00 and \$4,110,000 in FY 01) | 1.0 | 4.1 | 1.5 | Reduction reflects technical adj. due to buildings not yet open. |
| Expand Congregate Housing Opportunities | - | - | 0.5 | |
| Expand Home Care Program - DSS | - | 9.7 | 5.5 | No Reduction - Gov.'s budget provides an additional \$4.9 million for new expansion as indicated on this line. |
| New Expansion for the Home Care Program | - | - | 4.9 | |
| New Program for Severely Psychiatric Youth | - | - | 3.3 | |
| Personal Care Assistance / ABI Waiver Services | - | - | 5.8 | |
| Implementation of the Managed Care Accountability Act | - | - | 0.4 | |
| Early Intervention | - | - | 1.5 | |
| Safe Homes for Infants Program | - | - | 0.2 | |
| Expansion of Specialized Foster Care Beds | - | - | 0.5 | |

| Item/Agency | Original Budget Plan | | Gov. Revised | Funding Reductions Reflected in Gov. Revised Budget |
|---|----------------------|----------------|-----------------|---|
| | FY 00 | FY 01 | FY 01 | <u>FY 01</u> |
| HUSKY for Parents - DSS | 0.2 | 5.0 | - | Reflects Gov.'s elimination of funding for program. |
| Healthy Families and Related Program Expansion - Children's Trust Fund | 0.8 | 0.8 | 0.4 | Gov. canceled 2 new progs. orig. scheduled to begin 01/01/00. |
| Tax Relief to Stabilize CT's Health Care System | | | | |
| Eliminate the Hospital Gross Receipts Tax | - | - | 75.0 | |
| Tax Credit for Providers of Medical Coverage through HUSKY A and/or HUSKY | - | - | 10.5 | |
| Total - Public Health Initiatives | \$ 8.7 | \$ 28.9 | \$ 119.2 | |

Education is Our Future Initiative

Education Network and Distance Learning:

>Charter Oak College - Distance Learning Consortium (SA 99-10 provides \$521,883 in FY 00 and \$511,098 in FY 01)

| | | | | |
|--|--------|--------|------|--|
| | \$ 0.5 | \$ 0.5 | \$ - | No Red. - Gov. provides addtl. \$2 million from FY 00 surplus. |
|--|--------|--------|------|--|

Tuition Freeze:

| | | | | |
|---|---------------|----------------|----------------|--|
| >UConn (\$2,558,458 each year) | 2.6 | 2.6 | - | No Red. - amount reflects ongoing impact of FY 00 freeze. |
| >Reg. Comm. - Tech. Colleges (SA 99-10 provides \$1,185,601 in each year) | 1.2 | 1.2 | - | No Red. - amount reflects ongoing impact of FY 00 freeze. |
| >CT State University (\$3,497,229 each year) | 3.5 | 3.5 | - | No Red. - amount reflects ongoing impact of FY 00 freeze. |
| Magnet Schools - SDE | - | 12.1 | 10.8 | Reflects \$1.1 million technical adjustment. |
| Education Cost Sharing (ECS) Grant - SDE | - | 31.0 | - | Gov. reduces ECS by \$1 million to reflect technical adjustment. |
| Expansion of School Based Health Clinics | - | - | 2.0 | |
| Charter Schools | - | - | 2.7 | |
| Statewide Early Reading Success Institute | - | - | 1.4 | |
| School Accountability | - | - | 1.4 | |
| OPEN Choice | - | - | 2.1 | |
| Pick-up of Project READ Grant | - | - | 0.1 | |
| Total - Education Initiatives | \$ 7.8 | \$ 50.9 | \$ 20.5 | |

| Item/Agency | Original Budget Plan | | Gov. Revised | Funding Reductions |
|--|----------------------|-----------------|-----------------|---|
| | FY 00 | FY 01 | FY 01 | Reflected in Gov. Revised Budget <u>FY 01</u> |
| Local Relief | | | | |
| Increase Local Property Tax Relief: | | | | |
| >PILOT Grants | \$ 50.0 | \$ 50.0 | - | Per new property data, grants may need to be reduced proportionately to the level of appropriation for State-Owned (\$2.5 m) & Private (\$3.1 m). |
| Total - Local Relief | \$ 50.0 | \$ 50.0 | \$ - | |
| Subtotal - Above Uses | \$ 66.5 | \$ 129.8 | \$ 139.7 | |
| Plus: Disbursements | | | | |
| Tobacco Health Trust Fund | 20.0 | 20.0 | 20.0 | |
| Tobacco Grant Account | 5.0 | - | - | |
| Subtotal – Disbursements | \$ 25.0 | \$ 20.0 | \$ 20.0 | |
| Grand Total | \$ 91.5 | \$ 149.8 | \$ 159.7 | |

[1] The amounts identified under Original Budget Plan and Governor's Revised Plan reflect the intended expenditures from tobacco settlement funds for specific programs. These amounts total \$66.5 million for FY 00 and \$129.8 million for FY 01 based on final legislative action and \$139.7 based upon the governor's revised earmarkings. In addition to these appropriated funds, there is a non-lapsing \$20 million disbursement in each of FY 00 and FY 01 from the Tobacco Settlement Fund to the Tobacco Health Trust Fund and a \$5 million disbursement to OPM's Tobacco Grant account as provided in PA 99-2, JSS (the Public Health implementer). This \$5 million disbursement will not lapse at the end of FY 00 and will continue to be available for expenditure during FY 01.

