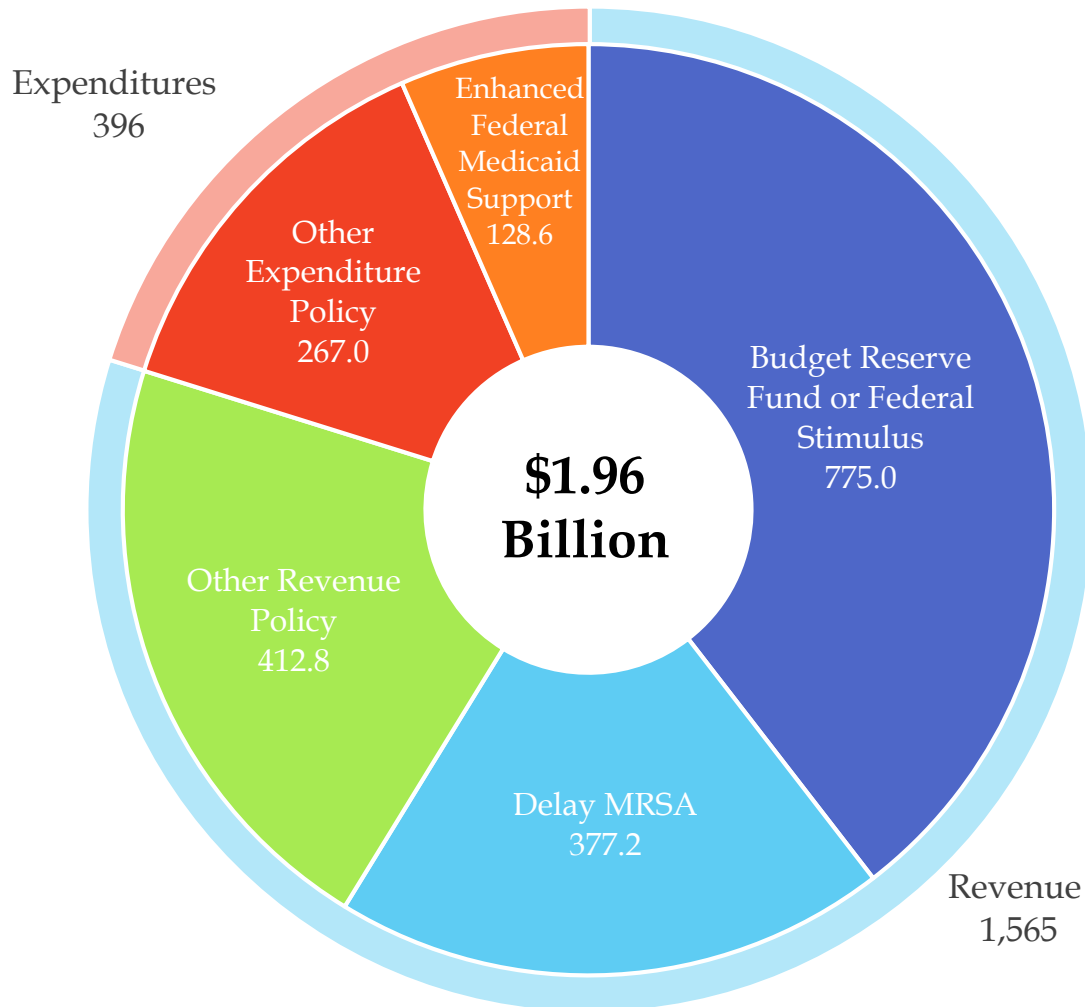


# OFA

## Synopsis of Governor's Budget Plan FY 22 - FY 23

### Solving the General Fund Deficit

Millions of Dollars



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*The following is intended to provide information on the Governor's FY 22 and FY 23 Budget, revenue and capital plan for the committees of Appropriations and Finance, Revenue and Bonding as background for the Office of Policy and Management presentation. Since the budget was released Wednesday, we have tried to highlight major areas of interest rather than provide a full-scale comprehensive analysis. Such in-depth analysis will be undertaken by both committees with the assistance of OFA staff in the coming weeks.*

## **EXECUTIVE SUMMARY**

The Governor's FY 22 and FY 23 Budget (the proposal) solves projected General Fund deficits of \$1.75 billion and \$2.13 billion, respectively. In addition, the proposal meets statutory and contractual "revenue cap" requirements of \$207.3 million and \$267.5 million in FY 22 and FY 23, respectively. In order to achieve balance, the proposal relies primarily on the following: (1) transfers from the Budget Reserve Fund unless new federal fiscal aid becomes available; (2) maintenance of current revenue policies; and (3) policy initiatives to reduce projected spending.

The proposal makes several changes to transportation funding in order to balance the Special Transportation Fund in the biennium and out years, including increases in revenue through a truck-only Highway Use Tax, implementation of a Transportation and Climate Initiative, and adjustment of public transportation subsidies, as well as use of Federal stimulus funds.

The Office of Policy and Management projects the Budget Reserve Fund balance will grow to \$3,505.6 million by the close of FY 21, which would be equal to 17.1% of the net General Fund appropriations the proposal includes for FY 22. In total, the proposal dedicates \$1.75 billion of the Budget Reserve Fund to balance the FY 22 and FY 23 General Fund budget. Within the proposal, it is estimated that the balance of the Budget Reserve Fund would be reduced to \$2,460.7 million by the end of FY 23.

## **I. MAJOR POLICY CHANGES**

### **Transportation Funding**

The proposal makes several changes to transportation revenue and expenditures to bring the Special Transportation Fund (STF) into operating balance for the biennium and the out years. In total, the proposal replaces expected annual operating deficiencies with annual surpluses of \$16.3 million in FY 22 and \$25.4 million in FY 23. The proposal projects to grow the cumulative balance of the STF each year through FY 26.

In FY 22, the fund is brought to balance primarily through reduced expenditures, particularly decreases in funding for public transit subsidies which reflect current pandemic-related service levels. However, there are also targeted public transportation service expansions proposed for the year. In FY 23 and beyond, the fund budget is balanced in part by new revenue from the proposed Highway Use Tax on trucks (\$45 million of estimated revenue for a partial year of implementation in FY 23, followed by \$90 million in FY 24) and by paying for a portion of bus subsidies (\$24.3 million in FY 23) with new Transportation and Climate Initiative (TCI) funds, in place of appropriated funds of the STF.

Additionally, the proposal anticipates that DOT will be able to leverage Federal stimulus funds to meet \$100 million lapse targets for each of FY 22 and FY 23. The likely use and availability of Federal dollars buoys the proposed short-term increase in the use of appropriated dollars for capital purposes (Pay-As-You-Go funds). The increased use of Pay-As-You-Go funds allows for a decrease in anticipated transportation bond issuance in FY 22 (from an expected \$875 million to

\$800 million), while total funding for projects is expected to increase in FY 23 and beyond as new revenues become available.

**Legalization of Adult Use of Cannabis**

The Governor is proposing the sales of adult-use of cannabis beginning in May 2022. The governor's recommended budget assumes revenue from recreational cannabis sales and provides resources for the regulation, public health and safety, and social equity issues related to the legalization of cannabis. The tables below outline the projected revenue and appropriations related to the policy.

