

# Fiscal Forecast Presentation to the Appropriations & Finance Committees

November 18, 2008

## Topic Areas

- ❖ **FY 09, FY 10, FY 11 and FY 12 Budget Projections**
- ❖ **Explaining the FY 10 Deficit**
- ❖ **Current Services for Major Expenditure Accounts**
- ❖ **Budget Reserve Fund Status**
- ❖ **Surpluses/Deficits in Recent Years**
- ❖ **Long-Term Obligations (Unfunded Liabilities)**
- ❖ **Revenue Projections**
- ❖ **Transportation Fund**

**General Fund Budget Projections FY 09 through FY 12 (in millions)**  
**as of November 14, 2008**

<b>Budget Overview:</b>	<b>Estimated</b>	<b>OFA Current Services Estimates 11/14/08</b>		
	<u><b>FY 09</b></u>	<u><b>FY 10</b></u>	<u><b>FY 11</b></u>	<u><b>FY 12</b></u>
Revenues	16,627.1	15,905.1	16,153.1	17,022.3
Expenditures	17,018.9	18,400.4	19,368.3	20,343.6
<b>Balance</b>	<b>(391.8)</b>	<b>(2,495.3)</b>	<b>(3,215.2)</b>	<b>(3,321.3)</b>
<b>Deficit as a % of budget</b>	2.3%	13.6%	16.6%	16.3%

**Spending Cap Comparison (All funds):**

(0.6)	294.3	516.9	756.4
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Amount of the total appropriation over/(under) the Spending Cap assumes the legislature will appropriate up to the allowed expenditure limit in FY 09 and that the appropriation will not exceed allowed expenditures in FY 10 and FY 11.

**General Fund Growth Rates:**

(Growth rates reflect one-time base adjustments)

Revenue	-2.1%	1.5%	5.4%
Expenditures	7.2%	5.3%	5.1%

## FY 09 General Fund Summary (in millions) as of November 14, 2008

	Budget Plan	Increases (Decreases)	Projected
<b>Revenues</b>			
Taxes	\$ 12,971.1	\$ (632.8)	\$ 12,338.3
Other Revenue	1,208.4	(83.2)	1,125.2
Other Sources [1]	2,893.6	270.0	3,163.6
<b>Total Revenue</b>	<b>\$ 17,073.1</b>	<b>\$ (446.0)</b>	<b>\$ 16,627.1</b>
<b>Appropriations</b>			
Original Appropriations - Gross	\$ 17,190.5	\$ -	\$ 17,190.5
<b>Plus:</b>			
FY 09 Deficiency Requirements	-	79.7	79.7
Criminal Justice System Appropriation (PA 08-51)	-	10.0	10.0
Energy Assistance (PA 08-1, August Special Session)	-	28.0	28.0
Home Heating Relief (PA 08-2, August Special Session)	-	51.0	51.0
Governor's July Recisions	-	(115.8)	(115.8)
Governor's September Recisions	-	(34.4)	(34.4)
Adjudicated Claims	-	7.5	7.5
Refunds of Escheated Property	-	34.0	34.0
<b>Less:</b>			
Lapses [2]	(117.5)	(114.2)	(231.6)
<b>Total Expenditures [3]</b>	<b>\$ 17,073.0</b>	<b>\$ (54.2)</b>	<b>\$ 17,018.9</b>
<b>Balance</b>	<b>\$ 0.1</b>	<b>\$ (391.8)</b>	<b>\$ (391.8)</b>

[1] Major components include: 1) \$83.4 million transfer from unappropriated FY 08 surplus (\$79 million was appropriated for energy assistance and home heating relief in FY 09 as indicated in the Appropriations section above); and 2) \$157 million in federal reimbursement under Medicaid for one-time cost settlement of rate adjustments.

[2] The breakdown for lapses is as follows:

Unallocated lapses	\$ (92.5)	\$ (114.2)	\$ (206.6)
General PS and OE reductions (holdbacks)	(25.0)	-	\$ (25.0)
<b>Total - Lapses</b>	<b>\$ (117.5)</b>	<b>\$ (114.2)</b>	<b>\$ (231.6)</b>

[3] Excludes expenditures from prior year carryforwards and appropriations from projected surplus.

