

Synopsis of
Governor's FY 12 & FY 13
Budget and Revenue Plan

Appropriations Committee
Hearing

February 17, 2011
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Finance Committee
Hearing

February 18, 2011
11:00 AM

OFFICE OF FISCAL ANALYSIS

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The following is intended to provide information on the Governor's FY 12 - FY 13 budget and revenue plan for the Appropriations Committee and the Finance Committee as background for the OPM presentations. Since the budget was released only recently, we have tried to highlight the major areas of interest rather than provide a comprehensive analysis of the budget and revenue plan. Such analysis will be undertaken by both committees with the assistance of OFA staff in the coming weeks.

I. OVERVIEW

Spending/Revenue Gap: Besides employee concession, the budget includes net expenditure reductions of \$431.1 million in FY 12 and \$643.5 million in FY 13. This is comprised of expenditure increases and decreases. We are still working on identifying the magnitude of these gross figures.

Employee Concessions - the budget includes \$1.0 billion in each year of the biennium related to anticipated wage and benefit concessions from state employees. Little detail has been provided on how this level of savings will be achieved as most savings initiatives, excluding layoffs, would have to be collectively bargained. For illustration purposes, some potential savings initiatives are described below:

- \$160 Million - wage freeze
- \$151 Million - 35 hour work week
- \$42 Million - 3 furlough days (\$14 million per furlough day)
- \$96 Million - additional 3% employee contributions for the State Employees Retirement System (SERS)
- \$46 Million - cap COLA for SERS retirees Tier II (2%) and Tier IIA (1.5%)
- \$22 Million - base Final Average Salary pension calculation on 5 years instead of 3 years for SERS Tier II and Tier IIA
- \$34 Million - increasing medical premiums for both active and retired state employees by \$350

Consolidations - the budget contains a savings of \$8.5 million in FY 12 and \$9.2 million in FY 13 associated with agency consolidations. These figures relate to the elimination of 69 positions including salaries, fringe benefits and associated expenses. The figures do not include any programmatic reductions are included in the budget and that could take place regardless of the location of the agency or program.

Spending Growth - the budget increases spending by 2.4% in each year of the biennium (All Funds).

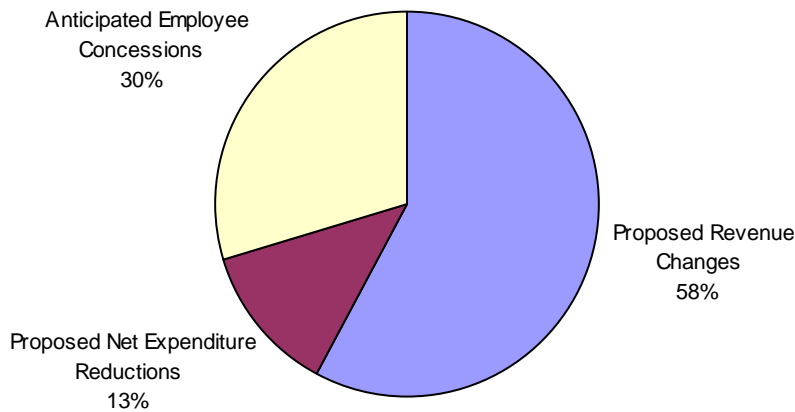
Spending Cap - assuming the Governor's level of deficiency appropriations for the current year (FY 11), the FY 11 budget is under the spending cap by \$22.4 million.

Additional details on a range of spending and revenue changes are presented below. Please note that most of the information on spending changes is organized by subcommittee and then by agency.

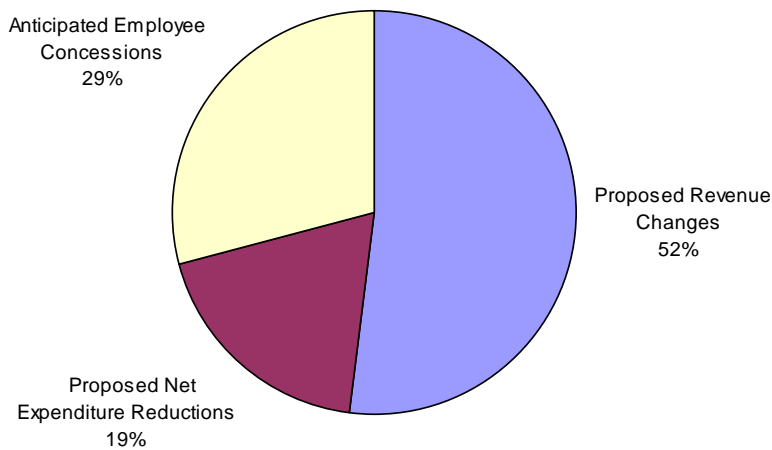
SOLVING THE GENERAL FUND BUDGET DEFICIT
(in \$ millions)

Problem: Current Services Budget	FY 12	FY 13
Revenue	16,511.4	17,399.9
Expenditures	19,699.2	20,353.1
Beginning Balance	<u>(3,187.8)</u>	<u>(2,953.2)</u>
 Governor's Proposed Solution		
Proposed Revenue Changes	1,948.7	1,770.8
Proposed Net Expenditure Reductions	431.1	643.5
Anticipated Employee Concessions	1,000.0	1,000.0
Total Changes	<u>3,379.8</u>	<u>3,414.3</u>
Balance From Operations	192.0	461.1
Reserve for GAAP	(72.8)	(47.5)
Available Balance	<u>119.2</u>	<u>413.6</u>

Closing the FY 12 Budget Gap: What makes up the Governor's proposed solution?



Closing the FY 13 Budget Gap: What makes up the Governor's proposed solution?



II. BUDGET GROWTH RATE

The budget's growth rate for all appropriated funds is 2.4% in each fiscal year. See the table below for details.

FY 12 Budget Growth Rate (\$ - Millions)				
	FY 11 Est. Expend.	FY 12 Proposed Budget	\$ Change	% Change
General Fund	17,945.0	18,268.1	323.1	1.8%
Transportation Fund	1,173.1	1,303.8	130.7	11.1%
Other Approp. Funds [1]	166.2	166.3	0.1	0.1%
Total Approp. Funds	19,284.3	19,738.2	453.9	2.4%

FY 13 Budget Growth Rate (\$ - Millions)				
	FY 12 Proposed Budget	FY 13 Proposed Budget	\$ Change	% Change
General Fund	18,268.1	18,709.6	441.5	2.4%
Transportation Fund	1,303.8	1,335.5	31.7	2.4%
Other Approp. Funds [1]	166.3	161.1	-5.2	-3.1%
Total Approp. Funds	19,738.2	20,206.3	468.1	2.4%
[1] Includes: Banking; Insurance; DPUC/Consumer Counsel; Workers' Compensation; Regional Market; Soldiers, Sailors and Marines'; Criminal Injuries Compensation; and Mashantucket Pequot and Mohegan				

III. SPENDING CAP

The Governor's proposed biennial budget is under the spending cap by \$406.4 million in FY 12 and \$57.4 million in FY 13, as detailed in the calculations that follow.

The calculations assume a deficiency appropriation of \$315.7 million in FY 11, which increases the base upon which the FY 12 spending cap is calculated. Please see table on the following page.

