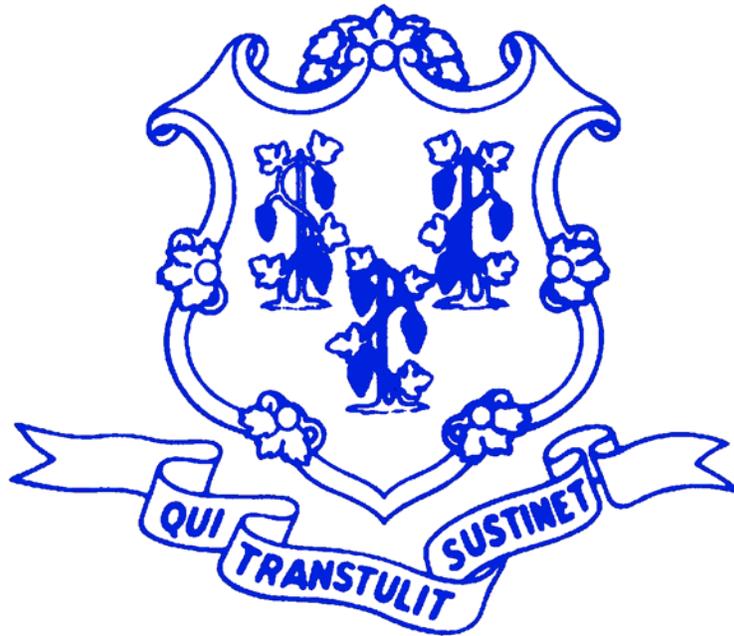


Connecticut General Assembly

OFFICE OF FISCAL ANALYSIS

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FY 09 - FY 11 General Fund and Transportation Fund Budget Projections

May 1, 2009

Report Summary

GENERAL FUND

- **FY 09 General Fund deficit is projected at \$1,043.3 million.**
- **General Fund shortfalls are projected to be \$2,101.7 million in FY 10 and \$2,589.0 million in FY 11**, based on current law revenue plus revenue changes from the Appropriations Committee action compared with Appropriations Committee expenditures (the budget bill, sHB 6365 as favorably reported by the Appropriations Committee).
- Additional revenue of \$1,661.8 million in FY 10 and \$1,610.7 million in FY 11 is anticipated to result from measures included in two Finance, Revenue and Bonding Committee bills (sSB 932 “AAC Various Revenue Measures” and sSB 806 “AAC the Definition of Retailer for Purposes of the Sales and Use Tax”). **This would further reduce the General Fund shortfall to \$439.9 million in FY 10 and \$978.3 million in FY 11.**
- FY 09 through FY 11 projected shortfalls include federal stimulus funding, but exclude the use of the Budget Reserve Fund.

TRANSPORTATION FUND

- **The FY 09 Transportation Fund operating deficit is projected at \$89.9 million** which will decrease the **cumulative surplus to \$88.3 million**. The deficit is attributable to lower than anticipated revenue collections.
- **The Transportation Fund operating deficit for FY 10 is \$18.4 million and for FY 11 is \$32.2 million**, based on Appropriations Committee expenditures (sHB 6365, the budget bill) and revenue based on current law and sHB 6393 “AAC Transportation, Motor Vehicles, Highway Safety and Special Transportation Fund,” as favorably reported by the Finance Committee. **The Fund’s cumulative balance is anticipated to go into deficit in FY 12.** The operating deficits are attributable to expenditures that are expected to grow at a faster rate than revenues.

SPENDING CAP

- Currently, FY 09 appropriations are under the spending cap by \$60.8 million. Passage of sHB 6364 (the deficiency bill) as favorably reported by the Appropriations Committee, will result in the **FY 09 budget being under the spending cap by \$50.9 million**. This adjusts for the reduction in PILOT New Manufacturing and Machinery, a portion of which is un-capped expenditures.
- sHB 6365 (the budget bill) as favorably reported by the Appropriations Committee, on an all funds basis, is **under the spending cap by \$626.9 million in FY 10 and \$132.9 million in FY 11**.