Analysis of the Out-Year's Impact of the Governor's General Fund Budget Revision Proposals for FY 01

After estimating revenues based on the governor's proposals and reflecting revised funding requirements, OFA estimates current services shortfalls amounting to \$253.2 million for FY 02, \$247.4 million in FY 03 and \$454.4 million in FY 04. These amounts are greater than the shortfalls projected by the governor by \$41.3 million in FY 02, \$48.9 million in FY 03 and \$128.8 million in FY 04. (See tables on [pages 44 and 45](#))

The difference is largely due to OFA's revenue estimates, which are lower than those of the governor by \$60.2 million in FY 02, \$76.6 million in FY 03 and \$146.5 million in FY 04. The differences in our estimates from the governor's are mainly due to variances in non-tax revenue sources and reimbursements from the federal government for social and health programs (primarily Medicaid). These differences become greater in FY 03 and FY 04 when historical growth rates are applied to these revenue sources. OFA's expenditure estimates include the following minor adjustments in two major accounts to reflect current services requirements: (1) a \$17 million reduction in Medicaid in each of the out-years and (2) reductions of \$3 million in FY 02, \$13 million in FY 03 and \$35 million in FY 04 in the Education Cost Sharing (ECS) grant.

Under current law, implementation of Generally Accepted Accounting Principles (GAAP) is required to begin on July 1, 2003. However, the governor's out-year estimates do not include an adjustment for conversion to GAAP in FY 04. OFA's projections include the impact of the conversion to GAAP in FY 04, which could add approximately \$30 million to the budget on a net expenditure basis in that year and annualize to approximately \$65 million including amortization of the GAAP deficit in each of the following 15 fiscal years.

**OFA's Preliminary Estimate of the Out-Year
Impact of the Governor's Proposed
General Fund Budget Revisions
(in millions)**

| | FY 01 | FY 02 | FY 03 | FY 04 |
|---|--------------|--------------|--------------|--------------|
| Governor's Revenues | \$ 11,254.1 | \$ 11,647.5 | \$ 12,117.7 | \$ 12,597.2 |
| Governor's Expenditures | 11,249.4 | 11,859.4 | 12,316.2 | 12,922.8 |
| Surplus / (Shortfall) Per Governor | \$ 4.7 | \$ (211.9) | \$ (198.5) | \$ (325.6) |
| OFA Revenue Lower than Governor | \$ (35.8) | \$ (60.2) | \$ (76.6) | \$ (146.5) |
| OFA Expenditures Lower than Governor | \$ 11.4 | \$ 18.9 | \$ 27.7 | \$ 17.7 |
| Shortfall Per OFA | \$ (19.7) | \$ (253.2) | \$ (247.4) | \$ (454.4) |
| Shortfall Per OFA Higher Than Governor | \$ (24.4) | \$ (41.3) | \$ (48.9) | \$ (128.8) |

**Detail of Differences Between
OFA and Governor's Out-Year Estimates
For the General Fund**

| | FY 01 | FY 02 | FY 03 | FY 04 |
|--|-------------------|-------------------|-------------------|-------------------|
| Total GF Revenues (Gov.) | \$11,254.1 | \$11,647.5 | \$12,117.7 | \$12,597.2 |
| Revenue Changes (OFA) | (35.8) | (60.2) | (76.6) | (146.5) |
| Revised Revenues (OFA) | \$11,218.3 | \$11,587.3 | \$12,041.1 | \$12,450.7 |
| | | | | |
| Total Expenditures - GF Gross (Gov.) | \$11,369.3 | \$11,979.3 | \$12,436.1 | \$13,042.7 |
| Legislative Unallocated Lapses | (1.0) | (1.0) | (1.0) | (1.0) |
| Gavel to Gavel Coverage | (2.2) | (2.2) | (2.2) | (2.2) |
| Legislative Lapse FY 00 Hiring Freeze | (0.7) | (0.7) | (0.7) | (0.7) |
| Legislative Lapse FY 01 Hiring Freeze | (0.4) | (0.4) | (0.4) | (0.4) |
| Estimated Unallocated Lapses | (85.0) | (85.0) | (85.0) | (85.0) |
| General PS Reduction | (13.5) | (13.5) | (13.5) | (13.5) |
| General OE Reduction | (11.0) | (11.0) | (11.0) | (11.0) |
| Statewide Hiring Freeze | (6.1) | (6.1) | (6.1) | (6.1) |
| | | | | |
| Total Expenditures - GF Net (Gov.) | \$11,249.4 | \$11,859.4 | \$12,316.2 | \$12,922.8 |
| | | | | |
| GF Expenditure Changes (OFA): | | | | |
| DSS - Medicaid (incl. HUSKY) | (17.0) | (17.0) | (17.0) | (17.0) |
| SDE - ECS | - | (3.0) | (13.0) | (35.0) |
| DHE - Matching Grant | - | (4.7) | (3.7) | (1.9) |
| PILOT - State Property | 2.5 | 2.6 | 2.7 | 2.8 |
| PILOT - Private Property | 3.1 | 3.2 | 3.3 | 3.4 |
| GAAP | - | - | - | 30.0 |
| | | | | |
| Total GF Expenditure Changes (OFA) | (11.4) | (18.9) | (27.7) | (17.7) |
| | | | | |
| Total - Revised Expenditures - GF Net (OFA) | \$11,238.0 | \$11,840.5 | \$12,288.5 | \$12,905.1 |
| | | | | |
| Diff. Revenues-Expenditures (Gov.) | \$ 4.7 | \$ (211.9) | \$ (198.5) | \$ (325.6) |
| Diff. Revised Revenues-Expenditures (OFA) | \$ (19.7) | \$ (253.2) | \$ (247.4) | \$ (454.4) |
| Diff. OFA-Gov. | \$ (24.4) | \$ (41.3) | \$ (48.9) | \$ (128.8) |

