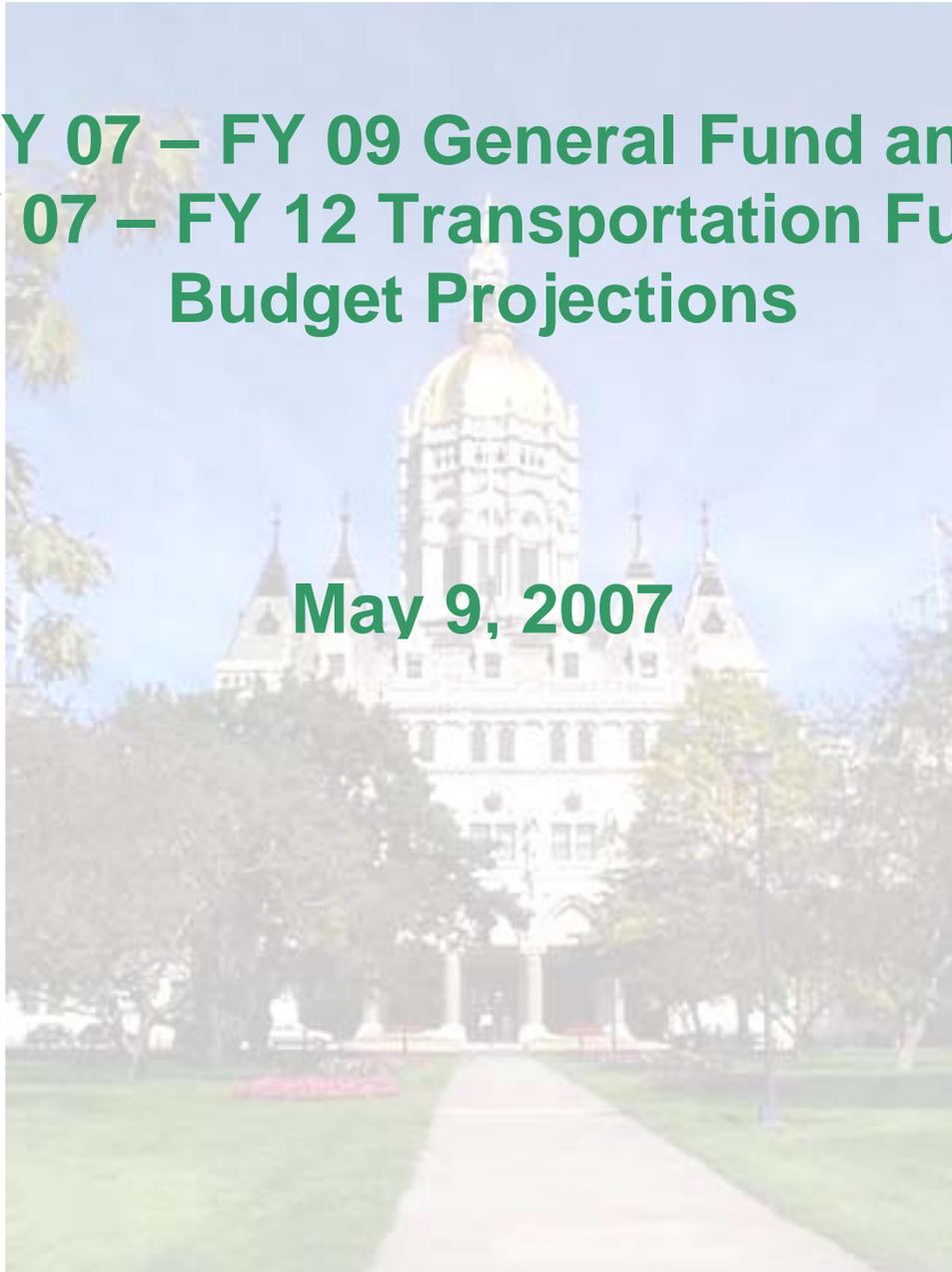


Connecticut General Assembly

OFFICE OF FISCAL ANALYSIS

FY 07 – FY 09 General Fund and FY 07 – FY 12 Transportation Fund Budget Projections