Amount Over/(Under) the Spending Cap in FY 11 - FY 13

	FY 11 Enacted Budget	FY 12 Proposed Budget	FY 13 Proposed Budget
Total All Appropriated Funds - Prior Year	\$ 18,566.2	\$ 19,325.9	\$ 19,738.2
Extraordinary Spending	0.0	0.0	0.0
	\$18,566.2	\$19,325.9	\$19,738.2
Less "Non-Capped" Expenditures:			
Debt Service	2,069.8	2,131.6	2,398.0
Statutory Grants to Distressed Municipalities	1,480.4	1,502.1 [b]	1,476.2
Total "Non-Capped" Expenditures - Prior Year	3,550.3	3,633.7	3,874.2
Total "Capped" Expenditures	15,015.8	15,692.3	15,864.0
Times Five-Year Average Growth in			
Personal Income	4.53%	3.39%	2.84%
Allowable "Capped" Growth	680.7	531.8	451.2
"Capped" Expenditures	15,696.5	16,224.1	16,315.2
Plus "Non-Capped" Expenditures:			
Debt Service	2,131.6	2,398.0	2,452.5
Federal Mandates and Court Orders (new \$)	46.7	46.3	20.6
Statutory Grants to Distressed Municipalities	1,473.5	1,476.2	1,475.4
Total "Non-Capped" Expenditures	3,651.8	3,920.5	3,948.5
Total All Expenditures Allowed	19,348.3	20,144.5	20,263.7
Appropriation for this year	19,325.9 [a]	19,738.2	20,206.3
Amount Total Appropriations are Over or (Under) the Cap	(\$22.4)	(\$406.4)	(\$57.4)

[a]: Adds a deficiency of \$315.7 M per Jan 20, 2011 Letter to the Comptroller

[b]: Updated to reflect FY 2010 actual payments and 25 new distressed municipalities

IV. GENERAL FUND

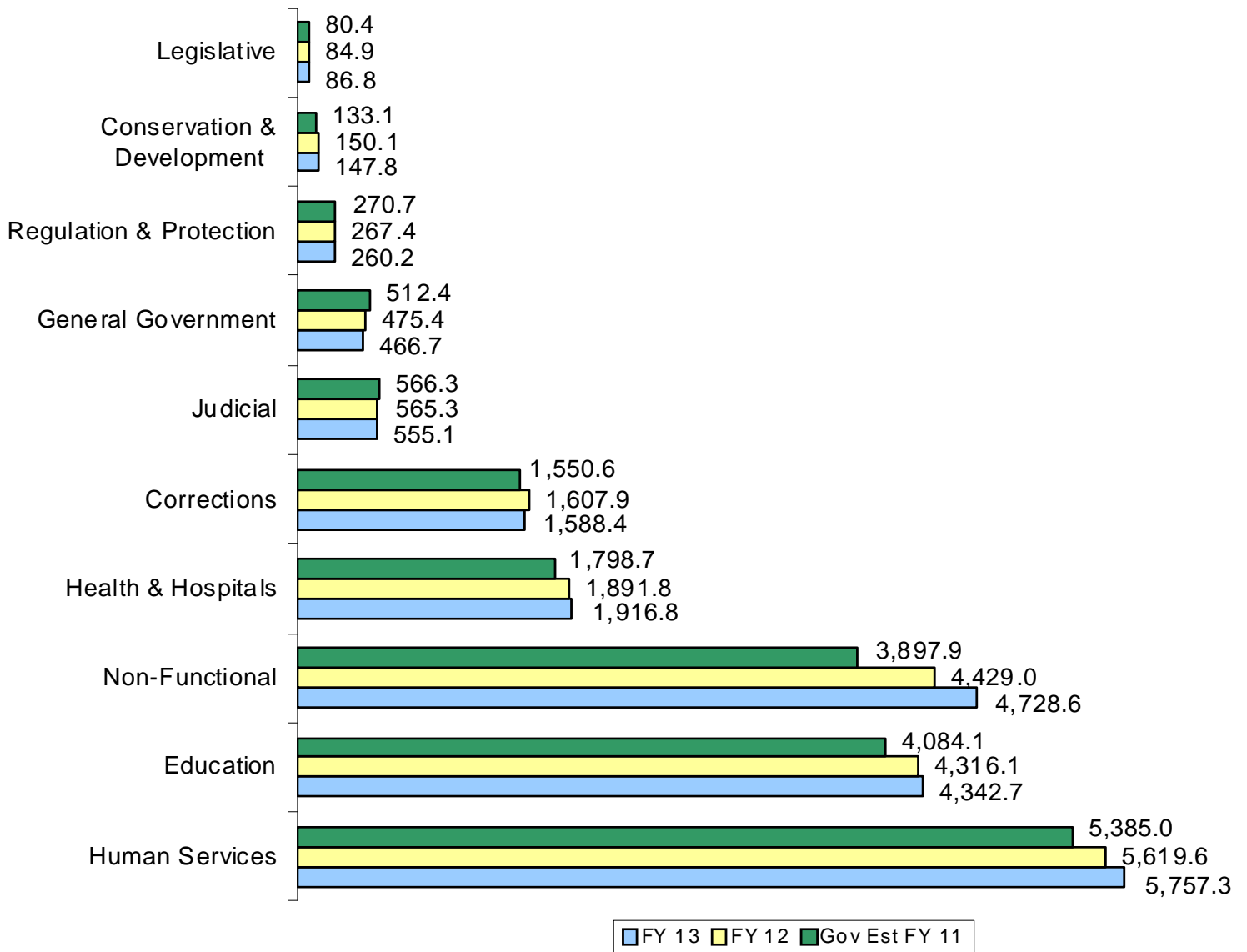
GENERAL FUND APPROPRIATIONS

The Governor's proposed General Fund budget totals \$18,268.1 million in FY 12 and \$18,709.6 million in FY 13. These amounts are net appropriated funds and reflects the subtraction of \$1,139.2 million in FY 12 and \$1,140.6 million in FY 13 in budgeted lapses.

Function of Government	Gov Est FY 11	FY 12	FY 13
Human Services	5,385.0	5,619.6	5,757.3
Education	4,084.1	4,316.1	4,342.7
Non-Functional	3,897.9	4,429.0	4,728.6
Health & Hospitals	1,798.7	1,891.8	1,916.8
Corrections	1,550.6	1,607.9	1,588.4
Judicial	566.3	565.3	555.1
General Government	512.4	475.4	466.7
Regulation & Protection	270.7	267.4	260.2
Conservation & Development	133.1	150.1	147.8
Legislative	80.4	84.9	86.8
Total Gross Appropriations	18,279.2	19,407.3	19,850.2
Budgeted Lapses		(1,139.2)	(1,140.6)
Total Net Appropriations		18,268.1	18,709.6

The amounts in the chart below reflect the gross appropriation of \$19,407.3 million in FY 12 and \$19,850.2 million in FY 13.

Gross General Fund Appropriations by Function of Government (\$ millions)



Agency Consolidations

The Governor proposes consolidating 27 state agencies and creating three new agencies. This reduces the total number of state agencies from 81 to 57 (a 30% reduction). The table below lists the agencies impacted by consolidations. It is estimated that the consolidations will save \$8.5 million in FY 12 and \$9.2 million in FY 13 and eliminate 69 positions. The savings includes Personal Services, Fringe Benefits, and Other Expenses.

Identified Agency Consolidations: Savings & Positions Eliminated					
New Agency	Former (Consolidated) Agency	Total Savings		Positions Eliminated	
		FY 12 (\$)	FY 13 (\$)	FY 12	FY 13
Dept. of Consumer Protection	Board of Accountancy	253,810	244,572	3	3
	Div. of Special Revenue	201,819	194,374	3	3
	Office of Consumer Counsel	299,573	291,932	2	2
	Office of Healthcare Advocate	426,016	424,661	3	3
Dept. of Social Services	Comm. On Deaf & Hearing Impaired	177,000	170,000	2	2
	Bd of Educ. & Services for the Blind	-	-	-	-
State Dept. of Education	Bd of Educ. & Services for the Blind	410,000	396,000	4	4
	Regional Voc.-Tech. School System	-	-	-	-
Dept. of Public Safety	Board of Firearms Permit Examiners	83,779	81,086	1	1
	Emergency Mgmt & Homeland Security	329,980	312,264	3	3
Board of Regents	Charter Oak State College*	-	-	-	-
	Connecticut State University*	-	-	-	-
	Regional Community Tech. Colleges*	-	-	-	-
Office of Governmental Accountability**	Contracting Standards Board	1,527,768	1,527,768	17	17
	Elections Enforcement Comm.				
	Freedom of Information Comm.				
	Judicial Review Council				
Dept. of Energy & Environmental Protection	Office of State Ethics				
	Kensington Fish Hatchery (DEP)	441,847	433,550	4	4
	Council on Environmental Quality	171,555	167,839	2	2
Dept. of Administrative Services	Dept. of Public Utility Control	-	-	-	-
	Judicial Selection Comm.	93,314	90,620	1	1
	Dept. of Information Technology	1,872,694	1,750,007	9	9
Dept. of Construction Services	Dept. of Public Works	1,306,706	1,290,432	13	13
	Construction Inspector (DPS)	-	-	-	-
	School Facilities Bureau (SDE)	102,992	99,177	1	1
Dept. of Economic & Comm. Development***	Dept. of Public Works	-	-	-	-
	Comm. On Culture & Tourism	-	-	-	-
	Job Training Division (Dept. of Labor)	-	-	-	-
Dept. of Emergency Responder Training	Office of Workforce Competitiveness	-	-	-	-
	Comm. On Fire Prevention & Control	-	-	-	-
	Police Standards & Training Council	112,924	112,924	1	1
	Fringe Benefits Savings	715,712	1,579,709		
	Totals	\$ 8,527,489	\$ 9,166,915	69	69

* Charter Oak State College, the Connecticut State University and the Regional Community Technical Colleges each had a 10% reduction in their block grants prior to consolidation within the Board of Regents. The University of Connecticut and the University of Connecticut Health Center were also reduced by 10%.

