

BUDGET SUMMARY

Revised FY 17 Budget

May 18, 2016



OFFICE OF FISCAL ANALYSIS

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This document is intended to provide highlights of the Revised FY 17 Budget. It is not intended to be all inclusive. OFA will be producing a detailed document (Budget Book) based on the Revised FY 17 Budget (SB 501), as amended by Senate A, and SB 502, the budget implementer, that will include a detailed compilation of agency budget changes and financial schedules.

I. OVERVIEW

Budget Balance - The original FY 17 budget contained a \$2.5 million General Fund balance. The Revised FY 17 Budget reduces that balance to \$0.2 million.

Budget Growth - Original FY 17 budget appropriations grew over original FY 16 appropriations by 3.0% in the General Fund (3.2% all funds). The Revised FY 17 Budget has a growth rate of -1.0% in the General Fund (0.4% all funds) when comparing FY 17 revised appropriations to FY 16 estimated expenditures.

Spending Cap - The Revised FY 17 Budget is under the spending cap by \$58 million in FY 16 and \$612.8 million in FY 17. This is \$35 million further from the cap than the original FY 16 budget due to the net impact of the deficiency provisions, which include a \$35 million increase to Debt Service (which is exempt from the cap). The Revised FY 17 Budget is also \$506.6 million further from the cap than the original FY 17 budget.

Budget Reserve Fund (BRF) - The Revised FY 17 Budget is projected to have a \$0.2 million surplus. Depositing this surplus into the BRF would result in an estimated FY 17 ending balance of \$120.2 million.

Revenue - The budget includes various policy changes that yield a net revenue increase of \$272.1 million in FY 17 across the General Fund, Transportation Fund, and the new Municipal Revenue Sharing Fund. The majority of this (\$234.9 million) is due to restructuring of the Sales and Use Tax diversions to the Special Transportation Fund, the Municipal Revenue Sharing Account and the Municipal Revenue Sharing Fund. The remaining \$37.2 million is the net increase in tax and other revenue sources across the General and Special Transportation Funds.

Position Changes - The Revised FY 17 Budget removes 246 positions and approximately \$32.8 million (all funds) across various agencies. In total, Personal Services across all agencies is reduced by \$255 million.

Town Aid - The Revised FY 17 Budget eliminates \$246.4 million in FY 17 grants to towns from the Municipal Revenue Sharing Account (MRSA), and instead establishes the Municipal Revenue Sharing Fund, and appropriates \$185 million to that fund. This results in a revenue loss to municipalities of about \$61.4 million.

The revised budget raises the motor vehicle mill rate cap from 32 mills to 37 mills in FY 17, and from 29.36 mills to 32 mills in FY 18 and annually thereafter. It is estimated that a motor vehicle mill rate cap of 37 results in a revenue loss to municipalities and special taxing districts of \$61.4 million in FY 17.

The revised budget reduces all municipal aid (including MRSA/MRSF) by \$162.4 million (or 3.6%) from the original FY 17 budget. Revised FY 17 municipal aid is \$123.5 million higher than estimated FY 16 amounts.

Lapse (Bottom-Line) Reductions - The Revised FY 17 Budget includes \$88 million in originally budgeted lapses, which are now distributed across agencies budgets. The Revised FY 17 Budget, 1) maintains unallocated lapses of \$104.9 million, and 2) establishes \$84.4 million in additional targeted lapses. This results in a net change between the Original FY 17 Budget General Fund lapse amount (\$205.7 million) and the Revised FY 17 Budget General Fund lapse amount (\$189.3 million) of \$16.4 million.

II. FINANCIAL SUMMARY

The table below compares revenue estimates to expenditures for the Revised FY 17 Budget.

Revised FY 17 Fund Balance (in millions)

Fund	Revenue \$	Appropriations \$	Surplus/ (Deficit) \$
General	17,886.7	17,886.4	0.2
Transportation	1,464.4	1,463.4	1.0
Other Appropriated	428.4	411.8	16.6
TOTAL	19,779.5	19,761.7	17.8

The table below compares original FY 17 appropriations to the Revised FY 17 Budget for the nine appropriated funds. The General Fund is \$824.7 million below original appropriations and \$676.6 million below on an all funds basis.

Revised FY 17 Appropriations

Fund	Original Appropriation FY 17	Revised FY 17	Revised - Original
General Fund	18,916,880,389	18,075,798,581	(841,081,808)
Special Transportation Fund	1,508,138,933	1,475,408,052	(32,730,881)
Banking Fund	29,889,297	30,066,200	176,903
Insurance Fund	81,351,940	80,448,042	(903,898)
Consumer Counsel and Public Utility Control Fund	26,953,593	27,308,485	354,892
Workers' Compensation Fund	26,982,874	26,917,168	(65,706)
Mashantucket Pequot and Mohegan Fund	61,779,907	58,076,612	(3,703,295)
Regional Market Operation Fund	1,067,306	1,067,306	-
Criminal Injuries Compensation Fund	2,934,088	2,934,088	-
Municipal Revenue Sharing Fund	-	185,000,000	185,000,000
Total Gross Appropriations	20,655,978,327	19,963,024,534	(692,953,793)
General Fund Lapses			
Unallocated Lapse	(94,476,192)	(94,476,192)	-
Unallocated Lapse - Legislative	(3,028,105)	(3,028,105)	-
Unallocated Lapse - Judicial	(7,400,672)	(7,400,672)	-
General Employee Lapse	(12,816,745)	-	12,816,745
General Lapse - Legislative	(39,492)	-	39,492
General Lapse - Judicial	(282,192)	(15,075,000)	(14,792,808)
General Lapse - Executive	(9,678,316)	-	9,678,316
Municipal Opportunities and Regional Efficiencies Program	(20,000,000)	-	20,000,000
Overtime Savings	(10,500,000)	-	10,500,000
Statewide Hiring Reduction - Executive	(30,920,000)	-	30,920,000
Statewide Hiring Reduction - Judicial	(3,310,000)	-	3,310,000

Fund	Original Appropriation FY 17	Revised FY 17	Revised - Original
Statewide Hiring Reduction - Legislative	(770,000)	-	770,000
Targeted Savings	(12,500,000)	(68,848,968)	(56,348,968)
Arts and Tourism Lapse	-	(500,000)	(500,000)
General Fund Total Lapses	(205,721,714)	(189,328,937)	16,392,777
Special Transportation Fund Lapses			
Unallocated Lapse	(12,000,000)	(12,000,000)	-
Special Transportation Fund Total Lapses	(12,000,000)	(12,000,000)	-
General Fund	18,711,158,675	17,886,469,644	(824,689,031)
Special Transportation Fund	1,496,138,933	1,463,408,052	(32,730,881)
Banking Fund	29,889,297	30,066,200	176,903
Insurance Fund	81,351,940	80,448,042	(903,898)
Consumer Counsel and Public Utility Control Fund	26,953,593	27,308,485	354,892
Workers' Compensation Fund	26,982,874	26,917,168	(65,706)
Mashantucket Pequot and Mohegan Fund	61,779,907	58,076,612	(3,703,295)
Regional Market Operation Fund	1,067,306	1,067,306	-
Criminal Injuries Compensation Fund	2,934,088	2,934,088	-
Municipal Revenue Sharing Fund	-	185,000,000	185,000,000
Total Net Appropriations	20,438,256,613	19,761,695,597	(676,561,016)

Growth Rate

The Revised FY 17 Budget growth rate for the General Fund is -1.0% and for all appropriated funds is 0.4% over FY 16 estimated expenditures. See the table below for details.

