

Synopsis of
Governor's FY 14 & FY 15
Budget and Revenue Plan

Appropriations Committee
Hearing

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OFFICE OF FISCAL ANALYSIS

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The following is intended to provide information on the Governor's FY 14 and FY 15 budget, revenue and capital plan for the Appropriations Committee and the Finance Committee as background for the OPM presentation today. Since the budget was released yesterday, we have tried to highlight major areas of interest rather than provide a full-scale comprehensive analysis. Such analysis will be undertaken by both committees with the assistance of OFA staff in the coming weeks.

I. OVERVIEW

The Governor's Recommended Budget Proposal for FY 14 and FY 15:

- grows by 5.1% in FY 14 (over the Governor's FY 13 estimated expenditure level) and by 3.9% in FY 15 (over the FY 14 Governor's recommended level),
- includes wage increases for state employees totaling \$125.3 million in FY 14 and an additional \$115.5 million in FY 15 in the General Fund and \$17.3 million in FY 14 and an additional \$11.2 million in FY 15 in the Special Transportation Fund,
- consolidates nine state agencies and creates two new state agencies resulting in the total number of state agencies dropping from 60 to 53,
- provides \$2.3 billion in FY 14 and \$2.4 billion in FY 15 in new bond authorizations including \$1.5 billion in FY 14 and \$1.6 billion in FY 15 in new general obligation bond authorizations,
- generally keeps a similar level of bottom line lapses from FY 13 into the biennium except for the creation of a "Statewide Hiring Reduction" lapse of \$6.8 million in FY 14 and \$8.7 million in FY 15,
- bonds \$750 million of the \$1.2 billion GAAP deficit over 15 years and avoids payment of any interest on these bonds for the first two years (FY 14 and FY 15),
- restructures the remaining three years (FY 14 - FY 16) of Economic Recovery note payments over the next five years and reduces the payments for them in FY 14 and FY 15 from \$208 million to \$58 million,
- creates individual GAAP accounts in each agency budget and appropriates funds to them (funds will not be allowed to be spent) rather than changes the accounting structure of agencies to accommodate GAAP accounting procedures,

- would be over the spending cap by \$465.7 million in FY 14 and \$690.8 million in FY 15 unless certain assumptions and definitional changes in the cap are adopted by the General Assembly,
- assumes that \$85.7 million in GAAP appropriations and \$50 million in a rejected federal Medicaid waiver would be exempt from the spending cap and that such assumptions do not require statutory adoption,
- provides additional funding for ECS formula distribution of \$50.8 million in FY 14 and \$101.5 million in FY 15,
- increases aid to towns by 2% in each of FY 14 (compared to FY 13 estimated expenditures) and FY 15 (compared to the FY 14 recommended level),
- reduces funding for hospitals by \$208.1 million in FY 14 and by \$342.3 million in FY 15 and
- reduces the ability of towns to tax motor vehicles by an estimated \$550 million to \$600 million.

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

II. FINANCIAL SUMMARY

The Governor's recommended budget has a surplus of \$13.1 million in FY 14 and \$27.4 million in FY 15 on an all appropriated funds basis. See the table below for details.

Revenues/Appropriations (in millions)

Fund	FY 14 \$			FY 15 \$		
	Revenue Estimate	Appropriation	Surplus/ (Deficit)	Revenue Estimate	Appropriation	Surplus/ (Deficit)
General	20,117.3	20,110.6	6.7	20,896.6	20,888.5	8.1
Transportation	1,261.9	1,256.8	5.1	1,343.0	1,324.0	19.0
Other Appropriated ¹	112.5	111.2	1.3	110.2	109.9	0.3
TOTAL	21,491.7	21,478.6	13.1	22,349.8	22,322.4	27.4

¹Includes the following: the Mashantucket Pequot and Mohegan Fund, the Regional Market Operation Fund, the Banking Fund, the Insurance Fund, the Consumer Counsel and Public Utility Control Fund, the Workers' Compensation Fund, and the Criminal Injuries Compensation Fund.

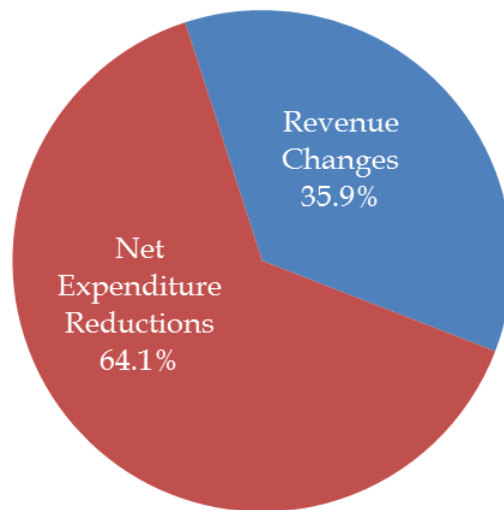
The table below and the graphs on the following page summarize how the Governor closes the projected FY 14 and FY 15 current services deficits.

Solving the FY 14 & FY 15 Budget Deficit (in millions)

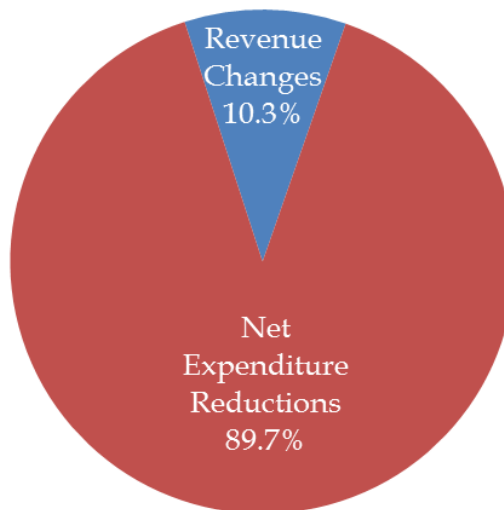
Problem: Projected Budget Deficit	FY 14 \$	FY 15 \$
Revenue	19,655.3	20,773.6
Current Services Needs ¹	20,936.8	21,954.4
Beginning Balance	(1,281.5)	(1,180.8)
 Solution: Revenue, Reductions, Savings		
Revenue Changes	462.0	123.0
Net Expenditure Reductions	826.2	1,065.9
Total Changes	1,288.2	1,188.9
AVAILABLE BALANCE	6.7	8.1

¹These figures are based on the Governor's estimated current services levels.

What makes up the FY 14 budget gap solution?



What makes up the FY 15 budget gap solution?



The Governor's recommended budget has a growth rate of 5.1% in FY 14 and 3.9% in FY 15 for all appropriated funds. See the table below for details.

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

Fund	FY 13 Estimated Expenditures \$	FY 14 Appropriation \$	FY 14 Change		FY 15 Appropriation \$	FY 15 Change	
			\$	%		\$	%
General	19,043.9	20,110.6	1,066.7	5.6%	20,888.5	777.9	3.9%
Transportation	1,214.9	1,256.8	41.9	3.4%	1,324.0	67.2	5.3%
Other Appropriated	170.3	111.2	(59)	-34.7%	109.9	(1)	-1.2%
TOTAL	20,429.1	21,478.6	1,049.5	5.1%	22,322.4	843.8	3.9%

See the table below for historical information on budget expenditure growth, including the Governor’s FY 13 estimated expenditures and the Governor’s FY 14 and FY 15 budget.

FY 03 - FY 15 Budget Expenditure Growth (in thousands)¹

Fiscal Year	General Budget Expenditures \$	Annual Increase Over Prior Year \$	% Growth
03	13,283,978	18,451	0.1%
04	13,595,294	311,316	2.3%
05	14,428,128	832,834	6.1%
06	15,665,824	1,237,696	8.6%
07	16,505,640	839,816	5.4%
08	17,906,920	1,401,280	8.5%
09	18,547,639	640,719	3.6%
10	18,459,913	(87,726)	-0.5%
11	19,168,739	708,826	3.8%
12	20,134,292	965,553	5.0%
13 Governor Estimated	20,429,117	294,825	1.5%
14 Recommended	21,478,600	1,049,483	5.1%
15 Recommended	22,322,400	843,800	3.9%

¹For purposes of comparability, the expenditure figures include all expenditures of the General Fund, Special Transportation Fund, other appropriated funds, surplus (primarily for “one-time” items) and expenditures from prior year appropriations carried forward into subsequent fiscal years. The expenditures and percentage changes have been adjusted for comparability due to structural changes in the budgets. Actual expenditures are based on figures provided in the *Annual Report of the State Comptroller*. FY 13 figures are estimates of expenditures.

See the table on the following page for the Governor’s FY 14 and FY 15 budget fund summaries.

