

Orientation to Revenue Item Details Report

Revised Policies Details

1 → Personal Income

3

4

2 → Revenue Components	Governor FY 15 \$	Legislative FY 15 \$	Difference FY 15 \$
January Consensus	9,513,900,000	9,513,900,000	-
April Consensus Update	-	(246,400,000)	(246,400,000)
Policy Estimates and Updates	(26,100,000)	(3,000,000)	23,100,000
Total - General Fund	9,487,800,000	9,264,500,000	(223,300,000)

5 → April Consensus Update

5a →	Governor FY 15 \$	Legislative FY 15 \$	Difference FY 15 \$
	-	(246,400,000)	(246,400,000)

5b → The April Consensus estimates for FY 15 are lower than the January Consensus by \$246.4 million, due to the following: A) a net \$389.1 million decrease in the FY 14 estimate which effectively lowered the FY 15 revenue base, B) a \$200 million increase in the FY 15 revenue base which is the estimated revenue impact of behavioral changes on the part of taxpayers in FY 14 in reaction to federal tax changes, and C) a reduction in the aggregate FY 15 growth rate from 5.9% to 5.3% (consisting of a reduction in the withholding growth rate from 3.7% to 3.0%, and the estimated and final payments growth rate from 9.0% to 8.9%).

Policy Revisions

6 → 6a → Extend Angel Investor Tax Credit

6b →	Governor FY 15 \$	Legislative FY 15 \$	Difference FY 15 \$
	(3,000,000)	(3,000,000)	-

6c → **Background:** The Angel Investor Tax Credit program provides an Income Tax credit equal to 25% of an eligible cash investment of not less than \$25,000 in the qualified securities of a Connecticut business by an angel investor. Total credits allowed to any one investor cannot exceed \$250,000 and must be claimed in the year in which the eligible investment is made. The program is scheduled to sunset on July 1, 2014.

6d → **Governor:** Extend the Angel Investor Tax Credit program through July 1, 2016. Section 7 of SB 28, 'AAC Revenue Items to Implement the Governor's Budget,' extends the tax credit, establishes a recapture provision applying to specific circumstances, and requires Connecticut Innovations, Incorporated to review the effectiveness of the credit annually.

6e → **Legislative:** Same as Governor, except the recapture provision is not enacted. Section 51 of PA 14-47, the FY 15 Revised Budget, enacts this provision.

Explanation

- (1) This section indicates the name of the revenue source. Report #4 provides information about each revenue source in the General Fund (GF). Report #8 uses the identical format and provides the same information for Special Transportation Fund (STF) revenue sources. 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) This column indicates 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.
- (4) This column 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.
- (5) This section provides information about the difference between the April Consensus adjustment and the January baseline estimate. (5a) shows the value of the difference and (5b) 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.
- (6) This section provides information on all policy changes proposed by either the Governor or in the adopted budget: (6a) indicates the title of a policy change; (6b) shows the estimated revenue impact of the policy change; (6c) provides a textual explanation of relevant background information; (6d) is a textual description of the Governor's proposed policy change, including legislative, statutory or other references; and (6e) 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 year². 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 Governor³ 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.⁴

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.

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

³CGS 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.

⁴CGS 2-35 governs the adoption of revenue estimates by the Finance, Revenue and Bonding Committee in support of the state budget act.