## Explaining the FY 10 Deficit (in millions)

### Revenue Issues:

Typical revenue growth @ 3.8%	\$620.0	
Forecast revenue growth @ -2.1%	(\$349.5)	
Difference between typical and forecast		(\$969.5)
		+
One-time FY 09 revenue not available in FY 10		(\$371.8)
<b>Total Revenue Issue</b>		<b>(\$1,341.3)</b>



### Expenditure Issues:

Growth in Four Major Areas		
Personnel (including fringes)	\$451.7	
Medicaid	\$182.0	
Debt Service	\$155.9	
Education Equalization Grant (ECS)	\$83.8	
subtotal growth in major areas		\$873.4
Items Previously Funded from Other Sources		
Teachers' Retirement contribution funded from FY 07 surplus	\$210.0	+
Charter Oak funded from Tobacco & Health Trust Fund in FY 09	\$25.0	
subtotal other sources		\$235.0
New Expenditures		
Juvenile Jurisdiction Age Change (PA 07-4)	\$26.0	+
subtotal new expenditures		\$26.0
<b>Total Expenditure Issue</b>		<b>\$1,134.4</b>




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**TOTAL CONTRIBUTING MAJOR FACTORS**

**(\$2,475.7)**

## General Fund Current Services Projections for 55 Major Accounts (in millions)

<b>Major Accounts</b>	<b>Appropriated</b>	<b>Projected</b>		
	<b>FY 09</b>	<b>FY 10</b>	<b>FY 11</b>	<b>FY 12</b>
1 DSS - Medicaid	\$3,724.0	\$3,915.4	\$4,169.9	\$4,440.9
2 Personal Services (statewide)	3,187.4	3,370.3	3,522.0	3,680.4
3 SDE - Education Equalization Grants	1,889.2	1,973.0	2,060.0	2,150.0
4 Debt Service - Debt Service (includes UConn 2000 & CHEFA Day Care)	1,543.9	1,657.3	1,701.4	1,742.1
5 Other Expenses	531.8	569.7	581.6	593.9
6 OSC - State Employees Retirement Contributions	504.4	629.7	657.7	668.2
7 OSC - State Employees Health Service Cost	500.0	561.8	628.5	653.0
8 OSC - Retired State Employees Health Service Cost	484.2	542.0	614.0	637.9
9 DCF - Board and Care for Children - Residential, Foster, Adoption	410.1	424.3	449.5	487.6
10 DDS - Community Residential Services	383.9	422.1	436.9	452.2
11 TRB - Retirement Contributions	329.3	560.0	582.4	605.7
12 OSC - Employers Social Security Tax	232.2	246.0	260.0	273.0
13 DSS - State Administered General Assistance	183.4	195.3	208.0	221.5
14 DDS - Employment Opportunities and Day Services	167.5	176.7	183.0	189.4
15 SDE - Excess Cost - Student Based	133.9	147.2	154.6	162.3
16 SDE - Priority School Districts	124.2	128.0	132.0	136.0
17 SDE - Magnet Schools	121.5	143.0	164.0	169.0
18 DSS - Temporary Assistance to Families - TANF	115.9	115.3	118.8	122.3
19 OSC - Reimbursements to Towns for Loss of Taxes on Private Tax-Exempt Property	115.4	115.4	115.4	115.4
20 DSS - DMHAS - Disproportionate Share	105.9	105.9	105.9	105.9
21 OPM - P.I.L.O.T. - New Manufacturing Machinery and Equipment	104.9	68.3	71.7	75.2
22 DOC - Inmate Medical Services	104.2	115.1	119.6	124.3
23 DSS - Child Care Services - TANF/CCDBG	93.1	95.9	98.8	101.8
24 Workers' Compensation Claims (DAS, DPS, DCF, DDS, DMHAS, DOC)	89.8	93.8	99.5	105.7
25 DMHAS - General Assistance Managed Care	81.2	89.4	97.7	102.1
26 DMHAS - Grants for Mental Health Services	77.3	83.8	87.6	91.5
27 OSC - Reimbursement to Towns for Loss of Taxes on State Property	73.0	73.0	73.0	73.0

(continued on the next slide)