Biennial Budget Fund Summaries

Fund Summary	FY 14 \$	FY 15 \$
Gross Appropriations by Fund		
General Fund	20,234,576,228	21,014,444,400
Special Transportation Fund	1,267,781,141	1,334,975,987
Banking Fund	25,648,148	26,889,049
Insurance Fund	29,766,015	30,960,645
Consumer Counsel and Public Utility Control Fund	24,368,827	25,384,201
Workers' Compensation Fund	21,709,083	22,223,479
Mashantucket Pequot and Mohegan Fund	5,350,000	5,350,000
Soldiers, Sailors and Marines' Fund	-	-
Regional Market Operation Fund	921,680	941,498
Criminal Injuries Compensation Fund	3,380,286	2,787,016
Total Gross Appropriations	21,613,501,408	22,463,956,275
General Fund Lapses		
Create a Legislative Central Advocacy Agency	(788,236)	(874,820)
Statewide Hiring Reduction	(6,796,754)	(8,688,736)
General Lapse - Executive	(13,785,503)	(13,785,503)
General Lapse - Judicial	(401,946)	(401,946)
General Lapse - Legislative	(56,251)	(56,251)
Unallocated Lapses	(91,676,192)	(91,676,192)
Unallocated Lapses - Judicial	(7,400,672)	(7,400,672)
Unallocated Lapses - Legislative	(3,028,105)	(3,028,105)
Total General Fund Lapses	(123,933,659)	(125,912,225)
Special Transportation Fund Lapses		
Estimated Unallocated Lapses	(11,000,000)	(11,000,000)
Total Special Transportation Fund Lapses	(11,000,000)	(11,000,000)
Banking Fund Lapses		
Statutory End Date for Foreclosure Mediation	-	(4,629,103)
Net Appropriations by Fund		
General Fund	20,110,642,569	20,888,532,175
Special Transportation Fund	1,256,781,141	1,323,975,987
Banking Fund	25,648,148	22,259,946
Insurance Fund	29,766,015	30,960,645
Consumer Counsel and Public Utility Control Fund	24,368,827	25,384,201
Workers' Compensation Fund	21,709,083	22,223,479
Mashantucket Pequot and Mohegan Fund	5,350,000	5,350,000
Soldiers, Sailors and Marines' Fund	-	-
Regional Market Operation Fund	921,680	941,498
Criminal Injuries Compensation Fund	3,380,286	2,787,016
TOTAL NET APPROPRIATIONS	21,478,567,749	22,322,414,947

SPENDING CAP

FY 14 & FY 15 Spending Cap - The Governor's FY 14 and FY 15 budget is under the spending cap by \$1.4 million in FY 14 and \$91 million in FY 15, assuming a deficiency appropriation in FY 13 and the implementation of certain proposed definitional changes to the spending cap. Without the definitional changes, the proposed budget would be over the spending cap by approximately \$465.7 million in FY 14 and \$690.8 million in FY 15.

FY 13 Spending Cap - The Governor's spending cap calculations assume a deficiency appropriation of \$192 million in FY 13, \$50 million of which is due to the federal government's rejection of a proposed Low Income Adult (LIA) asset test. The Governor's spending cap calculation treats this \$50 million as a "non-capped" federal mandate, which results in the proposed FY 13 budget being under the spending cap by \$0.2 million. However, it does not appear that this \$50 million meets the definition of an exempt federal mandate under CGS Sec. 2-33a, the spending cap statute. If this \$50 million is treated as general budget (i.e. "capped") expenditure, the proposed FY 13 budget is over the spending cap by approximately \$49.8 million.

Proposed Spending Cap Definitional Changes - The Governor's proposed biennial budget assumes the implementation of two definitional changes to the spending cap, and a one-time "re-basing" of the spending cap in FY 14 to account for appropriations related to GAAP. The two definitional changes are included in proposed legislation; there is no legislative language to allow for the one-time "re-basing."

The first definitional change would exempt first-year appropriations for any federal program in which the state participates and receives 100% federal reimbursement; amounts appropriated in subsequent years would not be considered exempt from the cap. This has the effect of exempting \$51.6 million and \$249.5 million from the spending cap in FY 14 and FY 15, respectively.

The second definitional change would treat appropriations related to the state's unfunded past service liability for the State Employee Retirement System (SERS) and the Teachers' Retirement System (TRS) as "non-capped" items, similar to the way debt service and statutory grants to distressed municipalities are treated currently. This has the effect of exempting \$349.7 million and \$91.2 million from the spending cap in FY 14 and FY 15, respectively.

GAAP Exemption - The Governor's spending cap calculation also includes a one-time exemption of \$85.7 million in FY 14 associated with appropriations necessary to implement GAAP. It is unclear under what authority this exemption is provided.

GAAP Implementation - Public Act 11-48 requires the Governor to submit a budget that adheres to Generally Accepted Accounting Principles (GAAP) beginning in FY 14. GAAP requires the state to budget for expenses when they are incurred rather than when bills are actually paid. The Governor's budget reflects this change in methodology by including \$55.9 million in FY 14 and \$76.7 million in FY 15.

Refinancing of ERNs and Issuance of Bonds to fund GAAP Deficit - The Governor proposes: (1) refinancing the remaining Economic Recovery Notes (ERNs)¹ to reduce the debt service impact in FY 14 and FY 15 and (2) financing the Generally Accepted Accounting Principles (GAAP) deficit² by issuing \$750 million in General Obligation bonds at a 3% interest rate for a term of 15 years. The comparison of the General Fund cost under current law and the Governor's proposal in the table below shows that refinancing the ERNs would decrease the debt service cost by \$150 million in each of FY 14 and FY 15 but would increase the total cost of the ERNs by \$31 million.

Issuing bonds to finance the GAAP deficit will: (1) reduce the General Fund cost by \$50 million in each of FY 14 and FY 15, but (2) will increase the annual cost for each fiscal year between FY 16 and FY 28 by \$22 million (a total increase of \$186 million).

Comparison of Cost of Refinancing ERNs and Issuing GAAP Bonds (in millions)

Fiscal Year	Current Law			Governor's Plan				Difference		
	Debt Service on ERNs	Funding for GAAP Payment	Total	New Debt Service on ERNs	Debt Service on GAAP bonds	Funding for GAAP Payment	Total	Debt Service	Funding for GAAP Payment	Total
14	208	80	288	58	-	30	88	(150)	(50)	(200)
15	208	80	288	58	-	30	88	(150)	(50)	(200)
16	208	80	288	169	72	30	271	33	(50)	(17)
17	-	80	80	185	72	30	287	257	(50)	207
18	-	80	80	185	72	30	287	257	(50)	207
19	-	80	80	-	72	30	102	72	(50)	22
20	-	80	80	-	72	30	102	72	(50)	22
21	-	80	80	-	72	30	102	72	(50)	22
22	-	80	80	-	72	30	102	72	(50)	22
23	-	80	80	-	72	30	102	72	(50)	22
24	-	80	80	-	72	30	102	72	(50)	22
25	-	80	80	-	72	30	102	72	(50)	22

¹The FY 09 deficit of \$947.6 million was financed through the November 2009 issuance of \$915.8 million in ERNs at an interest rate of 2.34% over a term of seven years.

²Public Act 11-48 requires that the cumulative GAAP deficit (\$1,197 million) be paid off in equal installments over a 15 year period beginning in FY 14.

Fiscal Year	Current Law			Governor's Plan				Difference		
	Debt Service on ERNs	Funding for GAAP Payment	Total	New Debt Service on ERNs	Debt Service on GAAP bonds	Funding for GAAP Payment	Total	Debt Service	Funding for GAAP Payment	Total
26	-	80	80	-	72	30	102	72	(50)	22
27	-	80	80	-	72	30	102	72	(50)	22
28	-	80	80	-	72	30	102	72	(50)	22
TOTAL	624	1,197	1,821	655	936	447	2,038	967	(750)	217

Agency Reorganization Savings - The Governor's FY 14 and FY 15 budget reorganizes nine state agencies and creates two new agencies thus reducing the total number of state agencies from 60 to 53 (a 11.7% reduction). It is estimated that the reorganization will save \$5.5 million in FY 14 and \$5.7 million in FY 15. See the table below for identified agency reorganization savings details.

Identified Agency Reorganization Savings

Items	FY 14 \$	FY 15 \$
Transfer Soldiers, Sailors and Marines' Fund to American Legion	3,072,475	3,128,585
Consolidation of Dept. of Construction Services	1,183,218	1,242,241
Reorganize Legislative Commissions into Single Agency	788,236	874,820
Reorganize Office of Governmental Accountability	186,794	198,170
Transfer Human Resources Function from DAS to OPM	292,587	301,365
TOTAL	5,523,310	5,745,181

The table on the following page reflects the transfers from agencies and new funding for the creation of a new Office of Early Childhood.

