PART III. REVENUE

Revenue Impact of Policy Changes

(In Millions of Dollars)

Enacting Authority	Policy Change	FY 19 $	FY 20 $	FY 21 $	FY 22 $	FY 23 $
General Fund						
Personal Income Tax						
Secs. 1-9 of PA 18-49	Adjust Method of Taxing Income from Pass-Through Entities	**	(567.6)	(580.1)	(592.8)	(605.9)
	Subtotal	**	**(567.6)**	**(580.1)**	**(592.8)**	**(605.9)**
Sales & Use Tax						
Secs. 62-63 of PA 18-81	Accelerate Car Sales Tax Diversion to STF	(29.0)	(120.1)	(137.9)	(130.1)	(147.7)
Secs. 62-63 of PA 18-81	Delay Restoration of MRSA	-	339.2	347.3	-	-
Secs. 62-63 of PA 18-81	Reduce Sales and Use Tax Rate on Vessel-Related sales	**	(2.3)	(2.3)	(2.1)	(2.1)
	Subtotal	**(29.0)**	**216.8**	**207.1**	**(132.2)**	**(149.8)**
Corporation Tax						
Secs. 1-9 of PA 18-49	Adjust Method of Taxing Income from Pass-Through Entities	**	567.6	580.1	592.8	605.9
	Subtotal	**	**567.6**	**580.1**	**592.8**	**605.9**
Public Service Companies Tax						
Sec. 35 of PA 18-81	Restore $1 Million to Support CT-N	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
	Subtotal	**(1.0)**	**(1.0)**	**(1.0)**	**(1.0)**	**(1.0)**
Inheritance & Estate Tax						
Secs. 66-68 of PA 18-81 *	Extend Phase-In of New Federal Exemption Level	-	-	28.3	15.1	7.5
	Subtotal	**-**	**-**	**28.3**	**15.1**	**7.5**
Health Provider Tax						
Sec. 1 of PA 18-170	Exempt Medicaid and Medicare Payments from the Ambulatory Surgical Center Tax	-	(0.5)	(0.5)	(0.5)	(0.5)
	Subtotal	**-**	**(0.5)**	**(0.5)**	**(0.5)**	**(0.5)**
Federal Grants						
Sec. 13 of PA 18-81	Restore Medicare Savings Program Eligibility	(68.5)	(68.5)	(68.5)	(68.5)	(68.5)
SA 18-5	Reflect Federal Match for I/DD Private Provider Increase	10.8	21.5	21.5	21.5	21.5

Enacting Authority	Policy Change	FY 19 $	FY 20 $	FY 21 $	FY 22 $	FY 23 $
Sec. 1 of PA 18-81	Reflect the Net Federal Revenue Impact from State Policy Changes	3.0	3.0	3.0	3.0	3.0
Sec. 55 of PA 18-81	Reflect Fed. Reimbursement of Additional FY 20 Appropriations for Supplemental Hospital Pool	-	(222.2)	(222.2)	(222.2)	(222.2)
	Subtotal	**(54.7)**	**(266.2)**	**(266.2)**	**(266.2)**	**(266.2)**
Transfer from Tobacco Fund						
Secs. 60-61 of PA 18-81	Eliminate Transfer to Tobacco & Health Trust Fund	-	6.0	6.0	6.0	6.0
Secs. 60-61 of PA 18-81	Eliminate Transfer to the Early Childhood Ed. Program	-	10.0	10.0	10.0	10.0
	Subtotal	**-**	**16.0**	**16.0**	**16.0**	**16.0**
Transfers From / (To) Other Funds						
Secs. 12, 60 of PA 18-81	Reduce Transfer from the Conservation & Load Management Fund	(10.0)	-	-	-	-
	Subtotal	**(10.0)**	**-**	**-**	**-**	**-**
Volatility Cap Adjustment						
Sec. 20 of PA 18-81	Index the Volatility Cap	46.8	128.8	212.4	299.4	401.4
	Subtotal	**46.8**	**128.8**	**212.4**	**299.4**	**401.4**
	Grand Total GF (FY 19 as adopted by FRB)	**(47.9)**	**93.9**	**196.1**	**(69.4)**	**7.4**
Special Transportation Fund						
Secs. 62-63 of PA 18-81	Accelerate Car Sales Tax Diversion to STF	29.0	120.1	137.9	130.1	147.7
Secs. 62-63 of PA 18-81	Exempt Vessel-Related Sales from Sales and Use Tax	**	(0.2)	(0.2)	(0.2)	(0.2)
	Grand Total STF (FY 19 as adopted by FRB)	**29.0**	**119.9**	**137.7**	**129.9**	**147.5**
Municipal Revenue Sharing Fund						
Secs. 62-63 of PA 18-81	Delay Restoration of MRSA	-	(339.2)	(347.3)	-	-
Secs. 62-63 of PA 18-81	Reduce Sales and Use Tax on Vessel-Related Sales	-	-	-	(0.2)	(0.2)
	Grand Total MRSA	**-**	**(339.2)**	**(347.3)**	**(0.2)**	**(0.2)**
	GRAND TOTAL (ALL FUNDS)	**(18.9)**	**(125.4)**	**(13.5)**	**60.3**	**154.7**

* Revenue impact of PA 18-81 reflected above. PA 18-49 conflicts with the provisions of PA 18-81 and has a different (if similar) impact.
**The revenue schedule as adopted by Finance, Revenue, and Bonding Committee does not include this policy in its underlying assumptions.

