OFFICE OF FISCAL ANALYSIS
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EMERGENCY CERTIFICATION

HB-7287

AN ACT CONCERNING THE STATE BUDGET FOR THE BIENNIUM ENDING JUNE 30, 2027, AND MAKING APPROPRIATIONS THEREFOR, AND PROVISIONS RELATED TO REVENUE AND OTHER ITEMS IMPLEMENTING THE STATE BUDGET.

OFA Fiscal Note

State Impact: See Below

Municipal Impact: See Below

Explanation

The budget across all appropriated funds is estimated to result in a balance after factoring in the revenue cap of $18.9 million in FY 26 and $249.7 million in FY 27. The table below provides the details for each fiscal year.

Balance Including Cap

Fund	FY 26				FY 27			
	Revenue	Approp.	Balance	Balance After Revenue Cap	Revenue	Approp.	Balance	Balance After Revenue Cap
General	24,345.4	24,036.4	309.1	4.7	25,913.7	25,356.4	557.3	233.4
Special Transportation	2,309.1	2,279.2	29.8	1.0	2,436.7	2,405.2	31.5	1.0
Other Appropriated	878.0	864.7	13.2	13.2	883.4	868.0	15.4	15.4
TOTAL	**27,532.4**	**27,180.3**	**352.1**	**18.9**	**29,233.7**	**28,629.6**	**604.1**	**249.7**

Primary Analyst: RW/LW 6/2/25
Contributing Analyst(s): AB, NB, SB, DD, LD, ME, CF, LG, EMG, WL, PM, TM, MM, NN, JP, BP, RP, CR, PR, ES, JSS, JS, CW, EW

Sections 1 – 12 includes appropriations in twelve funds totaling $27.2 billion in FY 26 and $28.6 billion in FY 27 as summarized in the table below.

Fund Summary

Fund Summary	FY 26 $	FY 27 $
General Fund	24,130,611,244	25,450,113,466
Special Transportation Fund	2,291,210,908	2,417,174,959
Municipal Revenue Sharing Fund	559,409,674	559,409,674
Banking Fund	36,301,539	36,595,890
Insurance Fund	118,397,912	120,109,550
Consumer Counsel and Public Utility Control Fund	37,235,150	37,519,262
Workers' Compensation Fund	27,287,983	27,437,125
Mashantucket Pequot and Mohegan Fund	52,541,796	52,541,796
Criminal Injuries Compensation Fund	2,934,088	2,934,088
Tourism Fund	17,884,502	18,709,502
Cannabis Social Equity and Innovation Fund	-	-
Cannabis Prevention and Recovery Services Fund	3,365,268	3,365,268
Cannabis Regulatory Fund	9,374,453	9,374,453
Subtotal	**27,286,554,517**	**28,735,285,033**
General Fund Lapses		
Unallocated Lapse	(63,710,570)	(73,710,570)
Unallocated Lapse - Judicial	(5,000,000)	(5,000,000)
Targeted Savings	(25,518,692)	(15,000,000)
Subtotal	**(94,229,262)**	**(93,710,570)**
Special Transportation Fund Lapses		
Unallocated Lapse	(12,000,000)	(12,000,000)
Subtotal	**(12,000,000)**	**(12,000,000)**
Net Appropriations		
General Fund	24,036,381,982	25,356,402,896
Special Transportation Fund	2,279,210,908	2,405,174,959
Municipal Revenue Sharing Fund	559,409,674	559,409,674
Banking Fund	36,301,539	36,595,890
Insurance Fund	118,397,912	120,109,550
Consumer Counsel and Public Utility Control Fund	37,235,150	37,519,262
Workers' Compensation Fund	27,287,983	27,437,125
Mashantucket Pequot and Mohegan Fund	52,541,796	52,541,796
Criminal Injuries Compensation Fund	2,934,088	2,934,088
Tourism Fund	17,884,502	18,709,502
Cannabis Social Equity and Innovation Fund	-	-
Cannabis Prevention and Recovery Services Fund	3,365,268	3,365,268
Cannabis Regulatory Fund	9,374,453	9,374,453
TOTAL NET APPROPRIATIONS	**27,180,325,255**	**28,629,574,463**

Spending Cap

The budget is under the spending cap by $0.9 million in FY 26 and $75.2 million in FY 27. These calculations reflect the impact of PA 25-12, the FY 25 deficiency bill.

Growth Rates

The FY 26 growth rate for all appropriated funds is 4.6% over FY 25 appropriations. The growth rate is 5.3% over FY 26. See table below for further details.

FY 26 and FY 27 Budget Growth Rates (by fund – in millions)

Fund	FY 25 Approp.	FY 26 Approp.	FY 26 Change		FY 27 Approp.	FY 27 Change	
	$	$	$	%	$	$	%
General	22,805.9	24,036.4	1,230.5	5.4%	25,356.4	1,320.0	5.5%
Transportation	2,286.4	2,279.2	(7.2)	-0.3%	2,405.2	126.0	5.5%
Other Appropriated	902.2	864.7	(37.5)	-4.2%	868.0	3.3	0.4%
TOTAL	**25,994.4**	**27,180.3**	**1,185.9**	**4.6%**	**28,629.6**	**1,449.2**	**5.3%**

Section 13(a) allows OPM to recommend reductions in executive branch expenditures to achieve budget savings in the General Fund of $63,715,570 in FY 26 and $73,710,570 in FY 27 and additionally $25,518,692 in targeted savings FY 26 and $15,000,000 in FY 27.

