

PRELIMINARY FISCAL NOTES

Appropriations Committee Meeting

April 19, 2013



OFFICE OF FISCAL ANALYSIS

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The following contains preliminary fiscal impacts for the bills on today's agenda.

1. sHB 6352 - An Act Concerning the Expenditure Cap

Effective upon passage, the bill alters the spending cap by: A) exempting appropriations related to the state's unfunded past service liability for the State Employee Retirement System (SERS) and the Teachers' Retirement System (TRS), and B) exempting appropriations where the state received 100% federal reimbursement for new or existing programs in the first year they are made after July 1, 2013.

Using sHB 6350, the budget bill, as a baseline, treating SERS and TRS past service liability appropriations as "non-capped" has the effect of exempting \$349.7 million and \$91.2 million from the spending cap in FY 14 and FY 15, respectively.

The new treatment of fully federally-funded appropriations in the first year has the effect of exempting \$446 million and \$689.5 million from the spending cap in FY 14 and FY 15, respectively. It should be noted that the only appropriations that meet this definition are those related to the Affordable Care Act.

2. sHB 6350 – An Act Concerning the Budget for the Biennium Ending June 30, 2015, and Other Provisions Relating to Revenue

The Appropriations Committee budget includes appropriations in ten funds totaling \$21.5 billion in FY 14 and \$22.4 billion in FY 15 as summarized in the table below.

FUND SUMMARY		
	Committee	
Gross Appropriations by Fund	FY 14 \$	FY 15 \$
General Fund	20,211,406,767	21,023,897,617
Special Transportation Fund	1,248,887,388	1,317,859,919
Banking Fund	26,608,448	27,845,849
Insurance Fund	30,744,674	31,968,453
Consumer Counsel and Public Utility Control Fund	24,918,827	25,384,201
Workers' Compensation Fund	22,709,083	24,223,479
Mashantucket Pequot and Mohegan Fund	50,779,907	50,779,907
Soldiers, Sailors and Marines' Fund	3,072,475	3,128,585
Regional Market Operation Fund	921,680	941,498
Criminal Injuries Compensation Fund	3,380,286	2,787,016
Total Gross Appropriations	21,623,429,535	22,508,816,524
General Fund Lapses:		
Unallocated Lapse	(91,676,192)	(91,676,192)
Unallocated Lapse - Legislative	(3,028,105)	(3,028,105)
Unallocated Lapse - Judicial	(7,400,672)	(7,400,672)
General Lapse - Legislative	(56,251)	(56,251)
General Lapse - Judicial	(401,946)	(401,946)
General Lapse - Executive	(13,785,503)	(13,785,503)
Statewide Hiring Reduction	(6,796,754)	(20,688,736)
Total	(123,145,423)	(137,037,405)
Transportation Fund Lapses:		
Unallocated Lapse	(11,000,000)	(11,000,000)
Total	(11,000,000)	(11,000,000)
Net Appropriations by Fund		
General Fund	20,088,261,344	20,886,860,212
Special Transportation Fund	1,237,887,388	1,306,859,919
Banking Fund	26,608,448	27,845,849
Insurance Fund	30,744,674	31,968,453
Consumer Counsel and Public Utility Control Fund	24,918,827	25,384,201
Workers' Compensation Fund	22,709,083	24,223,479
Mashantucket Pequot and Mohegan Fund	50,779,907	50,779,907
Soldiers, Sailors and Marines' Fund	3,072,475	3,128,585
Regional Market Operation Fund	921,680	941,498
Criminal Injuries Compensation Fund	3,380,286	2,787,016
Total Net Appropriations	21,489,284,112	22,360,779,119

Spending Cap

Assuming passage of the provisions contained in sHB 6352, AAC the Expenditure Cap, and sHB 6351, the deficiency bill, the budget is under the spending cap by \$193.4 million in FY 14 and \$495.3 million in FY 15.

If the provisions contained in sHB 6352, AAC the Expenditure Cap, are not applied, the budget would be over the spending cap by \$582.4 million in FY 14 and \$846.1 million in FY 15.

