# Policies Details - General Fund
# Personal Income

## *Policy Revisions*

### Authorize DRS "Fresh Start" Tax Collection Initiative

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| 15,000,000 | 10,000,000 | 15,000,000 | 10,000,000 | - | - |

**Governor:** Implement a Fresh Start initiative by the Department of Revenue Services (DRS) to improve voluntary tax compliance is anticipated to generate $85 million in aggregate over the FY 18 and FY 19 Biennium ($60 million in FY 18 and $25 million in FY 19). This is expected to impact collections of the Income, Sales and Use, Corporate and other taxes.

The initiative offers non-filers, under-reporters, or unregistered taxpayers incentives that include no penalties and interest discounted by 50% in exchange for self-reporting and paying their liability. The second component of the program is a compliance strategy that blends audit and collection activity that focuses on specific segments of the population with new tools and techniques to make it easier for taxpayers to become compliant.

Specifically, the initiative consists of the following activities: 1) extensive targeted taxpayer outreach and a limited general awareness promotional campaign; 2) transfer pricing recovery; 3) identification of non-filers; 4) compliance sweeps targeting unregistered and delinquent business taxpayers; 5) Sales and Use Tax desk audits driven by more frequent permit renewal; 6) expanded data matching and financial institutions records matching; and 7) tax resolution and payment under structured offers of compromise.

Section 2 of SB 787, "AAC Revenue Items to Implement the Governor's Budget," enacts provisions. Appropriations are provided to the DRS to carry out the initiative ($1.65 million in FY 18 and $350,000 in FY 19).

**Legislative:** Same as Governor. Section 656 of PA 17-2 JSS enacts this provision.

### Exempt Certain Pension and Annuity Income from Income Tax

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | - | (8,200,000) | - | (8,200,000) |

**Legislative:** Eliminate the income tax on pension and annuity income for taxpayers with federal adjusted gross incomes (AGI) below (1) $75,000 for single filers, married people filing separately, and heads of households and (2) $100,000 for married people filing jointly. The exemption is implemented in equal portions over seven Income Years: 2019 through 2025. Once fully implemented, the revenue loss is $115 million based on current estimates. The tax on pension and annuity income resumes in Income Year 2026. Section 641 of PA 17-2 JSS enacts this provision.

### Expand Social Security Exemption from Income Tax

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | - | (7,900,000) | - | (7,900,000) |

**Background:** Current law allows a 100% Social Security income exemption for single filers and married people filing separately with federal AGIs of less than $50,000 and joint filers and heads of household with federal AGIs of less than $60,000. Taxpayers with AGIs equal to or greater than these thresholds qualify for a 75% exemption.

**Legislative:** Beginning in the 2019 Income Year, increase the income thresholds for the 100% Social Security income exemption to the following: 1) $75,000 for single/married people filing separately; and 2) $100,000 for joint filers/heads of household. Section 641 of PA 17-2 JSS, as amended by Section 18 of PA 17-4 JSS, enacts this provision.

### Reflect Impact of Added Resources for Tax Enforcement

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 7,500,000 | 7,500,000 | 7,500,000 | 7,500,000 |

**Background:** In testimony presented to the Appropriations Committee, the Commissioner of DRS indicated that an increase in appropriations above the Governor's recommended level would yield additional state revenue beyond the revenue assumptions included in the Governor's recommended budget.

**Legislative:** Recognize an aggregate $30 million revenue gain associated with the restoration of funding for DRS personnel across the Income, Sales and Use, Corporate and other taxes. Additional appropriations of $1.2 million are provided to re-fill vacant audit, collections, enforcement and operations & management staff.

### Delay Increasing the Exemption for Teachers' Pension Income

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 8,000,000 | 8,000,000 | 8,000,000 | 8,000,000 |

**Background:** There were approximately 36,300 retirees receiving pension benefits through the Teachers' Retirement System (TRS) in FY 17. The average benefit initiated during FY 17 was approximately $52,100.

PA 14-47, the FY 15 Revised Budget, exempted a portion of teachers' pension income from the state Income Tax. It established an income tax exemption for teachers' pension income phased-in from 10% (Income Year 2015) to 25% (Income Year 2016) and up to 50% in Income Year 2017 and thereafter.

**Legislative:** Delay, by two years, the scheduled increase in the TRS income tax exemption from 25% to 50%. The exemption remains at 25% for the 2017 and 2018 Income Years. Section 641of PA 17-2 JSS enacts this provision.

# Sales and Use

## *Policy Revisions*

### Authorize DRS "Fresh Start" Tax Collection Initiative

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| 25,000,000 | 8,000,000 | 25,000,000 | 8,000,000 | - | - |

**Governor:** Implement a Fresh Start initiative by the Department of Revenue Services (DRS) to improve voluntary tax compliance is anticipated to generate $85 million in aggregate over the 2018-2019 biennium ($60 million in FY 18 and $25 million in FY 19). This is expected to impact collections of the Income, Sales and Use, Corporate and other taxes.

The initiative offers non-filers, under-reporters, or unregistered taxpayers incentives that include no penalties and interest discounted by 50% in exchange for self-reporting and paying their liability. The second component of the program is a compliance strategy that blends audit and collection activity that focuses on specific segments of the population with new tools and techniques to make it easier for taxpayers to become compliant.

Specifically, the initiative consists of the following activities: 1) extensive targeted taxpayer outreach and a limited general awareness promotional campaign; 2) transfer pricing recovery; 3) identification of non-filers; 4) compliance sweeps targeting unregistered and delinquent business taxpayers; 5) Sales and Use Tax desk audits driven by more frequent permit renewal; 6) expanded data matching and financial institutions records matching; and 7) tax resolution and payment under structured offers of compromise.

Section 2 of SB 787, "AAC Revenue Items to Implement the Governor's Budget," enacts provisions. Appropriations are provided to the DRS to carry out the initiative ($1.65 million in FY 18 and $350,000 in FY 19).

**Legislative:** Same as Governor. Section 656 of PA 17-2 JSS enacts this provision.

## Increase Taxes on Tobacco Products

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| 3,800,000 | 3,400,000 | 2,200,000 | 3,500,000 | (1,600,000) | 100,000 |

**Background:** PA 15-244, the FY 16 and FY 17 budget, increased the Cigarette Tax rate from $3.40 per pack to $3.65 per pack in FY 16 and to $3.90 per pack in FY 17.

**Governor:** Increase the excise tax rate on cigarettes from $3.90 to $4.35 per pack, effective July 1, 2017. This results in an aggregate revenue gain of $44.7 million (FY 18) and $42.3 million (FY 19) including the Cigarette Tax and the Sales and Use Tax. Additionally, implement a "floor tax" on all existing inventory of cigarettes to ensure all cigarettes are sold at the same tax rate. This results in a Cigarette Tax revenue gain of $5.0 million in FY 18 only.

Increase the excise tax on snuff from $1.00 per ounce to $3.00 per ounce. This results in a revenue gain of $11.1 million each year.

Increase the cap on the excise tax for cigars from $0.50 to $1.50 per cigar. This results in a revenue gain of $2.8 million in FY 18 and $2.9 million in FY 19.

Sections 13-16 of SB 787, "AAC Revenue Items to Implement the Governor's Budget," enact these provisions.

**Legislative:** Increase the excise tax rate on cigarettes from $3.90 to $4.35 per pack and the tax rate on snuff from $1.00 per ounce to $3.00 per ounce. Apply the Cigarette Tax rate increase to existing inventory as of November 30, 2017 (i.e., "floor tax"). Sections 628 - 631 of PA 17-2 JSS enact these provisions effective December 1, 2017, and applicable to sales on or after that date, except that the floor tax provisions are effective upon passage.

## Adjust Minimum Bottle Pricing

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| 200,000 | 300,000 | - | - | (200,000) | (300,000) |

**Background:** CGS Sec. 30-68m establishes the minimum retail bottle price as the posted bottle price from the wholesaler.

**Governor:** Alter the basis for the minimum price per bottle to the actual cost paid by the retail permittee. It is anticipated that a reduction in prices will increase sales volume resulting in a net annualized state revenue gain estimated to be $2.8 million ($2.5 million under the Alcoholic Beverages Tax and $300,000 under the Sales Tax). Section 21 of SB 787, "AAC Revenue Items to Implement the Governor's Budget," enacts this provision effective October 1, 2017.

**Legislative:** Do not revise minimum bottle pricing.

## Suspend Sales Tax Transfer to MRSA

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| 340,100,000 | 349,000,000 | 327,800,000 | 335,400,000 | (12,300,000) | (13,600,000) |

**Background:** The Sales Tax diversion to the Municipal Revenue Sharing Account (MRSA) was reinstated under PA 15-244; however, subsequent legislation delayed the transfer to FY 16 (beginning May 2016) at a 0.3% transfer rate.

PA 16-2 MSS suspended the transfer for FY 17 and swept the balance of MRSA from the FY 16 transfers. Instead the Act provided a transfer out of the Resources of the General Fund to the temporary Municipal Revenue Sharing Fund for FY 17 only. Under the Act, the transfer to MRSA was to restart on July 1, 2017 at a 0.5% rate.

**Governor:** Permanently repeal the Sales Tax diversion equal to 0.5% to the Municipal Revenue Sharing Account. Instead, provide appropriations in amounts that are equivalent to the estimates of the 0.5% Sales Tax diversion contained in the consensus revenue projections of January 15, 2016. Sections 41, 50-60 of HB 7027, "AAC the State Budget for the Biennium Ending June 30, 2019, and Making Appropriations Therefor," enact these changes.

**Legislative:** Temporarily suspend the revenue diversion for FY 18 and FY 19. Sections 637-638 of PA 17-2 JSS enact this provision.

## Reflect Impact of Added Resources for Tax Enforcement

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 12,600,000 | 12,600,000 | 12,600,000 | 12,600,000 |

**Background:** In testimony presented to the Appropriations Committee, the Commissioner of DRS indicated that an increase in appropriations above the Governor's recommended level would yield additional state revenue beyond the revenue assumptions included in the Governor's recommended budget.

**Legislative:** Recognize an aggregate $30 million revenue gain associated with the restoration of funding for DRS personnel across the Income, Sales and Use, Corporate and other taxes. Additional appropriations of $1.2 million are provided to re-fill vacant audit, collections, enforcement and operations & management staff.

## Set aside a Portion of Hotel Tax to Support Tourism

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | - | (12,700,000) | - | (12,700,000) |

**Background:** The state's Room Occupancy (Sales) tax rate is 15%. The tax generated approximately $120 million in state General Fund revenue in FY 16.

**Legislative:** Set aside 10% of the room occupancy tax to support tourism-related functions. (The set aside is equivalent to a stand-alone rate of 1.5%.) Sections 637 and 639 of PA 17-2 JSS enact this provision.

## Allow Rental Agreements to Include Itemized Charges or Fees

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 700,000 | 1,500,000 | 700,000 | 1,500,000 |

**Background:** Pursuant to CGS Sec. 12-692, the state imposes a surcharge on certain car, truck, and machinery rentals (3% for cars/trucks and 1.5% for machinery) and requires rental companies to remit the portion of the surcharge collected during the calendar year that exceeds the amount paid in personal property tax and titling/registration fees for the rented vehicles and equipment. State revenue from this surcharge was approximately $324,000 in FY 17.

**Legislative:** Eliminate the 3% rental surcharge on car and truck rentals. Instead, authorize rental companies to charge lessees (i.e., renters) individually itemized charges or fees as part of a rental agreement, including a vehicle cost recovery, airport access, or airport concession fee. These fees would be subject to the rental car Sales Tax rate of 9.35%. The net state revenue gain is estimated to be $1.1 million annually ($1.5 million revenue gain from the Sales Tax less $400,000 revenue loss from elimination of the surcharge). Section 653 of PA 17-2 JSS enacts these provisions.