**FY 00 and FY 01 General Fund Revenue Estimates
Including Estimates of Governor's Proposed Changes
As of March 3, 2000
(in thousands)**

| | OFA FY 00 Estimate | Governor's FY 00 Estimate | OFA Over/Under Governor | OFA FY 01 Estimate | Governor's FY 01 Estimate | OFA Over/Under Governor |
|---------------------------------------|--------------------------|---------------------------------|-------------------------------|--------------------------|---------------------------------|-------------------------------|
| Taxes | | | | | | |
| Personal Income | \$ 4,105,000 | \$ 4,131,000 | \$ (26,000) | \$ 4,249,600 | \$ 4,301,700 | \$ (52,100) |
| Sales and Use | 3,053,000 | 3,057,000 | (4,000) | 3,149,300 | 3,149,300 | 0 |
| Corporations | 550,000 | 549,000 | 1,000 | 497,400 | 496,200 | 1,200 |
| Inheritance and Estate | 230,000 | 222,000 | 8,000 | 247,900 | 236,000 | 11,900 |
| Hospital Gross Receipts | 64,000 | 66,500 | (2,500) | 0 | 0 | 0 |
| Public Service Corporations | 170,300 | 169,000 | 1,300 | 173,000 | 170,900 | 2,100 |
| Insurance Companies | 199,200 | 198,000 | 1,200 | 198,400 | 191,500 | 6,900 |
| Cigarettes | 121,900 | 119,400 | 2,500 | 118,900 | 118,500 | 400 |
| Oil Companies | 30,000 | 32,500 | (2,500) | 24,600 | 21,500 | 3,100 |
| Real Estate Conveyance | 110,000 | 110,000 | 0 | 112,200 | 105,000 | 7,200 |
| Alcoholic Beverages | 40,000 | 40,000 | 0 | 40,000 | 40,000 | 0 |
| Miscellaneous | 42,000 | 40,000 | 2,000 | 39,800 | 40,700 | (900) |
| Admissions, Dues and Cabaret | 25,000 | 26,000 | (1,000) | 25,500 | 27,000 | (1,500) |
| Total Taxes | \$ 8,740,400 | \$ 8,760,400 | \$ (20,000) | \$ 8,876,600 | \$ 8,898,300 | \$ (21,700) |
| Refunds of Taxes | \$ (724,400) | \$ (728,400) | \$ 4,000 | \$ (759,800) | \$ (790,000) | \$ 30,200 |
| Net General Fund Taxes | \$ 8,016,000 | \$ 8,032,000 | \$ (16,000) | \$ 8,116,800 | \$ 8,108,300 | \$ 8,500 |
| Other Revenue | | | | | | |
| Transfer Special Revenue | \$ 258,000 | \$ 261,100 | \$ (3,100) | \$ 262,200 | \$ 266,300 | \$ (4,100) |
| Indian Gaming Payments | 320,000 | 317,000 | 3,000 | 328,000 | 332,900 | (4,900) |
| Licenses, Permits and Fees | 125,000 | 126,000 | (1,000) | 120,200 | 121,200 | (1,000) |
| Sales of Commodities and Services | 32,000 | 31,200 | 800 | 32,000 | 31,500 | 500 |
| Rentals, Fines and Escheats | 40,000 | 41,500 | (1,500) | 40,000 | 48,900 | (8,900) |
| Investment Income | 65,000 | 66,400 | (1,400) | 68,000 | 68,000 | 0 |
| Miscellaneous | 128,000 | 130,000 | (2,000) | 131,300 | 133,600 | (2,300) |
| Total Other Revenue | \$ 968,000 | \$ 973,200 | \$ (5,200) | \$ 981,700 | \$ 1,002,400 | \$ (20,700) |
| Other Sources | | | | | | |
| Federal Grants | \$ 2,022,500 | \$ 2,038,200 | \$ (15,700) | \$ 2,063,000 | \$ 2,086,600 | \$ (23,600) |
| Transfer from Tobacco Settlement Fund | 78,000 | 78,000 | 0 | 139,200 | 139,200 | 0 |
| To Other Funds | (180,000) | (180,000) | 0 | (82,400) | (82,400) | 0 |
| Total Other Sources | \$ 1,920,500 | \$ 1,936,200 | \$ (15,700) | \$ 2,119,800 | \$ 2,143,400 | \$ (23,600) |
| Total Revenue | \$ 10,904,500 | \$ 10,941,400 | \$ (36,900) | \$ 11,218,300 | \$ 11,254,100 | \$ (35,800) |