**State & Local Revenue:**

**Projected Cannabis Revenue (in millions)**

Fiscal Year	License \$	Sales & Use Tax \$	Cannabis Excise Tax \$	Total GF \$	Total STF Revenue \$	Municipal \$	Grand Total \$
22	4.8	1.9	3.2	9.9	0.2	1.0	11.0
23	2.2	11.5	18.9	32.6	1.0	5.9	39.5
24	2.0	21.9	18.1	41.9	1.9	29.3	73.1
25	2.0	33.9	27.9	63.8	2.9	45.3	112.0
26	2.0	34.7	28.6	65.3	3.0	46.9	115.2
<b>Total</b>	<b>13.0</b>	<b>103.9</b>	<b>96.7</b>	<b>213.6</b>	<b>8.9</b>	<b>128.3</b>	<b>350.8</b>

**State Agency Proposed Appropriations:**

**Projected General Fund Cannabis Regulatory Expenditures by Agency**

<b>General Fund (in millions)</b>			
Agency	Description	FY 22 \$	FY 23 \$
DCP	Licensing, enforcement, product safety, health reporting, outreach, and administration	6.61	7.52
DESPP	Drug Recognition Experts and Advanced Roadside Impaired Driving Enforcement training	1.06	1.06
DMHAS	Minor decoy programs, awareness campaign, and prevention/education	0.28	1.07
DPH	Public health surveillance	0.11	0.11
DRS	Revenue examination and enforcement	0.29	0.49
OPM	Equity Commission and Equity Analysis & Report	0.26	0.19
UConn	Increased poison control call volumes and reporting requirements	0.04	0.16
Fringe Benefits	New positions	1.61	2.28
<b>Total</b>		<b>10.25</b>	<b>12.87</b>

**Projected Special Transportation Fund Cannabis Regulatory Expenditures by Agency**

<b>Special Transportation Fund (in millions)</b>			
Agency	Description	FY 22 \$	FY 23 \$
DMV	Behavior-based administrative license suspensions for drug-impaired drivers	0.63	0.53
DOT	Drugged driving outreach and classes to increase the number of ARIDE and DRE certified officers	0.43	0.55
Fringe Benefits	New positions	0.19	0.21
<b>Total</b>		<b>1.24</b>	<b>1.29</b>

## Extend the Phase-in to Level-Dollar Payments for the State Employees' Retirement System (SERS) from 5 to 8 years

The state is currently in the process of phasing-in to a 'level-dollar' method of making annual payments towards SERS unfunded liabilities. This phase-in, which was originally approved as part of the 2017 State Employees Bargaining Coalition (SEBAC) Agreement, will be complete in FY 23. The proposal extends this phase-in from 5 to 8 years, to FY 26.

According to a preliminary analysis provided to the Office of Policy and Management by the actuary, the impact to the state's actuarial determined employer contribution (ADEC) is:

- A savings of approximately \$74.8 million in FY 22, \$147.3 million in FY 23, \$83.1 million in FY 24, and \$23.9 million in FY 25 across all funding sources.
- Adds approximately \$29.7 million to payments from FY 26 to FY 45, \$27.9 million in FY 46, and \$27.1 million in FY 47.

This extension would require mutual agreement between the state and SEBAC.

## II. FINANCIAL SUMMARY

The Governor's Recommended General Fund Budget has an operating surplus of \$210.5 million in FY 22 and \$271.8 million in FY 23. After reflecting the surplus budgeting requirements, the Governor's Recommended General Fund Budget has a budgeted surplus of \$3.2 million in FY 22 and \$4.3 million in FY 23.

### Balance Summary (in millions)

General Fund	Recommended FY 22 \$	Recommended FY 23 \$
Revenues	20,729.5	21,402.9
Appropriations	20,519.0	21,131.1
<b>Surplus / (Deficit)</b>	<b>210.5</b>	<b>271.8</b>
Required Surplus <sup>1</sup>	207.3	267.5
<b>Remaining Surplus / (Deficit)</b>	<b>3.2</b>	<b>4.3</b>
<b>Special Transportation Fund</b>		
Revenues	1,854.1	2,043.0
Appropriations	1,819.3	1,992.0
<b>Surplus / (Deficit)</b>	<b>34.8</b>	<b>51.0</b>
Required Surplus <sup>1</sup>	18.5	25.5
<b>Remaining Surplus / (Deficit)</b>	<b>16.3</b>	<b>25.4</b>
<b>Other Appropriated Funds</b>		
Revenues	274.6	277.2
Appropriations	274.3	276.6
<b>Surplus / (Deficit)</b>	<b>0.3</b>	<b>0.6</b>
<b>All Appropriated Funds</b>		
Revenues	22,858.2	23,723.1
Appropriations	22,612.6	23,399.7
<b>Surplus / (Deficit)</b>	<b>245.6</b>	<b>323.4</b>
Required Surplus	225.8	293.1
<b>Remaining Surplus / (Deficit)</b>	<b>19.8</b>	<b>30.3</b>

<sup>1</sup>PA 17 - 2 JSS limits total appropriations for the General Fund and the Special Transportation Fund to a set percentage of total revenues; 99.0% in FY 22 and 98.75% in FY 23.

The Governor's Recommended General Fund Budget has a growth rate of 2.2% in FY 22 and 3.0% in FY 23. See the table below for details.

Fund	FY 21 Appropriation	Recommended FY 22	FY 22 Change		Recommended FY 23	FY 23 Change	
			\$	%		\$	%
General	20,086.3	20,519.0	432.7	2.2%	21,131.1	612.16	3.0%
Transportation	1,816.3	1,819.3	3.0	0.2%	1,992.0	172.744	9.5%
Other Appropriated	267.8	274.3	6.6	2.5%	276.6	2,25256	0.8%
<b>TOTAL</b>	<b>22,170.4</b>	<b>22,612.6</b>	<b>442.2</b>	<b>2.0%</b>	<b>23,399.8</b>	<b>787.16</b>	<b>3.5%</b>

### FY 22 and FY 23 Budget Fund Summaries

Fund Summary	FY 22 \$	FY 23 \$
General Fund	20,592,200,260	21,299,360,227
Special Transportation Fund	1,931,304,330	2,104,048,806
Banking Fund	29,426,724	29,521,021
Insurance Fund	120,636,466	122,271,874
Consumer Counsel and Public Utility Control Fund	30,799,823	30,976,441
Workers' Compensation Fund	25,982,461	26,328,693
Mashantucket Pequot and Mohegan Fund	51,472,796	51,472,796
Criminal Injuries Compensation Fund	2,934,088	2,934,088
Tourism Fund	13,069,988	13,069,988
<b>Subtotal</b>	<b>22,797,826,936</b>	<b>23,679,983,934</b>
<b>General Fund Lapses</b>		
Unallocated Lapse	(48,215,570)	(48,215,570)
Unallocated Lapse - Judicial	(5,000,000)	(5,000,000)
CREATES Savings Initiative Lapse	(20,000,000)	(115,000,000)
<b>Subtotal</b>	<b>(73,215,570)</b>	<b>(168,215,570)</b>
<b>Special Transportation Fund Lapses</b>		
Unallocated Lapse	(12,000,000)	(12,000,000)
Temporary Federal Support for Transportation Operations	(100,000,000)	(100,000,000)
<b>Subtotal</b>	<b>(112,000,000)</b>	<b>(112,000,000)</b>
<b>Net Appropriations</b>		
General Fund	20,518,984,690	21,131,144,657
Special Transportation Fund	1,819,304,330	1,992,048,806
Banking Fund	29,426,724	29,521,021
Insurance Fund	120,636,466	122,271,874
Consumer Counsel and Public Utility Control Fund	30,799,823	30,976,441
Workers' Compensation Fund	25,982,461	26,328,693
Mashantucket Pequot and Mohegan Fund	51,472,796	51,472,796
Criminal Injuries Compensation Fund	2,934,088	2,934,088
Tourism Fund	13,069,988	13,069,988
<b>TOTAL NET APPROPRIATIONS</b>	<b>22,612,611,366</b>	<b>23,399,768,364</b>

### Spending Cap

The proposal is calculated by the Office of Policy and Management to be under the spending cap by \$103.3 million in FY 22 and \$114.8 million in FY 23. The calculation utilizes allowable capped growth rates of 3.1% and 3.0% in FY 22 and FY 23, respectively, which both reflect the 5-year average growth in Connecticut personal income. Adjustments are made in FY 22 to reflect the

Regional Market Operation Fund moving to the Connecticut Regional Development Authority (\$1.1 million) and for temporary CARES Act funding (\$100 million), and in FY 23 to reflect funding for the Transportation Climate Initiative (\$24.3 million). Additionally, the calculation no longer includes an exemption for the unfunded accrued liability (UAL) for the State Employees Retirement System and Judges, Family Support Magistrates and Compensation Commissioners Retirement System beginning in FY 23, per statute (leaving only the Teachers' Retirement System's UAL exempt in that year).

