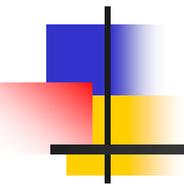
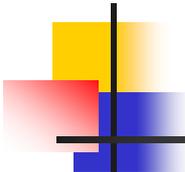


# Office of Fiscal Analysis



---

Fiscal Forecast Presentation to the  
Appropriations & Finance Committees  
November 27, 2006



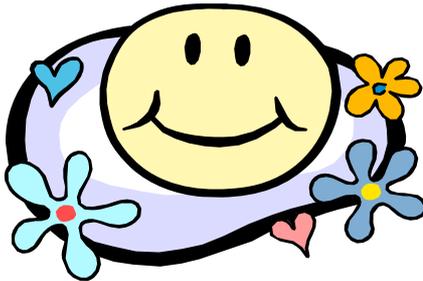
# Office of Fiscal Analysis Presentation of Fiscal Forecasts for FY 07 through FY 10

---

- Surpluses/Deficits in Recent Years
- Budget Reserve Fund Status
- FY 07 Surplus Projection
- FY 08, FY 09 and FY 10 Spending Cap Problems & Structural Deficits based on Current Services Projections
- Long-Term Obligations (Unfunded Liabilities)

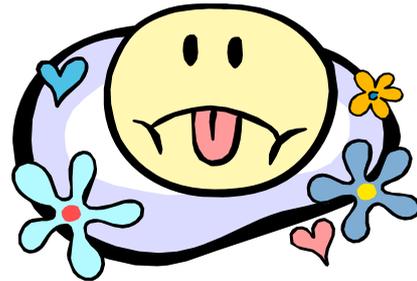
# Major Theme of OFA Fiscal Forecasts

FY 07



Surplus

FY 08, FY 09 & FY 10



Spending Cap Problems  
& Structural Deficits

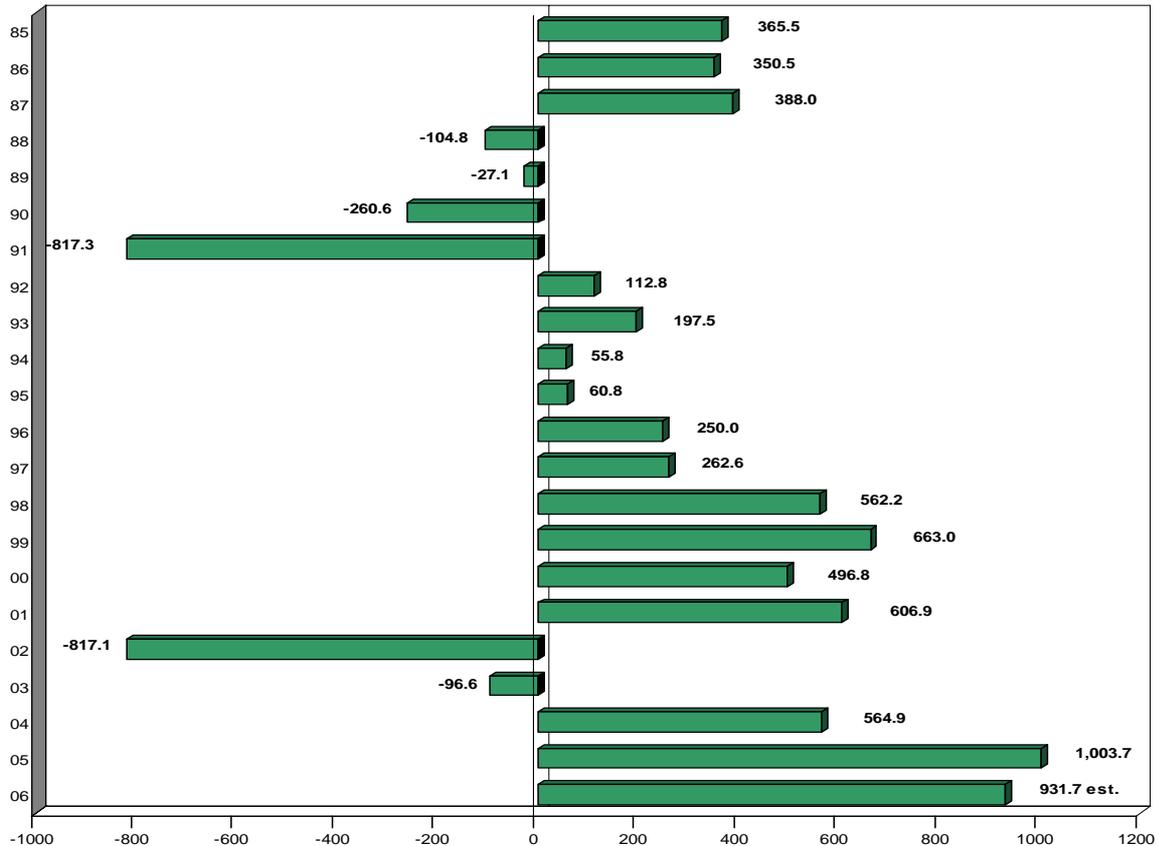
# General Fund Surplus or Deficit From Operations