Transfers and New Funding Associated with the Office of Early Childhood

Agency	Account	FY 14		FY 15	
		Positions	Funding \$ ¹	Positions	Funding \$ ¹
Department of Public Health	Personal Services	-	-	40	2,170,721
	Other Expenses		-		106,000
Department of Social Services	Personal Services	2	217,644	9	868,809
	Other Expenses		14,000		63,000
	Children's Trust Fund		-		10,563,768
	Child Care Quality Enhancements		3,259,170		3,259,170
	Child Care Services - TANF/CCDBG		98,967,400		101,489,658
State Department of Education	Personal Services	6	829,700	6	866,750
	Other Expenses		42,000		42,000
	Early Childhood Program		6,748,000		6,761,000
	Community Plans for Early Childhood		427,500		427,500
	Improving Early Literacy		142,500		142,500
	Parent Trust Fund		475,000		475,000
	Childcare Services		18,400,000		18,400,000
	Head Start		2,610,000		2,610,000
	Head Start Enhancement		1,684,000		1,684,000
	Head Start Services Early Childhood Link		1,760,000		1,760,000
	Priority School District		74,800,000		74,300,000
	School Readiness Quality Enhancement		3,900,000		3,900,000
	Board of Regents	CT Charts A Course	5	473,657	5
Department of Developmental Services	Personal Services	-	-	7	655,914
	Other Expenses		-		49,000
	Early Intervention		-		37,286,804
Newly Established Positions and Funding		4	12,500,000	4	4,000,000
TOTAL		17	227,250,571	71	272,368,093

¹Amounts may be rounded.

The table below summarizes the new education funding included in the Governor’s FY 14 and FY 15 Budget.

Summary of Proposed Education Funding (in millions)

Item	FY 14 \$	FY 15 \$
Increase ECS ¹ funding - to be distributed to towns through the new ECS formula	50.8	101.5
Transfer to ECS to be distributed according to the FY 13 state-owned property PILOT grants	73.6	73.6
Magnet School enrollment increases	27.1	42.9
OPEN Choice enrollment increase	12.9	18.5
Talent Development ²	16.0	16.0
State charter schools (existing enrollment increase)	6.5	15.4
Commissioner’s Network	3.3	10.8
Create four new state charter schools	1.8	8.4
New or replicated schools (local charters)	0.1	0.7
Total	192.1	287.8

¹Education Cost Sharing

²Of this total, \$4 million in each year is carry forward funding.

Hospital Impact - Funding for hospitals is reduced by \$208.1 million in FY 14 and \$342.3 million in FY 15, as outlined in the table below. Approximately 94.2% of the total reduction amount in FY 14 and 57.3% in FY 15 is associated with annualizing FY 13 rescissions and deficit mitigation.

Governor’s Proposed Reductions to Hospitals

Item	FY 14	FY 15
Reduce Disproportionate Share Hospital (DSH) Funding	(120,819,082)	(120,819,082)
Eliminate DSH Balance	-	(134,243,423)
Reduce Enhanced Hospital Funding from User Fee Increase	(38,400,000)	(38,400,000)
Eliminate Enhanced Hospital Funding from User Fee	(12,000,000)	(12,000,000)
Eliminate ASO Transition Supplemental Payments	(23,460,000)	(23,460,000)
Annualize FY 13 Rescissions	(13,424,342)	(13,424,342)
TOTAL	(208,103,424)	(342,346,847)

The table on the following page provides a preliminary estimate of total reductions by hospital. Ultimately, the impact of the proposed changes is dependent on expenditure trends and final rate setting procedures.

Estimated Impact on Hospitals: Governor's Proposed Medicaid and DSH Reductions¹

Hospital	FY 13 Projected State Payments (Pre-DMP) \$	FY 13 Deficit Mitigation \$	% Reduction	FY 13 Projected State Payments (Post-DMP) \$	FY 14 Proposed Reductions \$	% Reduction from FY 13 (Post-DMP)	FY 15 Proposed Reductions \$	% Reduction from FY 13 (Post-DMP)
BACKUS	40,900,000	(3,791,596)	-9.3%	37,108,404	(7,347,751)	-19.8%	(12,715,829)	-34.3%
BRIDGEPORT	92,500,000	(3,185,992)	-3.4%	89,314,008	(8,805,564)	-9.9%	(13,679,962)	-15.3%
BRISTOL	23,400,000	(593,069)	-2.5%	22,806,932	(1,355,589)	-5.9%	(1,795,906)	-7.9%
CT CHILDRENS	87,800,000	(6,774,007)	-7.7%	81,025,993	(5,046,611)	-6.2%	(5,046,611)	-6.2%
DANBURY	54,700,000	(4,088,957)	-7.5%	50,611,043	(9,787,852)	-19.3%	(16,975,036)	-33.5%
DAY KIMBALL	21,100,000	(2,490,993)	-11.8%	18,609,007	(3,499,162)	-18.8%	(4,684,402)	-25.2%
DEMPSEY	49,600,000	(557,865)	-1.1%	49,042,135	(486,908)	-1.0%	(486,908)	-1.0%
GREENWICH	9,500,000	(959,680)	-10.1%	8,540,320	(2,172,021)	-25.4%	(3,935,897)	-46.1%
GRIFFIN	19,400,000	(863,368)	-4.5%	18,536,632	(2,297,908)	-12.4%	(3,673,154)	-19.8%
HARTFORD	140,600,000	(8,059,597)	-5.7%	132,540,403	(18,137,267)	-13.7%	(32,021,634)	-24.2%
HOSP. CENTRAL CT	76,100,000	(10,426,101)	-13.7%	65,673,899	(14,837,235)	-22.6%	(20,123,749)	-30.6%
HUNGERFORD	20,200,000	(1,847,958)	-9.1%	18,352,042	(3,096,025)	-16.9%	(4,863,603)	-26.5%
JOHNSON	8,300,000	(630,179)	-7.6%	7,669,821	(1,276,244)	-16.6%	(2,159,480)	-28.2%
LAWRENCE & MEM	47,400,000	(2,790,106)	-5.9%	44,609,894	(6,848,739)	-15.4%	(11,648,319)	-26.1%
MANCHESTER	28,800,000	(1,154,144)	-4.0%	27,645,856	(2,940,588)	-10.6%	(4,859,770)	-17.6%
MIDDLESEX	41,400,000	(3,336,544)	-8.1%	38,063,456	(6,495,519)	-17.1%	(11,379,863)	-29.9%
MIDSTATE	37,800,000	(3,181,777)	-8.4%	34,618,223	(5,102,626)	-14.7%	(7,280,914)	-21.0%
MILFORD	9,400,000	(1,702,889)	-18.1%	7,697,111	(2,974,160)	-38.6%	(5,167,918)	-67.1%
NEW MILFORD	8,000,000	(555,247)	-6.9%	7,444,753	(1,081,119)	-14.5%	(1,903,916)	-25.6%
NORWALK	47,200,000	(3,717,899)	-7.9%	43,482,101	(8,787,084)	-20.2%	(15,391,322)	-35.4%
ROCKVILLE	8,500,000	(328,173)	-3.9%	8,171,827	(877,192)	-10.7%	(1,397,632)	-17.1%
ST FRANCIS	118,000,000	(6,677,654)	-5.7%	111,322,346	(14,313,779)	-12.9%	(23,554,187)	-21.2%
ST MARYS	46,500,000	(3,642,048)	-7.8%	42,857,952	(6,499,101)	-15.2%	(9,568,983)	-22.3%
ST RAPHAEL	51,500,000	(4,149,915)	-8.1%	47,350,085	(9,574,285)	-20.2%	(14,834,863)	-31.3%
ST VINCENTS	69,300,000	(4,039,067)	-5.8%	65,260,933	(10,421,646)	-16.0%	(16,847,296)	-25.8%
SHARON	3,000,000	(411,098)	-13.7%	2,588,902	(866,351)	-33.5%	(1,661,374)	-64.2%
STAMFORD	50,400,000	(5,552,941)	-11.0%	44,847,059	(11,533,121)	-25.7%	(19,362,982)	-43.2%
WATERBURY	49,600,000	(1,337,479)	-2.7%	48,262,521	(4,147,077)	-8.6%	(5,916,115)	-12.3%
WINDHAM	19,100,000	(389,286)	-2.0%	18,710,714	(1,329,159)	-7.1%	(1,768,907)	-9.5%

Hospital	FY 13 Projected State Payments (Pre-DMP) \$	FY 13 Deficit Mitigation \$	% Reduction	FY 13 Projected State Payments (Post-DMP) \$	FY 14 Proposed Reductions \$	% Reduction from FY 13 (Post-DMP)	FY 15 Proposed Reductions \$	% Reduction from FY 13 (Post-DMP)
YALE NEW HAVEN	300,000,000	(16,486,080)	-5.5%	283,513,920	(35,405,741)	-12.5%	(66,880,316)	-23.6%
TOTAL	1,580,000,000	(103,721,709)	-6.6%	1,476,278,291	(207,343,424)	-14.0%	(341,586,847)	-23.1%

¹NOTES:

FY 14 and FY 15 expenditure base will be increased due to the expansion of Medicaid to low-income adults up to 133% FPL effective 1/1/14.

