



Fiscal Accountability Presentation to the Appropriations & Finance Committees

November 27, 2012



Topic Areas

1. FY 13 – FY 16 Budget Estimates
2. Tax Expenditures
3. FY 13 Deficiencies
4. Budget Reserve Fund
5. Bonding and Debt Service
6. Budget Trends and Areas of Concern
7. Uses of Surplus Funds



General Fund Projections (in millions)

Projections	FY 13 \$	FY 14 \$	FY 15 \$	FY 16 \$
Revenues	19,015.1	19,723.6	21,032.3	22,136.6
Expenditures	19,335.8	20,861.7	22,048.7	23,070.7
ESTIMATED SURPLUS/(DEFICIT)	(320.7)	(1,138.1)	(1,016.4)	(934.1)
% of Estimated Expenditures	-1.7%	-5.5%	-4.6%	-4.0%
Growth Rates	FY 13 \$	FY 14 \$	FY 15 \$	FY 16 \$
Revenues	2.4%	3.7%	6.6%	5.3%
Expenditures	3.6%	7.9%	5.7%	4.6%
Impact of GAAP	FY 13 \$	FY 14 \$	FY 15 \$	FY 16 \$
Budgetary Surplus/(Deficit)	(320.7)	(1,138.1)	(1,016.4)	(934.1)
Reserve to Pay Historical GAAP Deficit	-	(100.0)	(100.0)	(100.0)
Reserve to Offset Growth in GAAP Deficit	(50.0)	-	-	-
ESTIMATED SURPLUS/(DEFICIT)	(370.7)	(1,238.1)	(1,116.4)	(1,034.1)



FY 13 General Fund Summary (in millions)

Summary	Budget Plan \$	Increase/ (Decreases) \$	Projected \$
Appropriations	19,256.4	-	19,256.4
Adjustments			
FY 13 Deficiency Requirements	-	220.5	220.5
Budgeted Lapses	(116.3)	(24.8)	(141.1)
Total Adjustments	19,140.1	195.7	19,335.8
Revenues			
Taxes	14,408.2	(230.5)	14,177.7
Other Revenue	1,158.3	(27.4)	1,130.9
Other Sources	3,576.7	129.8	3,706.5
Total Revenue	19,143.2	(128.1)	19,015.1
ESTIMATED SURPLUS/(DEFICIT)	3.1	(323.8)	(320.7)



Deficit Mitigation

- If the year-end GF deficit projected by the State Comptroller on the first of any month exceeds 1% of the budget, the Governor is required to submit a Deficit Mitigation Plan within 30 days (CGS Sec. 4-85(b)).
- 1% of the budget = \$191.4 million.
- The Comptroller projected a FY 13 deficit of \$60.1 million on November 1st.
- The Governor has statutory authority to implement rescissions if he determines that there is a "change in circumstances" (CGS Sec. 4-85).



General Fund Growth: Incremental and Cumulative (in millions)

	FY 13 \$	FY 14 \$	FY 15 \$	FY 16 \$
Expenditures	19,335.8	20,861.7	22,048.7	23,070.7
Annual Increase	678.3	1,525.9	1,187.0	1,022.1
Cumulative Increase	-	2,204.2	3,391.2	4,413.2
Revenues	19,015.1	19,723.6	21,032.3	22,136.6
Annual Increase	453.5	708.5	1,308.7	1,104.3
Cumulative Increase	-	1,162.0	2,470.7	3,575.0
ESTIMATED SURPLUS/(DEFICIT)	(320.7)	(1,138.1)	(1,016.4)	(934.1)



FY 14 – FY 16 Major Expenditure Growth Areas

(increases shown are above prior year base - in millions)

Agency/Account	FY 14 \$	FY 15 \$	FY 16 \$
OSC - State Employees Retirement Contributions	207.3	80.7	87.7
TRB - Retirement Contributions	161.0	35.6	39.4
DSS - Medicaid - Nursing Home Facilities	151.5	104.7	113.3
DSS - Medicaid - Acute Care Services	106.0	231.8	136.9
GAAP Accrual	82.2	13.5	23.0
DSS - Medicaid - Professional Medical Care	76.8	81.4	39.4
SDE - Transportation of School Children	59.8	2.3	2.3
OSC - Retired State Employees Health Service Cost	44.8	37.1	43.3
DSS - Medicaid - Other Medical Services	41.5	61.6	47.2
OSC - State Employees Health Service Cost	39.8	32.9	38.4
TOTAL	970.8	681.5	570.9