May 9, 2007



Report Highlights

GENERAL FUND

- **FY 07 General Fund surplus** is projected at **\$846.8 million**. If left unearmarked, **\$294.4 million** would be transferred to the **Budget Reserve Fund based on Appropriations Committee action**, which has earmarked \$552.4 million of the projected surplus. See **pages 1 through 5** for details.
- **General Fund shortfalls are projected for FY 08 (\$314.4 million) and FY 09 (\$415.9 million)** based on current services revenue plus revenue changes from Appropriations Committee action compared with Appropriations Committee expenditures. See **page 1 and 4** for details.
- **The General Fund revenue package proposed by the Finance, Revenue and Bonding Committee would raise an estimated, additional \$862.9 million in FY 08 and \$806.2 million in FY 09.** See **pages 1 and 4** for details.

TRANSPORTATION FUND

- **FY 07 Transportation Fund operating surplus** is projected at **\$45.3 million** (\$4.0 million lower than budgeted), which **increases the cumulative surplus to \$178.7 million**. The higher surplus projection reflects anticipated increased lapse savings. See **pages 6 through 8** for details.
- **Transportation Fund surplus is projected for FY 08 (\$3.1 million) and deficit is projected in FY 09 (\$2.2 million)** based on current services revenue estimates compared with Appropriations Committee expenditures.
- **Out year projections indicate that the Transportation Fund will continue to experience operating deficits in the long term, which will eliminate most of the cumulative balance by FY 12.** This is attributable to the combined effects of growth rates in expenditures accelerating faster than the anticipated growth in revenues.

**Preliminary General Fund Budget Projections
FY 07, FY 08 and FY 09
(figures in \$ millions)
May 9, 2007**

FY 06

FY 07

FY 08

FY 09

Appropriations/Finance Committee Budget Overview:

	OFA Estimate as of Budget Passage 5/1/06 <u>FY 07</u>	OFA Revised Estimate 5/9/07 <u>FY 07</u>	Current Services Revenue Plus Rev. Changes from Approps. Comm. Action and Finance Comm. Tax Package (sSB 1390) Compared With Approps. Comm. Expenditures 5/9/07 <u>FY 08</u>	Current Services Revenue Plus Rev. Changes from Approps. Comm. Action and Finance Comm. Tax Package (sSB 1390) Compared With Approps. Comm. Expenditures 5/9/07 <u>FY 09</u>
Revenues (include Approp. Comm. Action in FY 08 and FY 09)	14,998.0	15,625.0	16,158.8	16,870.6
Expenditures	14,837.2	14,778.2	16,473.2	17,286.5
Balance	160.8	846.8	(314.4)	(415.9)
Finance Comm. Tax Package (sSB 1390)	-	-	862.9	806.2
Balance	160.8	846.8	548.5	390.3
<hr/>				
Approps. Comm. Anticipated FY 07 Surplus Utilization				
FY 07 Appropriations		(455.8)		
FY 07 Carryforwards into FY 08		(96.6)		
Potential Balance to Budget Reserve (Rainy Day) Fund		294.4		
Maximum Allowable in				
Budget Reserve (Rainy Day) Fund	1,483.7	(hypothetical amt.)	1,647.3	
BRF Deposit	1,112.6		1,407.0	
Extent to Which BRF Not Fully Funded	371.1			
<hr/>				
Spending Cap Comparisons (All Funds):				
Amount Total Appropriations (Under) Over Cap	(4.0)	-	852.9	(57.2)

