

Office of Legislative Research
Connecticut General Assembly

 **2006 MAJOR ACTS**

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NOTICE TO READERS



These summaries are intended to describe briefly the most significant, far-reaching, and publicly debated acts adopted by the General Assembly in its 2006 regular session. Not all provisions of these acts are included. The Major

Public Acts are posted on the intranet at <http://cgalites/olr/> and on the Internet at <http://www.cga.state.ct.us/olr/>.

A summary, prepared by the Office of Fiscal Analysis, of the budget revisions adopted during this session is appended to this report. More complete OFA budget information is available on the intranet at <http://cgalites/ofa/> and the Internet at <http://www.cga.state.ct.us/ofa/>.

The Office of Legislative Research also produces a number of specific reports highlighting legislation in various subject areas, including acts affecting children, senior citizens, the environment, and business. Our 2006 Public Act Summary book, which contains detailed summaries of all public acts, will be available this fall.

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BUSINESS & LABOR

Jobs for the 21st Century

The legislature enacted an omnibus package of business tax relief and innovation incentive and education programs. The tax relief portion (1) exempts all manufacturing machinery and equipment from property taxes and reimburses towns for the revenue loss after a five-year phase-in and (2) establishes a corporation tax credit for 30% of qualified Connecticut film and digital media production, preproduction, and postproduction expenses over \$50,000. (A companion act, **sHB 5797**, requires the Connecticut Commission on Culture and Tourism to implement the new film and media tax credits and broadens its charge to include promoting media production and post-production.)

The new measures to encourage and support innovation include (1) a faculty recruitment and entrepreneurial center at UConn, (2) operational funds for small business incubators, and (3) new Connecticut Innovations, Inc. programs to finance early stage ventures and match federal research assistance. The act also establishes a Business Advocate Office to help small businesses identify and access public and

private business assistance programs.

The act requires the State Department of Education to establish three pilot math and science grant programs and creates student loan repayment grant programs for engineers and people with doctoral degrees in economically valuable fields.

SB 702 as amended by HB 5845, effective July 1, 2006, with phase-in of new manufacturing machinery and equipment exemptions and state payments applying to assessment years starting on or after October 1, 2006.

Job Tax Credits

Another act added tax credits for businesses that create new jobs or hire laid off workers. A business can claim credit if it (1) relocates to Connecticut, (2) creates at least 50 new, full-time jobs here, and (3) hires new employees for those jobs and keeps them on the payroll for at least 12 months. The credits equal up to 25% of the state income tax withheld from these employees' wages.

The act gives a \$1,500 per worker tax credit to companies that, after January 1, 2006, hire workers who (1) were employed in Connecticut and (2) were let go by a previous employer as a direct result of a business restructuring in which that employer laid off at least 10

people. The hiring company must pay the worker at least 75% of his former salary. Both credits can be applied to corporation, insurance premium, or utility company taxes.

The act also eliminates the 15% corporation tax surcharge for the 2007 income year.

HB 5845, effective July 1, 2006 and applicable to income years starting on or after January 1, 2006.

Cleaning Up Brownfields

This act creates an office to help towns identify, clean up, and redevelop brownfield sites, which the office must do by implementing the pilot program the act creates. It also creates a task force to develop long-term solutions for cleaning up and redeveloping brownfields.

The act also provides various regulatory and financial incentives for other parties that clean up sites. It protects these parties from liability if they acquire a contaminated site from a town and clean it up according to Department of Environmental Protection standards. It also sets conditions under which the owners of existing manufacturing facilities qualify for clean-up funds and exempts parties that acquired properties through a tax warrant sales from the Transfer Act.

sHB 5685, effective July 1, 2006

Telecommunications Competition

This act deems certain telephone company services to be competitive and therefore subject to less extensive regulation. But, it continues to subject these services to a statutory pricing standard until January 1, 2010. The act eliminates three of the factors the Department of Public Utility Control must consider in deciding whether to change how a service is classified and modifies another. It also requires Southern New England Telephone or its successor (i.e., AT&T) to offer part of its hybrid fiber coaxial system for sale under certain conditions.