FY 13 General Fund Budgeted Lapses (in millions)

General Fund	Original \$	Revised \$	Difference \$
Gross Appropriations	19,918.3	19,256.4	(661.9)
General Fund Lapses			
General Other Expenses Reductions - Executive	(9.1)	-	9.1
General Other Expenses Reductions - Legislative	(0.4)	-	0.4
General Personal Services Reduction - Executive	(11.5)	-	11.5
General Personal Services Reduction - Legislative	(0.5)	-	0.5
Labor Management Savings - Executive	(807.0)	-	807.0
Labor Management Savings - Judicial	(30.6)	-	30.6
Labor Management Savings - Legislative	(6.7)	-	6.7
General Lapse - Executive	-	(13.8)	(13.8)
General Lapse - Judicial	-	(0.4)	(0.4)
General Lapse - Legislative	-	(0.1)	(0.1)
Unallocated Lapses	(91.7)	(91.7)	-
Unallocated Lapses - Judicial	(5.4)	(7.4)	(2.0)
Unallocated Lapses - Legislative	(3.0)	(3.0)	-
Total General Fund Lapses	(965.8)	(116.3)	849.5
NET APPROPRIATIONS	18,952.5	19,140.1	187.6



Spending Cap

- The state is under the cap in FY 13, assuming no deficiency appropriations are made.
- The state is projected to be over the cap in FY 14 – FY 16.

Spending Cap Calculations* (in thousands)

Items	FY 13 \$	FY 14 \$	FY 15 \$	FY 16 \$
Appropriations Allowed by Cap	20,685.3	21,093.2	21,694.0	22,396.0
Estimated Expenditures	20,543.0	22,455.1	23,708.7	24,802.2
Over/(Under) the Cap	(142.2)	1,361.9	2,014.7	2,406.2

*The FY 13 total does not add due to rounding.



Spending Cap Growth Factor

Per statute, the growth factor is the greater of:

- (A) The average of the five-year annual increase in personal income in Connecticut, or
- (B) The increase in inflation for the preceding year.

Fiscal Year	5-Year Average Personal Income Growth %	12-month CPI* Increase %
08	3.9	2.0
09	5.4	4.0
10	6.5	1.6
11	4.6	1.5
12	3.0	1.2
13	3.0	3.3
14	1.8	2.0
15	1.4	2.4
16	3.2	2.7