Revised FY 19 General Fund Revenue Schedule

In Millions of Dollars

	Original FY 19 Budget	January 2018 Consensus	Governor Policies	Governor Revised FY 19 Revenue	Consensus Update (April 2018)	Legislative Policies	Legislative Revised FY 19 Revenue
Taxes							
Personal Income Tax	9,256.9	9,222.1	(583.9)	8,638.2	9,707.6	-	9,707.6
Sales and Use Tax	4,288.1	4,182.6	33.6	4,216.2	4,182.6	(29.0)	4,153.6
Corporation Tax	988.7	988.9	647.0	1,635.9	920.2	-	920.2
Public Service Companies Tax	263.7	244.8	-	244.8	244.8	(1.0)	243.8
Inheritance and Estate Tax	170.5	176.2	-	176.2	176.2	-	176.2
Insurance Companies Tax	234.2	234.3	-	234.3	234.3	-	234.3
Cigarette Tax	391.3	390.1	34.2	424.3	381.0	-	381.0
Real Estate Conveyance	222.3	209.4	22.9	232.3	209.4	-	209.4
Alcoholic Beverages	63.0	63.0	1.5	64.5	63.0	-	63.0
Admissions and Dues	41.8	41.8	-	41.8	41.8	-	41.8
Health Provider	1,044.1	1,049.2	(0.9)	1,048.3	1,049.2	-	1,049.2
Miscellaneous	33.0	33.1	-	33.1	22.0	-	22.0
Total Taxes	**16,997.6**	**16,835.5**	**154.4**	**16,989.9**	**17,232.1**	**(30.0)**	**17,202.1**
Refunds of Taxes	(1,145.7)	(1,146.0)	49.7	(1,096.3)	(1,215.1)	-	(1,215.1)
Earned Income Tax Credit	(120.6)	(118.3)	-	(118.3)	(118.3)	-	(118.3)
R&D Credit Exchange	(7.6)	(6.9)	-	(6.9)	(6.4)	-	(6.4)
Taxes Less Refunds	**15,723.7**	**15,564.3**	**204.1**	**15,768.4**	**15,892.3**	**(30.0)**	**15,862.3**
Other Revenue							
Transfers-Special Revenue	346.4	346.4	-	346.4	352.7	-	352.7
Indian Gaming Payments	199.0	202.7	-	202.7	203.6	-	203.6
Licenses, Permits, Fees	343.7	341.3	0.1	341.4	322.6	-	322.6
Sales of Commodities	44.9	38.7	-	38.7	37.7	-	37.7
Rents, Fines, Escheats	143.7	143.7	20.0	163.7	147.2	-	147.2
Investment Income	7.0	9.5	-	9.5	14.5	-	14.5
Miscellaneous	189.1	189.1	35.5	224.6	189.1	-	189.1
Refund of Payments	(63.9)	(58.8)	-	(58.8)	(58.8)	-	(58.8)
Total Other Revenue	**1,209.9**	**1,212.6**	**55.6**	**1,268.2**	**1,208.6**	**-**	**1,208.6**
Other Sources							
Federal Grants	1,764.0	1,645.3	3.8	1,649.1	2,167.1	(54.7)	2,112.4
Transfer from Tobacco Fund	110.2	110.2	-	110.2	110.2	-	110.2
Transfers From / (To) Other Funds	100.4	106.1	(29.0)	77.2	88.3	(10.0)	78.3
Total Other Sources	**1,974.6**	**1,861.6**	**(25.2)**	**1,836.5**	**2,365.6**	**(64.7)**	**2,300.9**
Volatility Adjustment	**-**	**(13.1)**	**-**	**(13.1)**	**(409.9)**	**46.8**	**(363.1)**
TOTAL General Fund	**18,908.2**	**18,625.4**	**234.6**	**18,860.0**	**19,056.6**	**(47.9)**	**19,008.7**

Revised Policies Details - General Fund

Personal Income

Policy Revisions

Adjust Exemption for Social Security Income

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

Background: Prior to 2017, state law allowed for a 100% exemption of Social Security income 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.

Section 641 of PA 17-2 JSS (the 2018-2019 Biennial Budget), as amended by Section 18 of PA 17-4 JSS, increases the income thresholds to qualify for 100% exemptions to $75,000 and $100,000, respectively. These increases are implemented in equal increments over six years beginning on January 1, 2019.

Governor: Repeal the expanded 100% exemption. Section 20 of SB 10 enacts the repeal.

Legislative: Maintain the expanded 100% exemption.