Section 13(b) allows OPM to recommend reductions in judicial branch expenditures to achieve budget savings of $5 million in FY 26 and FY 27. Such reductions shall be achieved as determined by the Chief Justice and Chief Public Defender.

Section 14(a) authorizes OPM to transfer amounts appropriated for Personal Services from agencies to the Reserve for Salary Adjustment (RSA) account to reflect a more accurate impact of collective bargaining related costs.

Section 14(b) authorizes OPM to transfer funds from the RSA account to any agency in any appropriated fund for salary increases, accrual payments or any other personal services adjustment necessary.

Section 15(a) allows for the unexpended funds for collective bargaining costs (RSA) to be carried forward from FY 25 into FY 26 and FY 27.

Section 15(b) allows for the unexpended funds for collective bargaining costs (RSA) to be carried forward from FY 26 into FY 27.

Section 16 allows for the transfer of funds between agencies via the use of FAC to maximize federal matching funds. This allows any appropriation to be transferred between agencies to maximize federal funding with FAC approval. Funds generated through transfer may be used to reimburse appropriated expenditures or expand programs as determined by Governor and with FAC approval.

Section 17 allows for the adjustments to appropriations, with the approval of FAC, to maximize federal funding available to the state. This allows any appropriation to be adjusted by the Governor with FAC approval to maximize federal funding. The Governor shall present a plan for any such transfer.

Section 18 allows the Department of Social Services (DSS) and Department of Children and Families (DCF) to establish an account to allow for the receipt of reimbursement anticipated from the federal government. This allows the state to receive revenue as anticipated in the budget.

Section 19 allows any of the University of Connecticut Health Center's appropriation in FY 26 and FY 27 to be transferred to the Medicaid account within the Department of Social Services to maximize federal reimbursement.

Section 20 directs DSS to make Disproportionate Share (DSH) payments to hospitals in the Department of Mental Health and Addiction Services (DMHAS) for operating expense and related fringes. This allows the state to receive revenue as anticipated in the budget.

Section 21 exempts appropriations authorized for purposes of complying with Generally Accepted Accounting Principles (GAAP) from the quarterly allotment process pursuant to Section 4-85 of the Connecticut General Statutes (CGS). This provision has no fiscal impact since these funds are non-programmatic and are only used in conjunction to close out the end of the fiscal year in accordance with GAAP.

Section 22 transfers $1 million in both FY 26 and FY 27 of Part B IDEA (federal funds) from the State Department of Education (SDE) to the Office of Early Childhood for the Birth-to-Three Program.

Section 24 suspends the Department of Children and Families' Single Cost Accounting System (SCAS) in FY 26 and FY 27, which results in the elimination of costs of $592,298 in both fiscal years for SCAS' room and board rate increases for private, in-state residential treatment facilities (PRTFs), as reflected in the budget. SCAS room and board rate increases for PRTFs have been suspended in every biennial budget since FY 04.

Section 27 allows the Probate Court Administration Fund (PCAF) to retain the FY 25 balance rather than transfer it to the General Fund (GF). This results in a $12 million revenue gain to the PCAF and a corresponding revenue loss to the GF.

Section 31 directs the State Library to distribute $500,000 in both FY 26 and FY 27 for library-related programs: (1) United Way of Central and Northeastern Connecticut, for the Dolly Parton Imagination Library; (2) Read to Grow; and (3) Reach Out and Read.

Section 32 allows the Judicial Department to carry forward any funds available in the Youth Services Prevention and Youth Violence Initiative accounts at the end of FY 26 and FY 27 to be expended on juvenile programs at the discretion of the Judicial Department in FY 27 and FY 28.

Section 33 provides funding for various organizations through the Youth Services Prevention account in the Judicial Department totaling

$7,720,000 in FY 26.

Section 34 provides funding for various organizations through the Youth Violence Initiative account in the Judicial Department totaling $5,565,406 in FY 26 and FY 27.

Section 35 requires OPM to identify $258 million of appropriated funds that were not expended by the close of FY 25 and transfer these funds to the Reserve for Salary Adjustments for FY 26 and FY 27 and to OSC – Fringe Benefits for FY 26.

Section 36 provides funding for various organizations through the State Department of Education.

Section 37 allows up to $100,000 of the amount appropriated to the Labor Department for Cradle to Career in FY 25 to be carried forward and transferred to the Office of Early Childhood for Other Expenses in FY 26.

Section 38 provides $110,400 in FY 26 to Survivors of Homicide, Inc. through the Judicial Department.

Section 39 transfers funding of $10.3 million in FY 26 and $10.5 million in FY 27 from the resources of the General Fund to the Cannabis Regulatory Fund.

Section 40 increases the state’s contribution to the Teachers’ Retirement System (TRS) by $150 million in FY 26 to pay down the system’s unfunded liability. The budget provides $1.8 billion in FY 26 within the Teachers’ Retirement Board to fund the actuarially determined employer contribution for TRS.

Section 41 directs the State Comptroller to transfer $150 million of General Fund resources in FY 25 to FY 26.

Section 42 directs the State Comptroller to transfer $244 million of General Fund resources in FY 26 to FY 27.

Section 43 transfers funding of $99.6 million in FY 26 and $93.3

million in FY 27 from the General Fund to the Municipal Revenue Sharing Fund.