* Consumer Price Index

= Projected

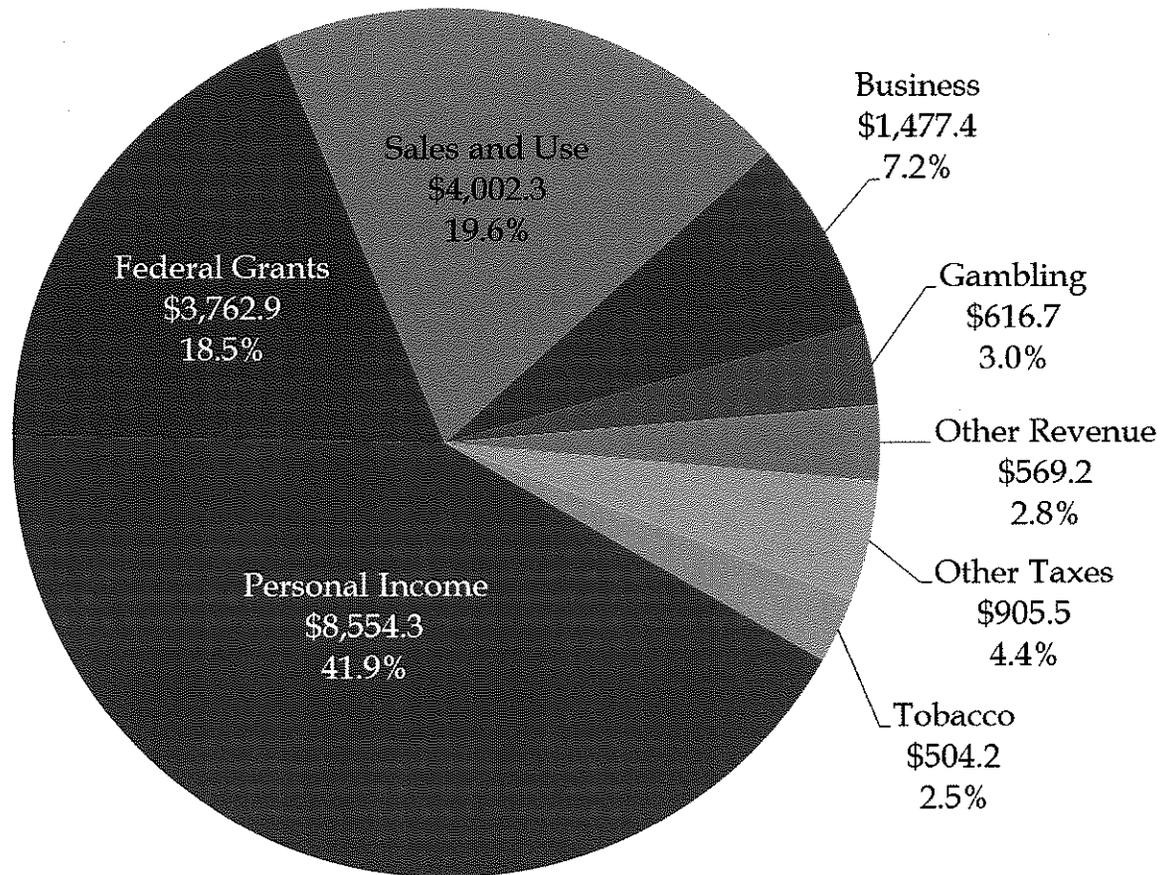
FY 13 General Fund Revenue Estimates (in millions)

Revenue Source	Revised Budget \$	Consensus Revisions \$	FY 13 Consensus \$
Taxes			
Personal Income	8,554.3	-	8,554.3
Sales and Use	4,045.9	(43.6)	4,002.3
Corporations	793.0	(66.8)	726.2
Public Service Corporations	275.2	-	275.2
Inheritance and Estate	166.2	-	166.2
Insurance Companies	234.4	3.2	237.6
Cigarettes	411.1	(0.0)	411.1
Real Estate Conveyance	100.3	-	100.3
Oil Companies	182.6	(14.8)	167.8
Electric Generation	71.0	(0.4)	70.6
Alcoholic Beverages	59.3	-	59.3
Admissions & Dues	39.6	-	39.6
Health Provider Tax	530.7	(10.7)	520.0
Miscellaneous	20.1	-	20.1
Total Taxes	15,483.8	(133.2)	15,350.6
Less Refunds of Taxes	(950.6)	(100.0)	(1,050.6)
Less Earned Income Tax Credit	(116.5)	-	(116.5)
Less R & D Credit Exchange	(8.5)	2.7	(5.8)
Taxes Less Refunds	14,408.2	(230.5)	14,177.7
Other Revenue			
Transfer Special Revenue	305.1	-	305.1
Indian Gaming Payments	336.2	(24.6)	311.6
Licenses, Permits and Fees	258.8	4.0	262.8
Sales of Commodities and Services	34.8	-	34.8
Rentals, Fines and Escheats	107.7	0.0	107.7
Investment Income	2.8	(1.8)	1.0
Miscellaneous	162.9	-	162.9
Refunds of Payments	(50.0)	(5.0)	(55.0)
Total Other Revenue	1,158.3	(27.4)	1,130.9
Other Sources			
Federal Grants	3,629.0	133.9	3,762.9
Transfer from Tobacco Settlement Fund	93.1	-	93.1
Transfer (To) Other Funds	(145.5)	(4.0)	(149.5)
Total Other Sources	3,576.7	129.8	3,706.5
TOTAL	19,143.2	(128.1)	19,015.1



FY 13 General Fund Consensus Revenue

(in millions)





