



# **Office of Fiscal Analysis**

## **Fiscal Accountability Presentation to the Appropriations & Finance Committees**

**November 21, 2014**



# Topic Areas

1. FY 15 – FY 18 Budget Estimates
2. Tax Expenditures
3. FY 15 Deficiencies
4. Budget Reserve Fund
5. Bonding and Debt Service
6. Budget Trends and Areas of Concern
7. Uses of Surplus Funds



# Methodology

- Current Services

- Amount needed to continue current level of services in the next year(s); includes:

1. Inflation
2. Annualization of partial year costs
3. Caseload changes
4. Statutory requirements/court orders
5. Continuation of multi-phase projects
6. Expenditure projections are driven by detailed account estimates totaled and compared to revenue



# General Fund Projections (in millions)

Projections	FY 15 \$	FY 16 \$	FY 17 \$	FY 18 \$
Expenditures	17,488.0	18,766.9	19,599.1	20,560.7
Revenues	17,398.9	17,445.5	18,160.0	18,832.4
<b>ESTIMATED SURPLUS/(DEFICIT)</b>	<b>(89.1)</b>	<b>(1,321.4)</b>	<b>(1,439.1)</b>	<b>(1,728.3)</b>
% of Expenditures	-0.5%	-7.0%	-7.3%	-8.4%

Growth Rates	FY 15	FY 16	FY 17	FY 18
Expenditures	3.0%	7.3%	4.4%	4.9%
Revenues	2.3%	0.3%	4.1%	3.7%



# FY 15 General Fund Summary<sup>1</sup> (in millions)

Summary	Budget Plan \$	Increase/ (Decreases) \$	Projected \$
<b>Expenditures</b>			
Agency Appropriations	17,589.8	-	17,589.8
Deficiency Requirements	-	84.6	84.6
Lapses	(132.1)	(54.2)	(186.3)
<b>Total Expenditures</b>	<b>17,457.7</b>	<b>30.4</b>	<b>17,488.0</b>
<b>Revenues</b>			
Taxes	14,914.6	9.5	14,924.1
Other Revenue	1,109.3	(7.5)	1,101.8
Other Sources	1,434.1	(61.1)	1,373.0
<b>Total Revenue</b>	<b>17,458.0</b>	<b>(59.1)</b>	<b>17,398.9</b>
<b>ESTIMATED SURPLUS/(DEFICIT)</b>	<b>0.4</b>	<b>(89.5)</b>	<b>(89.1)</b>

<sup>1</sup>Totals may not appear to add up due to rounding.



# General Fund Growth: Incremental and Cumulative (in millions)

	FY 15 \$	FY 16 \$	FY 17 \$	FY 18\$
<b>Expenditures</b>	<b>17,488.0</b>	<b>18,766.9</b>	<b>19,599.1</b>	<b>20,560.7</b>
Annual Increase	507.6	1,278.9	832.2	961.6
Cumulative Increase	-	1,786.5	2,618.7	3,580.3
<b>Revenues</b>	<b>17,398.9</b>	<b>17,445.5</b>	<b>18,160.0</b>	<b>18,832.4</b>
Annual Increase	389.3	46.6	714.5	672.4
Cumulative Increase	-	435.9	1,150.4	1,822.8
<b>ESTIMATED SURPLUS/(DEFICIT)</b>	<b>(89.1)</b>	<b>(1,321.4)</b>	<b>(1,439.1)</b>	<b>(1,728.3)</b>



# Deficit Mitigation

- If the year-end General Fund 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.
  - Pursuant to CGS Sec 4-85(b)
- 1% of the budget = \$174.6 million.
- The Comptroller has not projected a deficit yet in FY 15.
- The Governor has statutory authority to implement rescissions if a “change in circumstances” is determined.
  - Pursuant to CGS Sec. 4-85(b)



# FY 16 - FY 18 Major General Fund Expenditure Growth Areas

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

Agency/Account	FY 16 \$	FY 17 \$	FY 18 \$
OTT - Debt Service	303.5	146.8	97.3
DSS - Medicaid	187.5	93.0	79.0
SDE - Education Equalization Grants	77.3	73.8	68.4
SDE - Transportation of School Children	66.1	3.0	2.6
SDE - Excess Cost - Student Based	51.2	8.0	8.0
OSC - Amortize GAAP Deficit	47.6	-	-
SDE - Magnet Schools	45.9	3.4	10.3
OSC - State Employees Retirement Contributions	45.7	47.3	48.3
OSC - State Employees Health Service Cost	39.8	39.2	47.2
OSC - Retired State Employees Health Service Cost	36.5	35.5	40.9
<b>TOTAL</b>	<b>901.1</b>	<b>450.0</b>	<b>401.9</b>





# FY 15 General Fund Budgeted Lapses (in millions)

	Amount \$
<b>Gross Appropriations</b>	<b>17,589.8</b>
<b>Lapses</b>	
Unallocated Lapse	(91.7)
Unallocated Lapse - Legislative	(3.0)
Unallocated Lapse - Judicial	(7.4)
General Lapse - Executive	(9.7)
General Lapse - Judicial	(0.3)
General Lapse - Legislative <sup>1</sup>	(0.0)
Municipal Opportunities and Regional Efficiencies Program	(10.0)
Statewide Hiring Reduction - Executive	(8.1)
Statewide Hiring Reduction - Judicial	(1.7)
Statewide Hiring Reduction - Legislative	(0.3)
<b>Subtotal</b>	<b>(132.1)</b>
<b>NET APPROPRIATIONS</b>	<b>17,457.7</b>

<sup>1</sup>The General Lapse - Legislative is \$39,492.



# Spending Cap

- The state is under the cap in FY 15, assuming no deficiency appropriations are made.
- The state is projected to be over the cap in FY 16 – FY 18.