### **III. SIGNIFICANT CHANGES BY COMMITTEE**

#### **GENERAL GOVERNMENT B**

##### **Transfer Budget Reserve Fund Deposits that Exceed 15% Cap Into SERS**

Current law requires that any budget reserve fund deposits that exceed 15% of the budget be transferred to either SERS or the Teachers' Retirement System. The proposal transfers an estimated \$427.8 million into SERS in FY 22 and estimates an annual saving to the ADEC of approximately \$23.9 million in the GF and \$2.9 million in the STF starting in FY 23. There was a transfer of \$61.6 million into SERS in FY 21 due to the cap being exceeded.

##### **Reflect Changes in Retired State Employee Health Costs**

The proposal estimates a savings of \$56.3 million in FY 22 and \$76.4 million in FY 23 in the Retired State Employees Health Service Cost Account from a renegotiation of the Medicare Advantage Plan contract with United Healthcare. The proposal also includes \$73.1 million in FY 22 and \$184.0 million in FY 23 in additional funding to support the growth in operating expenses, among other changes.

##### **Transfer Funding for Microsoft 365 to the Department of Administrative Services**

This proposal would centralize funding of \$1.7 million in both FY 22 and FY 23 in DAS for software and operating system costs statewide. DAS would also be appropriated \$2.8 million in FY 22 and \$3.1 million in FY 23 for licenses as a result of the telecommuting effort during the pandemic that are expected to continue.

##### **Transfer Funding for Workers' Compensation Claims to DAS**

Workers' Compensation Claims accounts for UCONN, UCONN Health Center, Board of Regents for Higher Education, Departments of Children and Families, Correction, Developmental Services, Emergency Services and Public Protection, and Mental Health and Addiction Services are transferred to the Department of Administrative Services - Workers' Compensation Claims. In both FY 22 and FY 23 \$85,375,804 is transferred to DAS.

##### **Reflect Annualization of Centralized Human Resources**

This proposal transfers \$19.1 million in FY 22 and \$19.8 million in FY 23 to DAS from various agencies to centralize human resources functions. In FY 21, 234 human resources positions were transferred for this centralization.

##### **Reflect Annualization of Labor Relations Services**

This proposal transfers \$5.4 million in FY 22 and \$5.6 million in FY 23 to OPM from various agencies to centralize labor relations functions. In FY 21, 58 labor relations positions were transferred for this centralization.

**Annualize Estimated FY 21 Deficiency and Provide Funds for Anticipated Premium Increases - IRM**

This proposal provides \$4.8 million in both FY 22 and FY 23 to reflect significant increases in property coverage. In FY 20, Insurance and Risk Management expended \$15.3 million, which represented a 19.8% increase from FY 19.

**Transfer Funding for Approved Collective Bargaining Unit Agreements - RSA**

In FY 22 and FY 23, \$16 million is transferred from the Reserve for Salary Account to various agencies for contracts that were previously approved through the collective bargaining process.

**Reflect Annualization of Centralized Human Resources and Labor Relations Services - OPM**

The proposal provides funding of \$4.8 million in FY 22 and \$4.9 million in FY 23 for annualization of centralized human resources and labor relations functions within OPM.

**Reduce Funding for Elderly Renters' Tax Relief - OPM**

The proposal reduces funding for the Elderly Renters' Tax Relief program by \$2.7 million in FY 22 and \$3.3 million in FY 23.

**Provide Funding for Equity Commission for Cannabis - OPM**

The proposal provides funding of \$182,818 in FY 22 and \$189,849 in FY 23 for the creation of the Equity Commission for Cannabis.

**Provide Funding for an Equity Analysis & Report**

The proposal provides funding of \$75,000 an equity analysis and report relating to the proposed Recreational Cannabis Bill.

**Provide Funding for a Tax Amnesty Program - DRS**

The proposal provides a total of \$1.1 million in FY 22 only to support a tax amnesty program. Specifically, funding is provided for marketing (\$560,000), information technology support services (\$350,000), postage (\$150,000), overtime (\$50,000), and other miscellaneous costs (\$5,000). One-time revenues associated with this program are included in the General Fund revenue schedule.

**Provide Funding for a Data Analytics Initiative - DRS**

The proposal provides a total of \$750,000 in FY 22 and \$1.1 million in FY 23 for a data analytics initiative to maximize revenue collections. Specifically, \$750,000 is provided in each year of the biennium for software costs, with an additional \$380,000 provided in FY 23 for one Program Manager and four Economist positions. Ongoing revenues associated with this initiative are included in the General Fund revenue schedule.

**Eliminate Funding for Bridgeport Regional Office - DRS**

Funding totaling \$112,148 annually for the Bridgeport Regional Office is eliminated, including the elimination of two staff positions.

**HEALTH**

**Provide Funding for Increased Caseload - CME**

The proposal provides additional Personal Services account funding to the Office of the Chief Medical Examiner (CME) of \$530,000 in FY 22 and \$550,228 in FY 23 to annualize costs associated with the increased caseload. Between FY 19 and FY 20, the number of autopsies performed by the agency rose by 15.2%, death certificate issuance rose by 38.1%, and external examinations of



bodies rose by 30.4%. Between FY 20 and the end of FY 21, autopsies are projected to rise by another 3.7%, death certificate issuance by 28.4%, and external examinations of bodies by 4.3%.

### **Provide Funding to Support Activities of the Health Insurance Exchange (HIE) - OHS**

The proposal provides additional Personal Services funding, within the General Fund, of \$651,629 in FY 22 and \$676,691 in FY 23, and seven positions, to fully support the associated salaries, fringe benefits, and costs associated with the HIE. The proposal also provides additional Insurance Fund support of \$5,387,194 in each fiscal year.

### **Implement Certain Recommendations of PFAS Task Force - DPH**

The proposal provides additional support of approximately \$408,000 in FY 22 and \$420,000 in FY 23 for one Toxicologist, one Laboratory Consultant, one Chemist, and one Environmental Analyst to assist with updating standards and action levels for drinking water, review laboratories to become approved for PFAS (per- and polyfluoroalkyl substances) testing, implement PFAS testing of drinking water at the State's public health laboratory, support testing of public water systems, and educate stakeholders to protect the public health from the impacts of PFAS in drinking water. Also recommended is \$100,000 for laboratory testing supplies.

### **Support Cannabis Public Health Surveillance Activities - DPH**

In anticipation of the implementation of the regulation of adult use of cannabis in Connecticut, the proposal provides funding is provided for the following purposes: \$11,500 in FY 22 to add a module of questions to the Behavior Risk Factor Surveillance System to obtain baseline data on marijuana use; \$50,000 in each year of the biennium to expand the capacity of a syndromic surveillance system to query and analyze marijuana-related morbidity data; and one Epidemiologist to monitor, analyze, compile and disseminate timely data.

### **Ensure the Provision of Safe Drinking Water - DPH**

The proposal provides funding of \$110,548 in FY 22 and \$114,800 in FY 23 to support one Engineer Intern to enhance the State's response to drinking water issues in schools undergoing construction projects, and one Environmental Analyst to assist the agency in its continued administration of safe drinking water standards for public drinking water.

### **Provide Funding for High School Graduates in Employment and Day Services Programs - DDS**

The proposal provides funding of \$5 million in FY 22 and \$12.9 million in FY 23 for new placements in Employment Opportunities and Day Services programs. This supports an additional 325 high school graduates in both FY 22 and FY 23.

### **Transition to Individual Supported Employment Services - DDS**

The proposal reduces funding by \$4.1 million in both FY 22 and FY 23 in the Employment Opportunities and Day Services account to reflect the transition of 300 individuals to the Individual Supported Employment Services program from Day Support Options and Group Supported Employment programs.