FY 13 General Fund Economic Growth Rates

Tax Revenues	FY 14 %	FY 15 %	FY 16 %
Personal Income	5.3	6.8	6.8
Withholding	7.1	8.2	7.7
Estimates & Finals	2.6	4.5	5.4
Sales and Use	3.9	4.0	4.8
Corporations	8.1	5.1	4.8
Public Service Corporations	1.5	1.8	1.5
Inheritance and Estate	4.0	4.0	4.0
Insurance Companies	1.5	1.9	2.0
Cigarettes	-2.9	-2.8	-2.9
Real Estate Conveyance	4.0	5.3	4.6
Oil Companies	1.3	2.4	1.7
Alcoholic Beverages	0.8	0.7	0.7
Admissions & Dues	1.0	1.0	1.0
Health Provider Tax	0.5	0.5	0.5
Miscellaneous Taxes	2.0	1.5	1.9
Other Revenues			
Transfers - Special Revenue	0.3	0.3	0.7
Indian Gaming Payments	-0.5	-0.5	-0.5
Licenses, Permits and Fees	1.1	2.4	1.5
Sales of Commodities	3.7	3.0	3.5
Rents, Fines and Escheats	4.5	1.7	1.7
Investment Income	90.0	15.8	13.6
Miscellaneous	2.2	1.1	1.1
Refunds			
Earned Income Tax Credit	8.7	5.1	5.0



Transportation Fund Projections (in millions)

STF	FY 13 \$	FY 14 \$	FY 15 \$	FY 16 \$
Beginning Balance	145.8	139.8	136.3	82.7
Revenues	1,234.6	1,336.0	1,342.3	1,364.5
Expenditures	1,240.6	1,347.1	1,406.6	1,472.4
Surplus/(Deficit)	(6.0)	(11.1)	(64.3)	(107.9)
Ending Balance	139.8	128.7	72.0	(25.2)
Revenue Growth	0.1%	8.2%	0.4%	1.7%
Expenditure Growth	4.0%	8.6%	4.4%	4.7%

Outlook

Expenditures are Outpacing Revenue

- \$30 million in Town Aid Road being bonded in FY 13 and added back to DOT appropriations for FY 14 - FY 16;
- An increase of \$31.0 million in FY 14, an additional \$12.0 million in FY 15, and an additional \$13.2 million in FY 16 for the State Employee Retirement System (SERS);
- An increase of \$5.0 million in FY 14 and an additional \$5.0 million in FY 15 for DOT operating costs to subsidize the New Britain to Hartford Busway (CT Fastrak); and
- An increase in \$18.8 million in FY 14, \$22.6 million in FY 15 and \$30.8 million in FY 16 for Debt Service.

These expenditures are partially supplemented by an increase in the General Fund transfer to the STF by \$70.1 million in FY 14, FY 15 and FY 16.

Explaining the Projected FY 14 Deficit (in millions)

Continuation of the FY 13 Deficit into FY 14	(\$320.7)
	+
Revenue Issues	
Expiring Tax Policies & Tax Changes	(\$113.5)
Increase in Transfers from the General Fund	(\$183.7)
Increase Tied to Expenditures	\$343.0
Revenue Growth at 3.3%	\$662.7
Income Tax: \$457.6	
Sales Tax: \$155.7	
All Other (Net): \$49.4	
Total Revenue Issues	\$708.5
	+
Expenditure Issues	
Growth in Seven Major Areas	
Medicaid Services	\$414.2
Pension Obligations (State & Teachers)	\$371.2
K-12 Education Programs	\$173.3
Personal Services	\$133.3
Client Services (DDS, DPH, DCF, DMHAS, DSS)	\$110.8
State Employee/Retiree and Retired Teachers Health Costs	\$96.4
Debt Service	\$77.0
Other Expenditure Growth Across All State Agencies	\$67.5
GAAP Accrual	\$82.2
Total Expenditure Issues	\$1,525.9
	+
PROJECTED FY 14 DEFICIT	(\$1,138.1)



Transportation Fund Revenue (in millions)

Revenue Source	FY 13 Budget \$	Consensus Revisions \$	FY 13 Consensus \$
Taxes			
Motor Fuels	497.5	(1.7)	495.8
Petroleum Products Tax	199.4	0.0	199.4
Sales Tax - DMV	76.4	0.8	77.2
Refunds of Taxes	(7.8)	0.0	(7.8)
Subtotal	765.5	(0.9)	764.6
Other Revenue			
Motor Vehicle Receipts	233.4	2.4	235.8
License, Permits, and Fees	137.9	2.1	140.0
Interest Income	6.0	(2.9)	3.1
Federal Grants	13.1	0.0	13.1
Transfer From/(To) Other Funds	96.2	0.0	96.2
Subtotal	486.6	1.6	488.2
Less: Refunds of Payments	(3.4)	0.2	(3.2)
Less: Transfer to TSB Account	(15.0)	0.0	(15.0)
TOTAL	1,233.7	0.9	1,234.6

Outlook

Revenue

- The net projected revenue increase of \$0.9 million in FY 13 is partially offset by a decrease of:
 - \$1.7 million from lower than anticipated revenue from the gasoline tax. Year-to-date collections have declined by 2.9% compared to last year; and
 - A decrease of \$2.9 million in interest income.



