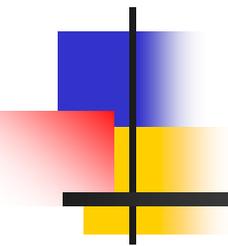
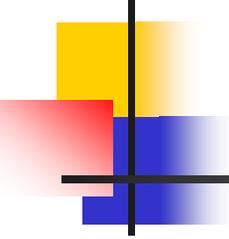


Office of Fiscal Analysis



Fiscal Forecast Presentation to the
Appropriations & Finance Committees

December 4, 2007

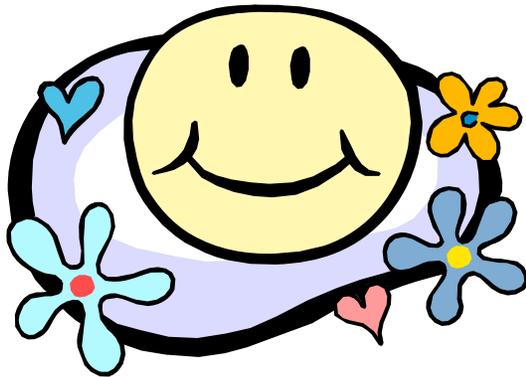


Office of Fiscal Analysis Presentation of Fiscal Forecasts for FY 08 through FY 12

- Surpluses/Deficits in Recent Years
- Budget Reserve Fund Status
- FY 08 and FY 09 Surplus Projections
- FY 10, FY 11 and FY 12 Spending Cap Problems & Structural Deficits based on Current Services Projections
- Long-Term Obligations (Unfunded Liabilities)