**FY 07 General Fund Summary
as of May 9, 2007
(in millions)**

	<u>Budget Plan</u>	<u>Increases (Decreases)</u>	<u>Projected</u>
Revenues			
Taxes	\$ 11,250.7	\$ 510.6	\$ 11,761.3
Other Revenue	1,119.3	99.6	1,218.9
Other Sources	<u>2,628.0</u>	<u>16.8</u>	<u>2,644.8</u>
Total Revenue	\$ 14,998.0	\$ 627.0	\$ 15,625.0
Appropriations			
Original Appropriations - Gross	\$ 14,952.2	\$ -	\$ 14,952.2
Plus:			
Deficiency Requirements	-	38.0	38.0
Adjudicated Claims	-	10.0	10.0
Refunds of Escheated Property	-	28.0	28.0
Less:			
Lapses [1]	<u>(115.0)</u>	<u>(135.0)</u>	<u>(250.0)</u>
Total Expenditures [2]	\$ 14,837.2	\$ (59.0)	\$ 14,778.2
Surplus from Operations for FY 07	\$ 160.8	\$ 686.0	\$ 846.8

[1] The breakdown for budgeted lapses is as follows:

unallocated budgeted lapses	\$ (90.0)	\$ (135.0)	\$ (225.0)
general PS and OE reductions (holdbacks)	<u>(25.0)</u>	<u>-</u>	<u>(25.0)</u>
Total - Lapses Originally Budgeted	\$ (115.0)	\$ (135.0)	\$ (250.0)

[2] Excludes expenditures from prior year carryforwards and appropriations from projected surplus.

Note: The General Fund realized a surplus of \$302.2 million in FY 04, \$363.9 million in FY 05 and \$446.5 million in FY 06 for a total Budget Reserve Fund (BRF) deposit from these three years of \$1,112.6 million. This figure would represent the amount deposited in the Budget Reserve (Rainy Day) Fund which previously contained a zero balance because the prior BRF total of \$594.7 million was exhausted when it was transferred to partially cover the \$817.1 million deficit in FY 02. The maximum allowable in the Budget Reserve Fund is 10% of the amount of the net General Fund appropriations for the fiscal year in progress. With net General Fund appropriations for FY 07 totaling \$14,837.2 million, the maximum allowable in the Budget Reserve Fund is \$1,483.7 million or \$371.1 million more than potentially deposited.

FY 07
General Fund Revenue Estimates
(\$ - Thousands)
May 9, 2007

	Budget Plan		OFA Over(Under) Plan	OFA Estimates	
	Growth Rate {1}	FY 07 Estimate		Growth Rate {1}	FY 07 Estimate
Taxes					
Personal Income	4.9	\$6,428,400	251,600	8.6	6,680,000
Sales and Use	4.5	3,534,000	(42,000)	2.9	3,492,000
Corporations	(3.1)	707,100	182,900	17.7	890,000
Public Service Corporations	2.0	232,000	(5,500)	1.9	226,500
Inheritance and Estate	5.0	158,800	21,200	5.0	180,000
Insurance Companies	2.0	270,200	(5,700)	(2.0)	264,500
Cigarettes	(1.5)	269,900	2,100	(0.1)	272,000
Real Estate Conveyance	(5.0)	197,600	(17,600)	(13.3)	180,000
Oil Companies	3.1	135,000	4,800	3.1	139,800
Alcoholic Beverages	0.0	44,200	2,300	1.0	46,500
Admissions, Dues and Cabaret	2.0	34,100	(300)	(2.7)	33,800
Miscellaneous	1.0	139,400	2,800	0.0	142,200
Total Taxes		12,150,700	396,600		12,547,300
Refunds of Taxes		(890,000)	110,000		(780,000)
R & D Credit Exchange		(10,000)	4,000		(6,000)
Taxes Less Refunds		11,250,700	510,600		11,761,300
Other Revenue					
Transfer Special Revenue		280,000	(2,000)		278,000
Indian Gaming Payments		438,700	(3,700)		435,000
Licenses, Permits and Fees		140,200	7,800		148,000
Sales of Commodities and Services		33,000	5,000		38,000
Rentals, Fines and Escheats		43,000	3,000		46,000
Investment Income		47,000	38,000		85,000
Miscellaneous		138,000	51,500		189,500
Refunds of Payments		(600)	-		(600)
Total Other Revenue		1,119,300	99,600		1,218,900
Other Sources					
Federal Grants		2,573,300	16,800		2,590,100
Transfer to the Resources of the General Fund		41,000	-		41,000
Transfer from Tobacco Settlement Fund		100,000	-		100,000
Transfer to Other Funds		(86,300)	-		(86,300)
Total Other Sources		2,628,000	16,800		2,644,800
Total Revenue		14,998,000	627,000		15,625,000

{1} Tax growth rates reflect adjustments for rate and base changes.

