



# Fiscal Accountability Presentation



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Director

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# Our FAR Journey

**Current Fiscal Year**

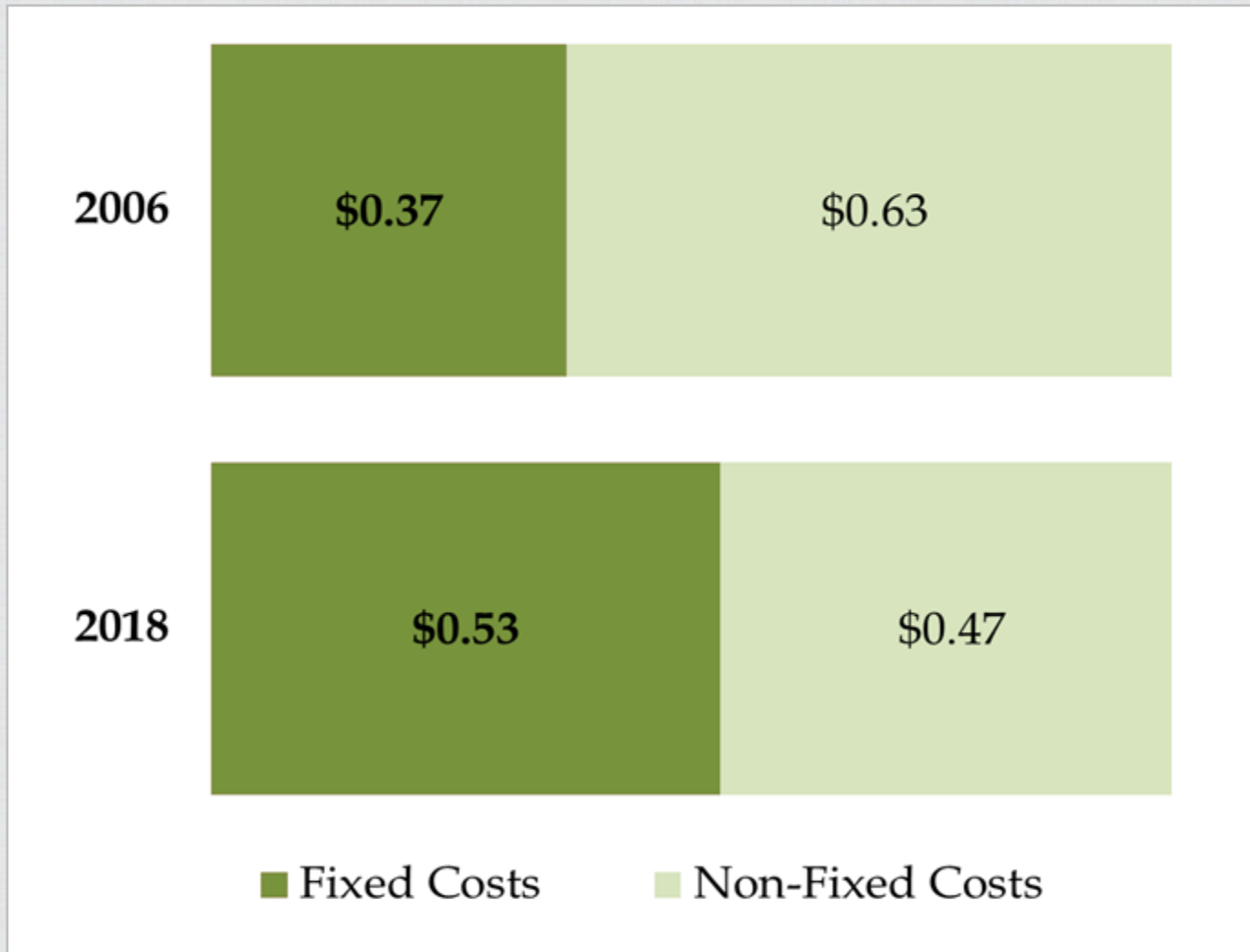
**Out Years (FY 18 – FY 20)**

**Fiscal Horizon: Areas of Concern**

# Fixed Cost Categories

<b>Fixed Costs</b>	<b>Non-Fixed Costs</b>
Entitlements	Education (Lower & Higher)
Debt Service	Municipal Aid
Pension Payments	Salary, Wages and Health Benefits
Retiree Healthcare Costs	Criminal Justice
Adjudicated Claims	Environment & Economic Development
	Public Safety

# Estimated Fixed Costs as a Proportion of General Fund Expenditures



# General Fund Summary

In Millions of Dollars

Summary	FY 17
Budgeted Balance	22.7
<b>Revenue</b>	
Budgeted	17,886.7
Personal Income Tax	(66.5)
Sales & Use Tax	(48.9)
Other Revenue	69.5
<b>Subtotal</b>	<b><u>(45.9)</u></b>
<b>TOTAL</b>	<b>17,840.8</b>
<b>Expenditures</b>	
Net Appropriated	17,864.0
Agency Deficiencies	<u>54.3</u>
<b>TOTAL</b>	<b>17,918.3</b>
<b>SURPLUS/(DEFICIT)</b>	<b>(77.5)</b>

# General Fund Outlook

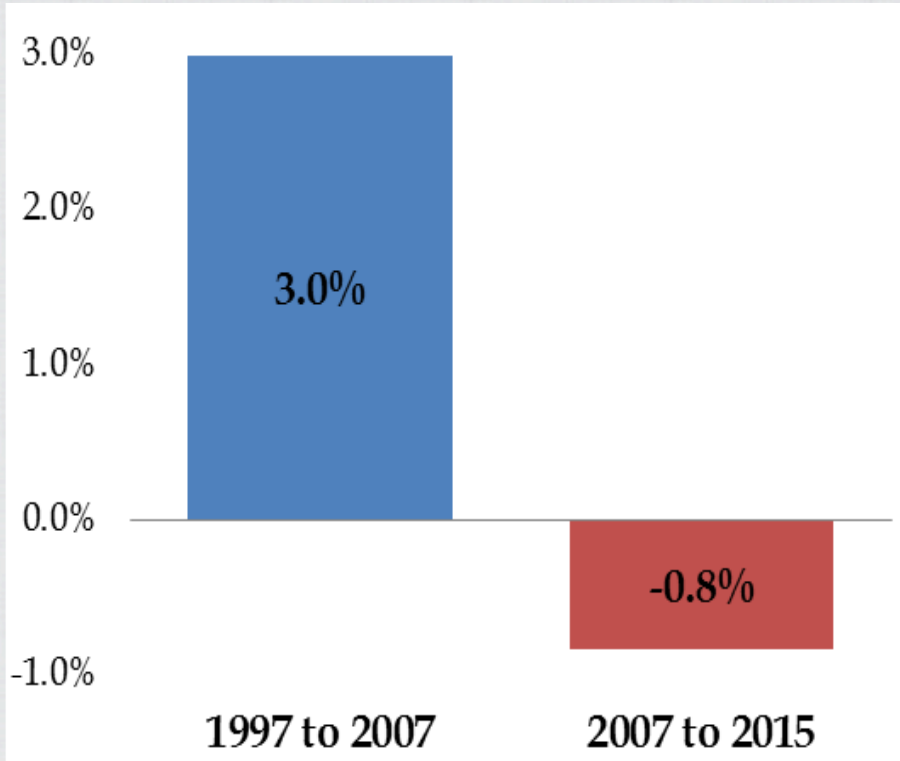
In Millions of Dollars

Category	FY 17	FY 18	FY 19	FY 20
<b>Revenues</b>				
November Consensus Revenue	17,840.8	17,651.1	18,014.6	18,465.7
<b>Expenditures</b>				
Previous Year Expenditure		17,918.3	17,651.1	17,930.2
Teachers' Pension & Retiree Health		297.4	46.4	47.8
Debt Service		244.6	(65.8)	155.7
State Employee Pension & Retiree Health		192.3	122.9	98.6
Medicaid & Other Entitlements		176.9	175.4	183.5
Adjudicated Claims		(12.5)	0.1	(0.3)
<b>Subtotal</b>		<b>898.7</b>	<b>279.1</b>	<b>485.3</b>
Expenditure Reduction		(1,165.9)	-	-
<b>Subtotal</b>	<b><u>17,918.3</u></b>	<b><u>17,651.1</u></b>	<b><u>17,930.2</u></b>	<b><u>18,415.5</u></b>
<b>BALANCE</b>	<b>(77.5)</b>	<b>-</b>	<b>84.4</b>	<b>50.2</b>

