

Synopsis of the Governor's 2008-2009 Biennial Budget

The Biennial Budget was introduced by the Governor on February 7, 2007 at a joint meeting of the Connecticut General Assembly. To facilitate the discussion with the Secretary of the Office of Policy and Management on February 8th at the Appropriations Committee, the Office of Fiscal Analysis has prepared the following brief summary of major budget policy changes.

The Governor's 2008-2009 Biennial Budget recommends a \$17,462 million for FY08 and \$18,328 million for FY09 for all appropriated funds. The Governor is projecting an all funds growth rate of 6.9 percent and 5 percent respectively over each previous fiscal year.

In addition, the Governor's expenditure plan, based on her recommended all funds appropriations, places the budget **over** the spending cap by \$203 million in FY07 and **over** the cap by \$520.8 million in FY08. For FY09 the Governor's proposed budget is **under** the cap by \$28.4 million. The Governor further proposes to implement the constitutional and statutory procedures required to exceed the cap in those fiscal years. Based upon the Governor's recommendation, the Budget Reserve Fund is estimated to total \$1,263.5 million by the end of FY 07.

The **significant program changes** are outlined in this next section. The program changes are followed by a section on **significant revenue changes**. Included at the end of the document is the recommended **spending of surplus**.

Significant Program Expenditures Changes

Human Services and Health

Department of Social Services

Charter Oak Health Plan

- The Governor is recommending the establishment of the Charter Oak Health Plan. This plan assumes the development of a private insurance product with an expected monthly cost of \$250. This benefit would include hospitalization, emergency care, maternity care, prescription drugs, and other outpatient services. The plan would have an annual deductible of \$1,000, with 20% co-insurance after the deductible is met. There will be no restrictions for pre-existing conditions. The Governor recommends \$18.9 million in FY08 and \$36.1 million in FY09 to provide premium assistance for the plan to individuals with incomes below 300% of the federal poverty level.

Medicaid

- Change Medical Necessity and Appropriateness Definition under Medicaid for a savings of \$4 million in FY08 and \$8 million in FY09;
- Implement assistance for current enrollees of HUSKY, for a \$4.9 million savings in FY09;
- Require certification for medication administration in residential care homes and boarding homes, for a savings of \$1.2 million in FY08 and \$2.3 million in FY09;
- Revise third party liability and fraud provision under Medicaid, for an annual savings of \$2 million;
- Increase HUSKY enrollment through enhanced outreach and enrollment, for a cost of \$9.8 million in FY08 and \$14 million in FY09; and
- Implement disease management for Medicaid fee-for-service clients, for a cost of \$1.5 million annually.

Other Programs

- Eliminate funding for non-emergency transportation under SAGA, for an annual savings of \$1.4 million;
- Eliminate Life Star helicopter subsidy, for an annual savings of \$1.4 million;
- Reduce subsidy for Connecticut Children's Medical Center by \$4 million in FY09;
- Provide additional staff of 75 in FY08 and 93 in FY09, at a cost of \$3.5 million and \$4.5 million, respectively;
- Apply annual Social Security increases to offset costs under the Aged, Blind and Disabled programs, for a savings of \$1.2 million in FY08 and \$2.3 million in FY09;
- Implement rate equity for state funded child care centers, at a cost of \$2.2 million in FY08 and \$4.6 million in FY09; and
- Implement the Money Follows the Person Initiative, at a cost of \$1.7 million in FY09.

Department of Mental Health and Addiction Services

- Reconfigure Mobile / Crisis services in Danbury and Waterbury, for a savings of \$910,446 in FY08 and \$860,141 in FY09;
- Provide services for an additional 125 supportive housing clients, at a cost of \$1.9 million in FY08 and \$2.4 million in FY09;
- Reduce Prison and Jail overcrowding, at a cost of \$1.6 million in FY08 and \$3.9 million in FY09;
- Develop additional capacity for young adult services, at a cost of \$2.9 million in FY08 and \$4.9 million in FY09;
- Pick-up expiring funding for Access to Recovery, at a cost of \$1.75 million in FY08; and
- Increase specialized discharge funds, at a cost of \$1.2 million annually.