sSB 232, effective July 1, 2006

Social Security Offset

This act eliminates the deduction of Social Security retirement benefits from workers' compensation wage replacement benefits thus allowing a worker injured after the act takes effect to receive both benefits with no offset. Under prior law, a person eligible for workers' compensation total disability payments received workers' compensation only if it exceeded his Social Security retirement benefit, and he received only the amount of workers' compensation over Social Security benefit.

sSB 25, effective upon passage

CONSUMER PROTECTION

“Phishing” Protection

This act prohibits using the Internet or an e-mail message to solicit or induce someone to provide identifying information by pretending to be an on-line Internet business without the business’s authorization (a practice known as “phishing”). A violation is also a class D felony, punishable by one to five years imprisonment, a fine of up to \$5,000, or both. Multiple violations committed in the course of a single act constitute a single violation for purposes of the criminal penalty.

The act also authorizes the attorney general or anyone aggrieved by a violation to sue to enforce it and restrain further violations. The court may award actual damages or \$25,000, whichever is greater, for each violation. It may triple the damage award if it determines the defendant engaged in a pattern and practice of violations.

PA 06-50, effective October 1, 2006

EDUCATION

School Nutrition

This act (1) restricts the types of beverages that may be sold to students in school; (2) requires

the State Department of Education (SDE) to set nutritional standards for food sold to students in schools; and (3) provides a financial incentive for school boards; charter school, endowed academy, and interdistrict magnet school governing authorities; and the regional vocational-technical school system to meet the SDE standards. It eliminates the requirement that school boards provide nutritious and low-fat drink options and extends the requirement that boards provide nutritious and low-fat food options to the governing authorities of state charter schools, interdistrict magnet schools, and endowed academies.

PA 06-63, effective July 1, 2006

UConn Construction Reform

The legislature enacted a series of reforms in reaction to management problems in the UConn 2000 construction program. It established two mechanisms to provide independent oversight of future projects: board of trustee audits and a committee to review university policies and procedures and compliance with them during the construction process.

This act also (1) subjects UConn 2000 projects to Department of Public Works and Administrative Services construction requirements, (2)

requires public bidding on projects costing over \$500,000, (3) revises UConn's process to prequalify contractors to bid on projects, (4) requires UConn and the Department of Public Safety to arrange for staff to ensure projects' compliance with fire and building codes, and (5) requires UConn to spend all money allocated for deferred maintenance for that purpose and identify future deferred maintenance needs and costs.

sHB 5695, various effective dates

Tax Deductions for College Savings

This act allows taxpayers to deduct contributions to the Connecticut Higher Education Trust, the state-sponsored college savings plan, from their adjusted gross income for state income tax purposes. It allows joint filers to deduct \$10,000 a year and single filers \$5,000.

HB 5845, effective July 1, 2006 and applicable to tax years beginning on or after January 1, 2006.

School Construction

This act authorizes \$785 million in state grant commitments for school construction projects, including increased grants for reauthorized projects that have changed in cost or scope by at least 10%.

It adds several provisions to control school project costs and cost increases. These include (1) limiting the legislature's ability to reauthorize a project whose scope or cost changes; (2) for projects costing more than \$10 million, halving the state reimbursement rate for any amount of change orders that exceed 5% of the project's authorized cost; (3) requiring SDE to approve plans and specifications for turn-key projects, under which a school district agrees to buy a completed building built by a third party; and (4) requiring SDE to develop a standard series of school construction contracts that districts can use as the basis for their own project contracts.

The act also places restrictions on the financial relationships between architects and construction managers working on school projects and their contracts and relationships with school boards. The act imposes penalties on contracts that fail to comply with standards it establishes.

sSB 636, effective July 1, 2006 for most provisions, upon passage for the grant commitments.