**FY 00 and FY 01 General Fund Revenue Estimates
Comparison of OFA and Governor's Base Estimates
As of March 3, 2000
(in thousands)**

| | OFA FY 00 Estimate | Governor's FY 00 Estimate | OFA Over/Under Governor | OFA FY 01 Estimate | Governor's FY 01 Estimate | OFA Over/Under Governor |
|---------------------------------------|--------------------------|---------------------------------|-------------------------------|--------------------------|---------------------------------|-------------------------------|
| Taxes | | | | | | |
| Personal Income | \$ 4,105,000 | \$ 4,131,000 | \$ (26,000) | \$ 4,268,700 | \$ 4,330,100 | \$ (61,400) |
| Sales and Use | 3,053,000 | 3,057,000 | (4,000) | 3,188,000 | 3,188,000 | 0 |
| Corporations | 550,000 | 549,000 | 1,000 | 513,400 | 512,200 | 1,200 |
| Inheritance and Estate | 230,000 | 222,000 | 8,000 | 247,900 | 236,000 | 11,900 |
| Hospital Gross Receipts | 81,500 | 84,000 | (2,500) | 70,700 | 75,000 | (4,300) |
| Public Service Corporations | 170,300 | 169,000 | 1,300 | 173,000 | 170,900 | 2,100 |
| Insurance Companies | 199,200 | 198,000 | 1,200 | 208,900 | 202,000 | 6,900 |
| Cigarettes | 121,900 | 119,400 | 2,500 | 118,900 | 118,500 | 400 |
| Oil Companies | 30,000 | 32,500 | (2,500) | 30,600 | 27,500 | 3,100 |
| Real Estate Conveyance | 110,000 | 110,000 | 0 | 112,200 | 105,000 | 7,200 |
| Alcoholic Beverages | 40,000 | 40,000 | 0 | 40,000 | 40,000 | 0 |
| Miscellaneous | 42,000 | 40,000 | 2,000 | 43,500 | 44,400 | (900) |
| Admissions, Dues and Cabaret | 25,000 | 26,000 | (1,000) | 25,500 | 27,000 | (1,500) |
| Total Taxes | \$ 8,757,900 | \$ 8,777,900 | \$ (20,000) | \$ 9,041,300 | \$ 9,076,600 | \$ (35,300) |
| Refunds of Taxes | \$ (724,400) | (728,400) | \$ 4,000 | (759,800) | (790,000) | 30,200 |
| Net General Fund Taxes | \$ 8,033,500 | \$ 8,049,500 | (16,000) | \$ 8,281,500 | \$ 8,286,600 | (5,100) |
| Other Revenue | | | | | | |
| Transfer Special Revenue | \$ 258,000 | \$ 261,100 | \$ (3,100) | \$ 262,200 | \$ 266,300 | \$ (4,100) |
| Indian Gaming Payments | 320,000 | 317,000 | 3,000 | 328,000 | 332,900 | (4,900) |
| Licenses, Permits and Fees | 125,000 | 126,000 | (1,000) | 122,000 | 123,000 | (1,000) |
| Sales of Commodities and Services | 32,000 | 31,200 | 800 | 32,000 | 31,500 | 500 |
| Rentals, Fines and Escheats | 40,000 | 41,500 | (1,500) | 40,000 | 48,900 | (8,900) |
| Investment Income | 65,000 | 66,400 | (1,400) | 68,000 | 68,000 | 0 |
| Miscellaneous | 128,000 | 130,000 | (2,000) | 140,000 | 142,300 | (2,300) |
| Total Other Revenue | \$ 968,000 | \$ 973,200 | (5,200) | \$ 992,200 | \$ 1,012,900 | (20,700) |
| Other Sources | | | | | | |
| Federal Grants | \$ 2,022,500 | \$ 2,038,200 | \$ (15,700) | \$ 2,075,000 | \$ 2,109,500 | \$ (34,500) |
| Transfer from Tobacco Settlement Fund | 78,000 | 78,000 | 0 | 150,300 | 150,300 | 0 |
| To Other Funds | (180,000) | (180,000) | 0 | (90,000) | (90,000) | 0 |
| Total Other Sources | \$ 1,920,500 | \$ 1,936,200 | (15,700) | \$ 2,135,300 | \$ 2,169,800 | (34,500) |
| Total Revenue | \$ 10,922,000 | \$ 10,958,900 | (36,900) | \$ 11,409,000 | \$ 11,469,300 | (60,300) |

Governor's Proposed Revenue Changes

The following schedule presents an analysis of the Governor's proposed revenue changes. The Governor estimates that his changes will result in a net reduction of \$17.5 million in FY 00 plus \$25.4 million in Transportation Fund and \$273.6 million in FY 01 (General Fund - \$215.2, Transportation Fund - \$58.4 million). OFA estimates that the same changes will result in a net reduction in revenue of \$17.5 million in FY 00 plus \$22.7 million in Transportation Fund and \$243.6 million in FY 01 (General Fund - \$190.6 million, Transportation Fund - \$53.0 million). The difference between OFA and the Governor's estimates of the changes affecting FY 01 is mainly due to our differences associated with the tax credit for primary and secondary tuition expenses and federal grant revenue.