Department of Children and Families

- Enhancing funding (\$937,500 in FY 08 and \$2 million in FY 09) for emergency mobile psychiatric crisis teams in order to expand hours of operation as well as the number of teams operating during peak hours of demand;
- Supporting individualized services for adolescents with histories of multiple placements and higher-end behavioral health needs, consultant services to assist with related policy development, and one-time litigation settlement expenses, at a cost of \$2.2 million in each of FY 08 and FY 09;
- Expanding intensive in-home services to maximize the diversion of children from out-of-home care and/or bring them back to their communities, at a cost of \$400,000 in FY 08 and \$800,000 in FY 09;
- Transferring \$2.5 million in each of FY 08 and FY 09 from DCF to the Department of Social Services, to consolidate funding for the Behavioral Health Partnership;
- Providing \$412,000 in FY 08 and \$517,000 in FY 09 to increase foster care recruitment efforts, redesign Safe Home programming and support enhanced program management;
- Picking up support for two programs facing the loss of federal funds – Bridgeport’s Park Project (at \$360,000 in each FY), and the Hartford Youth Project (at \$325,000 in each FY). The Park Project is a school-based system of care program. The Hartford Youth Project works to divert high-risk youth from involvement with substance abuse and the justice system;
- Initiating a redesign of the agency’s statewide computer system (LINK), at a cost of \$250,000 in FY 08 and \$750,000 in FY 09;
- Reallocating moneys, for a net savings of \$0.6 million in each of FY 08 and FY 09, to reflect instituting a medical management system with departmental resources;
- Reallocating \$0.6 million in each of FY 08 and FY 09 to expand community-based adolescent services, including \$0.3 million for a youth employment and training program and \$0.3 million for enhanced community life skills programming; and
- Maximizing federal revenues by adding four staff, at a cost of \$183,134 in FY 08 and \$237,403 FY 09, to administer claiming of therapeutic group home costs in order to generate an additional \$3.0 million annually.

Council to Administer the Children’s Trust Fund

- Eliminate a grant to the Children’s Law Center of Connecticut, Inc., for the provision of legal services for indigent children (for a savings of \$150,000);
- Eliminate the Parent Trust Fund (for a savings of \$250,000); and
- Eliminate a Safe Harbor Respite program (for a savings of \$200,000).

Department of Public Health

- Information Technology Initiative: \$4.9 million in FY 09 to enhance the department’s information technology capabilities.

- Asthma Programming includes additional General Fund support of \$500,000 for the Easy Breathing childhood asthma program. Also recommended is continued reliance upon Tobacco and Health Trust Fund dollars for this same program (at \$500,000 in each of FY 08 and FY 09), as well as statewide programming for asthma awareness and prevention education (at \$150,000 in each of FY 08 and FY 09); and
- A 20 percent reduction in support in each of FY 08 and FY 09 for: Needle and Syringe Exchange programs (for a savings of \$102,048); Emergency Medical Services Regional Offices (for a savings of \$136,721); and Childhood Lead Poisoning services (for a savings of \$52,013).

Office of Health Care Access

- \$500,000 in one-time funding in FY 08 to allow OHCA to conduct research and planning in the area of health information technology, and develop recommendations around state health information technology policy (E-Health Initiative); and
- \$335,315 in FY 08 is recommended (\$15,400 in FY 09) to allow OHCA to re-design its hospital budget reporting system. An upgraded and enhanced web-based reporting system will be developed.

Department of Mental Retardation

- Included as part of the Governor's Early Childhood Initiative is \$913,507 in FY 08 and \$1,267,912 in FY 09 (an additional \$354,405) to restore and expand eligibility in the Birth-to-Three program (an additional 227 children served in FY 08). This includes early intervention services for low birth weight, children with major speech delays or biological risk factors and children with mild or unilateral hearing loss. In addition, \$989,000 is recommended to annualize the rate increases implemented in FY 07 for services provided in the Birth-to-Three system;
- Funding of \$8.8 million in FY 08 and an additional \$9 million in FY 09 is recommended to serve 150 new individuals on the waiting list each year; annualize the costs of the previous year services; and provide enhanced supports to 100 families each year;
- Funding of \$3 million (135 individuals) in FY 08 and an additional \$2.9 million (123 individuals) in FY 09 is recommended to support day programs for the high school graduates; and
- Funding of \$2.9 million in FY 08 and an additional \$3.4 million in FY 09 is recommended to provide residential and day services to individuals that will be aging out of DCF or educational placements (an additional \$1.7 million in FY 09 is also recommended for annualized costs).

