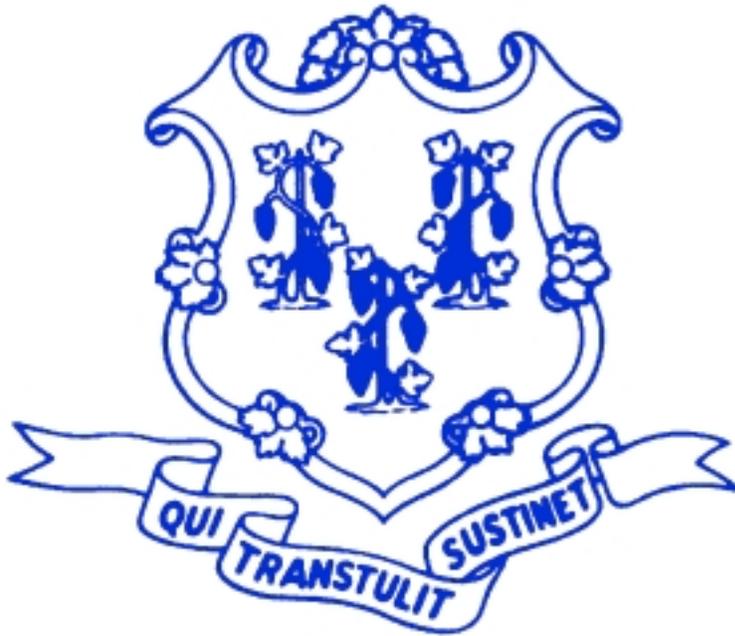


**Highlights of the
1999 - 2001 Biennial Budget**



**Connecticut General Assembly
Office of Fiscal Analysis
June 9, 1999**



Highlights of the 1999-2001 Biennial Budget

I. Introduction and Overview

The House and the Senate adopted the 1999-2001 biennial budget (SA 99-10) on June 4. The tax package (PA 99-173) was also enacted on June 4. It is anticipated that the governor will sign these budget bills within the next two weeks.

Budget deliberations focused on several key issues including: the use of the FY 99 surplus, keeping the budget considerably below the spending cap, the use of the tobacco settlement funds, another tax rebate and additional Year 2000 project funding. This document provides an overview of the General and Transportation funds, narrative on major budget issues, and tables depicting major expenditure changes by agency and account, changes in grants to towns, major tax changes, out-year impact, and changes in bond authorizations. Our Budget Book, scheduled for publication in August, will provide a more in-depth analysis of the budget and related legislation.

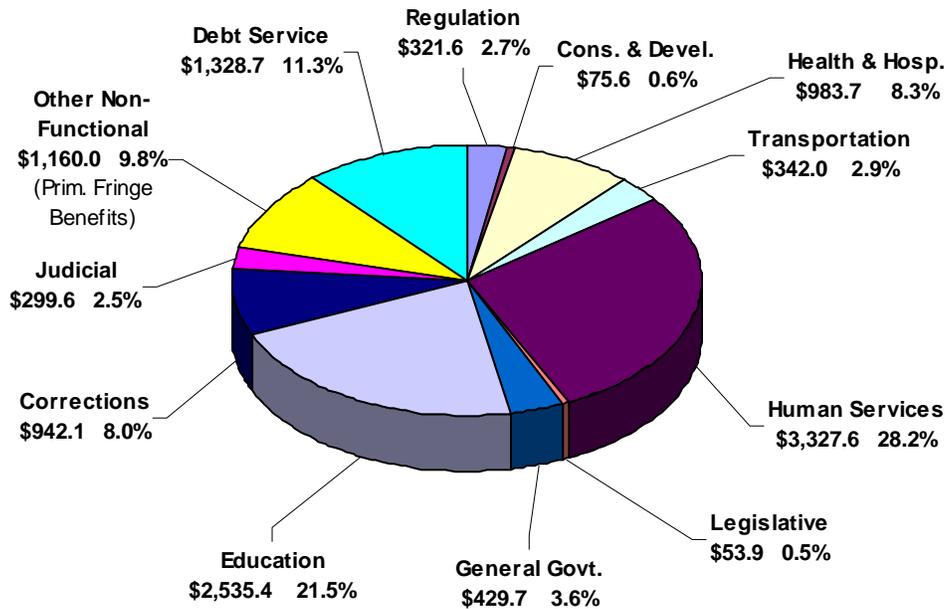
Fund Overview (in millions)

	FY 00 Budget	FY 01 Budget
General Fund		
Estimated Revenue (Finance Committee)	\$10,646.0	\$11,090.0
Net Appropriations	<u>10,581.6</u>	<u>11,085.2</u>
Estimated Balance	\$64.4	\$4.8
Budget Growth over Prior Year (Adjusted)	5.2%	4.8%
Transportation Fund		
Estimated Revenue (Finance Committee)	\$873.8	\$892.7
Net Appropriations	<u>820.9</u>	<u>854.9</u>
Estimated Balance	\$52.9	\$37.8
Budget Growth over Prior Year (Adjusted)	0.9%	5.1%
All Appropriated Funds		
Budget Growth over Prior Year (Adjusted)	4.8%	4.7%
Amount Total Appropriations are Under the Statutory Spending Cap [1]	-\$70.6	-\$59.6

[1] The amount by which total appropriations are under the spending cap is based on appropriations for all funds and five-year average growth in personal income of 5.08% in FY 00 and 5.16% in FY 01.

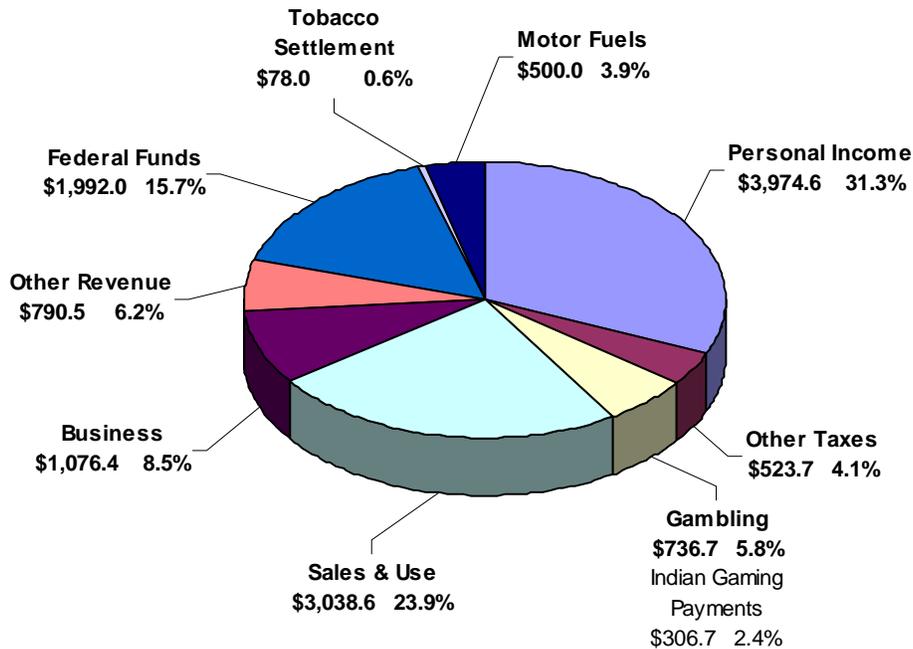
**FY 00
APPROPRIATIONS AND REVENUE
(All Appropriated Funds)**

**Appropriations
\$11,618.9 Million***

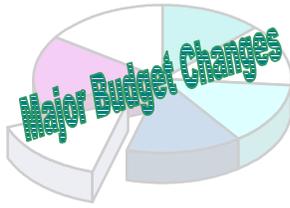


The amount shown is the net appropriation for all appropriated funds and reflects the subtraction of \$180.6 million for the estimated lapse. The amounts shown for each category reflect the share of gross appropriations of \$11,799.5 million.

