PRELIMINARY FISCAL NOTES

Appropriations Committee Meeting

April 26, 2011

OFFICE OF FISCAL ANALYSIS
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Below are preliminary fiscal impacts for the bills on today's agenda. These estimates were prepared under a short time frame and could be revised after further analysis.

A. "HOLDS" from April 25 Agenda

1. sSB 183 – An Act Creating a Separate Nonlapsing Vaccine and Antibiotic Purchase Account within the General Fund

The bill results in an FY 12 cost, estimated to be less than $5,000, associated with mileage reimbursement of 51 cents per mile for legislators and agency staff (who seek such reimbursement) participating on a childhood immunization task force.

As the task force must submit a report of its findings and recommendations no later than 2/1/12, it is anticipated that the taskforce would disband subsequent to this date and, thus, there would be no fiscal impact to the state in the out-years.

2. HB 6052 – An Act Concerning Supportive Housing

No fiscal impact. The bill requires 10% of affordable housing units receiving financial assistance from the Department of Economic and Community Development to be designated as supportive housing units.

3. sHB 6365 – An Act Concerning Insurance for Municipalities

A municipality having a population of 50,000 or more required to undertake a competitive bid process for a group health insurance policy would incur costs estimated on average at $10,000 to $15,000. These costs would be associated with retaining legal and insurance professional services needed to assist in the formulation of bid specifications and assist in the review of bids, as well as ancillary administrative costs. Under the bill, these costs would be incurred at the later of the time of policy renewal or termination of a rate guarantee.

Any impact upon the costs of procuring insurance would depend upon (a) whether the municipality would have pursued a competitive bid process in the absence of the bill's enactment, (b) the relative pricing of bid responses to that of renewing an existing policy; (c) plan modifications that may be incorporated into a bid specification that might not have otherwise been pursued during contract renewal; and (d) which policy the municipality ultimately chooses. These factors cannot be determined in advance. (The bill does not require the municipality to base its final procurement decision upon the results of the bid process.)

4. sHB 6585 - An Act Concerning the High School Dropout Age and Notification of Failing Students

The bill, which requires a principal to notify the parent or guardian of a student (in grades six through twelve) that the student is in danger of failing a course at the middle of the marking period or at least six weeks before the grade is final, will result in a state mandate and a minimal cost of less than $1,000 per district. It is anticipated that several districts will require resources of less than $1,000 to meet the additional requirements, and many districts may not require any additional resources, as they are already following these guidelines, or would be able to issue notices electronically.

B. Bills Referred from the Floor

5. sSB 157 - An Act Authorizing Special Taxing Districts to be Established to Provide Ferry Service - Refer to Fiscal Note

6. sSB 1218 - An Act Concerning the Denial of Certain License Applications when State Taxes are Owing and Various Changes to Title 12 - Refer to Fiscal Note

7. sHB 6249 - An Act Requiring the Adoption of Regulations for the Siting of Wind Projects - Refer to Fiscal Note

8. sHB 6391 - An Act Concerning Penalties for Certain Driving under the Influence Offenses, Offender Risk Reduction Earned Credits and Home Confinement for Certain Nonviolent Drug Offenders

Savings, in the amount of $9.8 million in FY 12 and $32.0 million in FY 13, have been included under the Department of Correction's budget within sHB 6380 (the biennial budget, as favorably reported by the Appropriations Committee) to reflect implementation of a sentence reduction credit program. These savings are based upon a five days per month credit, retroactive to April 1, 2006. First year savings reflect implementation during Winter 2012. An estimated 1,600 inmates would be eligible for release in the first year of implementation, with an additional 1,048 eligible in the second year. Fringe benefits costs have also been adjusted downward within sHB 6380 to reflect this change.

9. sHB 6392 - An Act Concerning Birth-to-Three Services and Rehabilitation Services for Chronic Gamblers - Refer to Fiscal Note

C. Raised Bills

10. HB 6515 - An Act Concerning Job Creation and Habitat Restoration

The bill may result in a revenue gain to the Long Island Sound account which is a separate, nonlapsing account of the General Fund, to the extent donations are made. Five dollars of each donation would go to the administration costs of the Department of Motor Vehicles (DMV) and ten dollars of each donation would go to the habitat restoration matching subaccount of the Department of Environmental Protection (DEP).

It is anticipated that there is a one-time cost of $50,000 in FY 12 to the Department of Motor Vehicles (DMV) for reprogramming the cashiering, lockbox and registration systems and for form revisions as a result of adding a voluntary $15 donation to the Long Island Sound registration renewals.