Nanotechnology Initiatives

This act establishes several initiatives to promote research collaborations between academia and industry in the field of

nanotechnology. It provides for matching grants to support students working on nanotechnology projects and university teams working with businesses to apply research and create product prototypes. The act also calls for the Office of Workforce Competitiveness to help businesses apply for nanotechnology-related Small Business Innovation Research funds and study the feasibility of developing a center for nanoscale sciences and development.

HB 5846, effective July 1, 2006

ELECTIONS

Campaign Finance Reform

This act revises provisions in PA 05-5, October 25 Special Session, which established the Citizens' Election Program to publicly finance campaigns for statewide and legislative office candidates and changed several campaign finance laws. Among other things, this act (1) restricts the circumstances under which PA 05-5 would become unenforceable; (2) prohibits legislative caucus, legislative leadership, and party committees from making organization expenditures to benefit the primary campaign of a legislative candidate who participates in the program; (3) limits organization expenditures made to benefit the general election campaign of the same candidates; and (4)

provides supplemental grants to minor and petitioning party candidates who qualify and allows them to collect contributions in addition to qualifying contributions under certain circumstances.

sSB 66, effective December 31, 2006 and applicable to elections held on or after that date, except for the severability provision, which is effective on passage.

ENVIRONMENT

Clean Cars

This act requires the Department of Environmental Protection (DEP) commissioner to establish a greenhouse gas (GHG) labeling program for new motor vehicles sold or leased for the 2009 model year and later. It requires the DEP commissioner, after consulting with the motor vehicles commissioner, to establish or contract for a public education program about the labeling. It establishes a \$5 fee, applied when new vehicles are registered, to fund the GHG labeling program.

sSB 660, effective October 1, 2006

Lobster Restoration

This act establishes a lobster trap (pot) allocation buy-back program and an economic assistance program for resident commercial lobster fishermen. It

bases these programs' funding on whether the Atlantic State Marine Fisheries Commission establishes a v-notch program by November 1, 2006 equivalent to the approved or future requirements for Long Island Sound. By law, the state must abide by the commission's plan. Under the act, if the commission adopts such a v-notch program, all FY 07 lobster conservation appropriations go to fund the buy-back program. If not, 60% goes to fund the buy-back program and 40% to the economic assistance program.

The act establishes a Lobster Restoration Advisory Committee to advise the Department of Environmental Protection commissioner on the development of a lobster v-notch conservation program, which is meant to enhance recovery and rebuilding of lobster stock in the Long Island Sound.

HB 5846, effective upon passage

Well Water Pollution Notice

This act requires (1) sellers of homes that are or will be served by well water to notify prospective buyers of the water test results for volatile organic compounds and (2) the Department of Environmental Protection commissioner to notify state, federal, and employee representatives about contaminated sites. It sets various deadlines by which the

recipient of the commissioner's order to test any private drinking well must notify the property owner, local health director, and others of findings of excessive contaminant levels.

sHB 5440, effective October 1, 2006

HEALTH

End of Life Decisions

The legislature amended and updated Connecticut law on health care decision making by, among other actions, (1) combining the authority of the health care agent and attorney-in-fact for health care decisions into a unified proxy known as the "health care representative"; (2) expanding the scope of a living will to include any aspect of health care; (3) authorizing the health care representative to make all health care decisions for a person incapable of expressing those wishes himself; (4) specifying that advance directives properly executed before October 1, 2006 remain valid; and (5) providing for recognition of advance directives validly executed elsewhere that are not contrary to Connecticut policy.

sSB 317, effective October 1, 2006

Hospital-Acquired Infections

This act directs a Committee on Healthcare Associated Infections to develop, operate, and monitor a mandatory

reporting system for patient infections that (1) occur in a healthcare setting; (2) were not found when the patient was admitted, unless related to a previous admission to the same setting; and (3) if the setting is a hospital, meet specified National Centers for Disease Control criteria. It requires the Department of Public Health to implement the committee's recommendations for a mandatory infection reporting system and standardized data reporting measures.