**Revenue
\$11,781.5 Million***



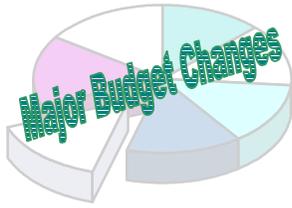
* The amount shown is the net revenue available to balance the budget. It reflects gross revenue of \$12,710.5 million minus \$929.0 million of various revenue adjustments comprised mainly of Refunds of Taxes. The amounts shown for each category in the chart represent gross revenue figures.



II. Major Budget Changes

Major New and Expanded Services

	FY 00	FY 01
Office of Policy and Management		
Extend Phase-Out of Safe Neighborhoods Program (\$1.3 million in each year will be funded by the surplus.)	\$2,600,000	\$1,950,000
Division of Criminal Justice		
Provide Additional Staff for Caseload Management	810,315	1,672,073
Labor Department		
Provide Funding to the Connecticut Employment and Training Commission	3,686,993	7,370,098
Department of Environmental Protection		
Provide Funding for Ten New Conservation Officers	408,000	548,000
Department of Economic and Community Development		
Establish Subsidized Assisted Living Demonstration Program	503,358	1,692,750
Department of Public Health		
Expand Childhood Immunization Program	2,428,725	4,818,499
Enhance Community Health Center Services	1,665,000	1,698,300
Department of Mental Retardation		
Enhance Services at Southbury Training School/Increase Certification of ICF/MR Beds	4,127,920	4,103,952
Enhance Pilot Program for Cooperative Placements	2,400,000	3,600,000
Enhance Day Programs for High School Graduates	1,377,625	4,215,534
Enhance Community Placements for Southbury Training School Residents	2,119,717	2,119,717
Increase Funding to Reduce the Waiting List	4,251,236	12,006,652
Department of Mental Health and Addiction Services		
Expand Funding for Special Populations	1,900,000	5,000,000
Fund Neurobehavioral Rehabilitation Services	4,900,000	8,950,000
Fund Supportive Housing Efforts	1,462,000	1,462,000
Department of Social Services		
Expand HUSKY to Parents	200,000	5,000,000
Increase Transitional Rental Assistance	1,000,000	1,000,000



	FY 00	FY 01
Department of Education		
Increase Interdistrict Cooperative Funding	1,200,000	1,200,000
Increase Support for Vocational-Technical Schools	1,523,833	1,553,000
Increase Funding for ECS	21,550,000	33,000,000
Expand Charter Schools	2,567,500	5,044,000
Provide for Increased Number of Priority School Districts	2,743,905	2,743,905
Department of Higher Education		
Provide Additional Funds for Student Financial Aid	3,500,000	5,500,000
University of Connecticut		
Freeze Tuition and Extension Fees for 1999-2000 Academic Year	2,558,458	2,558,458
Regional Community-Technical Colleges		
Freeze Tuition	1,185,601	1,185,601
Connecticut State University		
Freeze Tuition	3,497,229	3,497,229
Department of Correction		
Provide Funding for Additional Staff	4,153,036	3,972,634
Department of Children and Families		
Add Caseload Reduction Staff	8,569,358	12,000,000
Fund Safe Homes	13,286,000	13,551,720
Increase Staff at Long Lane School	4,216,078	4,257,847
Implement 1999 Program Assessment and Resource Allocation Plan/Consent Decree	6,523,338	10,223,338
Increase Foster Rates/Consent Decree	3,174,952	3,174,952
Expenditure Update/Single Cost Accounting Rate Increases	1,400,000	2,800,000
Judicial Department		
Expand Bail Re-Interview Program	500,000	1,000,000
Public Defender Services Commission		
Provide Staff for Caseload Management	2,693,339	3,197,201
Total of Above	\$120,683,516	\$177,667,460

Note: The amounts shown are legislative increases from current services.



Major Changes to Grants to Municipalities *

	Estimated Expenditures FY 99 as of Jan. 1999	Governor's Recommended FY 00	Appropriation FY 00	Difference Est 99-App 00	Governor's Recommended FY 01	Appropriation FY 01	Difference App 00-App01
Office of Policy and Management							
Distressed Municipalities	3,501,294	3,927,000	4,927,000	1,425,706	4,005,540	6,005,540	1,078,540
Property Tax Relief Elderly Circuit Breaker	21,982,099	24,000,000	24,000,000	2,017,901	25,500,000	26,500,000	2,500,000
Drug Enforcement Program	16,704,616	11,851,697	10,551,697	-6,152,919	11,266,633	9,966,633	-585,064
P.I.L.O.T. - New Manufacturing Machinery and Equipment	67,368,121	72,000,000	71,500,000	4,131,879	75,000,000	74,500,000	3,000,000
Department of Transportation							
Town Aid Road Grants	30,000,000	30,000,000	35,000,000	5,000,000	30,000,000	35,000,000	0
Department of Social Services							
School Based Child Health	0	6,500,000	6,500,000	6,500,000 **	6,600,000	6,600,000	100,000
Department of Education							
Transportation of School Children	41,255,000	43,200,000	43,200,000	1,945,000	45,200,000	45,200,000	2,000,000
Education Equalization Grants	1,299,350,000	1,331,000,000	1,352,550,000	53,200,000	1,362,000,000	1,395,000,000	42,450,000
Priority School Districts	19,000,000	19,000,000	20,336,250	1,336,250	19,000,000	20,057,500	-278,750
Excess Cost - Student Based	46,000,000	45,000,000	44,500,000	-1,500,000	47,000,000	46,500,000	2,000,000
Medicaid Coordination	6,465,000	0	0	-6,465,000 **	0	0	0
OPEN Choice Program	3,140,492	6,400,000	6,175,000	3,034,508	9,600,000	9,375,000	3,200,000
Early Reading Success	19,776,761	19,600,000	20,660,400	883,639	19,600,000	22,060,400	1,400,000
Magnet Schools	16,032,500	20,900,000	20,900,000	4,867,500	32,800,000	32,800,000	11,900,000
School Library Books	3,000,000	0	0	-3,000,000 ***	0	0	0
School Accountability	0	0	300,000	300,000	0	2,700,000	2,400,000
Reimbursements to Towns for Loss of Taxes on State Property							
Reimbursements to Towns for Loss of Taxes on State Property	61,697,742	34,678,279	63,232,979	1,535,237	35,223,664	63,778,364	545,385

* A town by town run for the major statutory formula grants has been previously distributed.

** Program has been moved to the Department of Social Services from the Department of Education.

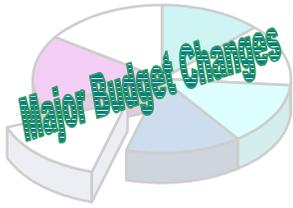
*** Funds are provided from FY 99 surplus.