Other Appropriated Funds (in millions)

- In total, the eight Other Appropriated Funds are projected to run an operating deficit in FY 13 through FY 16.
- These deficits are covered by available balances in the funds.
- The Workers' Compensation Fund is projected to run surpluses while other funds run deficits or breakeven.

	FY 13 \$	FY 14 \$	FY 15 \$	FY 16 \$
Beginning Balance	54.6	47.8	44.7	40.0
Estimated Expenditures	167.1	244.9	249.4	254.4
Estimated Revenue	157.9	239.4	242.2	245.3
Surplus/(Deficit)	(9.1)	(5.6)	(7.2)	(9.2)
Transfers	2.3	2.4	2.5	2.6
Ending Balance	47.8	44.7	40.0	33.4



Major Tax Expenditure Categories¹ (in millions)

Category	FY 13 \$	FY 14 \$	FY 15 \$	FY 16 \$
Personal Income Tax	409.8	419.5	429.0	442.1
Sales and Use Tax	3,715.1	3,859.3	4,011.8	4,203.7
Petroleum Companies Gross Earnings Tax	376.1	377.5	386.8	393.4
Corporate Business Tax	313.0	338.3	355.3	372.1
Cigarette and Tobacco Products Tax	13.3	13.0	12.6	12.2
Public Service Companies Gross Earnings Tax	64.5	65.5	66.8	67.9
Insurance Premiums Tax	78.7	79.9	81.4	83.0
Admissions and Dues Tax	21.5	21.6	21.7	21.8
Health Provider Tax	5.7	5.7	5.7	5.7
Miscellaneous Tax	5.5	5.6	5.7	5.8
Electric Generation Tax	4.2	0.0	0.0	0.0
Real Estate Conveyance Tax	1.0	1.0	1.0	1.0
Motor Fuels and Motor Carrier Road Fuels Taxes	1,770.4	1,793.9	1,809.6	1,809.6
TOTAL	6,778.8	6,980.8	7,187.4	7,418.3

¹ Includes estimated identifiable revenue reductions of \$100,000 or more.



Largest Tax Expenditure Items (in millions)

Items	FY 13 \$	FY 14 \$	FY 15 \$	FY 16 \$
Personal Income Tax				
Credit for Property Taxes Paid	211.7	218.0	224.6	231.3
Earned Income Tax Credit	116.5	126.6	133.0	139.7
Sales & Use Tax				
Sales to Nonprofit Organizations ¹	197.0	204.7	212.8	223.0
Sales of Food Products for Human Consumption	426.0	442.6	460.1	482.2
Motor Vehicle Fuel	547.0	568.3	590.8	619.1
Prescription Medicines, Syringes and Needles	341.0	354.3	368.3	386.0
Patient Care Services	307.0	318.9	331.5	347.4
Petroleum Gross Earnings Tax				
Number 2 Oil Used for Heating Purposes	207.3	210.0	215.0	218.6

¹Combined lease, labor, and goods.



FY 13 Deficiency Requirements

Fund/Agency	Budgeted Appropriation \$	Available Appropriation ¹ \$	Estimated Expenditures \$	Deficiency without release of holdbacks	Deficiency with release of holdbacks
General Fund					
Department of Social Services ²	5,812,216,680	5,811,442,574	6,002,341,708	(190,899,134)	(189,055,254)
Department of Correction	618,949,296	621,185,947	641,230,124	(20,044,177)	(19,994,789)
Department of Emergency Services and Public Protection	151,569,768	154,175,180	163,714,509	(9,539,329)	(9,539,329)
Total General Fund				(220,482,640)	(218,589,372)
Transportation Fund					
Department of Transportation	551,596,805	552,902,613	553,841,537	(938,924)	-
Total Transportation Fund				(938,924)	-
TOTAL (all appropriated funds)				(221,421,564)	(218,589,372)

¹Appropriation less budgeted lapses; plus transfers from the Reserve for Salary Adjustments account to cover the costs of collective bargaining agreements that were not otherwise provided in the agencies' budgets.