## Spending Cap Calculations<sup>1</sup> (in millions)

Items	FY 15 \$	FY 16 \$	FY 17 \$	FY 18 \$
Appropriations Allowed by Cap	19,019.6	19,805.8	20,606.4	21,468.2
Estimated Expenditures	18,993.7	20,396.0	21,298.5	22,339.3
<b>Over/(Under) the Cap</b>	<b>(25.9)</b>	<b>590.2</b>	<b>692.1</b>	<b>871.1</b>

<sup>1</sup>Totals may not appear to add up 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 %
10	5.9	3.2
11	4.5	1.1
12	3.4	1.0
13	2.7	3.0
14	1.8	1.7
15	1.7	1.4
16	2.6	1.8
17	3.6	2.2
18	3.9	2.5

\* Consumer Price Index

= Projected (source: Moody's)

# FY 15 General Fund Revenue Estimates<sup>1</sup> (in millions)



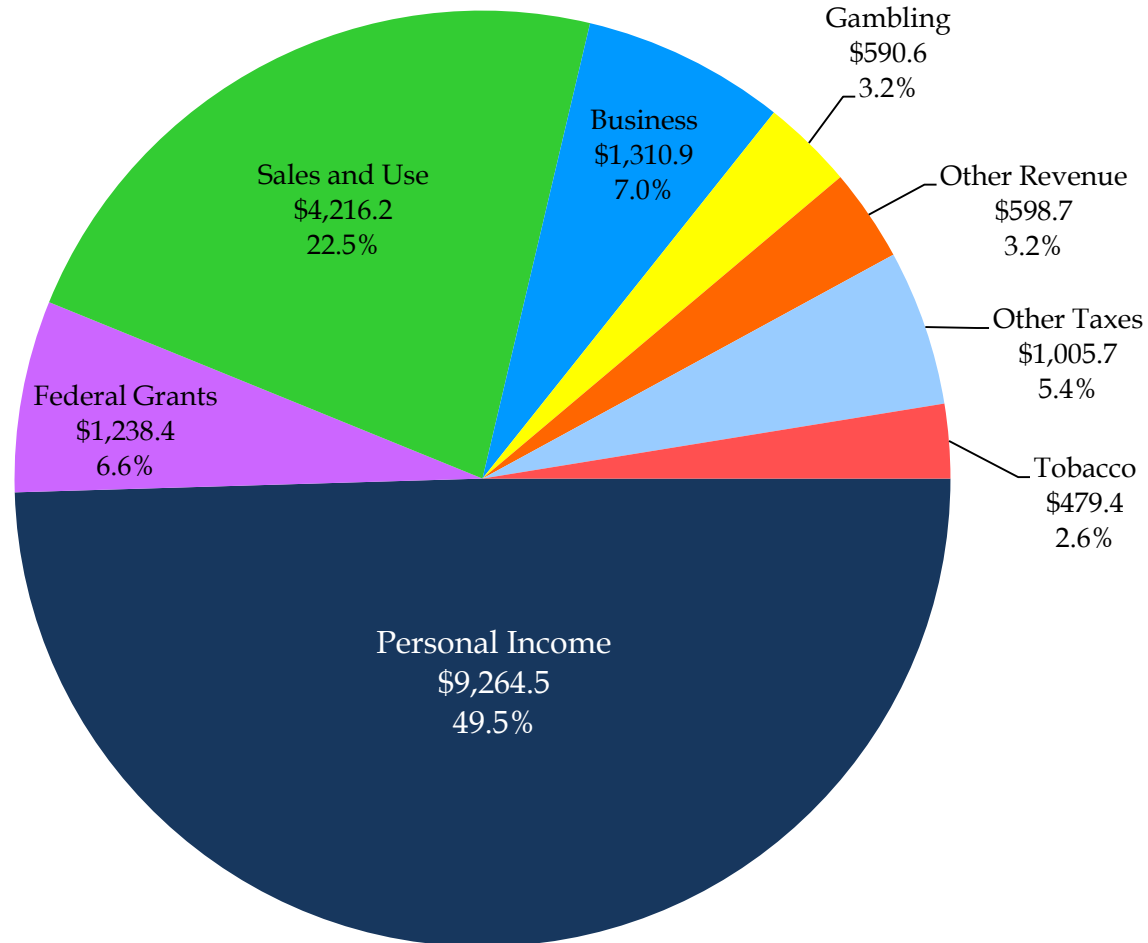
Fund/Revenue	Actual FY 12 \$	Actual FY 13 \$	Actual FY 14 \$	FY 15		
				Budget	November Revisions	November Consensus
<b>Taxes</b>						
Personal Income	8,310.8	8,719.2	8,718.7	9,264.5	-	9,264.5
Sales and Use	3,830.1	3,897.0	4,100.6	4,167.4	48.8	4,216.2
Corporations	716.5	742.5	782.2	704.3	30.0	734.3
Public Service Corporations	250.4	266.6	293.3	295.6	-	295.6
Inheritance and Estate	191.7	439.5	168.1	173.0	-	173.0
Insurance Companies	237.6	260.9	240.7	256.2	-	256.2
Cigarettes	421.0	399.8	376.8	360.9	(1.5)	359.4
Real Estate Conveyance	107.5	113.8	180.5	186.9	-	186.9
Oil Companies	146.1	175.5	35.6	34.8	(10.0)	24.8
Electric Generation	69.5	66.8	15.3	-	-	-
Alcoholic Beverages	60.6	60.4	60.6	60.7	-	60.7
Admissions, Dues and Cabaret	34.4	36.5	39.9	38.3	-	38.3
Health Provider Tax	516.9	501.9	480.2	509.5	(28.2)	481.3
Miscellaneous	19.9	21.2	18.1	95.2	(29.7)	65.5
<b>Total Taxes</b>	<b>14,913.1</b>	<b>15,701.8</b>	<b>15,510.6</b>	<b>16,147.2</b>	<b>9.5</b>	<b>16,156.7</b>
Less Refunds of Taxes	(997.2)	(1,029.5)	(1,077.9)	(1,105.1)	-	(1,105.1)
Less Earned Income Tax Credit	(108.0)	(115.5)	(104.5)	(120.7)	-	(120.7)
Less R & D Credit Exchange	(3.6)	(4.1)	(5.1)	(6.8)	-	(6.8)
<b>Subtotal - Taxes Less Refunds</b>	<b>13,804.4</b>	<b>14,552.7</b>	<b>14,323.1</b>	<b>14,914.6</b>	<b>9.5</b>	<b>14,924.1</b>
<b>Other Revenue</b>						
Transfer Special Revenue	313.8	315.5	323.2	323.1	-	323.1
Indian Gaming Payments	344.6	296.4	279.9	278.5	(11.0)	267.5
Licenses, Permits and Fees	283.4	262.1	314.7	256.2	3.5	259.7
Sales of Commodities and Services	35.0	36.3	40.5	43.5	-	43.5
Rentals, Fines and Escheats	123.4	144.1	130.9	118.4	-	118.4
Investment Income	1.0	(0.8)	(0.3)	0.6	-	0.6
Miscellaneous	192.0	163.8	206.8	161.9	-	161.9
Refunds of Payments	(85.4)	(74.0)	(66.6)	(72.9)	-	(72.9)
<b>Subtotal - Other Revenue</b>	<b>1,207.8</b>	<b>1,143.4</b>	<b>1,229.0</b>	<b>1,109.3</b>	<b>(7.5)</b>	<b>1,101.8</b>
<b>Other Sources</b>						
Federal Grants	3,607.2	3,733.9	1,243.9	1,299.6	(61.2)	1,238.4
Transfer from Tobacco Settlement Fund	96.1	103.1	107.0	120.0	-	120.0
Transfer (To) Other Funds <sup>2</sup>	(153.8)	(128.0)	705.0	14.6	-	14.6
<b>Subtotal - Other Sources</b>	<b>3,549.5</b>	<b>3,709.0</b>	<b>2,055.9</b>	<b>1,434.1</b>	<b>(61.2)</b>	<b>1,373.0</b>
<b>TOTAL</b>	<b>18,561.6</b>	<b>19,405.0</b>	<b>17,608.1</b>	<b>17,458.0</b>	<b>(59.1)</b>	<b>17,398.9</b>