### **Reduce Funding for the Behavioral Services Program - DDS**

The proposal reduces funding by \$2.3 million in both FY 22 and in FY 23 to reflect attrition and annualize current year spending in the Behavioral Services Program.

### **Achieve Savings Due to the Closure of One Public Group Home - DDS**

The proposal reduces funding by \$1 million in Personal Services and \$30,000 in Other Expenses in both FY 22 and FY 23 to reflect savings from the closure of one public group home.

## **EDUCATION**

### **Fully Fund Actuarially Determined Employer Contribution (ADEC) for the Teachers' Retirement System - TRB**

The proposal provides funding of \$195.6 million in FY 22 and \$330 million in FY 23 to reflect the increase necessary to fully fund the ADEC for the Teachers' Retirement System.

### **Fully Fund Teachers' Retirement Board (TRB) Health Accounts - TRB**

The proposal reduces funding by \$3.1 million in FY 22 and provides funding of \$51,600 in FY 23 in the TRB Retiree Health account and reduces funding by \$435,640 in both FY 22 and FY 23 in the Municipal Health Subsidy account. These adjustments fully fund the state share at the statutory one-third of total costs level.

### **Freeze Education Cost Sharing (ECS) - SDE**

The proposal maintains ECS for FY 22 and FY 23 at the FY 21 entitlement level of approximately \$2.094 billion, reducing ECS funding compared to the statutory formula by \$32 million in FY 22 and \$64.1 million in FY 23 according to the Executive Branch. The ECS phase-in schedule to full funding under the formula is proposed to resume in FY 24 and conclude at full funding in FY 30 (instead of FY 28). The annual phase-in schedule has otherwise been followed since establishment within the FY 18 and FY 19 Budget.

### **Delay Separation of the Connecticut Technical Education and Career System (CTECS) from the State Department of Education - SDE**

The proposal maintains the CTECS as a line item within SDE, delaying the scheduled FY 23 transfer from SDE to establish a separate CTECS agency. This delay results in a savings of \$1.7 million in FY 23 associated with postponing the hiring of 22 staff needed for CTECS to become a standalone agency with a budget of \$173.1 million.

### **Delay Connecticut Technical Education and Career System (CTECS) World Language Graduation Requirement - SDE**

The proposal delays the addition of 31 positions within the CTECS system that would be needed to implement the world language graduation requirement. This results in a savings of \$2.4 million in FY 22 and \$2.5 million in FY 23.

### **Extend Caps on Various Statutory Grants - SDE**

The proposal extends the cap on various statutory grants (Adult Education, Health and Welfare Services for private school students, and Special Education Excess Cost) that provide municipal aid to cities and towns. Extending the caps results in savings to the state of \$70.7 million in FY 22 and \$75.9 million in FY 23.

### **Funding for Magnet Schools and Open Choice - SDE**

The proposal: (1) annualizes anticipated lapses in both the magnet school and Open Choice accounts, (2) provides additional funding due to enrollment increases, and (3) transfers funding from the magnet school account to the magnet school transportation account to accurately reflect the use of funds. These changes collectively result in a net decrease to the magnet school account of \$13.8 million in FY 22 and \$11.4 million in FY 23 (aside from the magnet school transportation

transfer discussed below), and a net increase to the Open Choice account of \$23,822 in FY 22 and \$1.8 million in FY 23.

FY 22	Annualization of Lapse	Enrollment Increase	Transfer	Net Difference
Magnet Schools	(11,372,235)	2,810,923	(5,248,946)	(13,810,258)
Open Choice	(1,703,858)	1,727,680	-	23,822

FY 23	Annualization of Lapse	Enrollment Increase	Transfer	Net Difference
Magnet Schools	(11,372,235)	5,407,974	(5,406,414)	(11,370,675)
Open Choice	(1,703,858)	3,464,158	-	1,760,300

**Provide Funding for Magnet School Transportation - SDE**

The proposal provides additional funding of \$812,500 in FY 22 and \$1.6 million in FY 23 to magnet school transportation, associated with increased enrollment.

**Provide Funding for Open Choice Pilot Programs - SDE**

The proposal provides funding of \$275,000 in FY 22 and \$900,000 in FY 23 associated with piloting the Open Choice program in Norwalk and Danbury.

**Adjust Charter School Funding - SDE**

The proposal: (1) increases funding associated with raising the per pupil charter school grant from \$11,250 to \$11,525, which is the foundation level within the ECS formula and results in an increase of approximately \$3 million in both FY 22 and FY 23, (2) reflects the closure of two charter schools in Stamford, which corresponds to a \$4.7 million reduction in both FY 22 and FY 23, and (3) provides funds for grade expansion at Booker T. Washington School in New Haven, resulting in an increase of \$675,000 in FY 22 and \$1,057,500 in FY 23.

**Provide Funding for Local Charter Schools - SDE**

The proposal provides additional funding of \$162,000 in FY 22 and \$267,000 in FY 23 for grade expansion at Elm City Montessori in New Haven, which is the only local charter school in the state.

**Reduce Funding for BorrowIT CT - CSL**

The proposal reduces funding by \$100,000 in each year of the biennium to achieve savings. It would result in less available funding for the State Library to reimburse claims from local libraries.

**Move the Library for the Blind and Physically Handicapped (LBPH) - CSL**

This proposal moves the LBPH operations from the Rocky Hill facility to the State Library facility in Hartford and reduces funding of \$49,800 in both FY 22 and FY 23 to reflect the elimination of operational expenses in Rocky Hill.

**Reduce Block Grant - UOC**

The proposal reduces the Operating Expenses appropriation to the University of Connecticut by approximately \$6.2 million in FY 22 and \$1.2 million in FY 23 (reductions of 3 and 0.6 percent, respectively).

### **Increase Operating Support - UHC**

The proposal provides \$40 million in FY 22 for additional, temporary support to the University of Connecticut Health Center due to the entity's financial difficulties. This funding is in addition to the Governor's proposed FY 21 deficiency appropriation of \$50 million.

### **Provide Limited Funding for Debt Free Community College - BOR**

The proposal provides \$6 million in each of FY 22 and FY 23 to implement debt free community college, i.e. the PACT program. The initiative began in fall 2020 as statutorily required. The Board of Regents is using \$6 million from community college-system office reserves to implement a first-come, first-serve version of the program for the current fiscal year.

## **HUMAN SERVICES**

### **Reduce Funding for Independent Living Centers - ADS**

The proposal reduces funding by \$61,723 for the pass-through grant to the Independent Living Centers to achieve savings.

### **Provide Funding for DDS Caseload Growth in Community Residential Services Placements - DSS**

The proposal provides funding of \$7.7 million in FY 22 and \$20.7 million in FY 23 to support residential services for individuals who will be aging out of residential services provided by the Department of Children and Families or local education agencies and individuals who will be transitioning from long-term facilities under Money Follows the Person.

### **Enhance Parent-Child Visitation Services by Establishing Quality Parenting Centers - DCF**

The proposal results in savings of approximately \$4.6 million in FY 22 and \$6.8 million in FY 23 through the establishment of Quality Parenting Centers (QPCs). These Centers are designed to address these concerns and to provide parents an opportunity to continue their parenting relationship in a supervised setting that closely simulates a family home environment. Surplus capacity in the congregate care service array will be converted into QPCs. Savings will be achieved through reduced reliance upon credentialed providers; by eliminating 50 children's protective services positions; and through reduced overtime and transportation expenses.

### **Institute an Asset Test under the Medicare Savings Program (MSP) - DSS**

The proposal establishes an asset test of \$15,720 for individuals and \$23,600 for couples, effective August 1, 2022, which reduces eligibility for the Medicare Savings Program and results in savings of approximately \$11.4 million (\$22.8 million gross) in FY 23. The policy also provides funding of \$1.1 million in FY 22 and \$3.6 million in FY 23 to support an asset verification system. After considering the federal grants revenue gain, the net state impact is a cost of \$550,000 in FY 22 and a savings of \$26.6 million in FY 23.