**The figures shown for the newly created Office of Governmental Accountability are based on the cumulative savings of the five consolidated agencies.

***The Governor assumes a \$4.1 savings that is achieved by reducing grants and eliminating programs that are unrelated to the agency consolidation.

Legislative		
Legislative Commissions		
Item	FY 12 \$ (millions)	FY 13 \$ (millions)
Reduce funding, reflected as a bottom line lapse, by \$10.1 million in FY 12 and \$11.8 million in FY 13 for the legislative branch. This “savings target” would be distributed among the Office Legislative Management (\$8 million, \$9.5 million) the Auditors of Public Accounts (\$1 million, \$1.2 million), and the six legislative commissions (\$1.1 million, \$1.1 million). Under CGS Sec. 4-73(f), the governor is prohibited from modifying the requested budget of legislative agencies.	(10.1)	(11.8)
General Government A & B		
Contracting Standards Board		
Restore funding to the Board, including five positions and consolidate into the new Office of Governmental Accountability. The Board’s 14 members have been previously appointed, however the executive director and support staff were never hired. Funding had been previously reduced to delay the hiring of staff until FY 12.	0.8	0.7
State Comptroller - Fringe Benefits		
Fully fund the annual required contribution to the State Employees Retirement System (SERS).	158.8	152.2
Increase funding for self-insured active employee and retiree health costs to account for annualization of approximately 11 months of claims costs and increased medical, dental and prescription drug costs.	116.1	226.5
Fully fund the annual required contribution to the Judges, Family Support Magistrates and Compensation Commissioners Retirement System (JFSMCCRS). Funding was not provided in FY 10 - FY 11.	15.1	16.0
Eliminate the GAAP Salary Reserve account in FY 13. Per PA 10-173, beginning in FY 13 the state would annually appropriate one-tenth of the projected payroll amount required to fund the additional twenty-seventh payroll until disbursement in FY 23. How will the next twenth-seventh payroll (in FY 23) be accounted for under the Governor’s proposed conversation to GAAP accounting?	0	(15.9)

Office of the Child Advocate		
Item	FY 12 \$ (millions)	FY 13 \$ (millions)
Eliminate seven of the nine authorized positions, leaving one position funded out of PS (Child Advocate) and one position funded out of the Child Fatality Review Panel account. This results in a savings of \$508,000 in PS and \$42,557 in OE in FY 12 and \$494,273 in PS and \$42,557 in OE in FY 13.	(0.6)	(0.5)

Office of Policy and Management		
Eliminate the Payment -in-Lieu of Taxes (PILOT) for Manufacturing Machinery and Equipment which reimburses municipalities for a portion of the tax loss on eligible exempt personal property.	(47.89)	(47.89)
Reduce funding for the Distressed Municipalities grant.	(2.0)	(2.0)
Transfer the Neighborhood Youth Centers to the Department of Education, this program serves children ages 12-17 in Connecticut's largest cities, with athletic and recreational opportunities, enrichment and tutoring activities, skills training and promoting parent involvement.	(1.48)	(1.48)
Transfer the Leadership, Education and Athletics Partnership (LEAP) program to the Department of Education. LEAP is a mentoring program in New Haven for children ages 7-14 which helps participants develop academic skills, self esteem and promotes community involvement by matching them with trained high school and college volunteers.	(0.85)	(0.85)
Transfer seven Energy Unit staff to New Bureau of Energy within the Department of Energy and Environmental Protection.	(1.38)	(1.34)
Three staff and associated funding are transferred from the Department of Information Technology to OPM.	0.30	0.29
Enhance funding for Regional Planning Agencies, of which \$300,000 is available each year for a new bonus pool to incentivize the regional planning agencies to consolidate.	0.60	0.60
Provide funds to agencies to assist with reorganization and streamlining activities.	0.35	0.0
Provide funds to promote federal revenue maximization.	0.25	0.0

Division of Special Revenue		
Eliminate the Charitable Games Unit- This will result in the elimination of 11 positions. It is unclear how and where future registration and enforcement activities will be performed.	(1.0)	(2.0)

Department of Revenue Services		
Item	FY 12 \$ (millions)	FY 13 \$ (millions)
Provide Funding for a Collection System- It is estimated that the purchase of a risk-based collection scoring system will result in \$6.0 million and \$18.0 million in additional revenue in FY 12 and FY 13, respectively.	0.7	0.7
Provide Funding to Administer an Earned Income Tax Credit- 11 positions and associated expenses are provided to handle tax returns for those not previously required to file, as well as to make payments to eligible filers. It should be noted that no additional funding is provided to administer other revenue changes, including the local sales tax option and various other state tax changes.	0.9	1.7

Regulation and Protection		
Office of Protection and Advocacy for Persons with Disabilities		
Eliminate four positions. This results in a savings of \$259,725 in PS and \$16,704 in OE in both FY 12 and FY 13.	(0.3)	(0.3)

Department of Public Safety		
Consolidate the Department of Emergency Management and Homeland Security into the Department of Public Safety. In addition, transfer the functions of the Board of Firearms Permit Examiners into the Department.	3.3	3.2
Consolidate Weigh Station Operations into the Department of Motor Vehicles.	(0.9)	(0.9)
Reallocate Fire and Building Safety Services into the Department of Construction Services.	(4.4)	(4.3)
Obtain a 100% reimbursement from municipalities related to overtime for the Resident State Trooper program.	(0.8)	(0.8)

Police Officer Standards and Training		
Consolidate into the Department of Emergency Responder Training.	(1.6)	(1.3)
Charge Municipalities for Police Officer Training - A \$2,500 charge per police officer trained in basic training and \$100 fee per individual taking in-service training classes will offset course expenses.	(1.0)	(1.3)

Board of Firearm Permit Examiners		
Item	FY 12 \$ (millions)	FY 13 \$ (millions)
Consolidate the functions of the Board of Firearm Permit Examiners into the Department of Public Safety.	(0.1)	(0.1)

Military Department		
Combine the two Governor's Horse Guard Units into one.	(0.1)	(0.1)

Commission on Fire Prevention and Control		
Consolidate the Commission on Fire Prevention and Control into the Department of Emergency Responder Training.	(3.0)	(2.7)
Eliminate Firefighter Training I reimbursements and the Payments to Volunteer Fire Companies program.	(0.5)	(0.5)

Workers Compensation Commission		
Close the Middletown district office. This would result in the reduction of 10 positions.	(1.4)	(1.3)
Eliminate the Rehabilitative Services program. This program provides employment retraining to permanently injured workers who are unable to return to their former positions. This would result in the reduction of 6 positions.	(2.1)	(2.1)

Department of Emergency Management and Homeland Security		
Consolidate the functions of the Department of Emergency Management and Homeland Security into the Department of Public Safety.	(3.6)	(3.5)

Department of Emergency Responder Training		
Consolidate the Police Officer Standard and Training Council and the Commission on Fire Prevention and Control to create this new agency.	4.5	3.9
Reallocate funding for police and firefighters from the Comptroller.	0.4	0.4

Conservation and Development

Department of Labor

Item	FY 12 \$ (millions)	FY 13 \$ (millions)
Transfer seven positions and state job training programs into the Department of Economic and Community Development.	(2.60)	(2.57)
Reduce funding by 15% for a variety of job training programs.	(0.46)	(0.45)

Office of Workforce Competitiveness

Reduce funding by 15% for a variety of job training and economic development programs.	(0.34)	(0.34)
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Department of Economic and Community Development

Consolidate Economic Development Grants - Combine Economic Development grants from the Department of Economic and Community Development (DECD) and the Office of Workforce Competitiveness into one major account under DECD.	0.7	0.7
Reduce Economic Development Grants by 15% - The associated savings apply only to the grants currently under the Department of Economic Community Development.	(0.3)	(0.3)
Consolidate State Job Training Programs - Combine Job Training programs from the Office of Workforce Competitiveness and the Department of Labor into one account under the Department of Economic and Community Development.	3.9	3.9
Consolidate the Commission on Culture and Tourism and the Office of Workforce Competitiveness into the Department of Economic and Community Development	29.3	29.1