## General Fund Current Services Projections for 55 Major Accounts (in millions)

Major Accounts	Appropriated	Projected		
	FY 09	FY 10	FY 11	FY 12
28 DSS - Connecticut Home Care Program	\$63.1	\$68.8	\$73.3	\$78.1
29 DSS - Aid to the Disabled	59.3	61.0	62.9	64.7
30 DSS - Connecticut Pharmaceutical Assistance Contract to the Elderly	56.5	44.3	47.2	50.3
31 DSS - Disproportionate Share-Medical Emergency Assistance	53.7	53.7	53.7	53.7
32 DSS - HUSKY Program	52.3	57.5	61.3	65.3
33 SDE - Transportation of School Children	48.0	68.0	71.0	74.0
34 JUD - Alternative Incarceration Program	47.2	58.4	59.8	61.6
35 DSS - Housing/Homeless Services	42.4	43.3	44.6	45.9
36 SDE - Charter Schools	40.7	42.0	43.0	44.0
37 DMHAS - Young Adult Services	39.4	41.3	42.2	43.2
38 OPM - Private Providers (ad'l amounts reflected in other major accounts for FY 10 - FY 12)	39.0	7.4	7.4	7.4
39 DOC - Community Support Services	33.9	40.9	41.5	42.1
40 DSS - Old Age Assistance	32.8	33.8	34.8	35.9
41 DSS - DSH - Urban Hospitals in Distressed Municipalities	31.6	31.6	31.6	31.6
42 OSC - Higher Education Alternative Retirement System	31.5	35.5	35.6	37.0
43 JUD - Juvenile Alternative Incarceration	30.9	33.5	35.0	36.1
44 DHE - Connecticut Aid for Public College Students	30.2	31.7	33.0	35.0
45 DMHAS - Managed Service System	29.9	32.4	33.8	35.3
46 DDS - Early Intervention	28.2	37.0	39.5	40.3
47 DOL - Workforce Investment Act	25.9	21.3	20.0	19.0
48 DMHAS - Grants for Substance Abuse Services	25.7	27.7	29.0	30.3
49 DHE - Connecticut Independent College Student Grant	23.9	23.9	23.9	23.9
50 DCF - Community KidCare	23.6	26.5	27.1	27.7
51 SDE - Adult Education	20.6	21.5	22.4	23.4
52 OPM - Property Tax Relief Elderly Circuit Breaker	20.5	20.5	20.5	20.5
53 DDS - Cooperative Placements Program	20.1	20.3	20.7	21.2
54 OPM - Tax Relief for Elderly Renters	18.6	22.0	24.0	26.2
55 DCF - Individualized Family Supports	17.0	17.9	18.1	18.5
<b>Total 55 Major Accounts</b>	<b>16,398.3</b>	<b>17,641.7</b>	<b>18,550.4</b>	<b>19,372.7</b>

(Represents 95% of the General Fund appropriation)

## Budget Reserve Fund (BRF) Status

- ❖ Unappropriated surpluses are deposited in the BRF per article XXXVIII of the state constitution and sec. 4-30a (CGS).
- ❖ The \$594.7 million balance in FY 01 was completely used to partially cover the \$817.1 million deficit in FY 02.
- ❖ The current \$1,381.8 million BRF balance consists of surpluses of \$302.2 million from FY 04, \$363.9 million from FY 05, \$446.5 million from FY 06 and \$269.2 million from FY 07.
- ❖ PA 03-2 increased the maximum funds allowable in the BRF to 10% of net General Fund appropriations. The maximum capacity is \$1,716.2 million with the FY 09 budget amounting to \$17,162 million. Therefore, the current \$1,381.8 million BRF balance is 80.5% of full capacity and \$334.4 million lower than full capacity.

**Budget Reserve Fund (BRF)\* Status (in millions)  
as of November 14, 2008**

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**Current Status:**

Maximum Allowable in BRF at 10% of Net General Fund Appropriations for FY 09: 1,716.2

Recent Surpluses Deposited in BRF:

FY 04	302.2
FY 05	363.9
FY 06	446.5
FY 07	<u>269.2</u>

**Total BRF:** (80.5% of full capacity) 1,381.8

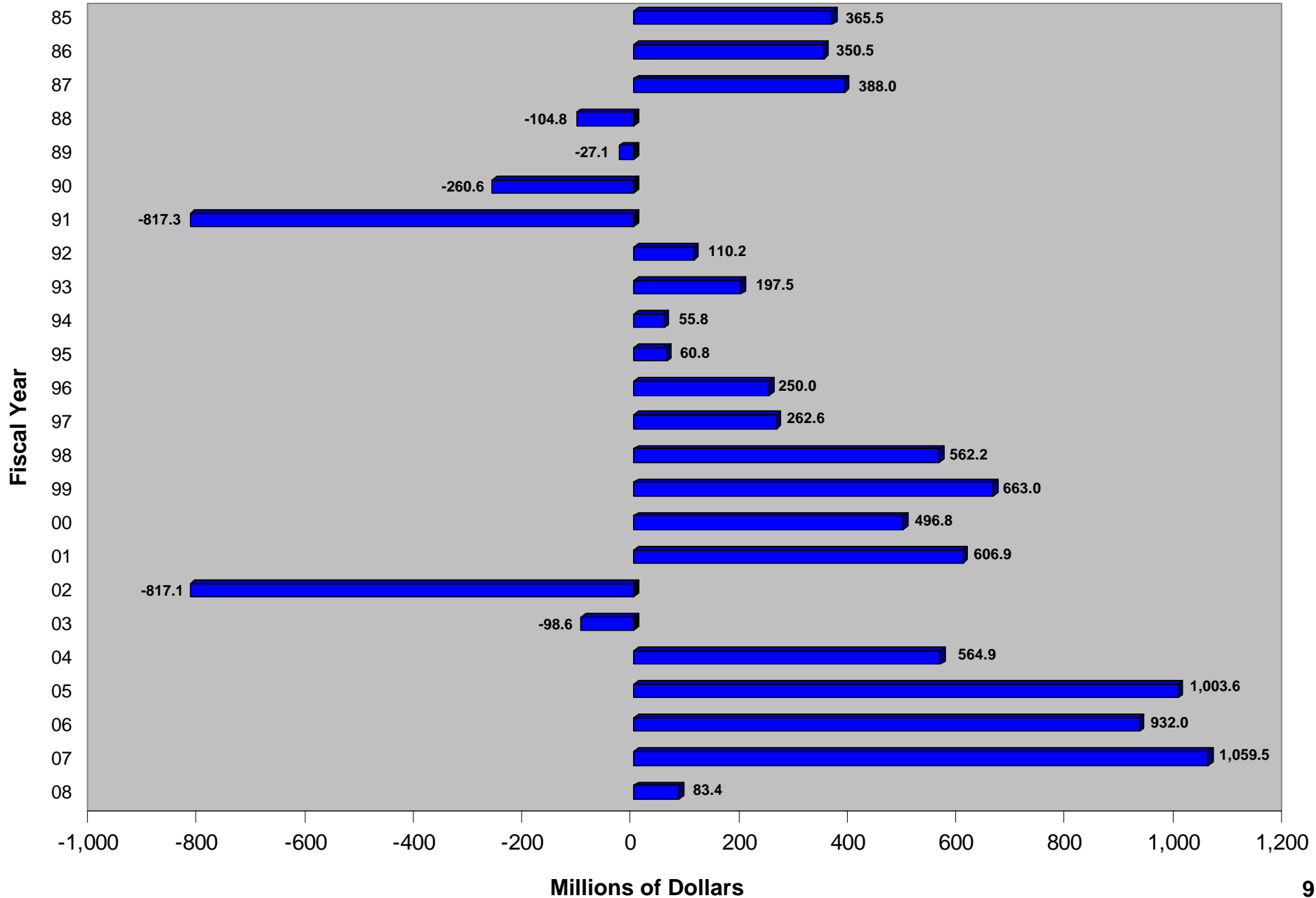
**Extent to Which BRF is Not Fully Funded:** (19.5% not fully funded) 334.4

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\* Also commonly referred to as the "Rainy Day Fund."

**Note:** Per PA 08-1 and PA 08-2 of the August Special Session, the FY 08 unappropriated surplus of \$83.4 million was transferred to FY 09 revenue.