Adjust Method of Taxing Income from Pass-Through Entities

Governor FY 19	Legislative FY 19	Difference FY 19
-	-	-

Background: Federal tax reform legislation passed by Congress in December 2017 limits to $10,000 the amount of state and local taxes that may be deducted for federal income tax purposes. The tax reform law does not limit the deduction of business taxes.

Governor: Establish a new state business tax (the "Pass-through Entity Tax") in lieu of state personal income taxes, which are subject to the federal limit on deductions. The new business tax is imposed on most pass-through businesses and is levied at the top personal income tax rate of 6.99%, and offset by a credit at the personal or corporate income tax level. Sections 1-9 of SB 11 enact these changes. This policy would shift approximately $600 million annually from the Personal Income Tax to the Corporation Tax.

Legislative: Same as Governor. Sections 1-9 of PA 18-49 enact this policy, effective January 1, 2018. The revenue schedule for the Revised FY 19 Budget, as adopted by the Finance, Revenue and Bonding Committee, does not reflect this policy.

Adjust New Exemptions for Certain Pension and Annuity Income

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

Background: Section 641 of PA 17-2 JSS exempts certain pension and annuity income from the Personal Income Tax. Specifically, it eliminates the income tax on pension and annuities for taxpayers with federal adjusted gross incomes (AGIs): (1) below $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, 2019-2025, after which the exemption sunsets.

Governor: Repeal the new exemptions. Section 20 of SB 10 enacts the repeal.

Legislative: Maintain the new exemptions. Section 27 of PA 18-26 eliminates the sunset provision, thus extending the exemption to 2026 and beyond.

Allow Growth in the Volatility Cap - Index to Income Growth

Governor FY 19	Legislative FY 19	Difference FY 19
-	46,800,000	46,800,000

Background: Sections 704, 707, 708 & 729 of PA 17-2 JSS establish a "Volatility Cap" which permanently limits to $3.15 billion the total amount of revenues from the Estimated and Final (E&F) payments portion of the Personal Income Tax available to formulate a General Fund budget. In accordance with PA 17-2 JSS, beginning in FY 18 any projected amounts greater than $3.15 billion must be set aside in the consensus revenue process (CGS Sec. 2-36c) as transfers to the Budget Reserve Fund.

PA 17-2 JSS repeals provisions in prior law, scheduled to take effect July 1, 2019, establishing a mechanism for diverting to the Budget Reserve Fund projected surpluses in historically volatile revenue sources (Corporation Business Tax and E&F payments under the Personal Income Tax). The mechanism required mid-year diversions of this revenue, based on a threshold level calculated using the average revenue from these two sources over 10 years.

Legislative: Allow the "Volatility Cap" to grow each fiscal year at the compound annual rate of growth in personal income over the previous five calendar years. Beginning in FY 19, the revised cap would increase the amounts of E&F revenues available to formulate General Fund budgets while reducing the amounts set aside in consensus revenue projections for year-end transfers to the Budget Reserve Fund.

Section 20 of PA 18-81 makes this policy change, which allows the cap to grow by 1.49% in FY 19 thus providing $46.8 million in additional revenue available to formulate the revised FY 19 General Fund budget (1.49% * $3.15 billion = $46.8 million).

Sales and Use

Policy Revisions

Adjust Hotel Tax Rate and Set-aside for Tourism

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

Background: Sections 637 and 639 of PA 17-2 JSS 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%.)

Governor: Repeal the set-aside of existing room occupancy tax revenues. Instead, increase the tax rate by two percentage points (from 15% to 17%) and set aside revenues from the tax increase to support tourism-related functions. This proposal increases revenue to the Tourism Fund by $4 million above current law ($16.7 million over $12.7 million) and restores the $12.7 million revenue loss to the General Fund triggered by the 10% set aside in PA 17-12 JSS. Sections 15-16 of SB 10 enact these changes.

Legislative: Maintain the set-aside of existing room occupancy tax revenues and the current overall tax rate of 15%.

Adjust the Sales Tax Exemption for Non-Prescription Drugs

Governor FY 19	Legislative FY 19	Difference FY 19
30,000,000	-	(30,000,000)

Background: A variety of non-prescription drugs and medicines are exempt under CGS Section 12-412(120).

Governor: Repeal exemptions for non-prescription drugs and medicines. Section 17 of SB 10 enacts the repeal.

Legislative: Maintain the exemption for non-prescription drugs and medicines.

Accelerate Shift of Certain Sales Tax Revenues to the STF

Governor FY 19	Legislative FY 19	Difference FY 19
(9,100,000)	(29,000,000)	(19,900,000)

Background: Sections 637-638 of PA 17-2 JSS shift revenues from the sale of new and used motor vehicles by a dealer from the General Fund to the Special Transportation Fund. The shift is scheduled to take place over a five year period in equal increments of 20%. In FY 21, the shift is 20% increasing to 40% in FY 22 up to 100% in FY 25 and thereafter.