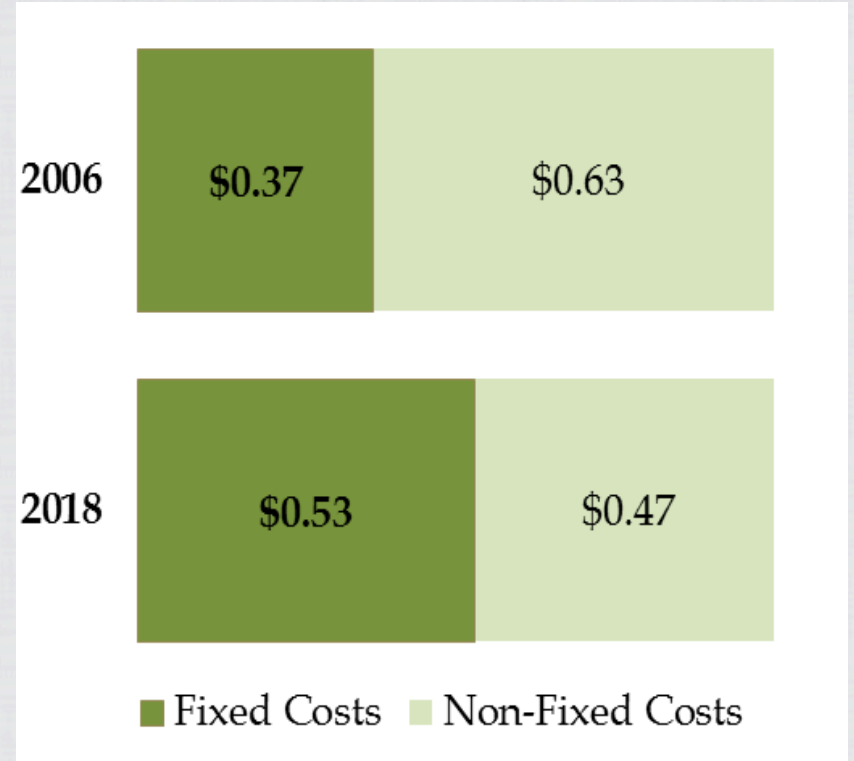
# Structural Imbalance

## Revenues

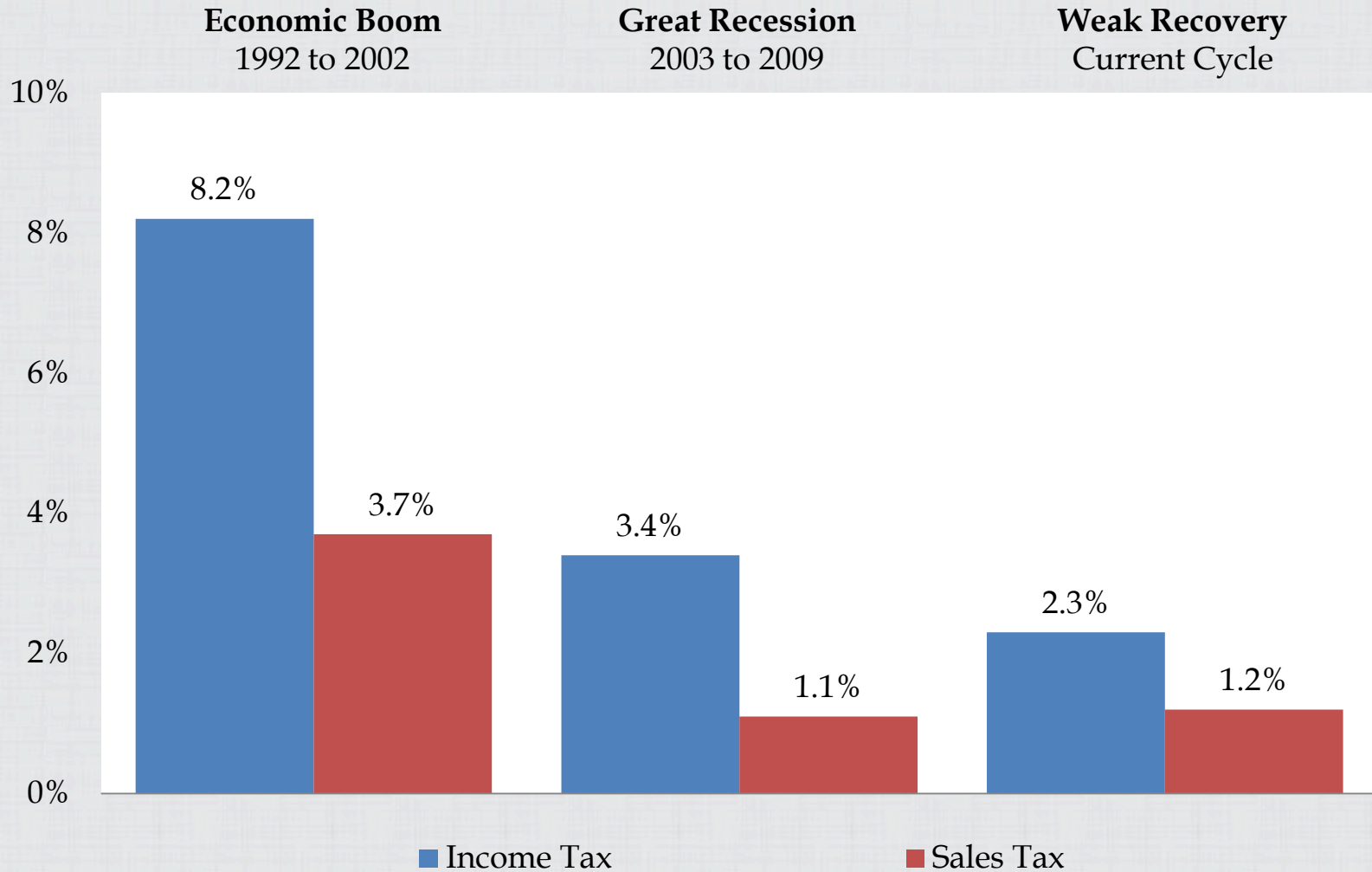
Gross State Product (GSP)