## Surpluses & Deficits from General Fund Operations: FY 85 to FY 08

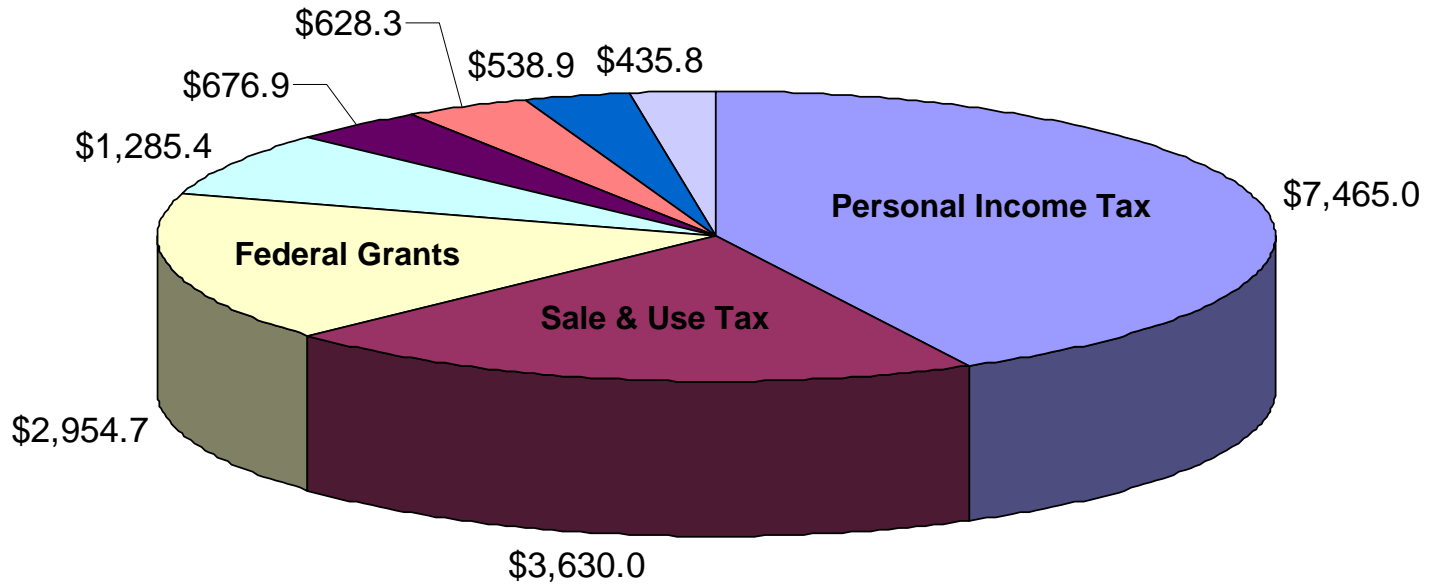


## Long-Term Obligations (in billions)

Debt Outstanding	\$16.7
State Employee Pensions - Unfunded	\$9.3
Teachers' Pensions - Unfunded	\$6.5
State Post Retirement Health and Life - Unfunded	\$21.7
Teachers' Post Retirement Health and Life	\$2.2
Generally Accepted Accounting Principles (GAAP) Deficit	<u>\$1.0</u>
<b>Total</b>	<b>\$57.4</b>