<sup>1</sup>Totals may not appear to add up due to rounding.

<sup>2</sup>FY 14 Actuals include \$598.5 million bond proceeds for GAAP Conversion.



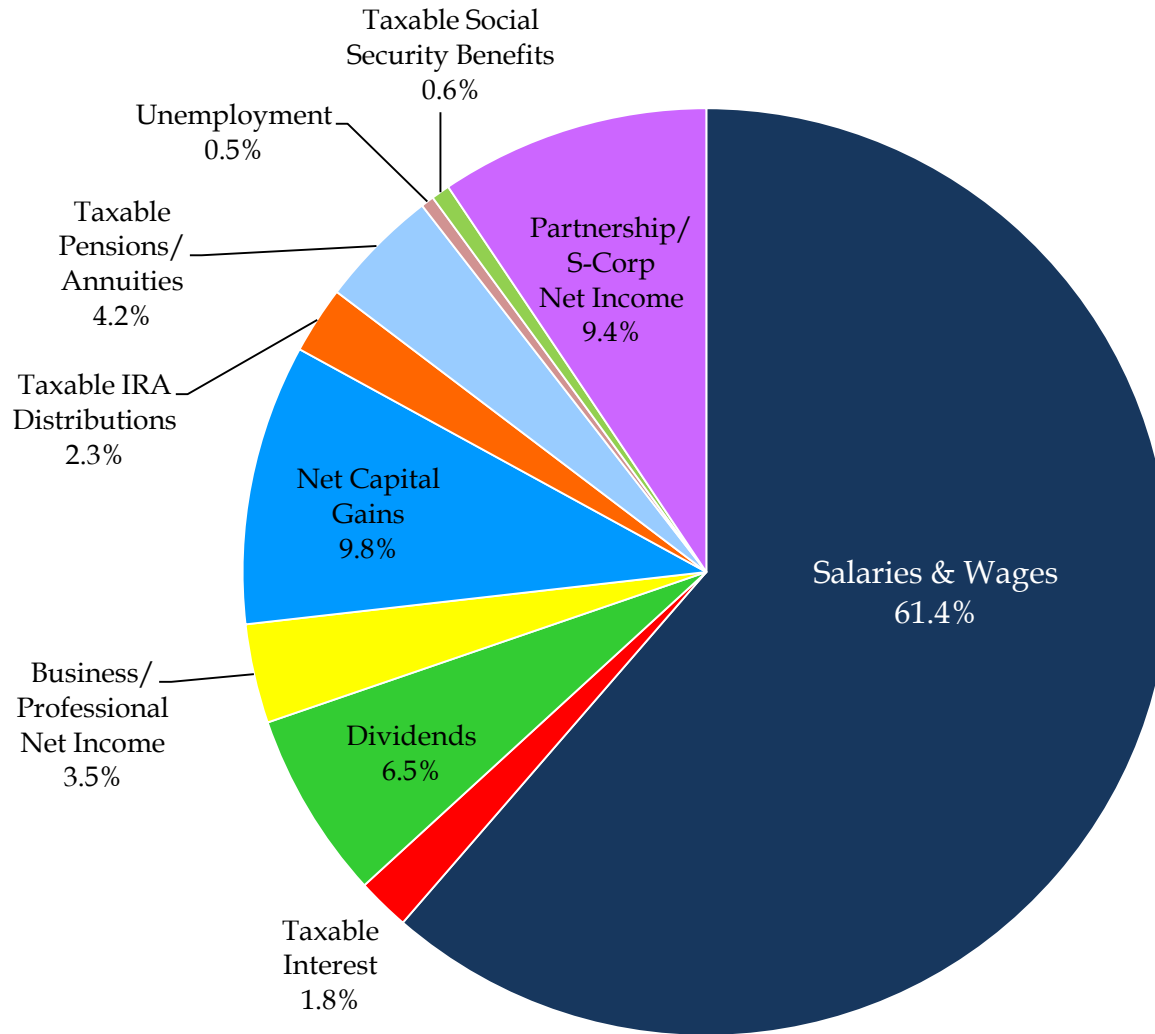
# FY 15 General Fund Consensus Revenue<sup>1</sup> (in millions)



<sup>1</sup>Revenue totals presented are on a gross basis and do not reflect reductions in revenue from refunds.