### Suspend Transfer to Regional Planning Incentive Account

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 10,700,000 | 10,900,000 | 10,700,000 | 10,900,000 |

**Background:** PA 11-1 established the Regional Performance Incentive Account (later renamed the Regional Planning Incentive Account (RPIA)by PA 13-247). The law requires 1 percentage point of the 15% hotel tax rate and 1 percentage point of the 9.35% rental car tax to be deposited into the account. By law, the Secretary of the Office of Policy and Management (OPM) uses the account to fund: 1) annual grants to regional councils of government; and 2) grants awarded under the regional performance incentive program. PA 15-244 MSS suspended the transfer to the RPIA for FY 17.

**Legislative:** Suspend (during the 2018-2019 biennium) the diversion and allow the General Fund to retain the revenues. Sections 637-638 of PA 17-2 JSS enact this policy.

# Corporations

## *Policy Revisions*

### Authorize DRS "Fresh Start" Tax Collection Initiative

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| 15,000,000 | 7,000,000 | 15,000,000 | 7,000,000 | - | - |

**Governor:** Implement a Fresh Start initiative by the Department of Revenue Services (DRS) to improve voluntary tax compliance is anticipated to generate $85 million in aggregate over the 2018-2019 biennium ($60 million in FY 18 and $25 million in FY 19). This is expected to impact collections of the Income, Sales and Use, Corporate and other taxes.

The initiative offers non-filers, under-reporters, or unregistered taxpayers incentives that include no penalties and interest discounted by 50% in exchange for self-reporting and paying their liability. The second component of the program is a compliance strategy that blends audit and collection activity that focuses on specific segments of the population with new tools and techniques to make it easier for taxpayers to become compliant.

Specifically, the initiative consists of the following activities: 1) extensive targeted taxpayer outreach and a limited general awareness promotional campaign; 2) transfer pricing recovery; 3) identification of non-filers; 4) compliance sweeps targeting unregistered and delinquent business taxpayers; 5) Sales and Use Tax desk audits driven by more frequent permit renewal; 6) expanded data matching and financial institutions records matching; and 7) tax resolution and payment under structured offers of compromise.

Section 2 of SB 787, "AAC Revenue Items to Implement the Governor's Budget," enacts provisions. Appropriations are provided to the DRS to carry out the initiative ($1.65 million in FY 18 and $350,000 in FY 19).

**Legislative:** Same as Governor. Section 656 of PA 17-2 JSS enacts this provision.

## Defer and Extend "FAS 109" Corp. Tax Deduction

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 20,300,000 | 34,000,000 | 20,300,000 | 34,000,000 |

**Background:** Sections 138-163 of PA 15-244 established mandatory unitary reporting under the Corporation Business Tax.

Section 141 of PA 15-244 includes a provision (the "FAS 109 deduction") for publicly traded companies that allows a deduction over seven years beginning in the 2018 Income Year if the implementation of mandatory unitary reporting resulted in an increase to those companies' net deferred tax liability or decrease to their net deferred tax asset. Any companies impacted are required to notify the DRS commissioner if that was the case. Based on that filing requirement, DRS has identified 115 filings for a total of approximately $231M in tax liability.

**Legislative:** Defer the implementation date of the deduction to the 2021 Income Year, and provide the deduction over a 30 year period (rather than seven). Section 661 of PA 17-2 JSS, as amended by Section 19 of PA 17-4 JSS, enacts this provision.

## Eliminate the Green Building Tax Credit

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 700,000 | 700,000 | 700,000 | 700,000 |

**Background:** Up to $25 million in tax credits are available for eligible construction, renovation, or rehabilitation projects that are designed to meet the applicable requirements for LEED Green Building Rating System gold or platinum certification or another equivalent certification determined by the Department of Energy and Environmental Protection. Credit percentages range between 5% and 11% and depend on the location and certification level of the project. Credits may be assigned to another taxpayer or taxpayers. Unused credits may be carried forward for five succeeding income years. Two credits were claimed on 2015 Corporation Business Tax returns totaling $5,329,254.

**Legislative:** Eliminate the credit for income years beginning on or after December 1, 2017. Section 647 of PA 17-2 JSS enacts this provision.

## Expand Applicability of Certain Tax Credits at a Discount

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 12,700,000 | 32,000,000 | 12,700,000 | 32,000,000 |

**Background:** Current law allows film and digital media production tax credits to be taken against the Insurance Premium and Corporation Business taxes. Credits may be sold, assigned, or transferred in whole or in part no more than three times.

**Legislative:** Starting January 1, 2018, allow film and digital media production tax credits to be claimed against the gross receipts tax on cable, satellite, and competitive video services (i.e., the Public Service Companies Tax). Enact limitations for credit utilization under such tax as follows: 1) for the 2018 Income Year, transferred credits may be claimed (a) only if there is common ownership of at least 50% between the transferor and transferee and (b) at 92% of face value; and 2) for the 2019 and subsequent income years, transferred credits may be claimed (a) at 92% of face value if there is at least 50% common ownership between the transferee and transferor or (b) at 95% of face value if transfer is to another taxpayer.

This is anticipated to shift the usage of credits from the Corporation and Insurance Premium taxes to the Public Service Companies Tax. The net, bottom-line effect of this policy is a revenue gain estimated to be approximately $1.4 million in FY 18 and $3.3 million in FY 19 and annually thereafter due to credit utilization at a discount.

Section 626 of PA 17-2 JSS enacts these provisions.

### Lower the Cap on Neighborhood Assistance Act Tax Credits

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 |

**Background:** Pursuant to CGS Sec. 12-632(i), the total amount of credits available under the Connecticut Neighborhood Assistance Act (NAA) tax credit program is capped at $5.0 million through June 301, 2017; the cap increases to $10.0 million on and after July 1, 2017.

**Legislative:** Lower the NAA program cap from $10.0 million to $5.0 million. Section 646 of PA 17-2 JSS enacts this change.

### Reflect Impact of Added Resources for Tax Enforcement

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 7,500,000 | 7,500,000 | 7,500,000 | 7,500,000 |

**Background:** In testimony presented to the Appropriations Committee, the Commissioner of DRS indicated that an increase in appropriations above the Governor's recommended level would yield additional state revenue beyond the revenue assumptions included in the Governor's recommended budget.

**Legislative:** Recognize an aggregate $30 million revenue gain associated with the restoration of funding for DRS personnel across the Income, Sales and Use, Corporate and other taxes. Additional appropriations of $1.2 million are provided to re-fill vacant audit, collections, enforcement and operations & management staff.

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# Public Service Corporations

## *Policy Revisions*

### Permanently Retain PEGPETIA Surtax Revenue

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 3,500,000 | 3,500,000 | 3,500,000 | 3,500,000 |

**Background:** In accordance with CGS Sec. 16-331cc, the Public Educational and Governmental Programming and Education Technology Investment Account (PEGPETIA) provides grants to support public, educational and governmental (i.e., community access) programming and education technology initiatives.

The account is administered by the Public Utilities Regulatory Authority and is funded by a 0.25% tax on the gross earnings of cable-TV, satellite-TV, and certified competitive video (e.g., AT&T U-Verse) service providers.

The 0.25% surtax designated for PEGPETIA is in addition to the 5.0% tax (per CGS Sec. 12-258) on the gross earnings of cable-TV, satellite-TV, and certified competitive video service providers.

PEGPETIA revenues and fund balances have been used to help balance the General Fund in each year since FY 15. (No PEGPETIA expenditures have been made since FY 14.)

**Legislative:** Permanently divert $3.5 million in revenue annually from PEGPETIA to the General Fund. Section 680 of PA 17-2 JSS enacts this provision.

### Permanently Suspend the Muni. Video Competition Trust Acct.

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 |

**Background:** CGS Sec. 16-331bb diverts $2.0 million annually from the Gross Earnings Tax established under CGS Sec. 12-256 on certified video service providers (i.e., certain cable T.V. companies). The amount is then distributed to municipalities in which such companies are located for the purposes of property tax relief.

Section 27 of PA 16-2 MSS (the Deficit Mitigation plan) suspended the diversion in FY 17.

FY 14 was the last year any payments were made through the account. In total, $1.5 million was distributed to 134 towns with a minimum of $4.00 (Barkhamsted), maximum of $164,938 (Stamford), and average of $11,194.

**Legislative:** Permanently suspend the diversion to the account; instead retain all revenue in the General Fund. Section 679 of PA 17-2 JSS enacts this provision.

### Expand Applicability of Certain Tax Credits at a Discount

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | (19,800,000) | (50,300,000) | (19,800,000) | (50,300,000) |

**Background:** Current law allows film and digital media production tax credits to be taken against the Insurance Premium and Corporation Business taxes. Credits may be sold, assigned, or transferred in whole or in part no more than three times.

**Legislative:** Starting January 1, 2018, allow film and digital media production tax credits to be claimed against the gross receipts tax on cable, satellite, and competitive video services (i.e., the Public Service Companies Tax). Enact limitations for credit utilization under such tax as follows: 1) for the 2018 Income Year, transferred credits may be claimed (a) only if there is common ownership of at least 50% between the transferor and transferee and (b) at 92% of face value; and 2) for the 2019 and subsequent income years, transferred credits may be claimed (a) at 92% of face value if there is at least 50% common ownership between the transferee and transferor or (b) at 95% of face value if transfer is to another taxpayer.

This is anticipated to shift the usage of credits from the Corporation and Insurance Premium taxes to the Public Service Companies Tax. The net, bottom-line effect of this policy is a revenue gain estimated to be approximately $1.4 million in FY 18 and $3.3 million in FY 19 and annually thereafter due to credit utilization at a discount.

Section 626 of PA 17-2 JSS enacts these provisions.

### Reduce Funding for CT-N

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 1,600,000 | 1,600,000 | 1,600,000 | 1,600,000 |

**Background:** CGS Sec. 2-71x provides for a $3.2 million annual set-aside from the Public Service Companies Tax to fund television coverage of state government deliberations. PA 14-47 increased the set-aside from $2.5 million to $3.2 million beginning in FY 15.

**Legislative:** Reduce the annual set-aside to $1.6 million. Section 662 of PA 17-2 JSS enacts this permanent reduction, effective upon passage (10/26/17).

# Inheritance and Estate

## *Policy Revisions*

### Lower Lifetime Cap on Inheritance and Estate Tax

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | (4,500,000) | - | - | - | 4,500,000 |

**Background:** The maximum amount of Inheritance and Estate Tax that will be paid on or after January 1, 2016 is capped at $20.0 million. The $20.0 million cap is reduced by the amount of any gift taxes paid on taxable gifts made by the decedent, the decedent's estate, or the decedent's spouse on or after January 1, 2016.

**Governor:** Lower lifetime Inheritance and Estate Tax cap from $20.0 million to $15.0 million beginning January 1, 2018. Sections 10-11 of SB 787, "AAC Revenue Items to Implement the Governor's Budget," enact this provision.

**Legislative:** Lower lifetime Inheritance and Estate Tax cap from $20.0 million to $15.0 million beginning January 1, 2019. Sections 632-636 of PA 17-2 JSS enact this provision.

### Adopt Federal Exemption Level for Inheritance and Estate Tax

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | (15,600,000) | - | (15,600,000) | - | - |

**Background:** Resident and non-resident estates of decedents are liable for the Connecticut Inheritance and Estate Tax on the amount of the Connecticut taxable estate that exceeds $2.0 million. The federal exemption level was $5.45 million in 2016, and is indexed to inflation.

**Governor:** Phase-in state Inheritance and Estate Tax exemption to the federal exemption level over three years. The exemption level increases to $2.6 million on January 1, 2018, to $3.6 million on January 1, 2019, and matches the federal exemption level on January 1, 2020. In addition to changing the exemption level, this proposal increases the tax rates for estate values between $5.1 million and $10.1 million from 9%-12% to 10%-12%. Sections 10-12 of SB 787, "AAC Revenue Items to Implement the Governor's Budget," enact these provisions.