Includes DMHAS Expenditures for LIA Clients.

Does not reflect additional \$5 million for CCMC grant account in FY 14 and FY 15.

Does not reflect elimination of behavioral health incentive payments (\$760,000 in FY 14 and FY 15).

To comply with federal rules requiring states to have a DSH program, \$20 million will be transferred from the pool of dollars for supplemental inpatient payments to fund a DSH program within Medicaid. The change in distribution that will result is not reflected above.

Private Providers - The budget includes \$8.2 million to annualize the FY 13 private provider 1% COLA that was effective on January 1, 2013. No funding is provided in the Governor's Budget for additional COLAs in FY 14 or FY 15. The Governor's capital budget does include \$20 million in each year of the biennium for private provider capital improvements, technology and energy upgrades. The table below provides a ten-year history of private provider COLAs.

Private Provider COLA History

Fiscal Year	COLAs %
Gov's FY 14 - FY 15	0.0
FY 13	1.0
FY 09 - FY 12	0.0
FY 08	3.0
FY 07	2.0
FY 06	4.0
FY 05	1.5
FY 04	0.0
10 yr avg (FY 04-FY 13)	1.2
10 yr avg (FY 06-FY 15)	1.0

III. SIGNIFICANT CHANGES BY SUBCOMMITTEE & AGENCY

Description of Change	FY 14 \$	FY 15 \$
Legislative		
Commission on Aging (COA)		
Eliminate the COA.	(0.4)	(0.5)
Permanent Commission on the Status of Women (PCSW)		
Consolidate PCSW into the new Commission on Citizen Advocacy.	(0.6)	(0.6)
Commission on Children		
Consolidate the Commission on Children into the new Commission on Citizen Advocacy.	(0.7)	(0.7)
Commission on Latino and Puerto Rican Affairs (LPRAC)		
Consolidate LPRAC into the new Commission on Citizen Advocacy.	(0.5)	(0.5)
African-American Affairs Commission (AAAC)		
Consolidate AAAC into the new Commission on Citizen Advocacy.	(0.3)	(0.3)
Asian Pacific American Commission (APAC)		
Consolidate APAC into the new Commission on Citizen Advocacy.	(0.2)	(0.2)
Commission on Citizen Advocacy		
Create a new Commission on Citizen Advocacy by merging all legislative commissions except the COA, which is eliminated.	1.9	1.8
General Government A		
Lieutenant Governor's Office		
Eliminate the Office of Health Reform and Innovation (created under PA 11-58, AAC Healthcare Reform) and two positions. Transfer the remaining two positions and associated funding from this Office to the Personal Services account to support healthcare initiatives, including the state's Health Information Exchange.	(0.2)	(0.2)
Office of Governmental Accountability		
Create the Office of Hearings by transferring staff and associated funding from the Office of State Ethics, Freedom of Information Commission and State Elections Enforcement Commission.	-	-

Description of Change

FY 14 \$ FY 15 \$

General Government B

Department of Administrative Services (DAS)

Consolidate the Department of Construction Services (DCS) into DAS, State Department of Education and Board of Regents and eliminate 13 positions. This consolidation is anticipated to result in a savings of \$2.4 million (\$1.2 million in FY 14 and \$1.2 in FY 15).	9.2	9.6
Transfer Statewide Human Resources to the Office of Policy and Management.	(4.2)	(4.3)

Department of Revenue Services

Provide funding to implement a Tax Amnesty program in FY 14, which is projected to result in a revenue gain of \$25 million. Funding will be used for advertising consultants, media advertisements, temporary workers and technical upgrades.	1.8	-
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Office of Policy and Management

Reduce funding for Pequot grants.	(56.4)	(56.4)
Transfer funding for the State-Owned Property PILOT program to the Education Cost Sharing grant.	(73.7)	(73.7)
Establish Municipal Aid Adjustment Grant.	47.2	31.6
Transfer funding for Tax Relief for Elderly Renters to the Department of Housing.	(26.9)	(28.7)
Transfer funding for statewide human resources functions from the Department of Administrative Services to the Office of Policy and Management.	3.4	3.5
Reduce funding to reflect the elimination of five programs: Revenue Maximization, Main Street Investment Fund Administration, Regional Planning Grant-in-Aid, Focus Deterrence, Innovation Challenge Grant.	(2.1)	(2.2)
Reduce funding for vacancies.	(1.7)	(1.9)

State Comptroller - Fringe Benefits

Fully fund the annual required contribution to the State Employees Retirement System (SERS).	191.0	241.9
Transfer Fringe Benefits for the Higher Education Units.	(337.5)	(360.1)
Fund UConn Health Center fringe benefit cost differential pursuant to PA 12-1 JSS.	13.5	13.5
Provide funding to the state employee and retiree health accounts for Transitional Reinsurance and Patient-Centered Outcomes Research Institute fees associated with the implementation of the Patient Protection and Affordable Care Act.	6.7	13.4

Description of Change

FY 14 \$ FY 15 \$

State Comptroller - Fringe Benefits (continued)

Adjust fringe benefits for enhancements to UConn - Stamford and Storrs.	-	5.6
Reduce state employee and retiree pharmacy costs.	(10.0)	(10.0)

State Comptroller - Miscellaneous

Provide funding to support the amortization of the GAAP deficit over 15 years.	29.8	29.8
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Regulation and Protection

Commission on Human Rights and Opportunities (CHRO)

Consolidate the affirmative action planning functions currently housed in several agencies into CHRO. This transfer shifts nine total positions from seven agencies into CHRO. There is no net increase or decrease to the statewide budget as a result of this transfer.	0.6	0.7
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Department of Emergency Services and Public Protection

Continue the consolidation of dispatch operations in the Central Region. The dispatch consolidation program began in FY 12.	(0.3)	(0.3)
Reduce overtime at the Division of Scientific Services using new staff hired at the State Crime Lab through funding initially provided in FY 13.	(0.5)	(0.5)

Office of the Healthcare Advocate

Eliminate funding for Enhanced Medicaid Recoveries Unit.	(0.5)	(0.5)
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Conservation and Development

Council on Environmental Quality

Consolidate CEQ into the Office of Governmental Accountability (OGA).	(0.2)	(0.2)
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Department of Economic and Community Development

Transfer housing programs to the Department of Housing.	(18.4)	(20.4)
Increase funding for Statewide Marketing initiatives to the FY 12 appropriation level.	3.5	3.5
Eliminate funding for Tourism Districts.	(1.6)	(1.6)
Eliminate funding for Main Street Initiatives, Nanotechnology Study, and Small Business Innovation Research.	(0.4)	(0.4)

Description of Change

FY 14 \$ FY 15 \$

Department of Energy and Environmental Protection

Transfer care and control of five CRRA post-closure landfills to the state for testing and maintenance. The state will receive a one-time transfer of \$30 million from CRRA as a result of assuming care and control of these five landfills.	1.1	1.1
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Department of Housing

Consolidate housing programs from various state agencies into the Department of Housing.	103.0	110.0
Suspend funding for the Tax Abatement and Payment-in-Lieu-of-Taxes (PILOT) program.	(3.3)	(3.3)
Freeze intake into Renters' Rebate Program.	(2.0)	(3.8)
Establish 100 new units of supportive housing effective January 1, 2015.	-	0.5

Department of Labor

Reduce funding to reflect the elimination of STRIDE, STRIVE, and Incumbent Worker Training.	(1.3)	(1.4)
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Health and Hospitals

Department of Developmental Services (DDS0)

Provide funding for discretionary caseload growth and prior year annualization. These funds will support day programs for 407 high school graduates and those aging out of services provided by the Department of Children and Families (DCF), as well as 136 residential placements into residential services provided under DDS adult service system in FY 14. In FY 15 funding supports an additional 345 individuals in day programs and 138 residential placements. Funding also supports six forensic (court involved) placements in FY 14 and FY 15 and the 25 Voluntary Services transfers from DCF in FY 14.	29.6	30.1
Annualize FY 13 rescissions and deficit mitigation plan funding reductions.	(18.8)	(18.8)
Transfer the Birth to Three Program to the Office of Early Childhood in FY 15.		(37.3)
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 three public group homes.	(1.3)	(2.8)
Savings due to increased auditing efforts. These audits will be undertaken to ensure family grant and individual budget payments are appropriate.	(2.9)	(2.9)