Growth Rate

The growth rate for all appropriated funds is 5.2% over FY 13 estimated expenditures in FY 14 and 4.1% in FY 15. See the table below for details.

FY 14 and FY 15 Budget Growth Rates (by fund – in millions)

Fund	FY 13 Estimated Expenditures \$	FY 14 Appropriation \$	FY 14 Change		FY 15 Appropriation \$	FY 15 Change	
			\$	%		\$	%
General	19,043.9	20,088.3	1,044.4	5.5%	20,886.9	798.6	4.0%
Transportation	1,214.9	1,237.9	23.0	1.9%	1,306.9	69.0	5.6%
Other Appropriated	170.3	163.1	(7.2)	-4.2%	167.0	3.9	2.4%
TOTAL	20,429.1	21,489.3	1,060.2	5.2%	22,360.8	871.5	4.1%

Sections 10 - 44 of the back of budget language are identified below.

Section	Agency	Description
10(a)	OPM/ Various	OPM shall recommend reductions in executive branch expenditures for FY 14 and FY 15 by \$13.8 million.
10(b)	OPM/ OLM	OPM shall recommend reductions in legislative branch expenditures for FY 14 and FY 15 by \$56,251.
10(c)	OPM/ Judic	OPM shall recommend reductions in Judicial Department expenditures for FY 14 and FY 15 by \$401,946.
11	OPM/ various	OPM shall recommend reductions in executive branch expenditures in Personal Services by \$6.8 million in FY 14 and \$20.7 million in FY 15. Savings to be achieved by implementing a statewide hiring reduction across executive branch agencies.
12	DSS	Allows DSS to establish receivables for the reimbursement anticipated from projects related to the development of health insurance and Medicaid data information technology systems. This section does not result in a fiscal impact as it is administrative in nature.
13	DPH	Allows up to \$115,000 from the Stem Cell Research Fund (SCRF) to be used by DPH for administrative costs in FY 14. Funding of \$85,000 in FY 14 and \$115,000 in FY 15 is included in DPH's budget for administrative support of the SCRF.
14	DCF	Suspends the rate adjustments for DCF-funded private residential treatment centers in FY 14 and FY 15. The savings of \$4.5 million in FY 14 and \$7 million in FY 15 are reflected in the budget.

Section	Agency	Description
15	DSS/ DOH/SDR	Agencies shall enter into memoranda of understanding for administrative support purposes. This will not result in a fiscal impact as it is administrative in nature.
16	RSA - OPM	Allows OPM to transfer funding to and from the Reserve for Salary Adjustments account (RSA) and other agencies for the specific salary and wage related expenses.
17(a)	RSA - OPM	Allows for the unexpended funds for collective bargaining costs be carried forward from FY 13 into FY 14 and FY 15. It is estimated up to \$18,421,557 in the General Fund and up to \$1,855,980 in the Special Transportation Fund will be carried forward.
17(b)	RSA - OPM	Allows for the unexpended funds for collective bargaining costs be carried forward from FY 14 into FY 15.
18	UCHC/ DPH	\$500,000 from the Tobacco and Health Trust Fund (THTF) shall be transferred to UConn Health Center in FY 14 and FY 15 for the CT Health Information Network. This reduces the THTF balance (which was \$8.7 million as of 3/31/13) by \$500,000 in both FY 14 and FY 15.
19(a)	DPH	Transfers \$1,050,000 in FY 14 and FY 15 from the THTF to the following: (1) Easy Breathing (\$150,000 for adult asthma and \$250,000 for children's asthma); (2) \$150,000 for CT Coalition for Environmental Justice for Asthma Outreach; and (3) \$500,000 for regional emergency medical services coordinators. This further reduces the THTF balance by \$1,050,000 in both FY 14 and FY 15.
19(b)	DSS/DPH	Transfers \$3.4 million in FY 14 and FY 15 from the THTF to DSS - Medicaid for smoking cessation programs. This reduces the THTF balance by a corresponding amount in FY 14 and FY 15.
19(c)	DDS/ DPH	Transfer \$500,000 in FY 14 and \$750,000 in FY 15 from the THTF to DDS to implement recommendations resulting from a study concerning the feasibility of a Center for Autism and Developmental Disabilities conducted pursuant PA 11-6. This reduces the THTF balance by a corresponding amount.
19(d)	DSS/DPH	Transfer \$200,000 for FY 14 and FY 15 from the THTF to DSS for Other Expenses to support UConn's Medicaid Partnership. This reduces the THTF balance by a corresponding amount in both FY 14 and FY 15.
20	TRB	Implements the savings in the budget by reducing the state's share of the Teachers Retirement Board retiree health services costs to 25% and municipal health subsidy to 25%. This results in a reduction of \$8.3 million in FY 14 and \$9.7 million in FY 15 in the retiree health service cost account and a reduction of \$1.8 million in both FY 14 and FY 15 in the municipal health subsidy account.
21	Various	Allows for the transfer of funds between agencies via the use of FAC to maximize federal matching funds. This allows any General Fund appropriation to be transferred between agencies to maximize federal funding with FAC approval. Funds generated through transfer may be used to reimburse GF expenditures or expand programs as determined by Governor and with FAC approval.
22	Various	Allows for the adjustments to appropriations, with the approval of FAC, to maximize federal funding available to the state. This allows any General Fund appropriation to be adjusted by the Governor with FAC approval in order to maximize federal funding. The Governor shall present a plan for any such transfer.
23	DSS/ UCHC	Allows for the transfer from UCHC to DSS's Disproportionate Share - Medical Emergency Assistant or Medicaid to maximize federal reimbursement. This allows the state to receive revenue as anticipated.

