Legislative Update # 25
July 1, 2011

This update will give you a brief summary of the events that occurred yesterday during the Legislative Special Session. The House and Senate approved one piece of legislation. The Senate took up an additional piece of legislation but the House did not act on it. There continues to be hope that a collective bargaining agreement can be reached by September 1st and that the budget cuts and other changes can be eliminated. There were some changes made to the Governor's budget proposal and as a result, DMHAS is still waiting to receive its reduction information. We will get that information out to folks as soon as it becomes available.

Here is a summary of the bill that passed both the House and Senate. It was signed by the Governor immediately after passage.

HB 6701 *AN ACT CONCERNING THE BUDGET FOR THE BIENNIUM ENDING JUNE 30, 2013.*

Section 1 — CHANGES IN PREVIOUSLY ADOPTED GENERAL FUND APPROPRIATIONS

The bill revises required reductions in total General Fund appropriations for FYs 12 and 13 adopted in PA 11-61 as shown below.

CURRENT (PA 11-61 § 67)			THE BILL		
	2011-12	2012-13		2011-12	2012-13
Labor Management Savings - Legislative	-$ 4,586,734	-$ 6,671,872	Budget savings and employee reduction - Legislative	-$ 9,000,000	-$ 13,000,000
Labor Management Savings - Executive	-625,947,354	-806,963,225	Budget savings and employee reduction - Executive	-543,777,737	-724,632,425
Labor Management Savings - Judicial	-27,670,929	-30,622,622	Budget savings and employee reduction - Judicial	-43,205,632	-42,961,413

It also increases net General Fund appropriations adopted in PA 11-61 by $ 62,221,648 for FY 12 and $ 63,663,881 for FY 13. This is the Section that requires state agencies to reduce their budgets to reflect the cuts that will be assigned.

EFFECTIVE DATE: Upon passage

Section 2 — CHANGES IN PREVIOUSLY ADOPTED SPECIAL TRANSPORTATION FUND APPROPRIATIONS

The bill increases required reductions in total Special Transportation Fund appropriations for FYs 12 and 13 adopted in PA 11-61 as shown below.

CURRENT (PA 11-61 § 68)			THE BILL		
	2011-12	2012-13		2011-12	2012-13
Labor Management Savings	-$ 42,536,383	-$ 56,949,138	Budget savings and employee reduction	-$ 104,758,031	-$ 120,613,019

It also reduces net Special Transportation Fund appropriations adopted in PA 11-61 by $62,221,648 for FY 12 and $ 63,663,881 for FY 13.

EFFECTIVE DATE: Upon passage

Section 3 & 4 — EARNED INCOME TAX CREDIT

PA 11-6 gives Connecticut residents who qualify for, and claim, the federal earned income tax credit (EITC) a refundable credit against their state income tax liability for the same year. The bill reduces the state EITC from 30% to 25% of the federal credit. It makes the same reduction in the credit percentage for couples eligible for the state EITC who file joint federal returns but have to file separate state returns for the same tax year.

EFFECTIVE DATE: Upon passage and applicable to tax years starting on or after January 1, 2011.

Section 5 — GOVERNOR'S AUTHORITY TO TRANSFER FUNDS BETWEEN AGENCIES

The law requires the governor, with Finance Advisory Committee (FAC) approval, to determine the appropriations amount to be transferred when, as a result of legislation, powers, functions, or duties are transferred from one department, institution, or agency to another. Between July 1 and September 30, 2011, the bill also requires the governor, with FAC approval, to determine the FY 12 and FY 13 appropriation amounts to be transferred from one agency to another when personnel, functions, powers, or duties are transferred because of any reorganization due to reductions in the number of employees or rescissions in appropriations.

EFFECTIVE DATE: Upon passage

Section 6 — GOVERNOR'S RESCISSION AUTHORITY

Between July 1 and September 30, 2011, the bill allows the governor to decide to impose larger-than-normal rescissions in FY 12 and FY 13 budget appropriations.

An existing law allows the governor, without legislative or FAC approval, to unilaterally rescind up to 3% of the total appropriations from any fund or 5% of any appropriation if he determines that (1) circumstances have changed since the budget was adopted or (2) there are not enough estimated resources to fund all appropriations. The bill allows the governor, between July 1 and September 30, 2011, to impose rescissions of up to 10% of the total FY 12 and FY 13 appropriations from any fund or 10% of any appropriation for FYs 12 and 13.