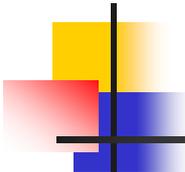
(figures in \$ millions)

FISCAL YEAR

DEFICIT

SURPLUS





# Budget Reserve Fund (BRF) Status

---

- Unappropriated Surplus Is Deposited in the BRF per Article XXXVIII of the State Constitution and Sec. 4-30a (CGS)
- \$594.7 Million Balance in FY 01 Completely Used to Partially Cover the \$817.1 Million Deficit in FY 02
- Surpluses of \$302.2 million from FY 04, \$363.9 million from FY 05 and \$446.2 from FY 06 Totaling \$1,112.3 million May Result after the Comptroller Closes Books on FY 06 by February 28, 2007
- How Much of the Projected FY 07 Surplus will remain Unappropriated and Be Deposited in the BRF?
- PA 03-2 Increased the Maximum Allowable in the BRF to 10% of Net General Fund Appropriations (Maximum Capacity Is \$1.48 Billion with the FY 07 Budget Amounting to \$14.8 Billion)

# FY 07 General Fund Summary: Nov. 15, 2006

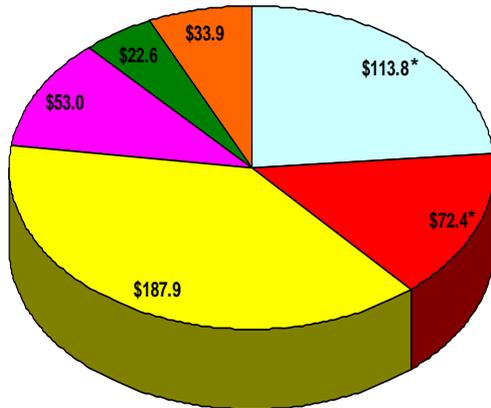
(in millions)

	<u>Budget Plan</u>	<u>Increases (Decreases)</u>	<u>Projected</u>
<b>Revenues</b>			
Taxes	\$ 11,250.7	\$ 288.9	\$ 11,539.6
Other Revenue	1,119.3	62.1	1,181.4
Other Sources	<u>2,628.0</u>	<u>24.0</u>	<u>2,652.0</u>
<b>Total Revenue</b>	<b>\$ 14,998.0</b>	<b>\$ 375.0</b>	<b>\$ 15,373.0</b>
<b>Appropriations</b>			
Original Appropriations - Gross	\$ 14,952.2	\$ -	\$ 14,952.2
<b>Plus:</b>			
Deficiency Requirements	-	11.2	11.2
Adjudicated Claims	-	8.0	8.0
Refunds of Escheated Property	-	27.0	27.0
<b>Less:</b>			
Lapses	<u>(115.0)</u>	<u>(50.0)</u>	<u>(165.0)</u>
<b>Total Expenditures</b>	<b>\$ 14,837.2</b>	<b>\$ (3.8)</b>	<b>\$ 14,833.4</b>
<b>Surplus/(Deficit) from Operations for FY 07</b>	<b>\$ 160.8</b>	<b>\$ 378.8</b>	<b>\$ 539.6</b>

