Where Does The Money Come From?
Where Does the Money Go?

An Overview of the State's Revenues and Expenditures

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Office of Fiscal Analysis

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Office of Fiscal Analysis
Connecticut General Assembly

- We are a Non-partisan Professional Staff Office
- We Serve the Appropriations & Finance Committees, Legislative Leadership, Substantive Committees, Rank and File Legislators
- We Conduct Research on Programs, Budget Recommendations, and New Initiatives
- We Provide Legislative Oversight of State's Annual $16 Billion Budget

OFA Staff Role

- Analyze Current Services Estimates, Track & Forecast Expenditure & Revenue Levels
- Develop Forecasting Models
- Develop Out-Year Expenditure & Revenue Projections
- Estimate Costs and Program Impact for All Legislative Budgetary Changes
- Record Legislative Intent
- Assist in Developing Alternative Proposals
- Analyze Fiscal Impact of All Bills & Amendments
- Prepare & Publish Budget Book Based on Final Action
- Present an Annual Fiscal Accountability Report to the Appropriations and Finance Committees

STATE BUDGET- FY07

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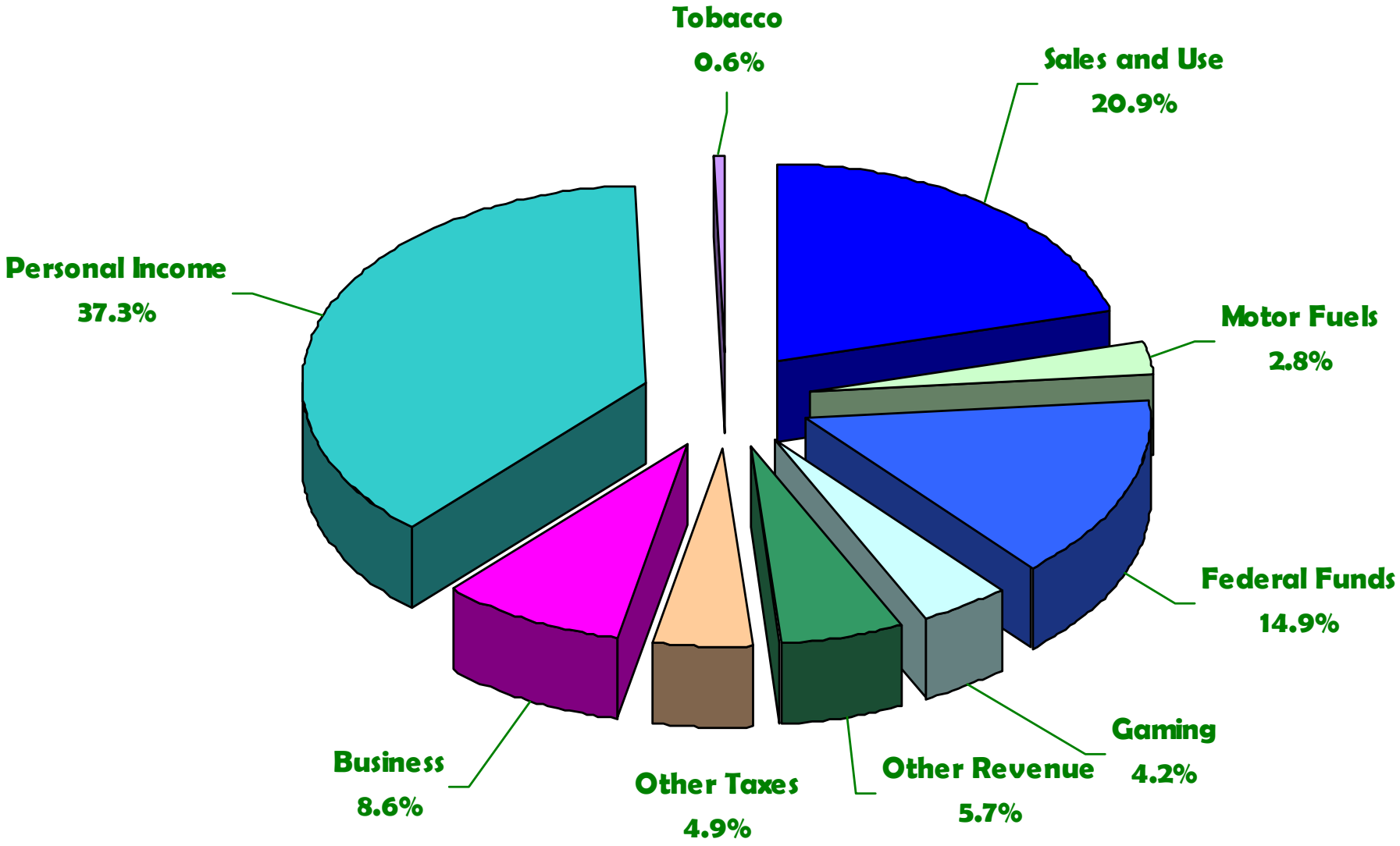
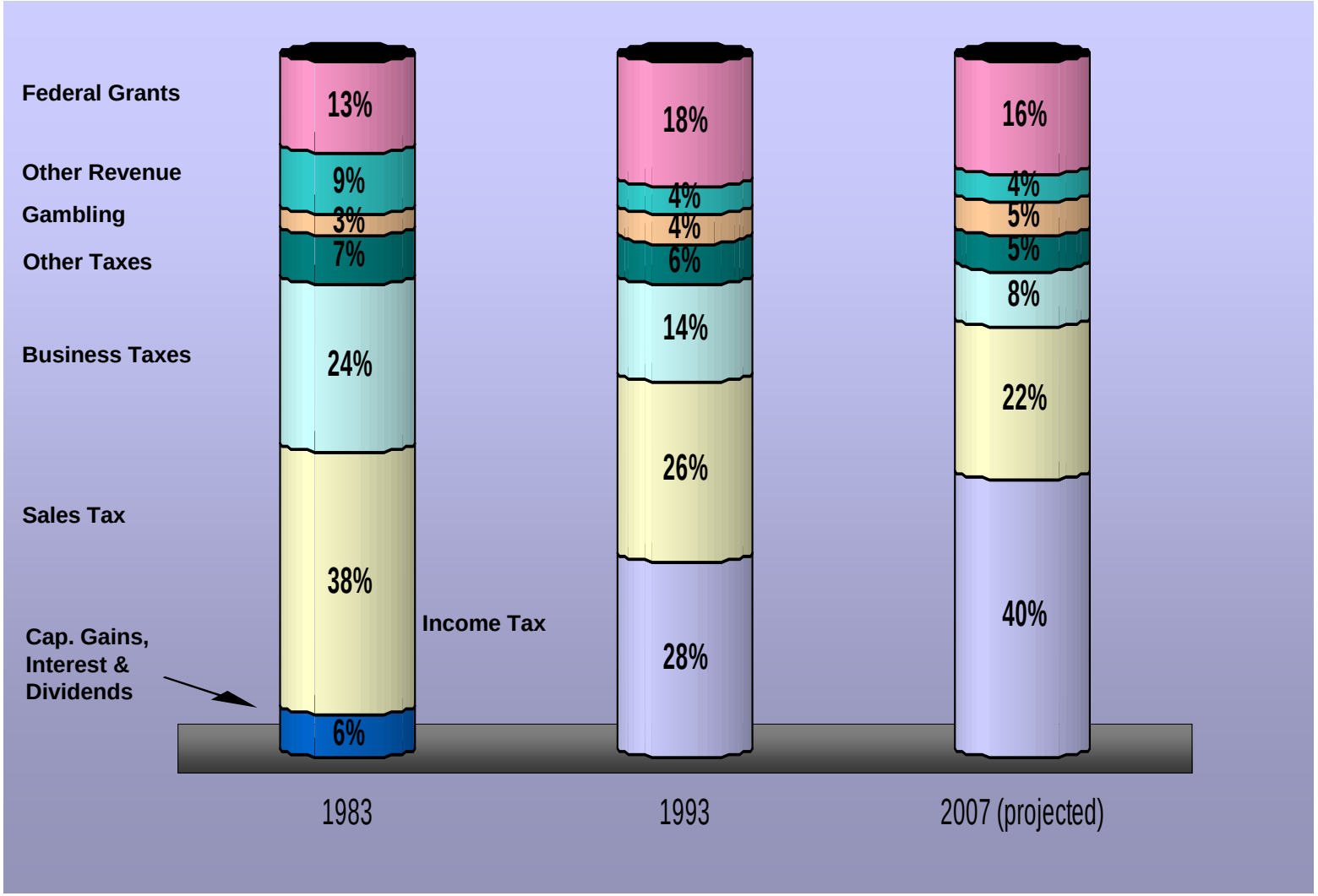
REVENUE
(All Appropriated Funds)
FY 07 $16,279.7 Million