Under the bill, as under existing law, the governor may cut appropriations for municipal aid only with legislative approval. In addition, the bill does not change the process for, or the governor's authority over, legislative and judicial branch budget rescissions.

To make rescissions under the bill, the governor must determine that (1) there is either a fiscal exigency related to the budget or there are not enough estimated resources to fund all appropriations and (2) his statutory rescission authority will not be enough to deal with the exigency or shortfall.

The bill's provisions do not apply in time of war, invasion, or a natural disaster emergency. Thus, under these circumstances, the existing law applies which specifically provides that the governor's rescission authority is not limited in time of war, invasion, or a natural disaster emergency.

As under the statute, before making the authorized reductions, the governor must file a report with the Appropriations and Finance, Revenue and Bonding committees that describes the fiscal exigency or the basis for his determination that resources will be insufficient to fund full appropriations.

EFFECTIVE DATE: Upon passage

Section 7 — GOVERNOR'S AUTHORITY TO TRANSFER OR REVISE AGENCY APPROPRIATIONS

Transfers

The bill gives the governor additional authority, from July 1 and September 30, 2011, to transfer funds between specific appropriations within a budgeted agency without FAC approval. It increases the maximum amount he may transfer on his own authority from the lesser of $ 50,000 or 10% of any specific appropriation in any one year, to the greater $ 250,000 or 10% of any specific appropriation in a single year. The governor may make such transfers only at the agency's request and when the appropriation to which the funds are transferred is insufficient to meet required expenses for FY 12 and Y 13.

Under the bill as under existing law, the governor must notify the Appropriations Committee, through the Office of Fiscal Analysis, of any transfers.

Revisions

The bill also temporarily expands governor's authority to with FAC approval, revise appropriations. By law, the governor can revise appropriations when legislation or management studies modify a budgeted agency's work, procedures, or organization. Between July 1 and September 30, 2011, the bill allows him to revise appropriations when employee reductions necessitate such modifications. It allows the governor, with FAC approval, to adopt recommendations from the OPM secretary for increases and decreases in work locations and authorized position counts as well as for increases or decreases in the number of the agency's appropriations functions and their amounts.

As under the statute, the governor's appropriation revisions under the bill cannot exceed the agency's total original appropriation.

EFFECTIVE DATE: Upon passage

Section 8 — IMPLEMENTATION OF EXPENDITURE REDUCTIONS

For FY 12 and 13, the bill requires authorities in the three branches of government to implement the budget savings and employee reductions the bill requires for FY 12 and FY 13. The authorities are:

1. the OPM secretary, on the governor's approval, for the executive branch;

2. the Legislative Management Committee for the legislative branch; and

3. the chief court administrator, on the chief justice's approval, and the chief public defender for the judicial branch and the Public Defenders Services Division, respectively. The bill limits reductions for the Court Support Services and the Public Defenders Services divisions to their pro rata shares of the Judicial Branch's required reductions.

The also bill allows OPM to reduce appropriations for higher education constituent unit operating funds to achieve the budget savings and employee reductions the bill requires.

EFFECTIVE DATE: Upon passage

Section 9 — TRANSFER FROM GENERAL FUND TO SPECIAL TRANSPORTATION FUND

For FY 12, the bill reduces the required revenue transfer from the General Fund to the Special Transportation Fund from $ 81.55 million to $ 41 million.

EFFECTIVE DATE: July 1, 2011

Section 10 — DEBT SERVICE CARRY FORWARD

The bill carries forward to FY 12 and FY 13 up to $ 23,266,835 of the unspent balance of funds appropriated for debt service in FY 11. Of that amount, it makes $ 21,371,068 and $ 1,895,767 available for debt service in FY 12 and FY 13, respectively.

EFFECTIVE DATE: July 1, 2011

Section 11 — GENERAL ASSEMBLY APPROVAL OF SEBAC DELAYED

PA 11-61 established a method for the General Assembly to approve the tentative contract signed by SEBAC and the state on May 27, 2011. This bill eliminates the references to the specific SEBAC agreement signed on that date and instead refers to an agreement with SEBAC. The bill extends the deadline, from June 30 to August 31, for the General Assembly to approve a SEBAC contract while keeping the same procedural steps for the approval. SEBAC is a coalition that represents 15 state employee unions that includes 34 local bargaining units representing roughly 85% of all state employees.