## Expenditures



# Sustained Tax Growth Rates



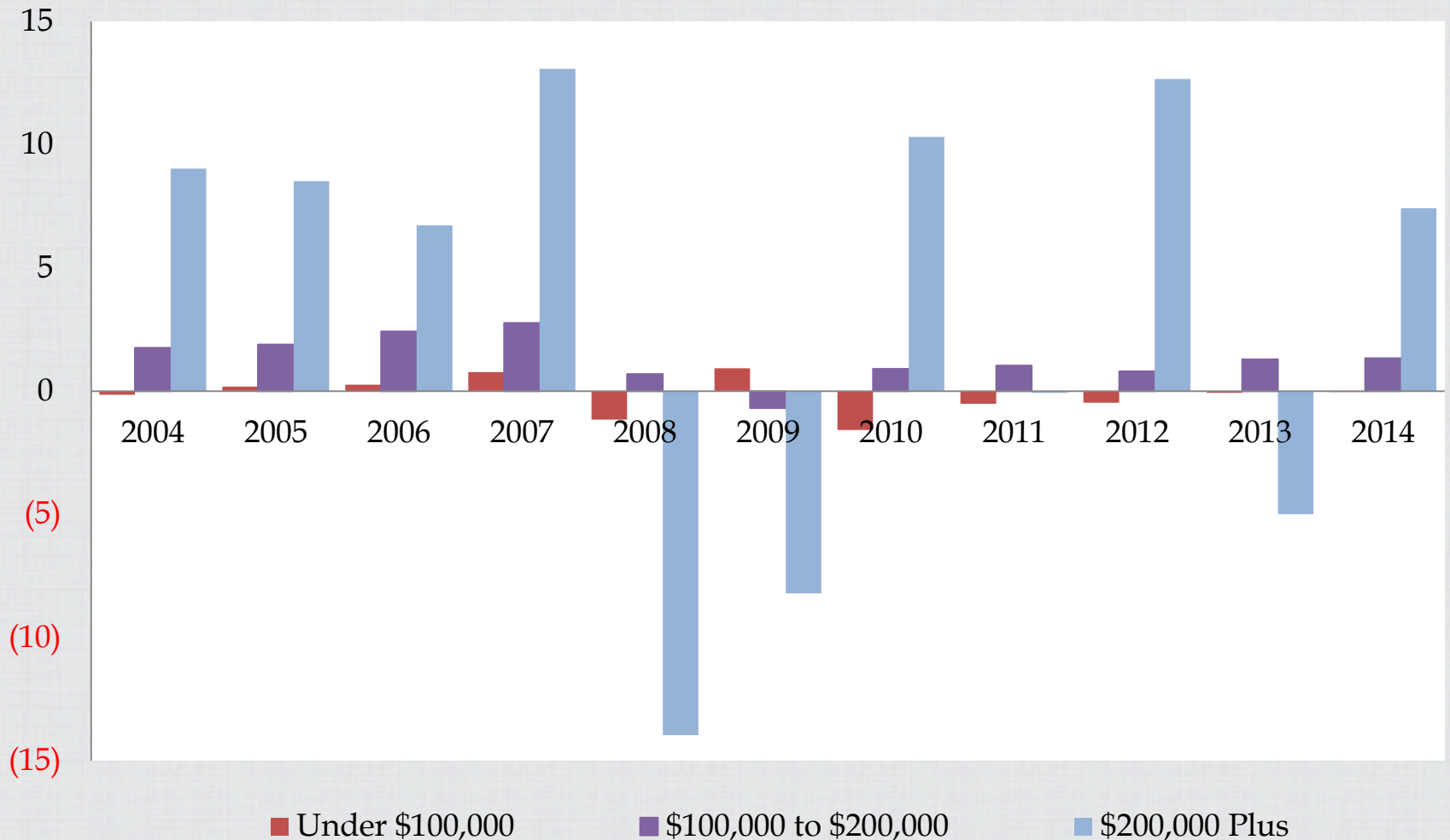


# Growth in Federal Adjusted Gross Income

<b>Region</b>	<b>Before Recession 2003 to 2007</b>	<b>Recession &amp; Recovery 2008 to 2014</b>	<b>Recession 2008 to 2009</b>	<b>Recovery 2010 to 2014</b>
CT	10.7%	0.5%	-7.1%	4.1%
MA	9.2%	2.4%	-5.4%	6.3%
NY	11.3%	1.7%	-4.5%	5.1%
NJ	8.3%	1.1%	-5.4%	3.6%
RI	6.6%	1.2%	-4.8%	4.0%
USA	9.5%	1.9%	-4.5%	4.9%

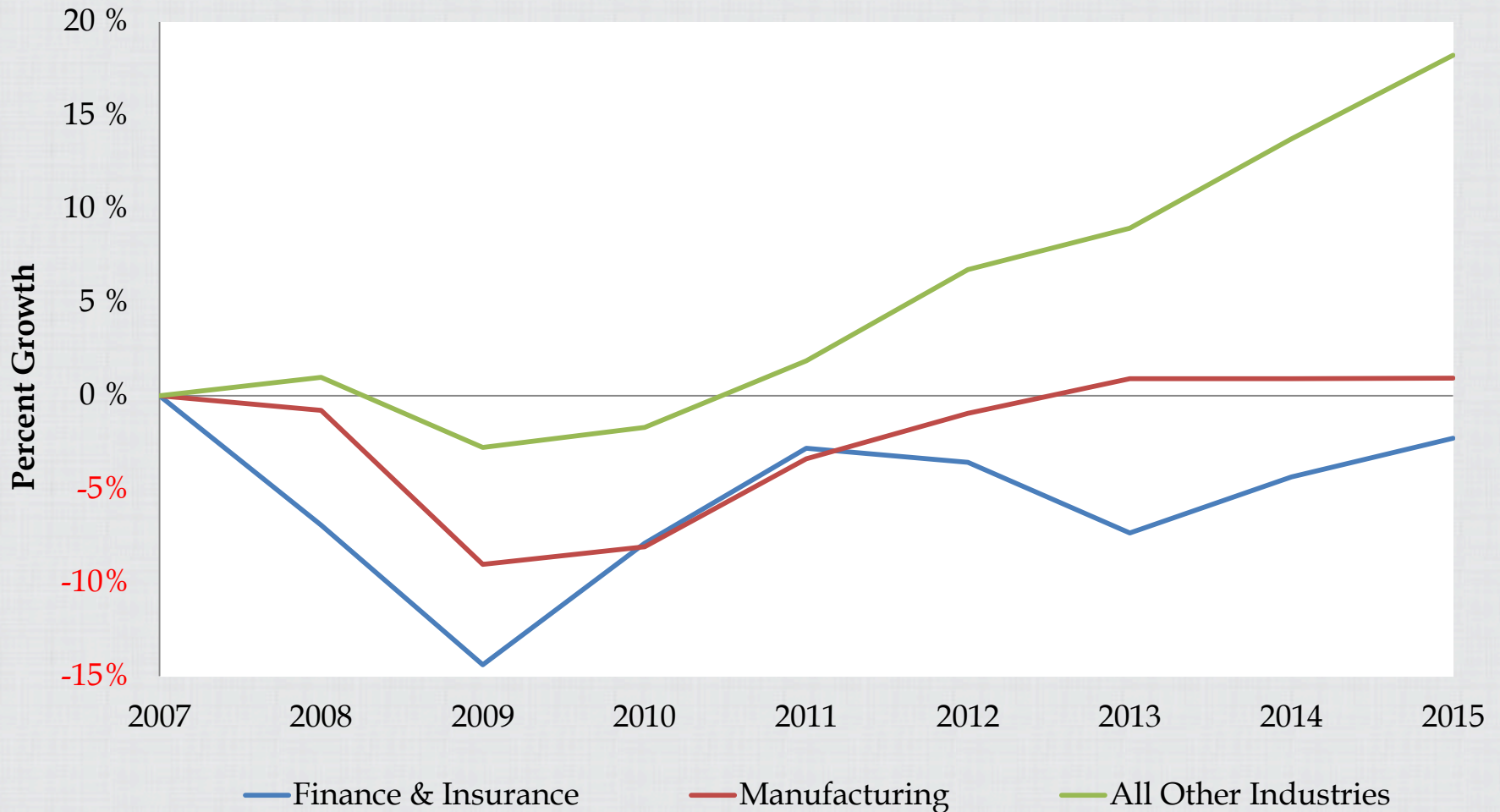
# Growth in Federal Adjusted Gross Income