Growth Rate of Appropriations (by fund - in millions)

Fund	FY 16 Estimated Expenditures \$	FY 17 Original Appropriation \$	FY 17 Revised	Change From FY 16 Estimated to FY 17 Revised	
				\$	%
General	18,060.9	18,711.2	17,886.5	(174.4)	-1.0%
Transportation	1,388.8	1,496.1	1,463.4	74.6	5.4%
Other Appropriated	229.6	231.0	411.8	182.2	79.4%
TOTAL	19,679.3	20,438.3	19,761.7	82.4	0.4%

Spending Cap

The Revised FY 17 Budget is under the spending cap by \$612.8 million. Compared to the original FY 17 budget, it increases room under the spending cap by \$35 million in FY 16 and \$506.6 million in FY 17. Pursuant to Section 35 of PA 15-244, these calculations reflect a five-year personal income growth rate calculated on a calendar year rather than a fiscal year basis, and assume that appropriations for the unfunded liabilities of the State Employees' Retirement System, Judges, Family Support

Magistrates and Compensation Commissioners' Retirement System, and Teachers' Retirement System are exempt from being counted as general budget expenditures under the spending cap.

Revised FY 17 Statutory Spending Cap Calculations (in millions)

Item	Revised FY 16 \$	Revised FY 17 \$
All Appropriated Funds - Prior Year	19,014.1	19,807.2
Less Birth to Three/Husky B - base adjustment	34.4	-
Extraordinary spending	-	-
Prior Year Appropriations	18,979.7	19,807.2
Less Prior Year "Non-Capped" Expenditures		
Debt Service	2,172.9	2,474.5
SERS/TRS/JRS unfunded liability	1,736.1	1,828.8
Statutory grants to distressed municipalities ¹	1,568.8	1,611.4
Prior Year "Non-Capped" Expenditures	5,477.9	5,914.7
Total "capped" expenditures	13,501.8	13,892.5
Times the 5-year average growth in personal income	3.2%	3.3%
= Allowable "capped" growth	438.1	461.2
Allowable Capped Expenditures	13,939.9	14,353.7
Plus Current Year "Non-Capped" Expenditures		
Debt service	2,474.5	2,626.1
SERS/TRS/JRS unfunded liability	1,828.8	1,890.0
Federal mandates and court orders (new funding)	42.9	7.9
Statutory grants to distressed municipalities	1,579.2	1,496.8
Current Year "Non-Capped" Expenditures	5,925.3	6,020.8
Expenditures Allowed Under the Cap	19,865.2	20,374.5
Appropriation for this year ²	19,807.2	19,761.7
TOTAL OVER/(UNDER) THE SPENDING CAP	(58.0)	(612.8)

¹FY 17 is adjusted to reflect new distressed grant percentages.

²FY 16 is adjusted to reflect the deficiency appropriations contained in SB 501.

Budget Reserve Fund

The current balance in the Budget Reserve Fund (BRF) is \$406.0 million. As of April 2016 it is estimated that FY 16 will end with a General Fund deficit of \$286.0 million. This deficit will be eliminated through a transfer from the BRF; thus reducing the BRF balance to \$120.0 million.

The Revised FY 17 Budget is projected to have a \$0.2 million surplus; depositing this into the BRF would result in an estimated FY 17 ending balance of \$120.2 million.

The table below displays activity and balances in the BRF from FY 00 – FY 15, the estimated BRF deposit for FY 16 and the projected deposit in FY 17.

Budget Reserve Fund Activity and Balance: FY 00 – FY 16 (in millions)

Fiscal Year	Beginning Balance \$	Deposits/ (Withdrawals) \$	Ending Balance \$
00	529.1	34.9	564.0
01	564.0	30.7	594.7
02	594.7	(594.7)	-
03	-	-	-
04	-	302.2	302.2
05	302.2	363.8	666.0
06	666.0	446.5	1,112.5
07	1,112.5	269.2	1,381.7
08	1,381.7	-	1,381.7
09	1,381.7	-	1,381.7
10	1,381.7	(1,278.5)	103.2
11	103.2	(103.2)	-
12	-	93.5	93.5
13	93.5	177.2	270.7
14	270.7	248.5	519.2
15	519.2	(113.2)	406.0
16 (Est.)	406.0	(286.0)	120.0
17 (Proj.)	120.0	0.2	120.2

Other Major Highlights

Office of State Ethics, State Elections Enforcement Commission and Freedom of Information Commission

The budget removes the Office of State Ethics (OSE), the State Elections Enforcement Commission (SEEC) and the Freedom of Information Commission (FOI) from the Office of Governmental Accountability (OGA) and establishes them as three independent state agencies. The budget appropriates \$1,418,325 to OSE, \$3,201,093 to SEEC and \$1,481,096 to FOI for these agencies and also transfers funding of \$431,000 and five positions from OGA to the Department of Administrative Services SMART unit. The SMART unit will provide business office and human resources functions for OGA.

Department of Developmental Services (DDS)/Department of Social Services (DSS)

The budget transfers funding of \$539.2 million from DDS to DSS for Community Residential Services and the Autism Division.

1) **Community Residential Services** - Funding totaling \$536.6 million is transferred from DDS to DSS as outlined below.

- Transfer funding for the Cooperative Placement Program and Community Residential Services to DSS (Community Residential Services account). Total DSS Funding for Community Residential Services is \$536.6 million. This reflects a net increase of \$9.6 million to fund private providers as a result of the privatization of 30 DDS group homes.
- The transfer ensures federal reimbursement on all eligible services, as well as appropriate Medicaid billing, provider enrollment and client eligibility.
- Services will continue to be provided through DDS qualified providers. Funding to providers will transition from grant based payments (contracts) under DDS, to fee-for-service payments under DSS.