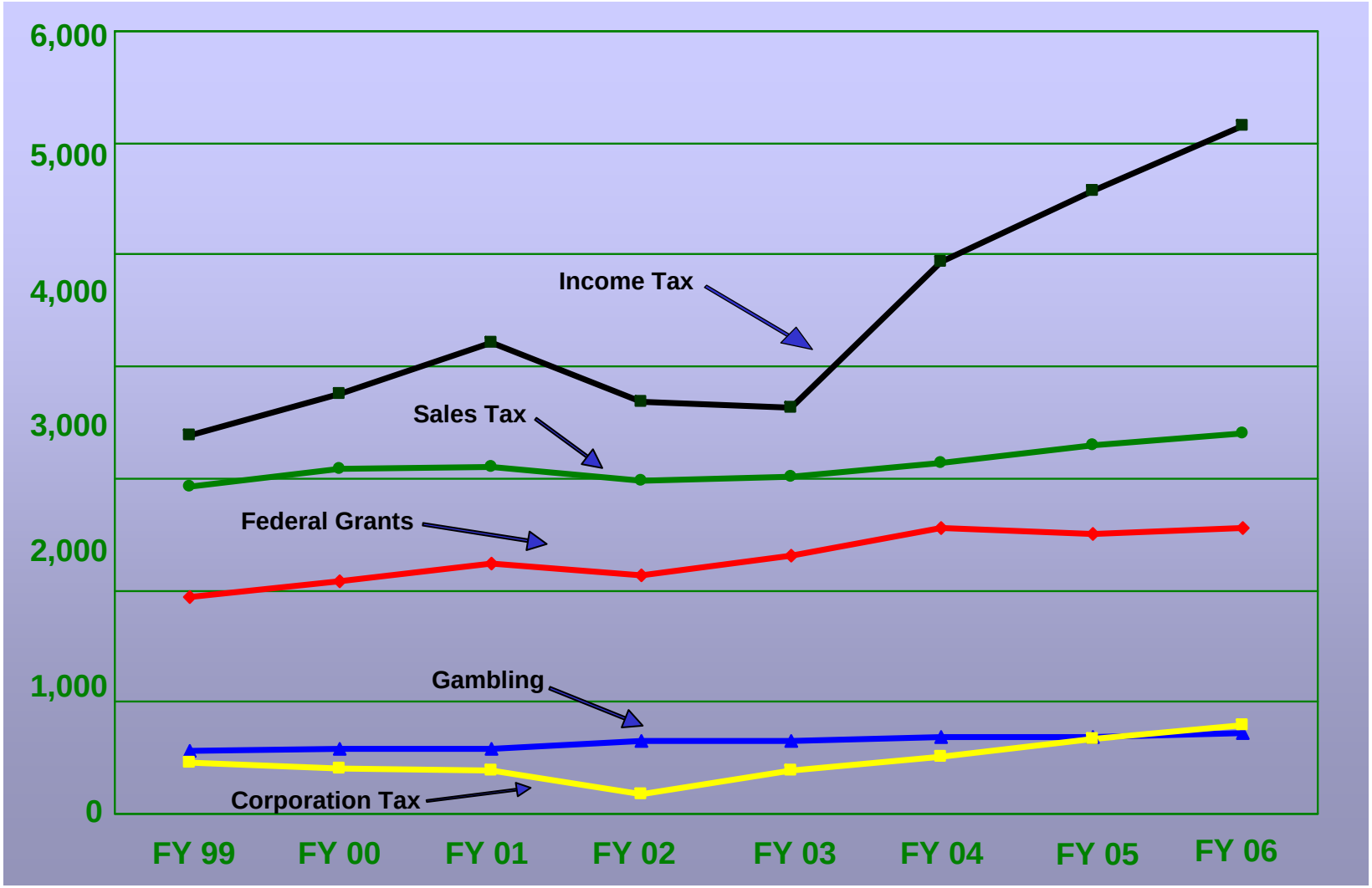
Source: Office of Fiscal Analysis

General Fund Revenue History



Source: Comptroller's Annual Report and Office of Fiscal Analysis

Revenue Since 1999



Source: Comptroller's Report Various Years

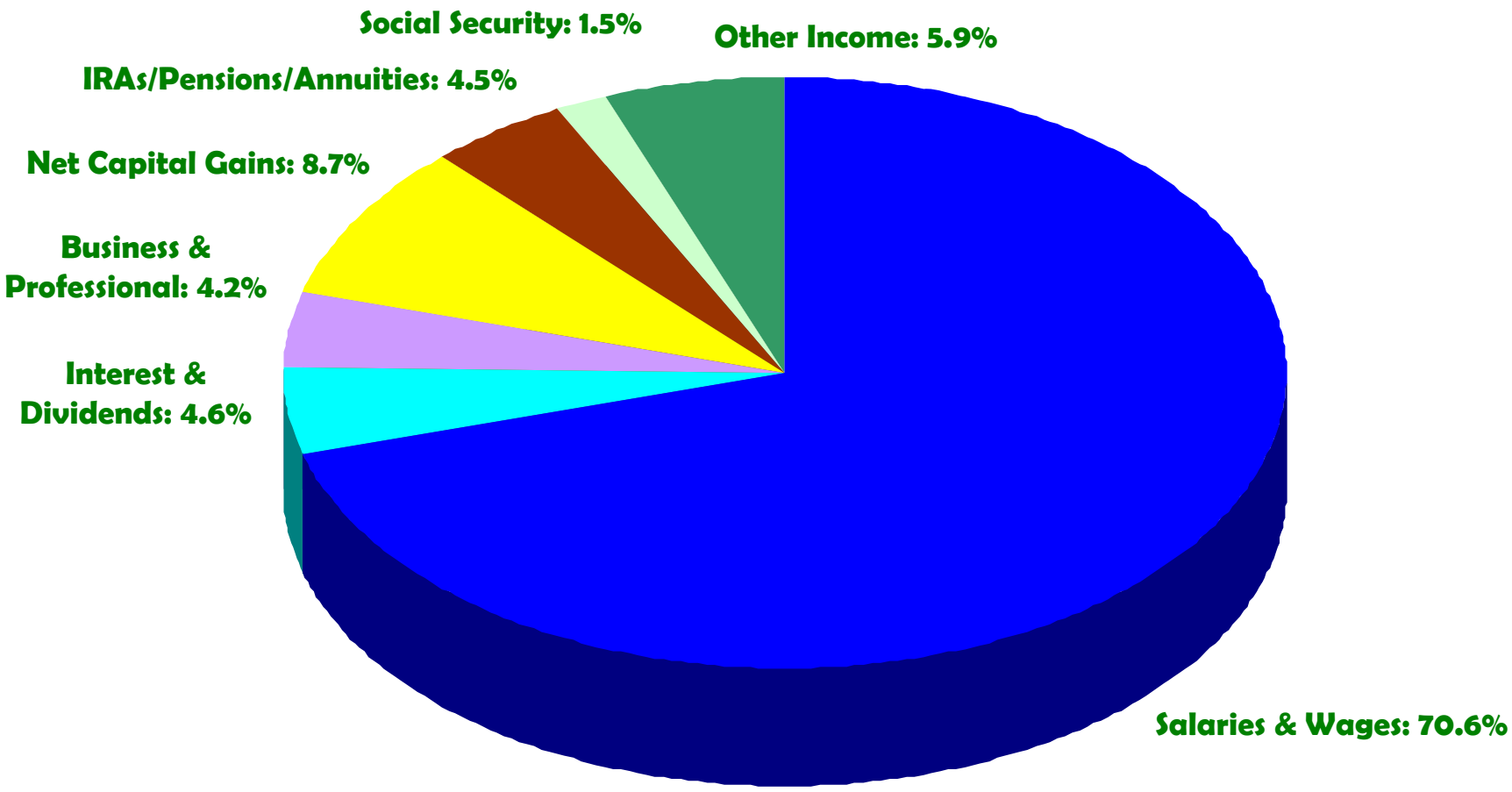
Income Tax Revenues

Total FY 06 Collections

$6.16 Billion