Commission on Culture and Tourism

Enhance statewide marketing efforts.	15.0	15.0
Reduce funding for certain grant programs.	(1.14)	(1.14)
Suspend funding for the tourism districts.	(1.87)	(1.87)

Health and Hospitals		
Department of Public Health		
Item	FY 12 \$ (millions)	FY 13 \$ (millions)
Reduce grants to Community Health Centers in anticipation of increased Medicaid payments to Federally Qualified Health Centers.	(3.8)	(3.8)
Retain current Community Health Center contract commitments in FY 12 and FY 13.	(0.6)	(0.6)
Savings are achieved by reducing grants to AIDS Services providers that serve a minimal number of clients.	(0.5)	(0.5)
Eliminate funding for Fetal and Infant Mortality Review. To date, FY 11 contracts for this program have not been executed and funding of \$315,000 was transferred to another account via a February Finance Advisory Committee action. (Contracts for this program were not executed in FY 10.)	(0.3)	(0.3)

Department of Developmental Services		
Provide Funding for DDS Discretionary Caseload Growth - These funds will support day programs for 367 high school graduates and those aging out of services provided by the DCF and families, as well as 108 residential placements into residential services provided under DDS adult service system in FY 12 and an additional 390 individuals in day programs and 83 residential placements in FY 13. Funding also supports six forensic (court involved) placements, caseload growth under Money Follows the Person program and the FY 11 Voluntary Services transfers from DCF.	21.3	24.5
Savings Due to Attrition in State Operated Programs - Savings are due to the anticipated consolidation of campus settings at Southbury Training School and the closure of 5 public group homes. Staff will be redeployed to cover existing vacancies throughout the rest of the system	(6.1)	(2.9)
Savings in Birth to Three Program - changes to statutory loophole regarding insurance coverage will generate additional funding for the program.	(1.6)	(3.2)
Provide for Study of Needs of Persons with Autism Spectrum Disorder and three additional case manager positions to support caseload growth anticipated from the new autism waiver. No funds are appropriated but the study is to be funded through carry forward of FY 11 autism funding that is anticipated to be \$125,000.	-	-

Department of Mental Health and Addiction Services		
Item	FY 12 \$ (millions)	FY 13 \$ (millions)
Implement alternative benefit package, rate changes, and co-pays for Medicaid Low Income Adult population <ul style="list-style-type: none"> • What is the proposed benefit package? 	(2.0)	(3.5)

Department of Veterans' Affairs		
Reduce Other Expenses by \$250,000 - This reduction represents a 4% decrease in Other Expenses in FY 12 and FY 13.	(0.3)	(0.3)

Human Services		
Department of Social Services		
Provider User Fees		
The proposed budget includes new or increased provider user fees for nursing homes, hospitals, and Intermediate Care Facilities for the Mentally Retarded (ICF/MR's). These fees are collected and then redistributed to the providers via expenditures that are matched by the federal government at a 50% level. The net state benefit of these proposals is \$150.7 million in FY 12 and \$150.6 million in FY 13.		
<ul style="list-style-type: none"> • The nursing home user fee (currently approximately 4.6%) increases to the maximum allowed under federal law (5.5% on July 1, 2011, 6.0% effective October 1, 2011). The proceeds are redistributed to the homes via a Medicaid rate increase; • A new hospital user fee is imposed at 5.5% as of July 1, 2011, and increases to 5.71% on October 1, 2011. The proceeds are redistributed to the hospitals via the Disproportionate Share Hospital program; • A new ICF/MR user fee is imposed at 5.5% as of July 1, 2011, and increases to 6.0% on October 1, 2011. The proceeds are redistributed to the facilities via a Medicaid rate increase and an appropriation under the Department of Developmental Services. 		

The budgetary impact of these fees is as follows:

	FY 12 (\$ Millions)				FY 13 (\$ Millions)			
	User Fee	New Exp	Fed Rev	Net	User Fee	New Exp	Fed Rev	Net
Nursing Homes	31.1	(42.7)	21.3	9.7	34.3	(51.5)	25.7	8.5
Hospitals	266.6	(266.6)	133.3	133.3	269.0	(269.0)	134.5	134.5
ICF/MR	16.9	(17.2)	8.0	7.7	17.2	(19.2)	9.6	7.6
TOTAL	314.6	(326.5)	162.6	150.7	320.5	(339.7)	169.8	150.6

The budget contains additional changes to the Department of Social Services, some of which are highlighted in the table below.

Item	FY 12 \$ (millions)	FY 13 \$ (millions)
Restructure Services		
Align prescription drug reimbursement levels with those under the state employee and retiree programs	(76.3)	(82.7)
Convert to Administrative Services Organization (ASO) from Managed Care Organization (MCO)	(40.2)	(83.6)
Restructure Non-Emergency Medical Transportation through use of stretcher vans	(6.3)	(7.0)
Transition 2,251 Medicaid clients from nursing homes to Money Follows the Person (MFP) <ul style="list-style-type: none"> • Which costs shift between institutional and community care? And, what is the related revenue? • What is the net reduction in institutional care? • What are the details of federal participation in the expansion? 	(4.1)	(12.3)
Eliminate 36 positions, net of transfers and consolidations	(1.6)	(1.6)
Add 41 positions, net of transfers and consolidations	2.6	2.6
Long Term Care		
Reverse marital asset exemption, which reduces the amount of liquid assets that the community spouse may retain from \$109,560 to \$54,780	(29.3)	(32.0)
Suspend fair rent adjustments	(2.0)	(4.0)
Reduce the monthly personal needs allowance for residents of nursing homes, chronic disease hospitals and ICF/MR's from \$69 to \$60	(1.9)	(2.1)
Impose or Increase Cost Sharing		
Establish cost-share for certain Medicaid adults up to \$3 and not more than 5% of family income on allowable medical services	(8.3)	(9.5)
Limit state-funded premium assistance under the Charter Oak Health plan to individuals enrolled as of June 1, 2010	(7.2)	(12.4)

Item	FY 12 \$ (millions)	FY 13 \$ (millions)
Reduce state-funded subsidies for Charter Oak clients currently receiving assistance <ul style="list-style-type: none"> • What is the change in cost sharing? 	(4.8)	(4.9)
Increase Connecticut Home Care Program co-payments from 6% to 15%	(5.5)	(5.8)
Increase monthly cap on total Medicare Part D co-payments for dually eligible clients, from \$15 to \$25	(2.2)	(2.3)
Eliminate/Delay Services & Programs		
Remove statutory or regulatory rate and payment adjustments for nursing homes, ICF/MR's, boarding homes, and cash assistance programs	(80.0)	(116.5)
Eliminate current disproportionate share hospital grants	(83.3)	(83.3)
Phase out ConnPACE Program by eliminating coverage for Medicare Part D eligible beneficiaries	(4.4)	(5.1)
Eliminate funding for Nurturing Families Network at non-hospital sites	(3.2)	(3.2)
Eliminate the state's subsidy of Life Star	(1.4)	(1.4)
Limit/ Reduce Services		
Reduce non-emergency dental services for adults under Medicaid	(9.8)	(10.3)
Implement an alternative benefit package and other programmatic changes under the Medicaid Low Income Adult Program <ul style="list-style-type: none"> • What is the proposed benefit package? 	(3.0)	(6.5)
Close intake on category 1 state-funded Connecticut Home Care Program, which covers elderly individuals who are at risk of hospitalization or nursing facility placement absent preventative home care services. If eligible, individuals will be enrolled under a Medicaid category of service	(1.8)	(2.1)
Reduce vision services for adults under Medicaid to no more than one pair of eyeglasses every other year	(0.8)	(0.9)
Reduce the number of individuals served by the HIV/AIDS Waiver to no more than 50	(0.7)	(2.2)
New/Expanded Efforts		
Expand smoking cessation services to all Medicaid recipients, beginning January 1, 2012	3.8	7.5
Provide half year funding for RAP certificates for 150 new supportive housing units	0.0	0.8
Upgrade DSS's Eligibility Management System	0.0	0.5
Provide funding for Medicaid Information Technology Architecture (MITA) State Self Assessment, 90% federally reimbursable	0.5	0.0