D. Change of Reference Bills

11. sSB 5431 - An Act Concerning the Response of School Districts and the Departments of Education and Children and Families to Reports of Child Abuse and Neglect

The bill results in the fiscal impacts described below:

Section 1 of the bill will result in a fiscal impact to the Department of Children and Families in FY 12 and FY 13 of $151,000 to support one social work supervisor position within its Training Academy (salary of $76,000), one social work position within its Child Abuse and Neglect Registry (salary of $50,000) and other expenses ($25,000 for a video, web-based training component) needed to fulfill: (1) the training of approximately 100,0000 teachers statewide (initial and refresher training) related to mandatory reporting, and (2) the requirement that all applicants for a position in a public school submit to a records check of DCF's child abuse and neglect registry. Fringe benefit costs of $29,938 will be incurred to support these positions.

Sections 3 and 4 of the bill requires various training for school employees, which results in a state mandate. To the extent that teachers and other school employees receive this training during normal school hours, local and regional school districts as well as the Vocational Technical High Schools could incur costs associated with providing a substitute teacher to cover classes. The cost for substitute teachers ranges from $85 to $125 per day.

12. sSB 927 – An Act Concerning Requirements for Early Childhood Educators

The bill does not result in an additional cost to the state or to municipalities. The bill does redistribute funds, totaling $500,000 that would have otherwise lapsed. For FY 12 and each fiscal year thereafter, up to $500,000 of the grant program established to provide spaces in accredited school readiness programs for eligible children who reside in priority school districts, which are not expended, may be used to assist local school readiness programs in satisfying the staff requirements contained in the bill.

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sSB-157
AN ACT AUTHORIZING SPECIAL TAXING DISTRICTS TO BE ESTABLISHED TO PROVIDE FERRY SERVICE.

OFA Fiscal Note

State Impact: None

Municipal Impact:

Municipalities	Effect	FY 12 $	FY 13 $
Various Municipalities	Potential Cost	See Below	See Below
Special Taxing District	Revenue Gain/Cost	See Below	See Below

Explanation

A municipality in which fifteen or more voters petition to establish a special taxing district for ferry service would incur

(a) minimal costs (estimated at less than $1,000) associated with providing written notice of a meeting of the voters residing within the district's limits, as well as holding the meeting, and

(b) potential costs associated with conducting a referendum, if (1) 200 or more voters, or 10% of the total number of voters, whichever is less, petition for a referendum, or (2) the town selectmen request a referendum. The cost of holding a referendum can range from $1,000 for small towns to over $50,000 for the largest cities.

Any newly created special taxing district would have the authority to tax and expend funds for the purpose for which it was established.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

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Contributing Analyst(s):
Reviewer: SH

3/25/11

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sSB-1218
AN ACT CONCERNING THE DENIAL OF CERTAIN LICENSE APPLICATIONS WHEN STATE TAXES ARE OWING AND VARIOUS CHANGES TO TITLE 12.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 12 $	FY 13 $
Department of Revenue Services	GF - See Below	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill makes a number of changes which result in the following impacts:

Section 1 establishes a process by which license applicants must verify they owe no state taxes. This results in a potential revenue gain to the state, to the extent that applicants do owe state taxes.

Section 2 does not impact the approximately $3.0 million annually that the state receives under reciprocal tax refund agreements with other states.

Sections 3-5 consist of technical and clarifying changes that do not result in any fiscal impact.

Section 6 addresses withholding liability with respect to certain aspects of business succession, which does not result in any fiscal impact.

Section 7 extends timelines for the Department of Revenue Services (DRS) to make certain deficiency assessments against employers in

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4/18/11

certain circumstances. To the extent that this allows DRS to levy deficiency assessments that would not otherwise occur, this results in a potential revenue gain.

Sections 8-9 result in a minimal revenue loss due to the exemption of certain handicapped equipment from the Sales Tax.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

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sHB-6249
AN ACT REQUIRING THE ADOPTION OF REGULATIONS FOR THE SITING OF WIND PROJECTS.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 12 $
Siting Council, CT	CC&PUCF - Cost	43,000

Note: CC&PUCF=Consumer Counsel and Public Utility Control Fund

Municipal Impact: None

Explanation

This bill will result in a one-time cost of approximately $43,000 to the Connecticut Siting Council in FY 12. These costs are associated with fees for a consultant with expertise in wind turbines (approximately $25,000) and other costs associated with holding three public hearings regarding the proposed regulations ($18,000). These costs include posting hearing notices in legal journals, council member per diems, and a court reporter.