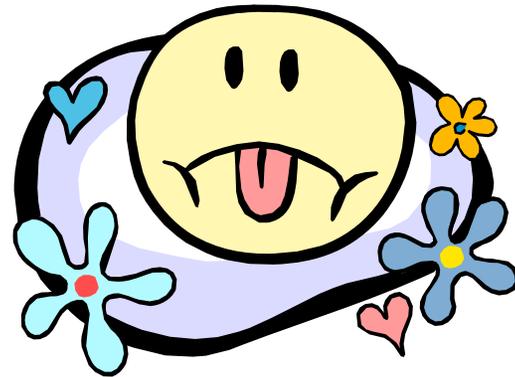
Major Theme of OFA Fiscal Forecasts

FY 08 & FY 09



Surpluses

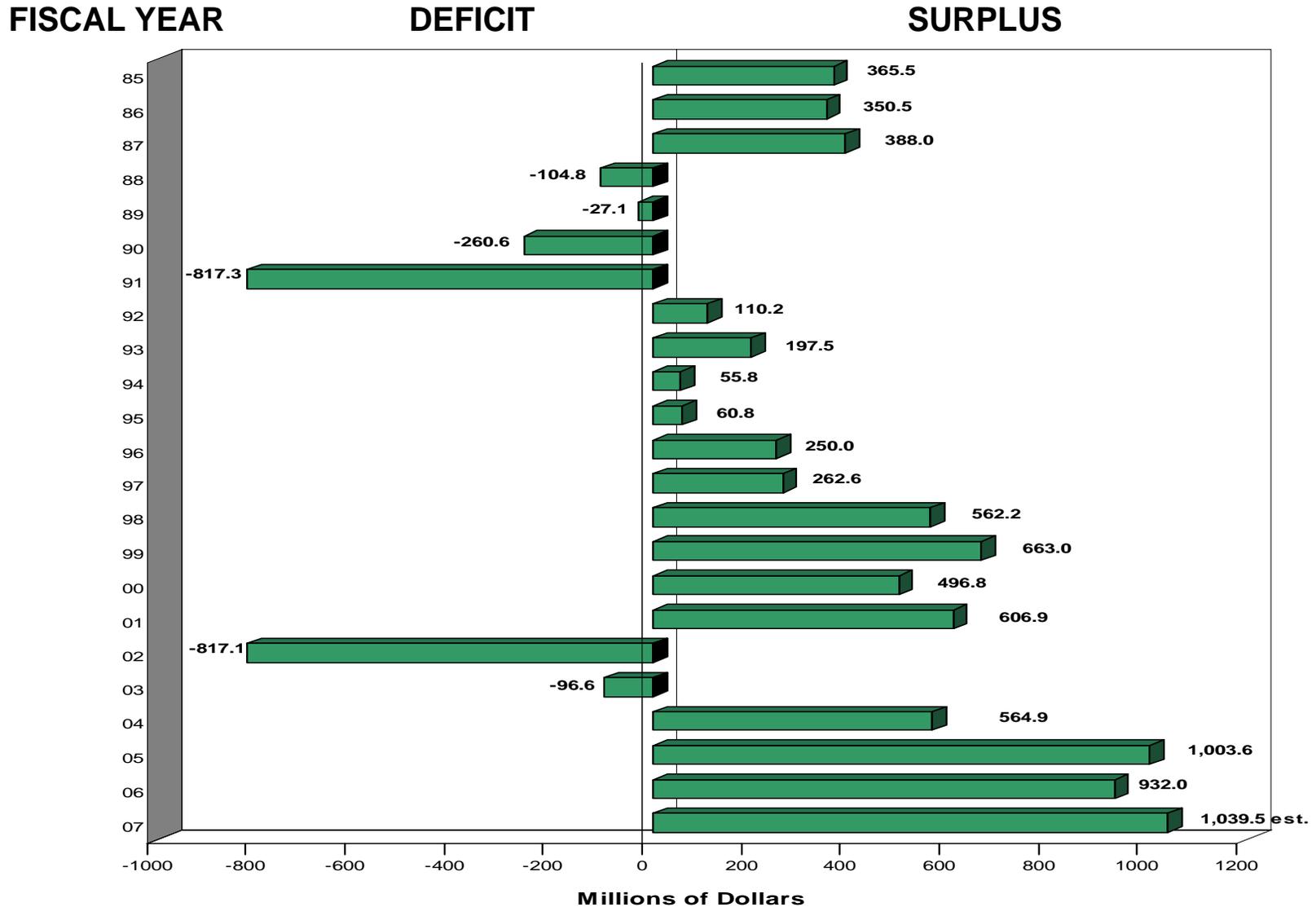
FY 10, FY 11 & FY 12

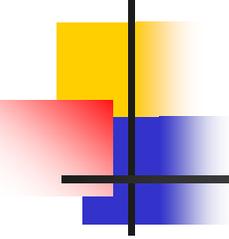


Spending Cap Problems
& Structural Deficits

General Fund Surplus or Deficit From Operations

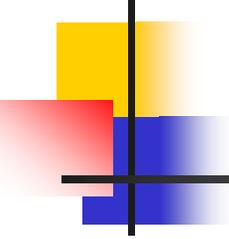
(figures in \$ millions)





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, \$446.5 million from FY 06 and \$269.7 million (estimated) from FY 07 Totaling \$1,382.3 million May Result after the Comptroller Closes Books on FY 07 by December 31, 2007
- How Much of the Projected FY 08 and FY 09 Surpluses 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 \$1,631.5 Million with the FY 08 Budget Amounting to \$16,314.9 Million)



Budget Reserve Fund Status

Current Status:

Maximum Allowable in BRF @ 10% of net GF approps. for FY 08		1,631.5
Recent Surpluses Deposited in Budget Reserve (Rainy Day) Fund:		
FY 04	302.2	
FY 05	363.9	
FY 06	446.5	
FY 07 (estimated)	<u>269.7</u>	
Total - BRF (84.7% of full capacity)		<u>1,382.3</u>
Extent to Which BRF Not Fully Funded (15.3%)		249.2

Potential Future Status:

Maximum Allowable in BRF @ 10% of net GF approps. for FY 10 (projected)		1,817.8
Potential Future Surpluses Deposited in Budget Reserve (Rainy Day) Fund:		
Total - BRF at Conclusion of FY 07 (estimated)	1,382.3	
FY 08 (estimated)	264.4	
FY 09 (estimated)	<u>223.7</u>	
Total - BRF (102.9% of full capacity)		1,870.4