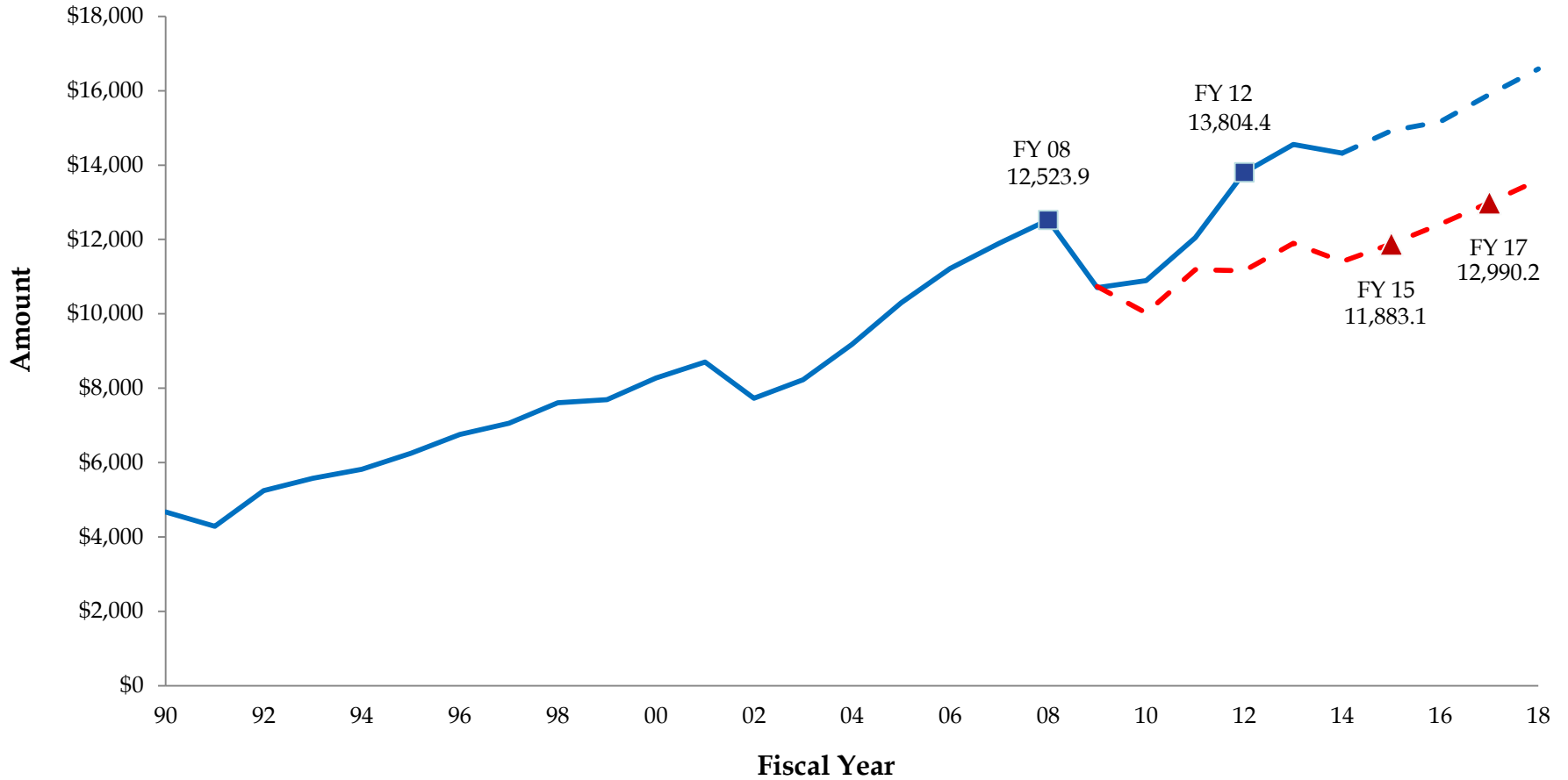


# Personal Income Tax Revenue by Income Category (Income Year 2012)





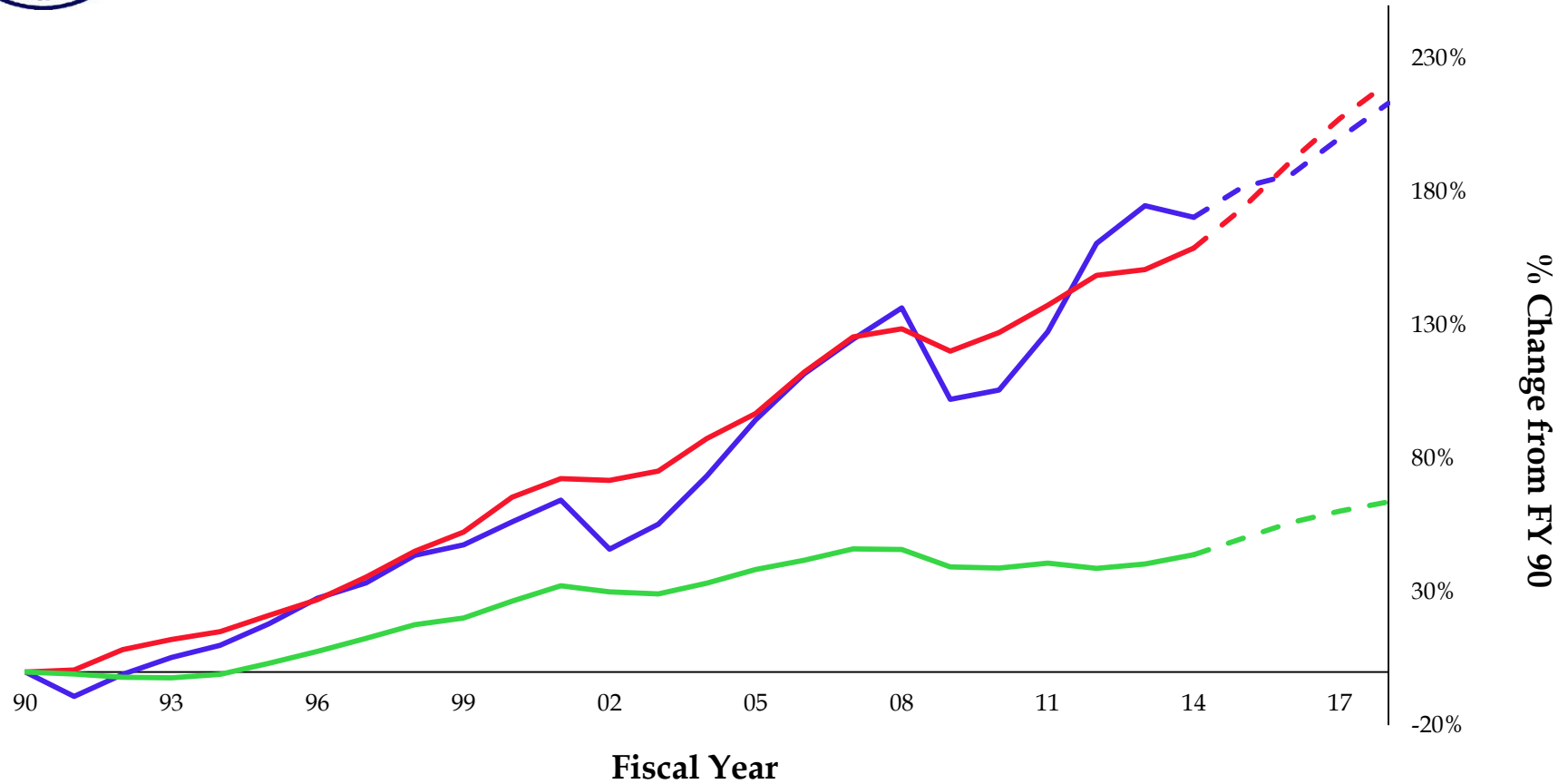
# Tax Revenue Less Refunds: FY 90 - FY 18 (in millions)