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3/4/11

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sHB-6392
AN ACT CONCERNING BIRTH-TO-THREE SERVICES AND REHABILITATION SERVICES FOR CHRONIC GAMBLERS.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 12 $	FY 13 $
Department of Developmental Services	GF - Savings	($1,600,000)	($3,200,000)
State Comptroller - Fringe Benefits	GF & TF - Cost	Potential	Potential
Mental Health & Addiction Serv., Dept.	Chronic Gamblers Account - Revenue Gain	$400,000	$400,000
Resources of the General Fund	GF - Revenue Loss	($400,000)	($400,000)

Note: GF=General Fund nd and TF = Transportation Fund

Municipal Impact:

Municipalities	Effect	FY 12 $	FY 13 $
Various Municipalities	STATE MANDATE - Cost	Potential	Potential

Explanation

Section 1 and 2 of the bill result in a savings of $1.6 million in FY 12 and $3.2 million in FY 13 in the Department of Developmental Services' (DDS) Early Intervention account, which funds the Birth-to-Three Program. These savings would be offset by potential costs incurred by the state employee health plan.

The savings to DDS are the result of making the following two insurance changes:

1. Eliminate co-payments and deductibles for Birth-to-Three services, and

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4/12/11

2. Raise the annual cap on insurance payments from $6,400 per year to $50,000 per year for children with autism spectrum disorder receiving Birth-to-Three services.

The additional insurance revenue generated from these changes will reduce the level of appropriation required to fund the Birth-to-Three Program.

Impact to the State Employee Health Plan and Municipalities

As of July 1, 2010, the State Employees' Health Plan went self insured. Pursuant to current federal law, the state's self-insured plan would be exempt from state health insurance benefit mandates. However, in previous self-funded arrangements the state has traditionally adopted all state mandates. To the extent that the state continues this practice of voluntary mandate adoption the following impact would be anticipated.

Section 1 and 2 of the bill will result in an increased cost to the state employee health plan because of the two changes to insurance referenced above. Current law requires an annual maximum policy benefit of $6,400 per child. The bill expands the annual maximum policy benefit for children with autism spectrum disorder to $50,000. This is a $43,600 increase in the annual maximum policy benefit (a $130,800 increase in the aggregate maximum policy benefit for the three years of services). The potential cost would depend on the utilization of services, the level of which is indeterminate at this time.

Section 1 and 2 of the bill may increase costs to fully insured municipal plans which currently require copays or other cost-sharing for Birth-to-Three services. In addition, there may be an increased cost to fully insured municipalities who do not provide the level of coverage specified in the bill for services for children with autism. The coverage requirements may result in increased premium costs when municipalities enter into new health coverage contracts after July 1, 2011. Due to federal law, municipalities with self-insured health plans are exempt from state health insurance benefit mandates.

The state and many municipal health plans are recognized as "grandfathered" health plans under the Patient Protection and Affordability Care Act (PPACA)[1]. It is unclear what effect the adoption of certain health mandates will have on the grandfathered status of the state plan and certain municipal plans PPACA[2].

Section 3 of the bill increases, from $1.5 million to $1.9 million, the amount of lottery revenue that must be dedicated annually to the Chronic Gamblers Treatment Rehabilitation Account within the Department of Mental Health and Addiction Services. This results in a $400,000 revenue loss to the General Fund and a commensurate revenue gain to the Chronic Gamblers Treatment Rehabilitation Account.

The Out Years

The annualized ongoing fiscal impact identified above for sections 1 and 2 would continue into the future subject to inflation. The annualized ongoing revenue impact identified above for section 3 would remain constant into the future as transfer amounts are set by statute.

The federal health care reform act requires that, effective January 1, 2014, all states must establish a health benefit exchange, which will offer qualified plans that must include a federally defined essential benefits package. While states are allowed to mandate benefits in

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[1] Grandfathered plans include most group insurance plans and some individual health plans created or purchased on or before March 23, 2010. Pursuant to the PPACA, all health plans, including those with grandfathered status are required to provide the following as of September 23, 2010: 1) No lifetime limits on coverage, 2) No rescissions of coverage when individual gets sick or has previously made an unintentional error on an application, and 3) Extension of parents' coverage to young adults until age 26. (www.healthcare.gov)

[2] According to the PPACA, compared to the plans' policies as of March 23, 2010, grandfathered plans who make any of the following changes within a certain margin may lose their grandfathered status: 1) Significantly cut or reduce benefits, 2) Raise co-insurance charges, 3) Significantly raise co-payment charges, 4) Significantly raise deductibles, 5) Significantly lower employer contributions, and 5) Add or tighten annual limits on what insurer pays. (www.healthcare.gov)

excess of the basic package, the federal law appears to require the state to pay the cost of any such additional mandated benefits. The extent of these costs will depend on the mandates included in the federal essential benefit package, which have not yet been determined. However, neither the agency nor mechanism for the state to pay these costs has been established.