²This figure is consistent with OFA/OPM consensus federal revenue amounts agreed to on November 9, 2012.



General Fund Deficiency Needs

- Total deficiencies can vary widely depending on the year.
- Over the past ten years, four Departments made up 80% of the total ten year deficiency amount: Social Services, Correction, Mental Health and Addiction Services, and Administrative Services - Workers' Compensation Claims.

10 Years of General Fund Agencies Requiring Deficiency Funding

(in millions)

Fiscal Year	Amount \$
12	101.1
11	355.2
10	75.2
09	110.8
08	41.5
07	40.2
06	26.0
05	78.6
04	90.5
03	75.7
Average	99.5
Median	77.1



Budget Reserve Fund

- A total of \$236.9 million was initially deposited into the BRF in FY 12.
- However, \$143.6 million was released from the BRF to eliminate the FY 12 deficit.
- Thus, the BRF balance at the end of FY 12 was \$93.3 million. PA 12-104 requires the transfer of up to \$15 million from the BRF to the General Fund as FY 13 revenue at OPM's request.
- It is anticipated that \$78.3 million of the \$93.3 million BRF balance will be available to mitigate the projected deficit at the end of FY 13.



FY 13 – FY 16 Projections for General Obligation and Special Tax Obligation Bonds (in billions)

Projections	FY 13 \$	FY 14 \$	FY 15 \$	FY 16 \$
General Obligation (GO) Bond				
Bond Authorizations	2.6	1.9	1.7	1.6
Bond Allocations	1.5	1.5	1.4	1.4
Bond Issuance	1.7	1.7	1.7	1.7
Debt Service	1.8	1.9	2.0	2.1
Special Tax Obligation (STO) Bond				
Bond Authorizations	0.6	0.6	0.5	0.5
Bond Allocations	0.6	0.6	0.5	0.5
Bond Issuance	0.6	0.6	0.6	0.6
Debt Service	0.5	0.5	0.5	0.5



Statutory Debt Limit on General Obligation Bonds (in millions)

	FY 13 \$	FY 14 \$	FY 15 \$	FY 16 \$
Net General Fund Tax Revenue	14,177.7	14,660.4	15,439.0	16,244.2
Multiplier	1.6	1.6	1.6	1.6
Debt Limit	22,684.3	23,456.6	24,702.4	25,990.7
Bonds Subject to Limit	17,314.1	16,550.0	16,050.0	15,550.0
% of Debt Limit	76.3%	70.6%	65.0%	59.8%
Debt incurring Margin	5,370.2	6,906.6	8,652.4	10,440.7
90% Bond Limit	20,415.9	21,111.0	22,232.2	23,391.6
Capacity before 90% Limit	3,101.8	4,561.0	6,182.2	7,841.6



Long Term Obligations (in billions)

Unfunded Liabilities	Amount \$
Debt Outstanding	19.3
State Employee Pensions – Unfunded	11.0
Teachers’ Pensions – Unfunded	11.1
State Post Employment Health and Life – Unfunded	18.0
Teachers’ Post Employment Health - Unfunded	3.0
Generally Accepted Accounting Principles Deficit	1.5
TOTAL	63.9



FY 13 – FY 16 Federal Grant Revenue

Grant	FY 13 \$	FY 14 \$	FY 15 \$	FY 16 \$
Medicaid Related	3,271.9	3,620.3	4,167.9	4,417.9
Temporary Assistance to Needy Families (TANF)/Child Care Development Block Grant (CCBDG)	292.3	291.6	291.6	291.6
Title IV-E - Foster Care/ Adoption	98.2	92.5	94.2	95.9
Child Support Enforcement	33.2	34.2	35.2	36.2
Build America Bonds	27.6	27.6	27.6	27.6
Workforce Investment Act (WIA)	29.2	29.2	29.2	29.2
Miscellaneous	10.5	10.5	10.5	10.5
TOTAL	3,762.9	4,105.9	4,656.2	4,909.0