Section	Agency	Description
24	DSS/ DMHAS	Directs DSS to make Disproportionate Share (DSH) payments to hospitals in DMHAS for operating expense and related fringes. This section does not result in a fiscal impact as it requires DSS to make payments to DMHAS as anticipated.
25	DSS/ DVA	Allows DVA appropriations to be transferred to DSH-Medical Emergency Assistance account or Medicaid within DSS to maximize federal reimbursement. This section does not result in a fiscal impact as it allows the state to receive revenue as anticipated.
26	SDE/DDS /OEC	Transfers \$1 million in FY 14 and FY 15 of Part B IDEA (federal funds) from SDE to the Office of Early Childhood for the Birth-to-Three Program.
27	SDE	Establishes the distribution amount for the specific priority school districts programs for FY 14 and FY 15. Funding is included in the budget.
28	SDE/OEC	Allows for the unexpended funds for school readiness quality enhancement to be carried forward from FY 13 into FY 14 and transferred to the Office of Early Childhood.
29(a)	DMHAS	Allows up to \$1.1 million in FY 14 and FY 15 of the Pre-Trial Alcohol Substance Abuse funding be used for Regional Action Councils. In FY 12 total available funding in this non-appropriated account was approximately \$5.4 million.
29(b)	DMHAS	Allows up to \$510,000 in FY 14 and FY 15 of the Pre-Trial funding to be used for the Governor's Partnership to Protect CT's Workforce. In FY 12 total available funding in this non-appropriated account was approximately \$5.4 million.
30	UConn	Allows \$250,000 of UConn funding in FY 14 and FY 15 to be used for CT Center for Advanced Technology.
31	OPM	Allows for the unexpended funds for health care and pension consulting contracts to be carried forward into FY 14 and FY 15. It is estimated that approximately \$71,000 will be carried forward.
32	OPM	Allows for the unexpended funds for CJIS to be carried forward from FY 13 into FY 14 and FY 15. The amount of funds to be carried forward into FY 14 and FY 15 will be dependent on the progress of the project and unknown at this time.
33	DDS	Requires that DDS receive 100% reimbursement (or an alternative amount identified by the agency) from private providers where their actual expenditures are less than the amount received by the department for both FY 14 and FY 15. This gives DDS the discretion to allow providers to retain cost settlement funds which could reduce the savings associated with requiring that DDS receive 100% reimbursement.
34	OHE	The amount of funds available for the student protection account shall be \$319,000 in FY 14 and \$329,000 for FY 15. These funds are used to support three staff members who provide oversight to the 91 private occupational schools enrolling nearly 27,000 students and generating \$175 million in net tuition revenue.
35	DMV	Allows for carry forward funding in FY 14 for the Commercial Vehicle Information System and Network Project. This project is ongoing and the last phase is expected to be completed in FY 14. It is estimated that approximately \$200,000 will be carried forward.
36	DMV	Allows for carry forward funding in FY 14 and FY 15 for use of upgrading DMV's registration and driver license data processing system. The project is ongoing and the amount of funds to be carried forward into FY 14 and FY 15 will be dependent on the progress of the project and unknown at this time.

