

Synopsis of Governor's FY 17 Revised Midterm Budget Adjustments

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The following is intended to provide background on the Governor's FY 17 Revised Midterm Budget Adjustments (Revised Midterm). Since the budget was released this afternoon, we have tried to highlight the major areas of interest rather than provide a comprehensive analysis of the budget and revenue plan.

I. OVERVIEW

Base

The Revised Midterm uses the Governor's FY 17 Midterm Budget Adjustments, released February 3, 2016, as its base, and makes additional net adjustments of \$356.3 million. The combined changes to the original FY 17 budget total \$927.6 million. Impacts identified in this document reflect changes from the Governor's February Midterm Adjustments.

Budget Balance

The Governor's February Midterm Adjustments were based on the January Consensus Revenue estimates. The Revised Midterm Adjustments recognize OFA's updated FY 17 revenue estimates that lower available resources by \$363 million. Based on these updated revenue estimates, the expenditure and revenue changes in the Revised Midterm budget would result in a FY 17 balance of \$3.9 million.

Expenditures

The Revised Midterm includes additional expenditure reductions of \$251.7 million, offset by \$6.5 million in new expenditures. Expenditures of \$102.1 million are moved from the General Fund to the newly established Municipal Revenue Sharing Fund. In total, General Fund expenditures are further reduced by \$347.3 million.

Revenue

The Revised Midterm increases FY 17 revenue by \$9 million by: 1) eliminating a \$4 million transfer from the General Fund to the Biomedical Trust Fund; and 2) transferring \$5 million from the resources of the Biomedical Trust Fund to the General Fund.

Municipal Revenue Sharing Fund

The Revised Midterm budget establishes a new Municipal Revenue Sharing Fund and appropriates a total of \$246.6 million to the Fund. This appropriation consists of \$102.1 million in existing appropriations transferred from the General Fund and a new appropriation of \$144.5 million for municipal revenue sharing. Please note, this municipal revenue sharing appropriation represents a reduction of \$101.4 million from the existing Municipal Revenue Sharing Account (MRSA).

II. MAJOR CHANGES TO APPROPRIATIONS

The table below lists major (+/- \$1 million) changes in the Governor's revised budget relative to the revised budget that the Governor submitted on February 3, 2016.

	TITLE	AMOUNT	ANALYSIS
Various Agencies	Reallocate Funding from General Fund to New Grants to Municipal Revenue Sharing Fund	(102,076,959)	Creates new appropriated fund and transfers the following General Fund appropriations to the new fund: 1) State Property PILOT (\$67.3 m); 2) Public School Transportation (\$21.9m); 3) Distressed Municipalities (\$5.5m); 4) Local and District Health Depts. (\$4.1m); and 5) Nonpublic School Transportation (\$3.3m).
Office of Policy and Management	Reduce Funding in the Reserve for Salary Adjustments Account	(63,551,658)	This option will leave the account with funding for the NP-1 settled contract costs and potential accrual payouts.
Department of Social Services	Eliminate Balance of Inpatient Supplemental Funding	(49,600,000)	Eliminates the supplemental inpatient hospital payments (total reduction to hospitals is \$150.2 million = \$49.6 million state and \$100.6 million federal).
State Department of Education	Reduce Funding for ECS	(43,417,031)	Funds Alliance Districts at FY 17 levels provided in PA 15-244, reduces the minimum aid ratio from 2% to 0%, and reduces all other districts proportionately.
Various Agencies	Eliminate Funding for Arts, Tourism and Other Community Grants	(15,964,970)	Eliminates funding for an annual competitive grant program for arts/culture/tourism related grants. Funds for these competitive grant accounts are derived from direct line-item grant accounts from DECD, DOL, and other agencies. Those direct line-item accounts are eliminated under the Governor's February budget and the Governor's revised April budget proposal. It should be noted that the Governor's April proposal provides \$5 million under OLM for legislatively directed grants.
Judicial Department	Consolidate Detention Center Operations to Hartford	(11,108,693)	Eliminates the Bridgeport juvenile detention facility and 130 staff. The Hartford juvenile detention facility has enough capacity for the additional clients who would be placed in that facility.
Department of Social Services	Reduce Contractual Expenses	(10,368,171)	Reduces contractual expenses, assumed in the Other Expenses account.
Office of Policy and Management	Eliminate Funding for Private Provider COLAs	(8,500,000)	Eliminates \$8.5 million in FY 17 for a 1% cost of living adjustment (COLA) for private providers, effective January 1, 2017. The following departments have contracts with private providers: Aging, Corrections, Children and Families, Developmental Services, Judicial, Mental Health and Addiction Services, Public Health, Social Services, the Bureau of Rehabilitative Services, and the Office of Early Childhood.

	TITLE	AMOUNT	ANALYSIS
State Department of Education	Eliminate Priority School District Extended School Hours and School Accountability Grants	(6,121,020)	Eliminates the Extended School Hours and School Accountability portion of the Priority School District Grant.
Department of Social Services	Reduce Medicaid Rates for Children's Dental Services by 10%	(5,340,000)	Reduce Medicaid pediatric dental rates by 10%.
Various Agencies	Increase the Employee Share of Health Premiums to 20% for Non Bargaining Unit Employees - General Fund	(5,158,000)	Increase non-union employee contributions to health insurance, so the total employee share is 20% of the premium.
Department of Correction	Increase Attrition Savings	(5,085,280)	Increase savings due to retirements and cancelled filling of vacancies.
Various Agencies	Annualize Savings from Public Act 16-1	(3,157,277)	Annualize savings in various state agencies due to PA 16-1, "AA Making Adjustments to the State Budget for the Biennium Ending June 30, 2017," which enacted various policies to mitigate the projected FY 16 deficit in the General Fund.
Department of Social Services	Expedite Transitions under Money Follows the Person	(2,500,000)	Increase the number of individuals under MFP transitioning into the community.
Department of Social Services	Close Torrington Regional Office	(2,377,600)	Close the Torrington Regional Office and eliminate the associated 26 positions. The office accounts for 2% of overall caseload at regional offices.
State Department of Education	Reduce Funding for Charter Schools	(2,000,000)	Eliminates the horizontal growth at various Charter Schools.
Office of Early Childhood	Eliminate Part Day School Readiness Slots and Convert to School Day in Priority School District Program	(1,729,500)	Converts 1,151 part day school readiness spaces to 575 school day spaces in priority school districts.
Department of Public Health	Further Reduce Agency Operations	(1,534,197)	As the General Fund (GF) reduction is made to the Agency Operations account, DPH will be able to determine how to implement the reduction. The GF accounts that will be affected are, therefore, unknown. Removing fringe benefit funding from the equation, this reduction brings the Governor's FY 17 Revised DPH funding to 3.5% less than current FY 16 estimated levels.
Department of Social Services	Reduce Personal Needs Allowance for Residents of Long-Term Care Facilities	(1,100,000)	Reduce the personal needs allowance from \$60 to \$50 per month.
Department of Housing	Provide Funding for Rental Assistance Program	1,500,000	Increase funding for the state's Rental Assistance Program to support the Governor's commitments to housing and reducing homelessness.
Office of Legislative Management	Establish Funding for Legislative Earmark Priorities	5,000,000	The Governor's April proposal provides \$5 million under OLM for legislatively directed grants.