Department of Veterans' Affairs

Funding of \$.84 million in FY 08 and \$1 million in FY 09 for 14 new positions and operating costs to support the new health care facility (estimated completion in January 2008) in addition to addressing the complexity of cases and increased residential census at the current veterans' residential facility.

Private Providers

The Governor recommends funding for the annualization of the FY 07 2% COLA for private providers. This includes appropriating to the agencies what was previously provided from surplus in addition to annualizing the partial year COLA. The Governor also recommends \$15 million in FY 08 and \$17 million in FY 09 in the Office of Policy and Management for a low wage pool for private providers who contract with the Departments of Mental Retardation, Mental Health and Addiction Services and Children and Families.

Education

Department of Education

- The total increase in ECS aid is approximately \$229 million in FY 08 with a further increase in FY 09 of \$154 million;
- Other significant increases are recommended for magnet schools, charter schools and the OPEN Choice program totaling over \$21 million in FY 08 with an additional \$23 million in FY 09; and
- The budget provides for an increase of 4,100 in the number of pre-school slots over the biennium.

Department of Higher Education

- \$25.0 million in both years of the biennium for the Governor's Education Initiative, which will increase the Connecticut Aid for Public College Student Grant (CAPCS) and the Connecticut Independent College Student Grant (CICS) programs by 77%. The proposed increase in scholarship funding will increase CAPCS to 59.6% of full formula funding, and CICS to 95.4% of full formula funding;
- \$1.03 million in FY 08 and \$2.8 million in FY 09 for the Governor's Early Childhood Initiative including:

Function	FY 08 (\$)	FY 09 (\$)
Scholarships for Early Childhood Education	381,000	930,000
Loan Reimbursement	58,000	162,500
Incentive Program	56,000	140,000
Collaboration with Higher Education	538,000	1,575,000
Total	1,033,000	2,807,500

- \$100,000 in both years of the biennium for the Governor's Initiative to support a Southeastern Connecticut Higher Education Consortium to promote economic diversification.

UConn Health Center

- Increase block grant to reflect current services, at a cost of \$3.7 million in FY08 and \$4.9 million in FY09.

Teachers' Retirement System

Fund 100 percent of the actuarially required contribution to the Teachers Retirement Fund in both years of the biennium. The payment in FY 08, \$518.6 million, will be made fully from current general fund revenues. FY 07 surplus money in the amount of \$150 million will be used to offset the state's FY 09 funding of the retirement contribution, \$389.3 million to the pension system. The total contribution for FY 09 is \$539.3 million.

General Government

Office of Policy and Management

- State funding for LEAP is eliminated, resulting in a savings of \$867,850 in FY 08 and \$886,850 in FY 09 State Funds for Neighborhood Assistance is suspended, resulting in a savings of \$1.225 million in FY 08, and \$1.250 million in FY 09;
- Cap Grants to Distressed Municipalities, Elderly Circuit Breaker, and Property Tax Relief for Veterans at FY 07 levels resulting in a total savings of \$3.72 million in FY 08 and \$5.6 million in FY 09;
- Provide \$1.0 million in each year of the biennium for regional planning agencies;
- Provide \$500,000 in FY 08 and \$900,000 in FY 09 for a three year property tax exemption for hybrid vehicles that attain 40 per gallon or better on the highway;
- Funding of \$10 million in FY 08 and FY 09 is provided for an Emergency Contingency to be used for agency's energy costs.;
- Transfer \$4 million from Urban Youth Employment to Urban Youth Violence Prevention grant program;
- Provide \$15 million in FY 08 and \$17 million in FY 09 to establish a Private Provider Low Wage Pool to the Departments of Mental Retardation, Mental Health and Addiction Services and Children and Families in order to bring up the wages for providers whose employees are below the median for all state contracted providers of similar services; and
- Reallocate \$1 million each year of the biennium from the Justice Assistance Grant account to support existing and new positions within the agency.