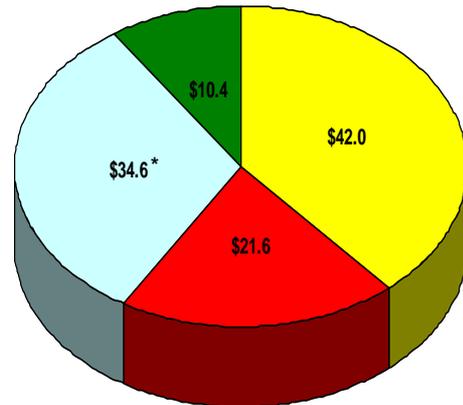
# Changes in FY 07 Revenue Estimates

(figures in \$ millions)

Increases (\$483.6)



Decreases (\$108.6)



+

= \$375 M



\* Net Personal Income Tax Equals \$151.6 M

# Preliminary General Fund Budget Projections: FY 07 through FY 10

(figures in \$ millions)

	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	
<b>Budget Overview:</b>								
	<u>Surplus</u> <u>FY 04</u>	<u>Surplus</u> <u>FY 05</u>	<u>Surplus</u> <u>Estimate</u> <u>FY 06</u>	<u>OFA</u> <u>Estimate as of</u> <u>Budget Passage</u> <u>5/1/06</u> <u>FY 07</u>	<u>OFA</u> <u>Revised</u> <u>Estimate</u> <u>11/15/06</u> <u>FY 07</u>	<u>OFA</u> <u>Current</u> <u>Services</u> <u>Estimate</u> <u>11/15/06</u> <u>FY 08</u>	<u>OFA</u> <u>Current</u> <u>Services</u> <u>Estimate</u> <u>11/15/06</u> <u>FY 09</u>	<u>OFA</u> <u>Current</u> <u>Services</u> <u>Estimate</u> <u>11/15/06</u> <u>FY 10</u>
Revenues	-	-	-	14,998.0	15,373.0	15,800.0	16,340.0	16,962.0
Expenditures	-	-	-	14,837.2	14,833.4	16,035.1	16,873.4	17,643.0
<b>Balance</b>	<b>302.2</b>	<b>363.9</b>	<b>446.2</b>	<b>160.8</b>	<b>539.6</b>	<b>(235.1)</b>	<b>(533.4)</b>	<b>(681.0)</b>
Maximum Allowable in Budget Reserve (Rainy Day) Fund		10.0% maximum	1,483.7					
Potential BRF Deposit		7.5% funded	1,112.3					
<b>Extent to Which BRF Not Fully Funded</b>		<b>2.5% unfunded</b>	<b>371.4</b>					
<b>Spending Cap Comparisons (All Funds):</b>								
Amount Total Appropriations (Under) Over Cap (assuming that the legislature will appropriate up to the allowed expenditure limit in FY 07 and that the appropriation will not exceed allowed expenditures in FY 08 and FY 09)				(4.0)	(4.0)	510.5	570.9	415.4

**Reasons for FY 08, FY 09 & FY 10 Spending Cap Problems and Shortfalls:**

FY 08 - Restore FY 07 Expenditures from FY 05 & FY 06 Anticipated Surplus to FY 08 Appropriations (General Fund)	322.6	-	-
FY 08 - Unavailable One-Time Revenue Shift from FY 06 to FY 07 (General Fund)	41.0	-	-
<b>General Fund Growth Rates (Adjusted):</b>			
Revenue	3.6%	3.4%	3.8%
Expenditures	5.8%	5.2%	4.6%

# OFA Current Services Projections

## General Fund

(figures in \$ millions)