Other Major Changes

(Plus or minus \$1 million or more)

	Estimated Expenditures FY 99 as of Jan. 1999	Governor's Recommended FY 00	Appropriation FY 00	Difference Est 99-App 00	Governor's Recommended FY 01	Appropriation FY 01	Difference App 00-App 01
Legislative Management							
Personal Services	27,174,668	29,858,989	28,307,820	1,133,152	31,057,040	30,458,773	2,150,953
Other Expenses	13,537,159	13,235,702	13,205,702	-331,457	14,927,124	14,897,124	1,691,422
Department of Revenue Services							
Personal Services	42,469,453	44,563,929	44,563,929	2,094,476	47,108,927	47,108,927	2,544,998
Office of Policy and Management							
Other Expenses	3,777,400	2,132,314	2,032,314	-1,745,086	2,132,314	2,032,314	0
Stadium Construction	2,000,000	0	0	-2,000,000	0	0	0
Elderly Programs Rebate	7,692,800	0	0	-7,692,800	0	0	0
Tax Relief for Elderly Renters	10,534,380	11,760,000	11,760,000	1,225,620	12,112,500	12,112,500	352,500
Department of Veterans Affairs							
Personal Services	20,207,582	21,472,070	21,472,070	1,264,488	22,603,277	22,603,277	1,131,207
Department of Administrative Services							
Personal Services	15,725,000	17,303,151	17,303,151	1,578,151	18,372,496	18,372,496	1,069,345
Department of Public Works							
Fairfield Hills Campus Management	1,330,000	0	0	-1,330,000	0	0	0
Management Services	0	4,877,431	4,877,431	4,877,431	4,891,585	4,891,585	14,154
Facilities Design Expenses	2,150,000	2,099,845	4,599,845	2,449,845	2,217,404	4,917,404	317,559
Attorney General							
Personal Services	20,914,311	22,796,902	22,796,902	1,882,591	24,248,163	24,248,163	1,451,261
Division of Criminal Justice							
Personal Services	27,699,151	31,927,355	31,916,544	4,217,393	35,224,550	34,801,818	2,885,274
Department of Public Safety							
Personal Services	77,000,000	87,130,058	87,130,058	10,130,058	94,302,041	94,302,041	7,171,983
Other Expenses	12,300,000	17,359,633	17,359,633	5,059,633	18,258,170	18,258,170	898,537
Trooper Training Class	1,875,000	0	0	-1,875,000	0	0	0
Motor Vehicle Department							
Y2K Funds - GF	4,365,500	0	0	-4,365,500	0	0	0
Personal Services - TF	31,421,886	36,421,823	35,996,744	4,574,858	37,092,844	36,656,029	659,285
Military Department							
Personal Services	2,700,000	3,782,894	3,782,894	1,082,894	4,008,073	4,008,073	225,179
Department of Banking							
Personal Services	7,477,591	8,485,804	8,485,804	1,008,213	8,675,566	8,675,566	189,762
Department of Insurance							
Personal Services	9,382,233	10,784,703	10,964,703	1,582,470	11,201,747	11,381,747	417,044
Fringe Benefits	3,439,206	3,990,493	4,584,633	1,145,427	4,140,629	4,140,629	-444,004
Labor Department							
Personal Services	8,137,568	9,163,412	9,163,412	1,025,844	9,761,279	9,761,279	597,867
Other Expenses	984,976	2,598,336	2,598,336	1,613,360	2,698,336	2,698,336	100,000
CETC Workforce	0	3,500,000	3,150,000	3,150,000	7,000,000	6,650,000	3,500,000
Jobs First Employment Services	12,499,832	19,242,693	15,992,693	3,492,861	19,627,547	16,377,547	384,854
Welfare to Work	5,373,586	11,183,704	11,183,704	5,810,118	0	0	-11,183,704
Workers' Compensation Commission							
Personal Services	7,750,000	8,482,913	8,750,452	1,000,452	8,683,148	9,036,728	286,276



	Estimated Expenditures FY 99 as of Jan. 1999	Governor's Recommended FY 00	Governor's Recommended Appropriation FY 00	Difference Est 99-App 00	Governor's Recommended FY 01	Governor's Recommended Appropriation FY 01	Difference App 00-App 01
Department of Environmental Protection							
Personal Services	27,018,006	29,011,532	29,071,532	2,053,526	30,550,392	30,849,392	1,777,860
Department of Economic and Community Development							
Cluster Initiative	3,000,000	2,500,000	2,000,000	-1,000,000	3,200,000	2,500,000	500,000
Assisted Living Demonstration Program	0	503,358	503,358	503,358	1,692,750	1,692,750	1,189,392
Department of Public Health							
Personal Services	24,761,252	27,140,113	27,643,312	2,882,060	28,843,918	29,285,162	1,641,850
Other Expenses	5,535,696	6,262,399	6,822,399	1,286,703	6,171,176	6,066,176	-756,223
Year 2000 Conversion	4,499,942	0	0	-4,499,942	0	0	0
Community Health Services	6,175,433	6,349,942	8,014,942	1,839,509	6,476,941	8,175,241	160,299
Immunization Services	4,330,520	7,038,205	7,038,205	2,707,685	7,126,548	9,516,322	2,478,117
Department of Mental Retardation							
Personal Services	246,546,814	252,609,508	252,900,722	6,353,908	265,618,681	266,906,016	14,005,294
Employment Opportunities and Day Services	86,283,259	93,543,575	94,432,869	8,149,610	99,470,653	99,155,697	4,722,828
Community Residential Services	184,067,334	197,542,048	202,227,822	18,160,488	206,478,339	213,403,821	11,175,999
Pilot Program for Cooperative Placements	750,000	765,000	3,165,000	2,415,000	780,300	4,380,300	1,215,300
Department of Mental Health and Addiction Services							
Personal Services	63,559,658	76,511,919	76,507,088	12,947,430	88,455,835	88,451,911	11,944,823
General Assistance Managed Care Eastern Region	50,073,906	49,973,390	50,973,390	899,484	50,974,538	51,974,538	1,001,148
Special Populations	2,139,867	0	0	-2,139,867	0	0	0
TBI Community Services	2,911,634	6,172,270	6,172,270	3,260,636	9,416,537	9,416,537	3,244,267
Grants for Substance Abuse Services	0	0	1,500,000	1,500,000	0	2,000,000	500,000
Grants for Mental Health Services	25,142,448	29,116,422	27,541,422	2,398,974	29,667,752	28,267,752	726,330
	64,711,633	66,424,112	68,286,112	3,574,479	67,752,594	69,614,594	1,328,482
Department of Transportation							
Year 2000 Conversion - GF	3,113,022	0	0	-3,113,022	0	0	0
Personal Services	110,909,399	117,534,240	117,534,240	6,624,841	121,754,734	121,754,734	4,220,494
Rail Operations	55,085,264	56,737,821	60,937,821	5,852,557	58,439,956	62,739,956	1,802,135
Bus Operations	59,291,630	61,842,796	61,842,796	2,551,166	64,291,885	64,291,885	2,449,089
Workers' Compensation Claims	1,408,686	0	0	-1,408,686	0	0	0
Highway and Bridge Renewal	10,200,000	11,600,000	11,600,000	1,400,000	12,000,000	12,000,000	400,000
Department of Social Services							
Personal Services	99,711,384	103,762,231	103,762,231	4,050,847	109,815,624	109,815,624	6,053,393
State Food Stamp Supplement	63,289	1,610,218	1,610,218	1,546,929	2,186,788	2,186,788	576,570
Privatize Data Processing Services	36,769,079	33,152,042	33,152,042	-3,617,037	33,753,564	33,753,564	601,522
HUSKY Program	6,408,546	14,551,524	14,551,524	8,142,978	19,456,657	19,456,657	4,905,133
Medicaid	2,006,874,501	2,040,100,700	2,082,614,400	75,739,899	2,132,050,000	2,167,013,975	84,399,575
Old Age Assistance	31,694,699	33,351,676	32,851,676	1,156,977	33,942,181	33,942,181	1,090,505
Aid to the Disabled	65,780,927	69,590,851	67,988,304	2,207,377	70,491,954	70,135,739	2,147,435
Temporary Assistance to Families - TANF	191,508,716	179,909,992	155,651,673	-35,857,043	159,167,507	134,909,188	-20,742,485
Connecticut Pharmaceutical Assistance							
Contract to the Elderly	30,188,243	26,592,305	26,592,305	-3,595,938	28,276,961	28,276,961	1,684,656
Connecticut Home Care Program	14,601,835	19,100,000	19,100,000	4,498,165	22,100,000	22,100,000	3,000,000
Hospital Assistance Program	2,909,016	0	0	-2,909,016	0	0	0
Transitory Rental Assistance	2,500,000	2,550,000	3,550,000	1,050,000	2,601,000	3,601,000	51,000
Child Care Services-TANF/CCDBG	129,562,681	147,407,355	131,327,287	1,764,606	168,003,090	146,511,063	15,183,776
Housing/Homeless Services	7,951,793	8,110,829	8,323,329	371,536	18,484,696	18,697,196	10,373,867
Disproportionate Share-Medical							
Emergency Assistance	217,090,984	210,000,000	210,000,000	-7,090,984	207,000,000	207,000,000	-3,000,000
State Administered General Assistance	73,269,337	77,119,930	77,119,930	3,850,593	76,863,106	76,863,106	-256,824
School Readiness	7,596,795	5,383,765	5,383,765	-2,213,030	5,899,664	5,899,664	515,899