Section 44 transfers STF resources of $140 million from FY 25, of which $17 million will be credited as STF revenue for FY 26 and $123 million as STF revenue for FY 27.

Sections 50 – 53 increase judges' compensation by 3.5% in FY 26. The budget provides, in both FY 26 and FY 27, $1,704,260 to the Judicial Department, $353,908 to the Probate Court Administration Fund, $146,615 to the Workers' Compensation Commission, $8,418 to the Governor's Office, and $7,036 each to the Lieutenant Governor's Office, the Office of the State Treasurer, the Secretary of State, and the Office of the State Comptroller.

Sections 59 and 60 allow the corporate parent of a limited liability company (LLC) that meets specified employment and industry parameters to earn Research & Development (R&D) tax credits. To the extent the credits could be claimed, this results in a General Fund revenue loss of between $0.3 million and $0.8 million beginning in FY 26.

Sections 61 and 62 allow the Office of the Attorney General (OAG) to defend a state officer or employee in certain circumstances resulting in no fiscal impact to the state because the OAG has the resources and expertise to meet the requirements of the bill.

Section 78 creates the finish line scholars program beginning in FY 27. This extends the debt free community college program through a bachelor's degree at the Connecticut State Universities (CSUs) and Charter Oak State College (COSC), for those who participated at the community college level and otherwise qualify. The budget provides $7.7 million in FY 27 for this purpose. Students who received debt free community college at CT State and then enroll at a CSU or COSC in fall 2026 or later are eligible.

Section 79 removes Norwich from the Project Longevity Initiative.

The budget transfers the associated funding of $675,000 in both FY 26 and FY 27 to Norwich Community Development Corporation (NCDC).

Sections 80 and 81 alter the assessment date for the Connecticut Lottery Corporation resulting in no fiscal impact to the state.

Section 108 delays a requirement that bond premiums be used for projects, rather than debt service, until FY 28, which results in debt service savings that are included in relevant assumptions regarding General Fund debt service expenditures in the biennium.

Sections 123 and 124 specify that if an individual's insurance covers certain pretrial substance use treatment services, the benefit is paid for by the insurance. This results in savings to the Department of Mental Health and Addiction Services (DMHAS) to the extent the agency otherwise would be required to incur such costs for indigent participants. To the extent this results in Medicaid reimbursement for substance use treatment services that were previously fully funded by DMHAS, the Department of Social Services (DSS) would experience increased costs to cover the state share of the Medicaid eligible services.

Sections 131 and 132 make various changes to the procedure and criteria for municipal tier designation by the Municipal Accountability Review Board (MARB) or the Municipal Finance Advisory Commission (MFAC). Any fiscal impact to municipalities is dependent on changes to tier designation. Under current law, OPM may distribute money from the Municipal Restructuring Fund to tier II, III, and IV municipalities.

Section 133 requires Tiered PILOT payments to be paid to Windham instead of the special taxing districts. This results in a revenue gain of $1.2 million to Windham and a corresponding revenue loss to the districts.

Section 134 requires DPH to create an annual maternity care report card. The budget provides $60,000 in FY 26 and $80,000 in FY 27.

Section 136 results in a potential grand list decrease to certain municipalities beginning in FY 27 by exempting any land or improvements owned or leased by the Capital Region Development Authority from property tax.

Sections 137 - 144 establish a new "social equity and innovation account" as a non-appropriated account and eliminates the current Social Equity and Innovation Fund (SEIF).

The bill transfers a portion of the cannabis tax to the "social equity and innovation account" at the same rate that is transferred to the SEIF under current law. The table below provides the transfer rates and current estimated tax transfers.

Cannabis Tax Transfer to the Social Equity and Innovation Account

	FY 26	FY 27	FY 28	FY 29
Transfer Rate	60%	65%	65%	75%
Amount	14,100,000	16,100,000	16,800,000	20,400,000

The bill also transfers the end of FY 25 balance of the SEIF to the new social equity and innovation account, which is anticipated to be approximately $62 million.

Sections 147 – 148 require the Department of Emergency Services and Public Protection (DESPP) to establish: (1) a social work and law enforcement project at Southern Connecticut State University and (2) a police training center at Central Connecticut State University. The budget provides $500,000 in FY 26 and $1.7 million in FY 27 to DESPP and $2 million in FY 27 to the Board of Regents for Higher Education (BOR).

Section 150 requires BOR to develop a plan to provide inclusive programing at the Connecticut State Universities for students with developmental disabilities. The budget provides $250,000 in FY 27.

Section 151 requires the UConn Health Center to establish a Center of Excellence for Neuromodulation Treatments. The budget provides $2 million in FY 27.

Sections 152 and 153 result in a potential savings beginning in FY 26 to the Connecticut State Colleges and Universities (CSCU), to the extent that CSCU chooses to enter into energy savings performance contracts. Any savings would depend on the provisions of such contracts. The sections have no fiscal impact to the University of Connecticut (UConn), as the bill conforms statute to the current practice of UConn.

If the constituent units chose to seek assistance of the Department of Energy and Environmental Protection (DEEP) when pursuing these contracts, DEEP may incur costs that would vary based on the manner of technical, legal, or other assistance the agency provides.

Section 157 removes a licensing exemption from individuals who install commercial preglazed or preassembled windows or doors resulting in a potential revenue gain to the state to the extent additional occupational licenses are applied for.

