

PRELIMINARY FISCAL NOTES

Appropriations Committee Meeting

April 22, 2013



OFFICE OF FISCAL ANALYSIS

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Below are preliminary fiscal impacts for the bills on today's agenda. These estimates were prepared under a short time frame and could be revised after further analysis. For bills on the agenda with proposed substitutes, the fiscal impact is based on the substitute language.

A. Contingency Reserve Bills – Numbers 1 - 8

The following are Contingency Reserve Bills (which have no fiscal impact):

SB 1106, SB 1107, SB 1108, SB 1109, HB 6618, HB 6619, HB 6620, HB 6621

B. Raised and Governor's Bills

9. HB 6617 – An Act Concerning Generally Accepted Accounting Principles

This bill is a contingency reserve bill and has no fiscal impact.

10. HB 6354 – An Act Implementing the Governor's Budget Recommendations Concerning General Government

Sections 1 and 3 – 9 establish the all-payers claims database in the Connecticut Health Insurance Exchange and make other various technical and conforming changes which do not result in a fiscal impact to the state. The exchange is a quasi-public agency which does not currently receive funding from the state. The bill requires the exchange is required to seek funding from the federal government, and other public and private sources to cover the cost of database.

Section 2 makes changes to the Connecticut Health Insurance Exchange Board of Directors which does not result in a fiscal impact.

Section 10 removes references to the Office of Health Reform and Innovation which does not result in a fiscal impact.

Section 11 removes references to the Office of Health Reform and Innovation which does not result in a fiscal impact.

Section 12 and 13 make technical and conforming changes which do not result in a fiscal impact.

Section 14 results in a savings of approximately \$200,000 in both FY 14 and FY 15 to the Department of Energy and Environmental Protection (DEEP) as it no longer requires the agency to provide potable water to residences and elementary and secondary schools under certain conditions.

Section 15 caps the Renters' Rebate Program at current participation levels, precluding any new applicants. sHB 6350, the FY 14 and FY 15 budget bill, as favorably reported by the Appropriations Committee, reduces the Renters' Rebate Program by \$2,028,781 in FY 14 and \$3,843,774 in FY 15 to reflect the elimination of funding for new applicants.

Section 16 reduces various agencies funding by an estimated \$1.1 million in FY 14 and \$2.4 million in FY 15 to reflect the elimination of salary increases for appointed officials.

Section 17 repeals section 4 of PA 12-166 which does not result in a fiscal impact. This section relates to the All-Payers Claims Database Advisory Group which is eliminated in section 18.

Section 18 - CGS Section 19a-724, which established the Office of Health Reform and Innovation, is repealed. Approximately \$213,830 in FY 14 and \$227,848 in FY 15 of the savings identified in the bill from eliminating this office are included in sHB 6350, the FY 14 and FY 15 budget bill, as favorably reported by the Appropriations Committee. CGS Section 19a-724a is repealed, this eliminates the All-Payer Claims Advisory Group and does not result in a fiscal impact. Lastly, CGS Section 19a-724b eliminates the all-payer claims database established in the Office of Health Care Reform and Innovation and does not result in a fiscal impact.

C. Change of Reference Bills

11. sSB 854 - An Act Concerning Social Innovation Investment

The bill allows deposits into the social innovation account, a separate, non-lapsing account within the General Fund, to be used to pay social enterprise investors. This results in a potential cost to the account, to the extent that these payments occur. The bill also establishes an approval process for the Office of Policy and Management to complete before entering to a contract with a private social innovation investment enterprise firm. This has no fiscal impact.

12. sSB 868 - An Act Targeting State Financial Aid to Support Technical Training

The bill requires the Office of Higher Education to develop a list of eligible non-degree certificate programs and technical courses in shortage areas throughout the state, which does not result in a fiscal impact.

13. sSB 1083 - An Act Concerning Medicaid Cost Savings

There may be a cost of less than \$1,000 in FY 14 to agencies participating in the task force to reimburse legislators and agency staff for mileage expenses.