	Estimated Expenditures FY 99 as of Jan. 1999	Governor's Recommended FY 00	Governor's Recommended Appropriation FY 00	Difference Est 99-App 00	Governor's Recommended FY 01	Governor's Recommended Appropriation FY 01	Difference App 00-App 01
Department of Education							
Personal Services	89,767,821	95,733,641	94,457,179	4,689,358	101,315,010	100,068,258	5,611,079
Early Childhood Program	19,280,000	32,500,000	35,092,500	15,812,500	32,500,000	40,092,500	5,000,000
Year 2000 Conversion	1,108,080	0	0	-1,108,080	0	0	0
Charter Schools	9,750,000	12,577,500	12,317,500	2,567,500	14,794,000	14,794,000	2,476,500
Board of Education and Services for the Blind							
Education of Handicapped Blind Children	7,138,166	6,338,166	5,738,166	-1,400,000	6,338,166	5,738,166	0
Department of Higher Education							
Connecticut Independent College Student Grant	16,128,795	0	16,949,378	820,583	0	18,776,929	1,827,551
Connecticut Aid for Public College Students	11,327,414	0	14,552,940	3,225,526	0	15,283,261	730,321
University of Connecticut							
Operating Expenses	158,975,577	164,103,427	165,515,927	6,540,350	167,324,552	170,962,052	5,446,125
Endowment Match	5,000,000	0	0	-5,000,000	0	0	0
Tuition Freeze	2,433,000	4,991,458	4,991,458	2,558,458	4,991,458	4,991,458	0
Year 2000 Conversion	4,591,426	0	0	-4,591,426	0	0	0
University of Connecticut Health Center							
Operating Expenses	68,820,311	70,341,582	70,341,582	1,521,271	72,647,749	72,647,749	2,306,167
Teachers' Retirement Board							
Retirement Contributions	188,334,000	204,445,443	204,445,443	16,111,443	214,665,698	214,665,698	10,220,255
Regional Community - Technical Colleges							
Operating Expenses	103,688,152	108,282,431	108,417,068	4,728,916	114,802,111	116,936,748	8,519,680
Tuition Freeze	1,149,000	2,199,964	2,199,964	1,050,964	2,199,964	2,199,964	0
Connecticut State University							
Operating Expenses	114,547,734	120,806,773	120,856,773	6,309,039	126,146,041	126,146,041	5,289,268
Tuition Freeze	2,994,000	6,491,229	6,491,229	3,497,229	6,491,229	6,491,229	0
Department of Correction							
Personal Services	268,290,000	310,487,410	308,231,142	39,941,142	326,356,560	322,759,728	14,528,586
Other Expenses	61,835,348	67,149,008	66,945,709	5,110,361	68,243,120	68,039,821	1,094,112
Equipment	3,363,496	1,919,717	1,919,717	-1,443,779	316,663	316,663	-1,603,054
Inmate Medical Services	48,939,186	55,226,498	55,226,498	6,287,312	57,232,993	57,232,993	2,006,495
Overcrowding Contingency Acct.	3,909,725	0	0	-3,909,725	0	0	0
Community Residential Services	12,495,189	14,657,593	14,657,593	2,162,404	15,850,745	15,850,745	1,193,152
Department of Children and Families							
Personal Services	154,922,654	161,778,286	170,424,766	15,502,112	172,627,352	185,935,763	15,510,997
Other Expenses	21,733,736	22,606,229	25,452,745	3,719,009	22,226,128	23,744,290	-1,708,455
Children's Trust Fund	2,870,000	3,156,900	0	-2,870,000	3,220,657	0	0
Board and Care for Children-Adoption	21,518,592	23,388,717	23,679,268	2,160,676	23,897,375	24,187,926	508,658
Board and Care for Children-Foster	66,847,764	69,212,651	72,264,554	5,416,790	69,360,508	72,413,431	148,877
Board and Care for Children-Residential	83,947,678	102,929,707	103,288,167	19,340,489	110,444,411	110,775,737	7,487,570
Council to Administer the Children's Trust Fund							
Children's Trust Fund	0	0	4,056,900	4,056,900	0	4,120,657	63,757



	Estimated Expenditures FY 99 as of Jan. 1999	Governor's Recommended FY 00	Appropriation FY 00	Difference Est 99-App 00	Governor's Recommended FY 01	Appropriation FY 01	Difference App 00-App 01
County Sheriffs							
Special Deputy Sheriffs	22,402,361	24,109,861	23,538,301	1,135,940	26,722,541	23,573,886	35,585
Judicial Department							
Personal Services	156,098,182	168,417,280	169,168,375	13,070,193	183,239,368	179,413,601	10,245,226
Other Expenses	45,533,012	49,026,284	48,874,745	3,341,733	50,873,087	47,914,493	-960,252
Equipment	311,158	1,393,609	1,882,494	1,571,336	1,247,226	1,301,936	-580,558
Alternative Incarceration Program	21,562,524	26,276,986	27,980,832	6,418,308	27,371,706	29,452,629	1,471,797
Juvenile Alternative Incarceration	15,891,595	17,944,427	17,944,427	2,052,832	18,653,316	18,653,316	708,889
Post-Release Non-Residential Services	1,327,300	1,353,846	0	-1,327,300	1,380,923	0	0
Year 2000 Conversion	1,112,340	0	0	-1,112,340	0	0	0
Criminal Injuries Compensation - CCF	1,900,000	0	1,900,000	0	0	0	-1,900,000
Office of Victim Services							
Personal Services - GF	0	0	0	0	0	2,127,895	2,127,895
Criminal Injuries Compensation - CCF	0	0	0	0	0	1,900,000	1,900,000
Public Defender Services Commission							
Personal Services	19,748,742	21,826,803	21,817,229	2,068,487	24,330,483	24,109,899	2,292,670
Debt Service - State Treasurer							
Debt Service	808,956,875	912,750,220	903,162,720	94,205,845	969,379,371	954,266,246	51,103,526
UConn 2000 - Debt Service	29,300,075	36,881,418	36,881,418	7,581,343	49,988,725	49,988,725	13,107,307
CHEFA Day Care Security	0	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	0
Debt Service - TF	386,494,062	385,955,080	385,955,080	-538,982	407,228,880	407,228,880	21,273,800
Reserve for Salary Adjustments							
Reserve for Salary Adjustments	0	12,400,000	8,400,000	8,400,000	8,000,000	8,000,000	-400,000
Workers' Compensation Claims - Department of Administrative Services							
Workers' Compensation Claims - TF	0	1,924,548	1,924,548	1,924,548	1,997,044	1,997,044	72,496
Reimbursements to Towns for Loss of Taxes on State Property							
Reimbursements to Towns for Loss of Taxes on State Property	61,697,742	34,678,279	63,232,979	1,535,237	35,223,664	63,778,364	545,385
State Employees Retirement Contributions							
Other Expenses - GF	199,304,785	227,947,331	212,947,331	13,642,546	255,460,183	255,460,183	42,512,852
Other Expenses - TF	28,419,000	27,636,000	27,636,000	-783,000	30,154,000	30,154,000	2,518,000
Higher Education Alternative Retirement System							
Other Expenses	12,209,219	15,220,000	15,220,000	3,010,781	16,200,000	16,200,000	980,000
Employers Social Security Tax							
Other Expenses - GF	135,646,754	147,451,000	148,231,362	12,584,608	162,881,000	164,188,532	15,957,170
Other Expenses - TF	12,696,292	11,657,000	11,657,000	-1,039,292	11,994,000	11,994,000	337,000
State Employees Health Service Cost							
Other Expenses - GF	178,980,200	218,938,000	221,813,694	42,833,494	245,041,000	227,139,063	5,325,369
Other Expenses - TF	18,832,600	16,691,000	16,834,000	-1,998,600	18,434,000	17,020,000	186,000
Retired State Employees Health Service Cost							
Other Expenses	129,442,851	168,430,000	164,030,000	34,587,149	188,000,000	169,000,000	4,970,000



III. Major Budgetary Issues of the 1999 Legislative Session

The following amounts are shown in millions.