Section 160 expands the number of entities subject to the prevailing wage requirements for DECD-assisted projects, which results in a potential revenue gain to the Department of Labor (DOL) to the extent violations are found and fines are paid (under current law, fines range from $2,500 to $5,000 per violation). This section also excludes nonprofits and chambers of commerce when the project is valued at $10 million or more and for the purpose of remediation, demolition or abatement of pollution in buildings, soil, or groundwater. This results in a potential revenue loss to the extent fines would no longer be collected if these exempted employers fail to pay the prevailing wage to employees.

Section 161 expands the scope of projects under a current provision that requires contractors doing state work to actively ascertain the prevailing rate of wages and contributions and make the corresponding adjustments for their employees. To the extent contractors working on the expanded projects fail to ascertain and pay the prevailing wage to their employees, there is a potential minimal revenue gain to DOL related to fines and penalties paid.

Section 162 requires workers performing off-site fabrication for a public works project to be paid prevailing wage rates. This could potentially result in a cost to DOL, the State Comptroller-Fringe Benefits account, and the state and municipalities as employers.

The cost to DOL and the Comptroller - Fringe Benefits account is dependent on the potential volume of complaints and investigations brought to the Wage and Workplace Standards Division. As a reference, hiring an additional Wage Enforcement Agent would result in a cost to (1) DOL of $104,306 ($97,069 for salary and $7,237 for equipment/overhead) in FY 26 and $102,806 ($97,069 for salary and $5,737 for overhead) in FY 27 and (2) the State Comptroller- Fringe Benefits account of $39,517 in each FY 26 and FY 27. The budget provides $104,306 in FY 26 and $102,806 in FY27.

Additionally, there is a potential cost to the state and municipalities (for the municipal share of the project cost) as there may be increased contractual costs for these projects beginning in FY 26, to the extent that these projects currently fall below the existing prevailing wage threshold.

Section 163 allows qualifying state marshals to participate in the state employee health insurance plan which results in a cost of approximately $1.5 million for the partial year coverage in FY 26 and $2.6 million annually thereafter beginning in FY 27 to the State Comptroller – Fringe Benefits for the state's share of medical premiums. These estimates utilize a rate of approximately $25,400 per annum for medical and prescription drug premiums and are subject to health plan rates and the number of participating state marshals.

Additionally, there is a cost of $35,000 per year beginning in FY 26 to the Department of Administrative Services (DAS) to develop, provide, and process the forms to be filed with the State Marshal Commission required to establish a state marshal's participation and eligibility in the program.

The budget provides $1.7 million in FY 26 and $2.6 million in FY 27.

Sections 173 and 174, starting FY 27, increase per capita grant rates of eligible local and district health departments to $2.13 (an increase of $0.20) and $3.00 (an increase of $0.40), respectively. The budget provides $980,803 in FY 27.

Section 181 allows DSS to establish a quality metrics program to provide payments to nursing homes on or after 10/1/26. The actual cost is dependent on the design, scope, and implementation of the program.

Section 182 eliminates a road naming and results in minimal savings to DOT.

Sections 183 - 204 implement various provisions related to public health, including: (1) establishing a DPH pancreatic cancer screening and treatment referral program; (2) requiring the Office of the Corrections Ombudsman to evaluate the health care services available to those incarcerated by DOC; and (3) establishing the safe harbor, public health emergency communication, and emergency public health financial safeguard accounts. The budget provides $1,226,441 in FY 26 and $965,780 in FY 27.

Section 203 expands the authority of the Office of the Correction Ombudsman (OCO) to evaluate healthcare services within the Department of Corrections (DOC) resulting in a cost of $169,012 in FY 26 and $164,012 in FY 27. The cost is associated with two additional positions required to meet the provisions of the amendment. The budget provides $169,012 in FY 26 and $164,012 in FY 27 to support both positions.

Sections 206 - 211 create a new lactation consultant licensure category. This results in a revenue gain of $57,200 in FY 27 and $28,600 in FY 29 (and every two years thereafter).

Sections 212 - 241 makes a variety of changes to the contract procurement process for certain contracts, including the spending allocation program resulting in a cost to the Department of Administrative Services (DAS) of $225,000 in FY 26 and FY 27, a one-time cost of $250,000 to the Office of Policy and Management (OPM) in FY 26 for a consultant to develop the database and an annual cost of $25,000 beginning in FY 27 for annual technology updates to the database, and a cost to the Commission on Human Rights and Opportunities (CHRO) of between $290,470 - $690,470 in FY 26 and $190,470 - $290,470 in FY 27.

These sections may result in a savings to municipalities to the extent they no longer have to meet certain requirements related to public works contracts.

The budget provides $250,000 in FY 26 to CHRO for the disparity study.

Sections 242 and 243 require the Comptroller to study the compensation of transportation network company drivers and third-party delivery company drivers in the state which results in a one-time cost of $100,000 in FY 26 to hire a consultant to conduct the study.

Sections 245 and 246 (1) reduce the interest rate on municipal tax liens that are sold to a third party from 18% to 12% in FY 27, (2) limit the validity and enforceability of the lien assignments, and (3) cap attorney's fees in connection with each aspect of a foreclosure, sale, or other disposition of these liens. This potentially reduces the number of third parties willing to purchase municipal tax liens. To the extent that this occurs, it restricts a municipality's option to sell tax liens to recoup outstanding debt beginning in FY 27.