14. sHB 6357 - An Act Implementing the Budget Recommendations of the Governor Concerning Education

Sections 1 and 2 update the Education Cost Sharing (ECS) formula. sHB 6350, the FY 14 and FY 15 budget bill, as favorably reported by the Appropriations Committee, includes \$50.8 million in FY 14 and \$101.5 million in FY 15 for increases in ECS grants to municipalities. The bill updates various definitions, including: (1) changing the definition of a town's wealth by weighting property to income wealth in a ratio of 90/10, (2) Free and Reduced Price Lunch (FRPL) eligibility will replace Title I, (3) current 15% weighting of Limited English Proficiency (LEP) students will be eliminated and replaced with by 30% weighting of FRPL eligibility, (4) for most wealthy communities the minimum aid ration will be reduced from 9% to 2%, the minimum aid ration for Alliance Districts will be 10%, (5) per capita income and median household income is replaced by median household income which is produced and annually updated through the Department of Economic and Community Development, (6) reform districts are phased in at 12%, Alliance Districts at 8%, and all other districts at 1%, and (7) the foundation is increased from \$9,867 to \$11,525.

Section 3 re-establishes the minimum budget requirement for FY 14.

Section 4 authorizes the Commissioner of Education to withhold Alliance District funding if a municipality fails to have their plan approved. This could result in a potential revenue loss to Alliance Districts and a corresponding savings to the state. In FY 13, Alliance District funding ranged from approximately \$200,000 to approximately \$4.8 million.

Sections 5 - 12 extend the statutory cap on various grants. This results in a savings to the state of approximately \$102.8 million in FY 14 and \$114.6 million in FY 15, these savings are included in sHB 6350, the FY 14 and FY 15 budget bill, as favorably reported by the Appropriations Committee. The following grants are statutorily capped: Adult Education, Excess Cost, Health and Welfare Services Pupils Private Schools, Non-Public Transportation, and Transportation of Public School Children.

Section 13 reduces the per pupil, state, charter school reimbursement rate, from \$11,000 in FY 14 to \$10,500 and from \$11,500 in FY 15 to \$11,000. The results in savings to the state of approximately \$3.25 million in both FY and FY 15, these savings are included in sHB 6350, the FY 14 and FY 15 budget bill, as favorably reported by the Appropriations Committee. The charter school appropriation is transferred from ECS into a separate charter school account. sHB 6350, the FY 14 and FY 15 budget bill, as favorably reported by the Appropriations Committee transfers approximately \$73.8 million in FY 14 and \$83.5 million in FY 15. There are approximately 6,500 charter school students attending 17 state charter schools.

Section 14 establishes a competitive transportation grant program. sHB 6350, the FY 14 and FY 15 budget bill, as favorably reported by the Appropriations Committee, includes \$5 million in both FY 14 and FY 15 for this purpose.

Sections 15 - 21 remove all references to public transportation grants, as sHB 6350, the FY 14 and FY 15 budget bill, as favorably reported by the Appropriations Committee, removed approximately \$20 million in both FY 14 and FY 15 associated with this grant program.

Section 22 repeals an unfunded science program and other transportation related statutes, and does not result in a fiscal impact.

15. HB 6365 - An Act Concerning the Issuance of Initial Teacher Certificates to Graduates of the Connecticut Alternate Route to Certification Program

The bill adds the Office of Higher Education's alternate route to certification programs to the list of programs whose graduates may qualify for an initial educator certificate, and does not result in a fiscal impact.

16. sHB 6367 - An Act Implementing the Governor's Budget Recommendations for Human Services Programs

Section 1 implements the savings in the Department of Rehabilitation Services (DORS) budget (sHB 6350, the FY 14 and FY 15 budget bill, as favorably reported by the Appropriations Committee) from eliminating the reimbursement to towns for their costs associated with teachers for the visually impaired. The towns are able to use DORS teachers for their visually impaired students at no cost to themselves. This results in a reduction of \$1.1 million in FY 14 and FY 15 in the Educational Aid for Blind and Visually Handicapped Children account.

Section 2 makes technical changes and allows the Department of Rehabilitation Services (DORS) to charge a fee related to the Connecticut Tech Act project which is anticipated to result in nominal revenue to the agency.