**Legislative:** Same as Governor. Sections 632-636 of PA 17-2 JSS enact these provisions.

# Insurance Companies

## *Policy Revisions*

### Cease Issuing Tax Credits for Certain Motion Pictures

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| 4,000,000 | 4,000,000 | 4,000,000 | 4,000,000 | - | - |

**Background:** CGS Sec. 12-217jj allows a credit for qualified production expenses or eligible costs incurred during the production of a film in Connecticut. The credit percentage ranges from 10% to 30% depending on total eligible expenses. Credits may be claimed in the year the costs were incurred or the three succeeding years after the year the costs were incurred, and may be sold, assigned or transferred in whole or in part no more than three times.

PA 13-184, the FY 14 and FY 15 Budget, established a two-year moratorium on film production tax credits for motion pictures from the types of qualified productions that are eligible for the credits for those years, with certain exceptions. PA 15-244, the FY 16 and FY 17 Budget, delayed the scheduled expiration until FY 18.

**Governor:** Make the moratorium on film production tax credits permanent. Section 8 of SB 787, "AAC Revenue Items to Implement the Budget," enacts this provision.

**Legislative:** Same as Governor. Section 626 of PA 17-2 JSS enacts this provision.

### Make 3-Tier Credit Cap on Insurance Premiums Tax Permanent

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| 17,400,000 | 16,000,000 | 17,400,000 | 16,000,000 | - | - |

**Background:** CGS Sec. 12-211a(a) limits tax or other credits allowable against the Insurance Premiums Tax to 70% of the amount due prior to the application of any credit. In addition, CGS Sec. 12-211a(a)(5) temporarily establishes two lower caps (a three-tiered cap system) at 55% and 30% depending upon the mix of different types of credits, as defined in CGS Sec. 12-211a(a)(4), including the following: 1) Insurance Reinvestment Fund Tax Credit; 2) Digital Animation Production Tax Credit; 3) Film Production Tax Credit; 4) Film Production Infrastructure Tax Credit; and 5) any other credits.

PA 15-244, the FY 16 and FY 17 Budget, delayed until 2017 the scheduled expiration of the two lower tiers of caps on credit utilization against the Insurance Premiums Tax.

**Governor:** Make the 3-tiered system of caps permanent. Section 7 of SB 787, "AAC Revenue Items to Implement the Governor's Budget," enacts this provision.

**Legislative:** Same as Governor. Section 625 of PA 17-2 JSS enacts this change.

## Reduce the Insurance Premiums Tax Rate

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| (11,000,000) | (22,400,000) | (11,000,000) | (22,400,000) | - | - |

**Background:** Insurance companies, domestic and foreign, are taxed in Connecticut on the total net direct premiums received from policies written on property or risks within the state. Total net direct subscriber charges received on any new or renewal contract or policy by a health care center are also taxed. The state also imposes a tax on premiums for unauthorized insurance. Specifically, insureds who procure non-admitted insurance are required to remit tax on premiums paid to a non-admitted insurer. Additionally, risk retention groups are required to pay tax on premiums collected on coverages within the state. Captive insurance companies are now allowed to operate within Connecticut. A captive insurance company is a company that is created and wholly owned by one or more non-insurance companies to insure the risks of its owners as a type of self-insurance.

Bases and rates: 1) 1.75% of net direct premiums received by domestic and foreign insurance companies; 2) 4% of gross premiums charged by non-admitted and unauthorized insurers; and 3) 1.75% of net direct subscriber charges on health care centers. CGS Secs. 12-202, 12-202a(a) and 12-201(b) govern the rates for: 1) domestic insurance companies; 2) health care centers; and 3) foreign insurance companies, respectively.

**Governor:** Lower the rate from 1.75% to 1.50%. Sections 4-6 of SB 787, "AAC Revenue Items to Implement the Governor's Budget," enact these provisions effective January 1, 2018.

Nationwide, 49 states and Washington D.C. have some form of a premium tax on insurance policies, ranging from 0.5% to 4.35%. Most states also levy a "retaliatory tax" on insurance premiums when the insurance premium tax rate is different in the insurer's home state versus the state in which the insurer is writing a policy. In the case of an in-state insurer writing a policy within the state, the insurer would pay the in-state insurance premium rate to the state. In the case of an out-of-state insurer writing a policy within the state, the insurer would pay the higher insurance premium rate to the state (higher of out-of-state or in-state rate).

**Legislative:** Same as Governor. Sections 622-624 of PA 17-2 JSS enact these changes.

## Expand Applicability of Certain Tax Credits at a Discount

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 8,500,000 | 21,600,000 | 8,500,000 | 21,600,000 |

**Background:** Current law allows film and digital media production tax credits to be taken against the Insurance Premium and Corporation Business taxes. Credits may be sold, assigned, or transferred in whole or in part no more than three times.

**Legislative:** Starting January 1, 2018, allow film and digital media production tax credits to be claimed against the gross receipts tax on cable, satellite, and competitive video services (i.e., the Public Service Companies Tax). Enact limitations for credit utilization under such tax as follows: 1) for the 2018 Income Year, transferred credits may be claimed (a) only if there is common ownership of at least 50% between the transferor and transferee and (b) at 92% of face value; and 2) for the 2019 and subsequent income years, transferred credits may be claimed (a) at 92% of face value if there is at least 50% common ownership between the transferee and transferor or (b) at 95% of face value if transfer is to another taxpayer.

This is anticipated to shift the usage of credits from the Corporation and Insurance Premium taxes to the Public Service Companies Tax. The net, bottom-line effect of this policy is a revenue gain estimated to be approximately $1.4 million in FY 18 and $3.3 million in FY 19 and annually thereafter due to credit utilization at a discount.

Section 626 of PA 17-2 JSS enacts these provisions.

# Cigarettes

## *Policy Revisions*

### Increase Taxes on Tobacco Products

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| 59,800,000 | 52,900,000 | 35,300,000 | 50,000,000 | (24,500,000) | (2,900,000) |

**Background:** PA 15-244, the FY 16 and FY 17 budget, increased the Cigarette Tax rate from $3.40 per pack to $3.65 per pack in FY 16 and $3.90 per pack in FY 17.

**Governor:** Increase the excise tax rate on cigarettes from $3.90 to $4.35 per pack, effective July 1, 2017. This results in an aggregate revenue gain of $44.7 million (FY 18) and $42.3 million (FY 19) including the Cigarette Tax and the Sales and Use Tax. Additionally, implement a "floor tax" on all existing inventory of cigarettes to ensure all cigarettes are sold at the same tax rate. This results in a Cigarette Tax revenue gain of $5.0 million in FY 18 only.

Increase the excise tax on snuff from $1.00 per ounce to $3.00 per ounce. This results in a revenue gain of $11.1 million each year.

Increase the cap on the excise tax for cigars from $0.50 to $1.50 per cigar. This results in a revenue gain of $2.8 million in FY 18 and $2.9 million in FY 19.

Sections 13-16 of SB 787, "AAC Revenue Items to Implement the Governor's Budget," enact these provisions.

**Legislative:** Increase the excise tax rate on cigarettes from $3.90 to $4.35 per pack and the tax rate on snuff from $1.00 per ounce to $3.00 per ounce. Apply the Cigarette Tax rate increase to existing inventory as of November 30, 2017 (i.e., "floor tax"). Sections 628 - 631 of PA 17-2 JSS enact these provisions effective December 1, 2017, and applicable to sales on or after that date, except that the floor tax provisions are effective upon passage.

# Alcoholic Beverages

## *Policy Revisions*

### Adjust Minimum Bottle Pricing

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| 1,900,000 | 2,500,000 | - | - | (1,900,000) | (2,500,000) |

**Background:** CGS Sec. 30-68m establishes the minimum retail bottle price as the posted bottle price from the wholesaler.

**Governor:** Alter the basis for the minimum price per bottle to the actual cost paid by the retail permittee. It is anticipated that a reduction in prices will increase sales volume resulting in a net annualized state revenue gain estimated to be $2.8 million ($2.5 million under the Alcoholic Beverages Tax and $300,000 under the Sales Tax). Section 21 of SB 787, "AAC Revenue Items to Implement the Governor's Budget," enacts this provision effective October 1, 2017.

**Legislative:** Do not revise minimum bottle pricing.

# Admissions and Dues

## *Policy Revisions*

### Repeal Admissions Tax Exemptions for Various Venues

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 |

**Background:** The Admissions Tax is imposed at a rate of 6% of the admissions charge to motion picture shows and 10% of the admissions charge to any other place of amusement, entertainment or recreation. The Dues Tax is imposed at a rate of 10% of membership dues or initiation fees to any social, athletic or sporting club organization. Total Admissions and Dues taxes generated are approximately $40 million annually distributed as follows: 1) $5.6 million motion picture admission; 2) $9.8 million other admissions; and 3) $24.1 million dues.

**Legislative:** Eliminate state exemptions for XL Center, Webster Bank Arena in Bridgeport, Dunkin Donuts Park in Hartford, and New Britain Stadium. Section 627 of PA 17-2 JSS enacts this provision.

# Health Provider

## *Policy Revisions*

### Adjust Ambulatory Surgical Center Tax

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| (1,000,000) | (1,000,000) | - | - | 1,000,000 | 1,000,000 |

**Background:** A tax is imposed on the gross receipts of each ambulatory surgical center for each calendar quarter commencing on or after October 1, 2015. Gross receipts do not include net patient revenue of a hospital that is subject to the Hospitals Tax.

PA 15-244, the FY 16 and FY 17 budget, established the tax at a rate of 6% of total gross receipts but exempted the first one million dollars in gross receipts. In accordance with PA 16-3 of the May Special Session, the Office of Policy and Management conducted a study of the impact of the gross receipts tax on ambulatory surgical centers in consultation with the Department of Revenue Services. Included in this report, which was submitted February 1, 2017, the Secretary of the Office of Policy and Management recommended changes to the ambulatory surgical centers tax: 1) remove the current $1 million exemption; 2) limit the tax to receipts from facility fees (as defined by federal regulations); and 3) disallow the use of URA tax credits against the tax.

**Governor:** Implement the recommendations of the Secretary of the Office of Policy and Management. Sections 42-51, 53 of SB 787, "AAC Revenue Items to Implement the Governor's Budget," enact these provisions. Repealing the exemption is estimated to result in a revenue gain of $3 million, which is offset by a revenue loss of $4 million due to the policy change of shifting the basis for the tax to 78% of net revenue the ambulatory surgical center receives from facility fees.

**Legislative:** Do not revise the Ambulatory Surgical Center Tax.

### Modify Hospital Tax

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 343,900,000 | 343,900,000 | 343,900,000 | 343,900,000 |

**Background:** Federal law allows the state to levy a hospital user fee ( or hospital provider tax) on net patient revenue. Currently, the hospital user fee is levied at a rate of 6.0% on inpatient and outpatient net revenue in base year 2013. The fee applies to all non-governmental hospitals with the exception of the children's hospital, psychiatric hospitals and specialty hospitals. Certain financially distressed hospitals are also exempt from the fee on outpatient revenue. FY 17 total user fee assessed was approximately $556 million.

In conjunction with the state's hospital user fee, Medicaid supplemental hospital payments have been made by the state to hospitals to partially offset the impact of the hospital user fee. The federal share is approximately 67% of the Medicaid supplemental payments; state Medicaid funding and the associated federal matching funds are used to support hospital supplemental payments. FY 17 total supplemental payments, including the small hospital pool were approximately $117.5 million (state and federal share).

**Legislative:** Establish a formula for calculating the tax rate, based on the amount of tax revenue specified for the fiscal year. Sections 601-623 of PA 17-2 JSS as amended by Sections 1-10, 15 and 28 of PA 17-4 JSS, enact this change. PA 17-2 JSS assumes $900 million in hospital provider tax revenue in both FY 18 and FY 19; an increase of $343.9 million compared to FY 17.