2) **Autism Division** - Funding and ten positions for the Autism Division totaling \$2.6 million is transferred from DDS to DSS as outlined below.

- The transfer includes program funding of \$2.1 million from the Autism Services account and \$819,000 from the Behavioral Services Program account and Personal Services funding of \$790,000 for ten Autism Division positions. Due to net budgeting based on federal reimbursement in the DSS Medicaid account, the same services are budgeted at \$1.8 million in DSS.
- The transfer supports the management of state-funded Autism services under the lead Medicaid state agency as Autism is now a required service under Medicaid.

III. MAJOR BUDGET CHANGES

The table below identifies significant changes by agency and reflects increases/(decreases) from the original FY 17 budget.

Significant Changes by Agency

Agency	Amount \$ Cost/(Savings)	Item
DDS	(50,408,500)	Reduce PS to reflect the following: \$21.2 million general reduction, \$16.7 privatization of 30 DDS group homes, \$7.1 million distribute lapse, and \$4.6 million rollout of DMP and 0.8 million transfer of Autism Division to DSS.
SDE	(32,100,000)	Three major changes to the basic ECS formula: 1) A minimum percentage for wealth was set at 1%. It had previously been 2%. 2) No town was allowed to receive more than 140% of their full funding. This calculation allows for funding decreases, 3) All towns were reduced a further 1.32% except priority school districts and towns funded at less than 75% of full funding which were reduced by 0.5%
OPM	(27,392,172)	Reduce State Property PILOT and College & Hospital PILOT funding.
SDE	(22,000,000)	Eliminate Public School Transportation.
DOC	(15,842,833)	Reduce Personal Services, Other Expenses, and Inmate Medical Care to reflect savings from closing a full prison facility in FY 17.
DSS	(13,420,000)	Reduce Funding for Supplemental Hospital Payments (below FY 16 levels). See here for distribution of funding by hospital.
SDE	(11,900,000)	Reduce Magnet School Funding.
MHA	(8,743,347)	Reduce funding for Grants for Mental Health Services (\$7.0 million) and Grants for Substance Abuse Services (\$1.7 million).
DOH	(8,231,510)	Reduce funding for the "Housing/Homeless Services" account. From this reduction, \$3.5 million reflects ongoing delays in placements under the Rental Assistance Program that are anticipated to continue through FY 17.
SDE	(7,800,000)	Reduce funding for the Vocational-Technical High School system.
JUD	6,000,000	Provide \$6 million to the Probate Court account for probate court operations. The account received an appropriation of approximately \$10 million in FY 15. There was no appropriation in FY 16, when the probate court system became entirely self-funded due to the removal of the \$12,500 cap on the estate fee. The FY 17 budget reinstates of an estate fee cap of \$40,000.
DDS	(5,515,000)	Reduce Behavioral Services Program funding to reflect the following: \$4.7 million general reduction and \$0.8 million transfer for the Autism Division to DSS.
OSC	(5,433,000)	Increase non-union employee health care premiums and cost sharing up to 18% (savings reflect General Fund and Special Transportation Fund).

Agency	Amount \$ Cost/(Savings)	Item
SDE	(4,250,000)	Reduce funding for Excess Cost.
OPM	(3,703,295)	Reduce Pequot funding.
SDE	(3,500,000)	Eliminate Non-Public School Transportation.
SDE	(3,200,000)	Reduce funding for Talent Development.
SDE	(3,000,000)	Reduce funding for Open Choice.
ECD	(3,000,000)	Reduce funding for the "Statewide Marketing" account, which funds the state's "Still Revolutionary" tourism and economic development campaign.
DSS	(2,670,000)	Reduce Medicaid Dental Rates.
SDE	(2,500,000)	Reduce funding for Priority School Districts.
DSS	(2,500,000)	Expedite Transitions under Money Follows the Person.
SDE	(2,270,000)	Reduce funding for the Development of Mastery Exams.
DSS	(2,151,567)	Reduce Funding for Cash Assistance Programs by 1%.
SDE	(1,900,000)	Reduce Funding for Common Core.
SDE	(1,700,000)	Reduce funding for Charter Schools to limit enrollment.
SDE	(1,650,000)	Reduce funding for Personal Services.
SDE	(1,500,000)	Eliminate School Accountability program.
ECD	(1,451,117)	Reduce funding for the Capital Region Development Authority for office expenses as well as Convention Center, XL Center and CT Tennis Center operations.
DSS	1,150,000	Provide Funding for DDS CLA Conversions.
DSS	(1,000,000)	Reduce Funding for Nursing Homes.
DEEP	(270,000)	Eliminate funding of \$270,000 for Conservation Districts and Soil & Water Councils.
AES	50,738	Provide funding of \$50,738 for an apiary (bee) keeper position.
DSS	-	Reallocate Funding from Medicaid to Establish the Hospital Supplemental Payments and FQHC Supplemental Payments line items.
OEC	-	Consolidate Funding for State-Funded Child Day Care Centers and School Readiness Programs under the new Early Care and Education line item.

The table below identifies the 15 General Fund accounts having the most significant changes from the FY 17 original budget.

Significant Changes by Account (in millions)

Agency	Account	Amount \$
Various	Personal Services	(255.0)
OSC	Fringe Benefits	(70.5)
OPM	Reserve for Salary Adjustments	(67.6)
Various	Other Expenses	(50.1)
DSS	Medicaid	(43.1)
SDE	ECS	(32.1)
SDE	Transportation of School Children	(23.3)
UCONN	Operating Expenses	(17.4)
OPM	Reimbursement to Towns for Loss of Taxes on State Property	(16.9)
SDE	Magnet Schools	(11.9)
BOR	Connecticut State University	(10.6)
OPM	Reimbursements to Towns for Private Tax-Exempt Property	(10.5)
UCHC	Operating Expenses	(9.6)
JUD	Probate	6.0
OTT	Debt service	10.0

The table below details the FY 17 lapses in the original and the revised budgets. The Revised FY 17 Budget reduced the lapses from the original by \$16.4 million. The lapses are identified below with a brief explanation.

FY 17 Budget Lapses

Lapse	Original \$	Revised \$	Difference \$	Explanation
General Fund (GF) Lapses				
Unallocated Lapse ¹	(104,904,969)	(104,904,969)	-	This reduction reflects an adjustment to gross appropriation due to an anticipated level of under spending across all General Fund agencies and accounts.
Overtime Savings	(10,500,000)	-	10,500,000	The original FY 17 budget required OPM to recommend reductions in overtime expenditures in the General Fund by \$10,500,000 in both FY 16 and FY 17. Sec. 41 of PA 15-244 implemented this provision.
General Lapse ¹	(10,000,000)	(15,075,000)	(5,075,000)	This reduction reflects savings in a manner to be determined by OPM. In the Revised FY 17 Budget, only Judicial branch agency accounts could be subject to this reduction. Sec. 35(f) of SB 501 implements this provision.