State Elections Enforcement Commission

Funding of \$300,000 in both FY 08 and FY 09 is provided to establish a Legal Compliance Unit with 5 new positions; a Director of Legal Compliance, two Staff Attorneys, a Paralegal, and an Office Assistant. The separate Legal Compliance Unit will provide candidates, public officials,

treasurers and other campaign and election officials with rapid responses to pending legal questions.

Office of State Ethics

- Funding of \$166,766 in FY 08 and \$165,669 in FY 09 is provided in Personal Services for 2 Legal Investigators to expand the Enforcement Division. Currently there are 6 positions within the Enforcement Division. This addition will help address the significant change in the new Ethics Code which requires that a probable cause hearing be held prior to a matter reaching the Citizen's Ethics Advisory Board for review; and
- Additional funding of \$250,000 is provided in FY 08 and in FY 09 to allow the OSE to improve and enhance its disclosure systems, specifically the Lobbyist Electronic Filing Program and the Statement of Financial Interests project.

Freedom of Information Commission

- Funding of \$112,735 in FY 08 and \$111,765 in FY 09 is provided for a Staff Attorney and a Paralegal Specialist will enable the Commission to process, hear, and decide cases more quickly and more efficiently; and
- Funding of \$64,515 is provided in FY 09 to hire a Data Processing Technical Analyst. This position will enable the Commission to update its' website, in which decisions, court opinions can be researched and downloaded in a more timely manner.

Department of Revenue Services

Twenty-one new Revenue Examiners are added to DRS to include: 3 Systems Developers, 2 DP Technical Analysts, 3 Tax Enforcement Special Agents, 2 Tax Correction Examiners, and 1 Research Analyst. The total cost of the new employees is estimated to be approximately \$1.88 million in FY 08 and \$1.91 million in FY 09. The new employees are estimated to result in a revenue increase of approximately \$15.5 million in FY 08 and approximately \$29.5 million in FY 09.

Office of the State Comptroller

- Consolidate Core-CT responsibilities and funding (\$4.5 million in FY 08, \$4.7 million in FY 09) within the Office of the State Comptroller. Twenty-four positions and related expenses are reallocated from the Department of Administrative Services and 30 positions and related funding are reallocated from the Department of Information and Technology; and
- Connecticut's retired state employee health benefit package results in a significant unfunded OPEB liability. The current estimate for these obligations for state employees is approximately \$21 billion. Twenty-one million dollars from the FY 07 surplus is recommended to begin to address the obligation the State has to its retirees for the post employment benefits (OPEB), primarily health insurance. Statement 45 from the Governmental Accounting Standards Board (GASB) requires large public sector

employers, such as the State of Connecticut, to quantify these obligations beginning in FY 08.

Regulation and Protection

Department of Energy

- \$9.0 million in FY 08 and \$10.5 million in FY 09 to establish a Department of Energy (DOE) with 70 staff through the new Energy Policy and Regulatory Fund;
- \$8.9 million in FY 08 and \$9.2 million in FY 09 to reallocate 59 utility policy positions and the Nuclear Energy Advisory Board from the Department of Public Utility Control (DPUC) to DOE; and
- \$839,114 in FY 08 and \$1.1 million in FY 09 for Personal Services and Other Expenses to transfer 10 general fund positions from the Energy Unit of the Office of Policy and Management (OPM) to DOE.

Department of Public Utility Control

- Eliminate a Commissioner from the Department of Public Utility Control (DPUC) by reducing Personal Services by \$162,000 and Fringe Benefits by \$94,000 for a total of \$256,000 in FY 08 and reducing Personal Services by \$167,000 and Fringe Benefits by \$98,500 for a total of \$265,500 in FY 09; and
- Reduce \$9.9 million in FY 08 and \$10.3 million in FY 09 to transfer 66 industry funded positions to DOE and the Office of Consumer Counsel. DPUC will still be responsible for regulatory actions necessary to approve rates or tariffs for electric and gas utilities, and responsibilities for water and telecommunications.

Office of Consumer Counsel

- \$1.0 million in FY 08 and \$1.1 million in FY 09 to reallocate 7 positions from DPUC to the Office of Consumer Counsel to handle consumer complaints and to act as a consumer liaison with utilities.