Use of FY 99 General Fund Surplus **\$551.9**

The projected FY 99 surplus of \$551.9 million will be used for the following purposes.

Rebate 99 (plus \$13.3 million from Rebate 98)	\$96.2
Pre-fund 27 th payroll that occurs every 11 years	90.0
Medicaid capitation payments	78.0
State employees health insurance	60.0
School construction interest costs (in lieu of bond funds)	55.0
Fill Budget Reserve Fund to 5%	30.5
Higher education endowment match	21.3
Lawsuit litigation costs/settlements	20.2
One-time LoCIP grant increase	20.0
Additional Y2K costs	15.0
Distressed hospitals and study	9.0
Increase for private providers	7.2
School library books	6.3
Arts grants	6.0
Public Works capital projects revolving fund deficit payment	6.0
Revise corporation tax accrual date	6.0
All other items	25.2
Total	\$551.9

It should be noted that prior to passage of SA 99-10 (the Appropriations Act), the FY 99 budget was under the spending cap by \$2.3 million. Since SA 99-10 appropriated \$511.2 million from General Fund surplus and \$16.8 million from Transportation Fund surplus for various items, the governor issued a declaration, thus allowing the spending cap to be exceeded by \$525.7 million in FY 99.

Sales Tax Rebate **\$109.5**

PA 99-173 provides for a sales tax rebate for residents. Residents will be eligible for a one-time rebate of \$50. Eligible individuals who filed a joint income tax return shall receive a joint rebate of \$100.

An individual qualifies for the rebate if they are a resident of Connecticut and:

1. Filed a 1998 resident Connecticut tax return or an extension, or;
2. Filed a 1998 federal tax return or an extension, or;
3. Is a recipient of a federal earned income tax credit for the 1998 tax year, or;
4. Received benefits in 1998 under Title II of the Social Security Act.

SA 99-10, (the Appropriations Act) appropriates \$109.5 million from the FY 99 projected surplus to pay for sales tax rebate plan.

**Tobacco Settlement Fund
(as of 6/14/99)**

	Governor		Apps. Comm.		SA 99-10 [1]		SA 99-10 and HB 7501, JSS [1]	
	FY 00	FY 01	FY 00	FY 01	FY 00	FY 01	FY 00	FY 01
Beginning Balance	\$ -	\$ 60.7	\$ -	\$ 61.9	\$ -	\$ 62.9	\$ -	\$ 62.8
CT Share of Tobacco Settlement	165.8	133.5	165.8	133.5	165.8	133.5	165.8	133.5
Transfer to General Fund (see following table for usage)	(80.2)	(143.2)	(79.0)	(151.9)	(78.0)	(150.3)	(78.0)	(150.3)
Transfer to Tobacco Health Trust Fund (HB 7501, JSS changed to \$20 million each year in lieu of 15% of CT's Share)	(24.9)	(20.0)	(24.9)	(20.0)	(24.9)	(20.0)	(20.0)	(20.0)
Transfer to Tobacco Grant Account (OPM)	-	-	-	-	-	-	(5.0)	-
Ending Balance	\$60.7	\$ 31.0	\$61.9	\$ 23.5	\$62.9	\$ 26.1	\$ 62.8	\$ 26.0

Using Tobacco Settlement Funds

Item/Agency	Governor		Apps. Comm.		SA 99-10 [1]		HB 7501, JSS [2]	
	FY 00	FY 01	FY 00	FY 01	FY 00	FY 01	FY 00	FY 01
Public Health Initiatives								
Smoking Enforcement - DMHAS	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.2	\$ 0.4	\$ 0.4	\$ 0.4	\$ 0.4
Programs for Women - DMHAS (Approps. funds \$850,000 in FY 01; SA 99-10 funds \$425,000 in FY 01)	-	-	0.5	0.9	0.3	0.4	0.3	0.4
Smoking Cessation for Veterans - DMHAS (\$50,000 per yr.)	-	-	0.1	0.1	0.1	0.1	0.1	0.1
Tobacco Education - DPH	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
CT Health Priorities 2000 - DPH	5.0	5.0	1.0	1.0	-	-	-	-
Universal Vaccine - DPH	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Community Health Centers Enhancement - DPH (Apprs./SA 99-10 funds \$1,665,000 in FY 00 and \$1,698,300 in FY 01; HB 7501, JSS provides \$350,000 less in each yr.)	-	-	1.7	1.7	1.7	1.7	1.3	1.3
Sexually Abused Children Clinics - DPH (\$350,000 per yr.)	-	-	-	-	-	-	0.4	0.4
School Based Health Centers - DPH (\$563,332 in FY 00 and \$640,000 in FY 01)	-	-	0.6	0.6	0.6	0.6	0.6	0.6
Rotavirus Immunization - DPH (\$2,389,774 in FY 01)	-	-	-	2.4	-	2.4	-	2.4
Teen Pregnancy Prevention - DSS	1.0	1.0	0.5	0.5	-	-	-	-
Develop Assisted Living Pilots - DSS (\$1,022,700 in FY 00 and \$4,110,000 in FY 01)	-	4.3	1.0	4.1	1.0	4.1	1.0	4.1
Expand Dental Access - DSS	-	2.0	-	-	-	-	-	-
Expand Home Care Program - DSS	-	9.7	-	9.7	-	9.7	-	9.7
HUSKY for Parents - DSS	-	-	5.0	10.0	0.2	5.0	0.2	5.0
Truancy Prevention - OPM	-	0.8	-	-	-	-	-	-
Healthy Families and Related Program Expansion - Children's Trust Fund	-	-	0.6	1.6	0.8	0.8	0.8	0.8
Tobacco Grant Account - OPM	-	-	-	-	-	-	5.0	-
Total - Public Health Initiatives	\$ 9.9	\$ 26.7	\$14.9	\$ 36.5	\$ 8.7	\$ 28.9	\$ 13.7	\$ 28.9
Education is Our Future Initiative								
Computers in the Classroom - DoIT (Gov.); SDE (Approps.)	\$10.0	\$ 10.0	\$ 5.0	\$ 10.0	\$ -	\$ -	\$ -	\$ -
Education Network and Distance Learning:								
>DoIT - Education Intranet (Approps. funds an additional \$1.5m in each year using FY 99 surplus; SA 99-10 provides no funding)	2.5	5.7	1.0	4.2	-	-	-	-
>Charter Oak College - Distance Learning Consortium (Approps. funds \$771,883 in FY 00 and \$761,098 in FY 01; SA 99-10 provides \$250,000 less in each year)	0.7	0.6	0.8	0.8	0.5	0.5	0.5	0.5
Tuition Freeze:								
>UConn (\$2,558,458 each year)	2.6	2.6	2.6	2.6	2.6	2.6	2.6	2.6
>Reg. Comm. - Tech. Colleges (\$1,050,964=Gov. and \$1,185,601=Approps./SA 99-10 each year)	1.0	1.0	1.2	1.2	1.2	1.2	1.2	1.2
>CT State University (\$3,497,229 each year)	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Magnet Schools - SDE	-	12.1	-	12.1	-	12.1	-	12.1
Education Cost Sharing (ECS) Grant - SDE	-	31.0	-	31.0	-	31.0	-	31.0
Total - Education Initiatives	\$20.3	\$ 66.5	\$14.1	\$ 65.4	\$ 7.8	\$ 50.9	\$ 7.8	\$ 50.9
Local Relief								
Increase Local Property Tax Relief:								
>Tobacco Settlement Relief for Local Ed. Expenses (Gov.)	\$50.0	\$ 50.0	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
>PILOT Grants	-	-	50.0	50.0	50.0	50.0	50.0	50.0
Total - Local Relief	\$50.0	\$ 50.0	\$50.0	\$ 50.0	\$50.0	\$ 50.0	\$ 50.0	\$ 50.0
Grand Total	\$80.2	\$143.2	\$79.0	\$151.9	\$66.5	\$129.8	\$ 71.5	\$ 129.8