Description of Change

FY 14 \$ FY 15 \$

Department of Mental Health and Addiction Services

Provide funding for caseload growth for various programs including Young Adult Services, Acquired/Traumatic Brain Injury, Home and Community-Based Services, Discharge and Diversion, and Low-Income Adults.	26.9	23.1
Establish Health Homes to improve coordination of behavioral and physical healthcare for the DMHAS population.	10.0	10.0
Provide support services for 100 units of supportive housing expected in January 2015.	-	0.5
Reflect savings associated the Affordable Care Act in various DMHAS grant accounts.	(21.1)	(42.1)

Department of Public Health

Eliminate annualized funding for 20 new or expanded School Based Health Centers for which funds were originally appropriated in PA 12-104, the FY 13 revised budget act.	(2.7)	(2.7)
Funding and 40 positions related to child day care regulation and responsibility for administering the federal Affordable Care Act Maternal and Infant Home Visitation program are transferred in FY 15 to the Office of Early Childhood.	-	(2.3)

Transportation

Department of Transportation

Reduce funding by \$30 million in FY 14 and FY 15 to reflect the bonding of Town Aid Road. The bonding amount is proposed at \$60 million in each fiscal year.	(30.0)	(30.0)
Reduce funding to reflect the bonding of Pay-As-You-Go transportation projects.	(19.7)	(19.9)
Reduce the Bus Subsidy account due to the increase in bus fares from \$1.25 to \$1.50.	(4.1)	(8.1)
Eliminate the Transit Improvement Program.	(1.9)	(1.9)
Eliminate the Non-ADA Dial-A-Ride Program.	(0.6)	(0.6)

Human Services

Bureau of Rehabilitation Services

Eliminate state funding for Independent Living Centers.	(0.5)	(0.5)
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Department of Children and Families

Eliminate private residential treatment rate increases as determined under the single cost accounting system and eliminate inflationary rate increases for out-of-state facilities.	(4.7)	(7.6)
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Description of Change

FY 14 \$ FY 15 \$

Department of Children and Families (continued)

Annualize the FY 13 Deficit Mitigation Plan reduction of therapeutic group home capacity by eliminating funding for four therapeutic group homes as more children are being served in their communities.	(4.1)	(4.1)
Annualize FY 13 rescissions across various accounts.	(2.1)	(2.1)
Eliminate funding for 30 vacant positions to reflect reduce agency caseloads as a result of Differential Response System implementation.	(2.0)	(2.0)
Reduce Personal Services account funding to reflect net savings from the establishment of an internal audit unit with the addition of three Associate Fiscal/ Administrative Officers to oversee overtime utilization.	(1.1)	(1.2)

Department of Social Services

Reduce funding for hospitals.	(194.7)	(328.9)
Remove nursing home and ICF/MR statutory rate increases.	(54.8)	(83.8)
Reduce nursing home rates.	(12.2)	(16.3)
Reflect savings associated with fraud reduction efforts.	(60.0)	(60.0)
Transition coverage for certain HUSKY A adults to the Exchange.	(5.6)	(58.8)
Reduce pharmacy funding to reflect savings associated with Step Therapy.	(11.8)	(15.8)
Reduce dispensing fees.	(5.0)	(5.2)
Reduce payments to independent pharmacies.	(1.1)	(1.1)
Provide Medical Interpreter Services under Medicaid through the ASO.	(7.5)	(8.2)
Restructure behavioral health reimbursement.	(4.1)	(5.1)
Restructure Non-Emergency Medical Transportation.	(5.4)	(5.4)
Increase unearned income disregard for Aged, Blind, and Disabled.	(0.8)	(1.6)
Reduce Children's Trust Fund (retain Nurturing Families and Help Me Grow).	(2.0)	(2.0)
Reduce funding for Healthy Start.	(0.9)	(0.9)
Eliminate funding for Transportation Services.	(3.2)	(3.2)

State Department on Aging

Operationalize Department by transferring certain functions from the Department of Social Services.	8.9	9.0
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Soldiers', Sailors' and Marines' Fund

Transfer the investment, management and expenditure responsibility of the fund to the American Legion.	(3.1)	(3.1)
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Description of Change

FY 14 \$ FY 15 \$

Higher Education

Board of Regents for Higher Education

Reallocate fringe benefits from State Comptroller.	167.8	176.8
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Office of Higher Education

Establish one account for student financial aid, which is titled the Governor's Scholarship Program. This new account combines the Capitol Scholarship program, Connecticut Independent College Student grant, Connecticut Aid for Public College Students grant, and the Connecticut Aid to Charter Oak Students grant. Additionally, student financial aid is reduced by approximately 10%.	(4.0)	(4.0)
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University of Connecticut

Reallocate fringe benefits from State Comptroller.	97.2	107.7
Provide funding for Next Generation Connecticut.	-	17.4

UConn Health Center

Provide Operating Support for Bioscience Initiative.	11.9	16.6
Annualize deficit mitigation plan.	(4.1)	(4.1)
Reduce Operating Fund support.	(1.5)	(1.5)
Reallocate fringe benefits from State Comptroller.	71.6	74.6

Elementary and Secondary Education

Department of Education

Increase Education Cost Sharing (ECS) funding to be distributed to towns based on the phase in of the formula adopted by the ECS Taskforce.	50.8	101.5
Reallocate State Owned Pilot program to ECS and distribute funds according to the PILOT grants received in FY 13.	73.6	73.6
Re-Open JM Wright Technical School.	1.3	4.1
Provide additional funding for 500 charter school seats in FY 14 and an addition 500 in FY 15.	6.5	11.7
Increase charter school per pupil reimbursement amount, pursuant to Section 29 of PA 12-116.	3.5	7.5
Provide 1,300 new OPEN Choice seats over the biennium.	13.0	19.0
Provide 10,400 new magnet school seats over the biennium.	27.1	42.9

Description of Change**FY 14 \$ FY 15 \$**

Department of Education (continued)		
Funding for Neighborhood Youth Centers is eliminated	(1.3)	(1.3)
Increase funding for Commissioner's Network to expand the program to include 17 schools.	3.3	10.8
Provide funding for talent development (additionally \$4 million is carried forward in each year for purposes of talent development).	12.0	12.0
Eliminate non-Sheff Interdistrict Grants.	(4.8)	(4.8)
Eliminate funding for the Afterschool program.	(4.0)	(4.0)
Extend the cap on various statutory formula grants.	(102.8)	(114.6)

Teachers' Retirement Board

Fully fund the annual required contribution to the Teachers' Retirement System.	161.0	196.6
Eliminate funding for state share of Teachers' Retirement Board sponsored basic retiree health plan.	(25.2)	(31.0)
Eliminate funding for state share of the Municipal Subsidy for retirees in local board of education health plans.	(7.3)	(7.3)

Judicial and Corrections**Department of Correction**

Manage attendance policies to reduce overtime	(2.5)	(2.5)
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Judicial Department

Increase judges' salaries by 5.3% annually in FY 14 - FY 17.	1.8	3.7
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IV. SIGNIFICANT REVENUE CHANGES