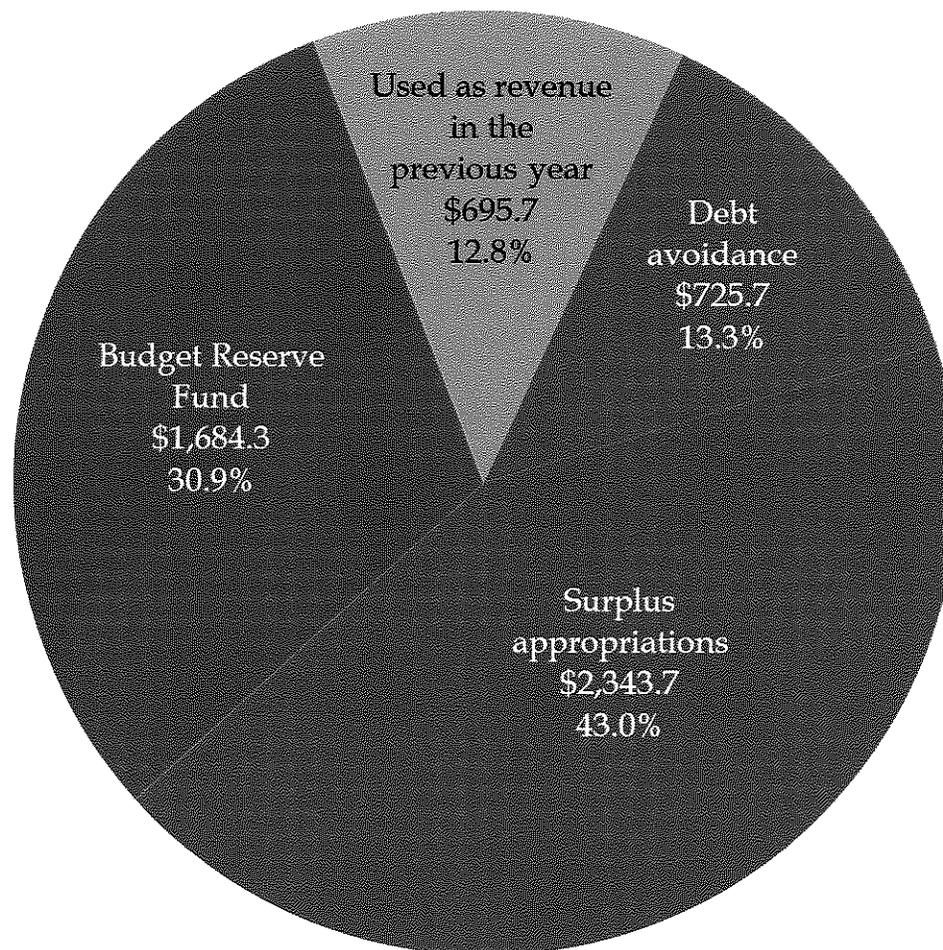
Current and Future Issues

- Deficit Mitigation.
- Fiscal Cliff – taxes/sequestration beginning in January 2013.
- GAAP Funding – amortization as well as accruals.
- Gambling expansion in nearby states.
- Medicaid – continued growth and federal health care impact.
- Pension Liabilities.
- OPEB Liabilities.
- Economic stagnation.