Sections 247 - 256 result in a grand list reduction for municipalities by expanding the property tax exemption described in subdivision (83) of CGS 12-81 to include mobile manufactured homes, as well as extending the exemption to qualifying veterans and spouses that are liable for property taxes as renters.

The sections result in a grand list increase to the extent that property used for commercial purposes or from which rental income is derived will now be excluded from the property tax exemption.

The sections also create the following municipal options that result in potential grand list impacts for municipalities.

Option to exempt up to two acres of property from property taxes for qualifying veterans or their spouses.

Option to extend a property tax exemption to the spouses of qualifying veterans who died prior to October 1, 2024.

Option that allows municipalities to limit the total amount of property exempted from property taxes under subdivision (83) of section 12-81 of the general statutes to the median assessed valuation of residential real property in such municipality.

Option to exempt veterans with a service-connected total disability based on individual unemployability (TDIU) or their spouses from property taxes.

Option to exempt the surviving spouse of a person who was killed in action while performing active military duty from property taxes.

There is no fiscal impact to municipalities that do not choose to implement the municipal options described in these sections.

Sections 263 – 269 result in a cost of approximately $148,100 in FY 26 and $145,900 in FY 27 to OPM for one additional staff and equipment to (1) annually evaluate and report to the Juvenile Justice Policy and Oversight Committee on a reentry success plan for juveniles released, and (2) coordinate policy development between OPM and the judicial branch's Court Support Services Division. There is a corresponding annual cost of $60,000 beginning in FY 26 to the State Comptroller for associated fringe benefits.

Section 270 - 277 require the Department of Consumer Protection (DCP) to license and regulate real estate wholesalers resulting in DCP having to hire one special investigator and one staff attorney for a cost of $210,000 in FY 27, along with associated fringe benefits costs of $70,155 in FY 27. This funding is provided in the budget.

Section 281 results in a redistribution of Willis Scholarship funding annually beginning in FY 27, but does not change the total the cost of providing such grants. It eliminates need-merit grants and the Charter Oak State College (COSC) grant. This shifts Willis Scholarship funding away from recipients of such grants and toward recipients of need-based grants. In FY 25, $10 million of total Willis Scholarship funding was provided for need-merit grants and $100,000 was provided for the COSC grant.

Sections 291 – 296 result in potential savings to the Department of Correction and the Judicial Department for incarceration or probation by (1) lowering the penalty for a sex offender registrant's unintentional failure to verify their address in certain circumstances and (2) specifying that such an unintentional violation is not grounds for revocation of a person's parole, special parole or probation.

Sections 297 and 298 (1) may result in a revenue gain to municipalities to the extent they are awarded funds from the solar photovoltaic facility emergency preparedness account and (2) result in a potential cost to the Department of Emergency Services and Public Protection beginning in FY 26 to (a) develop solar photovoltaic facility emergency response plans and (b) provide training and equipment to emergency response personnel in connection with such plans. The impacts of these sections are dependent on the availability of federal reimbursements and grants obtained in support of the solar photovoltaic facility emergency preparedness program.

Section 312 requires permits or licenses held by MIRA dissolution authority that are transferred to the town of Essex to continue in effect. This may result in a savings to Essex to the extent they are not required to apply for any additional permits.

Sections 313 - 322 require that certain public universities open an additional early voting location on college campuses and expands what constitutes a Class C misdemeanor resulting in (1) a cost to the Secretary of the State (SOTS) of $53,500 in FY 26 and $46,700 in FY 27, (2) a potential cost to the Judicial Department (JUD), and (3) a potential revenue gain to the resources of the general fund. The cost to SOTS is associated with the installation of additional Central Voter Registration System (CVRS) lines, and maintenance costs. The potential revenue and costs generated by the expansion of an existing class C misdemeanor will depend on the number of additional violations.

There is additionally a total cost to select municipalities of $100,000 in FY 26 and $125,000 in FY 27. This cost is associated with the additional labor and material costs required to operate additional early voting locations.

Section 323 extends the ECS grant's hold harmless provision through the biennium. The budget provides $8.6 million in FY 26 and $17.1 million in FY 27. This correspondingly precludes a revenue loss to overfunded towns that are not Alliance Districts (which are held harmless every year).

Section 324 expands Local Food for Schools Incentive Program eligibility to include child care providers and requires at least 20% of the annual appropriation for the program be used to engage with external partners for supplemental services. These changes may alter the distribution of the grant awards received by various local and regional school boards, beginning in FY 26. Additionally, administration of the grant is moved from DoAg to SDE, the agency which receives program funding.

Section 325 reduces the state’s share of teachers’ retiree health care costs from one-third of the cost of the base plan to one-fourth, resulting in one-time savings of approximately $12 million to the Teachers’ Retirement Board in FY 26.

Sections 326 and 327 cap the Adult Education and Health and Welfare for Private School Pupils grants in FY 26, resulting in a savings of approximately $4.6 million in FY 26 that otherwise would have gone to local and regional boards of education.

Sections 328 - 330 extend the caps on various statutory grants. This results in a potential savings associated with a reduction in funding that otherwise would have gone to local and regional boards of education.

Sections 331 and 332 make permanent the FY 25 grant formulas for magnet school and vocational agriculture operators.