In Billions of Dollars



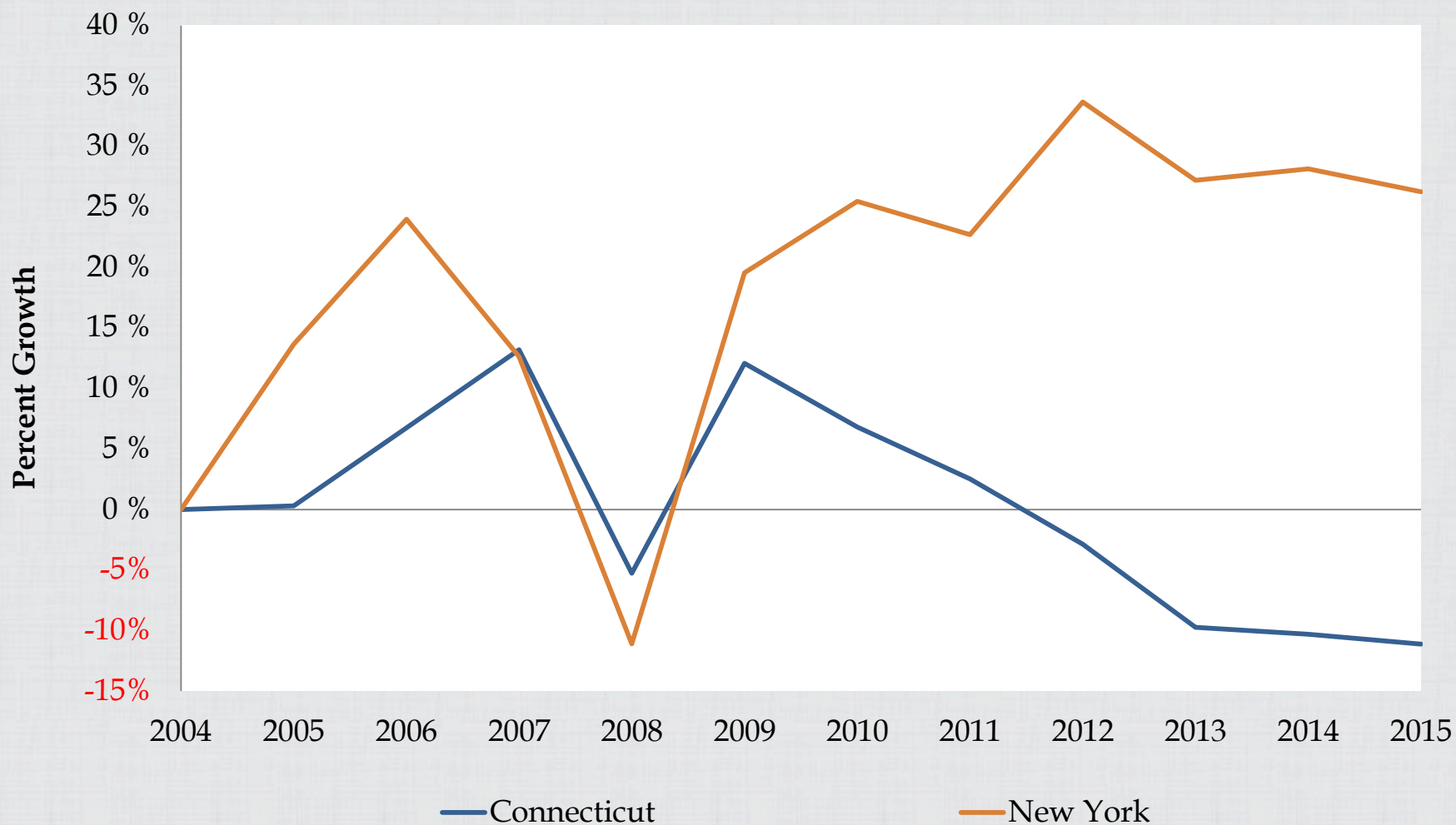
Source: Statistics of Income (SOI), IRS

# Salary & Wage Growth since 2007

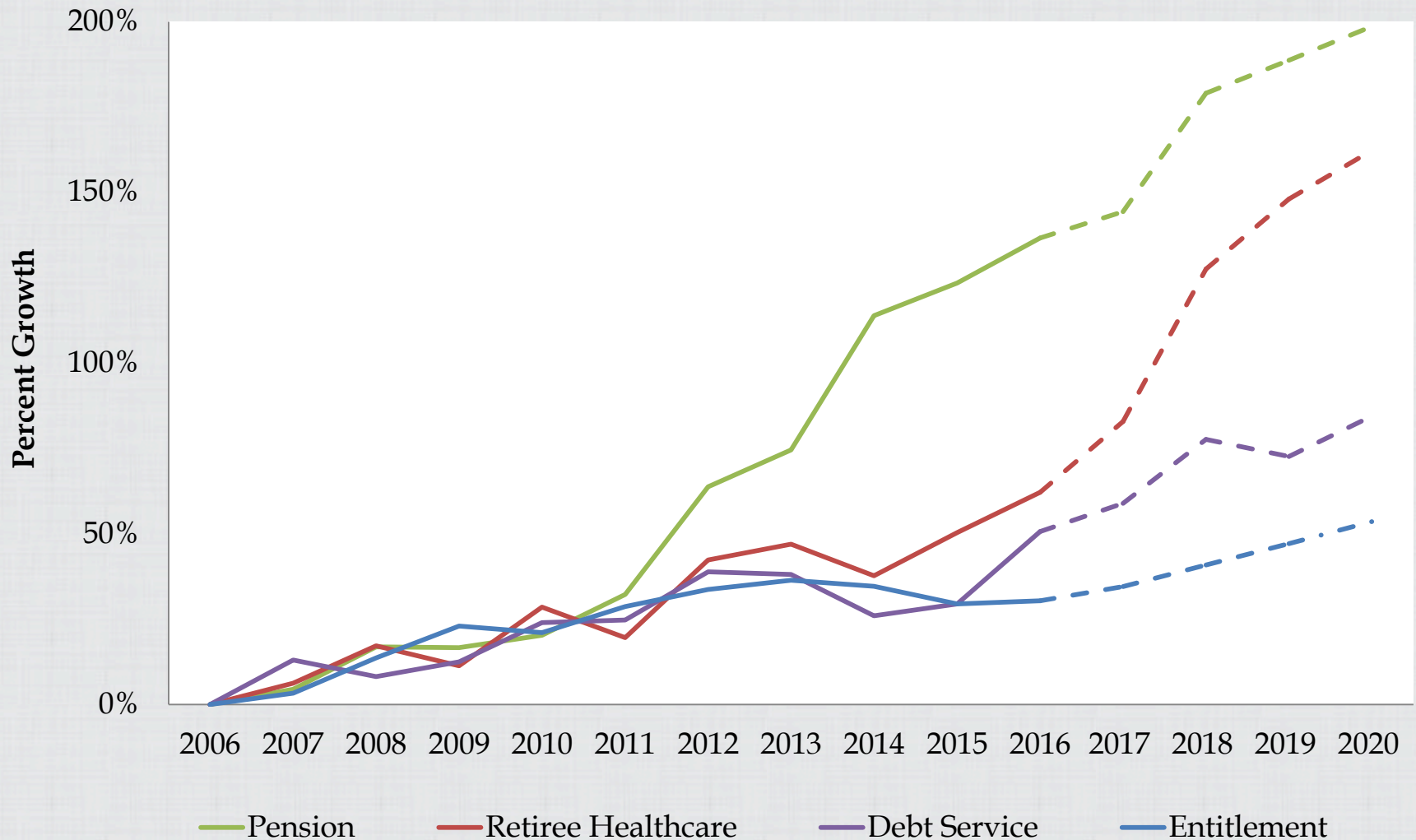


Source: Connecticut Department of Labor

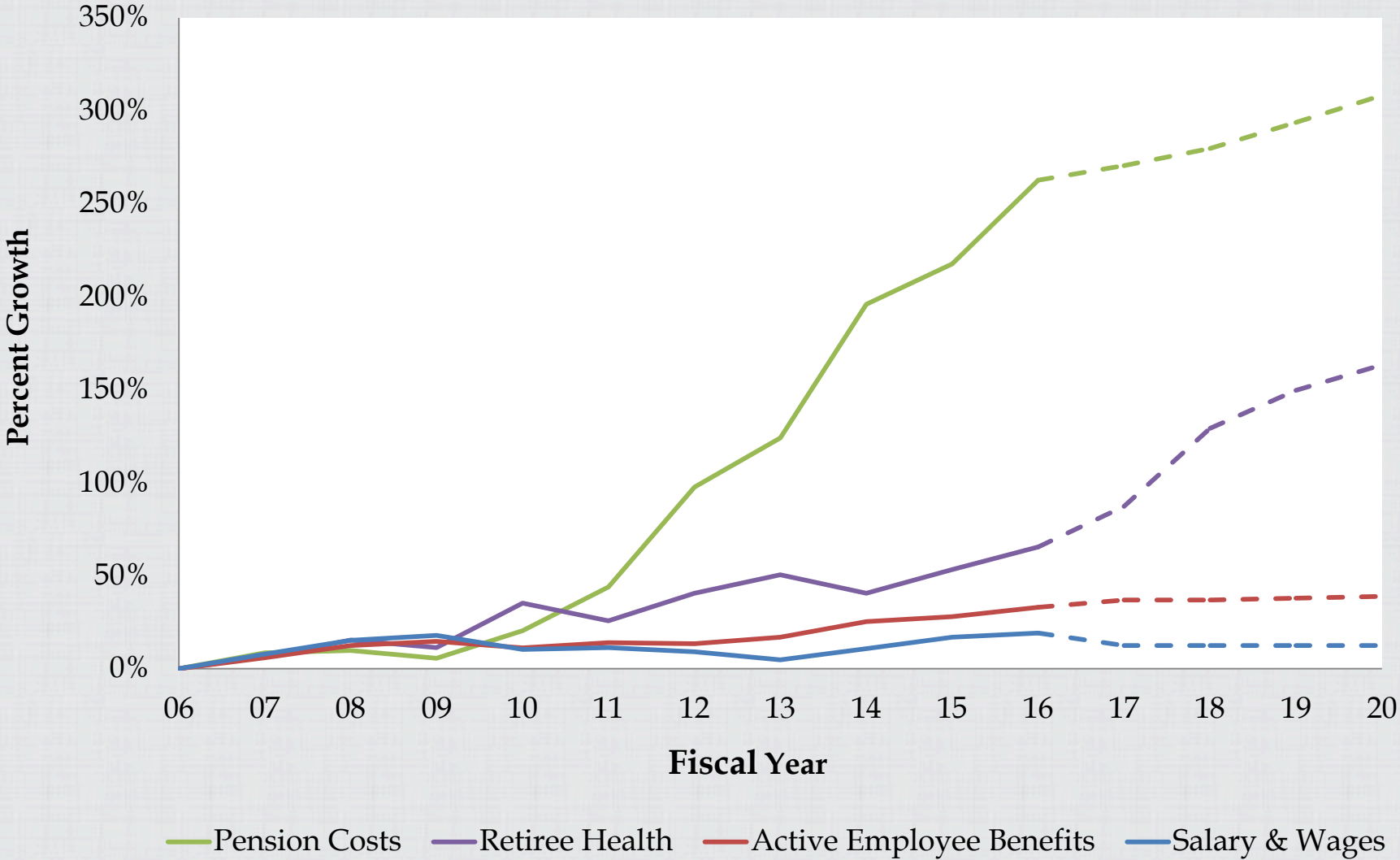
# Finance & Insurance Industry Trends in GSP