## FY 09 General Fund Revenue (in millions) Prior to Refunds

**\$17,615.0 in Total**



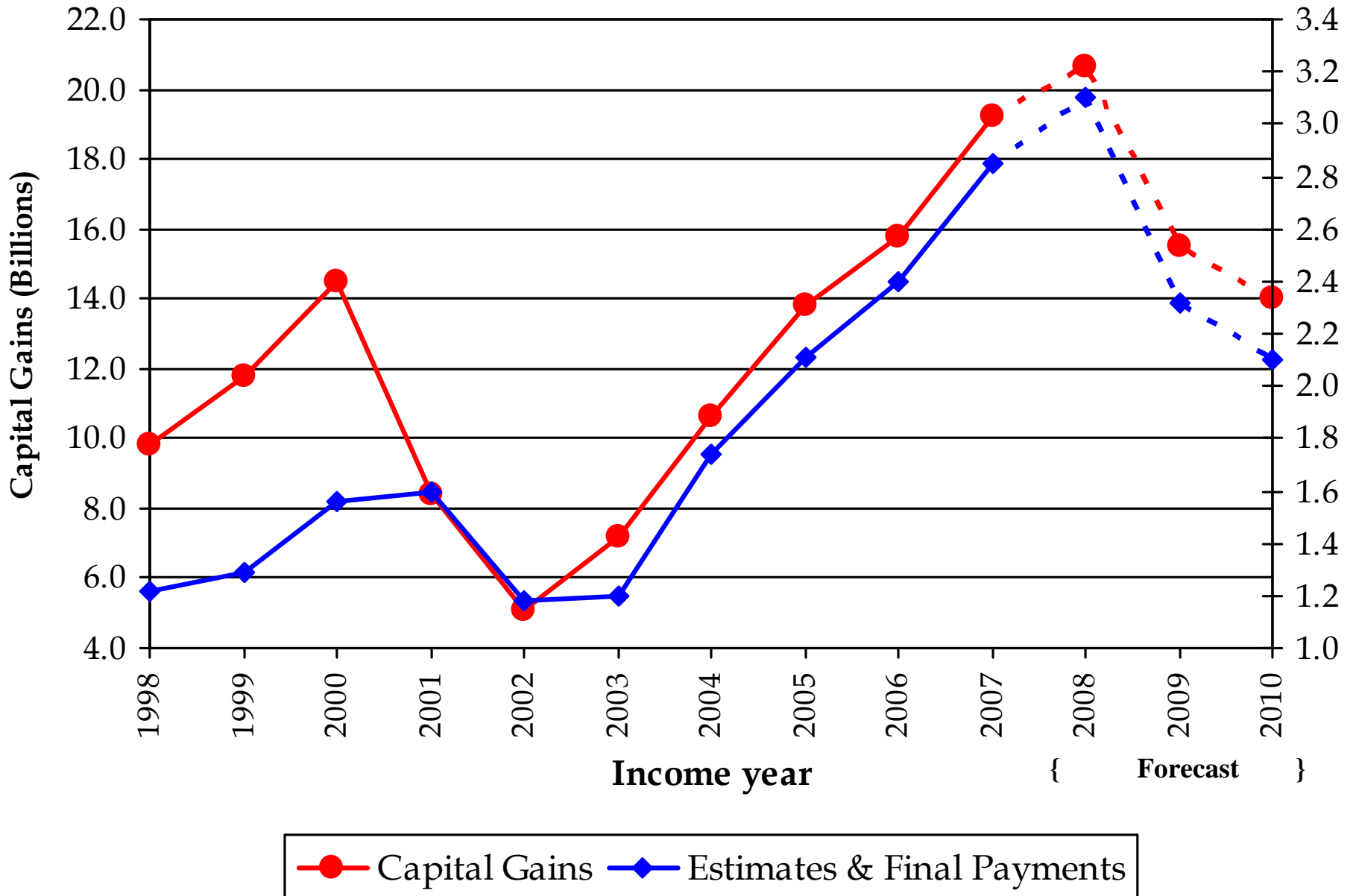
<span style="color: blue;">■</span> Personal Income Tax (42.4%)	<span style="color: maroon;">■</span> Sale & Use Tax (20.6%)	<span style="color: yellow;">■</span> Federal Grants (16.8%)
<span style="color: cyan;">■</span> Business (7.3%)	<span style="color: purple;">■</span> Gambling (3.8%)	<span style="color: red;">■</span> Other Revenue (3.6%)
<span style="color: blue;">■</span> Other Taxes (3.1%)	<span style="color: lightblue;">■</span> Tobacco (2.5%)	

- NOTE:**
- 1) Business revenue consists of: Corporation (\$704.3 & 4.0%), Public Service (\$246.6 & 1.4%), Insurance (\$207.0 & 1.2%), and Oil Companies (\$127.5 & 0.7%).
  - 2) Other Taxes includes: Estate (\$185.0 & 1.1%) and Real Estate (\$126.8 & 0.7%).
  - 3) Tobacco includes: Cigarettes (\$320.0 & 1.8%).
  - 4) Gambling revenue consists of: Indian Gaming (\$386.7 & 2.2%) and Special Revenue (\$290.2 & 1.6%).

FY 09 General Fund Revenue (in millions)