Lapse	Original \$	Revised \$	Difference \$	Explanation
Municipal Opportunities & Regional Efficiencies Program	(20,000,000)	-	20,000,000	The original FY 17 budget included savings to be achieved with a reduction in municipal aid as a result of various savings initiatives and efficiencies.
Statewide Hiring Reduction ¹	(35,000,000)	-	35,000,000	The original FY 17 budget included savings anticipated to be achieved by hiring reductions and other savings initiatives in a manner to be determined by OPM.
General Employee Lapse	(12,816,745)	-	12,816,745	The original FY 17 budget required OPM to recommend reductions in an appropriate and proportionate manner among branches and agencies to facilitate a reduction in General Fund expenditures of \$7,110,616 in FY 16 and \$12,816,745 in FY 17 for state employees. Sec. 36 of SB 501 eliminates this authority.
Targeted Savings	(12,500,000)	(68,848,968)	(56,348,968)	OPM may recommend reductions in various General Fund accounts in order to achieve targeted savings of \$68.8 million in FY 17. Sec. 34(a)(b) of SB 501 implements this provision. Reductions cannot be to Education Equalization Grants or Hospital Supplemental Payments.
Arts and Tourism	-	(500,000)	(500,000)	OPM must implement a reduction proportionally across all tourism, arts, and youth development-related grants funded under DECD. Sec. 26 of SB 501 implements this section.
Total GF Lapses	(205,721,714)	(189,328,937)	16,392,777	
Transportation Fund (TF) Lapses				
Unallocated Lapse	(12,000,000)	(12,000,000)	-	This reduction reflects an adjustment to gross appropriation due to an anticipated level of under spending across Transportation Fund agencies and accounts.
Total TF Lapses	(12,000,000)	(12,000,000)	-	
TOTAL LAPSES	(217,721,714)	(201,328,937)	16,392,777	

¹The amounts shown are totals by category but the budget act contains a distribution of each by branch of government.

IV. SIGNIFICANT REVENUE CHANGES

SB 501 and SB 502 include various policy changes that yield a net revenue increase of \$136.3 million in FY 17 for the General Fund and a revenue decrease of \$49.2 million for the Special Transportation Fund. The various policies are identified below. See Appendix C for the revenue estimates adopted by the Finance, Revenue and Bonding Committee on 5/4/16.

Revised FY 17 Revenue Changes (in millions)

Sec.	Action(s)	Revenue Source	Fund	FY 17 \$
Sec 180 of SB 502	Increase Permit Fees for Oversized/Overweight Vehicles	License, Permits and Fees	Special Transportation Fund	0.8
Sec 181 of SB 502	Increase Fees for Grievances Filed with the Department of Labor	License, Permits and Fees	General Fund	0.2
Sec 182 of SB 502	Eliminate Sales Tax on Parking Fees at Certain Governmental Parking Lots	Sales and Use Tax	General Fund	(0.5)
Sec 183 of SB 502	Transfer from Regional Greenhouse Gas Initiative (RGGI)	Transfer To/From	General Fund	3.3
Sec 184, 201 of SB 502	Sales Tax Enforcement	Sales and Use Tax	General Fund	5.0
Sec 185 of SB 502	Create Innovative Districts, Increase Funding for Innovation - Angel Investor	Income Tax	General Fund	(3.0)
Sec 186 of SB 502	Delay GAAP Amortization of FY 14 Negative Growth	Transfer To/From	General Fund	9.1
Secs 195-196 of SB 502	Probate Court Fee \$40,000 Cap	Resources of PCAF	Probate Court Administration Fund	(4.5)
SB 501, Sec 40	Eliminate Sales Tax Diversion to Municipal Revenue Sharing Account for FY 17 Only	Sales and Use Tax	General Fund	212.1
		Resources of MRSA	Municipal Revenue Sharing Account	(212.1)
SB 501, Sec 44	Transfer FY 16 MRSA Balance to General Fund in FY 17	Transfer To/From	General Fund	22.8
		Resources of MRSA	Municipal Revenue Sharing Account	(22.8)
SB 501, Sec 46	Transfer Out Resources of the General Fund to the Municipal Revenue Sharing Fund for FY 17 Only	Transfer To/From	General Fund	(185.0)
		Resources of MRSF	Municipal Revenue Sharing Fund	185.0
SB 501, Sec 46	Reduce Sales Tax Diversion to the Special Transportation Fund	Sales and Use Tax	General Fund	50.0
		Sales and Use Tax	Special Transportation Fund	(50.0)
SB 501, Sec 1	Reflect the Impact of Expenditure Changes on Federal Fund Revenues	Federal Funds	General Fund	(5.1)

Sec.	Action(s)	Revenue Source	Fund	FY 17 \$
SB 501, Sec 1	Reduce Mashantucket Pequot Muni Grants to Towns, Adjust General Fund Transfer accordingly	Transfer To/From	General Fund	3.7
SB 501, Sec 9	Transfer the Balance from the Biomedical Research Trust Fund	Transfer To/From	General Fund	2.0
SB 501, Sec 10	Divert Tobacco Settlement FY 16 Surplus	Transfer To/From	General Fund	4.0
SB 501, Sec 11	Eliminate Biomedical Transfer beginning in FY 17	Transfer from Tobacco Settlement	General Fund	4.0
SB 501, Sec 12	Transfer from the Community Investment Act (CIA) Fund	Transfer To/From	General Fund	1.0
SB 501, Sec 13	Transfer from the Emissions Enterprise Fund	Transfer To/From	General Fund	1.6
SB 501, Sec 14	Transfer from Betting Taxes Account	Transfer To/From	General Fund	0.5
SB 501, Sec 18	Eliminate Tobacco Health Trust Fund Support of Asthma Awareness Program	Transfer To/From	General Fund	0.3
SB 501, Sec 19	Transfer from Tobacco Health Trust Fund	Transfer To/From	General Fund	0.4
SB 501, Sec 27	Transfer from Municipal Video Competitiveness Account	Transfer To/From	General Fund	2.0
SB 501, Sec 28	Transfer from Seat Belt Account	Transfer To/From	General Fund	2.0
SB 501, Sec 29	Transfer from Individual Development Account	Transfer To/From	General Fund	0.2
SB 501, Sec 30	Transfer from Wage and Workplace Violation Account	Transfer To/From	General Fund	0.2
n/a	Increase Lottery Target	Transfers - Special Revenue	General Fund	4.5
n/a	Reflect Enhanced Collections for Lodging	Sales and Use Tax	General Fund	1.0
Total General Fund				136.3
Total Special Transportation Fund				(49.2)
Total Municipal Revenue Sharing Account (Fund)				(49.9)
Total Probate Court Administration Fund				(4.5)