Under the bill, the General Assembly may call itself into special session for the purpose of approving or rejecting a SEBAC contract no later than five calendar days after a contract is filed with the Senate and House clerks, or by August 31, 2011, whichever is first. Under the bill and the act, if the General Assembly does not call itself into session within five days of the contract being filed with the clerks of each house the agreement is deemed approved by the General Assembly as of the date it was filed.

Applying Terms Comparable to SEBAC to Nonunionized State Employees

PA 11-61 required the Administrative Services commissioner and the Office of Policy and Management (OPM) secretary, once the General Assembly approves the contract, to apply terms comparable to the SEBAC contract to all nonunion classified and unclassified officers and state employees. The bill gives OPM, the chief court administrator, and the legislative management executive director until September 30, rather than June 30, to submit plans to the Appropriations Committee detailing how the terms of the SEBAC contract will apply to nonunion classified and unclassified officers and employees in the executive branch, judicial branch, and legislative management, respectively.

Longevity Pay for Executive Branch and Higher Education Employees

PA 11-61 required the executive branch and Board of Regents of Higher Education, by August 1, 2011, to implement changes to longevity pay for nonunion classified and unclassified officers and employees that are comparable to SEBAC longevity provisions. The bill requires changes to the longevity payments for these employees, but does not require it be comparable to SEBAC. Instead it requires longevity to be comparable to the eligibility provisions of the executive longevity pay plan. The executive longevity pay plan is set by the Department of Administrative Services. It specifies the change to longevity only takes place if the SEBAC agreement is approved.

This bill extends the deadline to implement these changes to October 1, 2011.

Wages and Longevity Pay for Judicial and Legislative Branch Employees

PA 11-61 required the judicial and legislative branches, by August 1, 2011, to consider and implement changes to longevity pay and wages for nonunionized officers and employees of the judicial and legislative branches that are comparable to the longevity pay and wage provisions of the SEBAC contract. The bill requires changes to the longevity for these employees to be contingent upon approval of the SEBAC agreement, but does not require it be comparable to

SEBAC. Instead it requires longevity to be comparable to the eligibility provisions of the executive longevity pay plan.

This bill extends the deadline to implement these changes to October 1, 2011.

PA 11-61 and the bill specify that nothing regarding the judicial branch wage provisions apply to officers or employees whose wages are set in statute. Judges, family support magistrates, workers' compensation commissioners, and others' wages are set in statute.

EFFECTIVE DATE: Upon passage

Section 12 & 16 — EFFECTIVE DATE OF CHANGES TO JUDGES RETIREMENT

The bill provides that the changes to the judicial retirement system by PA 11-61 take effect upon the General Assembly's approval of an agreement with SEBAC under the deadline and procedures stated in the bill. It also repeals those changes to the judicial retirement system if an agreement between SEBAC and the state is not approved by the General Assembly under the bill's deadline and procedures.

EFFECTIVE DATE: Upon passage, with the repeal provision effective September 1, 2011

Section 13 — LEGISLATIVE ACTION ON PROPOSED EXECUTIVE BRANCH SPENDING REDUCTIONS

By July 15, 2011, the bill requires the governor and the chief court administrator to submit to the House speaker and Senate president pro tempore detailed plans of the respective executive and judicial branch spending reductions they consider necessary. The governor's plan must include rescissions made both under his existing statutory authority and with the additional authority granted by the bill.

The leaders can refer any provisions of either plan to the Appropriations Committee, which may hold a public hearing on them and, by August 15, 2011, submit its findings to the leaders.

By August 31, 2011, the bill allows the General Assembly to call itself into special session and, enact legislation to adjust state spending for the 2012-2013 biennium in place of any plan provisions. The substitute spending modification and reductions in the legislation must be equal those proposed in the plan provisions.

EFFECTIVE DATE: Upon passage

Section 14 – REPEALING BUDGET PROVISIONS OF THIS BILL IF SEBAC IS APPROVED

If the General Assembly approves a SEBAC agreement, the bill repeals certain sections and in certain cases specifies what prior provisions are reinstated.

Changes in previously adopted General Fund appropriations and in previously adopted Special Transportation Fund appropriations (§§ 1 & 2) are repealed and PA 11-61 (§§ 67 and 68) in effect immediately prior to the effective date of said sections are reinstated.

Also the following budgetary changes in the bill become ineffective upon the date a SEBAC agreement is approved: (1) changes to the earned income tax credit (§§ 3 & 4), and (2) transfer from general fund to special transportation fund (§ 9). In both situations the subsections in effect immediately prior to the repealed sections effective date are reinstated.