# Miscellaneous Taxes

## *Policy Revisions*

### Authorize DRS "Fresh Start" Tax Collection Initiative

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| 5,000,000 | - | 5,000,000 | - | - | - |

**Governor:** Implement a Fresh Start initiative by the Department of Revenue Services (DRS) to improve voluntary tax compliance is anticipated to generate $85 million in aggregate over the 2018-2019 biennium ($60 million in FY 18 and $25 million in FY 19). This is expected to impact collections of the Income, Sales and Use, Corporate and other taxes.

The initiative offers non-filers, under-reporters, or unregistered taxpayers incentives that include no penalties and interest discounted by 50% in exchange for self-reporting and paying their liability. The second component of the program is a compliance strategy that blends audit and collection activity that focuses on specific segments of the population with new tools and techniques to make it easier for taxpayers to become compliant.

Specifically, the initiative consists of the following activities: 1) extensive targeted taxpayer outreach and a limited general awareness promotional campaign; 2) transfer pricing recovery; 3) identification of non-filers; 4) compliance sweeps targeting unregistered and delinquent business taxpayers; 5) Sales and Use Tax desk audits driven by more frequent permit renewal; 6) expanded data matching and financial institutions records matching; and 7) tax resolution and payment under structured offers of compromise.

Section 2 of SB 787, "AAC Revenue Items to Implement the Governor's Budget," enacts provisions. Appropriations are provided to the DRS to carry out the initiative ($1.65 million in FY 18 and $350,000 in FY 19).

**Legislative:** Same as Governor. Section 656 of PA 17-2 JSS enacts this provision.

### Re-examine Tax Expenditures

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | - | 10,000,000 | - | 10,000,000 |

**Background:** State law defines tax expenditures as any exemption, exclusion, deduction or credit created under the general statutes or a public act which results in less tax revenue to the state or municipalities than they would otherwise receive. Total tax expenditures across state funds and including municipalities are estimated to be approximately $6.5 billion in FY 17.

**Legislative:** Require the Secretary of the Office of Policy and Management, in consultation with the revenue services and economic and community development commissioners to: 1) examine existing state tax expenditures; 2) identify priorities for such and other revenue sources the state can use to pay for these expenditures; and 3) by February 1, 2018, report their findings and recommendations to the Finance, Revenue and Bonding Committee. Section 658 of PA 17-2 JSS enacts this policy.

### Reflect Impact of Added Resources for Tax Enforcement

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 2,400,000 | 2,400,000 | 2,400,000 | 2,400,000 |

**Background:** In testimony presented to the Appropriations Committee, the Commissioner of DRS indicated that an increase in appropriations above the Governor's recommended level would yield additional state revenue beyond the revenue assumptions included in the Governor's recommended budget.

**Legislative:** Recognize an aggregate $30 million revenue gain associated with the restoration of funding for DRS personnel across the Income, Sales and Use, Corporate and other taxes. Additional appropriations of $1.2 million are provided to re-fill vacant audit, collections, enforcement and operations & management staff.

### Allow Rental Agreements to Include Itemized Charges or Fees

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | (200,000) | (400,000) | (200,000) | (400,000) |

**Background:** Pursuant to CGS Sec. 12-692, the state imposes a surcharge on certain car, truck, and machinery rentals (3% for cars/trucks and 1.5% for machinery) and requires rental companies to remit the portion of the surcharge collected during the calendar year that exceeds the amount paid in personal property tax and titling/registration fees for the rented vehicles and equipment. State revenue from this surcharge was approximately $324,000 in FY 17.

**Legislative:** Eliminate the 3% rental surcharge on car and truck rentals. Instead, authorize rental companies to charge lessees (i.e., renters) individually itemized charges or fees as part of a rental agreement, including a vehicle cost recovery, airport access, or airport concession fee. These fees would be subject to the rental car Sales Tax rate of 9.35%. The net state revenue gain is estimated to be $1.1 million annually ($1.5 million revenue gain from the Sales Tax less $400,000 revenue loss from elimination of the surcharge). Section 653 of PA 17-2 JSS enacts these provisions.

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# Refunds of Taxes

## *Policy Revisions*

### Adjust the $200 Property Tax Credit

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| 105,000,000 | 105,000,000 | 55,300,000 | 55,300,000 | (49,700,000) | (49,700,000) |

**Background:** CGS Sec. 12-704c provides a credit of up to $200 against the Income Tax for personal and real property taxes paid by an eligible taxpayer on a primary residence or a motor vehicle. The credit is limited to two motor vehicles for joint filers and one motor vehicle for single, head of household, and married filing separate filers. The percentage value of the credit declines as income increases until it completely phases out.

The income level at which the percent reduction begins varies by filing status: single ($49,501); married filing separately ($35,251); head of household ($54,501); and married filing jointly ($70,501). The income levels at which tax payers are no longer eligible are as follows: single ($109,500); married filing separately ($65,250); head of household ($114,500); and married filing jointly ($130,500).

PA 06-186 increased the maximum property tax credit to $500, which was subsequently reduced to $300 by PA 11-6 and to $200 by PA 15-244, along with changes to the income levels that qualified taxpayers for the credit.

The credit was claimed by 795,252 filers in 2016.

**Governor:** Eliminate the property tax credit starting from Income Year 2017. Section 60 of SB 787, "AAC Revenue Items to Implement the Governor's Budget," enacts this change.

**Legislative:** Temporarily (2017 and 2018 income years) limit eligibility for the $200 property tax credit to people who (1) are age 65 or older before the end of the applicable income year or (2) validly claim at least one dependent on their federal income tax return for that year. Section 644 of PA 17-2 JSS enacts this provision.

# Earned Income Tax Credit

## *Policy Revisions*

### Reduce Earned Income Tax Credit

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| 25,000,000 | 26,000,000 | 35,000,000 | 35,000,000 | 10,000,000 | 9,000,000 |

**Background:** CGS Sec. 12-214e provides a refundable state Earned Income Tax Credit (EITC) against the Personal Income Tax that is equal to a percentage of the federal credit.

PA 11-6, the FY 12 and FY 13 Budget, as amended by PA 11-1 JSS, established a refundable, state EITC against the Personal Income Tax that is equal to 30% of the federal EITC. This policy was effective upon passage and applicable to tax years starting on or after January 1, 2011. PA 13-184, the FY 14 and FY 15 Budget, temporarily reduced the state's EITC to 25% of the federal EITC in 2013 and 27.5% of the federal EITC in 2014. PA 15-244, the FY 16 and FY 17 Budget, extended the temporary rate of 27.5% of the federal EITC until the 2017 Income Year when it is scheduled to increase to 30%.

In 2016 the EITC was claimed by 193,593 filers.

**Governor:** Permanently reduce the EITC to 25% of the federal EITC beginning with the 2017 income year. Section 9 of SB 787, " AAC Revenue Items to Implement the Governor's Budget", enacts this provision.

**Legislative:** Permanently reduce the state EITC from 30% to 23% of the federal credit, applicable to tax years beginning on or after January 1, 2017. Section 645 of PA 17-2 JSS enacts this provision.

# Transfer Special Revenue

## *Policy Revisions*

### Achieve Efficiencies at the CT Lottery Corporation

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |

**Background:** The Connecticut State Lottery Corporation (CLC) transfers net proceeds (total revenue less payouts for winning, commissions, administrative costs and statutory transfers) to the General Fund.

**Legislative:** Require the CLC to increase its transfer by $1.0 million annually effectively through a reduction in administrative costs. Section 660 of PA 17-2 JSS enacts this requirement for the 2018-2019 biennium.

# Licenses, Permits and Fees

## *Policy Revisions*

### Increase Municipal Recording Fee

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| 1,739,264 | 1,739,264 | 1,200,000 | 1,739,264 | (539,264) | - |

**Background:** Town clerks receive a $3 fee for each document recorded in municipality land records - i.e., each time there is a transaction on a property record. Current law (CGS Sec. 7-34a) requires two-thirds of the fee to be given to the State Treasurer for deposit in the Historic Documents Preservation Account, which is separate from the General Fund. The preservation account funds the Historic Documents Preservation Program within the Connecticut State Library. The library then grants 70 percent of its fee share to municipalities.

The fee has remained at $3 since its implementation with PA 00-146. In FY 16, there were 434,816 filings, which yielded $260,980 in net revenue for the Historic Documents Preservation Account (after municipal grants were distributed) and $1,043,559 for municipalities.

**Governor:** Increase the land records filing fee from $3 to $10, with $4 of the fee transmitted to the General Fund. Of the remaining $6, $2 is directly retained by municipalities and $4 is deposited within the Historic Documents Preservation Account. Seventy percent of preservation account revenue will continue to be granted to municipalities. Section 20 of SB 787, "AAC Revenue Items to Implement the Governor's Budget," enacts this change.

**Legislative:** Same as Governor. Section 665 of PA 17-2 JSS enacts this change, effective December 1, 2017.

### Increase State Fees to Cover Administrative Costs

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | 20,000,000 | - | 20,000,000 | - | - |

**Governor:** Require the Secretary of the Office of Policy and Management to recommend fee increases of up to 50% and not to exceed $20 million in the aggregate, based on the costs of administering said fees according to analysis by department heads. Section 1 of SB 787, "AAC Revenue Items to Implement the Governor's Budget," enacts this provision.

**Legislative:** Same as Governor. Section 659 of PA 17-2 JSS enacts this provision.

### Adjust Gun Permit Fees

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| 9,000,000 | 9,000,000 | - | - | (9,000,000) | (9,000,000) |

**Background:** CGS Sec. 29-30(a) establishes permit fees: 1) original issuance for the carrying of pistols and revolvers at $140; 2) temporary state permit of $70; and 3) renewal fee for the carrying of pistols and revolvers at $70. The (non-temporary) permit fees are valid for five years.

**Governor:** Increase the state's gun permit fees for both initial and renewal to $370 and $300, respectively. the initial fee is increased from $140 to $370 and the renewal fee is increased from $70 to $300. Section 19 of SB 787, "AAC Revenue Items to Implement the Governor's Budget," enacts this provision.

**Legislative:** Do not revise gun permit fees.

## Adjust Cremation Certificate Fee

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| 800,000 | 800,000 | - | - | (800,000) | (800,000) |

**Background:** CGS Sec. 19a-323(b) requires the estate of a deceased person to pay $150 for a cremation certificate issued by the Office of the Chief Medical Examiner. This fee is anticipated to generate approximately $2.4 million in FY 17.

**Governor:** Increase the cremation certificate fee from $150 to $200. Section 17 of SB 787, "AAC Revenue Items to Implement the Governor's Budget," enacts this provision.

**Legislative:** Do not revise cremation certificate fee.

## Implement Licensure of Urgent Care Centers

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| 400,000 | - | 400,000 | - | - | - |

**Background:** The Department of Public Health (DPH) licenses Urgent Care Centers as "outpatient clinics" per CGS Sec. 19a-491(e), which is the same licensure category as a doctor's office, where the staff that operate the office are licensed individuals responsible for patient care. Every four years, DPH charges $1,000 for the licensing and inspection of outpatient clinics that provide either medical or mental health services and well-child clinics, except those operated by municipal health departments, health districts, or licensed non-profit nursing or community health agencies. There are currently a total of 280 licensed outpatient clinics.

**Governor:** Define Urgent Care Centers in statute and require that they must all be licensed as outpatient clinics by 4/1/18. Allow the Department of Social Services (DSS) to establish payment rates for the Centers. Increase the timeline for outpatient clinic licensure and inspection from once every four (4) years to once every three (3) years. Associated revenue of approximately $400,000 is anticipated in FY 18 and FY 21. Sections 3 and 4 of SB 797, "AA Implementing the Governor's Budget Recommendations for Public Health Programs," establish these provisions.

In parallel with this revenue item, General Fund support of $126,995 (partial year) in FY 18 and $137,534 (annualized) in FY 19 is provided within DPH for a full-time Health Program Associate, a half-time Supervising Nurse Consultant and a half-time Processing Technician to implement these changes. Associated fringe benefit support is provided under the State Comptroller.