Section 3 requires the Department of Social Services (DSS) to freeze nursing home statutory rate increases in both years of the biennium. Approximately \$53.4 million in FY 14 and \$81.0 million in FY 15, of the savings identified in the bill are included in sHB 6350, the FY 14 and FY 15 budget bill, as favorably reported by the Appropriations Committee.

Section 4 requires the DSS to freeze the statutory rate increase for residential care homes in both years of the biennium. Approximately \$458,333 in FY 14 and \$500,000 in FY 15, of the savings identified in the bill are included in sHB 6350, the FY 14 and FY 15 budget bill, as favorably reported by the Appropriations Committee.

Section 5 and 6 do not result in a fiscal impact to the state. These sections make changes to hospital payments and medical coding to align with Medicare and as required by the Patient Protection and Affordable Care Act.

Sections 7 through 9 eliminate transitional supplemental payments related to the conversion from managed care to an administrative services organization (ASO). Approximately \$23.5 million in FY 14 and FY 15, of the savings identified in the bill are included in sHB 6350, the FY 14 and FY 15 budget bill, as favorably reported by the Appropriations Committee.

Section 10 makes a technical change which does not result in a fiscal impact.

Section 11 makes the following changes to the DSS: 1) reduces the facility per diem hospice rate, and 2) eliminates interpreter and chiropractic services as covered benefits. Approximately \$9.5 million in FY 14 and \$10.3 million in FY 15, of the savings identified in the bill are included in sHB 6350, the FY 14 and FY 15 budget bill, as favorably reported by the Appropriations Committee.

Section 12 codifies the Medicaid for Low Income Adults expansion under the Patient Protection and Affordable Care Act. sHB 6350, the FY 14 and FY 15 budget bill, as favorably reported by the Appropriations Committee, appropriated \$51.6 million in FY 14 and \$301 million in FY 15 to the DSS and the Department of Mental Health and Addiction Services for this purpose. The costs of the Medicaid expansion will be 100% reimbursed by the federal government through 2016, and will then be adjusted incrementally downward to a 90% reimbursement rate by 2020.

Sections 13 - 15 and 20 - 37 eliminate references to the CONNPACE and Charter Oak Health Programs which do not result in a fiscal impact.

Section 16 makes a technical change which does not result in a fiscal impact.

Section 17 makes a technical change which does not result in a fiscal impact.

Sections 18 and 19 do not result in a fiscal impact. These sections make various changes which move the Behavioral Health Partnership under the Council on Medical Assistance Program Oversight.

Section 38 eliminates the HIV/AIDS waiver which has not been implemented.

Approximately \$1.3 million in FY 14 and \$2.2 million in FY 15, of the savings identified in the bill are included in sHB 6350, the FY 14 and FY 15 budget bill, as favorably reported by the Appropriations Committee.

Section 39 repeals various sections of statute which result in the following fiscal impacts: 1) CGS section 17b-491 which established the CONNPACE program is repealed and results in a savings of \$162,000 in FY 14 and \$340,900 in FY 15, 2) CGS section 17b-311 which established the Charter Oak Health Program is repealed and results in a savings of \$3.7 million in FY 14 and approximately \$7.0 million savings in FY 15, 3) CGS section 17b-261n repeals the Medicaid for Low Income Adults Wavier which does not result in a fiscal impact. The other sections of statute are repealed as they relate to the eliminated programs. The savings identified in the bill are included in sHB 6350, the FY 14 and FY 15 budget bill, as favorably reported by the Appropriations Committee.

17. HB 6395 - An Act Concerning the Expansion of a Small House Nursing Home Pilot Program

The bill would allow, within available appropriations, a pilot small house nursing home program to be established at Masonicare Health Facility in Wallingford. This pilot could be up to 380 beds. Such a facility would be eligible Medicaid payments for eligible residents. Included in any such payments is a fair rent adjustment to account for Medicaid's share of allowable construction related costs for the new project. Therefore, the Department of Social Services would incur additional costs, which are not reflected in sHB 6350 (the FY 14 and FY 15 budget bill, as favorably reported by the Appropriations Committee). The extent of this cost would be dependent upon the size of the small house project that is constructed, which is not known

18. HB 6458 - An Act Concerning the New England Disaster Training Center Activity Payment

The bill, which establishes the "New England Disaster Training Center activity account" as a non-lapsing account within the General Fund, has no fiscal impact.