— All Taxes (Less Refunds): Actuals    - - - All Taxes Less Refunds: Policy Projection    - - - No Policy Changes Enacted (FY 09 - FY 18)



# Economic Comparison to FY 90



- Total Tax Revenue
- Total Personal Income
- Gross State Product
- - Total Tax Revenue Projection
- - Total Personal Income Projection
- - Gross State Product Projection

Sources: Moody's Analytics, Office of State Comptroller Annual Reports, November 10, 2014 Consensus





# Tax Gap Initiative

- \$75 million in new revenue budgeted.
- \$30 million has been achieved:
  - Business Tax Initiative.
  - Forty corporate taxpayers under audit chose to participate in the program.
  - Participating taxpayers gain certainty regarding future tax treatment with conditions.
- \$45 million more is possible:
  - New federal data will enable the Department of Revenue Services to identify and serve warrants against any processors of credit card transactions.
  - Accounts receivable for Sales Tax is \$135 million.
  - Other initiatives will contribute.



# General Fund Economic Growth Rates

	FY 15 %	FY 16 %	FY 17 %	FY 18 %
<b>Tax Revenues</b>				
Personal Income	4.3	5.3	5.7	5.8
<i>Withholding</i>	1.1	4.4	5.3	5.5
<i>Estimates &amp; Finals</i>	9.4	6.6	6.2	6.2
Sales and Use	5.1	4.1	4.0	3.8
Corporations	2.0	4.5	2.9	3.1
Public Service Corporations	0.5	1.8	2.8	2.7
Inheritance and Estate	4.1	2.5	3.0	3.2
Insurance Companies	5.6	2.2	2.0	2.1
Cigarettes	(4.6)	(4.2)	(4.0)	(4.0)
Real Estate Conveyance	3.5	4.2	3.1	3.5
Oil Companies	(3.0)	(2.6)	0.3	2.1
Alcoholic Beverages	0.1	0.8	0.7	0.5
Admissions & Dues	-	1.0	3.4	1.0
Health Provider Tax	0.2	0.5	0.5	0.5
Miscellaneous Taxes	3.8	2.0	2.4	2.3
<b>Other Revenues</b>				
Transfers - Special Revenue	-	1.5	2.9	2.9
Indian Gaming Payments	(4.4)	(2.5)	(2.5)	(25.0)
Licenses, Permits and Fees	2.8	0.4	2.7	(1.2)
Sales of Commodities	7.3	2.5	2.7	2.8
Rents, Fines and Escheats	(9.6)	1.3	1.6	1.6
Miscellaneous	(8.4)	1.1	1.3	1.3
<b>Refunds</b>				
Earned Income Tax Credit	5.3	5.1	4.7	4.7



# Transportation Fund Projections (in millions)

STF	FY 15 \$	FY 16 \$	FY 17 \$	FY 18 \$
Beginning Balance	169.0	187.1	278.4	309.9
Revenues	1,335.4	1,502.3	1,512.6	1,512.7
Expenditures	1,317.3	1,411.0	1,481.1	1,553.1
<b>Surplus/(Deficit)</b>	<b>18.1</b>	<b>91.3</b>	<b>31.5</b>	<b>(40.4)</b>
Ending Balance	187.1	278.4	309.9	269.5
Revenue Growth	6.3%	12.5%	0.7%	0.0%
Expenditure Growth	4.0%	7.1%	5.0%	4.9%

## Outlook

### Expenditures are Outpacing Revenue

- \$60 million in Town Aid Road being bonded in FY 15 and \$30 million added back to the Department of Transportation's appropriation in FY 16 - FY 18;
- An increase of \$6.2 million in each fiscal year for the State Employees' Retirement System (SERS); and
- An increase of \$31.7 million in FY 16, \$40.9 million in FY 17, and \$42.2 million in FY 18 for Debt Service.

These expenditures are partially supplemented by an increase in the General Fund transfer to the STF of \$152.8 million in FY 16 and an additional \$10 million in FY 17 through FY 18.



## Explaining the Projected FY 16 General Fund Deficit (in millions)

Item	Amount \$
<b>Starting Point:</b> FY 15 Deficit	<b>(89.1)</b>
<b>Revenue Issues</b>	<b>+</b>
GF-STF Transfer	(152.8)
Re-establish Sales Tax Clothing Exemption	(144.2)
Expiring Revenue Policies	(75.9)
Expiring Revenue Transfers	(74.4)
New Revenue Policies	(59.3)
Other Adjustments	(104.8)
Federal Revenue Changes	28.9
Revenue Growth	629.1
Income Tax: \$493.5	
Sales Tax: \$165.9	
All Other (Net): (\$30.3)	
<b>Total Revenue Issues</b>	<b>46.6</b>
<b>Expenditure Issues</b>	<b>+</b>
Debt Service	317.9
Inflation - Other than Personal Services	295.8
State Employee Growth - Salaries/Non Pension Fringe	239.3
Caseload Changes	168.4
Adjustments to Statutory Grants	140.3
Federal Mandates	78.1
GAAP (including amortization of GAAP deficit)	70.5
Pension Obligations (state & teachers)	38.0
Other Changes	(69.4)
<b>Total Expenditure Issues</b>	<b>1,278.9</b>
	=
<b>PROJECTED FY 16 DEFICIT</b>	<b>(1,321.4)</b>