In addition to the revenue items indicated above for FY 17, policy decisions made during the 2016 regular session will have either a future revenue impact, municipal tax implications, or involve policy changes in tax enforcement, as outlined below:

- SB 502 exempts the Dunkin' Donuts Park in Hartford from the admissions tax. This precludes a revenue gain of \$400,000 annually once the stadium is completed. The bill also exempts New Britain Bees games at New Britain Stadium from the admissions tax beginning in FY 18. This results in a revenue loss of \$100,000 annually beginning in FY 18.
- SB 502 allows municipalities to levy a surcharge on the admissions charge for any event held at a facility located in a municipality. Under the bill, the surcharge may be up to 5% of the admissions charge, except for the surcharge on events held at Dunkin' Donuts Park in Hartford, which may be up to 10%.

This change results in a potentially significant revenue gain to any municipality that chooses to levy such a surcharge. The revenue gain will vary based on the amount of the surcharge, and the number of tickets sold.

- SB 502 exempts from the sales and use tax sales 1) feminine hygiene products, and 2) disposable or reusable diapers (non-adult) beginning in FY 19. This results in an annualized revenue loss of \$3.6 million associated with feminine hygiene products and \$4.2 million for diapers beginning in FY 19.
- SB 502 establishes market-based sourcing rules under the corporate and personal income taxes, and extends single sales factor apportionment to the personal income tax. This is anticipated to result in a net revenue gain to the state through an increase to the taxable base.
- SB 502 prohibits the Commissioner of the Department of Revenue Services from issuing or renewing certain permits or licenses if taxpayers have any outstanding unfiled tax returns.¹ To the extent these provisions increase compliance with existing tax laws, this change results in a revenue gain which may be significant.

¹The following permits or licenses are affected: 1) cigarette dealer, distributor, or manufacturer license; 2) tobacco product distributor or unclassified importer license; or 3) sales tax seller's permit.

Municipal Revenue Sharing Account - Revenue Changes

The Revised FY 17 Budget makes the following changes with regards to the Municipal Revenue Sharing Account/Fund (MRSA). The net impact to the General Fund from these changes is a \$49.9 million revenue gain. The Municipal Revenue Sharing Fund will receive \$185.0 million in FY 17.

MRSA Revenue Changes (in millions)

Sec.	Action(s)	Fund	FY 17 \$
Sec 40	Eliminate Sales Tax Diversion to Municipal Revenue Sharing Account for FY 17 Only ¹	General Fund	212.1
		Municipal Revenue Sharing Account	(212.1)
Sec 44	Transfer FY 16 MRSA Balance to General Fund in FY 17	General Fund	22.8
		Municipal Revenue Sharing Account	(22.8)
Sec 46	Transfer Out Resources of the General Fund to the Municipal Revenue Sharing Fund for FY 17 Only	General Fund	(185.0)
		Municipal Revenue Sharing Fund	185.0
Total General Fund			49.9
Total Municipal Revenue Sharing Account/Fund			(49.9)

¹ This reflects the estimated FY 17 MRSA diversion per the April 30, 2016 Consensus Estimates.

The bill makes these changes to the Municipal Revenue Sharing Account in FY 17 only. The sales tax transfer of 0.5% of the 6.35% rate beginning in FY 18, as implemented under PA 15-244 and PA 15-5 JSS, remains unchanged.

V. MUNICIPAL AID

Municipal Revenue Sharing Account/Fund

The Revised FY 17 Budget eliminates the Municipal Revenue Sharing Account (MRSA) for FY 17 only, and instead establishes the Municipal Revenue Sharing Fund (MRSF). See Section IV for a summary of the impact of these changes on the General Fund.

The table below compares the grants to be paid out in FY 17 from MRSA under the original FY 17 budget, and grants to be paid out from MRSF under the Revised FY 17 Budget. The revised budget combines the Additional Sales Tax grant and the Car Tax grant into one, and specifies the town by town distribution of the combined grant. For comparative purposes, the Additional Sales Tax Grant and the Car Tax grant are shown separately.

MRSA Expenditure Changes

Grant	FY 17 Orig.	FY 17 Revised	Difference
Supplemental PILOT	46,101,081	44,101,081	(2,000,000)
Additional Sales Tax	109,267,687	75,907,908	(33,359,779)
Car Tax Grants	78,000,000	51,943,900	(26,056,100)
ECS	10,000,000	10,000,000	-
COGs	3,000,000	3,000,000	-
GROSS TOTAL	246,368,768	184,952,889	(61,415,879)

The revised budget raises the motor vehicle mill rate cap from 32 mills to 37 mills in FY 17, and from 29.36 mills to 32 mills in FY 18 and annually thereafter. It is estimated that a motor vehicle mill rate cap of 37 results in a revenue loss to municipalities and special taxing districts of \$61.4 million in FY 17.

Other Municipal Aid Changes

The Revised FY 17 Budget reduces municipal aid by \$162.4 million from the original FY 17 budget. This represents a reduction of 3.6%. Revised FY 17 municipal aid is \$123.5 million higher than estimated FY 16 amounts.

Major reductions to municipal aid, from original FY 17 appropriations, (besides MRSA, which is discussed above), include:

- \$32.1 million in ECS funding;
- \$27.4 million in State Property PILOT and College & Hospital PILOT funding;
- Elimination of Public School and Nonpublic School Transportation grants (\$26.8 million);
- \$11.9 million in Magnet School funding;
- \$4.3 million in Excess Cost funding; and
- \$2.5 million in Priority School District funding