Governor: Accelerate the shift as follows: FY 19 (2.5%); FY 20 (20%); FY 21 (40%); FY 21 (60%); FY 22 (80%); and FY 23 (100%) . Sections 15-16 of SB 10 enact this change.

Legislative: Accelerate the shift as follows: FY 19 (8%); FY 20 (33%); FY 21 (56%); FY 22 (75%); and FY 23 (100%). Sections 62-63 of PA 18-81 enact this change.

Reduce Sales & Use Tax Rate on Vessel-Related sales

Governor FY 19	Legislative FY 19	Difference FY 19
-	-	-

Legislative: Reduce, from 6.35% to 2.99%, the sales and use tax on vessels (i.e., boats), vessel motors, and trailers used for transporting vessels. By law, unchanged by the bill, vessels docked in Connecticut for 60 days or less are exempt from sales and use tax. Sections 62-63 of PA 18-81 enact this change, effective July 1, 2018. The annualized revenue loss for this change beginning in FY 19 is estimated to be $2.3 million. The revenue schedule for the Revised FY 19 Budget, as adopted by the Finance, Revenue and Bonding Committee, does not reflect this policy.

Corporations

Policy Revisions

Adjust Method of Taxing Income from Pass-Through Entities

Governor FY 19	Legislative FY 19	Difference FY 19
-	-	-

Background: Federal tax reform legislation passed by Congress in December 2017 limits to $10,000 the amount of state and local taxes that may be deducted for federal income tax purposes. The tax reform law does not limit the deduction of business taxes.

Governor: Establish a new state business tax (the "Pass-through Entity Tax") in lieu of state personal income taxes, which are subject to the federal limit on deductions. The new business tax is imposed on most pass-through businesses and is levied at the top personal income tax rate of 6.99%, and offset by a credit at the personal or corporate income tax level. Sections 1-9 of SB 11 enact these changes. This policy would shift approximately $600 million annually from the Personal Income Tax to the Corporation Tax.

Legislative: Same as Governor. Sections 1-9 of PA 18-49 enact this policy, effective January 1, 2018. The revenue schedule for the Revised FY 19 Budget, as adopted by the Finance, Revenue and Bonding Committee, does not reflect this policy.

Adjust the Corporate Income Tax Surcharge

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

Background: PA 11-6, the FY 12 and FY 13 Budget, established a temporary 20% Corporation Business Tax surcharge for income years 2012 and 2013. The temporary 20% surcharge was continued through income year 2017 but scheduled to phase out by income year 2019, with a reduction to 10% in income year 2018 and then to 0% in income year 2019.

Governor: Establish a permanent corporate tax surcharge of 8% effective 1/1/2019. Section 18 of SB 10 enacts this change.

Legislative: Maintain the scheduled sunset of the Corporation Business Tax surcharge.

Adjust Mandatory Combined Reporting

Governor FY 19	Legislative FY 19	Difference FY 19
25,000,000	-	(25,000,000)

Background: Sections 138-163 of PA 15-244, as amended by Sections 139-153 JSS, established mandatory combined reporting for certain Corporation Business Tax filers. Additionally, section 39 of PA 15-1 DSS imposed a $2.5 million cap on the amount by which a combined group's corporation income tax liability can exceed the tax it would have paid on a separate basis.

Governor: Limit the $2.5 million cap established by PA 15-1 DSS to manufacturers. Section 19 of SB 10 makes this change.

Legislative: Maintain the $2.5 million cap for any affected corporation.

Adjust the 7/7 Brownfield Tax Credit Program

Governor FY 19	Legislative FY 19	Difference FY 19
4,000,000	-	(4,000,000)

Background: Sections 168-169 of PA 17-2 JSS established a Brownfield and Underutilized Property Redevelopment Program that authorizes a package of state and local tax incentives to property owners after they remediate, redevelop, and use property that was contaminated, abandoned, or underutilized. Property owners must apply to DECD for the incentives and provide certain information, including a commitment to hire students to work at the redeveloped property.

During the first seven years after an owner redevelops an approved property, the owner qualifies for (1) corporation, business, or personal income tax credits against the income attributed to business operations at the redeveloped property and (2) a sales and use tax exemption applicable to items purchased for use at the property. Also during this period, the owner may have the redeveloped property's tax assessment frozen for five years at its predevelopment assessed value.

Governor: Repeal the new program. Sections 33 and 40 of SB 10 repeal the program.

Legislative: Maintain the new program.

Public Service Corporations

Policy Revisions

Partially Restore Support to CT-N

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

Background: CGS Sec. 2-71x provided 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. Section 662 of PA 17-2 JSS permanently reduced the annual set-aside by one-half, to $1.6 million.

Legislative: Permanently restore $1 million of the $1.6 million reduction included in the 2018-2019 Biennial Budget. Section 35 of PA 18-81 makes this change, which increases the annual set-aside to $2.6 million.