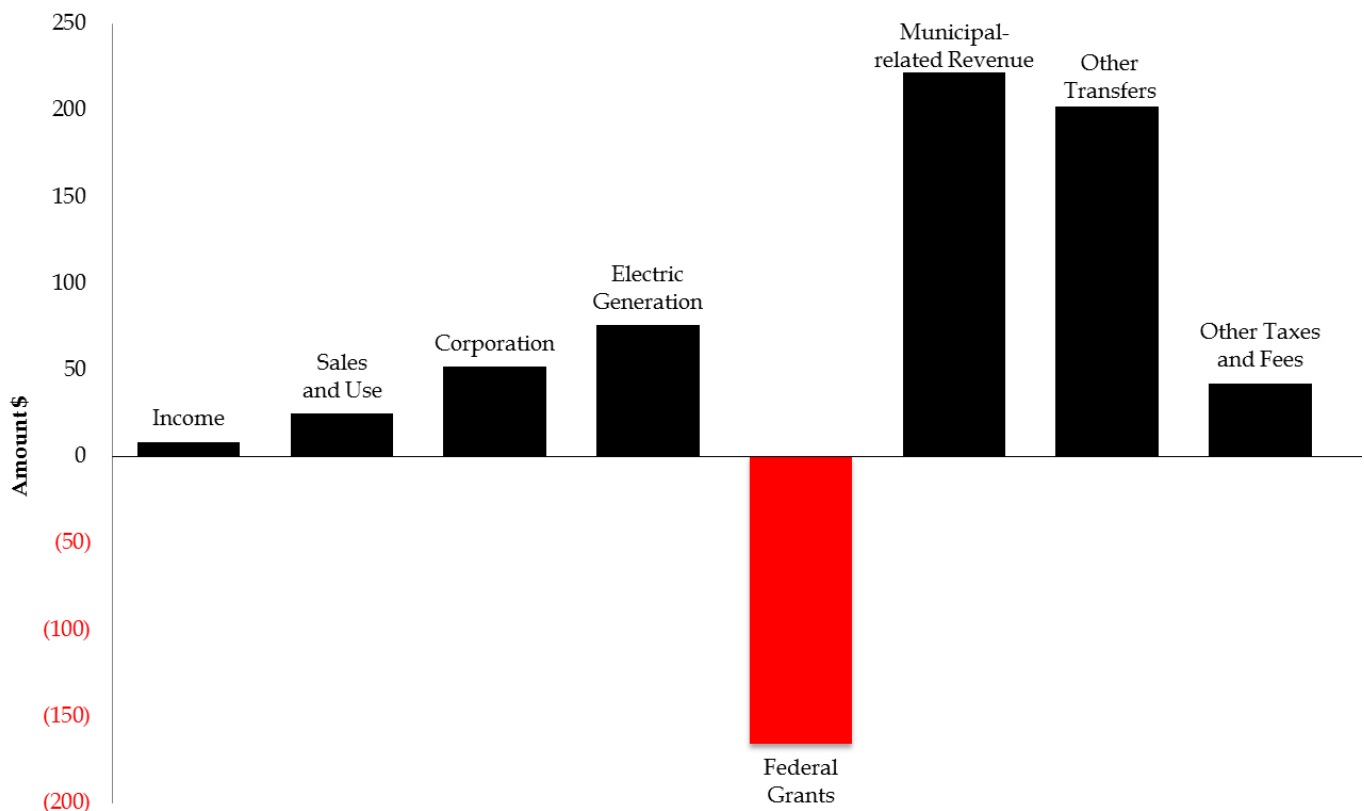
The Governor’s budget raises additional General Fund revenue of \$462 million in FY 14 and \$123 million in FY 15 on a net basis. This net new revenue consists of \$296.1 million in FY 14 and \$261.7 million in FY 15 from taxes and fees, \$489.8 million in FY 14 and \$299.4 million in FY 15 from revenue transfers, and a revenue loss of \$165.9 million in FY 14 and \$280.8 million in FY 15 associated with changes in federally-reimbursed expenditures. The chart below illustrates these revenue changes by source.

Please note that the revenue figures presented here reflect the Governor’s estimates.

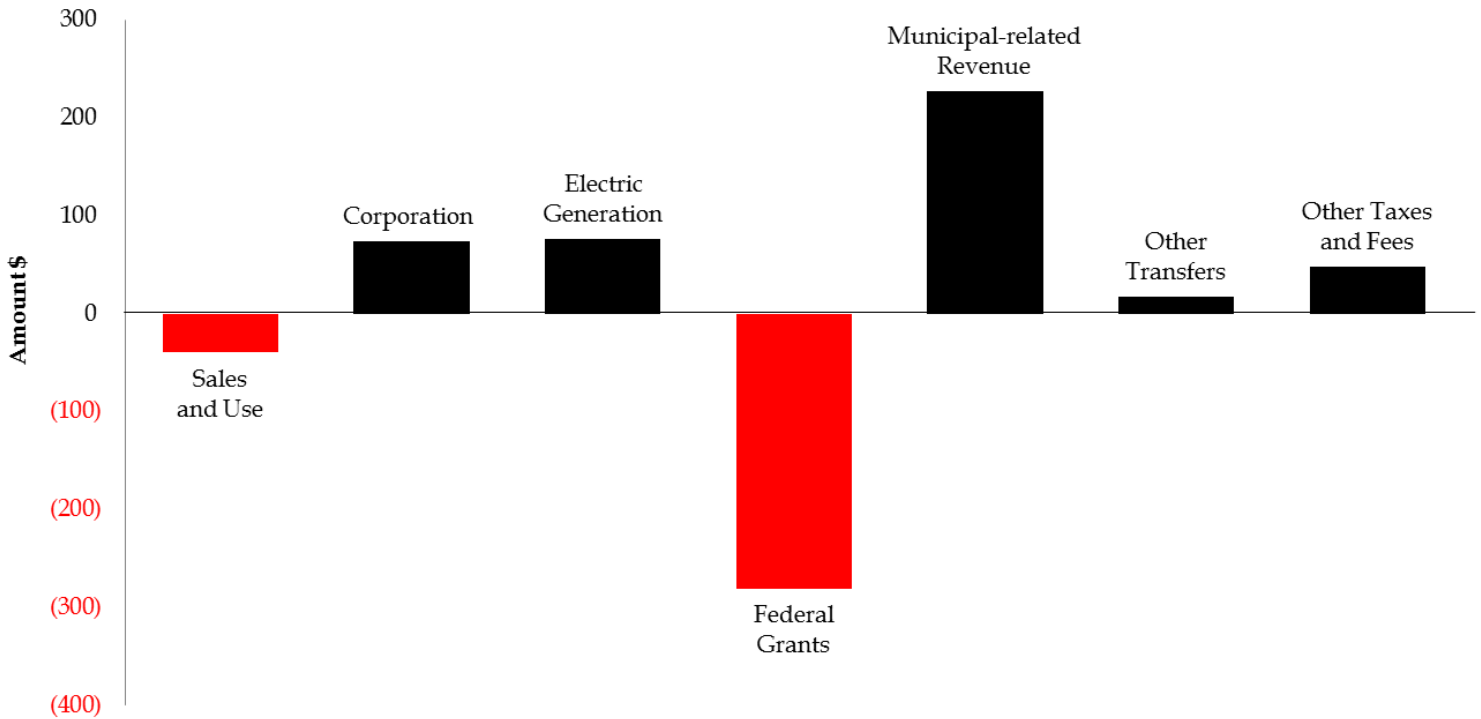
FY 14 & FY 15 Revenue Proposals (in millions)

Item	FY 14 \$	FY 15 \$
Income	8.5	-
Sales and Use	25.1	(39.4)
Corporation	51.9	74.0
Electric Generation	76.0	76.0
Federal Grants	(165.9)	(280.8)
Municipal-related Revenue	222.0	227.5
Other Transfers	202.2	17.5
Other Taxes and Fees	42.2	48.2
TOTAL	462.0	123.0

FY 14 General Fund Revenue Changes (in millions)



FY 15 General Fund Revenue Changes (in millions)



Significant General Fund Revenue by Topic

Description of Change	FY 14 \$	FY 15 \$
Extend Sunsetting Revenue Provisions		
Extend the Electric Generation Tax, 20% Corporation Tax surcharge, and Insurance Premiums Tax Credit cap for the biennium, all of which are set to expire under current law. It should be noted that the Governor's budget proposal assumes additional revenue in the Electric Generation Tax from implementing a definitional change to the statute.	139.4	169.0
Eliminate Transfer to the Municipal Revenue Sharing Account		
Eliminate the diversion of certain tax revenue to the Municipal Revenue Sharing Account (MRSA). The MRSA was created in PA 11-6, the biennial budget act, to divert certain Sales Tax and Real Estate Conveyance Tax revenue to a designated account to provide funding to municipalities.	92.4	97.9
Implement Tax Amnesty Program		
Implement a Tax Amnesty program targeting non-filing and under-reporting taxpayers. Funding of \$1.8 million is provided to the Department of Revenue Services to implement this program. The state last offered a Tax Amnesty program in 2009, which resulted in a one-time revenue gain of \$25 million.	25.0	-

Description of Change	FY 14 \$	FY 15 \$
Amazon Sales Tax Collection		
In conjunction with the construction of a distribution facility in Connecticut, Amazon.com Incorporated has committed to begin collecting sales tax on internet sales through the company website. PA 11-6, the biennial budget act, requires certain remote sellers who have no physical presence in Connecticut to collect tax on taxable sales in the state.	15.0	15.0
Restore Sales Tax Exemption on Clothing		
Phase in a sales tax exemption on clothing and footwear under \$25 in FY 15 and increase the exemption to \$50 in FY 16. Prior to FY 12, clothing and footwear under \$50 was exempted from sales tax. PA 11-6, the biennial budget act, eliminated this exemption.	-	(55.5)
Eliminate Minimum Bottle Pricing		
Eliminate minimum pricing on alcoholic beverages, resulting in a projected revenue gain of \$2.6 million annually (\$1.5 million from the Alcoholic Beverages Tax and \$1.1 from the Sales Tax).	2.6	2.6
Implement Car Tax Exemption		
Implement a \$20,000 exemption from the car tax, which will result in certain income tax filers no longer being eligible for a property tax credit.	-	21.0
Incentivize Natural Gas Conversion		
Establish a \$500 incentive payment for the conversion by certain consumers to natural gas, resulting in a revenue loss to the Public Service Companies tax beginning in FY 15.	-	(5.0)
Reduce Earned Income Tax Credit		
Temporarily reduce the state Earned Income Tax Credit amount to 25% and 27.5% of the federal amount in FY 14 and FY 15, respectively. The credit amount would return to the current 30% level in FY 16.	21.1	11.0
Implement a Standard-Offer Auction		
Auction the right to provide standard offer pricing to approximately 800,000 electric ratepayers, resulting in a projected one-time revenue gain of \$80 million in FY 14.	80.0	-
Transfer Revenue from Connecticut Resources Recovery Authority		
Transfer care and control of five CRRA post-closure landfills to the state for testing and maintenance, as well as \$30.0 million in associated revenue.	30.0	-
Revise Amount Transferred Between General Fund and Special Transportation Fund		
Transfer funding between the General Fund (GF) and Special Transportation Fund (STF), resulting in a net revenue gain of \$74.8 million to the GF in FY 14 only. This consists of an increase in the amount of Petroleum Products Gross Earnings Tax (PGET) revenue that is transferred from the GF, which is more than offset by a \$232.8 million transfer to the GF. In FY 15, a revenue neutral transfer of \$152.3 million in PGET revenue from the GF is offset by a commensurate transfer to the GF.	74.8	-