**FY 09 General Fund Summary
as of May 1, 2009
(in millions)**

	<u>Budget Plan</u>	<u>Increases (Decreases)</u>	<u>Projected</u>
Revenues			
Taxes	\$ 12,971.1	\$ (2,117.2)	\$ 10,853.9
Other Revenues	1,208.4	(121.0)	1,087.4
Other Sources [1]	<u>2,893.6</u>	<u>1,007.1</u>	<u>3,900.7</u>
Total Revenues	\$ 17,073.1	\$ (1,231.1)	\$ 15,842.0
Appropriations			
Original Appropriations - Gross	\$ 17,190.5	\$ -	\$ 17,190.5
Plus:			
FY 09 Deficiency Reduce Appropriations (sHB 6364)	-	(34.7)	(34.7)
FY 09 Deficiency Increase Appropriations (sHB 6364)	-	34.7	34.7
FY 09 Ad'l Projected Deficiencies (not included in sHB 6364)	-	35.9	35.9
Criminal Justice System Appropriation (PA 08-51)	-	10.0	10.0
Energy Assistance (PA 08-1, August Special Session)	-	28.0	28.0
Home Heating Relief (PA 08-2, August Special Session)	-	51.0	51.0
Governor's July Recisions	-	(115.8)	(115.8)
Governor's September Recisions	-	(34.4)	(34.4)
Governor's December Recisions	-	(7.2)	(7.2)
Governor's February Recisions	-	(6.3)	(6.3)
Governor's March Recisions	-	(14.6)	(14.6)
PA 08-1 NSS Expenditure Savings [2]	-	(9.1)	(9.1)
PA 09-1 Expenditure Savings [3]	-	(39.2)	(39.2)
PA 09-2 Expenditure Savings [4]	-	(10.9)	(10.9)
Adjudicated Claims	-	7.5	7.5
Refunds of Escheated Property	-	32.5	32.5
Less:			
Lapses [5]	<u>(117.5)</u>	<u>(115.1)</u>	<u>(232.6)</u>
Total Expenditures [6]	\$ 17,073.0	\$ (187.7)	\$ 16,885.3
Balance	\$ 0.1	\$ (1,043.4)	\$ (1,043.3)

[1] Major components include: 1) \$83.4 million transfer from unappropriated FY 08 surplus (\$79 million was appropriated for energy assistance and home heating relief in FY 09 as indicated in the Appropriations section above); 2) \$111.9 million in transfers from other funds pursuant to PA 09-1 and PA 09-2; 3) \$338.5 million in federal reimbursement under Medicaid for one-time cost settlement of rate adjustments; and 4) federal stimulus funding of \$372.9 million.

[2] Includes the \$9.1 million reduction to appropriations in PA 08-1 NSS. Reduction to carry forward and other savings from the mitigation bill included in the estimated lapse.

[3] Includes the net reduction to appropriations of \$4.2 million and the reduction of \$35 million in the Energy appropriations from the original \$79 million in PA 08-2 of the August Special Session. Reduction to carry forward and other savings from the mitigation bill included in the estimated lapse.

[4] Includes the net reduction to appropriations of \$8.9 million and the reduction of \$2 million in the Energy appropriations from PA 08-2 of the August Special Session. Reduction to carry forward and other savings from the mitigation bill included in the estimated lapse.

[5] The breakdown for lapses is as follows:

Unallocated lapses	\$ (92.5)	\$ (120.0)	\$ (212.5)
General PS and OE reductions (holdbacks)	<u>(25.0)</u>	<u>4.9</u>	<u>(20.1)</u>
Total - Lapses	\$ (117.5)	\$ (115.1)	\$ (232.6)