### **Assume Enhanced Federal Reimbursement for Medicaid and HUSKY B through December 2021 - DSS**

The proposal assumes the continuation of the public health emergency, which would enable the state to receive an additional 6.2% federal match on most Medicaid expenditures and an additional 4.3% match on expenditures under the HUSKY B program. The increased federal funds result in FY 22 state savings of \$127.6 million under Medicaid and \$1 million under HUSKY B.

## LEGISLATIVE

### **Adjust Budget Request – OLM, CWE, APA**

The Legislative budget requests are reduced by \$11.3 million in FY 22 and by \$8.3 million in FY 23; these reductions are primarily concentrated in the Personal Services account.

## JUDICIAL & CORRECTIONS

### **Fund Judges' Salary Increases - JUD**

The proposal provides funding of \$1.9 million in FY 22 and \$2 million in FY 23 and \$0.3 million in Probate in FY 22 and FY 23 for judges' salary increases. This represents a 4.5% increase in salary.

### **Reduce Probate Court Subsidy – JUD (Probate)**

The proposal reduces the probate court subsidy by \$4 million in FY 22 and \$1.5 million in FY 23 reflect the expenditures needs of the Probate Court Administration Fund.

### **Fund Ten New Judges - JUD**

The proposal provides funding of \$1.7 million in FY 22 and FY 23 for the salaries of 10 new judges.

### **Reduce Inmate Payphone Call Rate - JUD**

The proposal provides funding of \$1 million in FY 22 and FY 23 for nine positions for the probation transition program and technical violation units in order to reduce the reliance on revenue from inmate phone call charges.

### **Provide Funding for Office of the Inspector General - DCJ**

The proposal provides funding for nine positions (Deputy Chief State's Attorney, Senior Assistant State's Attorney, five Inspectors, paralegal, and one Inspector – Crime Scene Analyst) and funding of \$1.2 million in FY 22 and FY 23.

### **Establish the Conviction Integrity Unit - DCJ**

The proposal provides funding of \$0.4 million in FY 22 and FY 23 for three positions (prosecutor police inspector, paralegal) to re-investigate the cases of convicted persons who claim to be wrongfully convicted and seek review outside the traditional, court-based habeas process.

### **Provide Funding for Positions to Support the Case Management System - DCJ**

The proposal provides funding of \$195,000 in FY 22 and FY 23 for three paralegals to support the Case Management System.

## CONSERVATION AND DEVELOPMENT

### **Provide Funding for Additional Mosquito Surveillance and Testing – AES**

The proposal provides funding of \$150,000 in FY 22 and \$152,369 in FY 23 for one full-time position, three part-time positions, and associated expenses to expand the existing mosquito trapping site network by 15 new mosquito trapping stations to increase coverage in high-risk areas for the eastern equine encephalitis (EEE) virus. The new trapping sites will be added to locations where no existing trapping stations are present or where additional information on mosquito populations is required for public health. Mosquito trapping will occur four days per week (Monday-Thursday) from the beginning of June through October.

### **Reduce Funds for Closure of Facilities and Agency Infrastructure - DEEP**

This proposal reduces funding by \$700,000 in FY 22 and \$1.4 million in FY 23 to reflect the in-house analysis, identification, and closure of various buildings, including the reduction of leased vehicles. The elimination or repurposing of various properties and facilities are anticipated to result in an associated reduction in utility expenses and other operational and maintenance costs.

### **Funding for Workforce Strategy - DECD**

The proposal provides approximately \$466,000 in each year to support the Office of Workforce Strategy, which will serve as the principal advisor on workforce policy and be responsible for coordinating the state's strategy on workforce development.

### **Tourism Fund Grants supported - DECD**

The proposal transfers resources from the General Fund, \$9.8 million and \$3.1 million in FY 21 and FY 22, respectively, to maintain support of the Tourism Fund, which provides a number of grants administered by the Department of Economic and Community Development. The Tourism Fund is facing an estimated operating deficit of \$6.9 million in FY 21, according to OPM's monthly statement of January 2021.

### **Eliminate Fund for the Workforce Training Authority - DOL**

Reduce funding of \$475,000 in each year of the biennium to reflect the elimination of the Workforce Training Authority.

## **TRANSPORTATION**

### **Implement the Highway Use Tax - DOT**

The Governor's proposal recommends the implementation of a new Highway Use Tax beginning on January 1, 2023, which would generate an anticipated \$45 million in new revenue in FY 23 and \$90 million annually thereafter. The proposed mileage-based tax would apply to most trucks weighing 26,000 pounds or more (tractor trailers) with rates increasing proportionately in 2,000-pound increments from 2.5 cents per mile to 10 cents per mile. Trucks weighing more than 80,000 pounds would be charged 17.5 cents per mile. The additional revenue will support safety, traffic congestion, and transportation modernization projects.

The Governor recommends providing seven new positions and Personal Services funding of \$464,062 in FY 23 in order to implement the Highway Use Tax. The positions include three Revenue Examiners at a cost of \$70,930 each per year and four Tax Corrections Examiners at a cost of \$62,818 each per year.

### **Expand Pay-As-You-Go Program - DOT**

The Governor's proposal increases Pay-As-You-Go funding for capital projects by \$100 million in FY 22 and \$200 million in FY 23. This increase for appropriated funds for capital works in tandem with \$100 million each year of unallocated lapses to the STF, anticipated receipt and use of federal funds for various programs, and the revenue increase associated with HUT in FY 23.

### **Transportation and Climate Initiative Program (TCI-P)**

The Governor's proposal recommends implementation of the TCI-P beginning on January 1, 2023 to cap and gradually reduce emissions, while generating revenue for certain programs. The proposal would leverage the TCI-P to fund climate and public transit investments, beginning with paying for \$24.3 million of bus operation subsidies in FY 23 - effectively, a reduction in appropriation requirements without a reduction of service. The proposal estimates total annual

revenue between \$80-100 million, with \$60-70 million available to support public transit programs annually after the biennium.

**Adjustments to Rail and Bus Operations – DOT**

The Governor's proposal recommends various adjustments to rail and bus operations, including:

- A reduction of \$34.9 million in FY 22 and FY 23 for the New Haven Line to reflect current ridership demand.
- A reduction of \$5 million in FY 22 for Shore Line East to reflect current ridership demand.
- A reduction of \$3 million in FY 22 for Express bus service routes to consolidate certain lines and streamline duplicative services.
- A reduction of \$2.2 million in FY 22 and FY 23 in the ADA Para-Transit Program to reflect ridership demand.
- An increase of \$1.2 million in FY 22 and FY 23 to expand weekday and weekend bus services throughout the greater New Haven service area.
- An increase of \$1.2 million in FY 23 to expand peak and off-peak services on the Waterbury line.

**IV. SIGNIFICANT REVENUE CHANGES**

**Delay Restoration of Funding to the Municipal Revenue Sharing Account**

Delay the transfer of 0.5 percentage points of the sales tax into the Municipal Revenue Sharing Account (MRSA) for FY 22 and FY 23, effectively delaying the transfer until FY 24. This results in a General Fund revenue gain of \$377.2 million in FY 22 and \$386.6 million in FY 23 (and a commensurate revenue loss to MRSA).

**Maintain Corporate Tax Surcharge**

Establish a permanent corporate tax surcharge of 10% applicable to companies whose gross income is greater than \$100 million. Under current law, the 10% surcharge expired on January 1, 2021. This results in a revenue gain of \$80 million in FY 22 and \$50 million annually thereafter.

**Adjust Phase Out of the Capital Stock Method of the Corporation Business Tax**

Delay and extend the scheduled phase out of the capital stock method of taxation which results in a revenue gain of \$20.9 million in FY 22 and \$29.2 million in FY 23. The current and proposed phase out schedules is outlined in the table below.