sSB 160, effective upon passage

Umbilical Cord Blood Banking

Building on last year's stem cell research initiative, legislation this year requires the public health commissioner, with help from the Stem Cell Research Advisory Committee, to evaluate the feasibility of (1) establishing a public facility for collecting and storing umbilical cord blood (a rich source of stem cells) and placental tissue donated by maternity patients, (2) entering into a multistate public cord blood collaboration, and (3) developing a public-private partnership with existing cord blood banks.

sSB 311, effective upon passage

Direct Access to Physical Therapists

This act allows patients to go to a physical therapist who meets certain standards without first being referred by another health care practitioner, except in cases involving workers' compensation injuries and a specific kind of spinal manipulation. The act specifies procedures a physical therapist must follow in treating patients directly, and it specifies that "physical therapy" does not include surgery; prescribing drugs; or diagnosing disease, injury, or illness.

sSB 164 (as amended by sSB 317), effective October 1, 2006

HOUSING

Housing Tax Credits

This act authorizes \$15 million a year in business tax credits for rehabilitating historic commercial and industrial buildings for residential use. Businesses can claim credits for up to 25% of their qualified costs, up to \$2.7 million. They can use the credits against their own tax returns or sell or transfer them to others.

The act also doubles, from \$5 million to \$10 million, the amount of tax credits the Connecticut Housing Finance Authority can award annually for low- and moderate-income housing development.

HB 5845, effective July 1, 2006, with the historic structure rehabilitation credits applicable to income years beginning on or after January 1, 2006.

Preserving Affordable Housing

Owners of federally subsidized housing projects must notify tenants and others at least one year before they prepay the project's mortgage, which could remove restrictions making units affordable to low- and moderate-income people. This act expands the range of federal programs subject to the notification requirement and the range of events that trigger it.

PA 06-48, effective July 1, 2006

INSURANCE

Imaging Services Copayments

This act limits the copayments that a person must make for imaging services performed in-network. It limits the copayments for magnetic resonance imaging (MRI) and computed axial tomography (CAT) scans to no more than (1) \$375 for all such services annually and (2) \$75 for each. It limits the copayments for positron emission tomography (PET) scans to no more than (1) \$400 for all scans annually and (2) \$100 for each. These limits apply only if the physician ordering the service or someone

in the same practice group does not perform it.

sHB 5372, effective October 1, 2006

Insured and Under the Influence

This act prohibits certain health insurance policies from denying coverage for services to treat an injury that occurs or is alleged to have occurred when an insured person has an elevated blood alcohol content level (0.08% or more) or is under the influence of drugs or alcohol.

PA 06-39, effective October 1, 2006

Life Insurance for Travelers

This act limits a life insurer's ability to underwrite a policy based on a person's past or future travel to a lawful destination. Under the act, an insurer cannot, based on such travel, (1) deny or refuse to accept a life insurance application; (2) charge different premiums or rates for a policy; or (3) cancel, restrict, terminate, or not renew a policy. But an insurer, under certain conditions, can deny an application or charge different premiums or rates based on a person's destination.

PA 06-5, effective upon passage

JUDICIAL MATTERS

Freedom of the Press

With some exceptions, this act prohibits government bodies that can issue subpoenas from compelling the news media to testify about, produce, or disclose (1) information obtained or received, whether in confidence or not, in gathering or processing information for potential communication to the public; (2) the source of the information; or (3) information that can identify the source. The exception is for information (1) necessary to a pending investigation, prosecution, or civil action; (2) not otherwise available; and (3) of interest to the public.

In criminal prosecutions, the act provides that it cannot be construed to deny or infringe an accused's rights under the U.S. or Connecticut constitutions. Both of these documents give the accused the right to use subpoenas to obtain witnesses on his behalf.