19. sHB 6545 - An Act Concerning Drug Prior Authorization for Medicaid Recipients

The bill results in a savings associated with the Department of Social Services establishing a step therapy program for prescription drugs under Medicaid. Approximately \$11.8 million in FY 14 and \$15.8 million in FY 15 of the savings identified in the bill are included in sHB 6350, the FY 14 and FY 15 budget bill, as favorably reported by the Appropriations Committee.

20. HB 6673 – An Act Concerning the Assessment of Proposed Privatization Contracts

The bill changes procedures that state agencies must follow before entering into a privatization contract. Under current law, certain privatization contracts previously awarded are exempt from a cost-benefit analysis. The bill requires that all privatization contracts undergo a cost-benefit analysis, except for those in which a prior cost-benefit analysis was conducted or the total value of the contract is less than \$50,000.

It is anticipated the bill will expand the number of contracts that will require a cost-benefit analysis. Any costs associated with the cost-benefit analysis are unknown at this time. Any state agency required to perform a cost-benefit analysis would incur administrative costs, the magnitude of which would depend on the number and significance of the impacted contracts and the staff required to perform these functions.

D. Referred from the House Floor

21. sHB 5392 – An Act Providing Consumer Protection to Clients of Exchange Facilitators for Tax Deferred Exchanges – refer to fiscal note on page 10.

22. sHB 5500 – An Act Requiring Institutions of Higher Education to Provide Students with Uniform Financial Aid Information – refer to fiscal note on page 11.

23. HB 5599 – An Act Concerning Provisional Ballots for State and Municipal Offices – refer to fiscal note on page 12.

24. sHB 6320 – An Act Concerning Health Insurance Coverage of Orally and Intravenously Administered Medications – refer to fiscal note on page 13.

25. sHB 6341 – An Act Adopting the Uniform Certificate of Title for Vessels Act – refer to fiscal note on page 17.

26. sHB 6366 – An Act Concerning the Establishment of the Department of Housing

The bill implements the Appropriation Committee's budget by transferring various housing programs from the Department of Economic and Community Development, the Department of Social Services, and the Office of Policy and Management to the Department of Housing (DOH). The total amount of funding transferring into DOH included in sHB 6350, the FY 14 and FY 15 budget bill, as favorably reported by the Appropriations Committee, is \$57,419,292 in FY 14 and \$60,138,493 in FY 15 with 13 associated staff positions.

The bill also adds the Commissioner of Housing to various task forces, boards and councils pertaining to housing. There may be a cost of less than \$1,000 to DOH for mileage expenses.

The substitute language maintains the Rental Assistance Program under the Department of Social Services (DSS). The Governor's budget originally proposed transferring this program from DSS into DOH with associated funding of \$45,548,992 in FY 14 and \$50,073,500 in FY 15.

27. sHB 6399 - An Act Concerning Children in the Juvenile Justice System - refer to fiscal note on page 20.

28. sHB 6400 - An Act Concerning Mandated Reporters and Requiring Criminal History Records Checks for Youth Camp Directors and Assistant Directors - refer to fiscal note on page 22.

29. sHB 6419 - Act Extending the Foreclosure Mediation Program - refer to fiscal note on page 25.

30. HB 6438 - An Act Restricting the Use of Methoprene and Resmethrin - refer to fiscal note on page 27.

31. HB 6450 - An Act Concerning the Filing Fee at the State Board of Mediation and Arbitration - refer to fiscal note on page 29.

32. sHB 6526 - An Act Concerning Children's Products and Chemicals of High Concern

The bill requires the Department of Public Health (DPH) to create a list of priority chemicals that are of high concern to children after considering a child's or developing fetus's potential for exposure to each chemical, which does not result in a fiscal impact to the agency as DPH has expertise in this area.

33. HB 6530 - An Act Concerning Development of Connecticut-Based Renewable Energy Sources - refer to fiscal note on page 31.

34. HB 6561 - An Act Concerning Veterans - refer to fiscal note on page 32.

35. HB 6597 - An Act Concerning the Civilian Medal of Honor - refer to fiscal note on page 33.