K-12 Education Tax Credit

The Governor estimates that the K-12 education tax credit will result in a revenue loss of \$16.5 million per year OFA estimates the loss at \$8.1 million per year. The difference in the estimates can be explained by the number families anticipated to qualify for the credit. The Governor's estimate assumes that approximately 33,700 families will be eligible for the credit while OFA anticipates that only 16,200 families will be eligible. OFA's estimate assumes fewer families will qualify because more families have income that exceeds the qualifying limits (qualifying income thresholds: joint/head of household filers, less than \$100,000 and single/married filing separate, less than \$50,000).

Federal Grants

The difference in the federal revenue estimate is primarily due to lower estimated expenditures under the Medicaid program. The OFA is estimating lower expenditures in both the health services and long term care portions of the Medicaid program.

Governor's Proposed Revenue Changes

| <u>Bill</u> | <u>Proposal</u> | Effective <u>Date</u> | <u>FY 00</u> | | <u>FY 01</u> | |
|------------------------------------|---|--------------------------|----------------------|----------|----------------------|----------|
| | | | OFA (\$ Millions) | Governor | OFA (\$ Millions) | Governor |
| <u>General Fund Changes</u> | | | | | | |
| Personal Income Tax | | | | | | |
| HB 5234 | Establishes a state credit equaling 15% of the credit taken for the federal HOPE Scholarship Tax Credit and the Lifetime Learning Tax Credit. | 1/1/00 | - | - | (11.0) | (11.9) |
| SB 144 | Establishes a primary and secondary education expense credit for tuition expenses for students enrolled full-time in any grade from K-12. The credit is for the first 25% of eligible expenses after the first \$250 is deducted, up to a per-family credit of \$500. Single filers with income above \$50,000 and joint or head of household filers with income above \$100,000 do not qualify for the credit. | 1/1/00 | - | - | (8.1) | (16.5) |
| SB 142 | Permits primary and secondary school teachers to deduct up to \$1,000 from their Connecticut gross income every four years for the purchase of a home computer. | 1/1/01 | - | - | 0.0 | 0.0 |
| Sales Tax | | | | | | |
| HB 5235 | Exempts college textbooks sold at qualifying book stores from the sales tax. | 7/1/00 | - | - | (3.5) | (3.5) |
| HB 5240 | Increases the transfer of sales tax revenue collected by DMV attributable to the sales of motor vehicles to the Transportation Fund. | 7/1/00 | - | - | (35.2) | (35.2) |
| Corporation Business Tax | | | | | | |
| SB 136 | Establishes a single factor apportionment for manufacturing companies, effective January 1, 2001 and broadcast companies, effective January 1, 2002. | 1/1/01 | - | - | (14.7) | (14.7) |
| HB 5236 | Raises the cap on the Opportunity Certificate tax credit by \$1 million annually. | 1/1/01 | - | - | (1.0) | (1.0) |
| SB 138 | Establishes a credit for the donation of new or used computers to schools. The total credit amount is capped at \$1 million per year. | 1/1/00 | - | - | (0.3) | (0.3) |

| <u>Bill</u> | <u>Proposal</u> | <u>Effective Date</u> | <u>FY 00</u> | | <u>FY 01</u> | |
|--|--|-----------------------|----------------------|----------|----------------------|----------|
| | | | OFA (\$ Millions) | Governor | OFA (\$ Millions) | Governor |
| SB 143 | Establishes an urban reinvestment and brownfields tax credit program. The program provides up to \$250 million in tax credits over a five-year period. Companies qualifying for the credits will be able to take the credits over a ten-year period. | 1/1/01 | - | - | 0.0 | 0.0 |
| Hospital Gross Receipts Tax | | | | | | |
| HB 5237 | Eliminates the hospital gross receipts tax, effective April 1, 2000. | 4/1/00 | (17.5) | (17.5) | (70.7) | (75.0) |
| Insurance Companies Tax | | | | | | |
| HB 5239 | Establishes a tax credit to companies that provide coverage through HUSKY A and/or HUSKY B plans. | 1/1/01 | - | - | (10.5) | (10.5) |
| Oil Companies Tax | | | | | | |
| HB 5240 | Reflects an increase in the transfer of revenue to the Transportation Fund. | 7/1/00 | - | - | (6.0) | (6.0) |
| Miscellaneous Taxes | | | | | | |
| SB 137 | Phases-out the gift tax over the next four years. | 1/1/01 | - | - | (3.7) | (3.7) |
| License, Permits, and Fees | | | | | | |
| HB 5245 | Reduce and consolidate liquor control licenses. | 7/1/00 | - | - | (1.8) | (1.8) |
| Miscellaneous Revenue | | | | | | |
| HB 5217 | Revenue changes as a result of the Governor's appropriation changes. | 7/1/00 | - | - | (8.7) | (8.7) |
| Federal Grants | | | | | | |
| HB 5217 | Revenue changes as a result of the Governor's appropriation changes. | 7/1/00 | - | - | (12.0) | (22.9) |
| Transfer From Tobacco Settlement Fund | | | | | | |
| HB 5217 | Reduces the amount transferred from the Settlement Fund. | 7/1/00 | | | (11.1) | (11.1) |

| <u>Bill</u> | <u>Proposal</u> | <u>Effective Date</u> | <u>FY 00</u> | | <u>FY 01</u> | |
|---|--|-----------------------|----------------------|---------------------------|----------------------|---------------------------|
| | | | OFA (\$ Millions) | Governor (\$ Millions) | OFA (\$ Millions) | Governor (\$ Millions) |
| Transfer to Other Funds | | | | | | |
| HB 5217 | Decrease in the transfer to Mashantucket & Mohegan Fund as a result of municipal payments owed to the state from the General Assistance Program. | 7/1/00 | - | - | 7.6 | 7.6 |
| Total - Governor's Proposed GF Revenue Changes | | | (17.5) | (17.5) | (190.7) | (215.2) |