FY 08 and FY 09 General Fund Summary

May 9, 2007

(\$ - millions)

	FY 08	FY 09
Appropriations Committee Budget (sHB 7077)	16,473.2	17,286.5
Current Law Revenue Estimates (as of 5/9/07)	16,123.0	16,806.0
Increase in revenue as a result of additional DRS staffing	15.5	29.5
Federal Revenue Changes due to Appropriations Changes	65.6	80.4
Delay GAAP	(17.0)	(17.0)
Increase intercept for Elections Enforcement	(1.0)	(1.0)
Increase intercept for Pequot/Mohegan Fund	(14.8)	(14.8)
Transfer to Emergency Spill Response Account	<u>(12.5)</u>	<u>(12.5)</u>
Subtotal- Current law revenue including Appropriations Committee Actions	16,158.8	16,870.6
Gap - Total Appropriations v Revenue	(314.4)	(415.9)
Tax/Revenue Proposals (sSB 1390)		
Increase income tax rates	991.0	947.0
Joint Filers (taxable income, other filing status adjusted accordingly)	(18 months)	(12 months)
<u>2007</u>		<u>2008</u>
0-20k: 3.00%		0-20k: 3.00%
20k-100k: 4.875%		20k-100k: 4.75%
100k-150k: 5.00%		100k-150k: 5.00%
150k-200k: 5.25%		150k-200k: 5.50%
200k-250k: 5.80%		200k-250k: 6.25%
over 250k: 6.15%		over 250k: 6.95%
Increase the maximum property tax credit from \$500 to \$1,000	(280.0)	(285.6)
Earned Income Tax Credit (EITC) of 20% of federal credit	(55.3)	(60.7)
Eliminate sales tax exemption for clothing under \$50	135.0	138.0
Eliminate the partial sales tax exemption for funeral expenses	4.4	4.5
Exempt all electronic data processing services from the sales tax	(12.9)	(13.3)
Exempt health club charges from sales tax	(6.1)	(6.1)
Extend sales tax exemption for weatherization products	(7.0)	(7.0)
Exempt items sold through "honor boxes" from the sales tax	(0.1)	(0.1)
Businesses can only reduce their liability with credits by 60%	12.0	12.0
Increase cigarette tax from \$1.51 to \$2.00/pack	80.8	76.8
Modify the Estate Tax to eliminate the "cliff"	-	-
Raise DPS's Division of Fire, Emergency & Building Fees	<u>1.1</u>	<u>0.7</u>
Total - Net Finance Committee Package	862.9	806.2
Balance After Tax Changes	548.5	390.3

**FY 07 Surplus Disposition Per sHB 7077
Proposed by Appropriations Committee
on 4/12/07**

FY 07 Appropriations (Sec. 21)

Larger Appropriations:

TRB - Fund Portion of Teachers' Retirement Contribution for FY 09
Treasurer - Securitization (ECLM & Clean Energy)

Smaller Appropriations:

Secretary of State - Printing New HAVA-Compliant Optical Scan Ballots
Comptroller - Mega MEHIP
State Comptroller - Other Post Employment Benefits (OPEB)
Treasurer - POB's
OPM - Regional Planning Grants
DAS - Appraisal Services for State-Owned Employee Housing
DCJ - Replace Holsters and Magazine Pouches
DCJ - Replace Bullet Proof Vests
DECD - Biodeisel
DEP - Clean Diesel Buses
Agriculture - Dairy Farmers
Culture & Tourism - Statewide Marketing
DECD - Deferred Maintenance for Public Housing
DECD - Home CT
DPH - Laboratory Equipment
DMR - Information Technology-Related Other Expenses
DMHAS - Telephone Installations
DCF - Adolescent Psychiatric Services
DMHAS - Supportive Housing for Mentally Ill
DOT - Town-Aid-Road
SDE - School Safety
SDE - Fund 6 Temporary Buildings & Grounds Patrol Officers
SDE - Technical School Supplies
SDE - Distance Learning Initiative
State Library - Arts Inventory
DHE - Strategic Master Plan for Higher Education
DHE - Higher Education State Matching Grant
Regional Community/Technical Colleges - Operating Expenses for Laboratory Needs
DOC - Cheshire Prison Effluent
DCF - Moving Expenses
Subtotal

