

Analysis of October 1, 2020 Governor's FY 21 Deficit Mitigation Plan

October 6, 2020



OFFICE OF FISCAL ANALYSIS

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The following is an analysis of the Governor's October 1, 2020 rescissions for FY 21.

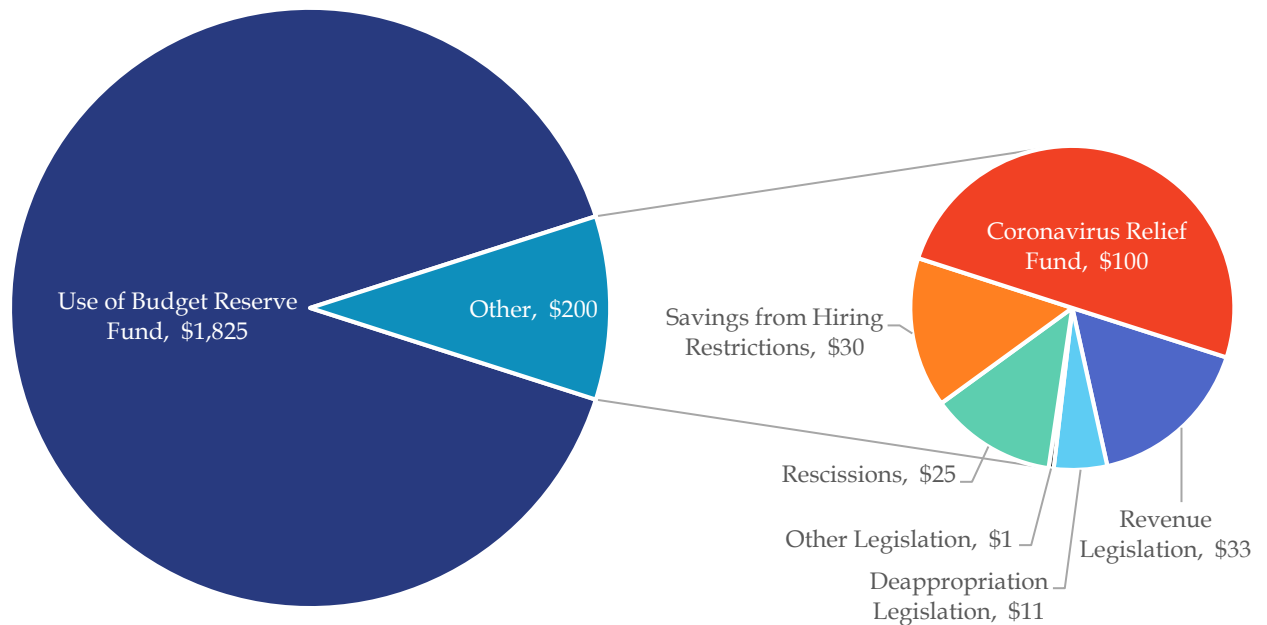
It includes four parts:

- I. Overview
- II. Rescission distribution by account including programmatic impacts of noteworthy expenditure reductions by account and agency
- III. Other deficit mitigation items
- IV. A comparison of rescissions to appropriations with calculations of percent reductions by account and agency.

I. Overview

On September 21, the Office of Policy and Management (OPM) issued a projected FY 21 General Fund deficiency of \$2,024.9 billion. As this exceeds the 1% statutory threshold, OPM issued a Deficit Mitigation Plan (DMP) on October 1. This plan consists of \$200.1 million in mitigation efforts and a draw from the Budget Reserve Fund of \$1,825 million. Of the proposed mitigation efforts, \$155.3 million can be implemented under the Governor's executive authority, while the remaining \$44.8 million would require legislative action.