Section 333 requires SDE to administer a dual enrollment grant program, focused on fee waivers for high-need students, beginning in FY 27. The budget provides $6 million in FY 27.

Section 334 eliminates the requirement that the Office of Early Childhood provide general administrative payments of two hundred dollars to Birth to Three providers who meet certain requirements, which results in a potential savings to the state. The extent of the savings will be based upon how many providers will no longer receive a payment, which is unknown at this time.

Section 336 changes the formula for Sheff region regional educational service center (RESC) school transportation grants and requires the grant to be based on actual transportation costs, beginning in FY 26. The impact will depend on the cost of relevant transportation services within the Sheff region and how that differs from the current calculation method's results, which is unknown.

Section 337 makes conforming changes regarding program eligibility for grants for early childhood program capital improvements and raises the per project award maximum from $75,000 to $100,000 but does not change the amount of funding available.

Section 338 changes the calculation of Enfield's Alliance District funding. The change has no fiscal impact to the state, as the total ECS entitlement to Enfield will not change. It is expected to allow Enfield to receive an Alliance District grant of approximately $1.4 million in FY 26 and annually thereafter, with a corresponding reduction in its non-Alliance District portion of the ECS grant.

Section 339 requires SDE to administer the Learner Engagement and Attendance Program (LEAP) beginning in FY 27. The budget provides

$7 million in FY 27.

Section 340 requires SDE to administer a competitive High Dosage Tutoring matching grant program beginning in FY 27. The budget provides $5 million in FY 27.

Section 341 caps the special education and expansion development grant at available appropriations in FY 27 and annually thereafter; previous legislation capped the grant in FY 26. This results in a savings to SDE equal to the differential in the appropriation for the grant and the total cost to fund the grant, and a corresponding revenue loss to local and regional boards of education.

Section 345 - 347 results in a potential, minimal revenue loss to municipal libraries of approximately $1,400 each annually beginning in FY 26 as it disqualifies them from receiving Library Incentive Grants if they do not comply with the section's provisions regarding library policies. The section also results in a potential, minimal revenue gain annually beginning in FY 26 to municipalities that do comply.

Section 348 eliminates cost of living adjustments under the supplemental assistance program administered by DSS. The budget reflects savings of $1.1 million in FY 26 and $2.2 million in FY 27.

Sections 349 and 350 eliminate a one-time domestic violence benefit available under the State Administered General Assistance program administered by DSS. The budget reflects savings of $4 million in both FY 26 and FY 27.

Section 351 eliminates coverage of weight-loss drugs unless individuals meet certain conditions. The budget reflects Medicaid savings of $28.8 million in FY 26 and $16.9 million in FY 27.

Sections 354 -355 specify that nursing home costs will not be rebased in FY 26, eliminate inflationary adjustments for nursing homes in FY 26 and FY 27 and maintain the case mix neutrality limit. The budget reflects related savings of $14 million in FY 26 and $36.5 million in FY 27.

Sections 356 – 361 (1) provide wage increases for nursing home employees and supplemental funds in FY 26, FY 27, and FY 28, (2) increase rates for intermediate care facilities (ICFs) in FY 26 and FY 27, (3) allow for rate adjustments for capital improvements and fair rent for IFCs and residential care homes, and (4) require DSS to amend certain ICF regulations, and make conforming changes. The budget provides related Medicaid funding of approximately $14.3 million in FY 26 and $46.7 million in FY 27.

Section 363 transfers the driving training program from ADS to DMV. The budget transfers $415,000 in FY 26 and $424,900 in FY 27 from the GF to the STF and includes three filled positions, associated salaries and fringe benefit costs, and other program expenses.

Section 364 requires DSS to create a process to regularly review Medicaid rates for reimbursement and benchmark to Medicare rates when possible. DSS must begin such review by 1/1/26 and review all rates by 1/1/31 and every five years thereafter. The budget provides $15.4 million in FY 26 and $45 million in FY 27 to increase Medicaid provider rates.

Sections 367 and 368 disregard income from (1) direct cash transfer pilot or job training program, for purposes of eligibility for temporary family assistance (TFA) and (2) direct rental assistance pilot income for purposes of eligibility for any DSS administered program. This results in a potential cost to DSS to the extent the disregard alters the eligibility or benefit levels such participants would have otherwise received.

Sections 370 – 372 require the Department of Consumer Protection (DCP) to manage prescription drug withdrawals by pharmaceutical manufacturers and the Department of Revenue Services (DRS) to administer a new prescription drug cost containment initiative. The budget provides related funding of $126,659 in FY 26 and $263,417 in FY 27 combined to DCP and DRS.

Sections 375 – 377 change federally qualified health center (FQHCs) provisions related to the base year for purposes of determining rates and changes in scope of services. The bill requires DSS to provide an alternative, updated prospective payment methodology for FQHCs with a 2023 cost base year. Any rebasing must be phased in over three years beginning in FY 26, the costs for which cannot exceed $5 million in FY 26, $12 million in FY 27, and 26.5 million in FY 28. The budget provides related funding for Medicaid provider rates.