# Transportation Fund Revenue (in millions)

Revenue Source	FY 15 \$ Budget	Consensus Revisions \$	FY 15 \$ Consensus
<b>Taxes</b>			
Motor Fuels	503.7	1.1	504.8
Oil Companies Tax	379.1	-	379.1
Sales Tax - DMV	82.6	0.5	83.1
Refunds of Taxes	(6.6)	(0.5)	(7.1)
<b>Subtotal</b>	<b>958.8</b>	<b>1.1</b>	<b>959.9</b>
<b>Other Revenue</b>			
Motor Vehicle Receipts	238.1	4.0	242.1
License, Permits, and Fees	138.9	0.2	139.1
Interest Income	5.0	2.3	7.3
Federal Grants	12.1	-	12.1
Transfer From/(To) Other Funds <sup>1</sup>	(6.5)	-	(6.5)
Less: Refunds of Payments	(3.2)	(0.4)	(3.6)
Less: Transfer to TSB Account	(15.0)	-	(15.0)
<b>Subtotal</b>	<b>369.4</b>	<b>6.1</b>	<b>375.5</b>
<b>TOTAL</b>	<b>1,328.2</b>	<b>7.2</b>	<b>1,335.4</b>

<sup>1</sup>This revenue stream consists of; (1) CGS 13b-61c, the statutory transfer between the General Fund and STF and (2) CGS 14-164m, the statutory transfer of \$6.5 million to the Emissions Enterprise Fund.

## Explanation

The consensus revenue projections for the STF indicate a net revenue increase of \$7.2 million in FY 15. The net increase is a combination of:

- \$1.1 million in the Motor Fuels Tax from slightly higher than anticipated consumption from the low gasoline and diesel fuel prices. Year to date collections have increased by approximately 1% compared to last year;
- \$4 million in higher than anticipated revenue from PA 13-271, AAC *Distracted Driving and Revisions to the Motor Vehicle Statutes*, which increased fees for motor vehicle registrations and new operator licenses;
- \$2.3 million in higher than anticipated revenue from interest income; and
- \$0.2 million from increased collections from licenses, permits and fees.



# Other Appropriated Funds<sup>1</sup> (in millions)

- In total, the seven Other Appropriated Funds are projected to run an operating surplus in FY 15 and the out-years.
- The conclusion of scheduled transfers out from the funds help to improve the aggregate fund balance in the out-years.
- Administration of the Soldiers', Sailors' and Marines' Fund has been transferred to the American Legion.

	FY 14 \$	FY 15 \$	FY 16 \$	FY 17 \$	FY 18 \$
Beginning Balance	48.4	52.1	46.0	49.1	54.7
Revenue	175.4	211.9	221.3	224.0	230.6
Expenditures	(170.6)	(211.7)	(218.1)	(218.3)	(225.4)
<b>Surplus/(Deficit)</b>	<b>4.8</b>	<b>0.2</b>	<b>3.2</b>	<b>5.7</b>	<b>5.2</b>

<sup>1</sup>Totals may not appear to add up due to rounding.



# Major Tax Expenditure Categories<sup>1</sup> (in millions)

Category	FY 15 \$	FY 16 \$	FY 17 \$	FY 18 \$
Personal Income Tax	503.7	538.2	550.5	571.3
Sales and Use Tax	3,873.9	4,190.4	4,358.8	4,524.1
Petroleum Companies Gross Earnings Tax	406.3	396.0	396.9	405.2
Corporate Business Tax	363.0	376.8	383.3	396.7
Cigarette and Tobacco Products Tax	13.1	12.5	12.0	11.5
Public Service Companies Gross Earnings Tax	55.6	56.7	58.1	59.8
Admissions and Dues Tax	23.2	23.3	24.0	24.1
Health Provider Tax	15.3	15.3	15.3	15.3
Miscellaneous Tax	8.0	8.2	8.4	8.6
Real Estate Conveyance Tax	1.7	1.8	1.8	1.9
Motor Fuels and Motor Carrier Road Fuels Taxes	1,810.1	1,837.7	1,853.3	1,880.5
<b>TOTAL</b>	<b>7,155.8</b>	<b>7,559.4</b>	<b>7,788.4</b>	<b>8,043.9</b>

<sup>1</sup>Includes estimated identifiable revenue reductions of \$100,000 or more.



# Significant Tax Expenditure Items (in millions)

Items	FY 15 \$	FY 16 \$	FY 17 \$	FY 18 \$
<b>Personal Income Tax</b>				
Credit for Property Taxes Paid	214.3	215.5	216.707	217.92
Earned Income Tax Credit	120.7	138.4	144.9	151.7
<b>Sales &amp; Use Tax</b>				
Sales of Food Products for Human Consumption	376.0	391.4	407.2	422.7
Prescription Medicines, Syringes and Needles	330.9	344.4	358.3	371.9
Sales to Nonprofit Organizations (combined lease, labor, and goods)	204.7	213.1	221.7	230.1
Computer and Data Processing (taxed at 1% rate)	146.4	152.4	158.5	164.5
<b>Petroleum Gross Earnings Tax</b>				
Number 2 Oil Used for Heating Purposes	209.1	203.8	204.3	208.6





# FY 15 Deficiency Requirements<sup>1</sup> (in millions)

Fund/Agency	Budgeted Appropriation \$	Available <sup>2</sup> Appropriation \$	Estimated Expenditures \$	Deficiency without release of holdbacks \$	Deficiency with release of holdbacks \$
<b>General Fund</b>					
Department of Social Services	2,994.5	2,994.0	3,034.0	(40.0)	(38.4)
State Comptroller - Fringe Benefits	2,465.7	2,462.6	2,488.1	(25.6)	(25.6)
Department of Correction	675.8	680.6	691.1	(10.5)	(9.4)
Public Defender Services Commission	63.6	63.6	68.3	(4.7)	(4.5)
Department of Emergency Services and Public Protection	170.4	182.7	185.2	(2.5)	(2.1)
State Comptroller - Adjudicated Claims	4.1	4.1	5.5	(1.4)	(1.4)
<b>Subtotal</b>				<b>(84.6)</b>	<b>(81.4)</b>
<b>Special Transportation Fund</b>					
State Comptroller - Fringe Benefits	188.8	188.8	190.5	(1.6)	(1.6)
<b>Subtotal</b>				<b>(1.6)</b>	<b>(1.6)</b>
<b>TOTAL</b>				<b>(86.2)</b>	<b>(83.0)</b>

<sup>1</sup>Totals may not appear to add up due to rounding.