Description of Change	FY 14 \$	FY 15 \$
Reduce Mashantucket Pequot and Mohegan Fund Transfer		
Reduce, from \$135 million to \$5.4 million, the amount of General Fund revenue transferred to the Mashantucket Pequot and Mohegan Fund.	129.6	129.6
Transfer Funding from the Public, Education, and Governmental Account		
Funding of \$3.4 million in FY 14 and \$3.5 million in FY 15 is transferred from the non-appropriated Public, Education, and Governmental Account to the General Fund.	3.4	3.5
Divert Certain Amounts to the General Fund		
Divert \$10 million of Stem Cell and \$4 million of Biomedical Trust Fund revenue to the General Fund.	14.0	14.0
Impact of Federally-Reimbursed Expenditures		
Changes in certain federally-reimbursed expenditures result in a net revenue loss of \$165.9 million in FY 14 and \$280.8 million in FY 15.	(165.9)	(280.8)

V. SPECIAL TRANSPORTATION FUND

Solving the STF Deficit (in millions)

	FY 14 \$	FY 15 \$
Problem: Current Services Budget		
Revenue	1,336.6	1,342.9
Expenditure	<u>1,325.5</u>	<u>1,397.9</u>
Beginning Balance	11.1	(55.0)
Solution: Revenue, Reductions, Savings		
Revenue Changes	(74.7)	0.1
Net Expenditure Changes	<u>(68.7)</u>	<u>(73.9)</u>
Total Changes	(6.0)	74.0
AVAILABLE BALANCE	5.1	19.0

The Governor's budget increases the annual transfer from the Oil Companies Tax by \$158.0 million in FY 14 and \$152.3 million in FY 15. The budget also reduces expenditures in FY 14 by \$68.7 million and \$73.9 million in FY 15 by bonding Town Aid Road and the Pay-As-You-Go Transportation Projects, and reducing and eliminating various accounts in the Department of Transportation.

Impact to STF Transfer Changes (in millions)

Revenue Proposal Item	FY 14 \$	FY 15 \$
Oil Companies Tax Transfer	158.0	152.3
Transfers To/From General Fund	(232.8)	(152.3)
Increase Outdoor Advertising Fee	0.01	0.01
TOTAL	(74.7)	0.1

Significant STF Changes (in millions)

Item	FY 14 \$	FY 15 \$
Bond Town Aid Road. The Governor's bond package includes \$60 million for grants.	(30.0)	(30.0)
Bond Pay-As-You-Go Transportation Projects	(19.7)	(19.9)
Increase Bus and Rail Operations	13.3	25.2
Reduce the Bus Subsidy account due to the increase in bus fares from \$1.25 to \$1.50	(4.1)	(8.1)
Eliminate the Transit Improvement Program	(1.9)	(1.9)
Eliminate the Non-ADA Dial-A-Ride Program	(0.6)	(0.6)
Employee Wage Increases	17.3	28.5
Debt Service	33.2	52.6

VI. SIGNIFICANT 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 (in millions)

New Bond Authorizations	FY 14 \$	FY 15 \$
General Obligation (GO) bonds	1,500.1	1,607.8
Additional UConn Infrastructure	6.4	107.0
Special Tax Obligation (STO) bonds	706.5	588.8
Clean Water Fund (CWF) Revenue bonds	380.4	332.0

The proposed budget provides new or increased funding for a variety of projects and programs, including: (1) \$20 million in each year for infrastructure improvements grants-in-aid to private, nonprofit health and human service providers, (2) \$86.4 million in each year for the Local Capital Improvement Program (LoCIP), (3) \$10 million in each year for the Bioscience Innovation Fund, (4) \$50 million in each year for the Small Business Express Loan Program, (5) \$50 million in FY 14 and \$25 million in FY 15 for state information technology infrastructure improvements and (6) \$70 million in each year for housing development and rehabilitation projects.

The table below shows the actual level of bond authorizations from FY 04 to FY 13 and the proposed level of authorizations for FY 14 and FY 15 in the Governor’s capital budget.

General Obligation Bond Authorizations (in millions)

Fiscal Year	Legislative Session	Total Authorizations	Gross Tax Supported	Clean Water Revenue Bonds	Cancellations	Net
04	02/03/04	1,246.1	1,246.1	-	-	1,246.1
05	2004	1,304.2	1,304.2	-	(200.3)	1,103.9
06	2005	1,319.5	1,319.5	-	(41.2)	1,278.2
07	2005	1,513.7	1,413.7	100.0	-	1,513.7
08	2007	2,224.2	1,989.2	235.0	(206.9)	2,017.3
09	2007	1,767.9	1,587.9	180.0	-	1,767.9
10	2009	1,245.4	1,165.4	80.0	-	1,245.4
11	2009/10	1,255.5	1,135.5	120.0	(441.9)	813.6
12	2011	1,958.2	1,724.8	233.4	(2.8)	1,955.4
13	2011/12	2,902.7	2,664.3	238.4	(22.3)	2,880.4
14 proposed	2013	2,283.6	1,903.2	380.4	-	2,283.6
15 proposed	2013	2,408.9	2,076.9	332.0	-	2,408.9

VII. MUNICIPAL AID AND REVENUES

The Governor's FY 14 and FY 15 budget funding for statutory and major municipal grants is shown in the following table. FY 14 funding is approximately 2% higher than FY 13 estimated expenditures. FY 15 funding is 2% higher than FY 14 recommended funding.

However, the Governor's proposal also allows an exemption from the motor vehicle tax on the first \$20,000 of the assessed value of motor vehicles. The fiscal impact of this, a revenue loss to municipalities of between \$550 million and \$600 million, is anticipated to occur in FY 15 (see below for details). When this is factored into the table below, municipal aid drops by approximately 15.5% from FY 14 to FY 15.

Summary of Major Municipal Changes

Grant	FY 13 Estimated \$	FY 14 \$	% Change Over FY 13	FY 15 \$	% Change Over FY 14
PILOT - State Property	73,641,646	-	-100%	-	NA
PILOT - Colleges & Hospitals	115,431,737	115,431,737	-	115,431,737	-
Mashantucket Pequot and Mohegan Fund	61,779,907	5,350,000	-91%	5,350,000	-
Reimbursement Property Tax - Disability Exemption	400,000	400,000	-	400,000	-
Distressed Municipalities	5,800,000	5,800,000	-	5,800,000	-
Property Tax Relief Elderly Circuit Breaker	20,505,900	20,505,900	-	20,505,900	-
Property Tax Relief Elderly Freeze Program	390,000	235,000	-40%	235,000	-
Property Tax Relief for Veterans	2,970,098	2,970,098	-	2,970,098	-
Municipal Aid Adjustment	-	47,221,132	NA	31,559,234	-33%
Local Capital Improvement Program ¹	30,000,000	86,429,901	188%	86,429,901	-
Tax Abatement	1,704,890	-	-100%	-	NA
PILOT - Housing	2,196,325	-	-100%	-	NA
Local and District Departments of Health	4,662,487	4,676,836	-	4,676,836	-
Town Aid Road Grants ¹	30,000,000	60,000,000	100%	60,000,000	-
Vocational Agriculture	6,485,565	6,485,565	-	6,485,565	-
Public School Transportation	24,884,748	5,000,000	-80%	5,000,000	-
Adult Education	21,025,690	21,033,915	-	21,045,036	-
Health and Welfare Services Pupils Private Schools	4,297,500	4,297,500	-	4,297,500	-
Education Equalization Grants (ECS) ²	2,007,594,057	2,140,230,922	7%	2,206,532,648	3%
Bilingual Education	1,916,130	1,916,130	-	1,916,130	-
Priority School Districts	121,875,581	46,057,206	-62%	45,577,022	-1%
School Breakfast Program	2,220,303	2,300,041	4%	2,379,962	3%