# Fixed Cost Trends



# Personnel Growth Trends

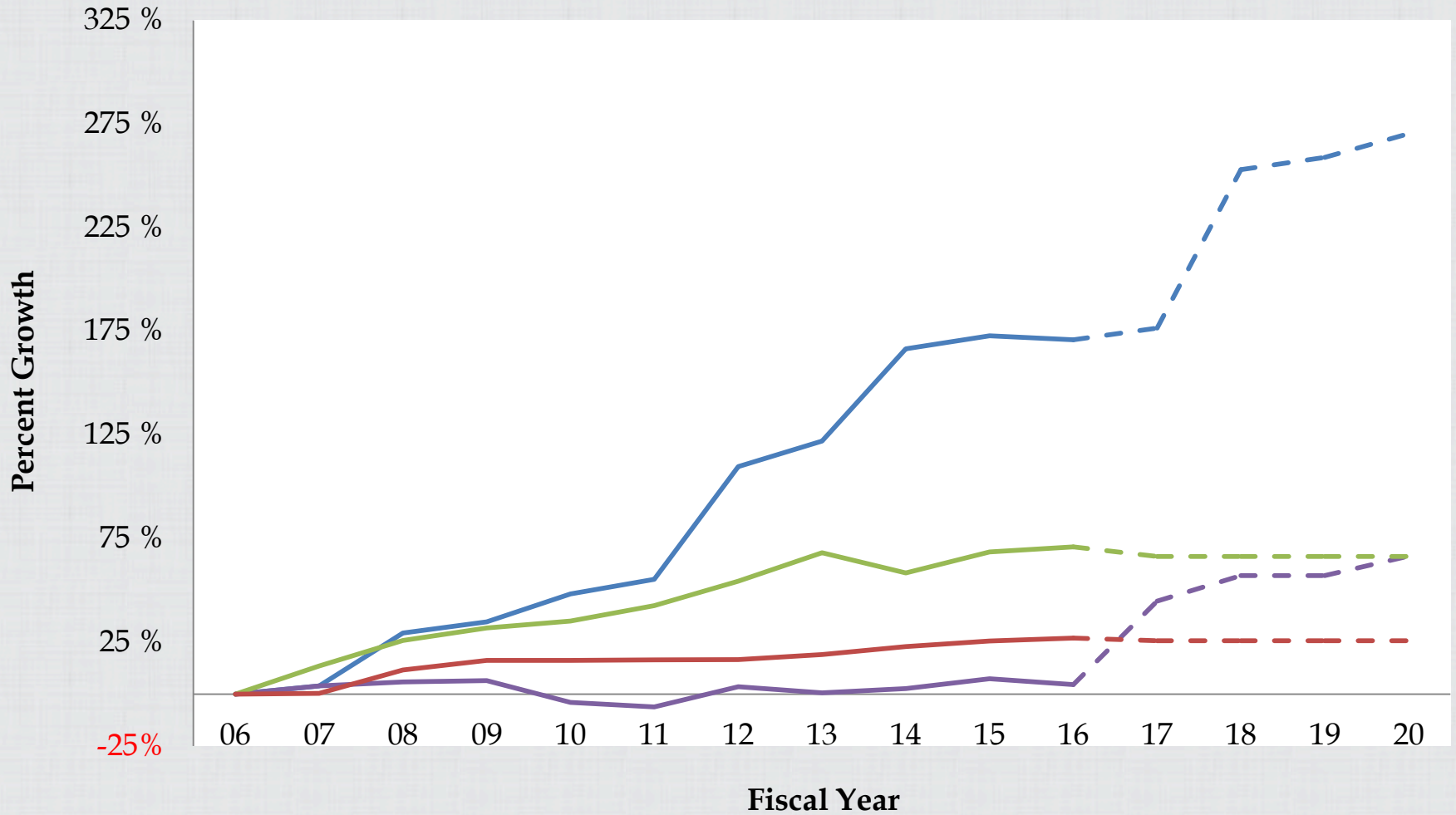


# Trends in State Employees' Retirement System

In Millions of Dollars



# Trends in Municipal Aid