HB 5212, effective October 1, 2006

Adoptees' Access to Birth Certificates

This act requires the Department of Public Health (DPH) to give adopted adults copies of their sealed original birth certificates on request. Prior law barred access without a

biological parent's consent or probate court order.

The act also creates a voluntary, non-binding procedure for biological parents to indicate whether they want their adopted children to contact them. DPH must attach completed consent forms to the sealed birth certificates and make them available to adult adoptees on request.

The act applies to adoptions completed on and after October 1, 2006. Disclosure is not required until these adoptees reach at least age 21.

sSB 4, effective October 1, 2006

Property Rights Ombudsman

This act creates an Office of Ombudsman for Property Rights. The ombudsman's job is, among other things, to (1) help property owners with eminent domain procedures; (2) mediate disputes between property owners and public agencies over the use of eminent domain or relocation assistance; and (3) recommend changes in eminent domain laws to the legislature.

HB 5846, effective July 1, 2006

Human Trafficking Banned

This act creates the crime of trafficking in persons, punishable by up to 20 years in prison, a fine up to \$15,000, or both. It applies to those who

coerce others into prostitution or work. It authorizes the state to charge traffickers with racketeering and to seize property related to the crime.

The act allows people charged with prostitution to avoid conviction by proving that they were coerced by a trafficker. It also allows (1) the attorney general to sue employers who knowingly employ victims and (2) victims to sue traffickers for money damages.

The act appropriates funds for training programs, witness protection services, and shelter and victim services.

PA 06-43, effective July 1, 2006, except the task force provision, which is effective upon passage.

House Parties Banned

This act makes it a crime for someone who possesses or controls private property, including a dwelling unit, to (1) knowingly permit a minor to illegally possess alcohol on the property or (2) fail to make reasonable efforts to stop alcohol possession there by a minor he knows possesses it illegally. A first offense is an infraction, and subsequent offenses carry up to one year in prison, a fine of up to \$500, or both.

The act also makes it illegal for a minor to possess alcohol anywhere, rather than only in public places. It makes the first offense an infraction and imposes

a fine of \$200 to \$500 for subsequent offenses. The latter was the penalty for illegal possession in public places.

HB 5211, effective October 1, 2006

Provisional Pardons

This act authorizes the Board of Pardons and Paroles to issue provisional pardons to relieve offenders of certain barriers to employment or obtaining an occupational license due to their criminal conviction if, among other factors, the relief may promote the public policy of rehabilitating ex-offenders through employment and is consistent with public safety and protecting property. It prohibits employers from denying employment to someone or discharging or discriminating against an employee solely because of a conviction that occurred before he started a job for which he received a provisional pardon.

HB 5846, effective October 1, 2006

Sex Offenders

This act reduces, from life to 10 years, the mandatory registration period for violators of several statutory rape laws and requires additional offenders to register for 10 years. It establishes a Risk Assessment Board to develop a scale using various factors to determine a

sex offender's likelihood of reoffending.

Whenever someone is convicted of a sex crime that requires registration or found not guilty by reason of mental defect or disease, the act requires the court to give the Department of Public Safety (DPS) a written description of each offense and the age and sex of the crime victim. DPS must add this to the sex offender registry information available to the public on the Internet.

The act adds activities that trigger a registrant's obligation to update his registry information and requires the DPS to establish a protocol for notifying state agencies and local police of such changes. It also requires the Department of Correction commissioner to ensure that sex offenders in his custody are registered before he releases them.

HB 5846, various effective dates

MUNICIPAL GOVERNMENT

Property Taxes

The budget act increases the maximum property tax credit against the income tax from \$400 to \$500, starting in the 2006 tax year.

HB 5845, effective July 1, 2006 and applicable to tax years starting on or after January 1, 2006.