Department of Children and Families		
Item	FY 12 \$ (millions)	FY 13 \$ (millions)
Notwithstanding state regulations, Single Cost Accounting System (SCAS) rate adjustments are suspended in each year of the biennium. DCF reimburses in-state residential treatment centers in accordance with SCAS regulations, which are the basis for per diem rates for care to DCF-placed children.	(3.9)	(7.3)
Reduce or eliminate various contract service types due to lack of utilization, alternative funding sources, or service type replacement.	(3.0)	(3.0)
Suspend rate increase for residential services not covered under SCAS.	(2.5)	(5.7)
Improved capacity management of group home services savings related to reduced utilization of existing group homes.	(1.8)	(1.8)
Increase parole staff caseload ratio to approximately 20:1, resulting in a reduction of 22 positions and cost savings from elimination of related salaries.	(1.7)	(1.7)
Achieve savings related to group homes by reducing nursing hours from 20 hours per week to 15 hours per week. Savings are also achieved by allowing two group homes to share one Program Director.	(1.5)	(1.5)
Expanding credentialed services to include Community Based Life Skills, Family Enrichment, One-to-One Mentoring, After School Programs, and Prison Transport Services. This proposal is projected to reduce costs by a total of \$1.65 million, with an offsetting contract cost of \$250,000 to increase determination and management of credentialed providers, resulting in a net savings of \$1.4 million in each of FY 12 and FY 13. Credentialing services reduces costs by establishing standard pricing structures.	(1.4)	(1.4)
Suspending funding for Homeless Youth in the biennium results in a savings of \$1 million in each of FY 12 and FY 13. Section 28 of PA 10-179 (the FY 11 revised budget act) required DCF to establish a program for homeless youth and youth at risk of becoming homeless. To date, this program has not been established.	(1.0)	(1.0)
Reduce funding for lower priority juvenile justice contracted services.	(1.0)	(1.0)

Elementary and Secondary Education

Increase funding for charter schools to expand enrollment and add grades. It is estimated that this increased funding will provide an additional 700 seats over the biennium, at the existing 17 charter schools.	3.4	6.9
Increase OPEN Choice funding for expanded enrollment - It is estimated that this increased funding will provide close to 800 new OPEN choice seats	5.4	7.6
Increase magnet school funding for expanded enrollment and new schools. It is estimated that this increased funding will provide for an additional 8,200 seats over the biennium, and the opening of 13 additional schools.	41.7	61.4
Increase the Sheff line item by \$1.0 million in FY 13. This increase is attributed to providing additional magnet school seats and other transportation for the Sheff region.	-	1.0
Reduce the Transportation of School Children grant. This reduction results in approximately a 10% reduction in both years of the biennium. This grant was capped for both FY 10 and FY 11. If this program were uncapped, then additional funding of \$60 million in FY 12 and \$125.5 million in FY 13 would have been required.	(2.9)	(2.8)
Reduce the Priority School District grant by \$4 million in FY 12 and \$8 million in FY 13, this is approximately a 10% reduction.	(4.0)	(4.0)
Reduce the Priority School District grant by approximately \$1 million over the biennium (\$610,000 in FY 12 and \$526,000 in FY 13) as a result of Bristol no longer qualifying as a priority school.	(0.6)	(1.1)
Increase funding for childcare services slot rates. The additional funding will be used to equalize the Department of Social Services preschool slot rates with the SDE preschool slot rate. The additional funding will be used to increase the number of infant/toddler slots.	2.0	2.0

Various grants from other state agencies have been reallocated to the State Department of Education (SDE). The table on the following page provides a summary of the grants being transferred to SDE.

Agency	Title	FY 12 \$ (millions)	FY 13 \$ (millions)	Description
DSS	School Readiness Enhancement	1.2	1.2	Funds from this program are provided to directly support early care and education programs for preschool children in fourteen priority school districts. Emphasis is directed to families receiving Temporary Family Assistance and working low income families' Funds also support quality enhancements such as licensing enforcement staff, resource and referral services, criminal and child abuse/neglect checks and provider training for early care and child care programs.
DSS	Child Day Care Program	16.5	16.5	This account provides grant-in-aid funds for contracts with private non-profit Human Resource Development agencies to develop and operate child day care centers for children facing disadvantaged economic, social and environmental conditions. Services may be purchased from private day care centers at a cost not to exceed the average cost per child in a state-funded care center.
BESB	Children Services Program	4.8	4.8	The Children's Services program provides direct teaching to children with visual impairments and supplies them with equipment and educational materials. The program also provides training and consultation to local education teams and families.
OPM	Leadership, Education, & Athletic Partnership (LEAP)	0.85	0.85	This is a mentoring program in New Haven for children ages 7-14 to help them develop academic skills, self esteem and promote community involvement by matching them with trained high school and college volunteers.
OPM	Neighborhood Youth Centers	1.5	1.5	This program serves children ages 12-17 in Connecticut's largest cities, with athletic and recreational opportunities, enrichment and tutoring activities, skills training and promoting parent involvement.
TOTAL		24.8	24.8	

- The municipal grants (Transportation of Public School Children, Excess Cost, Nonpublic Health Services, Nonpublic Transportation and Adult Education) remained capped.
- The Connecticut Technical High School System (CTHSS) is transferred back into SDE. Funding of \$149.5 million and 1,410 positions are transferred in FY 12 and funding of \$143.6 million and 1,412 positions are transferred in FY 13. The CTHSS has 17 diploma granting schools, one technical education center, and two adult education centers. The CTHSS serves approximately 10,600 students and 200 adult education students.
- A portion of the funding for the CTHSS is being reallocated from various operating accounts into a new grant account. Approximately 23% of the operating funds of the CTHSS are being reallocated to the new established grant account, which will give municipalities more control over the regional high schools.

State Library		
Item	FY 12 \$ (millions)	FY 13 \$ (millions)
Reduce funding for the Connecticut Payments grant account by over 40%. This account provides funds for the transfer of books between local libraries and was funded at \$1.2 million in FY 11.	(0.5)	(0.5)

Teachers' Retirement Board		
Fully fund the state's contribution to the Teachers' Retirement System	757.2	787.5
Fully fund the state's contribution towards retired teachers' health insurance	32.3	34.4

Higher Education

Constituent Units of Higher Education

Reductions are applied to the block grants of the constituent units of higher education. The table below provides a summary of the reductions from FY 11 estimated levels to the FY 12 and FY 13 recommended levels.

Reductions to Block Grants (in millions \$)		
Constituent Unit	FY 12	FY 13
University of Connecticut	3.8	10.1
University of Connecticut Health Center	5.1	9.0
Charter Oak State College	0.2	0.2
Regional Community-Technical Colleges	9.4	12.8
Connecticut State University	4.2	7.6
Total	22.7	39.7

Board of Regents for Higher Education

The Connecticut State University System (CSU), the Regional Community Technical Colleges (RCTC), and Charter Oak State College (COSG) and merged with the Department of Higher Education to form the new Board of Regents for Higher Education. A total of 4,450 positions and \$310.1 million are transferred in FY 12 and a total of 4,487 and \$303.2 million are transferred in FY 13. The table below provides a summary of the transfers:

Agency	FY 12 Positions	FY 12 \$ (millions)	FY 13 Positions	FY 13 \$ (millions)
Charter Oak	31	2.7	31	2.7
CSU	2,331	158.3	2,331	154.8
RCTC	2,088	149.1	2,125	145.7
TOTALS	4,450	310.1	4,487	303.2

Judicial and Corrections

Public Defenders

Item	FY 12 \$ (millions)	FY 13 \$ (millions)
<p>Per Section 145(g) of PA 10-179,¹ prohibits OPM from revising the budget recommendations of the Judicial Branch agencies (which include the Judicial Department, the Public Defender Services Commission and the Child Protection Commission) before they are transmitted to the Legislature.</p> <p>These agencies were asked to resubmit their initial budget requests for the biennium to achieve a 3% reduction in current services. Only the Child Protection Commission was able to achieve the requested level. Of the three agencies, only the Public Defenders were given a bottom-line “targeted savings” lapse reduction. This lapse amount is reflected to the right.</p>	2.5	2.2

¹ “The appropriations recommended for the judicial branch of the state government shall be estimates of the expenditure requirement transmitted to the Secretary of the Office of Policy and Management by the Chief Court Administrator pursuant to section 4-77 and the recommended adjustments and revisions of such estimates shall be the recommended adjustment and revisions, if any, transmitted by said administrator pursuant to section 4-77.”