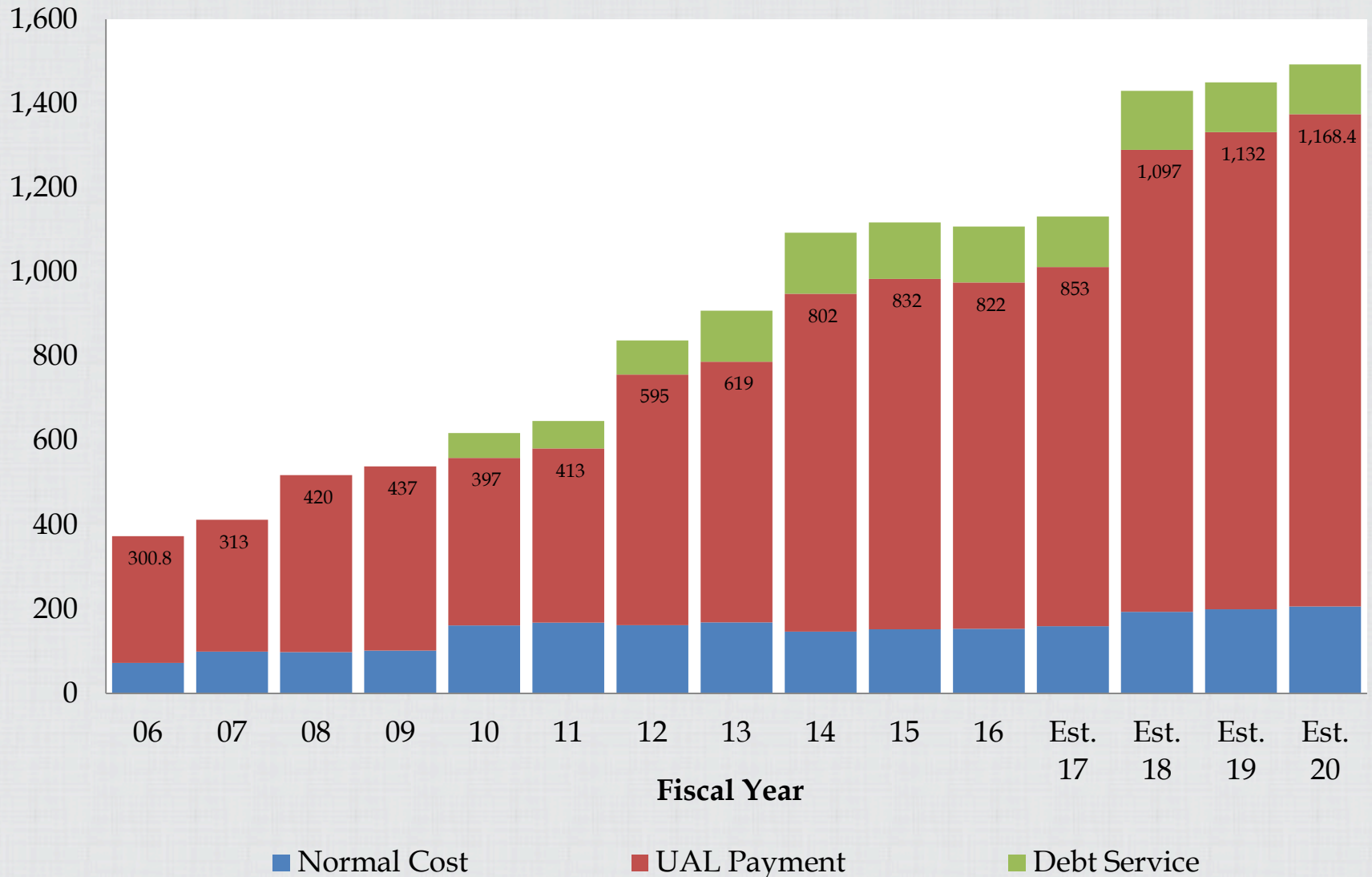


— Teachers' Retirement System — Property Tax Relief — Other Education Aid — ECS



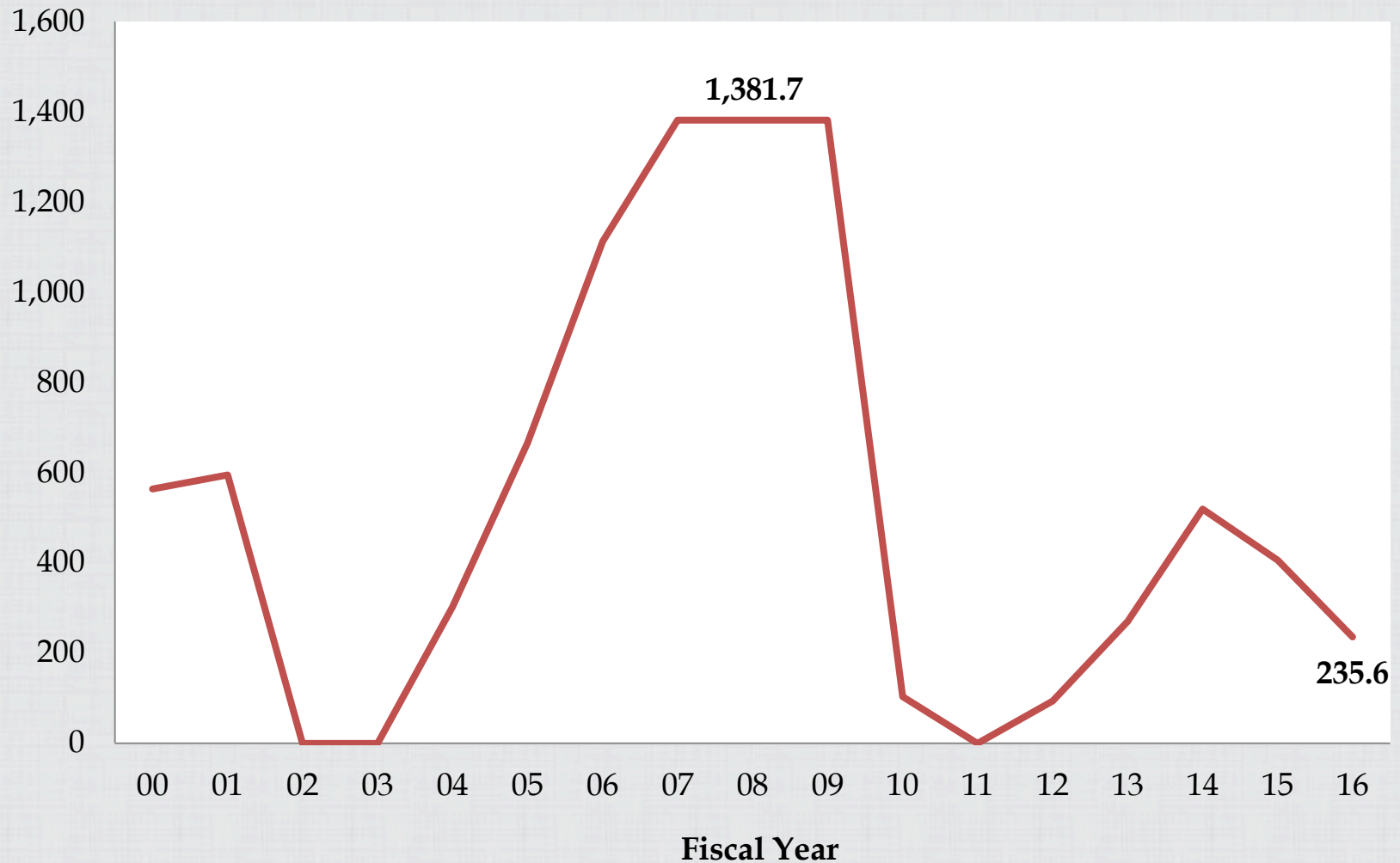
# Teachers' Retirement System Pension Costs