[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. HB 7501, 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 amounts identified under SA 99-10 (the Appropriations Act) reflect the intended expenditures from tobacco settlement funds for specific programs. These amounts total \$71.5 million for FY 00 and \$129.8 million for FY 01 based on final legislative action. All of these funds have been appropriated except the \$5 million to OPM's Tobacco Grant account which is a "disbursement" from the Tobacco Settlement Fund as provided in HB 7501, 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.



Year 2000 Compliance

The appropriations act provides \$15 million in FY 99 surplus moneys for the state's Year 2000 (Y2K) compliance efforts. This is in addition to \$80 million provided in 1998 from FY 98 surplus moneys and \$15 million provided in 1997 from bond funds. In addition to these funds, an unknown, but significant amount of existing agency resources has been redirected to this problem. The state has prioritized its 1,500 information technology systems and has identified about 650 in 37 state agencies as being "mission critical", or essential to public safety, public health or state operations.

The bond funds were used to ensure that the state's core financial and administrative systems would be fixed (primarily, the comptroller's accounting system and systems in the Department of Revenue Services). As of May 31, 1999, \$27.6 million of the \$80 million from FY 98 surplus funds has been spent on Y2K compliance efforts by 35 state agencies. The FY 99 surplus funds will be used to continue to fix mission critical systems, to fix less critical systems, and most importantly, to prepare contingency plans for the potential failure of systems, particularly those that involve public safety and public health.

Increase in Position Authorizations

The number of permanent full time positions contained within the FY 00 budget is 46,229, an increase of 1,281 over the FY 99 level. (This is an increase of 281 above the number recommended by the governor.) For FY 01, an additional 140 positions are budgeted.

The major increases occur in four agencies:

	FY 00	FY 01
Dept. of Children and Families	381	0
Dept. of Correction	303	0
Dept. of Public Safety	283	54
Dept. of Public Health	65	0

For the Dept. of Children and Families (DCF), the additional staff is primarily the result of increases in the caseload handled by the agency. Staffing increases are required under the consent decree in order to maintain staff-to-caseload ratios. Also included are 88 positions for Long Lane School, provided in response to an evaluation that identified deficiencies in education and behavioral health services, as well as safety concerns at that juvenile justice facility.

In the Dept. of Correction, a portion of the staffing increase (187 positions) relates to the utilization of Northeast Correctional Institution in Mansfield which houses up to 750 inmates. An additional 116 positions are provided for various other facilities as the prison population continues to grow.

The Dept. of Public Safety is required under statute to have 1,248 sworn state police personnel by July 1, 2001. Toward that end, 192 positions are provided in FY 00 with an additional 44 positions in FY 01. A total of 101 positions are added for other areas of the agency, including 36 for the new telecommunications system and 38 for the toxicology lab which is being transferred from the Dept. of Public Health.

The major portion of the position increase in the Dept. of Public Health relates to filling a number of vacant positions; in FY 99, the agency had approximately 84 fewer positions on board than had been allowed under the budget.



Provide Funding for Workforce Development and the Connecticut Employment and Training Commission (CETC) - Department of Labor **FY 00 \$3.7 FY 01 \$7.4**

Funds are provided to implement the federal Workforce Investment Act (WIA) which will replace the Job Training Partnership Act (JTPA) on July 1, 2000. The act requires states to develop performance measures for job programs, including rating of training providers. An increase in the overall accountability of the workforce development system will also be required.

Reduce Waiting List - Department of Mental Retardation **FY 00 \$4.3 FY 01 \$12.0**

There are over 1,430 individuals living at home with their families that are waiting for residential services from the Department of Mental Retardation. Funding of \$4,251,236 in FY 00 and \$12,006,652 in FY 01 was provided for supports and services to individuals on the waiting list. Funding will support up to 575 individuals/families with services and supports that include community living arrangements (group homes), community training homes, individualized supports, supported living services and respite grants.

Enhance Services at STS - Department of Mental Retardation **FY 00 \$4.1 FY 01 \$4.1**

Currently, there are 616 beds at Southbury Training School (STS) that are certified intermediate care facilities for the mentally retarded (ICF/MR) and therefore receive federal reimbursement under Medicaid. Funding of \$4.1 million was provided in FY 00 and FY 01 to certify the additional 98 beds ICF/MR and provide corresponding care to the clients at STS. Revenue generated from the certification of the additional beds is estimated at \$9.6 million annually.

Neurobehavioral Services - Department of Mental Health and Addiction Services

FY 00 \$4.9 FY 01 \$9.0

The General Assembly provided a total of \$4.9 million in FY00 and \$8.95 million in FY01 to enhance departmental services for people with Acquired Brain Injury (ABI). These funds provide for the establishment of a Neurobehavioral Rehabilitation Unit at Connecticut Valley Hospital to serve all aspects of the diverse ABI community. The funds also provide for an enhancement of community services for those ABI individuals who are transitioning from CVH to the community.

Nursing Home Wage, Benefit and Staffing Enhancement - Department of Social Services

FY 00 \$85.0 FY 01 \$113.0

The General Assembly provided funding for the enhancement of nursing home wage, benefit, and staffing. The appropriations act allocates \$75 million for the enhancement program in FY00 and an additional \$10 million for FY00 and \$22.8 million in FY01 for rate increases. Over the biennium, the appropriations act adds \$198 million for wage and staffing enhancement payments and per diem inflationary rate increases. A facility's share of the enhancement program funds is based upon their percentage of total direct and indirect costs in relation to all facilities adjusted for Medicaid days. Enhancement payments can be used for wages, benefits, and staffing increases for a nursing home facility.

Assisted Living Pilots - Department of Social Services **FY 00 \$1.0 FY 01 \$4.0**

The General Assembly provided the Department of Social Services \$1 million in FY 00 and \$4 million in FY 01 for the implementation of the assisted living pilot projects. These funds will allow the establishment of 312 state-subsidized assisted living units by October 1, 2000. These pilots will provide nursing and personal care to individuals living in managed residential communities.



Expand HUSKY B to Parents - Department of Social Services FY 00 \$0.2 FY 01 \$5.0

The General Assembly provided funds for the extension of health benefits to certain parents and needy caretaker relatives of children enrolled in the HUSKY program. This extension would apply to those individuals with incomes between 100% and 185% of the Federal poverty level. (Most parents with incomes under 100% of the Federal poverty level are already eligible for health care benefits under the state Medicaid program). A total of \$200,000 is provided in FY00 for the study and establishment of this adult health benefit program. A FY01 appropriation of \$5 million was included for the provision of benefits by the second year of the biennium.

Alzheimer's Respite Program - Department of Social Services FY 00 \$0.4 FY 01 \$0.4

The Alzheimer's Respite Program provides up to \$3,500 and 21 days of service per year for those who care for individuals with Alzheimer's disease. The General Assembly provided an additional \$400,000 per year for this program, nearly doubling the state's effort.