<b>Income Year</b>	<b>Current Rate (mills)</b>	<b>Proposed Rate (mills)</b>
Prior to 2021	3.1	3.1
2021	2.6	3.1
2022	2.1	3.1
2023	1.1	3.1
2024	-	2.6
2025	-	2.1
2026	-	1.6
2027	-	1.1
2028 & Beyond	-	-

### **Legalize Recreational Use of Cannabis by Adults**

Legalize the use and begin taxation of recreational marijuana by May of 2022. The proposal applies excise taxes to the wholesale of the product, the 6.35% sales tax, and a 3% local sales tax payable to the host municipality. This results in a revenue gain beginning in FY 23.

### **Implement Internet Lottery, Gaming, and Sports Betting**

Implement internet sales of draw games (i.e., not scratch tickets or keno) offered by the Connecticut Lottery Corporation which results in a revenue gain of \$2 million in FY 22 and \$3 million in FY 23. Additionally, legalize internet gaming and sports betting which results in a revenue gain of \$47.3 million in FY 23.

### **Tax Amnesty and Revenue Initiative Programs**

Establish a tax amnesty program that results in a one-time revenue gain of \$40 million in FY 22, and a \$4 million revenue loss in FY 23 due to a pull-forward effect. Also, deploy analytical tools by the Department of Revenue Services (DRS) to narrow the "tax gap" between what is legally owed and what is remitted, resulting in an ongoing revenue gain of \$40 million beginning in FY 23. Associated administrative funds are appropriated to DRS for both programs.

### **Jobs CT Tax Credit**

Establish a new tax credit against the corporation business tax, insurance premiums tax, or pass-through entity tax for employers in certain industries who create a minimum of 25 new full-time jobs with salaries at or above 85% of the median household income in the municipality where the jobs will be located (the minimum qualifying salary is \$37,500). The credit is equal to 25% (or 50% in the case of jobs created in distressed municipalities and opportunity zones) of associated income taxes withheld and is allowed annually for up to nine years (the last two at the discretion of the DECD commissioner) starting in the 25<sup>th</sup> month after the credit-eligible jobs are created. The credit is capped at \$5,000 per credit-eligible job and is subject to an annual aggregate cap of \$40 million. This results in a revenue loss beginning in FY 24.

### **Establish a Captive Insurers Initiative**

Establish an incentive to relocate a firm's captive insurer to Connecticut, including (1) a 3-year look-back for the payment of taxes owed, plus interest, and (2) a waiver of penalties on outstanding liabilities. This incentive is available for Connecticut insureds who establish a branch captive in the state or re-domicile a foreign or alien captive insurer to the state before July 1, 2022. This results in a one-time revenue gain of \$7.5 million in FY 22 and an ongoing revenue gain of \$200,000 annually thereafter.

### **Ban Flavored Vaping Products**

The proposal results in a revenue loss of \$1.9 million in FY 22 and \$2.5 million annually thereafter. The estimate is based on data from the Centers for Disease Control and Prevention indicating that flavored vaping products comprise roughly half the market of all vaping products.

### **Impose a Convenience Fee for Credit Card Use**

Establish a service fee to be applied to all credit and debit card transactions with the state in order to cover transaction fees charged by credit card companies. The service fee cannot exceed the actual charge by the credit card, charge card, or debit card issuer or processor, inclusive of any discount rate. This results in a revenue gain of \$5 million annually beginning in FY 22 split evenly between the General Fund and the Special Transportation Fund.



**Delay Increase in the Teachers' Pension Exemption**

Delay until 2023 the scheduled increase, from 25% to 50%, in the teachers' pension exemption under the personal income tax. This results in a revenue gain of \$8 million in each year of the biennium.

**Delay Pension and Annuity Exemption**

Delay by two years the scheduled increase in the pension and annuity exemption under the personal income tax. This results in a revenue gain of \$16.4 million in FY 22 and \$32.8 million in FY 23.

**Maintain Eligibility Limits for Property Tax Credit**

Extend, through the 2022 income year, the eligibility limitation on the \$200 property tax credit to filers over the age of 65 or those who have at least one dependent. This results in a revenue gain of \$53 million in each year of the biennium.

**Suspend Amortization of Historical GAAP Deficit**

Suspend the FY 22 and FY 23 amortization of the historical Generally Accepted Accounting Principles (GAAP) deficit resulting in a revenue gain of \$85.1 million in each year of the biennium, and revenue losses in the out years.

**Lower Tax Credit Utilization Cap under the Public Service Companies Tax**

The proposal extends the 50.01% credit utilization cap on all credits to the public service companies tax, which is not currently subject to any credit cap. This results in a revenue gain of \$2 million annually.

## REVENUE POLICIES

General Fund						
Fund/Tax Type	Policy	FY 22 \$	FY 23 \$	FY 24 \$	FY 25 \$	FY 26 \$
<b>Taxes</b>						
Personal Income Tax	Hold Teachers' Pension Exemption at 25% for 2 Years	8.0	8.0	-	-	-
	Hold Pension and Annuity Exemption at 28% for 2 Years	16.4	32.8	32.8	32.8	32.8
	<b>Personal Income Tax Total</b>	<b>24.4</b>	<b>40.8</b>	<b>32.8</b>	<b>32.8</b>	<b>32.8</b>
Sales and Use Tax	Delay Municipal Revenue Sharing Account for 2 Years	377.2	386.6	-	-	-
	Cannabis - Legalize Recreational Use - Sales Tax	1.9	11.5	21.9	33.9	34.7
	<b>Sales and Use Tax Total</b>	<b>379.1</b>	<b>398.1</b>	<b>21.9</b>	<b>33.9</b>	<b>34.7</b>
Corporation Tax	Maintain 10% Tax Surcharge	80.0	50.0	50.0	50.0	50.0
	Delay and Extend the Elimination of the Capital Base Tax	20.9	29.2	40.5	37.8	28.9
	Limit carryforward of new R&D credits to 15 years	-	-	-	-	-
	<b>Corporation Tax Total</b>	<b>100.9</b>	<b>79.2</b>	<b>90.5</b>	<b>87.8</b>	<b>78.9</b>
Public Service Companies Tax	Eliminate exemption for gas sold to facility with 775 MW Capacity	3.3	3.3	3.3	3.3	3.3
	Cap Credits claimed against the public utilities tax at 50.01% of liability	2.0	2.0	2.0	2.0	2.0
	<b>Public Service Companies Tax Total</b>	<b>5.3</b>	<b>5.3</b>	<b>5.3</b>	<b>5.3</b>	<b>5.3</b>
Insurance Companies Tax	Captive Insurers Initiative	7.5	0.2	0.2	0.2	0.2
	<b>Insurance Companies Tax Total</b>	<b>7.5</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>	<b>0.2</b>
Cigarette Tax	Ban Flavored Vaping Products	(1.9)	(2.5)	(2.5)	(2.5)	(2.5)
	<b>Cigarette Tax Total</b>	<b>(1.9)</b>	<b>(2.5)</b>	<b>(2.5)</b>	<b>(2.5)</b>	<b>(2.5)</b>
Health Provider Tax	Implement recommendation of ambulatory surgical center tax study	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
	<b>Health Provider Tax Total</b>	<b>(0.5)</b>	<b>(0.5)</b>	<b>(0.5)</b>	<b>(0.5)</b>	<b>(0.5)</b>
Miscellaneous Tax	Cannabis - Legalize Recreational Use - Excise Tax	3.2	18.9	36.1	55.9	57.3
	Divert 50% of Revenue to Municipal Aid	-	-	(18.1)	(27.9)	(28.6)
	CREATES Revenue Initiative	-	40.0	40.0	40.0	40.0
	DRS Tax Amnesty Program	40.0	(4.0)	-	-	-
	<b>Miscellaneous Tax Total</b>	<b>43.2</b>	<b>54.9</b>	<b>58.0</b>	<b>68.0</b>	<b>68.7</b>
Refunds of Taxes	Jobs CT Tax Credit	-	-	(40.0)	(40.0)	(40.0)
	Maintain current eligibility on the Property Tax Credit	53.0	53.0	-	-	-
	<b>Refunds of Taxes Total</b>	<b>53.0</b>	<b>53.0</b>	<b>(40.0)</b>	<b>(40.0)</b>	<b>(40.0)</b>
	<b>Taxes Total</b>	<b>611.0</b>	<b>628.5</b>	<b>165.7</b>	<b>185.0</b>	<b>177.6</b>
<b>Other Revenue</b>						