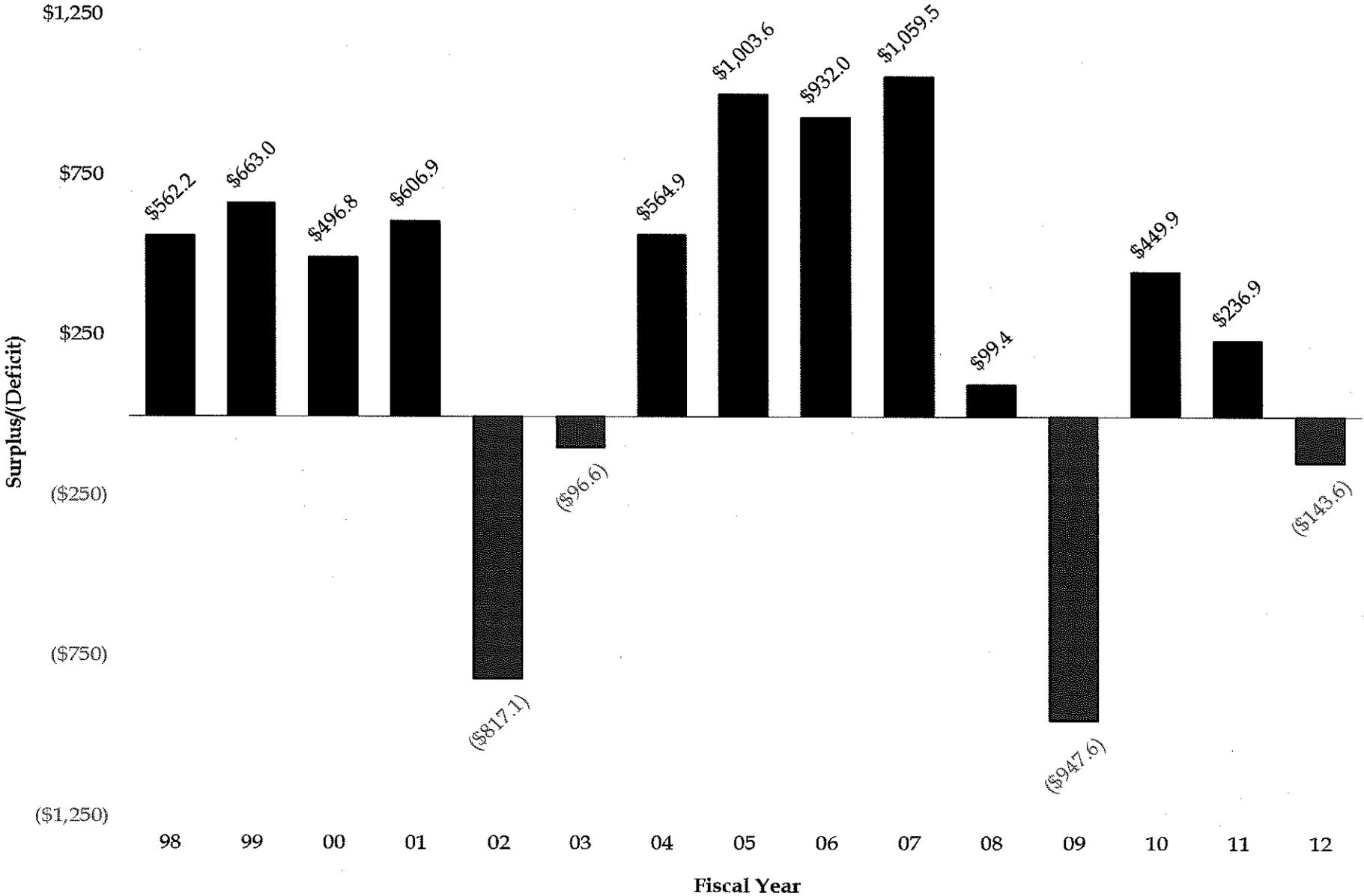


Uses of Surplus: FY 00 – FY 12 (in millions)

\$5.45 billion in General Fund surpluses over the last 12 years.



Historical Surplus/(Deficit) from Operations (in millions)



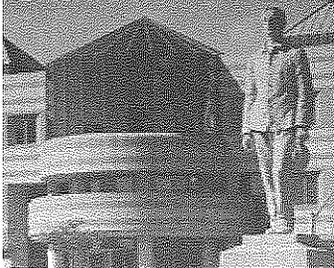


Office of Fiscal Analysis



Explore State Appropriations and Spending

Examine the state budget and find OFA's current expenditure projections.



Locate Tax and Revenue Information

View recent changes to state taxes and OFA's current revenue projections.



Retrieve Bond & Grant Documents

Identify past and present grant and bonding information for your town and the state.



Research Historical State Spending

Access information on expenditures by state agency at transparency.CT.gov.



What's New

- *Fiscal Accountability Report FY 13 - FY 16*
- *Review of Regulations Review Committee Agenda Items for November 27, 2012 Meeting*

Highlights

Additional and Historical Information

- Budget Books
- Fiscal Notes
- Spending Cap
- Subject Matter Reports

- Regulations
- Historical Information
- Transfer of Funding Between Accounts

- Results-Based Accountability (RBA)
- About OFA
- External Links

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