Section IV. Major Policy Changes

This section describes major policy changes impacting General Fund appropriations and revenue, which are summarized in **Table 4.1** and **Table 4.2** respectively. Major policy changes impacting the Special Transportation Fund are described in **Section VI. Out Year Projections**.

GENERAL FUND APPROPRIATIONS SUMMARY

Adjustments to appropriations include an increase of $1,275.1 million in current services updates and -$89.1 million in net policy changes in FY 26 and an increase of $2,135.1 million in current service updates and $505.5 million in net policy changes in FY 27. The most significant funding increases are associated with: (1) providing cost of living adjustments for private providers, (2) providing increases for nursing homes, intermediate care facilities for individuals with intellectual disabilities, and DSS group home providers, (3) increasing supplemental payments to hospitals, (4) increasing Medicaid rates for certain service providers, (5) increasing ECS, and special education funding, (6) providing increased institutional support for UConn, UConn Health Center, and Connecticut State Colleges and Universities, and (7) providing grants to various organizations primarily through the Department of Economic Community Development, the Department of Social Services, and the State Department of Education. (Specific policies are discussed following **Table 4.1**)

Table 4.1 Summary of General Fund Adjustments by Subcommittee
In Millions of Dollars

Description	FY 26			FY 27		
	Current Services	Policy Revisions	Total	Current Services	Policy Revisions	Total
Non-Fixed Costs						
Conservation and Development	9.0	9.7	18.6	9.8	28.7	38.6
Element. & Secondary Education	92.9	73.1	166.0	103.3	149.0	252.3
General Government A	0.7	4.6	5.3	0.7	3.3	4.0
General Government B	(22.2)	(144.5)	(166.7)	228.7	121.3	350.0
Health	(3.0)	0.4	(2.6)	14.0	4.9	19.0
Higher Education	57.4	61.1	118.5	79.8	59.6	139.5
Human Services	16.9	12.1	29.1	28.1	18.9	47.0
Judicial and Corrections	95.6	5.5	101.2	107.7	12.5	120.2
Legislative	0.2	1.9	2.1	5.1	4.2	9.4
Regulation and Protection	(2.7)	0.5	(2.2)	(1.9)	0.2	(1.7)
Transportation	96.2	(68.3)	27.9	111.5	(75.3)	36.2
Veterans' and Military Affairs	1.6	0.7	2.3	1.9	0.8	2.7
Lapses	129.0	(40.5)	88.5	129.0	(40.0)	89.0
Non-Fixed Costs Subtotal	**471.6**	**(83.7)**	**387.9**	**817.7**	**288.3**	**1,106.0**
Fixed Costs						
Element. & Secondary Education	304.4	(12.0)	292.4	212.7	2.8	215.5
General Government B	21.0	(20.2)	0.8	394.2	(105.5)	288.7
Health	53.2	34.2	87.3	72.6	66.1	138.7
Human Services	425.0	(7.4)	417.6	637.8	253.9	891.7
Fixed Costs Subtotal	**803.6**	**(5.4)**	**798.2**	**1,317.4**	**217.3**	**1,534.7**
TOTAL	**1,275.1**	**(89.1)**	**1,186.1**	**2,135.1**	**505.5**	**2,640.7**

Major Appropriations Policy Changes

Provide Funding for Private Providers

The budget provides $50 million in FY 26 and $126 million in FY 27 for private providers within OPM. The budget also provides an additional $30 million in FY 27 for non-DDS private providers.

Increase Support for Special Education

The budget provides $74.8 million in FY 26 and $89.6 million in FY 27 for special education, including Excess Cost, a new Special Education and Expansion Development (SEED) grant, various other new grants, and new positions related to special education.

Fully Fund ECS For Underfunded Towns and Hold Harmless Other Towns

The budget provides $95.2 million in FY 26 and $95.4 million in FY 27 to fully fund ECS grants to underfunded towns, beginning in FY 26, and to hold towns harmless from losses during the biennium.

Provide Higher Education Block Grant Increases

Additional block grant funding of approximately $107.8 million in FY 26 and $100.3 million in FY 27 is provided across all constituent units to partially offset the loss of one-time ARPA and carryforward funding and to reflect inflation.

Provide Funding for DDS Group Home Union Agreement

The budget provides funding of approximately $34 million and $66.1 million in FY 26 and FY 27, respectively, to support increases for DDS group home providers.

Support Nursing Home and ICF Union Agreement

The budget provides funding of $14.3 million in FY 26 and $46.65 million in FY 27 within DSS to support increases for nursing homes and intermediate care facilities for individuals with intellectual disabilities (ICFs).