General Fund						
Fund/Tax Type	Policy	FY 22 \$	FY 23 \$	FY 24 \$	FY 25 \$	FY 26 \$
Transfers Special Revenue	i-Lottery - Draw Games	2.0	3.0	7.5	12.5	19.0
	<b>Transfers Special Revenue Total</b>	<b>2.0</b>	<b>3.0</b>	<b>7.5</b>	<b>12.5</b>	<b>19.0</b>
Indian Gaming Payments	Implement i-Gaming and Sports Betting	-	47.3	59.8	73.2	82.6
	<b>Indian Gaming Payments Total</b>	<b>-</b>	<b>47.3</b>	<b>59.8</b>	<b>73.2</b>	<b>82.6</b>
License, Permits and Fees	Safe Drinking Water Assessment	2.2	2.2	2.3	2.4	2.5
	Cannabis - Legalize Recreational Use - Licensing	4.8	2.2	2.0	2.0	2.0
	<b>License, Permits and Fees Total</b>	<b>7.0</b>	<b>4.4</b>	<b>4.3</b>	<b>4.4</b>	<b>4.5</b>
Miscellaneous Revenue	Impose Convenience Fee for Credit/Debit Card Use	-	2.5	2.5	2.5	2.5
	<b>Miscellaneous Revenue Total</b>	<b>-</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>
Refunds of Payments	Office of Health Strategy Hospital Assessment	1.3	1.3	1.3	1.3	1.3
	<b>Refunds of Payments Total</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>	<b>1.3</b>
	<b>Other Revenue Total</b>	<b>10.3</b>	<b>58.5</b>	<b>75.4</b>	<b>93.9</b>	<b>109.9</b>
Federal Grants	Revenue Gain Attributable to Expenditure Changes	24.6	23.6	26.9	26.9	26.9
Federal Grants	Enhanced FMAP (+6.2%) Extended for Qtrs. Ending 9/30/21 & 12/31/21	59.1	-	-	-	-
	<b>Federal Grants Total</b>	<b>83.7</b>	<b>23.6</b>	<b>26.9</b>	<b>26.9</b>	<b>26.9</b>
Transfers - Other Funds	Delay GAAP Deficit Payment to FY 2024	85.1	85.1	(34.0)	(34.0)	(34.0)
	Transfer excess RPIA funding above RSG grant requirements	3.0	3.0	-	-	-
	Federal Stimulus/Transfer from Budget Reserve Fund	775.0	975.0	-	-	-
	Transfer to the Tourism Fund	(3.1)	-	-	-	-
	<b>Transfers - Other Funds Total</b>	<b>860.0</b>	<b>1,063.1</b>	<b>(34.0)</b>	<b>(34.0)</b>	<b>(34.0)</b>
	<b>Other Sources Total</b>	<b>943.7</b>	<b>1,086.7</b>	<b>(7.1)</b>	<b>(7.1)</b>	<b>(7.1)</b>
	General Fund Total	1,565.0	1,773.7	234.0	271.8	280.4
	Revenue Cap	99.00%	98.75%	98.50%	98.25%	98.00%
	Revenue Cap Deduction	(15.7)	(22.2)	(3.5)	(4.8)	(5.6)
	<b>General Fund Total Revenue Available</b>	<b>1,549.3</b>	<b>1,751.5</b>	<b>230.5</b>	<b>267.0</b>	<b>274.8</b>

Special Transportation Fund						
Fund/Tax Type	Policy	FY 22	FY 23	FY 24	FY 25	FY 26
<b>Taxes</b>						
Sales and Use Tax	Cannabis - Legalize Recreational Use	0.2	1.0	1.9	2.9	3.0
Highway Use Tax	Implement Highway Use Tax	-	45.0	90.0	94.1	98.3
	<b>Taxes Total</b>	<b>0.2</b>	<b>46.0</b>	<b>91.9</b>	<b>97.0</b>	<b>101.3</b>
<b>Other Sources</b>						
Refunds of Payments	Impose Convenience Fee for Credit/Debit Card Use	-	2.5	2.5	2.5	2.5
	<b>Other Sources Total</b>	<b>-</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>
	<b>Special Transportation Fund Total</b>	<b>0.2</b>	<b>48.5</b>	<b>94.4</b>	<b>99.5</b>	<b>103.8</b>
	Revenue Cap	99.00%	98.75%	98.50%	98.25%	98.00%
	Revenue Cap Deduction	-	(0.6)	(1.4)	(1.7)	(2.1)
	<b>General Fund Total Revenue Available</b>	<b>0.2</b>	<b>47.9</b>	<b>93.0</b>	<b>97.8</b>	<b>101.7</b>

Tourism Fund						
Fund/Tax Type	Policy	FY 22	FY 23	FY 24	FY 25	FY 26
<b>Transfers - Other Funds</b>	Transfer from the General Fund	3.1	-	-	-	-
<b>GRAND TOTAL</b>		<b>1,568.3</b>	<b>1,822.2</b>	<b>328.4</b>	<b>371.3</b>	<b>384.2</b>

## V. SIGNIFICANT CAPITAL BUDGET CHANGES

The Governor's recommended capital budget authorizations and cancellations are in the table below.

### Proposed New Bond Authorizations by Type (in millions)

Bond Type	FY 22 \$	FY 23 \$
General Obligation (GO) bonds	1,527	1,409
Special Tax Obligation (STO) bonds	837	930
CWF	-	281
<b>Total</b>	<b>2,364</b>	<b>2,619</b>

### General Obligation Bonding

#### Net Effective GO Bonds (in millions)

General Obligation Bonds (GO)	FY 22 \$	FY 23 \$
New authorizations	1,527	1,409
Existing authorizations effective July 1	255	170
Cancellations/Reductions	(154)	-
<b>Net Effective Authorizations</b>	<b>1,628</b>	<b>1,579</b>

The proposal includes:

- \$550 million of new GO bonds in each year for school construction project reimbursements,
- bond funding for common municipal grant programs
  - \$30 million for LoCIP,
  - \$60 million for Town Aid Road split between GO and STO bonds,
  - \$76 million for Son of Town Aid Road,
- \$155 million each year for housing programs,
- \$75 million each year for Clean Water grants (to go with \$281 million FY 22 for Clean Water Revenue bond loans),
- \$65 million each year for IT capital investment, and
- \$50 million each year for Urban Act Projects.

### Proposed New GO Bond Authorizations by Agency (in millions)

Agency	FY 22 \$	FY 23 \$
AES	6.3	-
CME	2.5	-
CPA	50.0	-
CSCU	84.4	76.6
DAS	561.0	575.0
DDS	2.0	2.0
DECD	80.0	80.0
DEEP	127.6	132.6
DESPP	54.7	38.2
DMHAS	13.5	8.7
DMV	0.5	-
DOC	30.0	10.0

Agency	FY 22 \$	FY 23 \$
DOH	155.0	150.0
DOT	30.0	30.0
JUD	11.0	11.0
MIL	2.0	3.5
OLM	6.8	-
OPM	290.0	272.0
SDE	20.1	19.1

The proposal includes \$154 million of reductions or cancellations of existing bond authorizations, including canceling \$70 million of authorizations Workforce Training Authority (WTA) (\$70 million) and \$45 million for the Municipal Redevelopment Authority (MRDA).