Department of Consumer Protection

- \$55,140 in FY 08 and \$55,070 in FY 09 to make all Department of Consumer Protection (DCP) licenses online in 6 to 8 months. This e-commerce service entails an administrative cost incurred to DCP for credit card transactions. These amounts also include notary public renewal fees of \$140 in FY 08 and \$70 in FY 09.

Department of Banking

- \$1.0 million to fund a facilities upgrade, including furniture and equipment at 250 Constitution Plaza in Hartford, which has been planned since FY 04.

Department of Public Safety

- \$535,000 in carryforward funds (from Personal Services) to increase helicopter maintenance. Upon 5,000 flying hours the helicopter is required to have a complete mechanical and electrical overhaul;
- \$1.1 million in FY 08 and \$1.6 million in FY 09 for the Fleet Purchase Account. Due to the increase in lease rates by DAS the department has not been able to purchase enough vehicles to maintain their purchasing schedule. It is estimated that the additional funds will bring the department to 530 replacement and prior year vehicles in FY 08 and approximately 400 replacement and prior year vehicles in FY 09;
- \$200,000 to add an additional trooper training class in FY 08. The \$200,000 will pay Other Expense costs not covered by Personal Services attrition;
- \$117,889 in FY 08 and \$123,784 in FY 09, and 2 corresponding positions (a Director level position and a Secretary position), to implement the recommendations of the Governor's Solid Waste Hauling Advisory Group;
- Reallocate \$511,982 in FY 08 and \$542,701 in FY 09, and 11 Vehicle Weight and Safety Inspectors from the Department of Public safety to the Department of Motor Vehicles for Weigh Station Personnel Consolidation. 21 State Troopers currently working truck inspections will be reassigned to address daily State Police responsibilities; and
- \$640,820 in FY 08 and \$611,915 in FY 09 is reallocated from the Department of Emergency Management and Homeland Security (DEMHS) to the Department of Public Safety (DPS). DEMHS will no longer reimburse DPS for the 13 positions, which will be reassigned to address daily State Trooper responsibilities. Additionally, \$760,581 in FY 08 and \$789,486 in FY 09 is recommended to cover trooper costs that will no longer be reimbursed by DEMHS.

Department of Emergency Management and Homeland Security

- \$96,000 in both years of the biennium to continue monthly stipends to local municipalities for Urban Search and Rescue;
- \$45,000 in both years of the biennium for urban search and rescue required medical testing for hazmat personnel and volunteers; and
- Reduce Connecticut disaster relief corps by \$200,000.

Military Department

- \$272,251 in FY 08 and \$363,001 in FY 09 to pick-up federal funds for security at the Hartford Armory and Camp Hartell due to decreased Department of Defense funds.

Justice

Judicial Department

- Eliminate grant funding for the Justice Education Center which yields savings of \$270,371 in each year of the biennium. The Justice Education Center conducts grant writing, program evaluation and research for the Judicial Department;
- Enhance supervision of sex offenders by providing for the monitoring of 250 sex offenders by use of Global Positioning System (GPS) technology, and an additional probation officer. The total cost is about \$600,000 in each year of the biennium;
- Increase services to FWSNs by adding \$3.5 million in each year of the biennium to divert certain juvenile status offenders from detention. This is in accordance with PA 05-20, which prohibits detention of a child whose family has been adjudicated as a Family with Service Needs or FWSN;
- Temporarily increase funding for victim compensation by \$900,000 to eliminate a backlog in the compensation of victims;
- Reduce prison overcrowding by adding \$380,000; the FY 09 cost is \$614,000 in accordance with the Criminal Justice Planning Advisory Committee;
- Pick up expiring federal funds by adding \$1.6 million in each year of the biennium, to provide for the following programs: (1) court diversion for girls (serving 150 per year); and (2) residential beds for girls in juvenile detention (serving 300 per year); and
- Provide \$3.2 million to operate the new juvenile detention facility in Bridgeport.

Public Defender Services Commission

Provide \$1 million in each year of the biennium to increase the rate of compensation for special public defenders and juvenile and family contract attorneys. The Governor also recommends a \$450,000 increase in the non-contractual, special public defenders account to build into the budget base the current year, projected deficiency.