Revised FY 17 Municipal Aid Synopsis

Agency/Grant Name	FY 16 Est.	FY 17 Orig.	FY 17 Rev.	FY 17 Rev. - FY 17 Orig.	FY 17 Leg. - FY 16 Est.
Appropriated Funds					
Connecticut State Library (CSL)					
Grants To Public Libraries	190,846	193,391	-	(193,391)	(190,846)
Connecticard Payments	900,000	900,000	806,000	(94,000)	(94,000)
Department of Housing (DOH)					
Tax Abatement	1,118,580	1,153,793	1,078,993	(74,800)	(39,587)
Payment In Lieu Of Taxes	-	-	-	-	-
Housing/Homeless Services-Municipality	640,398	640,398	592,893	(47,505)	(47,505)
Department of Public Health (DPH)					
Local and District Departments of Health	4,458,648	4,692,648	4,083,916	(608,732)	(374,732)
Venereal Disease Control	197,171	197,171	197,171	-	-
School Based Health Clinics	11,747,498	11,898,107	11,280,633	(617,474)	(466,865)
Department of Social Services (DSS)					
Human Resource Development-Hispanic Programs - Municipality	5,029	5,096	4,719	(377)	(310)
Teen Pregnancy Prevention - Municipality	120,598	124,044	114,876	(9,168)	(5,722)
Community Services - Municipality	78,526	79,573	70,742	(8,831)	(7,784)
Office of Early Childhood (OEC)					
Early Childhood Program ¹	10,840,145	10,840,145	10,840,145	-	-
Child Care Services ¹	18,701,942	19,081,942	17,581,942	(1,500,000)	(1,120,000)
School Readiness Quality Enhancement	4,111,135	4,676,081	4,172,930	(503,151)	61,795
School Readiness ¹	83,399,834	83,399,834	83,399,834	-	-
Office of Policy and Management(OPM)					
State Property PILOT	83,641,646	83,641,646	66,730,441	(16,911,205)	(16,911,205)

Agency/Grant Name	FY 16 Est.	FY 17 Orig.	FY 17 Rev.	FY 17 Rev. - FY 17 Orig.	FY 17 Leg. - FY 16 Est.
College & Hospital PILOT	125,431,737	125,431,737	114,950,770	(10,480,967)	(10,480,967)
Reimbursement Property Tax - Disability Exemption	400,000	400,000	374,065	(25,935)	(25,935)
Distressed Municipalities	5,800,000	5,800,000	5,423,986	(376,014)	(376,014)
Property Tax Relief Elderly Circuit Breaker	20,505,900	20,505,900	19,176,502	(1,329,398)	(1,329,398)
Property Tax Relief Elderly Freeze Program	120,000	120,000	112,221	(7,779)	(7,779)
Property Tax Relief for Veterans	2,970,098	2,970,098	2,777,546	(192,552)	(192,552)
Pequot Grants	61,779,907	61,779,907	58,076,612	(3,703,295)	(3,703,295)
Municipal Revenue Sharing Fund	-	-	171,900,000	171,900,000	171,900,000
Department of Education (SDE)					
Vocational Agriculture	11,017,600	11,017,600	10,544,937	(472,663)	(472,663)
Transportation of School Children	23,329,451	23,329,451	-	(23,329,451)	(23,329,451)
Adult Education	21,035,200	21,037,392	20,383,960	(653,432)	(651,240)
Health and Welfare Services Pupils Private Schools	3,867,750	3,867,750	3,526,579	(341,171)	(341,171)
Education Equalization Grants ²	2,058,215,809	2,069,689,238	2,037,587,120	(32,102,118)	(20,628,689)
Bilingual Education	2,991,130	3,491,130	3,164,800	(326,330)	173,670
Priority School Districts	43,747,208	44,837,171	42,337,171	(2,500,000)	(1,410,037)
Young Parents Program	229,330	229,330	212,318	(17,012)	(17,012)
Interdistrict Cooperation	7,164,885	7,164,966	6,353,391	(811,575)	(811,494)
School Breakfast Program	2,379,962	2,379,962	2,225,669	(154,293)	(154,293)
Excess Cost - Student Based	139,805,731	139,805,731	135,555,731	(4,250,000)	(4,250,000)
Non-Public School Transportation	3,451,500	3,451,500	-	(3,451,500)	(3,451,500)
School To Work Opportunities	-	-	-	-	-
Youth Service Bureaus	2,839,805	2,839,805	2,651,516	(188,289)	(188,289)
Open Choice Program	38,296,250	43,214,700	40,258,605	(2,956,095)	1,962,355
Magnet Schools	328,419,980	324,950,485	313,058,158	(11,892,327)	(15,361,822)
After School Program	5,363,286	5,363,286	4,866,695	(496,591)	(496,591)
Teachers' Retirement Board (TRB)					
Retirement Contributions	975,578,000	1,012,162,000	1,012,162,000	-	36,584,000
Retirees Health Service Cost	14,714,000	14,714,000	14,566,860	(147,140)	(147,140)
Municipal Retiree Health Insurance Costs	5,447,370	5,447,370	5,392,897	(54,473)	(54,473)
Total- Appropriations	4,125,053,885	4,177,524,378	4,228,595,344	51,070,966	103,541,459

Agency/Grant Name	FY 16 Est.	FY 17 Orig.	FY 17 Rev.	FY 17 Rev. - FY 17 Orig.	FY 17 Leg. - FY 16 Est.
Bond Funds and Other Revenue Sources					
Municipal Revenue Sharing Account- Property Tax Related Aid ³	-	233,400,000	-	(233,400,000)	-
Town Aid Road ⁴	60,000,000	60,000,000	60,000,000	-	-
LoCIP ⁴	30,000,000	30,000,000	30,000,000	-	-
Grants for Municipal Projects ⁴	60,000,000	60,000,000	60,000,000	-	-
Total - Bond Funds and Other Revenue	150,000,000	383,400,000	150,000,000	(233,400,000)	-
GROSS TOTAL	4,275,053,885	4,560,924,378	4,378,595,344	(182,329,034)	103,541,459
MORE Commission Lapse	(20,000,000)	(20,000,000)	-	-	-
NET TOTAL	4,255,053,885	4,540,924,378	4,378,595,344	(162,329,034)	123,541,459

¹These accounts were consolidated in the revised FY 17 budget.

²These figures do not include funding for Charter Schools.

³Original FY 17 expenditures from the Municipal Revenue Sharing Account do not reflect the impact of consensus revenue.

⁴SB 503, the revised FY 17 bond bill, has not been voted on by the House of Representatives. As such, these figures could change.