Department of Correction		
Item	FY 12 \$ (millions)	FY 13 \$ (millions)
A Personal Services reduction is described as resulting from an unspecified schedule change for Correction Officers and Correctional Lieutenants. Such savings would be attributable to reduced hours of overtime worked. Negotiations with these bargaining units are currently ongoing. Their contracts expire June 30, 2011. The magnitude of any savings associated with final agreements will not be known until negotiations are completed.	(10.0)	(10.0)
Reduce Inmate Population		
1) Personal Services funding is reduced to reflect decreased personnel costs made possible by a reduced inmate population in response to implementing a risk reduction credits system. Under the program an inmate would earn a reduction of time served by successful program completion and acceptable behavior. The Commissioner of Correction would be statutorily authorized to develop the "Offender Management Incentive Plan," effective July 1, 2011.	(3.8)	(8.0)
2) Savings are recommended to reflect a reduced incarcerated population due to substituting house arrest under DOC supervision for certain sentenced DUI and minor drug offenders. (For informational purposes, there are currently 395 inmates with a controlling sentence of DUI.)	(3.8)	(15.0)
The Governor does not specify the number of inmates that would be impacted by these policy changes. However, closure of one unspecified facility during FY 13 is identified as an expected result. Savings would accrue from reduced overtime and not refilling positions vacated due to routine staff attrition. No reduction in the Department's authorized position count is made. Additionally, no funding enhancement for contracted community-based services is provided.	(7.6)	(23.0)
Reallocate funds from the Judicial Department's Court Support Services Division (CSSD) to consolidate dollars now transferred by the Division to the DOC for privately contracted sex offender treatment beds, mental health programming and other non-residential services.	1.8	1.8

Division of Criminal Justice		
Eliminate Funding for 5 Vacant Positions	(0.45)	(0.45)
Reduce Other Expenses to FY 10 Levels	(0.60)	(0.51)

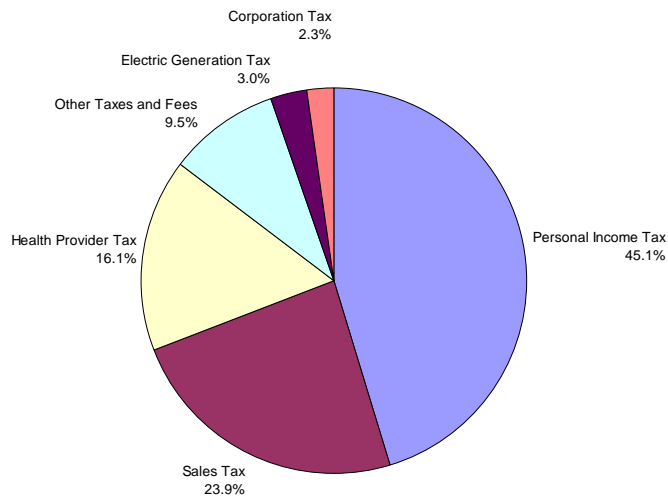
REVENUE

The Governor's budget raises additional revenue of \$1.9 billion in FY 12 and \$1.8 billion in FY 13. This new revenue is obtained primarily from the Personal Income, Sales and Use, Health Provider, Electric Generation and Corporation Taxes, as illustrated below.

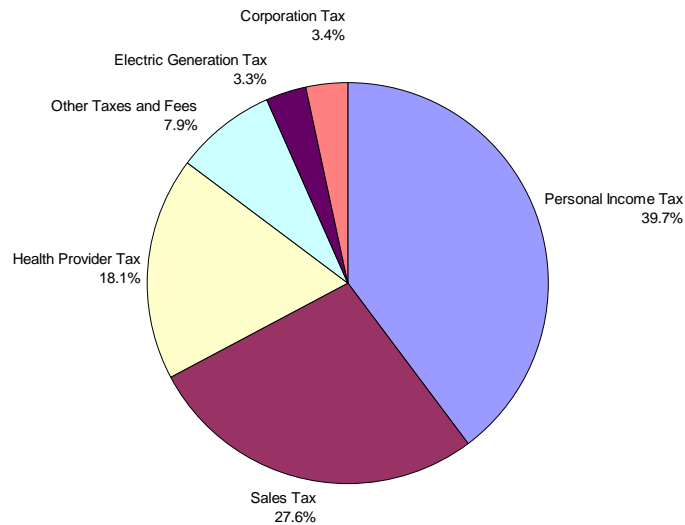
Please note that the following revenue figures reflect the Governor's estimates (unless otherwise specified). OFA will be developing independent estimates in the coming weeks.

Revenue Proposal Item	FY 12 \$ (millions)	FY 13 \$ (millions)
Personal Income	879.8	702.7
Sales and Use	466.3	489.0
Health Provider	314.6	320.5
Electric Generation	58.4	58.4
Corporation	44.0	61.0
Other	185.6	139.2
TOTAL	1,948.7	1,770.8

FY 12 GENERAL FUND REVENUE CHANGES



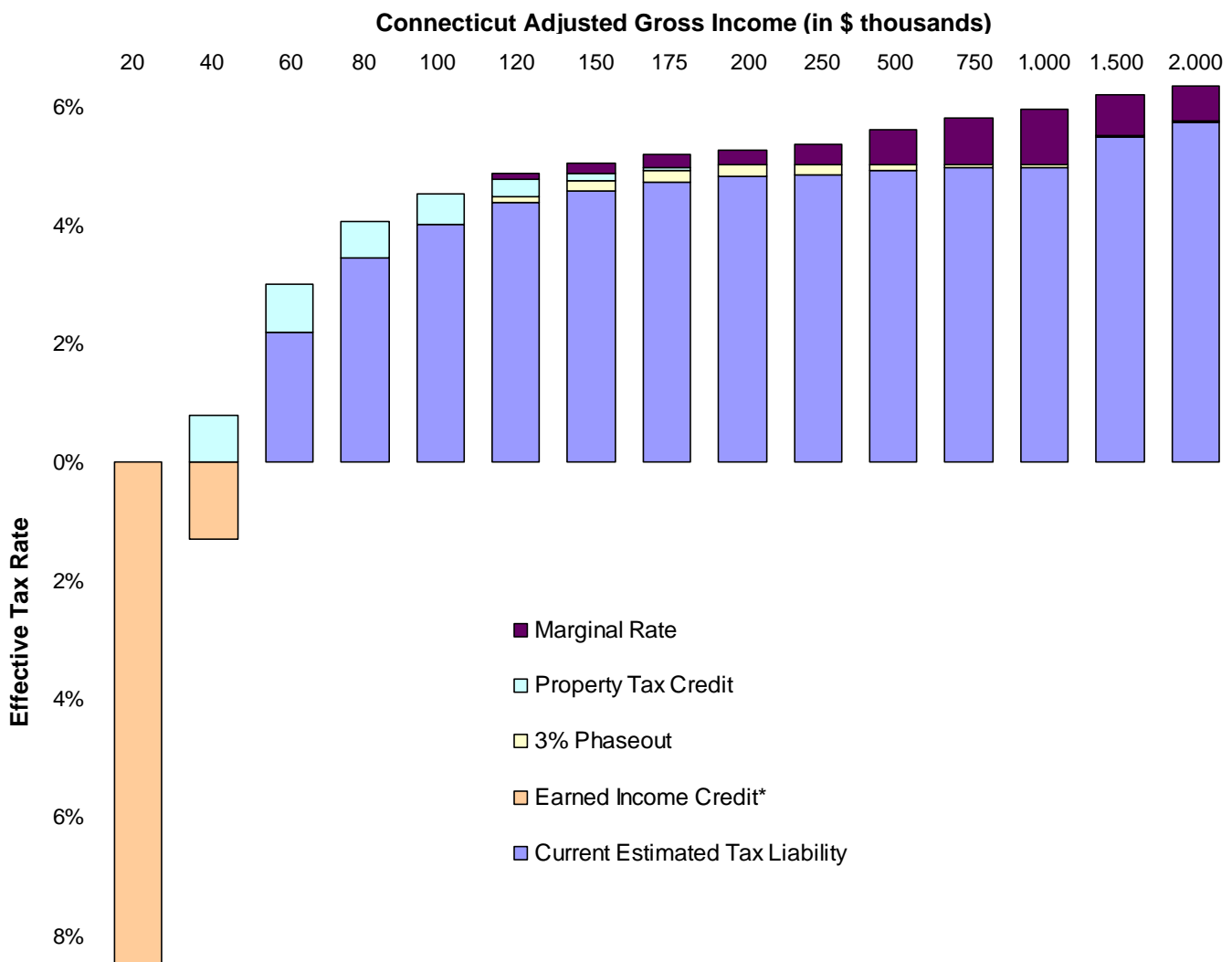
FY 13 GENERAL FUND REVENUE CHANGES



Personal Income Tax		
Item	FY 12 \$ (millions)	FY 13 \$ (millions)
Increase marginal rates for taxable income greater than \$100,000 for joint filers and \$50,000 for single filers.	498.4	349.3
Eliminate the property tax credit of up to \$500.	365.0	368.7
Phase out the 3% marginal rate on taxable income up to \$20,000 for joint filers and \$10,000 for single filers, thereby incrementally increasing that rate to 5%. This policy change would apply to taxpayers with taxable income that is greater than \$100,500 for joint filers and \$56,500 for single filers. The rate would completely phase out beginning at taxable income levels of \$190,500 for joint filers and \$146,500 for single filers.	126.0	90.0
Establishes a state earned income tax credit that is equal to 30% of the federal credit granted to any person who qualifies.	(108.0)	(111.3)