Department of Correction

- Reduce overtime by \$5.6 million to continue the Prison and Jail Overcrowding Commission savings, and bring the department to their requested level of overtime;
- \$9.6 million in FY 08 and \$14.4 million in FY 09 for Inmate Medical Services for increasing salaries, pharmaceutical costs, and various other expenses. It is estimated that pharmaceutical costs will increase 7%; and
- \$195,360 in both FY 08 and FY 09 to fund 3 new Parole Officer positions for the Board of Pardons and Paroles. The 3 new Parole Officers will be responsible for reviewing and investigating the increased number of applications associated with provisional pardons.

Economic Development and Environment

Department of Environmental Protection

- Fund Governor's Responsible Growth Initiative by funding of \$1,400,000 in FY 08 and additional \$90,000 in FY 09 for increased mapping capabilities (enhanced geospatial imaging system) to be shared and used by all levels of government; and
- Funding of \$207,200 in FY 08 and \$212,400 in FY 09 is recommended for 2 positions and associated expenses to educate and advise municipal and regional planning agencies in matters related to responsible growth and enhance the agency's inland wetlands training tools.

Commission On Culture and Tourism

- Funding in the amount of \$3,590,000 in FY 08 and \$8,590,000 in FY 09 is recommended to be eliminated for earmarked grants to specific arts and cultural organizations. The funding for the specific grantees will be phased out over 2 years. In FY 07, \$9.2 million was appropriated to the specific grantees; and
- In FY 08 \$5 million from the FY 2007 surplus funds will be provided on a prorated basis to the grantees and in FY 09 the earmarks will be eliminated. Funding will be reallocated to a new Cultural Treasures Program capitalized with an intercept of the cable TV gross receipts tax of \$5 million in FY 08 and \$10 million in subsequent years.

Department of Economic and Community Development

- Support ongoing costs of the fuel cell coalition and the industry cluster in the amount of \$250,000;
- \$400,000 in FY 08 and FY 09 is recommended to increase funds available for the elderly Congregate Rent Subsidy Program to address shortfalls in current funding;
- Establish a business incubator facility in Southeastern CT with \$500,000 in both FY 08 and FY 09; and
- No funding is recommended for the Payment In Lieu of Taxes and the Tax Abatement grant programs.

Agricultural Experiment Station

Funds in the amount of \$83,500 in FY 08 and \$86,178 in FY 09 are recommended for staff and related expenses to conduct research into the best crop/cultivator for success as biodiesel fuel.

Labor Department

- Eliminate the STRIDE Program (\$150,000), which in FY 06 provided 80 incarcerated and paroled individuals with occupational skills and resources to help enter employment;
- Eliminate the Opportunity Industrial Centers (\$500,000). The five centers did not receive funding in FY 06, but are expected to coordinate pre-employment programs, violence prevention, and substance abuse services for approximately 574 individuals in FY 07; and
- Eliminate the Incumbent Worker Training Program (\$500,000), which did not receive funding in FY 06 but will serve approximately 900 workers in FY 07.

Transportation

Department of Transportation

- 75 additional Engineers
 - 80% federally funded
 - 20% funded via capital project;
- 81 additional staff and resources for construction project inspections under \$50 million
 - \$306,961 in FY 08 and \$232,098 in FY 09;
- 16 additional staff for expansion of CHAMP
 - \$115,911 in FY 08 and \$154,548 in FY 09
 - 80% federally funded;
- Increase subsidy by \$12.9 million in FY 08 for Rail Operations;
- Increase bus subsidy by \$7.9 million in FY 08;
- Increase Bus Fare for the 8 CT Transit Divisions;
- Fare increases from \$1.25 to \$1.50 effective October 1st;
- \$3 million per year for Southeast Tourism Transit System;
- \$750,000 in FY 08 SE CT Intermodal Transportation Center; and
- \$2.2 million per year to continue funding Section 16 Projects.

Department of Motor Vehicles

- \$17 million additional in Bonding for the agency's computer software and hardware upgrades for the Integrated Transaction Processing System; and
- Consolidate Weigh Stations, increase hours and staff, and transfer full responsibility to DMV, at a cost of \$952,190 in FY 08 and \$920,726 in FY 09.