Grant	FY 13 Estimated \$	FY 14 \$	% Change Over FY 13	FY 15 \$	% Change Over FY 14
Excess Cost - Student Based	139,805,731	139,805,731	-	139,805,731	-
Non-Public School Transportation	3,595,500	3,595,500	-	3,595,500	-
Youth Service Bureaus	2,989,268	2,989,268	-	2,989,268	-
OPEN Choice Program	22,090,956	35,018,594	59%	40,616,736	16%
Magnet Schools	242,361,711	270,449,020	12%	286,250,025	6%
Municipal Revenue Sharing Account	94,100,000	-	-100%	-	NA
School-Based Health Clinics	11,543,438	9,973,797	-14%	9,815,050	-2%
Interdistrict Cooperation	10,131,935	4,346,369	-57%	4,350,379	-
Regional Performance Incentive Account	8,900,000	9,200,000	3%	9,200,000	-
Child Day Care	18,419,752	18,419,752	-	18,419,752	-
School-Based Child Health	4,500,000	4,900,000	9%	5,400,000	10%
Early Childhood	6,000,000	6,700,000	12%	6,800,000	1%
School Readiness	-	74,800,000	NA	74,800,000	-
TOTAL	3,104,220,855	3,156,539,914	2%	3,228,635,010	2%

¹Bond Funds.

²This includes charter school funding in all three years and PILOT-State Property grant funding in FY 14 and FY 15.

MAJOR CHANGES TO MUNICIPAL AID

Education Cost Sharing and the State-Owned Property PILOT - The Governor provides \$50.8 million in FY 14 and \$101.5 million in FY 15 in new funding to the Education Cost Sharing (ECS) grant distributed through a revised formula. In addition, \$73.6 million in FY 14 and FY 15 is transferred from the State-Owned Property PILOT grant to the ECS account. This is distributed based on the PILOT grant amount received in FY 13 and not through the ECS formula. The PILOT distribution does not impact the town's minimum budget requirement (MBR).

Mashantucket Pequot/Mohegan Grant and the Local Capital Improvement Program - Approximately \$61.8 million is available in the Pequot fund for grants in FY 13. Available funding for these grants is reduced to \$5.35 million in each of FY 15 and FY 15, which will be provided to:

- The five municipalities near the casinos (Ledyard, Montville, North Stonington, Norwich and Preston).
- Municipalities in the Southeastern Connecticut Regional Council of Governments.
- Distressed Municipalities in either the Northeastern Connecticut or Windham Regional Councils of Government.

An additional \$56.4 million is provided to the Local Capital Improvement Program to be distributed to towns who will not receive Pequot grants under this proposal.

Other Changes to Municipal Aid

- Funding of \$47.2 million in FY 14 and \$31.6 million in FY 15 is provided for a new grant called the Municipal Aid Adjustment Grant.
- Funding for Town Aid Road is increased to \$60 million in both FY 14 and FY 15 and will be bond funded in both years.
- The Public School Transportation Grant would be eliminated and replaced with an incentive program that distributes \$5 million to districts that have regional transportation plans and apply for funding.
- The Municipal Revenue Sharing Account is being eliminated. Approximately \$94.1 million will be paid from this account in FY 13.

Major Changes to Motor Vehicle Property Taxes - The proposed budget exempts the first \$20,000 of a motor vehicle's assessed value from property taxes. The proposal affects all motor vehicles except for rentals. Beginning July 1, 2013, municipalities would have the option of enacting the exemption. Beginning July 1, 2014, towns would be required to implement the exemption.

This exemption is estimated to result in lost revenue of between \$550 million and \$600 million to municipalities as the exemption is optional in FY 14. It is anticipated that this revenue loss would not be fully realized until FY 15.

APPENDIX A

Authorized Positions (by agency - all appropriated funds)

Fund/Agency	Authorized FY 13	Governor Recommended FY 14	Governor Recommended FY 15	Changes from FY 13	Changes from FY 14
General Fund					
Legislative Management	439	439	439	-	-
Auditors of Public Accounts	117	117	117	-	-
Commission on Aging	4	4	4	-	-
Permanent Commission on the Status of Women	6	6	6	-	-
Commission on Children	7	7	7	-	-
Latino and Puerto Rican Affairs Commission	3	4	4	1	-
African-American Affairs Commission	2	3	3	1	-
Asian Pacific American Affairs Commission	2	2	2	-	-
Governor's Office	27	27	27	-	-
Secretary of the State	85	84	84	(1)	-
Lieutenant Governor's Office	9	7	7	(2)	-
Office of Governmental Accountability	86	88	88	2	-
State Treasurer	48	48	48	-	-
State Comptroller	273	273	273	-	-
Department of Revenue Services	670	664	664	(6)	-
Office of Policy and Management	146	160	160	14	-
Department of Administrative Services	540	611	611	71	-
Department of Construction Services	94	-	-	(94)	-
Attorney General	298	298	298	-	-
Department of Emergency Services and Public Protection	1,670	1,670	1,670	-	-
Military Department	42	42	42	-	-
Department of Consumer Protection	230	232	232	2	-
Commission on Human Rights and Opportunities	74	83	83	9	-
Office of Protection and Advocacy for Persons with Disabilities	31	31	31	-	-
Labor Department	213	185	185	(28)	-
Department of Agriculture	48	49	49	1	-
Department of Energy and Environmental Protection	669	669	669	-	-

Fund/Agency	Authorized FY 13	Governor Recommended FY 14	Governor Recommended FY 15	Changes from FY 13	Changes from FY 14
Council on Environmental Quality	2	-	-	(2)	-
Department of Economic and Community Development	103	89	89	(14)	-
Department of Housing	2	15	15	13	-
Agricultural Experiment Station	69	69	69	-	-
Department of Veterans' Affairs	253	248	248	(5)	-
Department of Public Health	506	512	472	6	(40)
Office of the Chief Medical Examiner	53	53	53	-	-
Department of Developmental Services	3,322	3,325	3,320	3	(5)
Department of Mental Health and Addiction Services	3,264	3,312	3,312	48	-
Psychiatric Security Review Board	3	3	3	-	-
Department of Motor Vehicles	3	-	-	(3)	-
Department of Social Services	1,883	1,842	1,835	(41)	(7)
State Department on Aging	2	28	28	26	-
Bureau of Rehabilitative Services	109	112	112	3	-
Office of Early Childhood		17	71	17	54
Department of Children and Families	3,247	3,211	3,207	(36)	(4)
Department of Education	1,680	1,688	1,717	8	29
State Library	55	55	55	-	-
Teachers' Retirement Board	27	27	27	-	-
Office of Higher Education	15	21	21	6	-
University of Connecticut	2,931	2,347	2,413	(584)	66
University of Connecticut Health Center	1,661	1,680	1,698	19	18
Board of Regents for Higher Education	4,528	4,533	4,548	5	15
Division of Criminal Justice	483	482	482	(1)	-
Department of Correction	6,348	6,347	6,347	(1)	-
Judicial Department	4,304	4,307	4,307	3	-
Public Defender Services Commission	445	445	445	-	-
General Fund Total	41,131	40,571	40,697	(560)	126
Transportation Fund					
State Treasurer	1	-	-	(1)	-
Department of Motor Vehicles	572	577	578	5	1
Department of Transportation	2,976	3,085	3,085	109	-
Bureau of Rehabilitative Services	3	-	-	(3)	-
Transportation Fund Total	3,552	3,662	3,663	110	1
Banking Fund					

Fund/Agency	Authorized FY 13	Governor Recommended FY 14	Governor Recommended FY 15	Changes from FY 13	Changes from FY 14
Department of Banking	118	115	115	(3)	-
Judicial Department	51	51	51	-	-
Banking Fund Total	169	166	166	(3)	-
Insurance Fund					
Office of Policy and Management	2	2	2	-	-
Insurance Department	159	159	159	-	-
Office of the Healthcare Advocate	18	13	13	(5)	-
Insurance Fund Total	179	174	174	(5)	-
Consumer Counsel & Public Utility Control Fund (CC&PUC)					
Office of Consumer Counsel	17	13	13	(4)	-
Department of Energy and Environmental Protection	125	127	127	2	-
CC&PUC Fund Total	142	140	140	(2)	-
Workers' Compensation Fund					
Workers' Compensation Commission	117	112	112	(5)	-
Bureau of Rehabilitative Services	6	6	6	-	-
Division of Criminal Justice	4	4	4	-	-
Workers' Compensation Fund Total	127	122	122	(5)	-
Soldiers, Sailors and Marines' Fund	9	-	-	(9)	-
Regional Market Fund					
Department of Agriculture	7	7	7	-	-
Regional Market Fund Total	7	7	7	-	-
TOTAL	45,316	44,842	44,969	(474)	127