## OLR BILL ANALYSIS
## SB 1000

***AN ACT REFORMING THE STATE BUDGET PROCESS.***


**SUMMARY:**

This bill implements the governor's recommendations for the budget process.

EFFECTIVE DATE: Various, see below.


### § 1 — BUDGET RESERVE FUND

This bill changes the funding method for the Budget Reserve Fund (also know as the "Rainy Day Fund").

Current law requires the treasurer to transfer from the General Fund to the Budget Reserve Fund any unappropriated surplus at the close of each fiscal year.

The bill instead requires the treasurer to transfer from the General Fund to the Budget Reserve Fund the following amounts:

1. five days after the comptroller issues his January financial statement, 50% of projected surplus and

2. at the close of each fiscal year, any remaining unappropriated surplus.

The bill also increases the maximum amount of the Budget Reserve Fund from 10% of the net General Fund appropriations for the current fiscal year to 15% of such appropriations. By law, any surplus in excess of the amount transferred is appropriated to the State Employees Retirement Fund.

EFFECTIVE DATE: Upon passage

## § 2 — USE OF UNAPPROPRIATED SURPLUS IN FISCAL YEARS 2010 TO 2017

Under current law, if the comptroller determines there is an unappropriated General Fund surplus at the end of any fiscal year from FY 10 through FY 17, the surplus must first be used to redeem any outstanding economic recovery notes before they mature and any remainder must be devoted to reducing the state's obligations under the securitization plan adopted pursuant to Section 88 of PA 09-3, June Spec. Sess. (The securitization plan allowed the state to borrow against a future revenue stream.)

The bill instead requires the Office of Policy and Management (OPM) secretary, in consultation with the treasurer, to use any unappropriated surplus at the end of FYs 10 through 17 to either redeem any outstanding economic recovery notes before they mature or to reduce the state's obligations under the securitization plan.

EFFECTIVE DATE: Upon passage

## §§ 3-6 — GOVERNOR'S BUDGET DOCUMENT

By law, the governor must issue a budget document for the ensuing biennium. This bill makes changes to what must be included in the budget document.

In addition to other items required by law, the bill requires the budget document to include financial statements showing:

1. (a) expenditures for the prior and current fiscal years; (b) for each budgeted agency, the agency's request and the governor's recommendation for each fiscal year of the biennium; and (c) for each new or expanded program, estimated expenditures for the fiscal year following the biennium and

2. an explanation of any significant program changes requested by an agency or proposed by the governor.

The bill eliminates the following from the budget document:

1. for each budgeted agency, a list of agency programs and detailed

information on each and

2. a statement of each agency's plans for energy conservation for the biennium and progress made in the last fiscal year.

### *Legislative Branch Appropriations (§ 4)*

The bill deletes a requirement that the appropriations related to the legislative branch must equal the estimated expenditures that Legislative Management provided to OPM.

EFFECTIVE DATE: July 1, 2011, except the provision eliminating certain items from the budget document, which is effective upon passage.

## § 7 – GOVERNOR'S AUTHORITY TO REDUCE ALLOTMENT REQUISITIONS OR ALLOTMENTS IN FORCE

The law specifies two conditions under which the governor can change approved allotments. After the budget is adopted, the governor can reduce an allotment requisition or allotment in force due to changed circumstances after reporting to the Appropriations and Finance, Revenue and Bonding committees. The governor can also modify allotments if the comptroller's cumulative monthly financial statement shows a General Fund deficit of more than 1% of total General Fund appropriations. In this case, the governor must file a report with the above committees within 30 days and implement the plan to prevent the deficit by modifying the allotments.

Under the bill, modifications cannot reduce total appropriations from any fund by more than 5% (up from 3%) or any appropriation by more than 10% (up from 5%), except in a time of war, invasion, or natural disaster emergency. If the governor's plan calls for larger reductions, he can request approval by the Finance Advisory Committee, but any modification of more than 10% (up from 5%) of total appropriations requires the General Assembly's approval.

### *Aid to Municipalities*

Under current law, the governor cannot reduce allotments concerning aid to municipalities. The bill eliminates this prohibition, thus allowing him to make such reductions.

EFFECTIVE DATE: Upon passage

## § 8 — TRANSFER OF APPROPRIATIONS

By law, if an agency's appropriation proves insufficient, the governor may, at the agency's request, transfer funds from any other appropriation of the agency. Most transfers over a certain amount require the consent of the Finance Advisory Committee (FAC). The bill increases the amounts requiring FAC consent from the lesser of $50,000 or 10% of the appropriation to the lesser of $250,000 or 15% of the appropriation. (By law, no FAC consent is needed to transfer from appropriations for fringe benefits to the operating funds of the state's higher education system. But such transfers can only be made at the close of a fiscal year.)