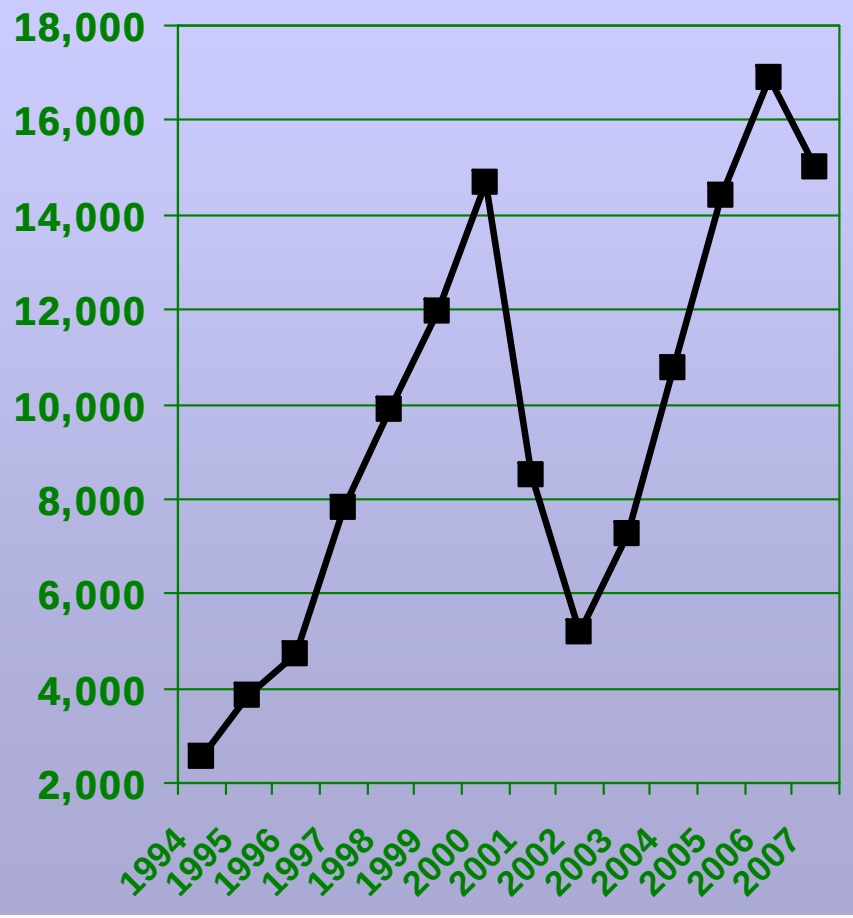
Source: Office of Fiscal Analysis

2004 Personal Income



Source: Internal Revenue Services – Statistics of Income

CT. Capital Gains

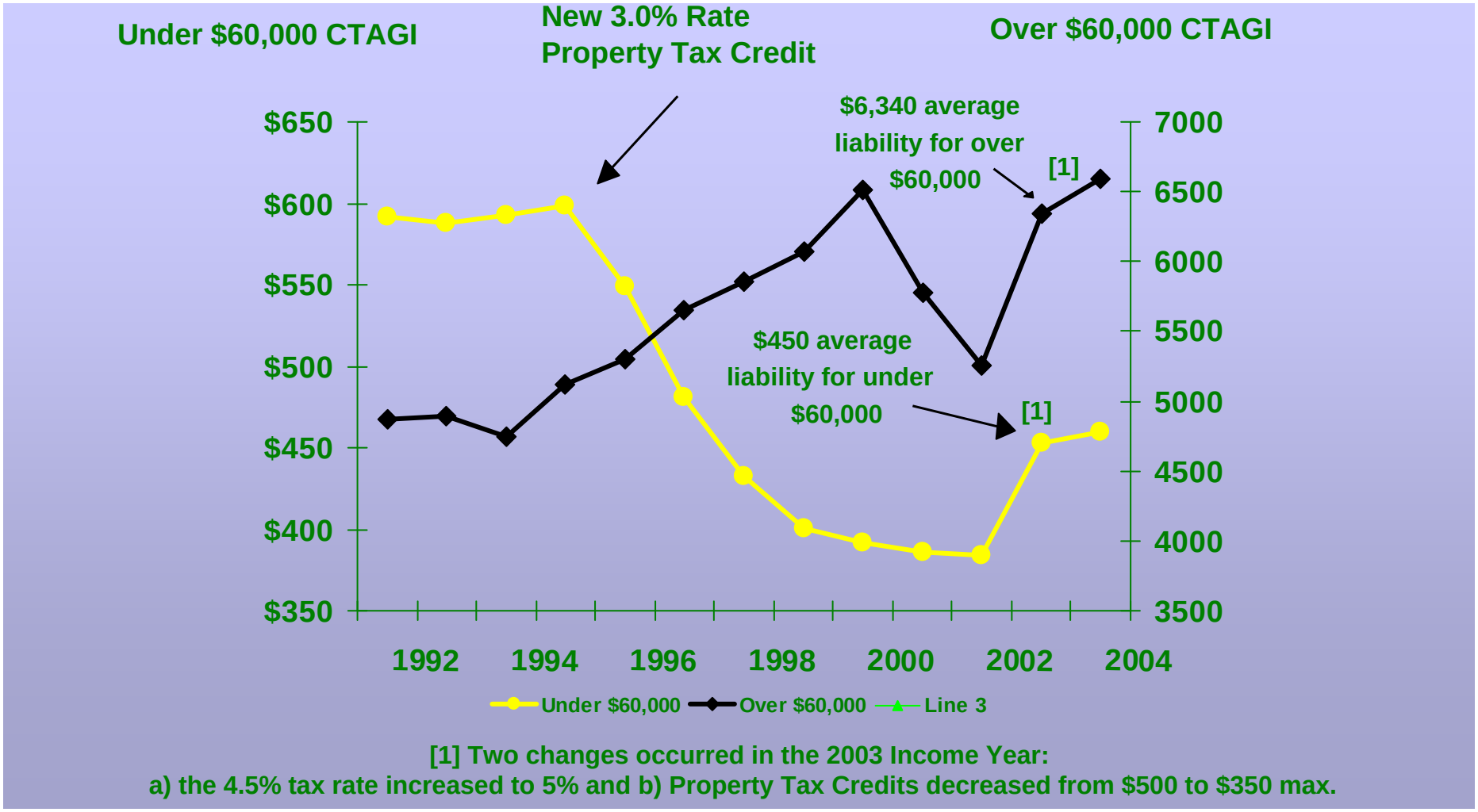


Annual % Change	
1995	50%
1996	23%
1997	65%
1998	27%
1999	21%
2000	23%
2001	-42%
2002	-39%
2003	40%
2004	48%
2005 Est.	34%
2006 Est.	17%
2007 Est.	-11%