The following sections of this bill are repealed on the date the SEBAC agreement is approved:

1. governor's authority to transfer funds between agencies (§ 5),

2. governor's rescission authority (§ 6),

3. governor's authority to transfer or revise agency appropriations (§ 7),

4. implementation of expenditure reductions (§ 8),

5. debt service carry forward (§ 10), and

6. requirement that the governor report to the legislative leaders by July 15, 2011 regarding rescissions and reductions and steps the legislature can take, including rejecting rescissions or reductions and proposing new legislation (§ 13).

EFFECTIVE DATE: Upon passage

Section 15 — REPEALING BUDGET PROVISION REGARDING SEBAC

The bill repeals the section of PA 11-6 (the budget act) that addresses steps the governor, General Assembly, and OPM were to take in two different scenarios: (1) the SEBAC agreement is reached and approved and (2) the SEBAC agreement is not reached.

EFFECTIVE DATE: Upon passage

The Senate passed a bill that impacts state employees. It would make changes to longevity payments and it would make pensions changes once the pension agreement has expired in 2017. The House has not acted on this bill. Here is a summary:

SB 1301 (as amended by Senate "A")* ***AN ACT CONCERNING THE BUDGET FOR THE BIENNIUM ENDING JUNE 30, 2013.***

SUMMARY: This bill freezes longevity payment amounts for all union and non-union state employees who are currently eligible to receive them and prohibits those who are currently ineligible for the payments from receiving them in the future. Starting July 1, 2017, the bill also removes overtime and longevity payments from the calculation that the state uses to determine an employee's base wages for pension purposes.

*Senate Amendment “A” strikes the original bill and replaces it with the provisions regarding longevity payments and pension calculations.

EFFECTIVE DATE: Upon passage

Sections 1 — NON-UNION LONGEVITY PAYMENTS

For non-union state employees currently eligible for longevity payments, the bill freezes the amount of any future payments at the level the employee is eligible to receive when the bill passes. Those employees who are not eligible to receive longevity payments at that time will not receive them in the future. The changes must be implemented for employees of the Executive Branch, the constituent units of higher education and the Board of Regents, the Judicial Department, and the Legislative Branch by August 1, 2011. The bill also applies to positions with compensation defined in statute, including Workers' Compensation Commissioners, the chief state's attorney, deputy chief state's attorneys, state's attorneys, the chief public defender, deputy chief public defenders, the Probate Court administrator, family support magistrates, and Superior, Appellate, and Supreme Court judges.

Sections 2, 3 — UNION LONGEVITY PAYMENTS

For employees eligible to receive longevity payments under a current bargaining agreement, the bill freezes the payment amount at its value on the agreement's expiration date. Employees who are ineligible to receive payments at that time are prohibited from receiving them in the future. In addition, the bill makes longevity payments an illegal subject for future collective bargaining agreements and prohibits an arbitrator from considering them as a loss of wages during an interest arbitration proceeding.

The state's collective bargaining agreement with Correctional Officers (NP-4) expires on June 30, 2011. Thirty other agreements expire on June 30, 2012. The agreement with Supervising Judicial Marshals expires on June 30, 2013.

Sections 4, 5 — PENSION BASE WAGES

Beginning July 1, 2017, the day after the state's current agreement with the State Employees' Bargaining Agent Coalition (SEBAC) expires, the bill excludes overtime, longevity pay, and other fees or payments from the definition of “salary” and thus from the base wage calculation used to determine a retiree's pension payment from the State Employees' Retirement System or Alternate Retirement Program. It additionally bans the state and unions from negotiating or arbitrating the definition of “salary” after that date.

We are preparing a final list of bills that passed and failed this session and will send that out once all of the bills have been signed by the Governor.

<u>Accessing Information via the Connecticut General Assembly Web Page:</u>

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http://www.cga.ct.gov

If you wish to look up committee agendas or check upcoming events in the Bulletin, these can be accessed on that same page by scrolling down and clicking on the appropriate item.

If you are seeking info on a specific bill, type the bill number in the box (upper right of page) – just the actual number, you do not need S.B. or H.B. – and click on "GO." The page which will come up shows the bill history, summary, etc. for that bill. If you wish to read the bill text, scroll down the page, and click on the bill text, and the bill will come up on the screen.