Section	Agency	Description
37	Various	Establishes authorized position count as the one published in the OFA budget book, and permits the governor with FAC approval to modify this count. The constituent units of higher education are exempt from this provision.
38	DOL	Specifies that \$500,000 of Jobs First Employment Services funding is reserved for The Workplace, Inc., the Bridgeport area Workforce Investment Board, for its P2E program for unemployed workers.
39(a)	OLM	Allows for the unexpended balance in carry forward funding for CASE to be used in FY 14 for a health impact assessment study. It is estimated that approximately \$400,000 will be carried forward.
39(b)	OLM	Allows for carry forward funding in the amount of \$500,000 to be used for CASE in FY 15 for a disparity study. These funds were originally appropriated to CHRO under PA 11-61, Sec. 67 and carried forward and transferred to OLM under PA 12-104, Sec. 12.
40	DEEP	Transfers \$1 million from the systems benefits charge, a non-appropriated account, to the Operation Fuel account in the Department of Energy and Environmental Protection. The state and municipalities, as ratepayers, would incur increased costs to the extent the systems benefits charge is insufficient to cover these expenses.
41	BOR	Specifies that up to \$150,000 within the Board of Regents for Higher Education shall be made available for the Institute of Municipal and Regional Policy for purposes of assisting in the development of the Connecticut specific model within the Pew-MacArthur Results First Initiative.
42	DESPP	Allows for carry forward funding from the Workers' Compensation account for DESPP in the amount of \$25,000 in FY 14 and \$500 in FY 15 for the civilian medal of honor.
43	SDE	Allows for \$250,000 from the School Accountability account in SDE to be used for the State Tracking and Accountability Report (STAR) System.
44	DPH	Increases the transfer of funding from newborn screening fee receipts to \$1.2 million in both FY 14 and FY 15 to accommodate increased cost of testing. This is an increase of \$28,287 from the FY 13 transfer.

3. sHB 6351 – An Act Making Deficiency Appropriations for the Fiscal Year Ending June 30, 2013

The bill results in a net increase of \$142 million to the General Fund (GF). The increase in appropriations of \$337.2 million is offset by reductions of \$195.2 million.

The revised FY 13 budget is currently under the spending cap by \$142.2 million. Passage of the \$142 million in net increased appropriations included in sHB 6351 would result in the FY 13 budget being under the spending cap by approximately \$0.2 million.

The following table shows the changes in agency appropriations contained in the bill.

Changes in General Fund FY 13 Appropriations	Amount \$
Increase Appropriations:	
State Comptroller	1,700,000
Department of Emergency Services and Public Protection	12,300,000
Department of Consumer Protection	900,000
Department of Mental Health and Addiction Services	11,300,000
Department of Social Services	289,000,000
Department of Correction	22,000,000
Subtotal	337,200,000
Reduce Appropriations:	
Department of Social Services - DSH	(66,500,000)
State Comptroller - Fringe Benefits	(105,700,000)
Department of Children & Families - Board & Care - Residential	(23,000,000)
Subtotal	(195,200,000)
NET IMPACT - Increase in Appropriations	142,000,000

OFA’s description of the factors in each agency’s deficiency is in the 3/25/13 document prepared for the Appropriations Committee Deficiency public hearing and on our website ([available here](#)).