FY 08 General Fund Summary: Nov. 15, 2007

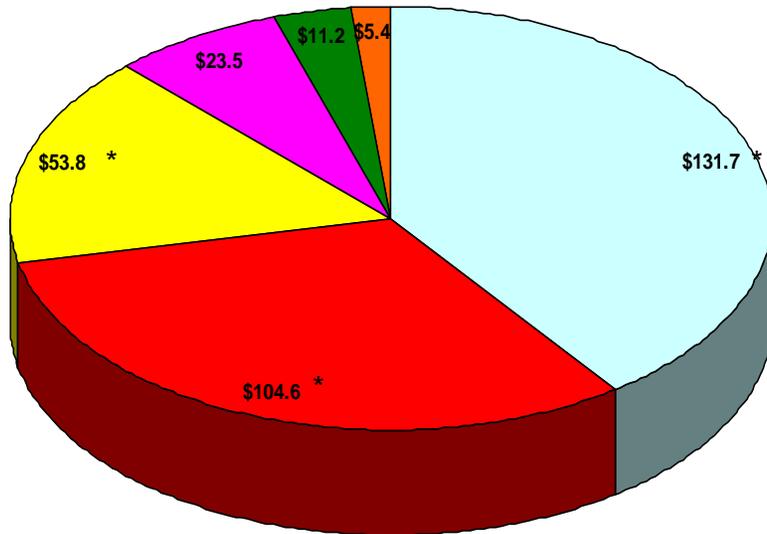
(in millions)

	<u>Budget Plan</u>	<u>Increases (Decreases)</u>	<u>Projected</u>
Revenues			
Taxes	\$ 12,453.2	\$ 254.1	\$ 12,707.3
Other Revenue	1,206.3	2.9	1,209.2
Other Sources	<u>2,656.1</u>	<u>-</u>	<u>2,656.1</u>
Total Revenue	\$ 16,315.6	\$ 257.0	\$ 16,572.6
Appropriations			
Original Appropriations - Gross	\$ 16,431.4	\$ -	\$ 16,431.4
Plus:			
Deficiency Requirements	-	43.3	43.3
Adjudicated Claims	-	6.5	6.5
Refunds of Escheated Property	-	27.0	27.0
Less:			
Lapses	<u>(116.5)</u>	<u>(83.5)</u>	<u>(200.0)</u>
Total Expenditures	\$ 16,314.9	\$ (6.7)	\$ 16,308.2
Surplus/(Deficit) from Operations for FY 08	\$ 0.7	\$ 263.7	\$ 264.4

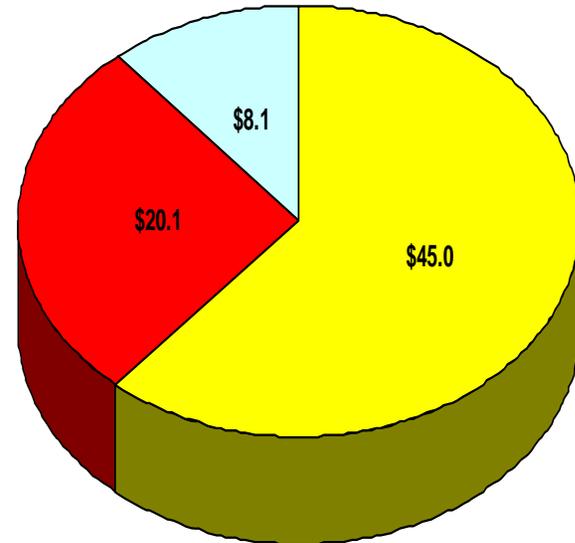
Changes in FY 08 Revenue Estimates

(figures in \$ millions)

Increases (\$330.2)



Decreases (\$73.2)



+

= \$257 M



* Net Personal Income Tax Equals \$290.1 M

Preliminary General Fund Budget Projections: FY 08 through FY 12

(figures in \$ millions)

FY 08	FY 09	FY 10	FY 11	FY 12
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Budget Overview:

	OFA Estimate as of Budget Passage 6/25/07 FY 08	OFA Revised Estimate 11/15/07 FY 08	OFA Estimate as of Budget Passage 9/20/07 FY 09	OFA Revised Estimate 11/15/07 FY 09	OFA Current Services Estimate 11/15/07 FY 10	OFA Current Services Estimate 11/15/07 FY 11	OFA Current Services Estimate 11/15/07 FY 12
Revenues	16,315.6	16,572.6	17,073.1	17,341.7	18,059.9	18,851.9	19,723.6
Expenditures	16,314.9	16,308.2	17,073.0	17,118.0	18,390.5	19,418.8	20,098.0
Balance	0.7	264.4	0.1	223.7	(330.6)	(566.9)	(374.4)
Spending Cap Comparisons (All Funds):							
Amount Total Appropriations Over (Under) Cap (assuming that 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)	690.4	690.4	(28.2)	(28.2)	258.6	324.2	(2.8)

Reasons for FY 10, FY 11 & FY 12 Spending Cap Problems and Shortfalls:

FY 10 - Restore FY 09 Expenditures from FY 07 Anticipated Surplus to FY 10 Appropriations (General Fund)	210.0	-	-
FY 10 - Unavailable One-Time Revenue Shift from FY 07 (\$80m) and FY 08 (\$16m) to FY 09 (General Fund)	96.0	-	-
General Fund Growth Rates (Adjusted):			
Revenue	4.2%	4.2%	4.4%
Expenditures	3.8%	5.8%	5.6%

OFA Current Services Projections

General Fund

(figures in \$ millions)

Major Accounts:

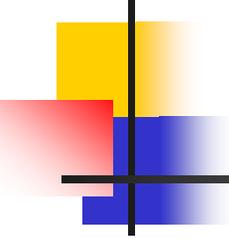
	Approp.	Approp.	OFA CS Projections		
	FY 08	FY 09	FY 10	FY 11	FY 12
DSS - Medicaid	3,559.5	3,724.0	3,910.2	4,105.7	4,311.0
Personal Services (incl. HE Operating Expenses & RSA)	3,040.9	3,183.0	3,326.2	3,492.5	3,667.2
SDE - Education Equalization Grants	1,809.2	1,889.2	1,973.0	2,060.0	2,150.0
Debt Service (including UConn 2000 & CHEFA Day Care Security)	1,399.0	1,543.9	1,618.5	1,643.8	1,657.2
Other Expenses	527.2	531.1	541.7	552.6	563.6
State Employees Retirement Contributions	481.8	504.4	529.5	555.4	583.5
State Employees Health Service Cost	444.5	500.0	525.0	551.3	578.8
Retired State Employees Health Service Cost	442.9	484.2	508.4	533.8	560.5
TRB - Retirement Contributions	428.6	329.3	698.8	726.7	755.8
DCF - Board and Care for Children (Residential, Foster & Adoption)	393.0	410.1	431.6	442.8	459.4
DDS - Community Residential Services	363.2	383.9	413.9	434.6	456.3
Employers Social Security Tax	219.0	232.2	239.2	255.5	253.7
DSS - State Administered General Assistance	176.3	183.4	192.6	202.2	212.3
DDS - Employment Opportunities and Day Services	157.3	167.5	178.8	186.0	193.4
SDE - Priority School Districts	130.0	124.2	128.0	132.0	136.0
SDE - Excess Cost - Student Based	124.6	133.9	150.0	161.0	172.0
PILOT - Private Property	115.4	115.4	115.4	115.4	115.4
DSS - Temporary Assistance to Families (TANF)	114.9	115.9	119.3	122.9	126.6
DSS - DMHAS-Disproportionate Share	105.9	105.9	105.9	105.9	105.9
SDE - Magnet Schools	103.5	121.5	139.5	143.5	147.5
DOC - Inmate Medical Services	99.5	104.2	115.6	121.2	126.7
DSS - Child Care Services-TANF/CCDBG	90.0	93.1	95.9	98.8	101.8
Workers' Compensation Claims (DPS, DDS, DMHAS, DOC, DCF, DAS)	86.9	89.8	98.1	104.1	110.8
DMHAS - General Assistance Managed Care	79.7	81.2	85.3	89.6	94.0
DMHAS - Grants for Mental Health Services	77.3	77.3	79.6	82.0	84.5
OPM - P.I.L.O.T. - New Manufacturing Machinery and Equipment	75.6	104.9	138.7	170.2	203.0
PILOT - State Property	73.0	73.0	73.0	73.0	73.0
DSS - Connecticut Home Care Program	58.7	63.1	66.2	69.5	73.0
DSS - Aid to the Disabled	56.8	59.3	61.0	62.9	64.7
DSS - Disproportionate Share-Medical Emergency Assistance	53.7	53.7	53.7	53.7	53.7
DSS - ConnPACE	51.2	56.5	60.9	66.4	72.4
SDE - Transportation of School Children	48.0	48.0	68.0	71.0	74.0
Judicial - Alternative Incarceration Program	45.9	46.1	47.9	49.9	51.9
DSS - HUSKY Program	43.6	52.3	54.9	57.7	60.6
DSS - Housing/Homeless Services	40.7	42.4	43.7	45.0	46.4
OPM - Private Providers (addtl. amts for FY 10 through FY 12 are reflected in other major accts. and adjustments on this sheet)	39.0	39.0	10.7	10.7	10.7
SDE - Charter Schools	35.3	40.7	42.0	43.0	44.0
DOC - Community Support Services	33.7	33.7	35.6	36.7	37.8