The following table illustrates the effective tax rates for filers at certain adjusted gross income (AGI) levels under current law, and under the Governor’s proposal:

PROPOSED EFFECTIVE TAX RATE CHANGE FOR JOINT FILERS



**PERSONAL INCOME TAX PROPOSAL:
Sample Income Tax Payments by Selected Income Levels**

Joint Filers								
CT AGI	Current Estimated Tax Liability	EIC*	3% Phaseout	Property Tax Credit	Marginal Rate Changes	Total Tax change	Proposed Tax Due	% change over current law
20,000	-	(1,700)	-	-	-	(1,700)	(1,700)	
40,000	-	(530)	-	312	-	(218)	(218)	
60,000	1,300	-	-	500	-	500	1,800	38.5%
80,000	2,740	-	-	500	-	500	3,240	18.2%
100,000	4,008	-	-	500	-	500	4,508	12.5%
120,000	5,250	-	120	350	100	570	5,820	10.9%
150,000	6,850	-	200	250	250	700	7,550	10.2%
175,000	8,250	-	320	100	375	795	9,045	9.6%
200,000	9,600	-	400	-	500	900	10,500	9.4%
250,000	12,100	-	400	-	875	1,275	13,375	10.5%
500,000	24,600	-	400	-	3,000	3,400	28,000	13.8%
750,000	37,100	-	400	-	5,875	6,275	43,375	16.9%
1,000,000	49,600	-	400	-	9,500	9,900	59,500	20.0%
1,500,000	82,100	-	400	-	10,500	10,900	93,000	13.3%
2,000,000	114,600	-	400	-	11,500	11,900	126,500	10.4%

* Earned Income Credit (EIC) figure assumes the max credit available is taken.

**PERSONAL INCOME TAX PROPOSAL:
Sample Income Tax Payments by Selected Income Levels**

Single Filers								
CT AGI	Current Estimated Tax Liability	EIC*	3% Phaseout	Property Tax Credit	Marginal Rate Changes	Total Tax change	Proposed Tax Due	% change over current law
20,000	137	(1,476)	-	-	-	(1,476)	(1,339)	
40,000	1120	(216)	-	500	0	284	1,404	25.4%
60,000	2350	-	20	450	50	520	2,870	22.1%
80,000	3450	-	60	350	150	560	4,010	16.2%
100,000	4550	-	100	250	250	600	5,150	13.2%
150,000	7300	-	200	-	600	800	8,100	11.0%
250,000	12300	-	200	-	1,500	1,700	14,000	13.8%
500,000	24800	-	200	-	4,750	4,950	29,750	20.0%
750,000	41050	-	200	-	5,250	5,450	46,500	13.3%
1,000,000	57300	-	200	-	5,750	5,950	63,250	10.4%
2,000,000	122300	-	200	-	7,750	7,950	130,250	6.5%

* Earned Income Credit (EIC) figure assumes the max credit available is taken.

Corporation Business Tax		
Item	FY 12 \$ (millions)	FY 13 \$ (millions)
Extend into income years 2012 and 2013 a 10% surtax which was scheduled to expire after income year 2011 (and which was originally instituted in income year 2009).	25.0	45.0
Establish a "throw-back" rule which requires corporations to include within apportionment formulas, which are used to determine the portion of corporate income taxable in the state, certain income which is not taxed by any state or the federal government.	20.0	20.0
Limit the transferability of film tax credits by capping transfers at 50% of the credit amount in the first year, and 25% in the following two years. Approximately \$12.9 million in film tax credits were claimed against the Corporation Business Tax in income year 2008.	6.0	3.0
Lift the 70% tax liability reduction limit for corporations claiming tax credits by \$6,000 per net new job created in income years 2012 and 2013.	(7.0)	(9.0)
Increase from \$11.0 million to \$20.0 million the cap on the Small Business Job Creation Tax Credit which was created in PA 10-75, AAC The Recommendations Of The Majority Leaders' Job Growth Round Table.	(2.0)	(4.0)

Sales and Use Tax Proposals		
Increase the Sales and Use Tax base rate to 6.25%.	152.5	158.2
Increase the Hotel Occupancy Tax from 12% to 14%.	11.7	12.2
Eliminate Certain Sales Tax Exemptions- The elimination of these exemptions would decrease the total sales tax exemption revenue loss from an estimated \$3,043 to \$2,751 million in FY 12 and from \$3,107 to \$2,802 million in FY 13.	292.0	305.0
Adopt a 3% surcharge on luxury goods. This surcharge tax would apply to items such as cars valued over \$50,000, jewelry valued over \$5,000, boats over \$100,000 and clothing over \$1,000.	1.2	1.3
Adopt a 2% surcharge on rental cars.	4.0	4.0

Sales Tax Rate of 6.25%

The Governor estimates that a 6.25% sales tax will result in a revenue gain of \$152.5 million in FY 12 and \$158.2 million in FY 13. The following table provides data from the Internal Revenue Service on the average sales tax liability per income group. The last column displays the estimated increase in sales tax liability per income group under a 6.25% rate. This analysis assumes that spending levels would remain constant with the sales tax increase.

Income	Sales Tax Liability at 6.0%	Sales Tax Liability at 6.25%	Estimated Increase
\$0 \$20,000	345	359	14
20,000 30,000	550	573	23
30,000 40,000	654	681	27
40,000 50,000	743	774	31
50,000 60,000	823	857	34
60,000 70,000	896	933	37
70,000 80,000	964	1,004	40
80,000 90,000	1027	1,070	43
90,000 100,000	1087	1,132	45
100,000 120,000	1165	1,214	49
120,000 140,000	1273	1,326	53
140,000 160,000	1366	1,423	57
160,000 180,000	1459	1,520	61
180,000 200,000	1543	1,607	64
200,000 or more	1959	2,041	82

New Electric Generation Tax

Item	FY 12 \$ (millions)	FY 13 \$ (millions)
A tax of 2% of a penny per kilowatt-hour (kwh) is imposed on electricity that is generated in state. As this tax will affect the electricity wholesale market, it is anticipated that this tax will indirectly impact all electric consumers in the state.		
Question: Will this tax increase the state's costs as an electric consumer and if so, by how much?	58.4	58.4

V. TRANSPORTATION FUND

SOLVING THE SPECIAL TRANSPORTATION FUND BUDGET DEFICIT

(in \$ millions)

Problem: Current Services Budget	FY 12	FY 13
Revenue	1,213.9	1,276.6
Expenditures	1,297.1	1,342.2
Beginning Balance	(83.2)	(65.6)
 Governor's Proposed Solution		
Proposed Revenue Changes	109.0	112.2
Proposed Net Expenditure Changes	6.7	(6.7)
Total Changes	102.3	118.9
<hr/>		
Available Balance	19.1	53.3

The Governor's budget raises additional revenue of \$109.0 million in FY 12 and \$122.2 million in FY 13. This new revenue is obtained from the Motor Fuels Tax, an increase in the annual transfer from the Oil Companies Tax, and various increases in motor vehicle related fees, as illustrated below.