SENIORS

Property Tax Relief

This act allows towns to freeze property taxes on homes owned by people age 70 or older who have lived in the state at least one year and for their surviving spouses. Homeowners must meet the income limits for the "circuit breaker" program, which gives elderly homeowners a credit against their property taxes. Those income limits are currently \$27,700 for individuals and \$33,900 for married couples and are adjusted annually for inflation. The act allows the town to set asset limits for eligibility.

Unlike the circuit breaker program, the act does not provide state reimbursement for lost revenue to a town that freezes taxes, but it allows the town to put a lien on the property. People whose taxes are frozen can still qualify for other property tax relief programs.

sHB 5093, effective October 1, 2006, and applicable to assessment years beginning on or after that date.

Homemaker-Companion Agency Registration

This act requires homemaker-companion agencies to register annually with the Department of Consumer Protection. They must require new employees to undergo comprehensive background checks and answer

questions in writing about their criminal convictions or certain disciplinary actions against them. They must provide their clients with written individualized contracts or service plans that identify the anticipated services' scope, type, frequency, and duration. Agencies that provide such services without registering or that make certain misrepresentations face penalties.

HB 5846, effective October 1, 2006

TRANSPORTATION

Roadmap for the Future

The legislature made a major investment in transportation projects related to economic growth. It authorized \$2.3 billion in bonding for a variety of specified projects and initiatives. This act increases the amount of petroleum products gross receipts tax revenue that must be transferred to the Special Transportation Fund each year to pay for some of these bonds.

The projects include restoring commuter rail service between New Haven, Hartford, and Springfield, Massachusetts; rehabilitating passenger rail cars for use on this line, Shoreline East, and the New Haven line; financing capital improvements on the New Haven lines, including parking facilities and stations; developing a new

station between New Haven and Milford; completing road improvements for the Norwich Intermodal Transit Hub; and implementing the New Britain-Hartford busway. The Transportation Department can also use these funds for projects the legislature has previously authorized.

The act also authorizes the use of Urban Action bonds for transit-oriented development projects and permits state economic development agencies to make grants or loans to support such projects.

HB 5844, effective July 1, 2006

OFFICE OF FISCAL ANALYSIS

APPROPRIATIONS

Budget Revisions

This act increases the original FY 07 All Funds appropriation of \$15,938.4 million for state agencies and accounts by a net \$129.6 million to \$16,068 million. Revenue changes adopted by the Finance, Revenue and Bonding Committee include a General Fund base adjustment of \$610.1 million in FY 06 and a base adjustment of \$467.2 million offset by tax/revenue reductions of \$217.7 million in FY 07 and Other Appropriated Funds net increases of \$81.3 million in FY 07. In order to cover deficiency needs in several state agencies and accounts, the act increases FY 06 appropriations by \$27 million in a manner which eliminates the remaining room under the spending cap and places the FY 06 budget exactly at the full amount allowed by the cap. The act also appropriates an additional \$394.5 million (which exceeds the cap) and carries forward \$91 million into FY 07 from anticipated FY 06 surplus funds. Several sections of the act provide for the carry-forward (non-lapse) of funds in specific agencies and accounts from FY 06 into FY 07.

Carryforwards. An estimated \$50.9 million in All

Appropriated Funds are carried forward into FY 07 as a result of the provisions of this act.

Surplus Use. The act uses \$485.5 million from anticipated FY 06 surplus for the following purposes (figures in millions):

\$245.7	Teachers' Retirement
91.0	Reduce FY 07 Approps.
85.5	Ec. Recovery Notes
33.0	Revenue Sharing
11.0	Crisis Hospital Fund
9.0	Contingency Needs
3.4	Higher Ed. Matching
2.0	Mental Health Progs.
2.0	Children's Med. Center
1.0	Lobster Program
1.9	All Other Items
\$485.5	Total – Surplus Uses

Major Budget Revisions. The act increases the original FY 07 All Funds appropriation by a net \$129.6 million.