Freeze Tuition at Higher Education Constituent Units FY 00 \$7.3

Tuition and part-time student fees at the state's institutions of higher education will be frozen for FY 00. A total appropriation of \$7.3 million will be distributed to the state's colleges and universities as follows: \$2.6 million for the University of Connecticut, \$3.5 million for the State University System and \$1.2 million for Community-Technical Colleges.

Increase Student Financial Aid - Department of Higher Education FY 00 \$3.5 FY 01 \$5.5

An additional \$3.5 million in FY 00 and \$5.5 million in FY 01 is provided for student financial aid programs, including Connecticut Aid for Public College Students and the Connecticut Independent College Student Grant.

Transportation Fund

SA 99-10 (sHB 6762), the Appropriations Act, includes the following items in the Department of Transportation's (DOT) operating budget:

- The Town Aid Road (TAR) Grant program will increase by \$5.0 million to \$35.0 million in each year of the biennium.
- The Rail Operations subsidy was increased by \$4.2 million and \$4.3 million in each year of the biennium, respectively, to reflect the elimination of the fare increase on the Metro North Commuter Rail Line scheduled to go into effect on January 1, 1999, but delayed to August 1, 1999.
- Up to \$2.0 million from the FY 99 Rail Operations account will be carried forward into FY 00 for the anticipated settlement of a Metro North personal injury claim.
- The Workers' Compensation Claims account has been transferred from the DOT's operating budget to an account to be administered by the Department of Administrative Services (DAS). The costs will continue to be charged to the Transportation Fund, (\$1.4 million).

Specific Uses of a Portion of the FY 99 Transportation Fund surplus,

- \$3.9 million will be paid to settle a claim from Saturn Construction Co. concerning cost overruns for the Department of Transportation's office building.
- \$12.9 million will be used by the Department of Motor Vehicles to implement the Reflectorized License Plate program.



IV. Major Revenue Changes

Major Revenue Changes to Current Statutes

Legislative changes to current tax statutes are anticipated to result in a total General Fund revenue decrease of \$105 million in FY 00 and \$169.4 million in FY 01, and Transportation Fund revenue decrease of \$2 million in FY 00 and \$2 million in FY 01. The following table shows the impact of the major revenue changes including the fiscal year impacts beyond the current biennium. For changes where the impact is fully realized in one year only the initial fiscal year is shown but the impact continues into the out years.

Tax Changes	Revenue Impact	
	Fiscal Year	Amount (in millions)
Personal Income Tax		
Exempts the remaining 25% of Social Security income for joint filers with AGI under \$60,000 and single filers with AGI under \$50,000.	FY 00	-2.2
Increases the maximum property tax credit against the Personal Income Tax: \$350 to \$425, Effective 1/1/99 \$425 to \$500, Effective 1/1/00.	FY 00	-44.0
	FY 01	-86.0
Increase the standard deduction amount for single filers from \$12,000 to \$15,000 over eight years.	FY 00	-12.9
	FY 01	-14.6
	FY 02	-21.4
	FY 03	-33.2
	FY 04	-47.6
	FY 05	-64.4
	FY 06	-83.3
	FY 07	-98.0
Sales Tax		
Makes the following changes:		
Rate is reduced to 4% effective 7/1/99, 2% on 7/1/00 and eliminated after 7/1/01 for the following services: (1) paving, (2) painting, (3) staining, (4) wallpapering, (5) roofing, (6) siding, and (7) exterior sheet metal work on residential properties.	FY 00	-3.3
	FY 01	-6.7
	FY 02	-10.0
Exempts labor on vessels and the sale of vessels purchased by a nonresident and not registered in the state.	FY 00	-1.3
Expands the exemption for non-prescription drugs and medicine to include all drugs and medicines used in humans.	FY 00	-1.5



	Revenue Impact	
	Fiscal Year	Amount (in millions)
Tax Changes		
Reduces the Sales Tax on hospital services from 6% to 5.75%, effective 7/1/99.	FY 00	-4.4
	FY 01	-4.6
Exempts John Dempsey Hospital from the Sales and Use Tax on hospital patient care services effective 7/1/99.	FY 00	-3.2
Corporate Income Tax		
Increases cap for the credit against the Corporation Business Tax for low income housing from \$1 million to \$5 million.	FY 00	-4.0
Permits companies with less than \$70 million in gross sales to sell unused R&D and R&E credits back to the state at 65% of their value.	FY 02	-14.0
Hospital Gross Receipts Tax		
Reduces the Hospital Gross Receipts Tax from 6.25% to 4.5% effective 10/1/99. (Current law is schedule to already reduce the rate from 7.25% to 6.25%.)	FY 00	-22.0
	FY 01	-27.8
Exempts John Dempsey Hospital from the Hospital Gross Receipts Tax, effective 7/1/99.	FY 00	-4.5
Admissions, Dues and Cabaret Tax		
Exemptions from the Admissions Tax (1) Stafford Motor Speedway, (2) Lime Rock Park, (3) Thompson Speedway, (4) Waterford Speedbowl, (5) Harbor Point Ball Park, (6) New Haven Ravens Games, (7) Waterbury Spirit Games. Repeals the Cabaret Tax and exempts private lawn bowling clubs from the Dues Tax.	FY 00	-2.2
Transportation Fund		
Increases the amount of motor fuels tax transferred from the Transportation Fund to the Conservation Fund in the Department of Environmental Protection, crediting \$.7 million to the Conservation Fund and specifically allocating \$.8 million to the fisheries account within the Fund.	FY 00	-1.5



V. Bond Authorizations

Bond authorizations for the five bills considered during the 1999 legislative session are summarized below. The summary also includes the UCONN 2000 authorizations for the 1999-2001 biennium, contained in PA 95-230.

The net total authorizations for the biennium of \$2,996.6 million are broken out as follows: (1) a net total of \$2,460.5 million are tax-supported General Obligation bonds, including \$260 in UCONN 2000 authorizations, (2) \$391.2 million are Special Transportation Tax Obligation bonds, (3) \$124.9 million are Clean Water Fund revenue bonds, and (4) \$20 million are Bradley Airport revenue bonds.

Agency	FY 1999-00	FY 2000-01
General Obligation Bonds / Tax Supported Bonds		
Legislative Management	\$800,000	\$0
Office of Policy and Management	355,960,000	179,921,000
Department of Veterans' Affairs	0	0
Department of Public Works	20,000,000	20,000,000
Department of Public Safety	6,700,075	2,300,000
Department of Motor Vehicles	0	0
Military Department	300,000	300,000
Department of Agriculture	2,250,000	1,000,000
Dept of Environmental Protection	137,650,000	129,150,000
Historical Commission	300,000	300,000
Dept of Econ. and Com. Development - Housing	5,000,000	5,000,000
Dept of Econ. and Com. Development - Economic Assist.	89,000,000	48,000,000
Connecticut Innovations, Inc.	0	10,000,000
Agricultural Experiment Station	0	0
Department of Mental Retardation	4,000,000	4,000,000
Dept of Mental Health and Addiction Services	20,750,000	16,750,000
Department of Social Services	5,000,000	6,000,000
Department of Education - School Construction	376,800,000	400,000,000
Department of Education - All Other	28,100,000	28,100,000
State Library	3,500,000	3,500,000
University of Connecticut	2,000,000	0
University of Connecticut Health Center	4,250,000	3,400,000
Regional Community Technical Colleges	47,186,773	71,654,700
Connecticut State University System	80,537,500	44,836,000
Department of Correction	10,000,000	10,000,000
Department of Children and Families (includes PA 99-26)	34,000,000	5,500,000
Judicial Department	62,000,000	20,500,000
Connecticut Public Broadcasting	2,000,000	2,000,000
Total General Obligation Bonds	\$1,298,084,348	\$1,012,211,700
Less: Reductions of Prior Authorizations	(330,824,817)	0
Plus: Uconn 2000 Earmarking	130,000,000	100,000,000
Plus: Previously-authorized GO bonds	219,000,000	32,000,000
Net Tax-Supported Authorizations	\$1,316,259,531	\$1,144,211,700
Revenue Bonds		
Environmental Protection/Clean Water Fund	\$61,300,000	\$63,600,000
Special Tax Obligation Bonds-Transportation		
Bureau of Engineering and Highway Operations	\$130,000,000	\$109,000,000
Bureau of Aviation and Ports	17,200,000	10,300,000
Bureau of Public Transportation	34,000,000	34,000,000
Bureau of Administration	26,810,000	29,891,000
Total Special Tax Obligation Bonds	\$208,010,000	\$183,191,000
Revenue Bonds		
Bradley Airport revenue bonds	\$20,000,000	\$0
Total Net Bond Authorizations	\$1,605,569,531	\$1,391,002,700