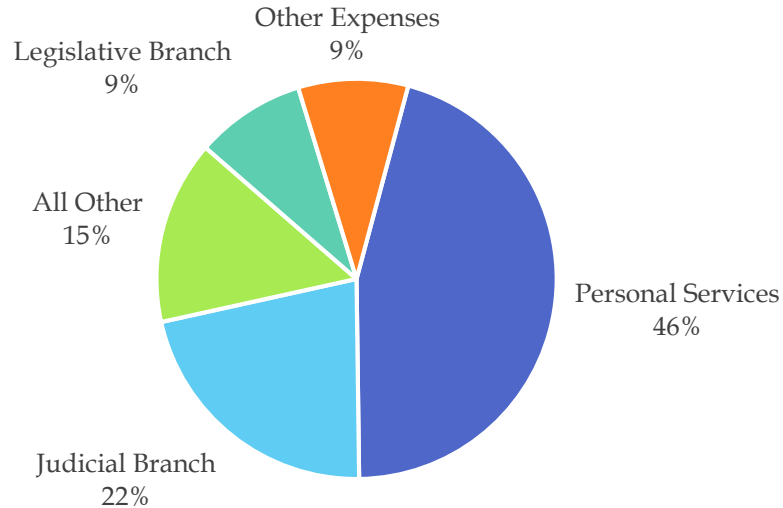
The Governor's October 1, 2020 Deficit Mitigation Plan
In Millions



II. Governor's Rescissions

The following chart shows the distribution of the \$25.3 million in rescissions by account.

Rescission Distribution by Account



Below are programmatic impacts of notable expenditure reductions by agency and account.

Department of Developmental Services (DDS) – Behavioral Services Program, \$1.1 million

The rescission to the Behavioral Services Program (BSP) account will be achieved without an impact to services. This account lapsed approximately \$8 million in FY 20 due to lower than anticipated expenditures and is projected to lapse about \$7 million in FY 21. After the rescission, the lapse is projected to be \$5.9 million. With the expansion of the State Plan services for children with autism under Medicaid, behavioral health services that are considered medically necessary for children are now covered through services from Beacon Health Options and funded in the Department of Social Services. The DDS account may fund wrap around services that may not be considered medically necessary under Medicaid. DDS does not have a waiting list for funding for the program.

Department of Emergency Services and Public Protection (DESPP) – Personal Services, \$1 million

The rescission is anticipated to be achieved by delaying the refill of certain civilian vacancies and monitoring overtime expenditures. At the end of FY 20, DESPP lapsed approximately \$1 million in the Personal Services account. The DESPP FY 21 spending plan anticipated filling approximately 35 civilian positions which were vacant at the beginning of the fiscal year. Additionally, through the first quarter (July – September) of

FY 20, DESPP had expended approximately \$11.2 million in overtime in the General Fund. In FY 21 year-to-date, DESPP has expended approximately \$12 million in overtime.

Office of Policy and Management - Private Providers - Rescission of \$300,000 and De-appropriation of \$3.7 million

This account provides funding to state agencies whose contracts with private providers are potentially impacted by minimum wage increases implemented pursuant to PA 19-4.

PA 19-117, the FY 20 and FY 21 budget, appropriated \$6.0 million in FY 21 for anticipated increases in private provider contracts as a result of the minimum wage increase. Due to lower than anticipated increases in such contracts, the account is anticipated to lapse as much as \$4.0 million in FY 21.

The minimum wage increased from \$11 per hour to \$12 per hour on September 1, 2020. It is next scheduled to increase to \$13 per hour on August 1, 2021.

III. Other Deficit Mitigation Items

Tax Type / Agency	Governor's Deficit Mitigation Proposals	Impact (\$ Millions)
Corp. Tax	Maintain Current 10% Corporation Tax Surcharge for IY 2021	22.5
Corp. Tax	Delay and Extend the Elimination of the Capital Base tax for IY 2021	5.7
Sales & Use Tax	Suspend transfer to Regional Performance Incentive Account eff. 12/1/20	5.0
<i>Revenue Legislation Subtotal</i>		33.2
Reduce appropriations in the following accounts:		
OPM	Private Providers (balance after rescission)	3.7
SDE	Magnet Schools (anticipated lapse in account)	3.0
DOL	Workforce Innovation Opportunity Act (appropriation exceeds federal award by \$2.3M)	2.3
DDS	Emergency Placements (balance after rescission)	0.7
DDS	ID Partnership (balance after rescission)	0.4
DOL	Workforce Training Authority (balance after rescission)	0.3
OPM	MRDA (balance after rescission)	0.2
<i>Deappropriation Legislation Subtotal</i>		10.6
DSS	Implement Third Party Liability Prompt Pay Requirement to Adjudicate Health Care Claims	1.0
<i>All Proposals Requiring Legislation Subtotal</i>		44.8
Rescissions pursuant to CGS Sec. 4-85 (see sections II and IV)		25.3
Savings due to hiring restrictions		30.0

Tax Type / Agency	Governor's Deficit Mitigation Proposals	Impact (\$ Millions)
	Reimburse certain public health and safety costs from Coronavirus Relief Fund	100.0
	<i>Governor's Proposed Actions Subtotal</i>	155.3
	Total Mitigation Items	200.1

Proposed Revenue Legislation

Maintain Corporate Tax Surcharge - \$22.5 million

Establish a permanent corporate tax surcharge of 10% applicable to companies whose gross income is greater than \$100 million. Under current law, the 10% surcharge expires on January 1, 2021. This results in a revenue gain of \$22.5 million in FY 21.