**Legislative:** Same as Governor. Sections 674-675 of PA 17-2 JSS enact these changes.

## Establish a Safe Drinking Water State “Primacy” Assessment

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | 2,500,000 | - | 2,500,000 | - | - |

**Governor:** Require public water systems to become licensed, on or after July 1, 2018, in accordance with a staggered schedule promulgated by the Commissioner of Public Health.

Section 2 of SB 797, "AAC the Governor's Budget Recommendations for Public Health Programs," enacts this policy and defines public water systems as a water company that supplies drinking water to fifteen or more consumers or twenty-five or more persons daily at least sixty days of the year. The bill's provisions will apply to approximately 543 non-transient non community water systems and 523 community public water systems. The Commissioner must consult with the Secretary of the Office of Policy and Management (OPM) before adopting the schedule and establishing fees, both of which must be published on DPH's internet website. Community public water systems will be assessed based upon their number of service connections; they may collect the fee from their consumers on a pro-rata basis, based on the amount of water each consumes. Each community public water system and non-transient non-community public water system will be required to obtain a license that must be renewed every two years. State agencies would be exempted from this requirement.

The Governor's appropriations budget includes additional funding, approximately $630,000 in FY 2018 and $1.9 million in FY 2019, to address projected shortfalls in federal funds that support these efforts and implement the new license to operate program. Beginning in FY 2019, these costs will be offset by fee revenues. Connecticut will join the majority of other states that utilize fees and service charges to support public drinking water programs. Three positions have been added under DPH's budget to implement licensure of public water systems, and funding has been added under the Department of Administrative Services' budget to support costs of integrating this new program into the state's E-License system.

**Legislative:** Revenue same as Governor. Sections 676 and 677 of PA 17-2 JSS require that water companies that own community public water systems or non-transient non-community water systems to pay to DPH a "safe drinking water primacy assessment" in FY 19, exempting state agencies from the assessment and capping it at $2.5 million. Community water system with 50 to 99 service connections will be assessed $150, non-transient non-community water system and community water system with fewer than 50 service connections will be charged $125, and community water system with 100 or more service will be assessed an amount set by the DPH commissioner, up to $4 per service connection.

## Adjust Hospital Assessment to Support OCHA

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| 100,000 | 100,000 | - | - | (100,000) | (100,000) |

**Background:** Per CGS Sec. 19a-631 and 632, each hospital annually pays to the Department of Public Health, for deposit in the General Fund, an amount equal to its share of the actual expenditures made by the Office of Health Care Access (OHCA) during each fiscal year, including the cost of fringe benefits for office personnel as estimated by the Comptroller.

The Governor's Executive Order No. 51, and later amended as No. 51A, established a Certificate of Need (CON) Task Force to undertake a review and analysis of the state's CON process and programs and determine if changes are necessary to ensure quality of care and access for all state residents and the preservation of an open and competitive health care market.

**Governor:** Revenue is associated with the recoupment of OHCA expenses through the hospital assessment.

The Governor's Recommended Budget provides new funding of $133,299 in FY 18 (partial year) and $144,407 in FY 19 (annualized) in the Department of Public Health to support two Health Care Analyst positions within OHCA to accommodate the expansion of monitoring and oversight over health care mergers and acquisitions (including enhanced post-transfer compliance) and to emphasize increased access and health equity. These changes implement findings of the CON task force included in SB 795, "An Act Establishing the Office of Health Strategy and Improving the Certificate of Need Program," (Sections 2-14 in particular).

**Legislative:** Do not reflect the revenue impact of changes in assessments.

## Reallocate Support for the Newborn Screening Program

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| 3,100,000 | 3,100,000 | 3,100,000 | 3,100,000 | - | - |

**Background:** CGS Sec. 19a-55 requires that all newborns delivered in Connecticut be screened for selected genetic and metabolic disorders. PA 09-3 JSS increased the fee for newborn screening from $28 per infant to $56 per infant starting in FY 16. Historically, a portion of newborn screening revenue has been made available to DPH to cover the cost of screening (performed at the Katherine A. Kelley State Public Health Laboratory) pursuant to CGS Sec. 19a-55a. The remainder is deposited into the General Fund.

**Governor:** Shift program funding entirely to the General Fund. Redirect revenue from newborn screening fees from the non-appropriated Newborn Screening account to the General Fund. Section 37 of HB 7027, "AAC the State Budget for the Biennium Ending June 30, 2019, and Making Appropriations Therefor," enacts this provision. A corresponding increase of approximately $2.9 million is made to appropriations in the Department of Public Health. The corresponding fringe benefit costs are approximately $750,000 annually, and would be budgeted in the fringe benefit accounts of the Office of the State Comptroller.

**Legislative:** Same as Governor. Sections 678 and 728 of PA 17-2 JSS enact these changes.

## Adjust Transfer from Professional Assistance Program Account

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| 1,000,000 | 700,000 | - | - | (1,000,000) | (700,000) |

**Background:** Sections 112 -135 of PA 15-244 increased the license renewal fees for various Department of Public Health (DPH)-licensed professionals by $5 beginning in FY 16. The revenue generated by the increase was directed to a newly established professional assistance program account. Per CGS Sec. 19a-12c, moneys in the account were to be used by DPH for an assistance program (such as the one operated by the Health Assistance InterVention Education Network or HAVEN) for health care professionals who have a chemical dependency, emotional or behavioral disorder, or physical or mental illness. No such program has received this funding to date.

**Governor:** Eliminate revenue in the professional assistance program account. Section 36 of HB 7027, "AAC the State Budget for the Biennium Ending June 30, 2019, and Making Appropriations Therefor," transfers an estimated $1 million FY 17 year-end balance from the professional assistance program account to the General Fund. Effective July 1, 2017 (FY 18), Section 68 of HB 7027 permanently repeals CGS Sec. 19a-12d, eliminating future deposits into the account from the $5 increase in license renewal fees, estimated at approximately $700,000 annually.

**Legislative:** Do not transfer funds from the professional assistance program account to the General Fund.

## Increase the State Fee for Criminal History Record Checks

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| 2,600,000 | 2,600,000 | 1,700,000 | 2,600,000 | (900,000) | - |

**Background:** Pursuant to CGS Sec. 29-11(c), the Commissioner of Emergency Services and Public Protection charges a $50 fee for each of the following services: 1) fingerprint search; 2) personal record search; 3) letters of good conduct search; 4) bar association search; and 5) criminal history record information search. Separately, CGS Sec. 29-11(c) requires fees of $36 for a name search and $15 for fingerprinting. The provisions of this subsection shall not to any federal, state or municipal agency except for any costs incurred in conducting any name search and fingerprinting of applications for admission to the bar of the state, in which case payment must be made by the State Bar Examining Committee.

**Governor:** Section 18 of SB 787," AAC Revenue Items to Implement the Governor's Budget," enacts these changes. Section 18 of SB 787," AAC Revenue Items to Implement the Governor's Budget," enacts these changes.

**Legislative:** Same as Governor. Section 666 of PA 17-2 JSS enacts this change, effective December 1, 2017.

## Assign Certain Fee Revenues to Passport to Parks Account

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | (700,000) | (2,900,000) | (700,000) | (2,900,000) |

**Legislative:** Establish a non-appropriated account to fund the operation of state parks and campgrounds, soil and water conservation districts and environmental review teams, and beginning with FY 19, the Council on Environmental Quality. In order to provide revenue to the account, the following revenue streams are dedicated to it: 1) a new $10 surcharge is established on motor vehicle registrations (passenger, motorcycle, motor home, combination, and antique), and $5 for individuals over age 65; and 2) various revenue collected from state park operations, recreation-related services and campground and facility rentals. The Passport to Parks program allows in-state registered vehicles to enter state parks free of charge. Out-of-state park visitors would continue to pay for parking and camping. Sections 326-331 of PA 17-2 enact these changes, effective January 1, 2018.

Provided that the new $10 surcharge on motor vehicle registrations is implemented effective January 1, 2018, the new Passport to Parks account is projected to have an operating surplus in both years of the 2018-2019 biennium that is sufficient to provide transfers to the General Fund in the amounts of $2.6 million in FY 18 and $5 million in FY 19. Section 696 of PA 17-2 JSS enacts these transfers.

## Authorize Daily Fantasy Sports Contests

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | - | 500,000 | - | 500,000 |

**Legislative:** Authorize fantasy sports contests, once (1) the current gaming agreements between the Mashantucket Pequot and Mohegan tribes and the state are amended to provide that conducting fantasy contests does not terminate the existing video facsimile (e.g., slots) moratorium or payments to the state, and (2) the amendments are approved by the state legislature and federal Department of the Interior.

Require fantasy sports operators to provide certain consumer protections to players and pay up to a $15,000 registration fee and a 10.5% tax on gross receipts. Gross receipts means the total of all entry fees collected by an operator from all players, less the total amount paid out as prizes to players, attributable to Connecticut.

Sections 649-652 of PA 17-2 enact this policy.

## Establish a Fee for Auto Trade-Ins Payable by the Dealer

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 2,600,000 | 5,300,000 | 2,600,000 | 5,300,000 |

**Legislative:** Require the DMV commissioner to charge new and used car dealers $35 for each used motor vehicle they accept as a trade-in when selling a new or used vehicle. The fee must be deposited in the General Fund. Section 667 of PA 17-2 JSS enacts this policy, effective December 1, 2017 and applicable to transactions occurring on or after that date.

## Impose a 25 cent Fee on Ridesharing Services

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 3,000,000 | 5,000,000 | 3,000,000 | 5,000,000 |

**Legislative:** Require Transportation Network Companies (TNC) such as Uber and Lyft to pay a 25-cent fee on each ride originating in Connecticut and requires that such fee revenue be deposited in the General Fund. Require TNCs to electronically file a return and remit the fees on a quarterly basis to the state Department of Revenue Services.

Section 654 of PA 17-2 JSS enacts this policy, effective January 1, 2018.

## Require Advance Payment of Casino Gross Gaming Revenues

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | - | 30,000,000 | - | 30,000,000 |

**Background:** PA 17-89 gave MMCT Venture LLC, a company jointly owned and operated by the Mashantucket Pequot and Mohegan tribes, the right to conduct authorized games at a new off-reservation commercial casino, once certain conditions are met (e.g., amending gaming agreements, with the amendments approved by the state legislature and federal Department of the Interior).

PA 17-89 also requires MMCT to pay the state 25% of its gross gaming revenue (e.g., slots and table games).

**Legislative:** Require MMCT Venture, LLC, by June 30, 2019, to provide an interest-free $30 million advance to the state, which will be credited against required future monthly casino gross gaming revenue payments to the state. Such credit must be in an amount and manner as determined by an agreement between the OPM secretary and MMCT Venture, LLC. Section 655 of PA 07-2 JSS enacts this policy.

# Rentals, Fines and Escheats

## *Policy Revisions*

### Increase Deposit for Carbonated Bottles

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | 12,000,000 | - | - | - | (12,000,000) |

**Background:** Pursuant to CGS Sec. 22a-244(a) every beverage container containing certain non-carbonated or carbonated beverages sold or offered for sale in the state must have a refund value of at least five cents.

**Governor:** Increase the bottle deposit for carbonated beverages only from five cents to ten cents. Section 3 of SB 787, "AAC Revenue Items to Implement the Governor's Budget," enacts this provision.

**Legislative:** Do not increase the bottle deposit.

### Increase Civil Penalties for Certain Healthcare Violations

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| 300,000 | 300,000 | 300,000 | 300,000 | - | - |

**Background:** Per CGS Sec. 19a-527, a maximum fine of $5,000 may now be imposed for a Class A violation, one deemed to present an immediate danger of death or serious harm to a patient. A maximum fine of $3,000 may now be imposed for a Class B violation, which is associated with conditions other than Class A that are deemed to present a probability of death or serious harm in the reasonably foreseeable future to any patient. These amounts have not been adjusted in over 25 years.