Policies Impacting Revenue (in millions)

Section	Description	Fund	FY 25 $	FY 26 $	FY 27 $
378	Eliminate Provision Allowing Certain Corporations to Claim 100% Net Operating Loss	General	-	8.3	8.3
379-380	Adjust Combined Unitary Reporting Cap	General	-	133.1	83.2
381-382	Extend 10% Corporate Tax Surcharge to Income Year 2028	General	-	48.0	80.0
383	Raise the Cap on the Research & Development Credit Exchange for Biotech Firms	General	-	(1.8)	(1.8)
384-389	Rebase Hospital User Fee and Reflect Federal Match on Additional Hospital Supplemental Payments	General	-	-	468.8
390	Accrue Tobacco Products Tax Beginning in FY 2026	General	-	1.0	-
391	Accrue Controlling Interest Tax Beginning in FY 2026	General	-	0.5	-
392	Close-Out the Itinerant Vendors Guaranty Fund < $50k	General	-	-	-
392	Close-Out the Itinerant Vendors Guaranty Fund <$50k	Itinerant Vendors Guaranty Fund	-	-	-
393	Exempt the Purchase of Ambulances from the Sales and Use Tax	General	-	(0.4)	(0.4)

Section	Description	Fund	FY 25 $	FY 26 $	FY 27 $
393	Exempt the Purchase of Ambulances from the Sales and Use Tax	Transportation	-	(0.1)	(0.1)
393	Exempt the Purchase of Ambulances from the Sales and Use Tax	Municipal Revenue Sharing	-	(0.1)	(0.1)
395	Increase (Annual) Dues Tax Exemption from $100 to $250	General	-	(0.3)	(0.3)
396	Supplement the Earned Income Tax Credit (EITC) for those Tax Filers with Dependents	General	-	(35.5)	(35.5)
397	Establish Refundable Personal Income Tax Credit of $500 for Home Daycare Owners	General	-	(0.9)	(0.9)
398	Establish a Farm Investment Tax Credit	General	-	(2.5)	(2.5)
399-408	Establish a Tax Credit for an Employer's Contributions to Employees' CHET Accounts	General	-	(0.4)	(0.4)
409-410	Establish a Tax Credit for Businesses that Donate to UConn	General	-	(5.0)	(5.0)
411	Adjust Volatility Cap Threshold	General	150.0	600.0	632.2
411	Adjust Volatility Cap Threshold	Budget Reserve	(150.0)	(600.0)	(632.2)
429-430	Support the NEW Bottle Bill Escheats Enforcement and Assistance Account	General	-	(2.0)	-
429-430	Support the NEW Bottle Bill Escheats Enforcement and Assistance Account	NEW Bottle Bill Escheats Enforcement and Assistance Account	-	2.0	-

Section	Description	Fund	FY 25 $	FY 26 $	FY 27 $
440-458	Eliminate Certain Occupational License Application Fees	General	-	(2.9)	(3.8)
468-469	Expand Sales Tax Exemption for Certain Gold Items	General / Transportation / Municipal Revenue Sharing	-	-	-
470	Repeal Ineffective Statutes Related to the Municipal Video Competition Trust Account	General	-	-	-

Section 394 precludes a revenue gain beginning in FY 26 by extending the duration of a sales tax exemption for certain qualifying aircraft industry joint ventures. The impact is indeterminate as it is dependent upon the number of joint ventures and volume of purchases that would qualify for the exemption.

Section 414 caps year-end cumulative balance[1] of the Special Transportation Fund (STF) and requires that any cumulative balance above 18% of net appropriations be used to pay down outstanding Special Tax Obligation (STO) debt in a manner selected by the Treasurer. To the extent funds in the STF exceed the 18% threshold and debt is paid down, there could be potential savings in debt service costs to the STF in future years. These savings would be dependent on: (1) the monies that exceed the 18% threshold, (2) the bonds that can be paid down before final maturity, and (3) the interest income forgone as a result of

[1]As a reference, according to OFA's latest projections, the STF will have a cumulative fund balance of $582.3 million at the close of FY 25. This cumulative fund balance represents roughly 25.5% of the recommended (by the Governor) STF appropriations for FY 26. Reducing the cumulative fund balance to 18% would free up approximately $171 million to be used in accordance with the bill.

lower STF balances.

Section 417 allows certain combined groups meeting specified qualifications to deduct, over a 30-year period, the amount necessary to offset the increase in the valuation allowance against NOLs and tax credits in Connecticut that resulted from the state's shift to combined reporting. This results in a revenue loss of indeterminate magnitude beginning as early as FY 26 and continuing through FY 56.

Section 418 results in a potential grand list increase beginning in FY 27 as it limits the eligibility of a local option homestead property tax exemption. The section will have no impact on municipalities that do not already offer this exemption.

Section 419 expands the definition of "cigarette" for tax purposes to include any roll, stick, or capsule of tobacco intended to be heated under ordinary conditions of use. This results in a potential revenue gain which is anticipated to be initially minimal, but which may grow in the future depending on market share.

Section 420 creates (1) a class B misdemeanor for a first offense of improperly transporting e-cigarettes or vape products, (2) a class A misdemeanor for subsequent offenses, and (3) a discretionary civil penalty of up to $10,000 for each violation, which results in a potential cost to the Judicial Department for probation and a potential revenue gain to the General Fund from fines and civil penalties.

Section 421 adds to the list of what violations qualify for a civil penalty of up to $1,000 resulting in a potential revenue gain to the state to the extent violations occur.