VI. APPENDIX A

Revised FY 17 Budget - Authorized Position Summary

Fund/Agency	Original	Revised	Revised - Original
General Fund			
African-American Affairs Commission	3	-	(3)
Agricultural Experiment Station	69	69	-
Asian Pacific American Affairs Commission	2	-	(2)
Attorney General	303	303	-
Auditors of Public Accounts	117	121	4
Board of Regents for Higher Education	4,633	4,633	-
Commission on Aging	4	-	(4)
Commission on Children	7	-	(7)
Commission on Equal Opportunity	-	9	9
Commission on Human Rights and Opportunities	85	85	-
Commission on Women, Children, & Aging	-	9	9
Council on Environmental Quality	2	2	-
Department of Administrative Services	663	665	2
Department of Agriculture	50	50	-
Department of Children and Families	3,240	3,240	-
Department of Consumer Protection	239	241	2
Department of Correction	6,141	6,117	(24)
Department of Developmental Services	3,318	3,098	(220)
Department of Economic and Community Development	89	89	-
Department of Education	1,815	1,815	-
Department of Emergency Services and Public Protection	1,733	1,733	-
Department of Energy and Environmental Protection	644	642	(2)
Department of Housing	23	23	-
Department of Mental Health and Addiction Services	3,438	3,438	-
Department of Public Health	479	481	2
Department of Rehabilitation Services	118	118	-
Department of Revenue Services	660	660	-
Department of Social Services	1,976	1,986	10
Department of Veterans' Affairs	243	243	-
Division of Criminal Justice	486	486	-
Elections Enforcement Commission	-	35	35
Freedom of Information Commission	-	15	15
Governor's Office	28	28	-

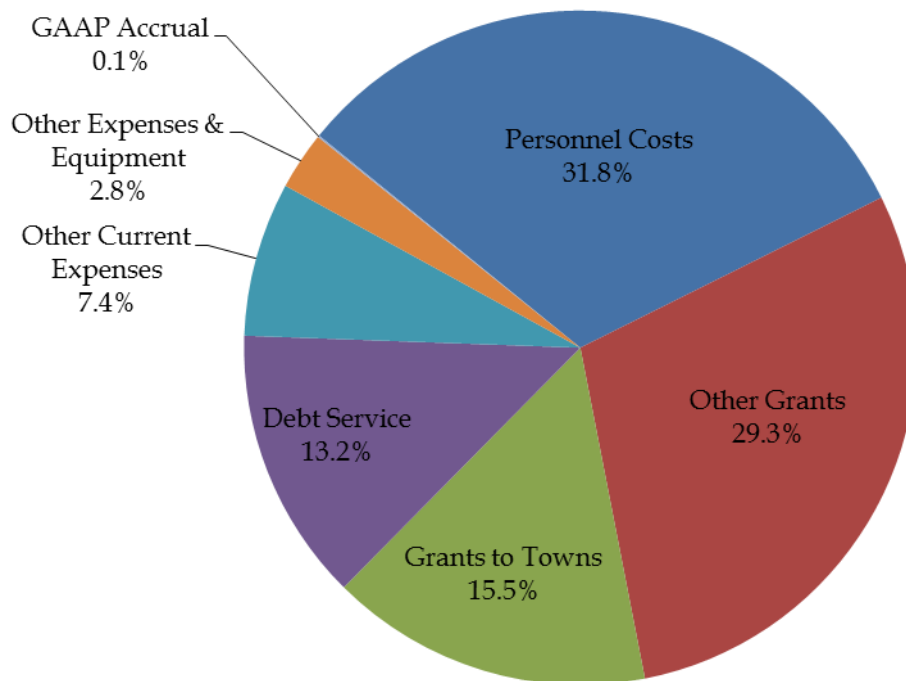
Fund/Agency	Original	Revised	Revised - Original
Judicial Department	4,329	4,329	-
Labor Department	191	191	-
Latino and Puerto Rican Affairs Commission	4	-	(4)
Legislative Management	450	444	(6)
Lieutenant Governor's Office	7	7	-
Military Department	42	42	-
Office of Early Childhood	116	116	-
Office of Governmental Accountability	92	19	(73)
Office of Higher Education	27	27	-
Office of Policy and Management	125	125	-
Office of State Ethics	-	15	15
Office of the Chief Medical Examiner	50	50	-
Permanent Commission on the Status of Women	6	-	(6)
Protection and Advocacy for Persons with Disabilities	31	31	-
Psychiatric Security Review Board	3	3	-
Public Defender Services Commission	447	447	-
Secretary of the State	84	85	1
State Comptroller	276	277	1
State Department on Aging	28	27	(1)
State Library	55	55	-
State Treasurer	45	45	-
Teachers' Retirement Board	27	27	-
University of Connecticut	2,413	2,413	-
University of Connecticut Health Center	1,698	1,698	!
General Fund Total	41,154	,905	(249)
Special Transportation Fund			
Department of Energy and Environmental Protection	28	29	1
Department of Motor Vehicles	603	603	!
Department of Transportation	3,353	3,352	(1)
State Treasurer	1	1	-
Special Transportation Fund Total	3,985	3,985	-
Banking Fund			
Department of Banking	120	123	3
Judicial Department	51	51	-
Banking Fund Total	171	174	3
Insurance Fund			
Department of Public Health	5	5	-
Insurance Department	159	159	-

Fund/Agency	Original	Revised	Revised - Original
Office of Policy and Management	2	2	-
Office of the Healthcare Advocate	29	29	-
Insurance Fund Total	195	195	-
Consumer Counsel and Public Utility Control Fund			
Department of Energy and Environmental Protection	127	127	-
Office of Consumer Counsel	15	15	-
Consumer Counsel and Public Utility Control Fund Total	142	142	-
Workers' Compensation Fund			
Department of Rehabilitation Services	6	6	-
Division of Criminal Justice	4	4	-
Labor Department	2	2	-
Workers' Compensation Commission	117	117	-
Workers' Compensation Fund Total	129	129	-
Regional Market Operation Fund			
Department of Agriculture	7	7	-
Regional Market Operation Fund Total	7	7	-
TOTAL	45,783	45,537	(246)