Cigarettes

Policy Revisions

Adjust Taxes on Tobacco Products

Governor FY 19	Legislative FY 19	Difference FY 19
25,700,000	-	(25,700,000)

Background: The Cigarette Tax has been increased from $3.40 per pack (FY 15) to $3.65 per pack (FY 16) to $3.90 per pack (FY 17) and then $4.35 per pack (FY 18).

Governor: Increase the tax rate on cigarettes by $0.25 per pack: from $4.35 to $4.60. In addition, impose the tax increase on the existing inventory of cigarettes as of the effective date (i.e., a "floor tax"). Lastly, increase the wholesale excise tax cap on each cigar from $0.50 to $1.50. Estimated revenues are as follows: 1) $22.8 million from increasing the Cigarette Tax ($2.8 million from the "floor tax"); and 2) $2.9 million resulting from the increase in the cigar tax.

Sections 21-24 of SB 10 enact these changes.

Legislative: Maintain current tax rates on tobacco products.

Consider Proposal to Tax E-Cigarettes

Governor FY 19	Legislative FY 19	Difference FY 19
8,500,000	-	(8,500,000)

Governor: Establish a 75% tax on the wholesale price of an e-cigarette product, including liquids and paraphernalia. Section 25 of SB 10 enacts this policy.

Legislative: Do not tax e-cigarettes.

Real Estate Conveyance

Policy Revisions

Adjust Real Estate Conveyance Tax Rates

Governor FY 19	Legislative FY 19	Difference FY 19
22,900,000	-	(22,900,000)

Background: Current Real Estate Conveyance Tax rates are as follows: 1) 0.75% on Unimproved Land; 2) 1.25% on Nonresidential Property other than Unimproved Land; 3) 0.75% on the portion of a Residential Dwelling at $800,000 or less purchase price; 4) 1.25% on the portion of a Residential Dwelling at $800,001 or more purchase price; 5) 0.75% on a Residential Property other than a Residential Dwelling; and 6) 0.75% on a Delinquent Mortgage.

Governor: Increase the 0.75% rates to 0.85% and the 1.25% rates to 1.40%. All property classifications are impacted. Section 26 of SB 10 enacts these increases.

Legislative: Maintain current real estate conveyance tax rates.

Alcoholic Beverages

Policy Revisions

Adjust Minimum Bottle Pricing

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

Background: CGS Section 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. HB 5036 enacts this policy. It is anticipated that a reduction in prices will increase the sales volume resulting in a net annualized state revenue gain.

Legislative: Maintain current law.

Health Provider

Policy Revisions

Modify the Ambulatory Surgical Centers Tax

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

Background: The Ambulatory Surgical Centers 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. The tax rate is 6% except for the first $1 million in gross receipts, which is exempt from taxation.

Governor: In order to ensure the state complies with all Centers for Medicare and Medicaid Services (CMS) guidelines for the taxation of health providers: (1) eliminate the current $1 million exemption; (2) limit the tax to receipts from facility fees; and (3) disallow the usage of tax credits against the tax. Sections 6-11 of SB 10 enacts this policy.

Legislative: Maintain the tax rate, gross receipts basis and $1 million exemption.

It should be noted that Section 1 of PA 18-170, "AAC the Tax Imposed on Ambulatory Surgical Centers and Annual Adjustments to Assessment Rates Adopted for Certain Units of Common Interest Communities and Condominiums under Common Ownership," establishes a tax exemption for Medicaid and Medicare payments and is anticipated to result in an annual revenue loss of approximately $500,000 beginning in FY 20.

Adjust the Tax on Intermediate Care Facilities

Governor FY 19	Legislative FY 19	Difference FY 19
70,000	-	(70,000)

Background: The Health Provider Tax revisions passed as part of the budget lowered the tax rate on intermediate care facilities from $27.76 per day to $27.26.

Governor: Restore the $27.76 rate. Section 13 of SB 10 enacts this change.

Legislative: Maintain current law.

Refunds of Taxes

Policy Revisions

Adjust the $200 Property Tax Credit

Governor FY 19	Legislative FY 19	Difference FY 19
49,700,000	-	(49,700,000)

Background: PA 17-2 JSS temporarily (2017 & 2018 income years) limited 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.

Governor: Permanently repeal the $200 property tax credit. Sections 34 and 37 of SB 10 enact this change.

Legislative: Maintain current law.

Licenses, Permits and Fees

Policy Revisions

Consider Newborn Screening Panel Recommendation

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

Background: Pursuant to Subsection (a) of CGS Section 19a-5, the administrative officer or other person in charge of each institution caring for newborn infants shall cause to have administered to every such infant in its care an HIV-related test, as defined in section 19a-581, a test for phenylketonuria and other metabolic diseases, hypothyroidism, galactosemia, sickle cell disease, maple syrup urine disease, homocystinuria, biotinidase deficiency, congenital adrenal hyperplasia, severe combined immunodeficiency disease, adrenoleukodystrophy and such other tests for inborn errors of metabolism as shall be prescribed by the Department of Public Health.