Section 422 requires the Office of Policy and Management (OPM) secretary and the Department of Revenue Services (DRS) commissioner to set up a pilot program to collect unpaid state taxes, penalties, and interest due from state contractors receiving payments from the state. This may result in a potential cost to OPM in FY 26 to the extent they require additional staff. Any impact to OPM will be dependent on how the pilot program is designed and implemented. This does not result in a fiscal impact to DRS as they have the staff and expertise necessary to complete the requirements of the program.

Sections 424 and 425 shift, from the Department of Revenue Services to the Department of Consumer Protection, the responsibility for collecting the assessments for the gaming regulatory costs from the Mashantucket Pequot and Mohegan tribes. This does not result in any fiscal impact to the state or municipalities.

Section 426 adjusts the requirements for the withholding of personal income taxes from lump sum payments, which does not result in any fiscal impact as it does not alter the tax liability due on such payments.

Sections 427 and 428 result potential one-time cost of up to $250,000 to the Department of Economic and Community (DECD) by repealing a working group that was tasked with developing a guidance document regarding the 10-year plan to eliminate concentrated poverty. The working group has not met to date and therefore the document has not been submitted. The cost may be mitigated to the extent that other agencies and entities outlined in the bill can provide the necessary expertise to develop the plan and program.

Section 429 establishes a new "bottle bill escheats and enforcement and assistance" account and transfers $2 million to the account for the purposes of (1) providing funds to the Division of State Police within the Department of Emergency Services and Public Protection to enforce cross-border bottle redemption laws and (2) compensating distributors who are overredeemed.

Section 430 allows the Attorney General to bring a civil action for certain redemption center violations resulting in a potential revenue gain to the state to the extent violations occur.

Section 431 requires $1 million, in each fiscal year beginning in FY 26, of the funds in the Connecticut Airport and Aviation account to be used by Tweed-New Haven Airport for noise mitigation purposes.

Section 432 results in an estimated revenue gain to the Firefighters Cancer Relief Account of up to $1.5 million in FY 26 and up to $3.0 million in FY 27 by assessing a $0.05 monthly fee on certain phone lines. This section allows subscribers to opt out of this fee.

Sections 436 - 439 increase the land recording fee that funds the community investment account (CIA) from $40 to $50 and results in a revenue gain of approximately $3.6 million to various state agencies and revenue gain of approximately $391,642 to various municipalities beginning in FY 26. Based on the fee increase, the Departments of Economic and Community Development, Energy and Environmental Protection, and Housing will each receive approximately $713,349 of additional revenue from the CIA. These funds, as well as existing CIA funds, are directed to specific programs in current statute. The Department of Agriculture will receive additional revenue of approximately $1,496,634 ($783,285 to the dairy farmers agriculture sustainability account and $713,349 for various specified programs). The bill increases the portion the town clerk retains for recording land records from $1 to $2. In total, municipalities will receive an additional $391,642 as a result of this change.

Section 459 exempts certain real and personal property located on reservation land. This will result in a grand list reduction for Ledyard and Montville beginning in FY 27. This may also result in a potential grand list reduction to other towns to the extent additional property is taken into trust.

Sections 460 - 467 make the Capital Region Development Authority (CRDA), a quasi-public state agency, the successor authority to Materials Innovation and Recycling Authority (MIRA), a former quasi-public state agency and the MIRA Dissolution Authority (MDA).

Under the bill, the remaining balance of the MDA is transferred as follows:

(1) $5 million at the close of FY 25 from the balance of the resources of MDA to a non-lapsing account in OPM to manage MDA's former

activities or properties other than the South Meadows site.

(2) the remaining balance of the resources of the MDA to CRDA for maintenance, remediation, redevelopment or any other action associated with the South Meadows site that CRDA deems necessary.[2]

State Tax Impact. The bill precludes a potential revenue gain to the state by requiring any state tax revenue generated within the South Meadows site by a completed project to be retained by CRDA.

Municipal Tax Impact. The bill transfers the property tax exemption from MIRA to CRDA until a development or redevelopment project is started which does not result in a fiscal impact. This may result in a grand list increase that is dependent on when a qualifying project is started.

Section 469 results in an annualized revenue loss of $1.3 million in total by exempting the exempting the sale of certain coins, bullion and legal tender from the sales and use tax beginning on July 1, 2027.

Section 470 repeals an obsolete transfer to and from the municipal video competition trust account and the General Fund that results in no net fiscal impact.

All sections not identified above do not have a fiscal impact.

The Out Years

The budget for all appropriated combined is projected to have surpluses in FY 28 – FY 30.

[2]As of June 30, 2024, the total net position of the MDA was $79.7 million.

Fund	FY 28			FY 29			FY 30		
	Revenue	Expend.	Balance	Revenue	Expend.	Balance	Revenue	Expend.	Balance
General	26,562.7	25,993.2	569.5	27,335.1	26,470.8	864.3	28,213.3	26,901.2	1,312.0
Special Transportation	2,338.6	2,561.4	(222.9)	2,364.8	2,658.4	(293.6)	2,392.2	2,752.7	(360.5)
Other Appropriated	795.9	868.0	(72.1)	809.7	868.0	(58.2)	823.6	868.0	(44.3)
TOTAL	**29,697.1**	**29,422.6**	**274.5**	**30,509.6**	**29,997.2**	**512.4**	**31,429.1**	**30,521.9**	**907.2**

The preceding Fiscal Impact statement is prepared for the benefit of the members of the General Assembly, solely for the purposes of information, summarization and explanation and does not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.