<sup>2</sup>Appropriation 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.



# General Fund Deficiency Needs

- Total deficiencies vary 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 Emergency Services and Public Protection.

## 10 Years of General Fund Agencies Requiring Deficiency Funding (in millions)

Fiscal Year	Amount \$
14	42.0
13	142.0
12	101.1
11	355.2
10	75.2
09	110.8
08	41.5
07	40.2
06	26.0
05	78.6
<b>Average</b>	<b>101.3</b>
<b>Median</b>	<b>76.9</b>



# Budget Reserve Fund (BRF)

- Current balance of the BRF is \$519.2 million.
- FY 14 ended with a surplus of \$248.5 million.
- Entire FY 14 surplus deposited in the BRF.
- CGS 4-30a(b) appropriates BRF funds to offset General Fund year-end deficits.
- OFA is projecting a FY 15 deficit of \$89.1 million.
  - Pending no other action, \$89.1 million of the BRF balance will be used to offset the General Fund deficit, resulting in a FY 16 beginning BRF balance of \$430.1 million.



# Statutory Debt Limit on General Obligation Bonds<sup>1</sup> (in millions)

Projections	FY 15 \$	FY 16 \$	FY 17 \$	FY 18 \$
Net General Fund Tax Revenue <sup>2</sup>	14,924.1	15,170.5	15,896.4	16,588.0
Multiplier	1.6	1.6	1.6	1.6
Debt Limit	23,878.6	24,272.8	25,434.2	26,540.8
Bonds Subject to Limit	20,618.4	21,627.2	22,635.9	23,644.6
<b>% of Debt Limit</b>	<b>86.3%</b>	<b>89.1%</b>	<b>89.0%</b>	<b>89.1%</b>
Margin to 100% of Debt Limit	3,260.1	2,645.6	2,798.4	2,896.2
90% Debt Limit Ceiling	21,490.7	21,845.5	22,890.8	23,886.7
<b>Margin to 90% Debt Limit Ceiling</b>	<b>872.3</b>	<b>218.4</b>	<b>254.9</b>	<b>242.1</b>

<sup>1</sup>Totals may not appear to add up due to rounding.

<sup>2</sup>Based on November 2014 Consensus Revenue Estimates.



# Long Term Obligations (in billions)

<b>Unfunded Liabilities</b>	<b>Amount \$</b>
Debt Outstanding	21.3
State Employee Retirement System (SERS)	13.3
Teachers' Retirement System	10.8
State Post Employment Health and Life	19.5
Teachers' Post Employment Health	2.4
Generally Accepted Accounting Principles Deficit	1.1
<b>TOTAL</b>	<b>68.4</b>



# State and Local Tax Exempt Bonds

## Proposals

- Several proposals have been made to cap or eliminate the federal income tax exemption on state and local government bonds.
  - Referred to as “municipal bonds.”

## Potential Revenue Impact

- To illustrate, if these proposals had been in effect in FY 14.
  - It is estimated that the interest on \$1,680.2 million in General Obligation bonds issued by Connecticut would have increased by \$352.8 million over 20 years.



# Highway Trust Fund

- Highway Trust Fund (HTF) revenue has not kept pace with outlays since 2001.
- On July 31, 2014, Congress transferred \$10.8 billion, mostly from the General Fund, to the HTF to keep the fund solvent until May of 2015.
- HTF is not allowed to incur negative balances.
  - Insolvency would require reductions or postponements in reimbursements to states for the costs of transportation projects.



# Federal Marketplace Fairness Proposals

## Proposal

Allows states to collect sales tax from certain remote sellers if:

- States join the Streamlined Sales and Use Tax Agreement (of which Connecticut is not a member) or
- Implement minimum simplification requirements outlined in the proposals.

## Two Related Bills

- **Marketplace Fairness Act of 2013**
  - Last major action: Passed the Senate in May 2013.
- **Marketplace and Internet Tax Fairness Act of 2014**
  - Last major action: Introduced in the Senate in July 2014.

## Revenue Impact of Passage of Either Bill

- Will depend on how Connecticut restructures its sales and use tax laws to meet the bill's requirements.
- NCSL estimates Connecticut e-commerce sales tax revenue of approximately \$150 million (this includes revenue from Amazon and certain other remote sellers already collected under state law).





# Sequestration and Discretionary Spending (in millions)

## Caps Set in Deficit Control Act

	FFY 15 \$	FFY 16 \$	FFY 17 \$	FFY 18 \$	FFY 19 \$
Defense	566,000	577,000	590,000	603,000	616,000
Non-Defense	520,000	530,000	541,000	553,000	566,000
<b>TOTAL</b>	<b>1,086,000</b>	<b>1,107,000</b>	<b>1,131,000</b>	<b>1,156,000</b>	<b>1,182,000</b>

## Estimated Effect of Automatic Spending Reductions, Including Changes in the Bipartisan Budget Control Act of 2013

	FFY 15 \$	FFY 16 \$	FFY 17 \$	FFY 18 \$	FFY 19 \$
Defense	(44,728)	(53,976)	(53,975)	(53,968)	(53,959)
Non-Defense	(27,644)	(37,704)	(37,468)	(37,519)	(36,518)
<b>TOTAL</b>	<b>(72,372)</b>	<b>(91,680)</b>	<b>(91,443)</b>	<b>(91,487)</b>	<b>(90,477)</b>

## Estimate of Revised Caps

	FFY 15 \$	FFY 16 \$	FFY 17 \$	FFY 18 \$	FFY 19 \$
Defense	521,272	523,024	536,025	549,032	562,041
Non-Defense	492,356	492,296	503,532	515,481	529,482
<b>TOTAL</b>	<b>1,013,628</b>	<b>1,015,320</b>	<b>1,039,557</b>	<b>1,064,513</b>	<b>1,091,523</b>

- The Budget Control Act of 2011 (BCA) set discretionary spending caps intended to achieve \$917 billion in savings between FFY 12 and FFY 21.
- Failure of Joint Committee on Deficit Reduction to propose an additional \$1.2 trillion in deficit reductions set off a series of automatic spending cuts (aka sequestration) to most discretionary and some mandatory spending. The estimated FFY 15 to FFY 19 impact of these automatic reductions on the discretionary spending caps set in the BCA is shown above. The Bipartisan Budget Act of 2013 lessened the FFY 14 and FFY 15 sequestration reductions.