### Debt Limit Calculation

The Governor’s proposed bond package for the biennium is below the statutory bond cap on General Obligation bonds in each fiscal year, based on revenue estimates that include his tax proposals. The table below shows the debt percentage is expected to be approximately 84% as of July 1, 2021, and 82% as of July 1, 2022.

CGS Section 3-21 stipulates that if the level of bonded indebtedness reaches 90% of the limit, 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.

### Statutory Debt Limit Estimate for the Governor’s Proposed Bond Package

	FY 22	FY 22
Estimated Debt Limit Percentage	84.4%	82.4%
Capacity Remaining Under 90% Threshold (millions \$)	1,557	2,168

### Transportation Capital

The proposal includes \$837 million of new STO bonds in FY 22 and \$930 million in FY 23. Proposed authorizations include additional funding for bus and rail projects, resurfacing, bridge, and highways.

The Governor’s proposal would limit STO issuance to \$800 million in FY 22, before escalating to \$925 million in FY 23, \$1 billion in each of FY 24 and FY 25, and \$1.1 billion in FY 26. The proposal also includes \$100 million in FY 22 and \$200 million in FY 23 of appropriated capital spending.

## VI. MUNICIPAL AID

### TRS Contributions Increase Significantly; ECS and Most Other Aid Flat Funded

The Governor's FY 22 and FY 23 budget proposal increases municipal aid, not including Teachers' Retirement System (TRS) contributions, by \$2.1 million in FY 22 and \$7.3 million in FY 23. TRS contributions on behalf of municipalities increase by \$195.6 million in FY 22 and \$333.2 million in FY 23.

The proposal freezes Education Cost Sharing (ECS) funding at approximately \$2.094 billion in each of FY 22 and FY 23, delaying, for two years, the multi-year phase-in of ECS full funding passed in PA 17-2, the FY 18 and FY 19 Budget.

Please see the chart below for a grant by grant breakdown of the Governor's budget proposal.

### Municipalities Receive Portion of Revenue Generated from Legalization of Recreational Marijuana

The proposal legalizes the sale and consumption of recreational marijuana and establishes two new taxes that impact municipalities.

- A state excise tax, 50% of the revenue from which is distributed to municipalities for State Property PILOT and College & Hospital PILOT grants.
- A local sales tax on cannabis products.

These taxes cumulatively result in a revenue gain to municipalities beginning in FY 22.

### Municipalities Continue to Receive Federal Stimulus Funding

The proposal includes \$100 million to distressed municipalities in FY 22, funded via a combination of 50% Coronavirus Relief Fund and 50% state bond funding. Funding is distributed based on population to the 25 municipalities designated as distressed in FY 20 by the Department of Economic and Community Development.

The proposal indicates that municipalities, RESCs, and charter schools will receive approximately \$443.2 million in federal Elementary and Secondary School Emergency Relief funding, split evenly in the proposal between FY 22 and FY 23 (\$221.6 million per year). However, federal guidelines indicate this funding must be awarded to recipients by January 2022 (i.e., by FY 22). Funding can be used for a range of prescribed activities.

### FY 22 and FY 23 Municipal Aid Synopsis

Fund/Agency	FY 21 Estimated \$	FY 22 Gov. Rec. \$	FY 23 Gov. Rec. \$	FY 22 Gov. Rec. - FY 21 \$	FY 23 Gov. Rec. - FY 21 \$
<b>Appropriated Funds</b>					
<b>Office of Policy and Management</b>					
State Property PILOT	54,944,031	54,944,031	54,944,031	-	-
College & Hospital PILOT	109,889,434	108,998,308	108,998,308	(891,126)	(891,126)
Reimbursement Property Tax - Disability Exemption	364,713	364,713	364,713	-	-
Distressed Municipalities	1,500,000	1,500,000	1,500,000	-	-
Property Tax Relief Elderly Freeze Program	40,000	10,000	10,000	(30,000)	(30,000)
Property Tax Relief for Veterans	2,708,107	2,708,107	2,708,107	-	-
Municipal Transition (Car Tax Cap Reimbursement Grants)	32,331,732	32,331,732	32,331,732	-	-
Municipal Restructuring	7,300,000	7,300,000	7,300,000	-	-
Municipal Revenue Sharing (Supplemental PILOT)	36,819,135	36,819,135	36,819,135	-	-
Municipal Stabilization Grant	38,253,335	37,753,335	37,753,335	(500,000)	(500,000)
Pequot Grants	51,472,796	51,472,796	51,472,796	-	-
<b>State Department of Education</b>					
Vocational Agriculture	15,124,200	15,124,200	15,124,200	-	-
Adult Education	20,383,960	20,385,878	20,392,630	1,918	8,670
Health and Welfare Services Pupils Private Schools	3,438,415	3,438,415	3,438,415	-	-

Fund/Agency	FY 21 Estimated \$	FY 22 Gov. Rec. \$	FY 23 Gov. Rec. \$	FY 22 Gov. Rec. - FY 21 \$	FY 23 Gov. Rec. - FY 21 \$
Education Equalization Grants	2,093,587,133	2,093,587,133	2,093,587,133	-	-
Bilingual Education	1,916,130	1,916,130	1,916,130	-	-
Priority School Districts	30,818,778	30,818,778	30,818,778	-	-
Interdistrict Cooperation	1,537,500	1,383,750	1,383,750	(153,750)	(153,750)
School Breakfast Program	2,158,900	2,158,900	2,158,900	-	-
Excess Cost - Student Based	140,619,782	140,619,782	140,619,782	-	-
Open Choice Program	25,982,027	27,980,849	30,342,327	1,998,822	4,360,300
Magnet Schools	295,033,302	292,223,044	294,662,627	(2,810,258)	(370,675)
After School Program	5,750,695	5,750,695	5,750,695	-	-
Sheff Transportation	45,781,798	51,843,244	52,813,212	6,061,446	7,031,414
<b>Other Appropriated Aid</b>					
Housing/Homeless Services - Municipality	575,226	607,063	637,088	31,837	61,862
Local and District Departments of Health	4,210,499	4,210,499	4,210,499	-	-
School Based Health Clinics	10,550,187	10,678,013	10,680,828	127,826	130,641
Teen Pregnancy Prevention - Municipality	98,281	98,281	98,281	-	-
Connecticard Payments	703,638	603,638	603,638	(100,000)	(100,000)
Municipal Restructuring (Debt Service)	56,314,629	54,677,710	54,098,049	(1,636,919)	(2,216,580)
Youth Service Bureaus	2,626,772	2,626,772	2,626,772	-	-
Youth Service Bureau Enhancement	1,093,973	1,093,973	1,093,973	-	-
<b>Bond Funding</b>					
Town Aid Road	60,000,000	60,000,000	60,000,000	-	-
LoCIP	30,000,000	30,000,000	30,000,000	-	-
Grants for Municipal Projects	75,999,999	75,999,999	75,999,999	-	-
<b>Subtotal - Appropriated and Bond Funding less TRB Contributions</b>	<b>3,259,929,107</b>	<b>3,262,028,903</b>	<b>3,267,259,863</b>	<b>2,099,796</b>	<b>7,330,756</b>
<b>Teachers' Retirement Board</b>					
Retirement Contributions	1,249,835,000	1,443,656,000	1,578,038,000	193,821,000	328,203,000
Retirees Health Service Cost	24,859,400	26,707,000	29,901,000	1,847,600	5,041,600
Municipal Retiree Health Insurance Costs	5,135,640	5,100,000	5,100,000	(35,640)	(35,640)
<b>Subtotal - TRB Contributions</b>	<b>1,279,830,040</b>	<b>1,475,463,000</b>	<b>1,613,039,000</b>	<b>195,632,960</b>	<b>333,208,960</b>
<b>TOTAL</b>	<b>4,539,759,147</b>	<b>4,737,491,903</b>	<b>4,880,298,863</b>	<b>197,732,756</b>	<b>340,539,716</b>