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

FY 09
General Fund Revenue Estimates
(\$ - Thousands)
May 1, 2009

	<u>Budget Plan</u>		OFA Over(Under) Plan	<u>OFA Estimates</u>	
	Growth Rate ^{1}	FY 09 Estimate		Growth Rate ^{1}	FY 09 Estimate
Taxes					
Personal Income	6.6	7,676,400	(1,193,400)	3.1	6,483,000
Sales and Use	3.8	3,747,700	(297,700)	3.2	3,450,000
Corporations	(5.0)	791,500	(197,100)	0.0	594,400
Public Service Corporations	2.0	257,800	2,200	3.5	260,000
Inheritance and Estate	3.0	191,000	59,000	3.0	250,000
Insurance Companies	2.0	263,300	(73,300)	2.0	190,000
Cigarettes	0.0	348,100	(33,100)	0.0	315,000
Real Estate Conveyance	2.0	204,000	(119,000)	(10.0)	85,000
Oil Companies	0.0	144,300	(62,900)	0.0	81,400
Alcoholic Beverages	1.0	47,500	100	1.0	47,600
Admissions, Dues and Cabaret	2.0	35,100	(100)	2.0	35,000
Miscellaneous	0.0	145,000	(5,000)	0.0	140,000
Total Taxes		13,851,700	(1,920,300)		11,931,400
Refunds of Taxes		(874,100)	(193,900)		(1,068,000)
R & D Credit Exchange		(6,500)	(3,000)		(9,500)
Taxes Less Refunds		12,971,100	(2,117,200)		10,853,900
Other Revenue					
Transfer Special Revenue		282,500	(500)		282,000
Indian Gaming Payments		449,000	(74,000)		375,000
Licenses, Permits and Fees		153,500	3,500		157,000
Sales of Commodities and Services		38,000	(5,600)		32,400
Rentals, Fines and Escheats		52,900	14,700		67,600
Investment Income		85,000	(65,000)		20,000
Miscellaneous		148,100	5,900		154,000
Refunds of Payments		(600)	-		(600)
Total Other Revenue		1,208,400	(121,000)		1,087,400
Other Sources					
Federal Grants		2,768,100	806,200		3,574,300
Transfer to the Resources of the General Fund		96,000	200,900		296,900
Transfer from Tobacco Settlement Fund		115,800	-		115,800
Transfer to Other Funds		(86,300)	-		(86,300)
Total Other Sources		2,893,600	1,007,100		3,900,700
Total Revenue		17,073,100	(1,231,100)		15,842,000

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

General Fund FY 10 and FY 11 Projections

(\$ Millions)

	Estimates	
	FY 10	FY 11
Base Revenue and Appropriations Committee Budget:		
"Base" Revenue (As of May 1, 2009)	\$ 14,453.0	\$ 14,880.0
Appropriations Expenditures (sHB 6365)	17,607.6	18,181.5
Balance	\$ (3,154.6)	\$ (3,301.5)
Revenue Items Related to sHB 6365:		
Federal Revenue - Reflects Budget	\$ (22.1)	\$ (79.0)
DEP Consolidation - Reflects Budget	61.7	61.7
Mashantucket Pequot/Mohegan Fund- Reflects Budget	24.4	24.4
Fund Consolidations to the GF - Reflects Budget	110.7	111.0
Sub-total	\$ 174.7	\$ 118.1
Federal Stimulus		
	878.2	594.4
Balance	\$ (2,101.7)	\$ (2,589.0)
Finance Committee Action - sSB 932 & sSB 806:		
<u>Personal Income Tax</u>		
Adds four higher-income tax brackets: 6%, 7%, 7.5%, and 7.95%; (FY 10 reflects 18 months)	\$ 1,226.6	\$ 825.9
Reduces the upper income eligibility for the property tax credit	72.5	324.0
Delays scheduled income reductions for single filers	23.9	30.2
<u>Sales Tax</u>		
Suspends sales tax free week for FY 10 and FY 11	4.2	4.4
Repeals various exemptions and extends the tax to some services	-	80.0
Modifies the definition of a retailer	8.5	8.5
<u>Corporation Tax</u>		
Imposes a 30% surcharge for income years 2009, 2010, and 2011	160.0	106.0
Reduces maximum amount of credits to: 65% for 2009 and 50% for 2010	10.0	40.0
Decouples from Federal Domestic Production Deduction	27.5	27.5
Eliminates the exemption for income earned by Domestic International Service Corps	25.0	25.0
Eliminates the exemption for dividends from Domestic International Service Corps	25.0	25.0
<u>Estate & Gift Tax</u>		
Imposes a 30% surcharge for income years 2009, 2010, and 2011	42.7	51.2
<u>Cigarette & Tobacco Taxes</u>		
Increases the cigarette tax from \$2 to \$2.50/pack, effective 1/1/2010	36.0	63.0
Total Revenue Changes	\$ 1,661.8	\$ 1,610.7
Balance *	\$ (439.9)	\$ (978.3)

* The balance is prior to any use of the Budget Reserve Fund (BRF). Currently the BRF has a balance of \$1.38 billion.