**Governor:** Increase the maximum civil penalties that may be imposed upon a nursing home facility or a residential care home for serious violations of law or regulations. Section 1 of SB 797, "AA Implementing the Governor's Budget Recommendations for Public Health Programs," increases the maximum fines to $20,000 and $10,000, respectively, effective July 1, 2017. This will afford the commissioner of public health greater flexibility when responding to situations that place patients at risk. Increased annual revenues of approximately $300,000 are expected.

**Legislative:** Same as Governor. Sections 234-235 of PA 17-2 JSS enact these provisions.

### Temporarily Freeze Inflation Adjustments for CEP Grants

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 1,400,000 | - | 1,400,000 | - |

**Background:** Chapter 157 of the CGS establishes the program, which provides grants to qualifying candidates for primary and general elections of statewide constitutional offices and the offices of state senator or representative. Revenue from the sale of abandoned property funds administration of the program and the grants themselves.

In accordance with CGS Sec. 3-69a, the annual amount of revenue diverted from the General Fund to support this program in FY 08 was $17.3 million. In accordance with Public Act 11-6, the annual amount of revenue diverted from the General Fund to support this program in FY 12 was reduced to $10.6 million. CGS Sec. 3-69a requires the diverted amounts in subsequent fiscal years to be adjusted for inflation: specifically, the Consumer Price Index for all urban consumers as published by the U.S. Department of Labor, Bureau of Labor Statistics.

In accordance with CGS Sec. 9-750, if funding pursuant to CGS Sec. 3-69a is insufficient to fully fund grants for qualifying candidates, then a portion of the revenues from the tax imposed under chapter 208 (the Corporation Business Tax) equal to the amount of the insufficiency, shall also be diverted from the General Fund to the Citizens' Election Fund.

**Legislative:** For elections held in 2018, freezes inflation adjustments to CEP grants, requiring that the State Elections Enforcement Commission (SEEC) resume adjustments in 2020 and 2022 for legislative and statewide office candidates, respectively. Section 270 of PA 17-2 JSS enacts this provision.

# Miscellaneous

## *Policy Revisions*

### Adjust State Charge for Supervision of Constables

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| 200,000 | 200,000 | - | - | (200,000) | (200,000) |

**Background:** Current law (CGS Sec. 29-5(a)) permits towns to contract for Resident State Police services that includes supervision of constabularies at no extra charge. Such town or towns and the Commissioner of Emergency Services and Public Protection are authorized to enter into agreements and contracts for such police services, with the approval of the Attorney General, for periods not exceeding two years.

**Governor:** Establish a surcharge of $750 per constable supervised by a Resident State Trooper. Section 19 of HB 7051, "AA Implementing the Governor's Budget Recommendations for General Government," enacts this change.

**Legislative:** Do not adjust the state charge for supervision of constables.

### Adjust Charge for Resident State Trooper Services

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| 1,500,000 | 1,500,000 | - | - | (1,500,000) | (1,500,000) |

**Background:** Resident State Trooper services currently are billed to municipalities at 85% of total cost for the first two troopers and 100% for additional troopers and any overtime costs. CGS Sec. 29-5(a) governs the reimbursement rates for Resident State Troopers.

**Governor:** Increase the charge to towns for all Resident State Trooper services to 100% of the total cost per trooper. Section 19 of HB 7051, "AA Implementing the Governor's Budget Recommendations for General Government," enacts this change.

**Legislative:** Do not adjust the state charge to municipalities for Resident State Trooper services.

### Adjust Funding to Provide Full Pension Contribution

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| 407,600,000 | 420,900,000 | - | - | (407,600,000) | (420,900,000) |

**Background:** The Connecticut Teachers' Retirement System (TRS) provides retirement benefits for Connecticut public school teachers. Historically, the state has appropriated the "employer share" of the TRS annual required contribution in the Retirement Contribution account of the Teachers' Retirement Board agency budget. Additionally, debt service costs on the $2.3 Billion Teachers' Pension Obligation Bonds issued in April 2008 are appropriated to an account in Debt Service - State Treasurer.

The June 30, 2106 actuarial valuation set the Actuarially Determined Employer Contribution (ADEC) for the Teachers' Retirement System (TRS) of $1,290,429,000 in FY 18 and $1,332,368,000 FY 19. Payment of the full contribution is required by both statute (CGS 10-183z) and the Bond Covenant for the Pension Obligation Bonds issued pursuant to PA 07-186.

**Governor:** Require towns to contribute one-third of the municipal cost for teachers' pensions. Towns must reimburse the state by December 31st annually. Section 27 of HB 7050, "AAC Enhancements to Municipal Finance and Accountability," enacts this change. Positive General Fund state revenues are recorded in the Miscellaneous other revenues category which are offset entirely by a Transfer out of the General Fund to the Teachers' Retirement System. Corresponding reductions are made to the state General Fund appropriation to the Teachers' Retirement System.

**Legislative:** Do not charge municipalities. Instead, PA 17-2, JSS Section 586 increases the teachers' mandatory regular contribution by 1% point from 6% to 7% on and after January 1, 2018. The teachers' mandatory contributions are deposited into the Teachers' Retirement Fund. Section 587 requires the Teachers' Retirement Board to: (1) request a revised actuarial valuation establishing the state's annual required contribution for FY 18 and FY 19 based on the 1% point increase in the mandatory contribution required in Section 586 and (2) certify to the General Assembly the revised retirement contribution for FY 18 and FY 19. Savings of $18 million in FY 18 and $38 million in FY 19 associated with this provision have been reflected in the FY 18 and FY 19 budget as "targeted savings" lapse. The revised actuarial valuation, completed in November, resulted in a state retirement contribution savings of $19.4 million in FY 18 and $40.1 million in FY 19.

## Implement Auditor's Recommendations re: DAS Collections

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 4,500,000 | 4,500,000 | 4,500,000 | 4,500,000 |

**Legislative:** Reflect a plan by the state Department of Administrative Services (DAS) to collect more money owed to the state from decedent estates, recipients of unearned income from lawsuits, personal injury insurance claims and inheritances. In particular, the Auditor's report indicated DAS missed the opportunity to open an estimated 9,000 insurance claim cases. No additional resources are provided for implementation of this plan.

## Divert Settlement Revenues for Indigent Legal Counsel Pilot

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | (400,000) | (400,000) | (400,000) | (400,000) |

**Background:** Each year the Office of the Attorney General generates state revenue for the General Fund by entering into global civil settlements. On average between FY 11 and FY 16, approximately $19 million annually from global civil settlements has been deposited as unrestricted revenues into the state's General Fund.

**Legislative:** Establish a one-year pilot program, from July 1, 2018 to June 30, 2019, in one judicial district selected by the chief court administrator to provide indigent individuals with access to legal counsel in civil proceedings involving an application for relief from abuse (i.e., civil restraining order). The program is limited to individuals who (1) successfully demonstrate indigence to the judicial branch's contracted provider or the Department of Public Defender Services (DPDS), as appropriate, and (2) have civil restraining order proceedings pending in the participating district. Require the attorney general, during each of FY 18 and FY 19, to transfer $200,000 each to the judicial branch and the DPDS. Sections 150-151 of PA 17-2 JSS enact these changes.

## Reflect PURA Settlement with PALMCO Power, CT

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 5,000,000 | - | 5,000,000 | - |

**Background:** Under a settlement agreement announced by the Office of the Attorney General on August 17, 2017, the state Public Utilities Regulatory Authority (PURA) approved a settlement agreement with the electric supply company Palmco Power CT, LLC in which Palmco agreed to pay $5.0 million to the state of Connecticut and relinquish its electric supplier license for a period of five years. The settlement resolves an investigation initiated in February 2015 regarding Palmco's business practices. PURA opened the investigative proceeding following a large number of consumer complaints against the company.

According to the AG's announcement, "Evidence from the PURA proceeding showed that, from January 2011 to October 2015, Palmco systematically and repeatedly deceived consumers by providing false and misleading information about the company's rates and engaged in a pattern of abusive sales tactics. Through door-to-door marketing and telemarketing efforts, sales agents often switched consumers to Palmco without authorization, impersonated utility employees and falsely guaranteed savings. In addition, sales agents inaccurately described how the customer's variable rate prices were determined."

Under the terms of the settlement, Palmco did not admit liability but has agreed to two voluntary payments totaling $5 million to state of Connecticut.

**Legislative:** Reflect the Palmco Power CT settlement revenue as an additional amount beyond the baseline assumption for settlements included in the May 1, 2017 Consensus Revenue projections. No legislation is required.

### Reflect Settlement with General Motors Auto Co.

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 2,900,000 | - | 2,900,000 | - |

**Background:** On October 19, 2017, the Office of the Attorney General announced that Connecticut had joined with 48 other states and the District of Columbia in a $120.0 million settlement with General Motors Company (GM) to resolve allegations that the company concealed safety issues related to ignition-switch defects in certain GM vehicles. On November 30, 2017, the state received $3,206,587 in total, of which $350,000 will be deposited into the Attorney General's Consumer Protection Fund and the remainder will go to the General Fund.

**Legislative:** Reflect the GM settlement revenue as an additional amount beyond the baseline assumption for civil settlements included in the May 1, 2017 Consensus Revenue projections. No legislation is required.

# Federal Grants

## *Policy Revisions*

### Reflect the Federal Revenue Impact of State Appropriations

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| 35,000,000 | 40,300,000 | 483,800,000 | 519,000,000 | 448,800,000 | 478,700,000 |

**Background:** Changes to appropriations in certain line items impact federal reimbursements which are treated as General Fund revenues.

**Governor:** Reflect net appropriations changes to certain line items per Section 1 of HB 7027," AAC the State Budget for the Biennium Ending June 30, 2019, and Making Appropriations Therefor," makes these changes to appropriations.

**Legislative:** Reflect net appropriations changes to certain line items.

# Transfer from Tobacco Settlement

## *Policy Revisions*

### Adjust Tobacco Settlement Funds for the THTF

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | 1,000,000 | 6,000,000 | 6,000,000 | 6,000,000 | 5,000,000 |

**Background:** The purpose of the Tobacco Health Trust Fund (THTF) is to create a continuing significant source of money to: 1) support and encourage programs to reduce tobacco abuse through prevention, education and cessation, 2) support and encourage program development for substance abuse reduction; and 3) develop and implement programs to meet the state's unmet physical and mental health needs. A THTF Board of Trustees was established pursuant to Section 15 of PA 00-216 to select programs to receive money from the Fund. the Board's selection, per CGS Sec. 4-28f, must be submitted to the Appropriations and Public Health Committees for authorization. The THTF receives an annual, statutory disbursement from the Tobacco Settlement Fund (STF) as well as any TSF revenue that exceeds the total statutory disbursements from the TSF. PA 15-244, the FY 16 and FY 17 budget, temporarily suspended the scheduled statutory disbursements and permanently reduced the scheduled disbursements from $12 million annually to $6 million annually beginning in FY 18.

**Governor:** Divert from the THTF to the General Fund $1 million of the scheduled $6 million in FY 19. Section 34 of HB 7027, "AAC the State Budget for the Biennium Ending June 30, 2019, and Making Appropriations Therefor," enacts this policy.

**Legislative:** Suspend THTF deposits for the 2018-2019 biennium. Section 663 of PA 17-2 JSS enacts this provision.

### Suspend Tobacco Fund Transfer to Smart Start Account

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 |

**Background:** Beginning in FY 16 through FY 25, statute transfers $10 million annually from the Tobacco Settlement Fund to the Smart Start non-appropriated account within the Office of Early Childhood to support the Smart Start program, which provides grants to towns for operational costs associated with preschool classrooms. The FY 17 year-end balance in the non-appropriated account was $5.8 million. Of that total, $2 million is to be transferred to the State Department of Education to fund implementation of the Kindergarten Entrance Inventory that Section 51 of PA 15-244 requires. It is estimated that the Smart Start program will cost approximately $3.3 million to operate each year in FY 18 and FY 19.