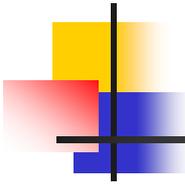
Major Accounts	Revised	OFA CS Projections		
	Approp. FY 07	FY 08	FY 09	FY 10
DSS - Medicaid	3,198.5	3,411.6	3,582.2	3,761.3
Personal Services	2,824.8	3,013.0	3,113.2	3,231.8
SDE - ECS	1,595.2	1,650.0	1,670.0	1,690.0
Debt Service	1,370.9	1,434.2	1,533.7	1,631.0
Other Expenses	499.1	509.1	519.3	529.6
State Employees Retirement Contributions	477.2	486.9	514.6	542.6
Retired State Employees Health Service Cost	436.4	458.1	505.7	529.0
State Employees Health Service Cost	429.9	473.5	521.2	545.2
DCF - Board and Care for Children (Residential, Foster & Adoption)	352.6	401.8	418.5	443.3
DMR - Community Residential Services	325.6	354.2	378.9	404.6
TRB - Retirement Contributions	236.6	432.7	454.3	477.1
Social Security	213.3	212.4	216.9	221.4
DSS - State Administered General Assistance (SAGA)	154.0	174.1	197.5	224.0
DMR - Employment Opportunities and Day Services	144.1	156.7	167.3	177.3
DSS - Temporary Assistance to Families (TANF)	120.4	117.1	124.2	131.8
SDE - Priority School Districts	117.3	130.6	136.0	142.0
PILOT - Private Property	115.4	115.4	115.4	115.4
SDE - Excess Cost-Student Based	106.6	124.6	133.9	143.0
DSS - DMHAS-Disproportionate Share	105.9	105.9	105.9	105.9
SDE - Magnet Schools	94.9	104.8	121.8	136.0
DOC - Inmate Medical Services	90.7	105.8	110.6	116.8
DMHAS - Grants for Mental Health Services	75.7	78.0	82.7	87.8
Workers' Comp. Claims (DPS, DMR, DMHAS, DOC, DCF, DAS)	78.3	85.8	90.7	96.4
DMHAS - General Assistance Managed Care	74.6	78.3	86.4	95.2
PILOT - State Property	73.0	73.0	73.0	73.0
DSS - Child Care Services-TANF/CCDBG	71.2	80.7	83.9	87.3
DSS - Aid to the Disabled	55.5	55.6	57.8	60.2
DSS - ConnPACE	54.0	53.7	59.0	65.4
DSS - Disproportionate Share-Medical Emergency Assistance	53.7	53.7	53.7	53.7
DSS - Connecticut Home Care Program	50.6	53.1	58.6	64.6
SDE - Transportation of School Children	48.0	70.4	75.3	80.0
OPM - PILOT-New Manufacturing Machinery and Equipment	46.7	52.3	52.3	52.3
Judicial - Alternative Incarceration Program	44.2	46.1	47.0	48.2
DSS - DSH-Urban Hospitals in Distressed Municipalities	31.6	31.6	31.6	31.6
DOC - Community Support Services	30.8	34.7	36.1	37.6
DSS - Old Age Assistance	30.5	31.1	31.7	32.4
SDE - Charter Schools	29.8	33.5	36.8	40.0
DSS - Housing/Homeless Services	29.2	31.6	27.8	28.3
DSS - HUSKY Program	29.2	29.1	29.1	29.1
DMHAS - Managed Service System	29.1	30.6	33.7	37.1
Higher Education Alternative Retirement System	28.6	34.5	36.6	37.3

# OFA Current Services Projections (continued)

## General Fund

(figures in \$ millions)