Transportation Fund Revenue Changes

| | | | | | | |
|-----------------------------------|---|--------|---------------|---------------|---------------|---------------|
| HB 5240 | The gasoline tax is reduced from 32-cents to 25-cents per gallon, effective April 1, 2000. | 4/1/00 | (22.7) | (25.4) | (94.2) | (99.6) |
| HB 5240 | Transfer all of the sales tax revenue collected by DMV from the General Fund to the Transportation Fund. | 7/1/00 | | | 35.2 | 35.2 |
| HB 5240 | Increases the transfer of taxes collected on the gross earnings from the sale of petroleum products from the General Fund to the Transportation Fund. | 7/1/00 | | | 6.0 | 6.0 |
| Transportation Fund- Total | | | (22.7) | (25.4) | (53.0) | (58.4) |

**Out-Year Revenue Projections
Including Governor's Proposed Revenue Changes
As of March 3, 2000
(in thousands)**

| | OFA FY 00 Estimate | OFA FY 01 Estimate | OFA FY 02 Estimate | OFA FY 03 Estimate | OFA FY 04 Estimate |
|---------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| Taxes | | | | | |
| Personal Income | \$ 4,105,000 | \$ 4,249,600 | \$ 4,457,600 | \$ 4,674,400 | \$ 4,897,000 |
| Sales and Use | 3,053,000 | 3,149,300 | 3,296,900 | 3,434,800 | 3,597,100 |
| Corporations | 550,000 | 497,400 | 490,300 | 519,600 | 543,100 |
| Inheritance and Estate | 230,000 | 247,900 | 255,500 | 261,500 | 236,300 |
| Hospital Gross Receipts | 64,000 | 0 | 0 | 0 | 0 |
| Public Service Corporations | 170,300 | 173,000 | 174,700 | 176,400 | 178,200 |
| Insurance Companies | 199,200 | 198,400 | 205,100 | 212,000 | 219,100 |
| Cigarettes | 121,900 | 118,900 | 115,900 | 113,000 | 110,200 |
| Oil Companies | 30,000 | 24,600 | 24,300 | 35,600 | 11,900 |
| Real Estate Conveyance | 110,000 | 112,200 | 110,000 | 110,000 | 110,000 |
| Alcoholic Beverages | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 |
| Miscellaneous | 42,000 | 39,800 | 37,600 | 28,300 | 18,500 |
| Admissions, Dues and Cabaret | 25,000 | 25,500 | 26,000 | 26,500 | 27,000 |
| Total Taxes | \$ 8,740,400 | \$ 8,876,600 | \$ 9,233,900 | \$ 9,632,100 | \$ 9,988,400 |
| Refunds of Taxes | \$ (724,400) | \$ (759,800) | \$ (817,000) | \$ (830,000) | \$ (842,000) |
| Net General Fund Taxes | \$ 8,016,000 | \$ 8,116,800 | \$ 8,416,900 | \$ 8,802,100 | \$ 9,146,400 |
| Other Revenue | | | | | |
| Transfer Special Revenue | \$ 258,000 | \$ 262,200 | \$ 264,800 | \$ 267,600 | \$ 270,300 |
| Indian Gaming Payments | 320,000 | 328,000 | 356,000 | 366,000 | 375,000 |
| Licenses, Permits and Fees | 125,000 | 120,200 | 123,200 | 121,200 | 124,200 |
| Sales of Commodities and Services | 32,000 | 32,000 | 32,000 | 32,000 | 32,000 |
| Rentals, Fines and Escheats | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 |
| Investment Income | 65,000 | 68,000 | 70,000 | 69,000 | 68,000 |
| Miscellaneous | 128,000 | 131,300 | 130,000 | 127,000 | 131,000 |
| Total Other Revenue | \$ 968,000 | \$ 981,700 | \$ 1,016,000 | \$ 1,022,800 | \$ 1,040,500 |
| Other Sources | | | | | |
| Federal Grants | \$ 2,022,500 | \$ 2,063,000 | \$ 2,154,000 | \$ 2,216,000 | \$ 2,281,000 |
| Transfer from Tobacco Settlement Fund | 78,000 | 139,200 | 133,400 | 134,700 | 117,800 |
| To Other Funds | (180,000) | (82,400) | (133,000) | (134,500) | (135,000) |
| Total Other Sources | \$ 1,920,500 | \$ 2,119,800 | \$ 2,154,400 | \$ 2,216,200 | \$ 2,263,800 |
| Total Revenue | \$ 10,904,500 | \$ 11,218,300 | \$ 11,587,300 | \$ 12,041,100 | \$ 12,450,700 |