**Legislative:** Section 664 of PA 17-2 JSS suspends the transfer to the Smart Start non-appropriated account during the 2018-2019 biennium. The remaining FY 17 year-end balance in the account is sufficient to fully fund the program in FY 18 but not FY 19. Instead, the 2018-2019 Biennial Budget provides a General Fund appropriation of $3.25 million to the Office of Early Childhood in FY 19 to continue to operate the program.

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# Transfers From/To Other Funds

## *Policy Revisions*

### Adjust Funding to Provide Full Pension Contribution

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| (407,600,000) | (420,900,000) | - | - | 407,600,000 | 420,900,000 |

**Background:** The Connecticut Teachers' Retirement System (TRS) provides retirement benefits for Connecticut public school teachers. Historically, the state has appropriated the "employer share" of the TRS annual required contribution in the Retirement Contribution account of the Teachers' Retirement Board agency budget. Additionally, debt service costs on the $2.3 Billion Teachers' Pension Obligation Bonds issued in April 2008 are appropriated to an account in Debt Service - State Treasurer.

The June 30, 2106 actuarial valuation set the Actuarially Determined Employer Contribution (ADEC) for the Teachers' Retirement System (TRS) of $1,290,429,000 in FY 18 and $1,332,368,000 FY 19. Payment of the full contribution is required by both statute (CGS 10-183z) and the Bond Covenant for the Pension Obligation Bonds issued pursuant to PA 07-186.

**Governor:** Require towns to contribute one-third of the municipal cost for teachers' pensions. Towns must reimburse the state by December 31st annually. Section 27 of HB 7050, "AAC Enhancements to Municipal Finance and Accountability," enacts this change. Positive General Fund state revenues are recorded in the Miscellaneous other revenues category which are offset entirely by a Transfer out of the General Fund to the Teachers' Retirement System. Corresponding reductions are made to the state General Fund appropriation to the Teachers' Retirement System.

**Legislative:** Do not charge municipalities. Instead, PA 17-2, JSS Section 586 increases the teachers' mandatory regular contribution by 1% point from 6% to 7% on and after January 1, 2018. The teachers' mandatory contributions are deposited into the Teachers' Retirement Fund. Section 587 requires the Teachers' Retirement Board to: (1) request a revised actuarial valuation establishing the state's annual required contribution for FY 18 and FY 19 based on the 1% point increase in the mandatory contribution required in Section 586 and (2) certify to the General Assembly the revised retirement contribution for FY 18 and FY 19. Savings of $18 million in FY 18 and $38 million in FY 19 associated with this provision have been reflected in the FY 18 and FY 19 budget as "targeted savings" lapse. The revised actuarial valuation, completed in November, resulted in a state retirement contribution savings of $19.4 million in FY 18 and $40.1 million in FY 19.

## Suspend Sales Tax Transfer to MRSA

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| (340,100,000) | (349,000,000) | - | - | 340,100,000 | 349,000,000 |

**Background:** The Sales Tax diversion to the Municipal Revenue Sharing Account (MRSA) was reinstated under PA 15-244; however, subsequent legislation delayed the transfer to FY 16 (beginning May 2016) at a 0.3% transfer rate.

PA 16-2 MSS suspended the transfer for FY 17 and swept the balance of MRSA from the FY 16 transfers. Instead the Act provided a transfer out of the Resources of the General Fund to the temporary Municipal Revenue Sharing Fund for FY 17 only. Under the Act, the transfer to MRSA was to restart on July 1, 2017 at a 0.5% rate.

**Governor:** Permanently repeal the Sales Tax diversion equal to 0.5% to the Municipal Revenue Sharing Account. Instead, provide appropriations in amounts that are equivalent to the estimates of the 0.5% Sales Tax diversion contained in the consensus revenue projections of January 15, 2016. Sections 41, 50-60 of HB 7027, "AAC the State Budget for the Biennium Ending June 30, 2019, and Making Appropriations Therefor," enact these changes.

**Legislative:** Temporarily suspend the revenue diversion for FY 18 and FY 19. Sections 637-638 of PA 17-2 JSS enact this change.

## Suspend Amortization of the Historical GAAP Deficit

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 57,500,000 | 57,500,000 | 57,500,000 | 57,500,000 |

**Background:** The historical Generally Accepted Accounting Principles (GAAP) deficit is $727.5 million and must be extinguished by FY 28. In order to amortize the deficit, a portion of General Fund revenues is set aside each year. Based on the total amounts to be amortized and the separate amortization schedules for the FY 13 and FY 14 GAAP deficits, $57.5 million must be set aside annually in order to amortize the deficit by FY 28 in equal increments.

Sections 5-6 of PA 17-51 changed how the state determines the amount it must amortize each year. Prior law required the state to amortize the GAAP deficits in equal increments so that they were fully paid by FY 28. The act instead requires the OPM secretary to annually publish recommended schedules to fully amortize the balances by the FY 28 deadline. But for FYs 17-19, the act deems that $1 is appropriated for paying off the deficits.

**Legislative:** Suspend amortization of the historical GAAP deficit during the 2018-2019 biennium in accordance with PA 17-51. For illustrative purposes, in order to amortize the remaining debt in equal increments beginning in FY 20, the annual revenue set aside would need to be $75.4 million rather than $57.5 million.

## Authorize OPM to Implement Additional Fund Sweeps

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | - | 20,000,000 | - | 20,000,000 |

**Background:** The concept of "Fund Sweeps" generally encompasses non-recurring transfers of fund balance or revenue from non-appropriated accounts or other appropriated funds to the General Fund.

**Legislative:** Allow the Secretary of the Office of Policy and Management to transfer up to $20 million to the General Fund's resources from the Fund's non-appropriated accounts that do not receive (1) gifts, grants, or donations from public or private sources or (2) other revenues from individuals to support a particular interest or purpose. Section 657 of PA 17-2 JSS enacts this policy.

## Reduce Transfer to Pequot and Mohegan Fund

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 500,000 | 8,100,000 | 500,000 | 8,100,000 |

**Background:** The Mashantucket Pequot Mohegan Fund receives a portion of casino gaming revenue received by the State. The Pequot Fund appropriation reduces the amount of casino revenues that are otherwise deposited into the General Fund. The appropriation provides grants to towns.

Funds are distributed to towns on the following basis: 1) $20 million is distributed such that each municipality receives one-third of the additional amount a municipality would have received as a State-Owned Property PILOT payment had that grant been funded at $85.3 million. No municipality may receive less than $1,677 under this provision; 2) $20.1 million, pro-rated based on each municipality's Colleges & Hospitals PILOT payment; and 3) $35 million based on a statutory property tax relief formula.

The following provisions also effect distribution of Pequot payments: (1) $5.5 million is distributed among the cities of Bridgeport, Hamden, Hartford, Meriden, New Britain, New Haven, New London, Norwalk, Norwich, Waterbury, and Windham, (2) "Host town" payments of $750,000 each are made to Ledyard, Montville, Norwich, North Stonington and Preston, (3) $1.6 million is distributed evenly to towns in the Southeastern Connecticut Council of Governments and to any distressed municipality in the Northeastern Connecticut Council of Governments or the Windham Area Council of Governments and (4) 28 towns receive an amount set by statute in lieu of an amount determined by formula.

**Legislative:** Reduce the transfer from the General Fund to the Pequot and Mohegan Fund in order to reflect spending policies to: 1) reduce funding to various town grants (PILOT & Pequot) in order to preclude any town from receiving an increase in state aid from any of these grants; and 2) distribute a municipal lapse (savings) target.

## Transfer from CHEFA

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 900,000 | 900,000 | 900,000 | 900,000 |

**Background:** The quasi-governmental state agency Connecticut Health and Educational Facilities Authority (CHEFA) provides non-profit institutions access to low cost financing in the public municipal markets. CHEFA currently has $8.4 billion in bonds outstanding. CHEFA's operating revenues (derived primarily from administrative fees) have exceeded operating expenses by approximately $4 million in each of the last three fiscal years through FY 17.

Operating surpluses have been used over time to build CHEFA's net position to $14 million while supporting grants to approximately 40 CHEFA clients and other non-client social services agencies to provide shelter, food and healthcare-related services. Funding for these grants has been reduced as recent state budgets have included transfers from CHEFA to help balance the General Fund. Grants totaled $3 million in FY 15 but have been reduced to $1.1 million in FY 17 as transfers to the General Fund of $3.5 million in FY 16 and $4.375 million in FY 17 were put into place. The FY 17 transfers include a budgeted amount of $3.5 million and an additional transfer of $875,000 per Section 8 of the FY 17 Deficit Mitigation Act (PA 17-51).

**Legislative:** Transfer $900,000 from CHEFA to the General Fund in each year of the 2018-2019 biennium. Section 686 of PA 17-2 JSS enacts this policy.

## Transfer from Banking Fund to General Fund

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 11,200,000 | 9,200,000 | 11,200,000 | 9,200,000 |

**Background:** The Banking Fund is supported by assessments and fees by depository institutions supervised by the Department of Banking. Funds are used primarily for the ongoing operation of the Department of Banking and also for programs in the Labor Department, Department of Housing and Judicial Department.

The fund had an operating surplus of approximately $4 million in FY 17 and the fund balance at the close of FY 17 was approximately $500,000: $2 million less a carry forward appropriation of $1.5 million. The 2016-2017 Biennial Budget included transfers of $7 million each year from the Banking Fund to the General Fund. In addition, Section 52 of PA 17-51 (the FY 17 Deficit Mitigation Act) transferred $4 million from the Banking Fund.

**Legislative:** Transfer $11.2 million in FY 18 and $9.2 million in FY 19 from the Banking Fund to the General Fund. Section 687 of PA 17-2 JSS enacts the transfers.

Additional Banking Fund revenue, estimated to be $5.2 million annually, is attributable to a permanent fee increase of $25 for broker-dealers, investment advisers, and their agents, who transact business in Connecticut. The fee is due upon application and renewals on 12/31. Sections 668-670 of PA 17-2 JSS enact these fee increases.

## Transfer from Community Investment Act Account

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 |

**Background:** The Community Investment Account (CIA) provides funding for: 1) agricultural sustainability; 2) historic preservation; 3) municipal Open Space grants; and 4) various other agricultural activities, including grants to non-profit organizations. The account is funded through land use recording fees (the account receives $26 of every $30 recording fee imposed with municipalities retaining $4). The account was established by PA 05-3 and does not lapse funds. On a quarterly basis funds are distributed according to a schedule under CGS 4-66aa.

Total CIA program revenue in was $19 million in FY 15 but declined to $14.3 million in FY 16 and $8.4 million in FY 17 as revenue was diverted to help balance the General Fund budget. Section 93 of PA 15-244, the FY 16 and FY 17 budget, diverted 50% of quarterly payments associated with the CIA from January 1, 2016 through June 30, 2017, estimated to be $6.75 million in FY 16 and $13.5 million in FY 17.
**Governor:** Transfer $5.0 million in each year of the 2018-2019 biennium. Section 697 of PA 17-2 JSS enacts these transfers.

## Transfer from Correctional Enterprises Account

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 1,000,000 | - | 1,000,000 | - |

**Background:** Correction Enterprises of CT (CEC) is a self-sustaining fund that provides programs for inmate employment and vocational education skill development by offering a work setting within institutional walls that replicates private industries. CEC operates eight programs within four correctional facilities across the state. Products and services offered by CEC includes license plates, clothing and textiles, furniture refinishing and upholstery, custom metal fabrication, trash liners, graphic arts and printing. The CEC fund supports 41 full time employees and over 390 inmate workers. The FY 17 Deficit Mitigation Act (PA 17-51) transfers $1.125 million from this fund to the General Fund.