Source: Department of Internal Revenue Services and Moody's Economy.com

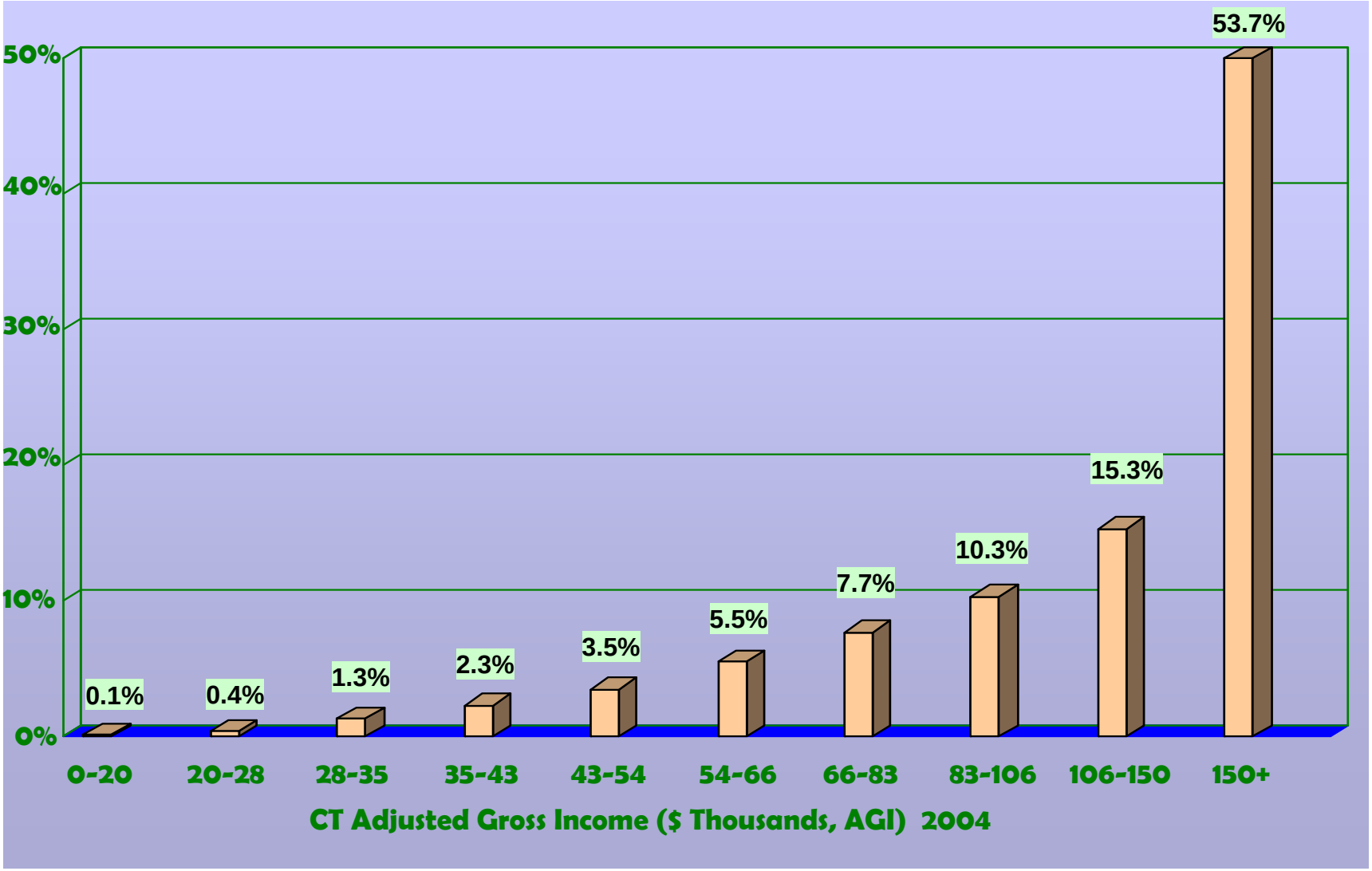
Income Tax Liability Per Return

1992-2003



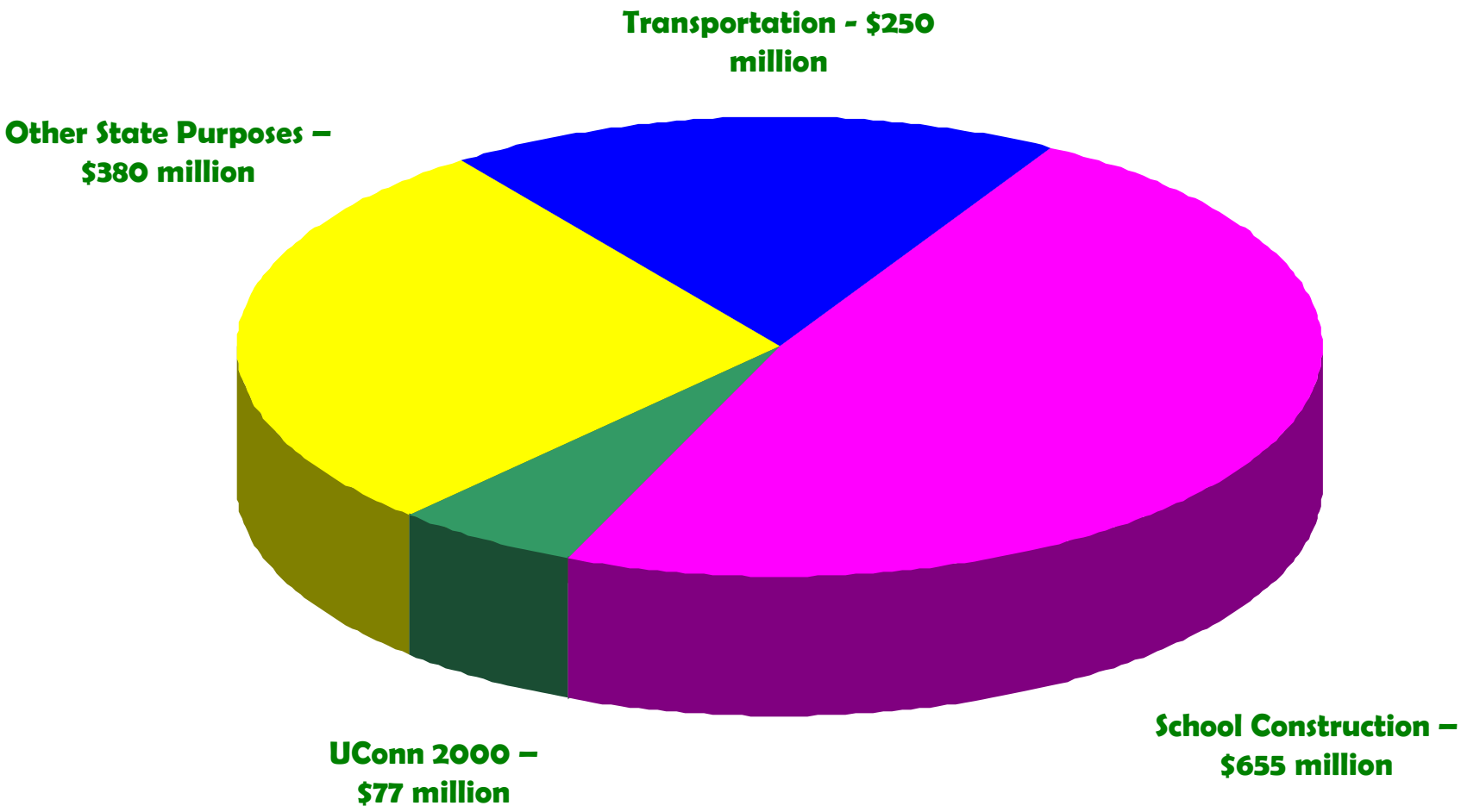
Source: Department of Revenue Services

Income Tax Revenues By Income Group



Source: Department of Revenue Services

Bond Issuances $1.362 Billion
FY 06



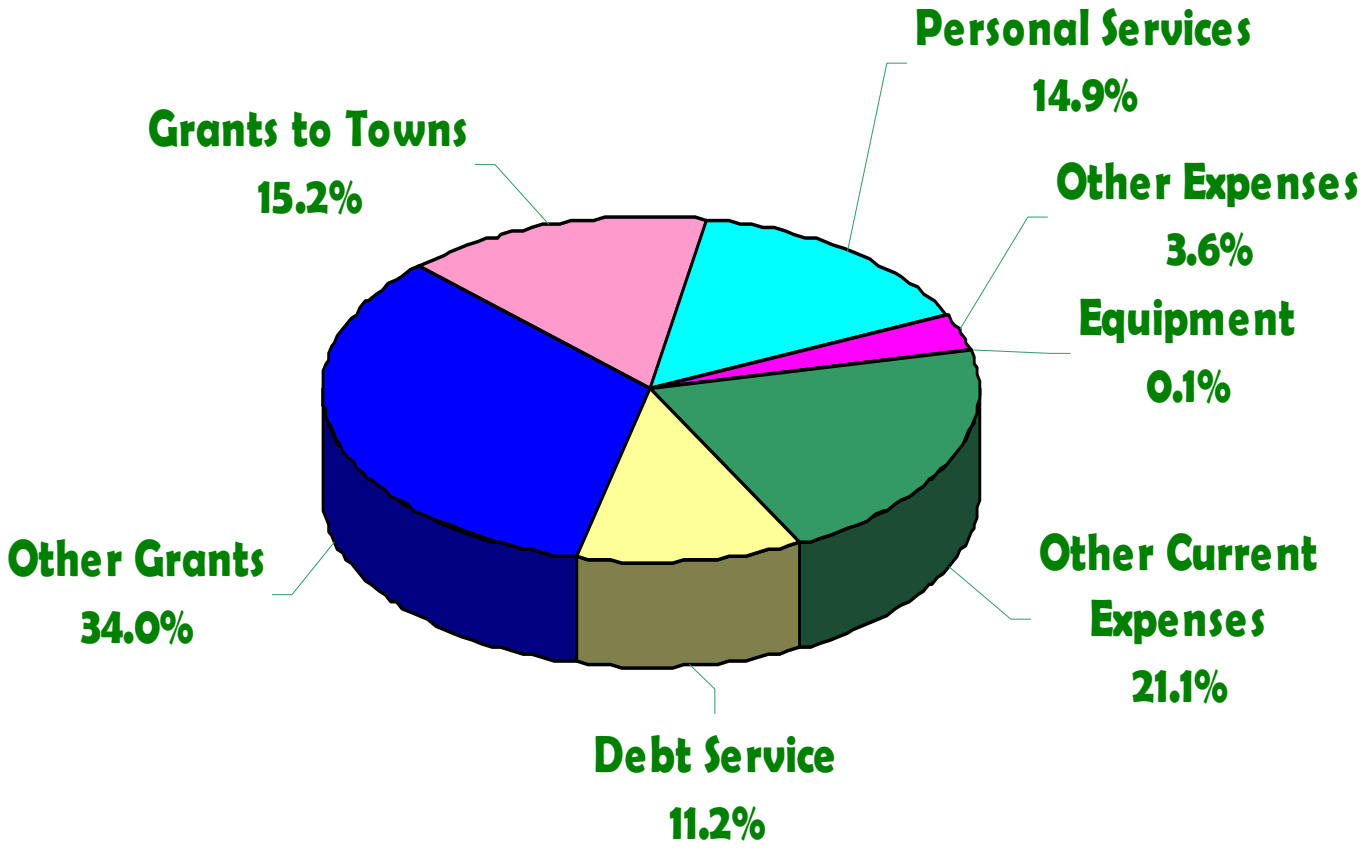
Source: State Treasurer

HOW THE STATE SPENDS ITS MONEY

All Appropriated Funds

By Character of Expenditure

FY 07 $16,067.9 Million

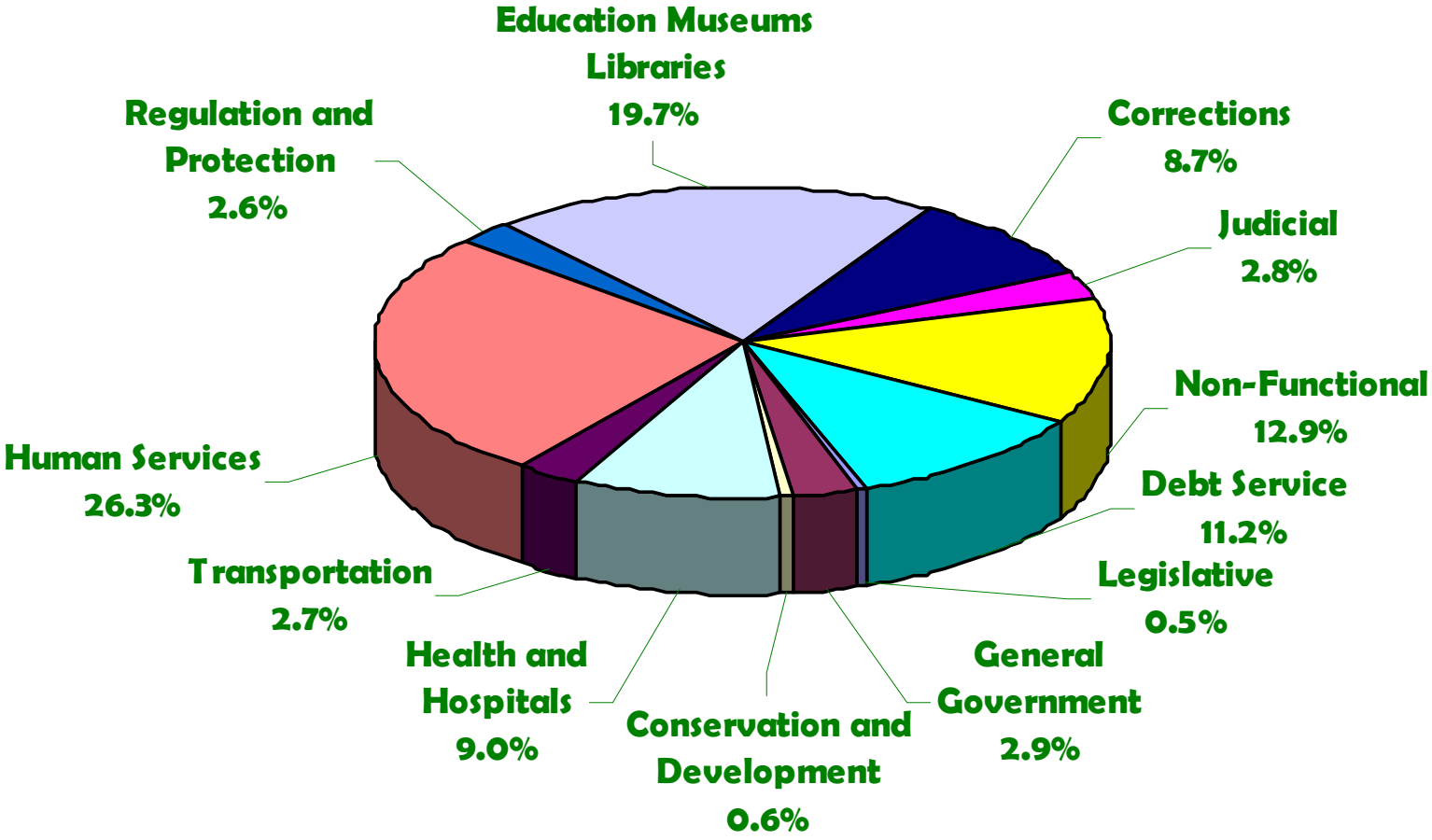


Source: Office of Fiscal Analysis

All Appropriated Funds

By Function of Government

FY 07 $16,067.9 Million



Source: Office of Fiscal Analysis