FY 09 Transportation Fund Summary
as of May 1, 2009
(\$ in millions)

	Budget Plan	Increase/ (Decrease)	Revised Estimates
Revenues			
Taxes	730.5	(51.5)	679.0
Other Revenue	426.5	(58.5)	368.0
Total Revenue	1,157.0	(110.0)	1,047.0
Appropriations			
Original Appropriations - Gross	1,165.2	0.0	1,165.2
Less:			
Lapses:			
Debt Service	0.0	(14.1)	(14.1)
Unallocated	(11.0)	(3.2)	(14.2)
Total Lapses	(11.0)	(17.3)	(28.3)
Total Expenditures	1,154.2	(17.3)	1,136.9
Surplus/(Deficit) from Operations FY 09	2.8	(92.7)	(89.9)
Plus: Cumulative Surplus as of June 30, 2008			178.2
Projected Fund Balance as of June 30, 2009			88.3

**FY 09 Transportation Fund Revenue Estimates
as of May 1, 2009
(\$ in millions)**

	FY 09 Budget Plan	OFA Over/(Under) Budget Plan	FY 09 OFA Estimates
Taxes			
Motor Fuels	523.6	(34.6)	489.0
Petroleum Products Tax	141.9	0.0	141.9
Sales Tax - DMV	74.0	(19.0)	55.0
Refunds of Taxes	(9.0)	2.1	(6.9)
Total Taxes Less Refunds	730.5	(51.5)	679.0
Other Revenue			
Motor Vehicles Receipts	241.3	(17.3)	224.0
License, Permits, and Fees	166.0	(16.0)	150.0
Interest Income	47.0	(27.0)	20.0
Transfers to Conservation Fund	(3.0)	0.0	(3.0)
Transfers to Emissions Fund	(6.5)	0.0	(6.5)
Transfers to TSB Sub-Account	(15.3)	0.0	(15.3)
Transfers from Other Funds (1)	0.0	1.5	1.5
Refunds of Payments	(3.0)	0.3	(2.7)
Total - Other Revenue	426.5	(58.5)	368.0
Total Revenue	1,157.0	(110.0)	1,047.0

(1) PA 09-1, AAC Deficit Mitigation for the Fiscal Year Ending June 30, 2009, transferred \$1,166,440 from the Emergency Relief Account and \$287,346 from the Insurance Recoveries Account for use as revenue.

Transportation Fund Projections FY 09 - FY 11
FY 10 and FY 11 based on sHB 6365 (Budget) and sHB 6393
May 1, 2009

Transportation Fund (\$ Millions)	Est. FY 09	FY 10	FY 11
Beginning Balance as of July 1st	\$178.2	\$88.3	\$69.9
REVENUES			
Taxes			
Motor Fuels Tax	489.0	492.0	495.0
Petroleum Products Tax	141.9	141.9	165.3
Sales Tax – DMV	55.0	56.0	58.0
Refund of Taxes	(6.9)	(7.0)	(7.5)
Total – Taxes less Refunds	\$679.0	\$682.9	\$710.8
Other Revenue			
Motor Vehicle Receipts	224.0	250.6	252.6
License, Permits and Fees	150.0	171.8	179.8
Interest Income	20.0	25.0	25.0
Transfers to/from Other Funds(1)	(8.0)	(9.5)	(9.5)
Release from Debt Service Reserves	0.0	0.0	0.0
Total - Other Revenue	\$386.0	\$437.9	\$447.9
Less Refunds of Payments	(2.7)	(2.7)	(2.8)
Less Transfers to TSB Account (2,3)	(15.3)	(15.3)	(15.3)
TOTAL REVENUE	\$1,047.0	\$1,102.8	\$1,140.6
EXPENDITURES			
Debt Service	449.5	446.7	455.7
DOT Budgeted Expenses	507.3	495.9	516.3
DMV Budgeted Expenses	62.5	59.8	60.5
Other Budgeted Expenses	145.9	140.0	161.7
Subtotal – Expenditures	\$1,165.2	\$1,142.4	\$1,194.2
Less Unallocated Lapses (4)	(28.3)	(11.0)	(11.0)
Less Personal Services Reductions		(10.2)	(10.4)
TOTAL EXPENDITURES	\$1,136.9	\$1,121.2	\$1,172.8
NET OPERATING SURPLUS/(DEFICIT)	(\$89.9)	(\$18.4)	(\$32.2)
Ending Balance as of June 30th	\$88.3	\$69.9	\$37.7
DEBT SERVICE RATIO (5)	2.4	2.5	2.5

(1) PA 09-1, AAC Deficit Mitigation for the Fiscal Year Ending June 30, 2009, transferred \$1,166,440 from the Emergency Relief Account and \$287,346 from the Insurance Recoveries Account for use as STF revenue.

(2) Incremental revenue from the various DMV fee changes allocated to the Transportation Strategy Board (TSB) and deposited in the TSB Projects Account.

(3) Section 96 of PA 07-7 JSS credits \$5.5 million on deposit in the Special Transportation Fund to the TSB Projects Account.

(4) The revised FY 09 Lapse of \$28.3 million includes the Governor's Recisions.

(5) 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.