Revenue Proposal Item	FY 12 \$ (millions)	FY 13 \$ (millions)
Motor Fuels	51.6	50.9
Oil Companies Tax Transfer	35.4	38.1
Various Motor Vehicle Fees	22.0	23.2
TOTAL	109.0	112.2

State Comptroller - Fringe Benefits		
Item	FY 12 \$ (millions)	FY 13 \$ (millions)
Increase funding for self-insured active employee health costs to account for annualization of approximately 11 months of claims costs and increased medical, dental and prescription drug costs.	7.8	8.4

Department of Motor Vehicles - Transportation Fund		
Postpone implementation of Vision Screening.	(2.2)	(2.2)
Defer equipment replacement.	(0.2)	(0.1)
Eliminate mailing renewal notices for licenses and identification. Notices would we sent by electronic means.	(0.2)	(0.2)
Eliminate Handicapped Driver Training Program.	(0.1)	(0.1)
Consolidate Weigh Station Operations into DMV.	0.5	0.5

Department of Transportation - Transportation Fund		
Item	FY 12 \$ (millions)	FY 13 \$ (millions)
Eliminate funding for First Transit Administration managers and transfer responsibilities to DOT (Bus Operations).	(1.1)	(1.2)
Cap Demand Responsive Dial-A-Ride Program at \$3 million (Bus Operations).	(0.9)	(1.0)
Cap Capital Grants at \$1 million (Bus Operations).	(1.0)	(1.0)
Remove funding for vacant positions	(4.2)	(4.0)
Increase funding for "Pay-As-You-Go" non-bondable transportation projects. (Highway and Bridge Renewal).	14.0	9.0
Fund Town Aid Road Grant at historical level.	30.0	30.0

VI. MUNICIPAL AID AND REVENUES

FY 12 recommended funding for grants shown in the following table is approximately \$10.5 million less than current year estimated expenditures. FY 13 funding is increased by approximately \$20.6 million over the FY 12 recommended level.

Municipal Formula Grants			
Grant	FY 11 Estimated	FY 12 Recommended	FY 13 Recommended
PILOT - State Property	73,519,215	73,519,215	73,519,215
PILOT - Colleges & Hospitals	115,431,737	115,431,737	115,431,737
Mashantucket Pequot and Mohegan Fund	61,779,907	61,779,907	61,779,907
Reimbursement Property Tax - Disability Exemption	400,000	400,000	400,000
Distressed Municipalities	7,800,000	5,800,000	5,800,000
Property Tax Relief Elderly Circuit Breaker	20,365,899	20,505,900	20,505,900
Property Tax Relief Elderly Freeze Program	420,000	390,000	390,000
Property Tax Relief for Veterans	2,970,099	2,970,098	2,970,098
PILOT - Manufacturing Machinery and Equipment [1]	47,895,199	0	0
Local Capital Improvement Program [2]	30,000,000	30,000,000	30,000,000
Tax Abatement	1,704,890	1,704,890	1,704,890
PILOT - Housing	2,204,000	2,204,000	2,204,000
Local and District Departments of Health	4,264,470	4,294,470	4,294,470
Town Aid Road Grants [3]	30,000,000	30,000,000	30,000,000
Vocational Agriculture	4,560,565	4,560,565	4,560,565
Public School Transportation	28,649,720	25,784,748	24,884,748
Adult Education	20,594,371	20,612,980	20,605,690
Health and Welfare Services Pupils Private Schools	4,297,500	4,297,500	4,297,500
Education Equalization Grants (ECS)	1,889,609,057	1,889,609,057	1,889,609,057
Bilingual Education	1,916,130	1,916,130	1,916,130
Priority School Districts	117,237,188	112,595,033	112,121,287
School Breakfast Program	1,634,103	1,634,103	1,634,103
Excess Cost - Student Based	139,805,731	139,805,731	139,805,731
Non-Public School Transportation	3,995,000	3,595,500	3,595,500
Youth Service Bureaus	2,947,268	2,947,268	2,947,268
OPEN Choice Program	14,465,002	19,839,066	22,090,956
Magnet Schools	174,131,395	215,855,338	235,564,251
Total	2,802,598,446	2,792,053,236	2,812,633,003

[1] Municipalities will now be able to tax commercial motor vehicles.

[2] Bond Funds.

[3] Supported by Bond Funds in FY 11; by Special Transportation Fund in FY 12 and FY 13.

Municipal revenue measures totaling approximately \$85.2 million in FY 12 and \$129.3 million in FY 13 are as shown in the following table.

Municipal Revenue Initiatives (in millions of \$)		
	FY 12 Projected Revenue	FY 13 Projected Revenue
Return Additional/New Taxes to Town of Origin:		
0.10% Sales Tax on Products and Services	24.0	25.1
1.0% Hotel Occupancy Tax	5.8	6.1
1.0% on Rental Cars	1.6	1.6
New 3.0% Cabaret Tax	0.9	0.9
Make 0.25% Real Estate Conveyance Tax Permanent and Expand Optional Conveyance Tax to All Municipalities	52.9	52.9
Impose Personal Property Tax at Rate of 20 Mills On:		
Boats [1]	-	38.7
Aircraft	-	4.0
<i>[1] The current Vessel PILOT program is repealed.</i>		
Total	85.2	129.3

Regionalization	FY 12 \$ (millions)	FY 13 \$ (millions)
\$600,000 is provided under the Office of Policy and Management to enhance funding for Regional Planning Agencies. Of this, a \$300,000 bonus pool is established in each year to (a) incentivize the voluntary consolidation of Regional Planning Agencies, and (b) to assist the combined regions in the transition to a new local dues structure and with other administrative requirements.	0.6	0.6
\$50,000 has been added to the State Department of Education's budget in FY 12 for one-time costs associated with a study of the potential efficiencies that could be achieved via regionalizing school transportation. In FY 13, \$1 million in savings for public school transportation is recommended in response to the implementation of the new system.	0.0	(1.0)

VII. Capital Budget Changes

The Governor’s recommended capital budget authorizations are in the table below. There are no recommended cancellations.

Governor’s Recommended Capital Budget New Bond Authorizations	FY 12 \$ (millions)	FY 13 \$ (millions)
General Obligation (GO) bonds	1,075.0	1,116.6
Special Tax Obligation (STO) bonds	572.3	515.2
Clean Water Fund (CWF) Revenue bonds	233.4	238.4

1. Development of a new data center for the Department of Administrative Services (the Governor has recommended merging the Department of Information Technology into DAS) - \$21 million in GO bonds

The Construction of a new data center will provide long-term savings by allowing the state’s information processing center to move out of leased space into a state-owned facility that will accommodate its future expansion needs.

2. Grants-in-aid for improvements to deep water ports - \$50 million in GO bonds

The funds will be used to make improvements to and dredge deep water ports in Bridgeport, New Haven and New London.

3. Development of Supportive Housing - \$30 million in GO bonds

The Supportive Housing Initiative¹ is currently financed with bonds issued by the Connecticut Housing Finance Authority (CHFA) and supported by a General Fund debt service subsidy. This authorization would replace the CHFA bonds with General Obligation bonds.

4. Manufacturing Assistance Act - \$80 million in GO bonds

The funds will be used to provide low interest loans as part of the Governor’s proposed “First Five” program. The program is intended to provide tax credit and loan incentives to up to five business development projects over the next two years.

The Governor’s proposed bond package is below the statutory bond cap on General Obligation bonds in both FY 12 and FY 13, based on revenue estimates that include his tax proposals. As the figures in the table below show, the level is less than 70% of the statutory ceiling amount in both FY 12 and FY 13.

¹ The Supportive Housing Initiative is authorized under CGS Sec. 17a-485c.

CGS Section 3-21 stipulates that if the level of bonded indebtedness reaches 90% of the ceiling amount, the governor must review each bond act for which no obligations have yet been incurred and recommend to the General Assembly priorities for repealing these authorizations.

Calculation of Statutory Bond Cap for the Governor's Proposed Bond Package

	FY 12		FY 13	
	(\$ - Thousands)		(\$ - Thousands)	
Net Tax Revenues*	13,790,100		14,445,000	
Multiplier	1.6		1.6	
Limit	22,064,160		23,112,000	
Calculation of Bonds Subject to Limit:				
Net Indebtedness	15,216,189	68.96%	16,069,364	69.53%
Debt Incurring Margin to 100% Limit	6,847,971		7,042,636	
90% Limit	19,857,744		20,800,800	
Debt Incurring Margin to 90% Limit	4,641,555		4,731,436	

*The net tax revenue figures include the Governor's tax proposals.