FY 07 Carryforwards Reducing FY 08 Requirements:

DoIT - Enhance System Security (Sec. 38)
DoIT - Enhance CT's Web Portal (Sec. 38)
DPS - Helicopter Maintenance Costs (Sec. 40)
DSS - Medicaid (Sec. 65)
DSS - \$5,906,052 Carryforward from DSS for Leap Year Costs in Agencies (Sec. 66):
DMR - Various accounts
DMHAS - General Assistance Managed Care account
DSS - Medicaid and Aid to the Aged, Blind and Disabled accounts
DCF - Family Support Services and Board and Care for Children accounts
Debt Service (Sec. 75)
TRB - Retirees Health Service Cost (Sec. 76)
State Employee Health Service Costs (Sec. 77)
Special Revenue - Gambling Study (Sec. 80)
Subtotal

Total FY 07 Surplus Disposition

Total FY 07 Surplus Projected by OFA on 5/9/07

Total Potential BRF Transfer based on OFA's 5/9/07 Surplus Projection

	Committee by Fiscal Year	
	FY 08	FY 09
	90,000,000	150,000,000
	95,000,000	-
	1,500,000	-
	10,000,000	-
	10,000,000	-
	10,000,000	-
	10,000,000	-
	-	40,000
	4,500	-
	54,000	-
	5,000,000	-
	10,000,000	-
	2,000,000	-
	5,000,000	-
	10,000,000	-
	4,000,000	-
	600,000	-
	1,778,321	-
	170,000	-
	300,000	-
	500,000	-
	8,000,000	8,000,000
	10,000,000	-
	208,836	225,971
	500,000	500,000
	850,000	850,000
	75,000	75,000
	100,000	100,000
	4,185,000	4,185,000
	520,000	340,000
	800,000	-
	300,000	-
	<u>291,445,657</u>	<u>164,315,971</u>
	158,738	-
	255,000	-
	535,000	-
	33,200,000	-
	893,736	-
	186,134	-
	4,152,735	-
	673,447	-
	36,000,000	-
	200,000	-
	20,000,000	-
	350,000	-
	<u>96,604,790</u>	<u>-</u>
	388,050,447	164,315,971
		846,800,000
		294,433,582

FY 07 Transportation Fund Summary
May 9, 2007
(in millions)

	Budget Plan	Increase/ (Decrease)	Revised Estimates
Revenues			
Taxes	694.0	(16.5)	677.5
Other Revenue	411.5	(0.6)	410.9
Total Revenue	1,105.5	(17.1)	1,088.4
Appropriations			
Original Appropriations - Gross	1,067.2	0.0	1,067.2
Plus:			
Deficiency requirement	0.0	0.5	0.5
Less:			
Lapses:			
Debt Service	0.0	(18.6)	(18.6)
Unallocated	(11.0)	5.0	(6.0)
Total Lapses	(11.0)	(13.6)	(24.6)
Total Expenditures	1,056.2	(13.1)	1,043.1
Surplus/(Deficit) from Operations FY 07	49.3	(4.0)	45.3
Plus: Cumulative Surplus as of June 30, 2006			133.4
Projected Fund Balance as of June 30, 2007			178.7