In Millions of Dollars



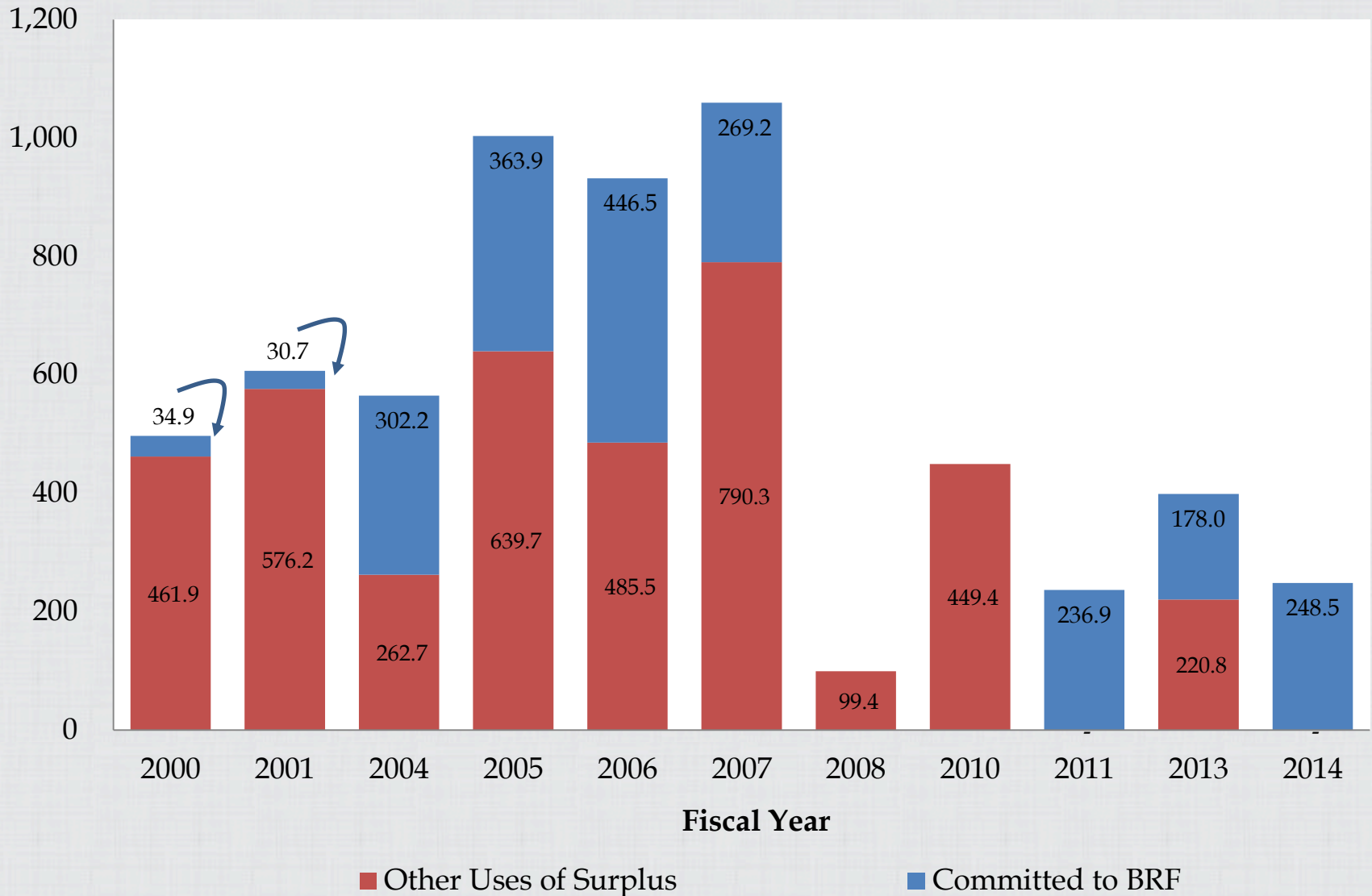
# BRF's FY Ending Balances

In Millions of Dollars

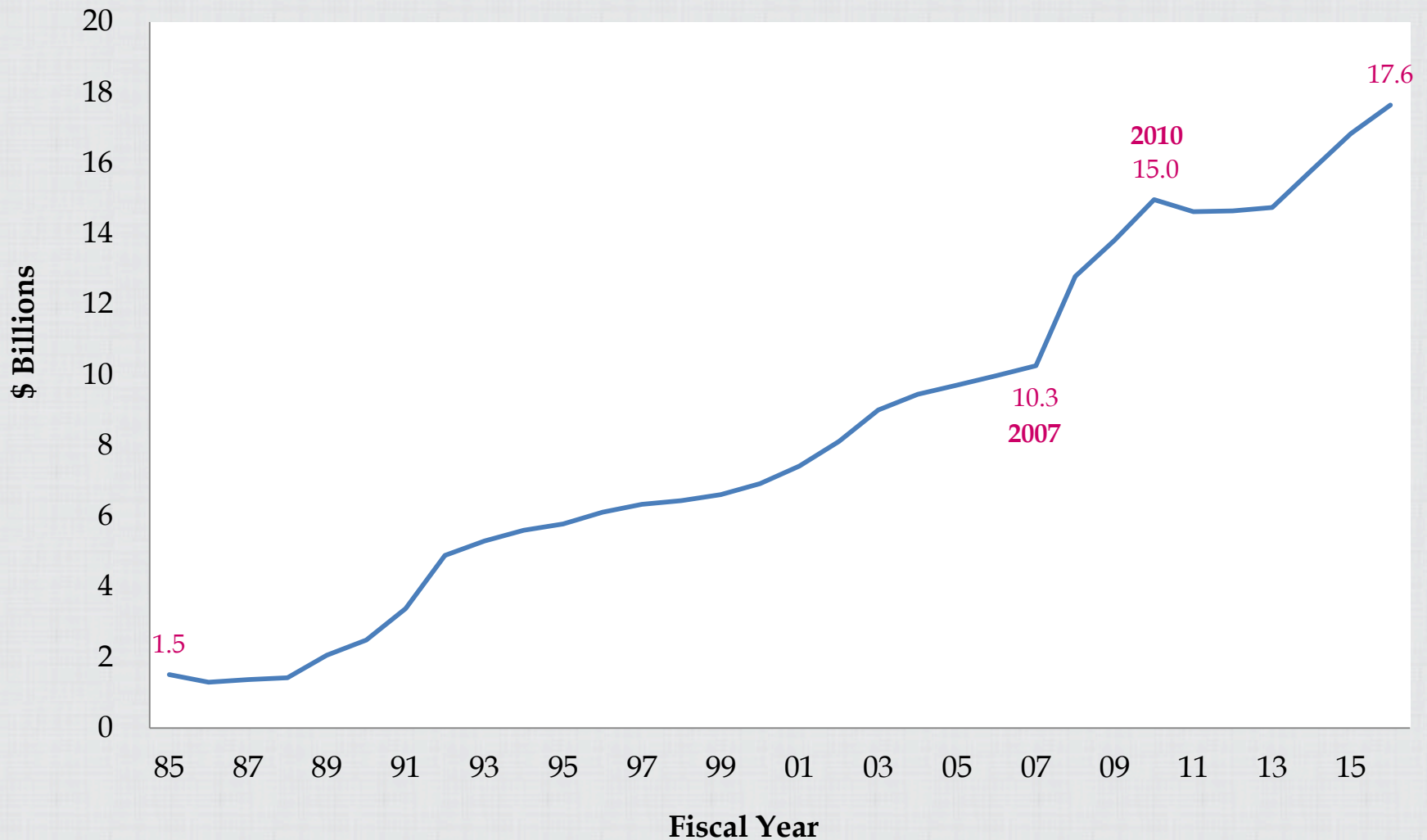


# Amount of Surplus Committed to the BRF

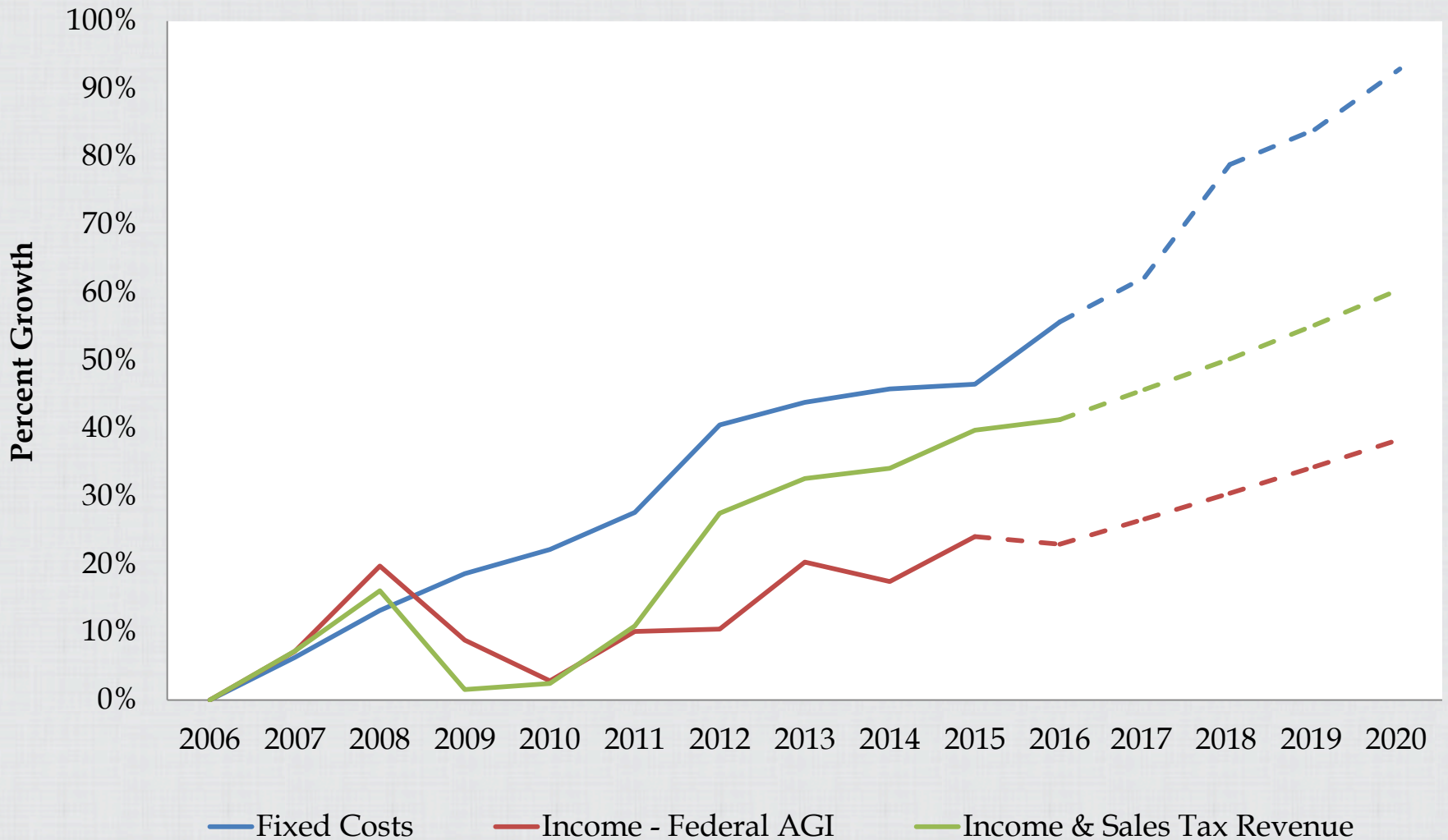
In Millions of Dollars



# Growth in General Fund Supported Debt



# Diverging Growth Projections



# Transportation Fund Summary

In Millions of Dollars

Summary	FY 17
Balance as of 7/1/16	142.8
Budgeted Operating Balance	1.0
<b>Revenue</b>	
Budgeted	1,464.4
Sales and Use Tax	(5.2)
Petroleum Gross Earnings Tax (Oil Companies)	(12.7)
Motor Vehicle Receipts	(5.4)
<b>Subtotal</b>	<b>1,441.1</b>
<b>Expenditures</b>	
Net Appropriated	1,463.4
Agency Lapses	(9.3)
<b>Subtotal</b>	<b>1,454.1</b>
<b>SURPLUS/(DEFICIT)</b>	<b>(13.0)</b>
<b>Projected Balance as of 6/30/17</b>	<b>129.8</b>

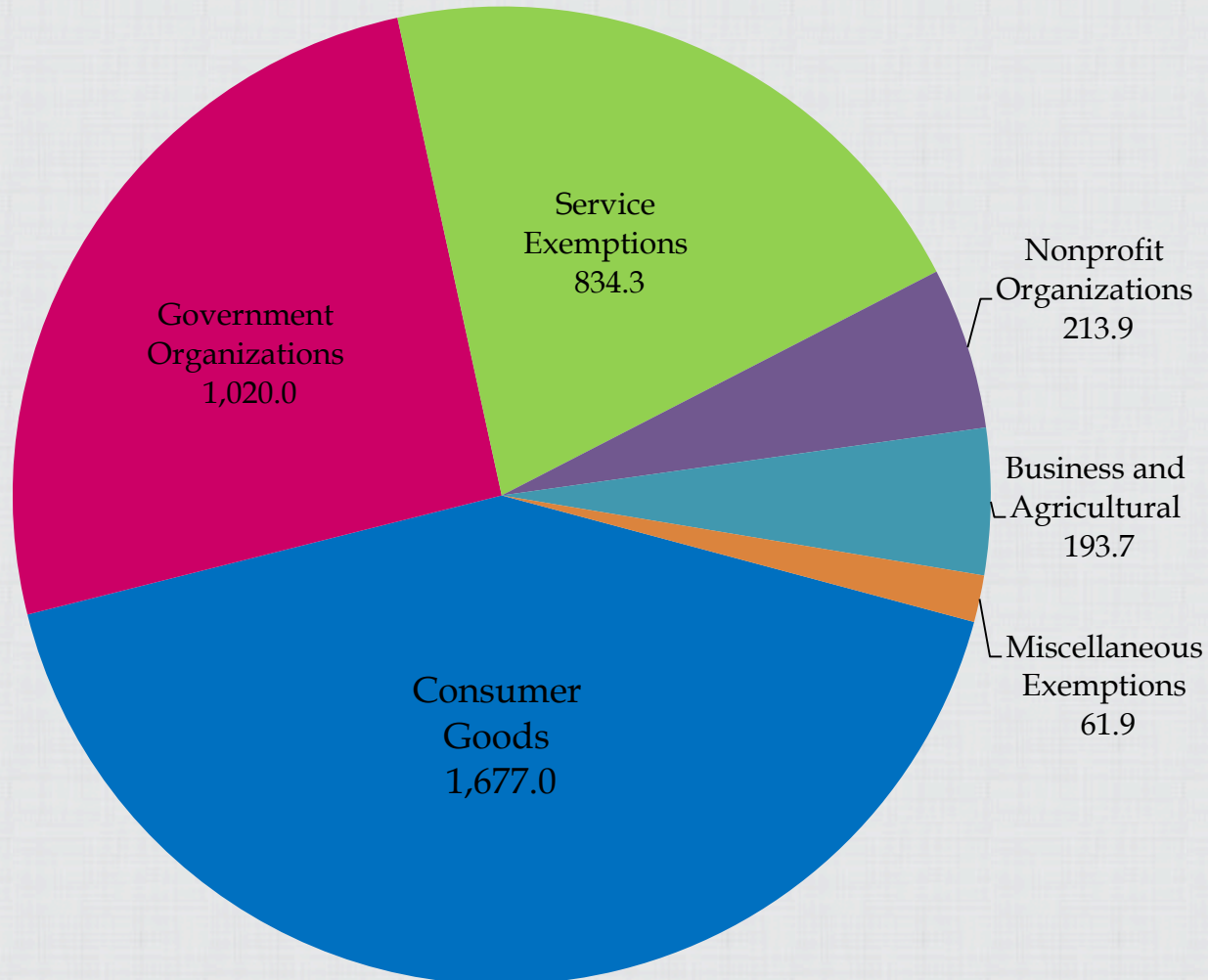