	Revised Approp. FY 07	OFA CS Projections		
		FY 08	FY 09	FY 10
DOL - Workforce Investment Act	27.3	26.5	27.0	27.7
DMHAS - Young Adult Services	26.0	26.5	27.6	28.7
DMR - Early Intervention	24.8	26.2	26.7	27.3
Judicial - Juvenile Alternative Incarceration	24.6	27.2	28.4	29.1
DCF - Community KidCare	24.2	25.3	25.8	26.3
DMHAS - Grants for Substance Abuse Services	22.8	23.3	24.2	25.2
OPM - Property Tax Relief Elderly Circuit Breaker	20.5	20.5	20.5	20.5
SDE - Adult Education	19.6	21.7	22.9	23.5
DMR - Cooperative Placements Program	19.5	20.5	21.4	22.4
DCF - Family Support Services	16.9	16.6	17.9	19.1
OPM - Tax Relief for Elderly Renters	16.9	16.9	16.9	16.9
DHE - Connecticut Aid for Public College Students	16.5	17.3	18.2	19.1
DOL - Jobs First Employment Services	16.1	16.5	16.9	17.3
DHE - Connecticut Independent College Student Grant	15.8	16.6	17.4	18.3
<b>Totals - Major Accounts</b>	<b>14,265.2</b>	<b>15,311.5</b>	<b>16,036.8</b>	<b>16,758.0</b>
<b>All Other Gross GF Appropriations</b>	<b>686.9</b>	<b>700.6</b>	<b>714.7</b>	<b>728.9</b>
<b>Gross GF Appropriations</b>	<b>14,952.1</b>	<b>16,012.1</b>	<b>16,751.5</b>	<b>17,486.9</b>
Legislative Unallocated Lapses	(2.2)	(2.2)	(2.2)	(2.2)
Estimated Unallocated Lapses	(87.7)	(52.7)	(52.8)	(52.7)
General Personal Services Reduction	(14.0)	(14.0)	(14.0)	(14.0)
General Other Expenses Reduction	(11.0)	(11.0)	(11.0)	(11.0)
<b>Net GF Appropriations</b>	<b>14,837.2</b>	<b>15,932.2</b>	<b>16,671.5</b>	<b>17,407.0</b>
Additional State Agency Energy Requirements	-	10.4	10.6	10.8
Ongoing Impact of Potential FY 07 Deficiency Reqs. excl. Energy	-	9.9	10.1	10.3
Generally Accepted Accounting Principles (GAAP)	-	39.0	108.0	108.0
Phase-out Property Tax on Machinery/Equipment	-	26.9	56.1	89.0
Ongoing Items Funded in FY 07 through FY 06 Anticipated Surplus				
DMHAS - Community Health Strategy Board	-	2.0	2.0	2.0
Remaining FY 06 Carryforwards Reducing FY 07 Requirements	-	4.7	4.9	5.1
Ongoing Items Funded in FY 07 through FY 05 Anticipated Surplus				
DECD - Tax Abatement	-	1.7	1.7	1.7
DECD - Housing PILOT	-	2.2	2.2	2.2
DMHAS - Extend COLA to Federal Contracts	-	0.8	0.8	0.9
Private Provider Balance (not included in Major Accounts)	-	1.0	1.0	1.0
Addtl. Costs Associated with PJOC Annual. in FY 08 through FY 10	-	4.3	4.5	4.9
<b>Adjusted Net GF Appropriations</b>	<b>14,837.2</b>	<b>16,035.1</b>	<b>16,873.4</b>	<b>17,643.0</b>
<b>Revenue</b>	<b>14,998.0</b>	<b>15,800.0</b>	<b>16,340.0</b>	<b>16,962.0</b>
<b>Projected Surplus/(Deficit)</b>	<b>160.8</b>	<b>(235.1)</b>	<b>(533.4)</b>	<b>(681.0)</b>



# Long-Term Obligations

---

---

## Long-Term Obligations

(in billions)

Debt Outstanding <sup>1</sup>	\$14.2
State Employee Pensions – Unfunded	6.9
Teachers’ Pensions – Unfunded	5.2
State Post Retirement Health and Life – Unfunded <sup>2</sup>	21.5
Generally Accepted Accounting Principles (GAAP) Deficit	<u>1.0</u>
Total	\$48.8

<sup>1</sup>As of 9/30/06; Source: Office of the State Treasurer

<sup>2</sup> Per a draft developed (11/05) pursuant to requirements of Statement 45 of the Government Accounting Standards Board (GASB). According to the report, if the state were to address this liability on an advance funding basis the GASB 45 expense would be substantially reduced to \$8.4 billion.

---