The major budgetary changes from the original FY 07 appropriation are (figures in millions):

<u>Item</u>	<u>FY 07</u>
Fund Unsettled Contracts	\$65.0
Medicaid Provider Rate Incrs.	53.6
Energy Needs	30.0
Annualize FY 06 Deficiencies	28.5
Special Ed. - Excess Costs	20.0
Therapeutic Homes	14.8
Support for Hospitals	12.3
PILOT Grants	12.0
Private Provider COLA	11.2
Jobs 1 st Employment Services	6.5

Early Childhood	6.5
Medicare Part D Suppl. Needs	6.5
Debt Service Adjustments	(14.4)
Medicaid	(40.0)
Lapse Carryforwards Reducing FY 07 Approp. Requirements	(91.0)
Other Increases (Net)	<u>8.1</u>
Total (Net)	\$129.6

Municipal Aid. Grants to towns increase by \$115.5 million to \$2,557.5 million in FY 07 from estimated expenditures of \$2,442 million in FY 06 and increase by \$86.8 million from the originally appropriated level of \$2,470.7 million. These comparisons include the use of FY 05 surplus and the anticipated FY 06 surplus.

Tax/Revenue Changes. The act results in a net FY 07 General Fund tax/revenue reduction of \$217.7 million primarily from the following sources (figures in millions):

<u>Item</u>	<u>FY 07</u>
Incr. Oil Companies Tax Transfer to Transportation Fund	\$(80.0)
Increase Property Tax Credit from \$400 to \$500 (1-1-06)	(70.0)
Repeal Income Year 2007 Corporate Surcharge (15%)	(35.4)
Eliminate Transfer from the Energy Cons. Load Mgmt. Fd.	(12.0)
CT AGI Deduction for CHET Contributions	(6.6)
All Other Reductions	<u>(13.7)</u>

Total Reductions \$(217.7)
Of these reductions, \$125.7 million provides tax relief to individuals and businesses and \$92 million results from inter-fund transfers.

Other Related Budget Topics

Budget Growth Rate. The budget growth rate based on OFA adjustments for all appropriated funds is 5.8% for FY 07 over estimated expenditures for FY 06 and 9.6% for FY 06 over estimated expenditures for FY 05.

Spending Cap. The act increases FY 06 appropriations by \$27 million in a manner which eliminates the remaining room under the spending cap and places the FY 06 budget exactly at the full amount allowed by the cap. The Governor issued a declaration and the legislature approved by a three-fifths vote to exceed the spending cap with an additional \$394.5 million appropriation from the anticipated FY 06 surplus. The revised FY 07 appropriation of \$16,068 million is \$4 million under the allowed expenditure level for all funds. The Governor's declaration includes \$125.5 million (which is an amount equivalent to the additional FY 07 Teachers' Retirement payment from anticipated FY 06 surplus) as FY 07 general budget expenditures for the purposes of determining expenditures in FY 08. This inclusion has the effect

of increasing by \$125.5 million the allowed expenditure level calculated under the spending cap for FY 08.

Budget Reserve (Rainy Day)

Fund. The General Fund ended FY 04 with an operating surplus of \$302.2 million and is estimated to end FY 05 with a surplus of \$303.4 million for a total Budget Reserve Fund (BRF) deposit of \$605.6 million. This act earmarks \$485.5 million of the FY 06 anticipated \$675.3 million surplus, leaving a projected additional \$189.8 that would be transferred to the BRF thereby increasing its total to \$795.4 million or 53.6% of full BRF capacity. This amount falls \$688.3 million short of the \$1,483.7 million maximum that could be deposited in the BRF. The act also budgets a potential surplus of \$160.8 million in FY 07, which if realized would further increase the BRF total to \$956.2 million or 60% of full BRF capacity.

HB 5845, July 1, 2006 except July 1, 2005 for lapse carryforwards and upon passage for the deficiency section and certain sections related to other carryforwards and taxes.

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