Significant Revenue Changes

The Governor's midterm budget proposes \$508.5 million in net General Fund revenue changes for FY 08 and \$699.5 million for FY 09. The Governor's revenue package includes: (1) \$882.4 million in FY 08 and \$947.3 million in tax and fee increases, (2) \$162.0 million in FY 08 and \$274.9 million in FY 09 in tax reductions, and (3) a reduction of \$151.9 million in FY 08 and an increase \$27.1 million in FY 09 miscellaneous transfers and other adjustments.

The list below provides a brief description of the significant changes and the anticipated General Fund revenue impact estimated by the Governor.

Income Tax

- Increases the 5% income tax rate bracket to 5.25% for the 2007 income year and to 5.50% beginning with the 2008 income year. This is anticipated to result in a revenue gain of \$617.5 million in FY 08 and \$650.0 million in FY 09; and
- Phases-out the tax credit for property taxes paid on a taxpayer's primary residence or automobiles beginning with the 2007 income year. The credit for taxpayer's under the age of 65 will be reduced from \$500 to \$350 for the 2007 income year, \$350 to \$225 for the 2008 income year, \$225 to \$100 for the 2009 income year, and eliminated beginning with the 2010 income year. This is anticipated to result in a revenue gain of \$100.0 million in FY 08, \$200.0 million in FY 09, and \$400 million when the credit is totally eliminated.

Property Tax

- Gradually eliminates the personal property tax on passenger motor vehicles, light duty pick-up trucks, and motor vehicles over five years (does not include vehicles owned by businesses). The Governor's plan will reimburse towns for the lost revenue by intercepting revenue the state receives from payments made by two Native American casinos. The total cost of the program is anticipated to be \$100 million in FY 08 and \$200 million in FY 09. The total cost of the program once the tax is totally eliminated is anticipated to be \$563.0 million beginning in FY 12.

Phase-out of the Car Tax		
October Grand List	Car Tax Due	Exemption Amount
2006	July 2007 (FY 08)	\$1,500
2007	July 2008 (FY 09)	3,200
2008	July 2009 (FY 10)	4,900
2009	July 2010 (FY 11)	6,700
2010	July 2011 (FY 12)	100%

Corporation Business Tax

- Modifies the film industry tax credit by limiting the credit to eligible salaries to no more than \$5 million and raising the threshold project level from \$50,000 to \$250,000. These changes are anticipated to result in an annual revenue gain of \$21 million beginning in FY 08.

Unified Gift and Estate Tax

- Gradual phase out the tax, which is anticipated to result in loss of \$21.3 million in FY 08 and \$31.9 million in FY 09.

The table below presents the phase-out schedule.

Year	Exemption Level
2006	\$2.0m
2007	4.1m
2008	5.1m
2009	7.1m
2010	10.1m
2011	No Tax

Cigarette Tax

- Increases the tax from \$1.51 per pack to \$2.00 per pack, effective 7/1/07. This is anticipated to result in a revenue gain of \$86.4 million in FY 08 and \$82.8 million in FY09.

FY 07 Surplus Disposition

The Governor earmarks her \$507.8 million estimated FY 07 surplus in the following manner:

Item	Amount
	(in millions)
Budget Reserve (Rainy Day) Fund (BRF)	\$151.2
FY 07 Appropriations	260.3
FY 07 Carryforwards Reducing FY 08 Requirements	96.3
Total Earmarkings	\$507.8

When the \$151.2 million for the Budget Reserve Fund (BRF) is added to the estimated \$1,112.3 million surplus from FY 04, FY 05 and FY 06, the total amount that would be deposited in the BRF would be \$1,263.5 million. Based upon the Governor's FY 08 net General Fund appropriations of \$16,178.2 million, the maximum that could be deposited in the BRF would be \$1,617.8 million. With the \$151.2 million deposit from the anticipated FY 07 surplus, the BRF would fall short of being fully funded by \$354.3 million or 21.9%. The BRF would be funded at 78.1% based on a total deposit of \$1,263.5 million.

OFA projected on February 2, 2007 that the FY 07 surplus would be \$552.7 million or \$44.9 million higher than the Governor's figure. If OFA's higher amount occurs and remains unearmarked, it would be deposited to the BRF.