The Commissioner of Public Health shall publish a list of all the abnormal conditions for which the department screens newborns under the newborn screening program, which shall include screening for amino acid disorders, organic acid disorders and fatty acid oxidation disorders, including, but not limited to, long-chain 3-hydroxyacyl CoA dehydrogenase (L-CHAD), and medium-chain acyl-CoA dehydrogenase (MCAD).

Governor: Expand the list of abnormal conditions for which the department screens newborns to include, upon approval by the Secretary of the Office of Policy and Management, any other disorder included on the recommended uniform screening panel pursuant to 42 USC 300b-10, as amended from time to time. Revenues woult be generated from increasing the newborn screening fee from $110 to $114 per infant. Section 2 of SB 16 enacts this change.

Legislative: Maintain current law.

Rentals, Fines and Escheats

Policy Revisions

Adjust the Scope of the "Bottle Bill" - Wine and Liquor

Governor FY 19	Legislative FY 19	Difference FY 19
13,000,000	-	(13,000,000)

Background: The five cent per bottle deposit fee for certain beverage containers (beer and other malt beverages, soda water, and carbonated soft drinks) has been the same since the law (PA 78-16) was adopted and became effective (January 1, 1980).

Governor: Establish a deposit fee of 25 cents per bottle of wine and liquor. Sections 27-28 of SB 10 enact this policy.

Legislative: Maintain current law.

Adjust the Scope of the "Bottle Bill" - Various

Governor FY 19	Legislative FY 19	Difference FY 19
7,000,000	-	(7,000,000)

Background: The five cent per bottle deposit fee for certain beverage containers (beer and other malt beverages, soda water, and carbonated soft drinks) has been the same since the law (PA 78-16) was adopted and became effective (January 1, 1980).

Governor: Expand the 5 cent bottle deposit to include juices, teas, coffees and energy drinks. Section 27 of SB 10 enacts this change.

Legislative: Maintain current law.

Miscellaneous

Policy Revisions

Gross Fund Higher Education Alternate Retirement Program

Governor FY 19	Legislative FY 19	Difference FY 19
35,500,000	-	(35,500,000)

Background: CGS 5-155a authorizes eligible unclassified employees of the constituent units of higher education to participate in an alternate retirement program (ARP), a defined contribution plan. Pursuant to the SEBAC 2017 Agreement the state's contribution is 7.25% of salary and employees contribute 5.75%. In FY 20, these contribution rates are modified by 0.25% to 7% and 6% respectively. For employees hired on or after July 31, 2017, the state contribution is 6.5% and the employee default contribution is 6.5%. The state's contribution is paid by various funding sources and is based on where the employee's salary is charged. Currently, recoveries from other funding sources, predominately tuition funds of higher education institutions are deposited into the ARP appropriation within the General Fund (GF) for non-GF supported employees as an expenditure offset. In recent years, the recoveries have exceeded GF expenditures. The Governor recommends gross appropriating the ARP account whereby all recoveries will be deposited into the GF as revenue and the GF appropriation will reflect the state's contribution for those employees whose salaries are supported by the GF (including those employees funded out of the higher education block grants).

Governor: Increase revenue by $35.5 million to reflect Higher Education Alternate Retirement Program (ARP) recoveries being deposited into the General Fund. Funding of $27,299,000 in FY 19 is reflected in the ARP account related to this change.

Legislative: Maintain current law.

Federal Grants

Policy Revisions

Reflect the Federal Revenue Impact of State Appropriations

Governor FY 19	Legislative FY 19	Difference FY 19
3,800,000	3,000,000	(800,000)

Governor: Reflect the net impact of various minor adjustments.

Legislative: Reflect the net impact of appropriating a total of approximately $6 million to support Medicaid reimbursable expenditures in the Department of Developmental Services (DDS). Appropriations support emergency placements and Money Follows the Person (MFP) caseload.

Restore Medicare Savings Program Eligibility

Governor FY 19	Legislative FY 19	Difference FY 19
-	(68,500,000)	(68,500,000)

Background: The FY 18 - FY 19 Biennial Budget reduced income eligibility for the Medicare Savings Program (MSP) from between 211% and 246% of the Federal Poverty Level (FPL) to the federal minimum of between 100% and 135% FPL. PA 17-1 JSS restored eligibility in FY 18. The FY 19 budget assumed Medicaid savings of $61.5 million with a corresponding revenue gain of $68.5 million (for a net state impact of $130 million), associated with eliminating coverage for up to 68,100 individuals and reducing benefits for an additional 37,100.

Legislative: Provide funding of $61.5 million (with a corresponding revenue loss of $68.5 million) to reflect maintaining Medicare Savings Program (MSP) income eligibility at 211% to 246% FPL instead of reducing eligibility to the federal minimum. Increasing income eligibility restores coverage and maintains benefits for approximately 100,000 individuals. Section 13 of PA 18-81, is related to this change.