VII. APPENDIX B

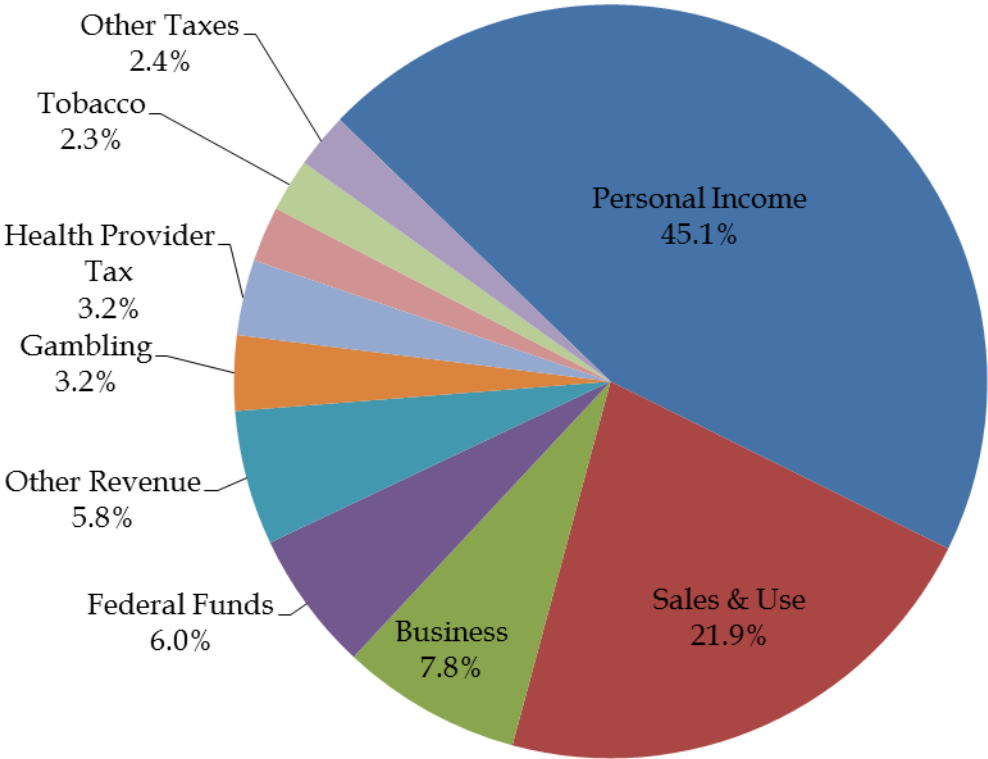
Revised FY 17 All Appropriated Funds (by account type - in millions)

Expenditure Type	FY 17 \$	% of Total
Personnel Costs	6,352.0	31.8%
Fringe Benefits	3,022.0	15.1%
Other Grants	5,843.0	29.3%
Medicaid	2,447.2	12.3%
Teacher's Retirement: Pension & Health	1,032.1	5.2%
Grants to Towns	3,093.3	15.5%
Education Equalization Grants	2,027.6	10.2%
Magnet Schools	313.1	1.6%
PILOTS - State Owned & Private	181.7	0.9%
Debt Service	2,626.1	13.2%
Other Current Expenses	1,478.4	7.4%
Other Expenses & Equipment	554.9	2.8%
GAAP Accrual	15.4	0.1%
Gross Total	19,963.02	
Lapses	(201.3)	
NET TOTAL	19,761.7	



**Revised FY 17 All Appropriated Funds Revenue
(by account type - in millions)**

Revenue Item	FY 17 \$	% of Total
Personal Income	9,519.0	45.1%
Sales & Use	4,621.9	21.9%
Business	1,637.0	7.8%
Federal Funds	1,269.7	6.0%
Other Revenue	1,219.9	5.8%
Gambling	680.6	3.2%
Health Provider Tax	683.4	3.2%
Motor Fuels	503.7	2.4%
Tobacco	479.6	2.3%
Other Taxes	497.7	2.4%
Gross Total	21,112.5	
Reductions	(1,333.0)	
NET TOTAL	19,779.5	



VIII. APPENDIX C

Revised FY 17 All Appropriated Funds Revenue (in thousands)

Item	FY 17 \$ Original Estimates	FY 17 \$ Revised Estimates
Taxes		
Personal Income Tax	10,357,200	9,519,000
Sales & Use Tax	4,084,665	4,328,700
Corporation Tax	910,700	839,300
Public Service Tax	316,500	283,900
Inheritance & Estate Tax	174,700	174,600
Insurance Companies Tax	246,000	245,400
Cigarettes Tax	363,300	371,100
Real Estate Conveyance Tax	200,800	201,800
Alcoholic Beverages Tax	62,100	62,200
Admissions & Dues Tax	39,600	39,000
Health Provider Tax	683,900	683,400
Miscellaneous Tax	21,300	20,100
Subtotal - Taxes	17,460,765	16,768,500
Less Refunds	(1,103,100)	(1,106,500)
Less Earned Income Tax Credit	(133,900)	(133,600)
Less R&D Credit Exchange	(7,400)	(8,500)
Net - Taxes	16,216,365	15,519,900
Other Revenue		
Transfers - Special Revenue	369,300	355,500
Indian Gaming Payments	252,400	267,000
Licenses, Permits and Fees	290,775	269,200
Sales of Commodities	39,100	42,600
Rents, Fines and Escheats	128,000	128,000
Investment Income	5,600	3,800
Miscellaneous	173,400	219,000
Less Refunds of Payments	(75,100)	(66,100)
Net - Other Revenue	1,183,475	1,219,000
Other Sources		
Federal Grants	1,252,687	1,257,600
Transfer From Tobacco Settlement	104,500	108,500
Transfers (To)/From Other Funds	(43,400)	(218,300)
Net - Other Sources	1,313,787	1,147,800
GF TOTAL	18,713,627	17,886,700
Special Transportation Fund (STF)		
Taxes		
Motor Fuels Tax	502,300	503,700
Oil Companies Tax	359,700	268,400
Sales & Use Tax	260,600	202,900
Sales Tax- DMV	85,000	90,300

Item	FY 17 \$ Original Estimates	FY 17 \$ Revised Estimates
Less Refunds	(7,500)	(14,500)
Net - Taxes	1,200,100	1,050,800
Other Sources		
Motor Vehicle Receipts	246,600	261,800
Licenses, Permits and Fees	139,900	141,500
Interest Income	8,500	8,500
Federal Grants	12,100	12,100
Transfers From/ (To) Other Funds	(6,500)	(6,500)
Refunds of Payments	(3,800)	(3,800)
Net - Other Sources	396,800	413,600
STF TOTAL	1,596,900	1,464,400
Mashantucket Pequot and Mohegan Fund (MP&MF)		
Transfers from General Fund	61,800	58,100
MP&MF TOTAL	61,800	58,100
Regional Market Operating Fund (RMOF)		
Rentals and Investment Income	1,100	1,100
RMOF TOTAL	1,100	1,100
Banking Fund		
Fees and Assessments	30,200	30,200
BANKING FUND TOTAL	30,200	30,200
Insurance Fund		
Fees and Assessments	81,400	84,130
INSURANCE FUND TOTAL	81,400	84,130
Consumer Counsel and Public Utility Control Fund (CC&PUCF)		
Fees and Assessments	27,300	27,500
CC&PUCF TOTAL	27,300	27,500
Workers' Compensation Fund (WCF)		
Fees and Assessments	28,122	28,162
Use of Fund Balance from Prior Years	12,516	11,198
WCF TOTAL	40,638	39,360
Criminal Injuries Compensation Fund (CICF)		
Restitutions	3,000	3,000
CICF TOTAL	3,000	3,000
Municipal Revenue Sharing Fund		
Transfers from General Fund	-	185,000
MRSF TOTAL	-	185,000