EFFECTIVE DATE: Upon passage

## §§ 9 & 11 — COLLECTIVE BARGAINING FOR STATE EMPLOYEES

### *Legislative Approval of Negotiated Agreements (§§ 9 & 10)*

By law, any agreement reached between employee representatives and the state employer must be reduced to writing and filed with the House and Senate clerks within 10 days. The General Assembly may (1) approve the agreement with a majority vote of each house, (2) reject the agreement with a majority vote of either house, or (3) reject the agreement by a two-thirds vote of either house if it determines there are insufficient funds to fully implement the award. If rejected, the matter returns to the parties for further bargaining.

Under current law, if the General Assembly does not vote to approve or reject the agreement within 30 days, the agreement is deemed approved. The bill eliminates this deemer provision. It instead prohibits any agreement from being implemented unless the General Assembly votes to approve it.

### *Interest on Overdue Arbitration Award (§ 9)*

By law, the party ordered to pay a monetary settlement by an arbitration award affecting state employees must pay interest if payment is late. Under current law, interest is due if payment is not made within 60 days after an approved interest arbitration award was issued or 30 days after a grievance arbitration award is issued. The bill instead requires interest if payment is not made within 60 days after the General Assembly approves either type of award. The bill specifies that filing a motion to vacate an award does not toll the 60-day time period.

By law, an interest arbitration award determines what the terms of a contract will be; a grievance arbitration award interprets a contract's terms.

### *No Retroactive Agreements (§ 11)*

Under current law, the terms of a collectively bargained agreement may take effect on a date prior to when the agreement is entered. The bill instead prohibits such retroactive effective dates.

EFFECTIVE DATE: Upon passage

## §§ 12 & 13 — PAYMENTS FROM COURT SETTLEMENTS

### *Funding for Comprehensive Cancer Program (§ 12)*

By law, the Department of Public Health (DPH) can apply for and receive money from public and private sources and the federal government to fund a comprehensive cancer program.

Under current law, if the state receives a payment according to a court settlement that is to be used for health, it must be deposited in a DPH account for comprehensive cancer initiatives. The bill eliminates this requirement.

### *Court Settlements Directed to Certain Funds (§ 13)*

Under the bill, any payment to the state from a court settlement must, at the OPM secretary's discretion, be deposited into the state's trust fund for other post employment benefits, the State Employees Retirement Fund, or the Teachers' Retirement Fund.

EFFECTIVE DATE: Upon passage

## § 14 — GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

The bill requires the OPM secretary to prepare biennial budget documents for FY 12 and FY 13 that begin to implement GAAP. The secretary must coordinate the implementation of GAAP with the comptroller, treasurer, and state auditors.

The bill requires the secretary, within 60 days of the General Assembly's receipt of the governor's FY 12 and FY 13 biennial budget, to present to the Appropriations and Finance, Revenue and Bonding committees a written plan to bring the state into compliance with GAAP.

The bill requires the secretary, within 60 days of the General Assembly's receipt of the midterm budget adjustments for the FY 12 and FY 13 biennial budget, to present to the Appropriations and Finance, Revenue and Bonding committees a status report on the adoption and implementation of the plan.

EFFECTIVE DATE: July 1, 2011

## § 15 — LEGISLATIVE AND JUDICIAL DEPARTMENTS' AND HIGHER EDUCATION MOVED INTO CORE-CT

The bill requires the comptroller to provide for the budgetary and financial needs of the legislature, the judicial department, and the higher education constituent units through the CORE-CT system. (Higher education constituent units include UConn, the Connecticut State University System, the community colleges, the Board of State Academic Awards, and the Department of Higher Education.)

The bill also requires the comptroller and the administrative services commissioner to develop a plan for providing human resources requirements of the legislature, the judicial department, and the higher education constituent units through the CORE-CT system. The plan must be implemented by June 30, 2013.

CORE-CT is the state's accounting system and employee personnel database.

EFFECTIVE DATE: July 1, 2011

## § 16 — HIGHER EDUCATION AND CRIMINAL JUSTICE HIRING PROCESS

The bill requires nonfaculty hiring in the public higher education system and positions in the criminal justice division to follow the same review and approval process as other agencies in the executive branch.

EFFECTIVE DATA: July 1, 2011

## § 17 — REPEALER SECTION

### *Appropriations for State Ethics Office and Freedom of Information and Elections Enforcement Commissions*

The bill repeals the laws that (1) prohibit the governor from reducing the annual budgets of the State Ethics Office and the Freedom of Information and Elections Enforcement commissions and (2) require the OPM secretary to include in the proposed budget documents the expenditure estimates, adjustments, and revisions that the executive directors of the office and commissions recommend.

### *Governor's Budget Document Regarding Prevention Goals*

The bill repeals the law that requires the governor's biennial budget document to include a (1) prevention report and recommended agency appropriations for prevention services and (2) report on the state's progress in meeting the goal that, by 2020, at least 10% of total recommended appropriations for each budgeted agency be allocated for prevention services.

EFFECTIVE DATE: July 1, 2011