Reflect Fed. Match for I/DD Private Provider Increase

Governor FY 19	Legislative FY 19	Difference FY 19
-	10,800,000	10,800,000

Background: SA 18-5, An Act Concerning Minimum Employee Wages for Private Providers of State-Administered Services For Persons with Intellectual Disabilities, allows the Office of Policy and Management (OPM) to allocate funds to increase wages of certain employees who provide services to authorized consumers of the Department of Developmental Services (DDS) in FY 19. The private providers of employment, day, and behavioral services (funded in DDS) and group home services (funded in the Department of Social Services) must provide documentation to OPM that such funds will only be used for: (1) increasing the minimum wage paid to employees to not less than $14.75 per hour (effective January 1, 2019); and (2) providing a wage increase of up to 5% to employees earning not less than $14.76 and not more than $30.00 per hour (effective January 1, 2019). Additionally, OPM shall reimburse providers, within available appropriations, for the cost of employer taxes, and other costs associated with the wage increase provisions, and for the expansion of benefits.

Legislative: Federal grants revenue is increased by $10.8 million to reflect the federal share of increased wages for certain employees, per SA 18-5. The Office of Policy and Management (OPM) budget includes funding of $21,537,000 in FY 19 to support these increases, for which the state will receive approximately 50% federal reimbursement under Medicaid.

Transfers From/To Other Funds

Policy Revisions

Adjust FY 19 Transfer from RGGI

Governor FY 19	Legislative FY 19	Difference FY 19
(10,000,000)	-	10,000,000

Background: The Regional Greenhouse Gas Initiative (RGGI) is a regional interstate "cap and trade" program to reduce greenhouse emissions. The program subjects the region's power plants to a declining cap on the amount of CO_2 they can emit and requires them to purchase emission allowances at quarterly auctions. Connecticut's share of the auction proceeds are used primarily for conservation and load management initiatives and in support of renewable energy with the remaining 7.5% retained by the Department of Energy and Environmental Protection to cover administrative costs. Total FY 17 auction proceeds to Connecticut were $13.7 million.

The FY 18 and FY 19 Budget transfers $10 million from the RGGI account in each year of the biennium.

Governor: Repeal the scheduled FY 19 transfer from RGGI. Section 2 of SB 10 enacts this policy.

Legislative: Maintain the transfer.

Adjust FY 19 Transfer from Green Bank

Governor FY 19	Legislative FY 19	Difference FY 19
(14,000,000)	-	14,000,000

Background: The Connecticut Green Bank is a quasi-public agency designed to leverage public and private funds to accelerate the growth of green energy in Connecticut.

The 2014-2015 Biennial Budget included transfers from the agency of $6.2 million in FY 14 and $19.2 million in FY 15. The 2018-2019 Biennial Budget includes transfers of $14 million each year of the biennium. In addition to the $14 million transfers directly from the Green Bank, the 2018-2019 Budget also transfers $10 million each year from RGGI, which is a major source of revenue to the Green Bank.

Governor: Repeal the FY 19 transfer from the Green Bank. Section 3 of SB 10 enacts the repeal.

Legislative: Maintain the transfer.

Adjust FY 19 Transfer from Banking Fund

Governor FY 19	Legislative FY 19	Difference FY 19
(5,200,000)	-	5,200,000

Background: The Banking Fund is supported by assessments and fees from 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 Banking Fund has a recent history of running operating surpluses and building a fund balance in the millions of dollars, and has been subject to fund sweeps (i.e., transfers) to the General Fund on multiple occasions. The Banking Fund ran an operating surplus of approximately $4 million in FY 17 but closed the fiscal year with a balance of only $500,000 ($2 million less a carry forward appropriation of $1.5 million).

The 2018-2019 Biennial Budget increased fees for broker-dealers, investment advisers and their agents who transact business in Connecticut, which is estimated to generate $5.2 million annually. The 2018-2019 Biennial Budget transfers $11.2 million from the Banking Fund in FY 18 and $9.2 million in FY 19, which effectively assumes an operating surplus and balance of $6 million in FY 18 and $4 million in FY 19.

Governor: Reduce the FY 19 transfer to reflect the projected revenue gain from the increase in fees, only. Section 4 of SB 10 enacts this reduction.

Legislative: Maintain the transfer.

Adjust Transfer from the Mashantucket Pequot - Mohegan Fund

Governor FY 19	Legislative FY 19	Difference FY 19
300,000	-	(300,000)

Background: The Mashantucket Pequot and Mohegan Fund (Pequot Fund) receives a portion of the State of Connecticut's casino gaming revenue. The Pequot Fund appropriation reduces the amount of casino revenues that are otherwise deposited into the General Fund. The appropriation provides grants to towns.

Governor: Reduce the transfer from the General Fund to the Pequot Fund to reflect the recommended appropriations level.

Legislative: Make no change to the transfer.

Reduce FY 19 Transfer from CT Energy Efficiency Fund

Governor FY 19	Legislative FY 19	Difference FY 19
-	(10,000,000)	(10,000,000)

Background: The Energy Efficiency or Conservation and Load Management Fund helps residents, businesses, and institutions reduce the amount of energy they use. The state's electricity 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.