**FY 07 Transportation Fund Revenue
as of May 9, 2007
(in millions)**

	FY 07 Budget Plan	OFA Over/(Under) Budget Plan	FY 07 OFA Estimates
Taxes			
Motor Fuels	488.6	(13.6)	475.0
Petroleum Products Tax	141.0	0.0	141.0
Sales Tax - DMV	73.0	(3.0)	70.0
Refunds of Taxes	(8.6)	0.1	(8.5)
Total Taxes Less Refunds	694.0	(16.5)	677.5
Other Revenue			
Motor Vehicles Receipts	243.0	(11.0)	232.0
License, Permits, and Fees	159.0	3.0	162.0
Interest Income	40.0	7.0	47.0
Transfers to Conservation Fund	(3.0)	0.0	(3.0)
Transfers to Emissions Fund	(4.0)	0.0	(4.0)
Transfers to TSB Sub-Account	(20.3)	0.0	(20.3)
Refunds of Payments	(3.2)	0.4	(2.8)
Total - Other Revenue	411.5	(0.6)	410.9
Total Revenue	1,105.5	(17.1)	1,088.4

Transportation Fund Projections FY 07 - FY 12
as of May 9, 2007
(in Millions)

Transportation Fund	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12
Beginning Balance as of July 1st	Estimate \$133.4	\$178.7	\$181.8	\$179.6	\$141.7	\$82.0
REVENUES						
Taxes						
Motor Fuels Tax	475.0	479.8	484.6	489.4	494.3	499.3
Petroleum Products Tax	141.0	164.0	180.9	180.9	200.9	200.9
Sales Tax - DMV	70.0	72.0	74.0	76.0	78.0	80.0
Refund of Taxes	(8.5)	(8.7)	(8.9)	(9.1)	(9.1)	(9.2)
Total - Taxes less Refunds	\$677.5	\$707.1	\$730.6	\$737.2	\$764.1	\$771.0
Other Revenue						
Motor Vehicle Receipts	232.0	236.6	241.3	246.1	251.0	256.0
License, Permits and Fees	162.0	164.0	166.0	168.0	170.0	172.0
Interest Income	47.0	47.0	47.0	48.0	48.0	48.0
Transfers to Other Funds	(7.0)	(9.5)	(9.5)	(9.5)	(9.5)	(9.5)
Release from Debt Service Reserves	0.0	0.0	0.0	0.0	0.0	0.0
Total - Other Revenue	\$434.0	\$438.1	\$444.8	\$452.6	\$459.5	\$466.5
Less Refunds of Payments	(2.8)	(2.9)	(3.0)	(3.1)	(3.2)	(3.2)
Less Transfers to TSB Account (1)	(20.3)	(15.3)	(15.3)	(15.3)	(15.3)	(15.3)
TOTAL REVENUE	\$1,088.4	\$1,127.0	\$1,157.1	\$1,171.4	\$1,205.1	\$1,219.0
EXPENDITURES						
Debt Service	441.3	436.2	449.5	471.5	480.4	496.8
DOT Budgeted Expenses	439.8	505.2	511.2	530.5	560.0	580.4
DMV Budgeted Expenses	58.9	61.9	62.5	64.9	66.3	67.8
Other Budgeted Expenses	127.7	131.6	147.1	153.4	169.1	166.3
Subtotal - Expenditures	\$1,067.7	\$1,134.9	\$1,170.3	\$1,220.3	\$1,275.8	\$1,311.3
Less Unallocated Lapses	(24.6)	(11.0)	(11.0)	(11.0)	(11.0)	(11.0)
TOTAL EXPENDITURES	\$1,043.1	\$1,123.9	\$1,159.3	\$1,209.3	\$1,264.8	\$1,300.3
OPERATING SURPLUS/(DEFICIT)	\$45.3	\$3.1	(\$2.2)	(\$37.9)	(\$59.7)	(\$81.3)
Ending Balance as of June 30th	\$178.7	\$181.8	\$179.6	\$141.7	\$82.0	\$0.7
DEBT SERVICE RATIO[2]	2.5	2.6	2.6	2.5	2.5	2.5

(1) Incremental revenue from the various DMV fee changes allocated to the Transportation Strategy Board (TSB) and deposited in the TSB projects account.

(2) Pledged revenues for reserves required under the Indentures in an amount at least two (2) times the aggregate Principal and Interest Requirements on all outstanding Bonds and Notes.