# Summary of Major Identifiable State Tax Expenditure Estimates<sup>1</sup>

In Millions of Dollars

<b>Tax Category</b>	<b>FY 17</b>	<b>FY 18</b>	<b>FY 19</b>	<b>FY 20</b>
Sales and Use	4,000.8	4,110.6	4,233.7	4,360.3
Motor Fuels and Motor Carrier Road	1,767.4	1,754.4	1,782.6	1,810.8
Personal Income	455.9	493.7	515.0	535.2
Petroleum Companies Gross Earnings Corporation	318.1	346.7	383.1	429.2
Insurance Premiums	77.4	65.6	65.8	142.7
Public Service Companies Gross Earnings	100.5	102.4	104.3	106.2
Health Provider	58.2	61.8	59.7	39.4
Admissions and Dues	23.9	23.5	23.5	23.5
Miscellaneous	8.3	8.5	8.7	8.9
Unified Estate and Gift	8.0	8.0	8.0	8.0
Cigarette	3.3	3.1	2.9	2.8
Real Estate Conveyance	1.4	1.4	1.4	1.4
<b>TOTAL</b>	<b>7,098.7</b>	<b>7,244.0</b>	<b>7,453.0</b>	<b>7,739.2</b>

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

# Sales Tax Expenditures by Category (FY 17)





# Questions and answers to follow OPM's presentation