**Comparison Between OFA Current Services Projections and
Governor's Budget Revisions for the General Fund for FY 01 – 04
(in millions)**

| | FY 01 | FY 02 | FY 03 | FY 04 [2] |
|-----------------------------|-------------|-------------|-------------|-------------|
| OFA Current Services | | | | |
| Revenues | \$ 11,409.0 | \$ 11,824.9 | \$ 12,289.8 | \$ 12,733.7 |
| Expenditures | 11,240.6 | 11,778.4 | 12,263.9 | 12,846.3 |
| Potential Surplus / (Gap) | \$ 168.4 | \$ 46.5 | \$ 25.9 | \$ (112.6) |

**OFA Estimate of
Governor's Budget Revisions**

| | | | | |
|---------------|-------------|-------------|-------------|-------------|
| Revenues | \$ 11,218.3 | \$ 11,587.3 | \$ 12,041.1 | \$ 12,450.7 |
| Expenditures | 11,238.0 | 11,840.5 | 12,288.5 | 12,905.1 |
| Potential Gap | \$ (19.7) | \$ (253.2) | \$ (247.4) | \$ (454.4) |

**Increase in Potential Gap based on
Governor's Budget Revisions Over
OFA Current Services**

| | | | | |
|---------------------------|------------|------------|------------|------------|
| Increase in Potential Gap | \$ (188.1) | \$ (299.7) | \$ (273.3) | \$ (341.8) |
|---------------------------|------------|------------|------------|------------|

[1] It should be noted that the FY 01 OFA current services figures in this table are based on our preliminary analysis of expenditure needs (completed on 02/08/00) and updated revenue projections which will be further reviewed during the 2000 Session along with savings options. The FY 02-04 figures are based on using FY 01 as the baseline for revenue and expenditure projections and assume modest growth in the state and national economy. These estimates show the direction of revenues and spending if current laws and policies remain unchanged. They are not forecasts of what will actually occur, since policymakers will likely seek to alter current priorities.

[2] OFA projections include the impact of the conversion to Generally Accepted Accounting Principles (GAAP) in FY 04, which could add approximately \$30 million to the budget on a net expenditure basis in that year and annualize to approximately \$65 million including amortization of the GAAP deficit in each of the following fifteen fiscal years. The Governor's recommendations do not include this adjustment.

**Transportation Fund Cumulative Surplus Projections for FY 00 – FY 04
Including Governor’s Proposed Changes
(in millions)**

| | FY 00 | FY 01 | FY 02 | FY 03 | FY 04 |
|---|--------------|--------------|--------------|--------------|--------------|
| Revenues (including proposed 7 cent Gas Tax reduction and other changes) | 879.1 | 851.1 | 860.1 | 869.0 | 878.1 |
| Expenditures [1] | 801.7 | 810.9 | 833.5 | 863.1 | 887.8 |
| Annual Operating Surplus / (Deficit) | 77.4 | 40.2 | 26.6 | 5.9 | (9.7) |
| Fund Balance From FY 99 | 21.5 | | | | |
| Proposed Appropriation from FY 00 Surplus for Tweed-New Haven Airport | (1.8) | | | | |
| Proposed Appropriation to Debt Service Account [3] | (60.0) | | | | |
| Revised Cumulative Surplus [4] | 37.1 | 77.3 | 103.9 | 109.8 | 100.1 |

[1] The expenditure projections include the governor's proposed expenditure changes for the Department of Transportation and the Department of Motor Vehicles. They also include savings due to the transfer of \$60 million to the debt service account in FY 00 (see Footnote 3 below.) The projections assume that these funds will be used to cash defease STO debt in 12/00.

[2] Section 13b-68, CGS (PA 97-309), requires the Treasurer to use any ending balance of the Transportation Fund in excess of \$20 million to reduce outstanding indebtedness or debt service requirements. This may be done by : (1) Redeeming outstanding STO bonds before their maturity; (2) Buying STO bonds on the open market; (3) Transferring funds to an escrow account for future scheduled payments; (4) Paying debt service for the next fiscal year, beginning with FY 99; and (5) Any combination of these methods. FY 00 through FY 04 projections reflect a cash defeasance of \$81.8 million completed by the Office of the State Treasurer on 12/22/99, which used the combined surplus from FY 98 and FY 99 and left a balance of \$1.5 million.

[3] Section 38 of HB 5217 (the governor’s proposed revisions to the budget) appropriates \$60 million from the Transportation Fund cumulative surplus to the debt service account in FY 00 and permits the treasurer to use the funds for (1) the defeasance of outstanding Special Tax Obligation (STO) indebtedness or (2) payments in lieu of the issuance of STO bonds.

[4] The governor proposes (HB 5240) to eliminate the \$20 million minimum balance and removes the requirement that the treasurer use Transportation Fund surplus to reduce outstanding indebtedness or for debt service.