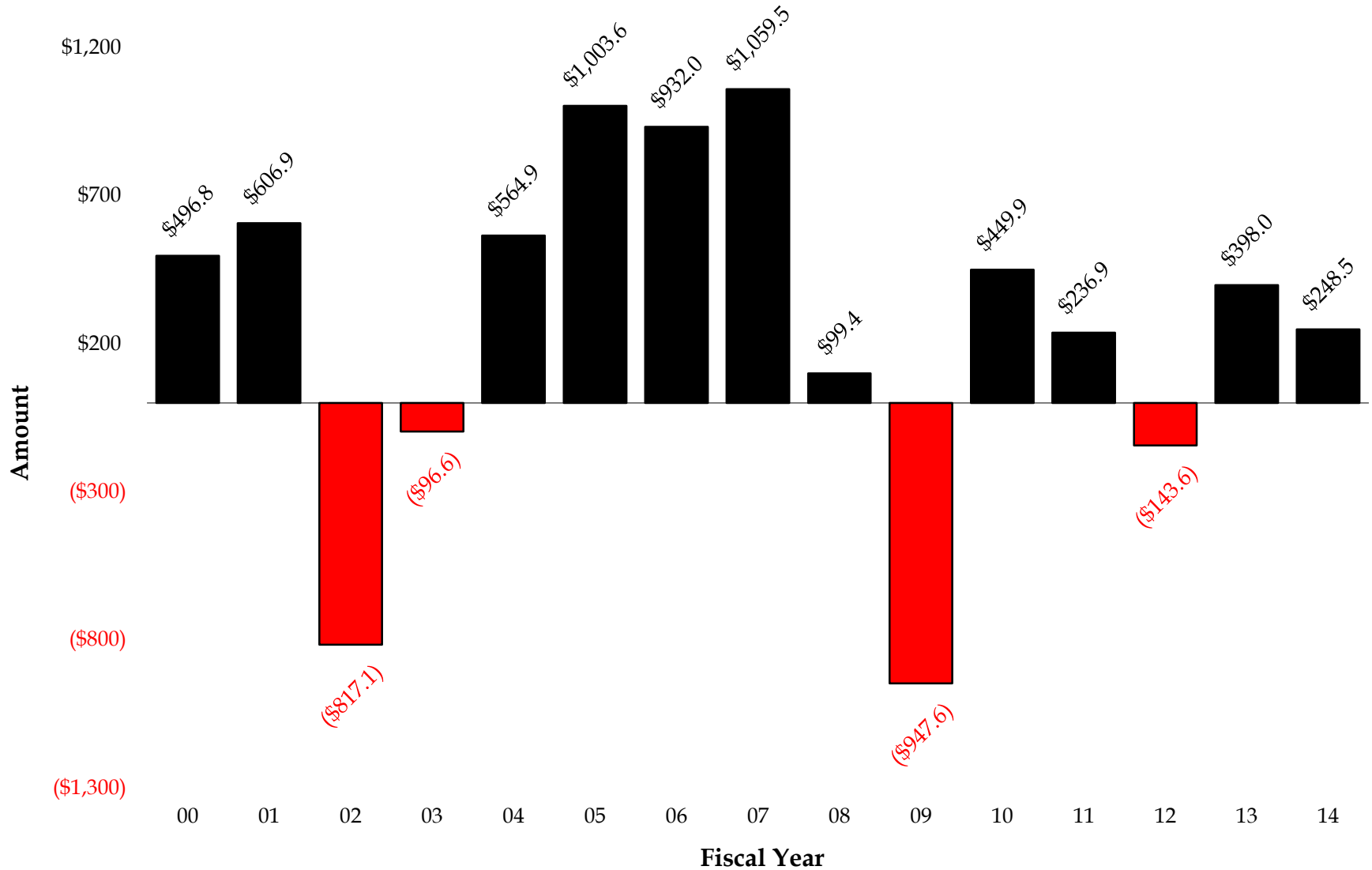
# Sequestration Impact on Grant Funding - FFY 13 and FFY 14 (in millions)

Federal Fiscal Year	Discretionary Sequestration Reductions \$	Mandatory Sequestration Reductions \$	Total Sequestration \$
2013	54,161	3,395	57,556
2014	-	4,518	4,518

- Federal Funds Information for States (FFIS) reports post-sequestration spending on grants to our state government of approximately \$6.8 billion in FFY 13 and \$7.3 billion in FFY 14.
  - FFIS reports information on approximately 90% of all grant funding to state governments.
- The current FFY 15 Continuing Resolution (CR) funds discretionary spending at about \$2 billion above the FFY 15 cap. Sequestration of discretionary spending would be necessary if this funding level was adopted in the final FY 15 CR. Mandatory spending will be reduced by 7.3%.



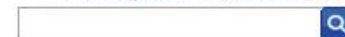
# Historical Surplus/(Deficit) (in millions)





# Current and Future Issues

- Projected Deficit in FY 15.
- Out Year Gaps for the FY 16 and FY 17 Biennium.
- Unfunded Liabilities.
- Gambling Expansion in Nearby States.
- Federal Budget Actions.
- Aging Demographics.
- Slow Economic/Revenue Recovery.
- April Collections.



## FY 15 Budget Revision Information



### 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 15 - FY 18
- Review of Regulations Review Committee Agenda Items for November 14, 2014 Meeting



### Additional and Historical Information

- OFA Budget Sheets
- Budget Books
- Fiscal Notes
- NCSL/OFA Webinar on Fiscal Notes
- Subject Matter Reports

- **HISTORICAL INFORMATION**
- Spending Cap
- Transfer of Funding Between Accounts (FAC)
- Subject Matter Fact Sheets
- About OFA

- Results-Based Accountability (RBA)
- Municipalities Information and Updates
- Regulations
- External Links



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