OFA Current Services Projections (continued)

General Fund

(figures in \$ millions)

Major Accounts:	Approp. FY 08	Approp. FY 09	OFA CS Projections		
			FY 10	FY 11	FY 12
DMHAS - Young Adult Services	32.4	39.4	41.4	43.5	45.6
DSS - Old Age Assistance	31.9	32.8	33.8	34.8	35.9
DSS - DSH-Urban Hospitals in Distressed Municipalities	31.6	31.6	31.6	31.6	31.6
Judicial - Juvenile Alternative Incarceration	30.8	30.9	36.7	49.1	51.1
DHE - Connecticut Aid for Public College Students	30.2	30.2	30.2	30.2	31.8
DMHAS - Managed Service System	29.8	29.9	31.3	32.9	34.6
Higher Education Alternative Retirement System	29.7	31.5	32.2	34.2	33.7
DMHAS - Grants for Substance Abuse Services	27.4	25.7	26.4	27.2	28.0
DDS - Early Intervention	26.9	28.2	29.6	30.2	30.8
DOL - Workforce Investment Act	25.9	25.9	23.9	23.9	23.9
DHE - Connecticut Independent College Student Grant	23.9	23.9	23.9	23.9	25.1
DCF - Community KidCare	23.6	23.6	25.7	26.2	26.7
SDE - Adult Education	20.6	20.6	21.5	22.4	23.4
OPM - Property Tax Relief Elderly Circuit Breaker	20.5	20.5	20.5	20.5	20.5
DDS - Cooperative Placements Program	19.8	20.1	21.0	21.8	22.6
OPM - Tax Relief for Elderly Renters	17.7	18.6	19.2	19.9	20.6
DCF - Individualized Family Supports	16.3	17.0	19.2	19.6	20.0
DOL - Jobs First Employment Services	16.2	16.3	16.5	16.7	16.9
Totals - Major Accounts	15,680.6	16,408.1	17,560.9	18,337.6	19,111.9
All Other Gross GF Appropriations	750.7	782.4	829.6	846.2	863.1
Gross GF Appropriations	16,431.4	17,190.5	18,390.5	19,183.7	19,975.0
Legislative Unallocated Lapses	(2.7)	(2.7)	(2.7)	(2.7)	(2.7)
Estimated Unallocated Lapses	(87.8)	(87.8)	(87.8)	(87.8)	(87.8)
General Personal Services Reduction	(15.0)	(14.0)	(14.0)	(14.0)	(14.0)
General Other Expense Reduction	(11.0)	(11.0)	(11.0)	(11.0)	(11.0)
DoIT Consultants Lapse	-	(2.0)	(2.0)	(2.0)	(2.0)
Net GF Appropriations	16,314.9	17,073.0	18,273.0	19,066.2	19,857.5
Ongoing Impact of Pot. FY 08 Deficiency Reqs. (not included above)	-	-	17.6	18.0	18.3
Generally Accepted Accounting Principles (GAAP)	-	-	55.4	126.0	126.0
27th Payroll Cost	-	-	-	133.0	-
DSS - Charter Oak Health Plan	-	-	20.0	20.0	20.0
Juvenile Jurisdiction Age Change (not included above)	-	-	24.5	55.6	76.2
Adjusted Net GF Appropriations	16,314.9	17,073.0	18,390.5	19,418.8	20,098.0
Revenue	16,315.6	17,073.1	18,059.9	18,851.9	19,723.6
Projected Surplus/(Deficit)	0.7	0.1	(330.6)	(566.9)	(374.4)



Long-Term Obligations

(in billions)

Debt Outstanding ¹	\$14.4
State Employee Pensions – Unfunded	7.9
Teachers’ Pensions – Unfunded	6.9
State Post Retirement Health and Life – Unfunded ²	21.7
Teachers’ Post Retirement Health and Life - Unfunded	2.2
Generally Accepted Accounting Principles (GAAP) Deficit	<u>1.1</u>
Total	\$54.2

¹As of 8/31/07; Source: Office of the State Treasurer

²Pursuant to requirements of Statement 45 of the Government Accounting Standards Board (GASB) the state quantified its liability for other post employment benefits (OPEB) with an actuarial valuation as of April 2006. According to the valuation, if the state were to address this liability on an advance funding basis, the OPEB expense would be substantially reduced to \$11.4 billion.