Section 683 of PA 17-2 JSS (the 2018-2019 Biennial Budget) transfers $63.5 million from the Energy Conservation and Load Management Fund to the General Fund in each year of the 2018-2019 biennium.

Legislative: Reduce the FY 19 transfer to $53.5 million. Sections 12 and 60 of PA 18-81, the Revised FY 19 Budget Act, enact this change.

Revised FY 19 Special Transportation Fund Revenue Schedule

In Millions of Dollars

	Original FY 19 Budget	January 2018 Consensus	Governor Policies	Governor Revised FY 19 Revenue	Consensus Update (April 2018)	Legislative Policies	Legislative Revised FY 19 Revenue
Taxes							
Motor Fuels Tax	506.1	502.3	30.0	532.3	502.3	-	502.3
Oil Companies Tax	300.2	279.8	-	279.8	279.8	-	279.8
Sales and Use Tax	335.4	329.4	9.1	338.5	329.4	29.0	358.4
Sales Tax - DMV	88.8	86.8	-	86.8	86.8	-	86.8
Refunds of Taxes	(14.1)	(14.6)	-	(14.6)	(14.6)	-	(14.6)
Total Taxes	**1,216.4**	**1,183.7**	**39.1**	**1,222.8**	**1,183.7**	**29.0**	**1,212.7**
Other Sources							
Motor Vehicle Receipts	253.8	249.0	-	249.0	250.6	-	250.6
Licenses, Permits, Fees	145.2	142.8	8.0	150.8	142.8	-	142.8
Interest Income	10.4	10.4	-	10.4	12.4	-	12.4
Federal Grants	12.1	12.1	-	12.1	12.1	-	12.1
Transfers From / (To) Other Funds	(5.5)	(5.5)	-	(5.5)	(5.5)	-	(5.5)
Refunds of Payments	(4.3)	(4.3)	-	(4.3)	(4.6)	-	(4.6)
Total Other Sources	**411.7**	**404.5**	**8.0**	**412.5**	**407.8**	**-**	**407.8**
TOTAL Special Transportation Fund	**1,628.1**	**1,588.2**	**47.1**	**1,635.3**	**1,591.5**	**29.0**	**1,620.5**

Revised Policies Details - Special Transportation Fund

Sales Tax - STF

Policy Revisions

Accelerate Shift of Certain Sales Tax Revenues to the STF

Governor FY 19	Legislative FY 19	Difference FY 19
9,100,000	29,000,000	19,900,000

Background: Sections 637-638 of PA 17-2 JSS shift revenues from the sale of new and used motor vehicles by a dealer from the General Fund to the Special Transportation Fund. The shift is scheduled to take place over a five year period in equal increments of 20%. In FY 21, the shift is 20%, increasing to 40% in FY 22, up to 100% in FY 25 and thereafter.

Governor: Accelerate the shift as follows: FY 19 (2.5%); FY 20 (20%); FY 21 (40%); FY 21 (60%); FY 22 (80%); and FY 23 (100%) . Sections 15-16 of SB 10 enact this change.

Legislative: Accelerate the shift as follows: FY 19 (8%); FY 20 (33%); FY 21 (56%); FY 22 (75%); and FY 23 (100%). Sections 62-63 of PA 18-81 enact this change.

Reduce Sales & Use Tax Rate on Vessel-Related Sales

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

Legislative: Reduce, from 6.35% to 2.99%, the sales and use tax on vessels (i.e., boats), vessel motors, and trailers used for transporting vessels. By law, unchanged by the bill, vessels docked in Connecticut for 60 days or less are exempt from sales and use tax. Sections 62-63 of PA 18-81 enact this change, effective July 1, 2018.

Motor Fuels

Policy Revisions

Adjust the Gasoline Tax

Governor FY 19	Legislative FY 19	Difference FY 19
30,000,000	-	(30,000,000)

Background: Motor fuel used or sold in Connecticut is subject to the Motor Vehicle Fuels Tax. "Fuel" includes gasoline, diesel, gasohol, propane, or any combustible gas or liquid that generates the power needed to propel a motor vehicle. The tax on gasoline has been 25 cents per gallon since 2000.

Governor: Increase the gasoline tax rate to 32 cents (7 cents increase) over the next four years: 1) 2 cents increase in FY 19; 2) 1 cent increase in FY 20; 3) 2 cents increase in FY 21; and 4) 2 cents increase in FY 22. Section 29 of SB 10 enacts these increases.

Legislative: Maintain the tax at 25 cents per gallon.

Licenses, Permits and Fees

Policy Revisions

Consider Proposal to Impose a $3 Tire Fee

Governor FY 19	Legislative FY 19	Difference FY 19
8,000,000	-	(8,000,000)

Governor: Impose a new fee on the purchase of a new motor vehicle tire for passenger vehicles and light trucks. Sections 30-31 of SB 10 enact this policy.

Legislative: Maintain current law - do not establish a new tire fee.