Our preliminary analysis indicates that of the Governor's \$507.8 million surplus estimate, \$247.4 million would be earmarked for one-time purposes and \$260.4 million would be used for ongoing purposes. Approximately \$347 million would likely be expended in FY 08 and \$160.8 million in FY 09.

**FY 07 Surplus Disposition
Recommended by the Governor**

	Recommended	One-Time	Ongoing	Recommended by Fiscal Year (Approximate)	
				FY 08	FY 09
Budget Reserve (Rainy Day) Fund (BRF) [1]	151,223,582	151,223,582	-	151,223,582	-
FY 07 Appropriations (Sec. 82)					
Larger Appropriations:					
DOE - Electric Conservation Incentive Program	30,000,000	30,000,000	-	30,000,000	-
SDE - New School Textbooks and Deferred Maintenance Grants	50,000,000	50,000,000	-	50,000,000	-
TRB - Prefund Portion of Teachers' Retirement Contribution for FY 09	150,000,000	-	150,000,000	-	150,000,000
State Comptroller - Other Post Employment Benefits (OPEB)	21,000,000	-	21,000,000	10,500,000	10,500,000
Smaller Appropriations:					
Secretary of State - Printing New HAVA-Compliant Optical Scan Ballots	1,500,000	1,500,000	-	1,500,000	-
DAS - Appraisal Services for State-Owned Employee Housing	40,000	40,000	-	-	40,000
DCJ - Replace Holsters and Magazine Pouches	4,500	4,500	-	4,500	-
DCJ - Replace Bullet Proof Vests	54,000	54,000	-	54,000	-
Culture & Tourism - Various Arts Programs	5,000,000	5,000,000	-	5,000,000	-
DMR - Information Technology-Related Other Expenses	1,778,321	1,778,321	-	1,778,321	-
DMHAS - Telephone Installations	170,000	170,000	-	170,000	-
SDE - Fund 6 Temporary Buildings & Grounds Patrol Officers	434,807	434,807	-	208,836	225,971
DCF - Moving Expenses	300,000	300,000	-	300,000	-
Subtotal	260,281,628				
FY 07 Carryforwards Reducing FY 08 Requirements:					
DoIT - Enhance System Security (Sec. 37)	158,738	158,738	-	158,738	-
DoIT - Enhance CT's Web Portal (Sec. 37)	255,000	255,000	-	255,000	-
DPS - Helicopter Maintenance Costs (Sec. 39)	535,000	535,000	-	535,000	-
DSS - Medicaid (Sec. 65)	33,200,000	-	33,200,000	33,200,000	-
DSS - \$5,906,052 Carryforward from DSS for Leap Year Costs in Agencies (Sec. 66):					
DMR - Various accounts	893,736	893,736	-	893,736	-
DMHAS - General Assistance Managed Care account	186,134	186,134	-	186,134	-
DSS - Medicaid and Aid to the Aged, Blind and Disabled accounts	4,152,735	4,152,735	-	4,152,735	-
DCF - Family Support Services and Board and Care for Children accounts	673,447	673,447	-	673,447	-
TRB - Retirees Health Service Cost (Sec. 78)	200,000	-	200,000	200,000	-
Debt Service (Sec. 77)	36,000,000	-	36,000,000	36,000,000	-
State Employee Health Service Costs (Sec. 79)	20,000,000	-	20,000,000	20,000,000	-
Subtotal	96,254,790				
Total FY 07 Surplus Disposition per Governor	507,760,000	247,360,000	260,400,000	346,994,029	160,765,971
Total FY 07 Surplus Projected by OFA on 2/2/07	552,700,000				
Additional Potential Surplus (if not earmarked would be deposited in BRF)	44,940,000				

[1] When this amount is added to the estimated \$1,112.3 million surplus from FY 04, FY 05 and FY 06, the total amount that would be deposited in the BRF would be \$1,263.5 million. Based upon the Governor's FY 08 net General Fund appropriations of \$16,178.2 million, the maximum that could be deposited in the BRF would be \$1,617.8 million. With the \$151.2 million deposit from the anticipated FY 07 surplus, the BRF would fall short of being fully funded by \$354.3 million or 21.9%. The BRF would be funded at 78.1% based on a total deposit of \$1,263.5 million.