

Orientation to Policies Details Report

Policies Details

1	→	Sales and Use Tax	3	4	5	6	7	8
1	→	General Fund						
		Revenue Components	Governor FY 16	Governor FY 17	Legislative FY 16	Legislative FY 17	Difference FY 16	Difference FY 17
2	→	January Consensus	4,500,000,000	5,000,000,000	4,500,000,000	5,000,000,000	-	-
		April Consensus Update	-	-	25,000,000	25,000,000	25,000,000	25,000,000
		Policy Estimates and Updates	10,000,000	15,000,000	(15,000,000)	(10,000,000)	(25,000,000)	(25,000,000)
		Total	4,510,000,000	5,015,000,000	4,510,000,000	5,015,000,000	-	-

9 → April Consensus Update

9a	→	Governor FY 16	Governor FY 17	Legislative FY 16	Legislative FY 17	Difference FY 16	Difference FY 17
		-	-	25,000,000	25,000,000	25,000,000	25,000,000

9b → The April Consensus estimates are higher than the January Consensus by \$25 million in FY 16 and \$25 million in FY 17 due to a more optimistic outlook on the slow growth forecast as reported by various government agencies and economists.

10 → Policy Revisions

10a → Establish Sales Tax Exemption for Lobster Bibs

10b	→	Governor FY 16	Governor FY 17	Legislative FY 16	Legislative FY 17	Difference FY 16	Difference FY 17
		(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	-	-

10c → **Background:** Lobster bibs, which provide protection when consuming all parts of lobster, are currently taxable. Additionally, the bibs are taxable during the annual sales tax free week (held the third week of August), as they do not qualify as clothing for the purposes of the tax holiday.

10d → **Governor:** Exempt the sale of lobster bibs from the Sales and Use Tax. Section 1 of SB 946 implements this provision.

10e → **Legislative:** Same as Governor. Section 51 of PA 15-244, the FY 16 and FY 17 budget, enacts this provision.

Explanation

(1) This section indicates: (1a) the name of the revenue source and (1b) the fund that the revenue source belongs to. Together the GF and STF comprise over 98% of total state revenue collections.

(2) This summarizes the components of the revenue estimate process, including: (a) the January Consensus (technical) Estimate, which is the starting point that the governor must use for his budget; (b) the April Consensus Estimate, which is a technical update to the January Consensus Estimate that is the basis for the adopted budget; and (c) Policy Estimates and Updates, which indicates the impact of policy changes proposed by the governor or in the adopted budget. (See below for a further explanation of Consensus Revenue Estimates.)

(3) & (4) These columns indicate the values of the components of the revenue estimate in the governor's budget proposal, including: (a) the January Consensus Estimate baseline figure and (b) the revenue impact of the governor's proposed policy changes.

(5) & (6) These columns gives the values of the components of the revenue estimate for the adopted budget, including: (a) the January Consensus Estimate baseline figure, (b) the April Consensus Estimate adjustment to the January figure, and (c) the revenue impact of the adopted budget's policy changes.

(7) & (8) These columns provide the difference between the governor's budget and the final enacted budget, specifically the updated changes in consensus from January to April and the aggregated policy differences.

(9) This section provides information about the difference between the April Consensus adjustment and the January baseline estimate. (9a) shows the value of the difference and (9b) is OFA's textual explanation of the difference. The April adjustment is a technical update that does not reflect any policy changes. The legislature must use this adjustment when formulating the adopted budget.

(10) This section provides information on all policy changes proposed by either the governor or in the adopted budget: (10a) indicates the title of a policy change; (10b) shows the estimated revenue impact of the policy change; (10c) provides a textual explanation of relevant background information; (10d) is a textual description of the governor's proposed policy change, including legislative, statutory or other references; and (10e) is a textual description of the adopted change, including legislative, statutory or other references.

Consensus Revenue Estimates

The Office of Fiscal Analysis (OFA) and Office of Policy and Management (OPM) jointly issue consensus revenue estimates in November, January and April of each year⁴. The estimates cover a total of five years, including the current biennium and the following three fiscal years. If there is no agreement between OFA and OPM, the Office of the State Comptroller is required to issue consensus estimates that are: (1) equal to the estimates provided by either OFA or OPM or (2) between the OFA and OPM estimates.

The governor and the legislature are required to use the most recent GF and STF consensus estimates to prepare their respective budgets. The governor⁵ uses the January consensus estimates for the GF and STF budget proposals presented in February and the legislature uses the April consensus forecast to formulate the enacted budget.⁶

Although OFA and OPM are required to agree on the same bottom line consensus estimate for each source of GF and TF revenue, the offices may use different assumptions about growth and the impact of policy changes to reach those bottom line figures. The consensus revenue estimate information in this book for the GF show only the assumptions used by OFA to reach its bottom line consensus estimate for each revenue source.

⁴CGS 2-36c governs the process of Consensus revenue estimates.

⁵CGS 4-74 requires the governor to base his budget document, which is issued in February of each year, upon the most recent consensus revenue estimate available at the time.

⁶CGS 2-35 governs the adoption of revenue estimates by the Finance, Revenue and Bonding Committee in support of the state budget act.