Overview of the Budget

Spending Cap

Appropriated Funds≡ Estimated Revenues

Growth=Base Year x
5 Year Average Income Growth
(or) Prior Years Inflation Rate:
Which Ever is Greater

The Budget Process: Two Parts

- **Budget Formulation**
  - State Agency Requests
  - Governor & OPM
  - Legislature & OFA
  - Final Budget Action (Appropriations Act)
- **Budget Execution**
  - Appropriation
  - Quarterly Allotments
  - Oversight (Monthly Financial Statements)
- **Second Year of the Biennium**
  - Budget in Place
  - Expenditure/Revenue Estimates
  - Budget Revision

Overview of the Biennial Budget

- First Year of the Biennium
  - Governor Proposes a Two Year Budget with Separate Appropriations for each Year
  - Budget Reviewed on Many Levels by Legislature
  - Agreement is Reached and Budget Becomes Law
- Second Year of the Biennium
  - Governor Proposes Revisions to the Second Year of the Budget by Amending the Current Law
  - Budget Revisions Reviewed on Many Levels by Legislature
  - Agreement is Reached and Budget Becomes Law

Legislature's Budget Process

- Budget Submitted to Legislature: Governor's Message
- Appropriations Holds Hearings for Each State Agency
- Subcommittees Review Budget Information
- OFA Staff Provide Information
  - –Analysis of Current Services & Options
  - –Analysis of Governor's Budget Recommendations
  - –Research on Questions Raised by Legislators, Interest Groups & the Public
- Subcommittee Reports to the Appropriations Chairmen