Delay phase out of the Capital Stock method under the Corporation Business Tax - \$5.7 million

Avoid a \$5.7 million revenue loss estimated in FY 21 by delaying implementation of the scheduled phase out, which begins in calendar year 2021 and concludes with a full phase-out in 2024 under current law. Under the proposal, the phase out would begin in calendar year 2022 and conclude in 2026.

Suspend the Regional Performance Incentive Account (RPIA) Transfer - \$5 million

Suspend the transfer from the General Fund to the RPIA account beginning on 12/1/20 to achieve a \$5 million revenue gain in FY 21. The law requires 1 percentage point of the 15% hotel tax rate and 1 percentage point of the 9.35% rental car tax to be deposited into the account. By law, the Secretary of the Office of Policy and Management uses the account to fund annual grants to regional councils of government. The RPIA transfer has previously been suspended from FY 17 through FY 19.

Governor's Proposed Actions

Budget Reserve Fund - \$1,825 million

Following the recently announced transfer to the State Employees Retirement Fund, the Budget Reserve Fund (BRF) has an approximate balance of \$3.0 billion. The Governor's DMP anticipates drawing down \$1,825 million to balance the FY 21 budget. This would leave an estimated \$1,175 million in the BRF at the close of FY 21.

Statewide Hiring Restrictions - \$30 million

The governor is implementing, effective immediately, Executive Branch hiring restrictions to attain \$30 million in General Fund savings. This could be achieved by a combination of not filling non-essential vacant positions and not refilling those non-essential positions that leave state service due to natural turnover through FY 21.

OPM will review agency requests to establish or refill positions on a case-by-case basis and will significantly restrict hiring; except for essential positions such as those necessary to respond to the current public health emergency.

Coronavirus Relief Fund - \$100 million

Federal rules allow states to use Coronavirus Relief Funds to cover the COVID-19 related costs of public health and public safety staff. The Governor’s DMP utilizes \$100 million of these federal funds to cover salaries and associated fringe benefit costs of staff as listed in the table below.

Department of Public Health
Epidemiologists and infectious disease (contact tracing)
Facility Licensure (all nursing homes)
Occupational health and environmental safety (sector rules)
Community health and emergency preparedness (supplies, PPE, and FEMA plan, liaison for local health departments)
IT (data systems)
Staffing for COVID-specific units in various public health and public safety agencies, including
Department of Correction
Department of Mental Health and Addiction Services
Department of Developmental Services
Department of Veterans’ Affairs
Other public health and public safety staff performing COVID-related work

IV. Governor's Rescissions, October 1, 2020

Explanation of Columns:

- **FY 21 Appropriation:** This is the amount appropriated for this line item as budgeted in PA 19-117, adjusted by PA 19-1 DSS.
- **Rescission \$:** This is the amount that the Governor rescinded on October 1, 2020.
- **% of Appropriation:** This is the percent of the gross appropriation that the rescission makes up. By law the Governor cannot rescind more than 5% of a line item.