**Transportation Fund Revenue and Expenditure Projections
For FY 00 – FY 04 Including Governor’s Proposed Changes
(in millions)**

| | FY 00 | FY 01 | FY 02 | FY 03 | FY 04 |
|---|---------------|--------------|--------------|--------------|--------------|
| PROJECTED REVENUES | | | | | |
| Motor Fuels Tax, MV Receipts, and Licenses, Permits, and Fees (including 7 cent Gas Tax reduction effective 4/1/00) | 785.4 | 721.4 | 728.6 | 735.7 | 742.9 |
| Sales Tax - DMV Payments (including governor's change) | 10.0 | 55.2 | 57.0 | 58.9 | 60.8 |
| Federal Transportation Administration (FTA) | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Interest Income | 36.0 | 37.0 | 37.0 | 37.0 | 37.0 |
| Petroleum Companies Gross Earnings (including governor's change) | 36.0 | 42.0 | 42.0 | 42.0 | 42.0 |
| Release from Debt Service Reserve Account [1] | 16.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Transfer to Conservation Fund | (2.0) | (2.0) | (2.0) | (2.0) | (2.0) |
| Subtotal: Projected Revenues | 884.6 | 856.6 | 865.6 | 874.6 | 883.7 |
| Less: Refunds of Taxes | (5.5) | (5.5) | (5.5) | (5.6) | (5.6) |
| TOTAL NET REVENUES | 879.1 | 851.1 | 860.1 | 869.0 | 878.1 |
| PROJECTED EXPENSES | | | | | |
| Agency Operating Expenses | | | | | |
| DOT Budgeted Expenses | 324.7 | 295.1 | 306.4 | 316.5 | 328.2 |
| Non-Bonded Highway & Bridge Projects | 15.6 | 16.0 | 16.4 | 16.7 | 17.1 |
| Airport Payment in Lieu of Taxes (PA 93-433) | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| Subtotal: DOT Operating Expenses | 340.6 | 311.1 | 322.8 | 333.2 | 345.3 |
| DPS Highway Motor Patrol (Prior Year Carry Forward) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| DMV Budgeted Expenses | 49.9 | 50.7 | 54.3 | 56.4 | 58.6 |
| Fringe Benefits | 56.5 | 60.7 | 64.6 | 68.8 | 73.3 |
| Reserve for Salary Adjustment | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| Other Budgeted Expenses | 6.5 | 7.4 | 7.6 | 7.7 | 7.9 |
| Subtotal: Operating Expenses (including governor's changes) | 453.9 | 430.3 | 449.7 | 466.5 | 485.5 |
| Debt Service Expenditures | | | | | |
| STO Debt Service | 351.3 | 377.6 | 390.6 | 407.5 | 428.6 |
| GO Debt Service | 31.4 | 29.2 | 21.0 | 17.3 | 13.7 |
| Total Debt Service | 382.7 | 406.8 | 411.6 | 424.8 | 442.3 |
| Less: Reduction in Debt Service per CGS Sec. 13b-68 [1] | (2.6) | (4.6) | (4.5) | (4.9) | (16.6) |
| Less: Reduction in Debt Service using \$60 million [2] | 0.0 | (1.6) | (3.3) | (3.3) | (3.4) |
| Subtotal: Net Debt Service Expenditures | 380.1 | 400.6 | 403.8 | 416.6 | 422.3 |
| Total: Gross Expenditures | 834.0 | 830.9 | 853.5 | 883.1 | 907.8 |
| Less: Estimated Lapse | (32.3) | (20.0) | (20.0) | (20.0) | (20.0) |
| TOTAL NET EXPENDITURES | 801.7 | 810.9 | 833.5 | 863.1 | 887.8 |
| Annual Operating Surplus/(Deficit) | 77.4 | 40.2 | 26.6 | 5.9 | (9.7) |
| Proposed Appropriation from FY 00 Surplus for Tweed-New Haven Airport | (1.8) | | | | |
| Proposed Appropriation from FY 00 Surplus for Debt Defeasance or Debt Avoidance [2] | (60.0) | | | | |
| Revised Annual Operating Surplus/(Deficit) | 15.6 | 40.2 | 26.6 | 5.9 | (9.7) |
| Debt Service Coverage Ratio [3] | 2.5 | 2.3 | 2.3 | 2.2 | 2.2 |

[1] Section 13b-68, CGS, (PA 97-309) requires the Treasurer to use any ending balance of the Transportation Fund in excess of \$20 million to reduce outstanding indebtedness or debt service requirements. The FY 99 debt service figure reflects the Treasurer's use of the FY 97 excess of \$9.7 million to pay debt service. FY 00 through FY 04 projections reflect a cash defeasance of \$81.8 million completed by the Office of the State Treasurer on 12/22/99, which used the combined surplus from FY 98 and FY 99. The results of the cash defeasance are: (1) a revenue gain of \$16.2 million in FY 00 resulting from a release from the Debt Service Reserve Fund; and (2) a reduction in debt service costs from FY 00 through FY 04.

[2] HB 5240 eliminates the \$20 million minimum balance and removes the requirement that the treasurer use Special Transportation Fund surplus to reduce outstanding indebtedness or debt service. Section 38 of HB 5217 provides \$60 million in nonlapsing funds beginning in FY 00 and permits the treasurer to use the funds for (1) the defeasance of outstanding Special Tax Obligation (STO) indebtedness or (2) payments in lieu of the issuance of STO bonds. The figures presented here assume that the funds will be used to cash defease STO debt in 12/00.

[3] The state is required by the bond indenture to provide revenues in each fiscal year equal to two (2) times the debt service on STO bonds. Our projections indicate that the amount by which the state would exceed this requirement declines from \$186.6 million in FY 00 to \$69.8 million in FY 04.