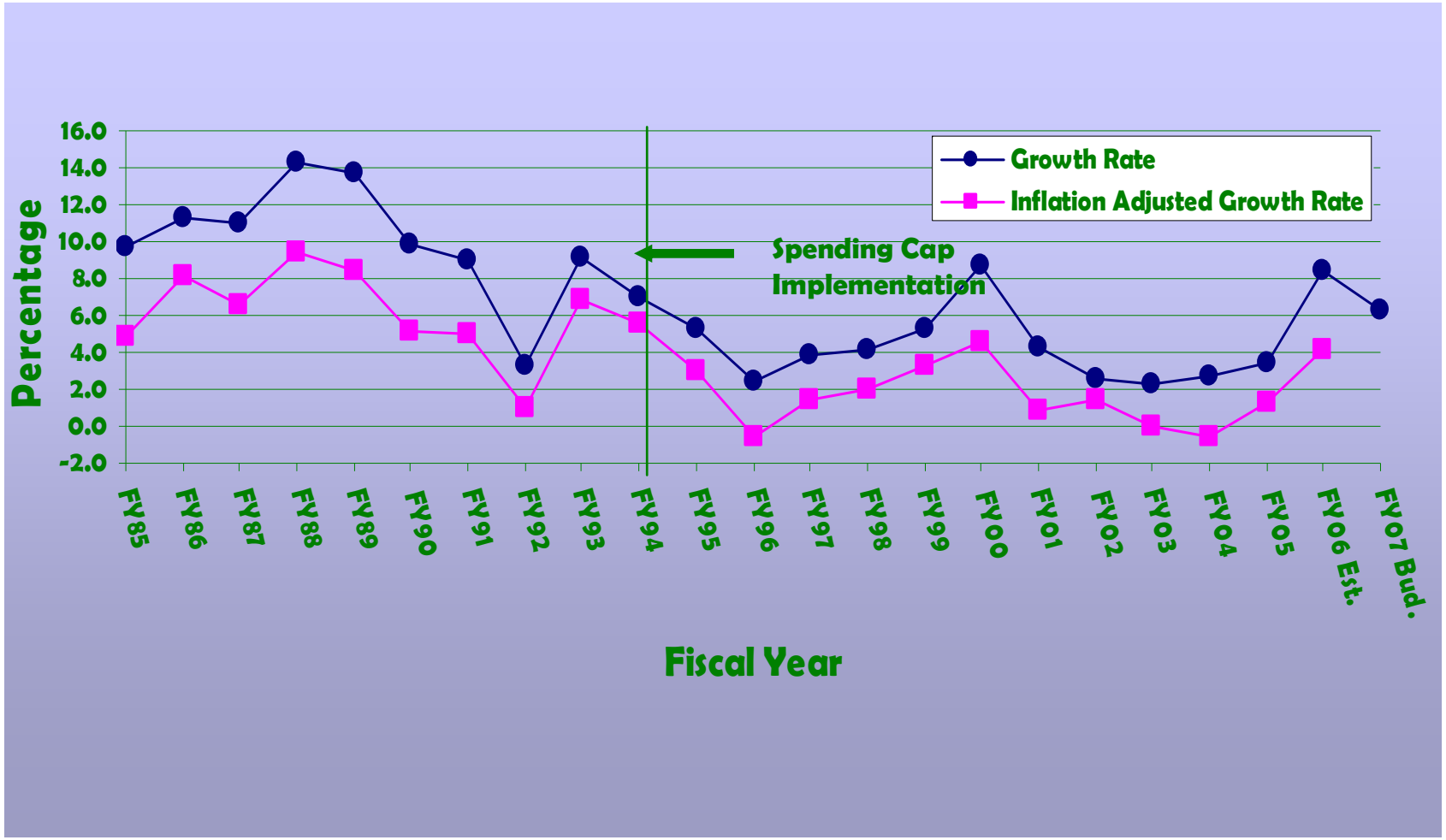
Legislature's Budget Process

- Appropriations Chairmen Prepare Budget Recommendations
- Budget Report Submitted to Full Appropriations Committee & Voted Upon
- Finance Committee Produces Revenue Estimates & Capital Budget Bill
- Appropriation & Finance Bills Submitted to House & Senate
- Leadership and Executive Negotiations on Budget Prior to Passage
- Governor's Signature or Veto (Returned to Legislature)

The Fiscal Note

- ✓ A Brief Statement of the Fiscal Impact Legislation Would Have on State and Local Government
- ✓ Prepared as an Objective Non-Partisan Statement by the Analyst with Budgetary Responsibility for Agency Fiscally Affected
- ✓ Required of Every Bill, Amendment, or Conference Report that Reaches the House or Senate Floor
- ✓ Fiscal Notes on Bills are Printed with Each File, Notes on Amendments are Delivered to the Floor
- ✓ Fiscal Notes Need Not be Requested, They Are Prepared Upon Receiving A Bill or Amendment from LCO
- ✓ Informal Costs Estimates are Prepared Upon Request If Time Permits
- ✓ Reviewed every second and fourth year after the effective date of each enacted bill

General Budget Expenditure Growth



Source: Office of Fiscal Analysis

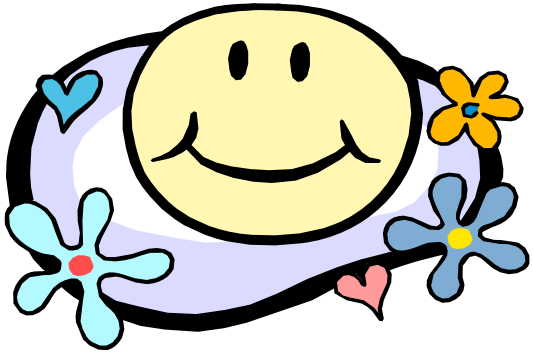
Where are we now?

This year's surplus is estimated to be $539.6.

How will the FY08 Budget be revised ?

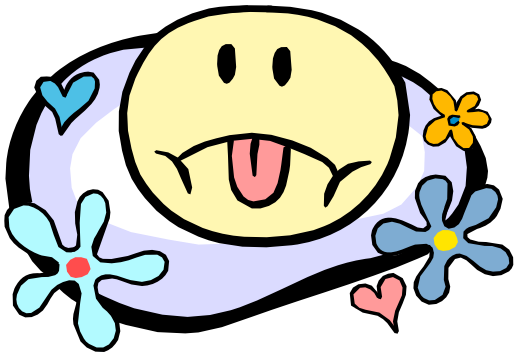
Major Theme of OFA Fiscal Forecasts

FY 07



Surplus

FY 08, FY 09 & FY 10



Spending Cap Problems & Structural Deficits

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)

OFA Current Services Projections
General Fund
(figures in $ millions)

Major Accounts	Revised Approp. FY 07	OFA CS Projections 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
Totals - Major Accounts	**14,265.2**	**15,311.5**	**16,036.8**	**16,758.0**
All Other Gross GF Appropriations	**686.9**	**700.6**	**714.7**	**728.9**
Gross GF Appropriations	**14,952.1**	**16,012.1**	**16,751.5**	**17,486.9**
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)
Net GF Appropriations	**14,837.2**	**15,932.2**	**16,671.5**	**17,407.0**
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
Adjusted Net GF Appropriations	**14,837.2**	**16,035.1**	**16,873.4**	**17,643.0**
Revenue	**14,998.0**	**15,800.0**	**16,340.0**	**16,962.0**
Projected Surplus/(Deficit)	**160.8**	**(235.1)**	**(533.4)**	**(681.0)**