Governor's October 1, 2020 Rescissions

Agency	Account	FY 21 Appropriation \$	Rescission \$	Rescission as % Approp.
Agricultural Experiment Station	Personal Services	6,012,727	60,127	1.0%
Agricultural Experiment Station	Other Expenses	865,032	4,325	0.5%
Attorney General	Personal Services	30,870,633	301,706	1.0%
Attorney General	Other Expenses	1,019,910	5,100	0.5%
Commission on Human Rights and Opportunities	Personal Services	6,426,842	64,268	1.0%
Commission on Human Rights and Opportunities	Other Expenses	289,958	1,450	0.5%
Department of Administrative Services	Surety Bonds for State Officials and Employees	73,500	3,675	5.0%
Department of Administrative Services	Rents and Moving	10,571,577	528,578	5.0%
Department of Administrative Services	Refunds Of Collections	21,453	1,072	5.0%
Department of Administrative Services	Personal Services	51,482,515	482,825	0.9%
Department of Administrative Services	Other Expenses	31,181,530	155,908	0.5%
Department of Administrative Services	Loss Control Risk Management	92,634	4,631	5.0%
Department of Administrative Services	IT Services	16,325,576	500,000	3.1%
Department of Aging and Disability Services	Personal Services	7,408,609	71,086	1.0%
Department of Aging and Disability Services	Other Expenses	1,422,517	7,113	0.5%
Department of Aging and Disability Services	Employment Opportunities - Blind & Disabled	1,021,990	51,100	5.0%
Department of Agriculture	Personal Services	3,985,079	36,851	0.9%
Department of Agriculture	Other Expenses	800,959	4,005	0.5%
Department of Children and Families	Personal Services	279,496,655	100,000	0.0%
Department of Children and Families	Other Expenses	29,160,237	145,801	0.5%
Department of Consumer Protection	Personal Services	14,110,498	140,105	1.0%
Department of Consumer Protection	Other Expenses	1,148,428	5,742	0.5%
Department of Correction	Other Expenses	69,596,565	347,983	0.5%
Department of Developmental Services	Personal Services	209,745,951	2,057,460	1.0%
Department of Developmental Services	Other Expenses	15,069,356	75,347	0.5%
Department of Developmental Services	ID Partnership Initiatives	1,529,000	76,450	5.0%

Agency	Account	FY 21 Appropriation \$	Rescission \$	Rescission as % Approp.
Department of Developmental Services	Emergency Placements	5,630,000	281,500	5.0%
Department of Developmental Services	Behavioral Services Program	22,571,979	1,128,598	5.0%
Department of Economic and Community Development	Personal Services	7,773,044	76,730	1.0%
Department of Economic and Community Development	Other Expenses	664,382	3,322	0.5%
Department of Economic and Community Development	Hartford 2000	20,000	1,000	5.0%
Department of Education	Personal Services	17,534,577	167,346	1.0%
Department of Education	Other Expenses	3,035,381	15,177	0.5%
Department of Emergency Services and Public Protection	Personal Services	145,635,390	1,000,000	0.7%
Department of Emergency Services and Public Protection	Other Expenses	28,349,417	141,747	0.5%
Department of Emergency Services and Public Protection	Fleet Purchase	5,581,737	100,000	1.8%
Department of Emergency Services and Public Protection	Criminal Justice Information System	2,684,610	134,230	5.0%
Department of Energy and Environmental Protection	Underground Storage Tank	921,535	1,283	0.1%
Department of Energy and Environmental Protection	Solid Waste Management	3,751,297	71,420	1.9%
Department of Energy and Environmental Protection	Personal Services	20,881,883	622,706	3.0%
Department of Energy and Environmental Protection	Other Expenses	449,569	10,000	2.2%
Department of Energy and Environmental Protection	Laboratory Fees	129,015	6,450	5.0%
Department of Energy and Environmental Protection	Fish Hatcheries	2,161,194	46,049	2.1%
Department of Energy and Environmental Protection	Environmental Quality	8,898,044	57,978	0.7%