**Legislative:** Transfer $1 million from the correctional enterprises account, administered by the Department of Correction to the General Fund for FY 18. Section 691 of PA 17-2 JSS enacts this policy.

## Transfer from CT Energy Efficiency Fund

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 63,500,000 | 63,500,000 | 63,500,000 | 63,500,000 |

**Background:** The Energy Efficiency or Conservation and Load Fund helps residents, businesses, and institutions reduce the amount of energy they use. The state's electric utility companies administer the fund with approval of the state Department of Public Utility Control. Revenues of approximately $162 million are generated annually by a 6-mil "Energy Efficiency" charge per kWh on electric bills.

**Legislative:** Transfer $63.5 million from the Energy Conservation and Load Management Fund to the General Fund in each year of the 2018-2019 biennium. Section 683 of PA 17-2 JSS enacts this policy.

## Transfer from Correctional Commissaries Account

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 1,000,000 | - | 1,000,000 | - |

**Background:** The Commissary sells and delivers products each week to the Department of Correction inmates. The products sold include health and beauty aids, over the counter medications, snack and other food items, certain clothing, and footwear and electronic products. The sales from these products are designed to generate sufficient income to pay for the cost of goods, supplies and salaries directly related to this self-supporting program. This fund supports the salaries of fifty full time employees and over 120 inmate workers. The FY 17 Deficit Mitigation Act (PA 17-51) transfers $1.125 million from this fund to the General Fund.

**Legislative:** Transfer $1.0 million from the correctional commissaries account, administered by the Department of Correction to the General Fund for FY 18. Section 690 of PA 17-2 JSS enacts this policy.

## Transfer from EdNet Account

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 1,000,000 | - | 1,000,000 | - |

**Background:** The EdNet program was initiated in 2000 to help ensure that Connecticut's schools and libraries are prepared to meet the computer and information technology needs of the 21st Century. The Governor charged Lt. Governor M. Jodi Rell with making recommendations for inclusion in the Governor's Budget package for the 2000 legislative session. The Department of Administrative Services administers the program. Average annual revenues to the program were approximately $1.5 million between Fiscal Years 2011 and 2016.

**Legislative:** Transfer to the General Fund. Section 692 of PA 17-2 JSS enacts the transfer.

## Transfer from Emissions Enterprise Fund

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 1,500,000 | - | 1,500,000 | - |

**Background:** This separate fund is used to operate the statewide system to enforce emissions standards. Revenues to support the program are derived primarily from a budgeted transfer from the Special Transportation Fund and inspection fees pursuant to CGS Sec. 14-164m. In FY 17, for example, Fund revenues were as follows: 1) $1.7 million from inspection late fees, 2) $6.5 million budgeted transfer in, and 3) $24,000 fees and penalties per CGS Sec. 14-164c, and 4) $51,000 investment income. The FY 18 beginning balance is approximately $5 million. FY 17 total fund expenditures were $6.8 million.

Section 53 of PA 17-51 (the Deficit Mitigation Act) transferred $3 million from the Emissions Enterprise Fund to the General Fund in FY 17.

**Legislative:** Transfer $1 million to the General Fund. Section 688 of PA 17-2 JSS enacts the transfer. In addition, reduce the STF transfer to the emissions fund by $1 million each year. (This change reflected in a separate entry.)

## Transfer from Green Bank

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 14,000,000 | 14,000,000 | 14,000,000 | 14,000,000 |

**Background:** The Connecticut Green Bank ("the Green Bank"), formerly the Clean Energy Finance and Investment Authority ("CEFIA"), was established by the Governor and Connecticut's General Assembly on July 1, 2011, through Public Act 11-80 as a quasi-public agency that supersedes the former Connecticut Clean Energy Fund. As the nation's first state "Green Bank", the Connecticut Green Bank leverages public and private funds to accelerate the growth of green energy in Connecticut.

The 2014-2015 Biennial Budget included transfers from CEFIA to the General Fund in the amounts of $6.2 million (FY 14) and $19.2 (FY 15). CEFIA's net position at the end of FY 15 was $109.4 million. The Green Bank's net position at the end of FY 16 was $127.4 million with a cash balance of $40 million.

Primary sources of revenue for the Green Bank include the 1 mill per kWh Renewables or "Clean Energy" charge on electric ratepayers' bills which generates approximately $27.0 million annually, RGGI auction proceeds and energy system sales.

**Legislative:** Transfer $14.0 million (approximately half the "Clean Energy" charge revenue) from the Green Bank to the General Fund in each year of the 2018-2019 biennium. Section 685 of PA 17-2 JSS enacts the transfers. In addition to this transfer, RGGI auction proceeds are transferred to the General Fund separately.

## Transfer from Passport to Parks Account

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 2,600,000 | 5,000,000 | 2,600,000 | 5,000,000 |

**Legislative:** Establish a non-appropriated account to fund the operation of state parks and campgrounds, soil and water conservation districts and environmental review teams, and beginning with FY 19, the Council on Environmental Quality. In order to provide revenue to the account, the following revenue streams are dedicated to it: 1) a new $10 surcharge is established on motor vehicle registrations (passenger, motorcycle, motor home, combination, and antique), and $5 for individuals over age 65; and 2) various revenue collected from state park operations, recreation-related services and campground and facility rentals. The Passport to Parks program allows in-state registered vehicles to enter state parks free of charge. Out-of-state park visitors would continue to pay for parking and camping. Sections 326-331 of PA 17-2 enact these changes, effective January 1, 2018.

Provided that the new $10 surcharge on motor vehicle registrations is implemented effective January 1, 2018, the new Passport to Parks account is projected to have an operating surplus in both years of the 2018-2019 biennium that is sufficient to provide transfers to the General Fund in the amounts of $2.6 million in FY 18 and $5 million in FY 19. Section 696 of PA 17-2 JSS enacts these transfers.

## Transfer from Probation Transition-Technical Violation Acct.

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 8,300,000 | - | 8,300,000 | - |

**Background:** Revenue is generated by the phone system used by inmates in correctional facilities. Funds are used to support a specialized unit of probation officers who supervise probationers who are transitioning out of a correctional facility or have a technical violation. Over the last two completed fiscal years (FY 16 and FY 17), annual revenues are $6.1 million and annual expenditures are $3.25 million on average. Section 43 of PA 17-51 (the Deficit Mitigation Act) transferred $4 from the account to the General Fund. The FY 18 beginning fund balance was $7.8 million.

**Legislative:** Transfer $8.3 million from the Probation Transition Technical Violation Account to the General Fund in FY 18. Section 693 of PA 17-2 JSS enacts this transfer.

## Transfer from Judicial Department Technology Fund

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 100,000 | 100,000 | 100,000 | 100,000 |

**Background:** The Judicial Department retains a portion (5%) of revenues generated by certain filing fees in order to partially support the Department's technological initiatives. Annual revenues retained by the Judicial Department are approximately $500,000.

Transfers from the account to the General Fund have been made in FY 16 and FY 17 in the amounts of $1 million and $925,000, respectively. The FY 18 beginning balance is $160,000.

**Legislative:** Transfer $100,000 to the General Fund in each year of the 2018-2019 biennium. Section 695 of PA 17-2 JSS enacts the transfers.

## Transfer from Public Utility Control Fund to General Fund

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 2,500,000 | - | 2,500,000 | - |

**Background:** The Consumer Counsel and Public Utility Control Fund supports the operations of: (1) the Office of the Consumer Counsel, (2) the Connecticut Siting Council, and (3) the energy branch at the Department of Energy and Environmental Protection, including the Public Utilities Regulatory Authority. The revenue source is an assessment on regulated public utility entities (electric, gas, water and cable), based on the percentage of the public service companies' tax paid by the entity. The assessments are levied by each agency on the entities it regulates. In FY 17, fund revenues exceeded fund expenditures by $3 million. Fund balance at the close of FY 17 was $8.3 million. The last transfer ($2.3 million) from the PUC Fund to the General Fund occurred in FY 13.

**Legislative:** Transfer $2.5 million to the General Fund in FY 18. Section 684 of PA 17-2 JSS enacts the transfer.

## Transfer from Regional Greenhouse Gas Initiative Acct.

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 10,000,000 | 10,000,000 | 10,000,000 | 10,000,000 |

**Background: The** Regional Greenhouse Gas Initiative (RGGI) is a regional interstate "cap and trade" program to reduce greenhouse gas emissions. The program subjects the region's power plants to a declining cap on the amount of CO2 they can emit and requires them to purchase emission allowances at quarterly auctions. Those that exceed the cap may also buy credits from those that do not.

The proceeds from the auction sales fund energy efficiency and renewable energy programs. Quarterly auction proceeds are distributed approximately as follows: 69% to conservation and load management programs that the electric utilities administer; 23% for renewables programs that the CT Green Bank administers; and 7.5% to cover program dues and program administration by the CT DEEP. The FY 17 revised budget transferred $3.3 million from the proceeds of the RGGI auction occurring on or after January 1, 2017. Annual RGGI auction proceeds have declined from a total of $32.5 million in FY 14 to $13.7 million in FY 17.

**Legislative:** Transfer $10 million annually from the RGGI auction proceeds to the General Fund during the 2018-2019 biennium. Section 682 of PA 17-2 JSS enacts these transfers.

## Transfer from School Bus Seat Belt Account

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 |

**Background:** The School Seatbelt account was established under PA 10-83 which requires the Department of Motor Vehicles (DMV) to administer a program to help pay for school buses. The funding comes from a $50 deposit of the total fee associated with restoring an operator's license or registration which is $175. No expenditures have been made under the program since it was established, and it has been swept repeatedly. For example, Section 55 of PA 17-51 (the FY 17 Deficit Mitigation Act), transferred $865,000 from the account. Annual revenues are approximately $2 million.

**Legislative:** Section 52 of PA 17-2 JSS enacts the transfer. Section 52 of PA 17-2 JSS enacts the transfer.

## Transfer from Technical Services Revolving Fund

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 3,000,000 | - | 3,000,000 | - |

**Background:** The Technical Services Revolving Fund is administered by the state Department of Administrative Services (DAS) to manage statewide billing for IT services. The FY 17 year end cash balance of the fund was $7.4 million.

**Legislative:** Transfer $3 million to the General Fund. Section 689 of PA 17-2 JSS enacts the transfer.

## Transfer from Tobacco Litigation Settlement Account

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | 5,000,000 | - | 5,000,000 | - |

**Background:** On May 29, 2013, the Office of the Attorney General (OAG) announced that Connecticut had joined 21 other states in a partial settlement with the major tobacco companies of a dispute dating from 2006 regarding payments to the states under the 1998 tobacco Master Settlement Agreement (MSA). The settlement fully resolves claims for sales years from 2003 through 2014. Highlights of the complex agreement include the following: 1) Connecticut would receive a percentage of future disputed payments in addition to its regular annual MSA payments; and 2) for sales years after 2014, Connecticut would accept somewhat broadened tobacco enforcement responsibilities under the MSA to include enforcement regarding certain illegal contraband cigarette sales which have been the subject of dispute between the manufacturers and the states. A portion of the settlement was transferred to a non-lapsing account to fund enforcement activity related to the agreement by the Department of Revenue Services and the OAG. The FY 18 beginning balance of the Tobacco Litigation Settlement Account was $15.1 million.

**Legislative:** Transfer $5.0 million from the Tobacco Litigation Settlement Account to the General Fund in FY 18. Section 694 of PA 17-2 JSS enacts the transfer.

## Transfer FY 2018 Resources to FY 2019

| Governor FY 18 | Governor FY 19 | Legislative FY 18 | Legislative FY 19 | Difference FY 18 | Difference FY 19 |
|---|---|---|---|---|---|
| - | - | (17,800,000) | 17,800,000 | (17,800,000) | 17,800,000 |

**Legislative:** Credit FY 18 budgeted surplus to FY 19. Section 698 of public act 17-2 JSS enacts this provision.