VI. Impact of the 1999-2001 Biennial Budget on the Out-Years

The expenditure projections for FY 02 through FY 04 have been developed based on our preliminary examination of significant accounts and by applying modest inflationary increases to the remaining accounts for each of the out-years. Since the realization of the Medicaid and IT savings is doubtful but not unachievable, our estimates reflect two scenarios: one which assumes these savings are achieved, and one which assumes these savings are not achieved.

A significant potential for under funding exists in Medicaid as recommended in the governor's 1999-2001 proposed budget and adopted by the legislature, totaling \$75 million (\$39 million net of federal reimbursement) in FY 00. The budget includes two reductions in Medicaid expenditures that may be difficult to achieve given the magnitude of the savings. The first is a savings initiative in the pharmacy program of \$21 million of which \$18 million is attributable to Medicaid, \$2 million to ConnPACE and \$1 million to State Administered General Assistance (SAGA). Pharmacy savings have been anticipated in previous budgets and have not been achieved. The second major reduction is based upon the elimination of the co-payment to providers of services for clients who are eligible for both Medicaid and Medicare benefits. The state has been paying the co-payment on Medicare bills for clients where the state pays the premium for Medicare insurance. These are often elderly clients eligible for Medicaid, as well as Medicare, by virtue of their low-income. It is advantageous for the state to pay the Medicare premium for these clients who are generally referred to as dual eligibles. The state will no longer be required to pay the Medicare co-payment but will now only pay up to the Medicaid rate for health services not covered by the Medicare payment. This change in payment is estimated to save \$54 million in a variety of fee-for-service categories including hospital outpatient, transportation, nursing homes, physicians, and durable medical equipment. To achieve these savings, the Department of Social Services will be required to reprogram their Medicaid management information system to properly bill providers. Obtaining the savings will require that new billing procedures be in effect by October 1, 1999 and any delay could significantly affect such savings.

SA 99-10 (the Appropriations Act) includes \$50 million bottom-line reductions in the General Fund appropriations in both FY 00 and FY 01, resulting from the privatization of the state's information technology (IT) operations "IT Savings". Several factors cast doubt on the ability to realize the full level of savings in each year, especially in FY 00. Little information has been provided documenting how the savings would be achieved and which state agencies would be affected. The administration has had difficulty both in documenting the actual or prior year IT expenditures and in compiling a state IT resources inventory.

The original proposal of having the state remove itself from the IT business has been downsized, and now excludes the Legislative Branch, the Judicial Branch, the offices of the elected officials (most significantly the Comptroller's payroll, accounting and retirement systems) and the constituent units of higher education. Only about \$200 million of the state's total \$300 million annual IT operations are under the scope of the outsourcing contract. However, the initial savings estimate of \$50 million per year has not been reduced.

In addition, full-year savings must be achieved in less than the first 9 months of privatization in FY 00. This is due to the 120-day process for the State Auditors and the General Assembly to review the proposed contract. Since a contract agreement has yet to be submitted to the State Auditors, the earliest that the contractor (Electronic Data Systems) can assume operations is early October 1999.

Also noteworthy is that approximately \$58.4 million of the \$551.9 million in FY 99 surplus that has been earmarked by SA 99-10 (the Appropriations Act) is for ongoing programs which have been restored as budgeted requirements within our projections beginning with FY 02. These include: \$35.9 million for Medicaid capitation payments; \$12.2 million for the higher education endowment match; \$7.2 million for private providers; and \$3.1 million for school library books.

Our projections do not include the impact of the conversion to Generally Accepted Accounting Principles (GAAP) in FY 04.

**OFA's Preliminary Estimate of the Out-Year Impact
of the Appropriations Act (SA 99-10) for FY 00 and FY 01
(figures in \$ millions)**

	Biennial Budget		Out-Years		
	FY 00	FY 01	FY 02	FY 03	FY 04 [1]
General Fund:					
Assuming Medicaid and IT Savings Below Are Achieved					
Finance Committee/OFA Revenues	\$ 10,646.0	\$ 11,090.0	\$ 11,416.0	\$ 11,803.0	\$ 12,226.0
Appropriations/OFA Expenditures	10,581.6	11,085.2	11,573.3	11,981.4	12,467.7
Surplus / (Shortfall) Per OFA Assuming Savings Are Achieved	\$ 64.4	\$ 4.8	\$ (157.3)	\$ (178.4)	\$ (241.7)
Assuming Medicaid and IT Savings Below Are <u>Not</u> Achieved					
Finance Committee/OFA Revenues	\$ 10,682.0	\$ 11,127.1	\$ 11,454.2	\$ 11,842.3	\$ 12,266.5
Appropriations/OFA Expenditures	10,706.6	11,212.5	11,702.9	12,113.4	12,602.1
Surplus / (Shortfall) Per OFA Assuming Savings <u>Not</u> Achieved	\$ (24.6)	\$ (85.4)	\$ (248.7)	\$ (271.0)	\$ (335.6)
Potential Unrealized General Fund Savings Resulting in Costs Above Appropriations Act					
Pharmacy Program (Medicaid, ConnPACE, State Administered General Assistance)	\$ 21.0	\$ 21.6	\$ 22.3	\$ 22.9	\$ 23.6
Medicare Rate Discontinuation for Clients Eligible under Medicaid	54.0	55.6	57.3	59.0	60.8
Additional Federal Medicaid Reimbursement Revenue Increase	(36.0)	(37.1)	(38.2)	(39.3)	(40.5)
Net Expenditure Increase	\$ 39.0	\$ 40.2	\$ 41.4	\$ 42.6	\$ 43.9
Information Technology (IT)	50.0	50.0	50.0	50.0	50.0
Total Potential Unrealized Savings	\$ 89.0	\$ 90.2	\$ 91.4	\$ 92.6	\$ 93.9
All Funds - Comparisons of Current Services Revenues and Expenditures and Spending Cap Expenditures (assumes above savings are achieved) (potential gaps are due to the General Fund)					
Current Services Revenues	\$ 11,781.5	\$ 12,200.3	\$ 12,545.8	\$ 12,953.7	\$ 13,388.0
Current Services Expenditures	\$ 11,618.9	\$ 12,156.8	\$ 12,586.8	\$ 13,048.5	\$ 13,523.6
Spending Cap Expenditures	11,687.4	12,216.1	12,742.2	13,169.6	13,700.9
Spending Reductions Necessary/ (Not Necessary) for Cap Compliance	\$ (68.5)	\$ (59.3)	\$ (155.4)	\$ (121.1)	\$ (177.3)
Current Services Revenues Less Spending Cap Expenditures	\$ 94.1	\$ (15.8)	\$ (196.4)	\$ (215.9)	\$ (312.9)
Current Services Revenues Less Current Services Expenditures	\$ 162.6	\$ 43.5	\$ (41.0)	\$ (94.8)	\$ (135.6)
Potential Surplus / (Gap)					

[1] Does not include impact of the conversion to Generally Accepted Accounting Principles (GAAP) in FY 04.