Agency	Account	FY 21 Appropriation \$	Rescission \$	Rescission as % Approp.
Department of Energy and Environmental Protection	Environmental Conservation	5,010,909	175,043	3.5%
Department of Energy and Environmental Protection	Emergency Spill Response	6,763,389	51,288	0.8%
Department of Energy and Environmental Protection	Dam Maintenance	124,850	480	0.4%
Department of Energy and Environmental Protection	Clean Air	4,117,754	48,915	1.2%
Department of Housing	Personal Services	1,953,445	18,534	0.9%
Department of Housing	Other Expenses	164,893	824	0.5%
Department of Mental Health and Addiction Services	Personal Services	213,878,173	2,135,782	1.0%
Department of Public Health	Personal Services	36,847,046	363,470	1.0%
Department of Public Health	Other Expenses	7,618,240	38,091	0.5%
Department of Revenue Services	Personal Services	58,985,625	1,121,713	1.9%
Department of Revenue Services	Other Expenses	7,332,623	50,000	0.7%
Department of Social Services	Refunds Of Collections	94,699	4,734	5.0%
Department of Social Services	Personal Services	139,336,819	1,296,368	0.9%
Department of Social Services	Other Expenses	147,663,485	1,108,317	0.8%
Department of Social Services	Food Stamp Training Expenses	9,832	491	5.0%
Department of Veterans Affairs	Personal Services	20,415,930	198,159	1.0%
Department of Veterans Affairs	Other Expenses	2,903,207	14,516	0.5%
Division of Criminal Justice	Personal Services	46,809,521	463,095	1.0%
Division of Criminal Justice	Other Expenses	2,394,240	11,971	0.5%
Governor's Office	Personal Services	2,154,748	21,547	1.0%
Governor's Office	New England Governors' Conference	74,391	3,719	5.0%
Governor's Office	National Governors' Association	106,600	5,330	5.0%
Labor Department	Workforce Training Authority	500,000	25,000	5.0%
Labor Department	Personal Services	9,610,588	96,106	1.0%
Labor Department	Other Expenses	1,014,985	5,075	0.5%
Labor Department	CETC Workforce	567,979	28,399	5.0%
Lieutenant Governor's Office	Personal Services	648,244	6,482	1.0%

Agency	Account	FY 21 Appropriation \$	Rescission \$	Rescission as % Approp.
Military Department	Personal Services	2,945,438	28,654	1.0%
Military Department	Other Expenses	2,171,221	10,856	0.5%
Office of Early Childhood	Personal Services	9,156,554	89,566	1.0%
Office of Early Childhood	Other Expenses	458,987	2,295	0.5%
Office of Governmental Accountability	Other Expenses	32,287	1,614	5.0%
Office of Governmental Accountability	Office of the Victim Advocate	428,651	1,232	0.3%
Office of Governmental Accountability	Office of the Child Advocate	711,931	378	0.1%
Office of Governmental Accountability	Judicial Selection Commission	91,816	471	0.5%
Office of Governmental Accountability	Judicial Review Council	132,963	550	0.4%
Office of Governmental Accountability	Contracting Standards Board	176,909	1,039	0.6%
Office of Governmental Accountability	Board of Firearms Permit Examiners	121,016	741	0.6%
Office of Health Strategy	Personal Services	2,111,198	20,112	1.0%
Office of Health Strategy	Other Expenses	38,042	25,000	65.7%
Office of Higher Education	Personal Services	1,535,334	15,103	1.0%
Office of Higher Education	Other Expenses	166,466	832	0.5%
Office of Policy and Management	Project Longevity	998,750	49,937	5.0%
Office of Policy and Management	Private Providers	6,000,000	300,000	5.0%
Office of Policy and Management	Personal Services	11,679,172	113,792	1.0%
Office of Policy and Management	Other Expenses	1,188,684	5,943	0.5%
Office of Policy and Management	MRDA	500,000	25,000	5.0%
Office of Policy and Management	Automated Budget System and Data Base Link	26,776	1,338	5.0%
Office of the Chief Medical Examiner	Other Expenses	1,442,198	7,211	0.5%
Psychiatric Security Review Board	Personal Services	299,756	2,998	1.0%
Psychiatric Security Review Board	Other Expenses	25,068	125	0.5%
Secretary of the State	Personal Services	2,826,337	28,263	1.0%
Secretary of the State	Other Expenses	1,606,594	8,033	0.5%
Secretary of the State	Commercial Recording Division	4,819,503	38,431	0.8%
State Comptroller	Personal Services	24,235,594	239,856	1.0%
State Comptroller	Other Expenses	5,199,293	25,996	0.5%
State Library	Personal Services	5,364,021	51,640	1.0%

Agency	Account	FY 21 Appropriation \$	Rescission \$	Rescission as % Approp.
State Library	Other Expenses	421,879	2,109	0.5%
State Treasurer	Personal Services	3,052,378	29,524	1.0%
State Treasurer	Other Expenses	124,999	625	0.5%
Teachers' Retirement Board	Personal Services	1,722,838	17,228	1.0%
Teachers' Retirement Board	Other Expenses	544,727	2,724	0.5%
GENERAL FUND TOTAL - Executive Branch Agencies			17,540,909	0.1%
Judicial Branch Rescissions			5,500,000	0.9%
Legislative Branch Rescissions			2,250,000	2.7%
GRAND TOTAL PROPOSED RESCISSIONS			25,290,909	0.1%