Reflect Impact of Revised Pension Fund Deposits

Office of the State Comptroller Fringe Benefits funding is reduced in FY 27 by approximately $72.9 million in the General Fund and $8.7 million in the Special Transportation Fund to reflect reduction of the unfunded accrued liability resulting from additional deposits.

Increase Medicaid Provider Rates

The budget provides funding of $15.4 million in FY 26 and $45 million in FY 27 to reflect phasing in rate increases for various Medicaid providers, including specific increases for Federally Qualified Health Centers. Additional funding is provided to increase birth to three rates ($2.9 million in FY 27), chronic disease hospitals ($400,000 in FY 26 and FY 27), and home health medication administration rates ($300,000 in FY 26 and FY 27).

Increase Hospital Supplemental Payments

The budget provides funding of $210 million in FY 27 to increase Hospital Supplemental Payments through two policies related to: (1) changes in the hospital provider tax, and (2) lower hospital rates for state employees and non-Medicare retirees paid by the Office of the State Comptroller.

Adjust State Healthcare Costs for Hospital Services

The Comptroller is negotiating reimbursement rates with nongovernmental licensed short-term general hospitals for the active and retired state employee health plans. The budget reduces funding by $69,572,100 in the General Fund and $2,680,500 in the Special Transportation Fund in FY 27 to reflect the anticipated savings.

GENERAL FUND REVENUE SUMMARY

A summary of major revenue policies is listed below. For a comprehensive listing of policies, please see the revenue budget sheets in **Part III Revenue**.

Table 4.2 Summary of Major Policy Changes to General Fund Revenues
In Millions of Dollars

Major Policies	FY 26	FY 27	FY 28	FY 29	FY 30
Corporation Tax Changes	189.4	171.5	171.5	123.5	91.5
Rebase Hospital Tax	-	375.0	400.0	425.0	450.0
Reflect Match on Hospital Supplemental Payments	-	93.8	110.6	127.3	144.1
Adjust Volatility Cap Threshold	600.0	632.2	662.3	693.6	723.1
Credit Revenue to FY 27	(244.0)	244.0	-	-	-
All Other	17.1	(42.7)	56.7	56.7	56.7
TOTAL	**562.5**	**1,473.8**	**1,401.1**	**1,426.1**	**1,465.4**

Major Revenue Changes

Corporation Tax Policies

The budget includes three policies adjusting the corporation tax which results in a total revenue gain of $189.4 million in FY 26 and $171.5 million in FY 27

- Extend the 10% corporate surcharge for 3 income years through income year 2028;
- Eliminate the combined unitary reporting $2.5 million aggregate maximum tax i.e., cap;
- Eliminate provision allowing certain corporations to claim 100% Net Operating Loss.

Hospital Tax Rebase

The budget increases by $375 million the total amount of hospital tax due to the state, from $820 million to $1,195 million beginning in FY 27. The budget "rebases" the tax by requiring the base year on which the hospital provider tax is calculated to be tied to an applicable (and updated) federal fiscal year, rather than FY 16. Net inpatient revenues are taxed at 6% and the tax on outpatient revenues is calculated from the total tax due ($1,195 million in FY 27) minus total tax collections on net inpatient revenue.

Reflect Match on Hospital Supplemental Payments

The budget increases Medicaid supplemental payments to hospitals by $210 million in FY 27, yielding an increase of $140.7 million in federal grants revenue in FY 27 as a partial match to the budgeted increase in state expenditures.

Adjust Volatility Cap Threshold

The budget raises the volatility cap to provide additional General Fund revenue: $150 million in FY 25; and $600 million in FY 26. Allowable projected growth (at a rate of 5.3%) from FY 26 to FY 27 increases the amount to $632.2 million and to $723.1 million (projected) in FY 30.

Credit Revenue to FY 27

The budget transfers $244 million from FY 26 to FY 27 to balance the FY 27 budget.

OTHER MAJOR POLICY CHANGES

Early Childhood Education Endowment

Public Act 25-93, *An Act Increasing Resources for Students, Schools, and Special Education*, establishes the Early Childhood Education Endowment (ECEE), which will support expanding access to early care and education programs. Beginning in FY 28, the amount families must pay for childcare services from early care and education programs receiving endowment funds are as follows: 1) families with annual gross income under $100,000 are not financially responsible for childcare costs and, 2) families with incomes above that amount are financially responsible for an amount up to 7% of their income. The ECEE will be initially funded with the use of $300 million in unappropriated surplus in FY 25. Annually thereafter, and after the Budget Reserve Fund is at its statutory maximum (18%), all remaining unappropriated surplus will be transferred to the ECEE. The annual allocation to programs and initiatives funded by the ECEE are restricted to: (1) no more than 12% of the balance of the endowment's total funds for FY 26 and FY 27; and (2) no more than 10 percent of the total funds for FY 28 and each fiscal year thereafter.