	June 07 Budget Estimate	August 08 Change	September 08 Change	November 08 Change	November 08 Revised Estimate
<b>Taxes</b>					
Personal Income	\$7,676.4	+ \$23.6	+ (\$200.0)	+ (\$35.0)	= \$7,465.0
Sales and Use	3,747.7	(53.7)	0.0	(64.0)	3,630.0
Corporations	791.5	(87.2)	0.0	0.0	704.3
Public Service Corporations	257.8	(11.2)	0.0	0.0	246.6
Inheritance and Estate	191.0	(15.3)	9.3	0.0	185.0
Insurance Companies	263.3	(31.6)	(24.7)	0.0	207.0
Cigarettes	348.1	(16.8)	(11.3)	0.0	320.0
Real Estate Conveyance	204.0	(63.3)	(13.9)	0.0	126.8
Oil Companies	144.3	117.1	(28.5)	(105.4)	127.5
Alcoholic Beverages	47.5	0.1	0.0	0.0	47.6
Admissions, Dues and Cabaret	35.1	2.9	(0.5)	0.0	37.5
Miscellaneous	<u>145.0</u>	<u>(5.4)</u>	<u>0.0</u>	<u>2.4</u>	<u>142.0</u>
<b>Total Taxes</b>	<b>13,851.7</b>	<b>(140.8)</b>	<b>(269.6)</b>	<b>(202.0)</b>	<b>13,239.3</b>
<b>Refunds of Taxes</b>	(874.1)	(4.7)	0.0	(10.2)	(889.0)
R & D Credit Exchange	<u>(6.5)</u>	<u>(5.5)</u>	<u>0.0</u>	<u>0.0</u>	<u>(12.0)</u>
<b>Taxes Less Refunds</b>	<b>12,971.1</b>	<b>(151.0)</b>	<b>(269.6)</b>	<b>(212.2)</b>	<b>12,338.3</b>
<b>Other Revenue</b>					
Transfer Special Revenue	282.5	7.7	0.0	0.0	290.2
Indian Gaming Payments	449.0	(34.0)	(28.3)	0.0	386.7
Licenses, Permits and Fees	153.5	0.0	0.0	0.0	153.5
Sales of Commodities and Services	38.0	(6.0)	0.0	0.0	32.0
Rentals, Fines and Escheats	52.9	47.7	0.0	(9.2)	91.4
Investment Income	85.0	(20.0)	(15.0)	(20.0)	30.0
Miscellaneous	148.1	(6.1)	0.0	0.0	142.0
Refunds of Payments	<u>(0.6)</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>(0.6)</u>
<b>Total Other Revenue</b>	<b>1,208.4</b>	<b>(10.7)</b>	<b>(43.3)</b>	<b>(29.2)</b>	<b>1,125.2</b>
<b>Other Sources</b>					
Federal Grants	2,768.1	20.6	10.0	156.0	2,954.7
Transfer from Tobacco Settlement Fund	115.8	0.0	0.0	0.0	115.8
Transfer Resources to the General Fund	96.0	0.0	83.4	0.0	179.4
Transfer To Other Funds	<u>(86.3)</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>(86.3)</u>
<b>Total Other Sources</b>	<b>2,893.6</b>	<b>20.6</b>	<b>93.4</b>	<b>156.0</b>	<b>3,163.6</b>
<b>Total Revenue</b>	<b>\$17,073.1</b>	<b>(\$141.1)</b>	<b>(\$219.5)</b>	<b>(\$85.4)</b>	<b>\$16,627.1</b>

## Capital Gains and Non-Withheld Taxes



## Out Year Revenue Growth Rates & Corresponding Dollar Amounts (in millions)

Revenue Source	FY 10		FY 11		FY 12	
	Growth Rate	Amount	Growth Rate	Amount	Growth Rate	Amount
Personal Income Tax:						
Withholding	2.2%	\$99,300	4.0%	\$180,700	4.0%	\$187,900
Estimated Payments	-14.5%	(\$220,000)	0.0%	\$0	11.8%	\$153,800
Final Payments	-30.0%	(\$467,000)	-18.6%	(\$196,900)	23.5%	\$202,500
Sales Tax:	1.9%	\$70,000	3.4%	\$125,000	3.0%	\$115,000
Corporate Tax:	0.0%	\$0	2.0%	\$14,400	2.0%	\$14,700

## Transportation Fund Projections as of Nov. 14, 2008 (in millions)

	<b>FY 08</b>	<b>FY 09</b>	<b>FY 10</b>	<b>FY 11</b>	<b>FY 12</b>
	Actual	Estimate	Out-Year Projections		
Beginning Balance as of June 30th	\$192.9	\$178.2	\$105.0	(\$11.2)	(\$137.7)
Total Revenue	\$1,063.6	\$1,072.4	\$1,072.4	\$1,114.5	\$1,126.4
Total Expenditures	\$1,078.3	\$1,145.6	\$1,194.5	\$1,241.0	\$1,292.4
Net Operating Surplus/Deficit	(\$14.7)	(\$73.2)	(\$116.2)	(\$126.5)	(\$166.0)
<b>Ending Balance as of June 30th</b>	<b>\$178.2</b>	<b>\$105.0</b>	<b>(\$11.2)</b>	<b>(\$137.7)</b>	<b>(\$303.7)</b>