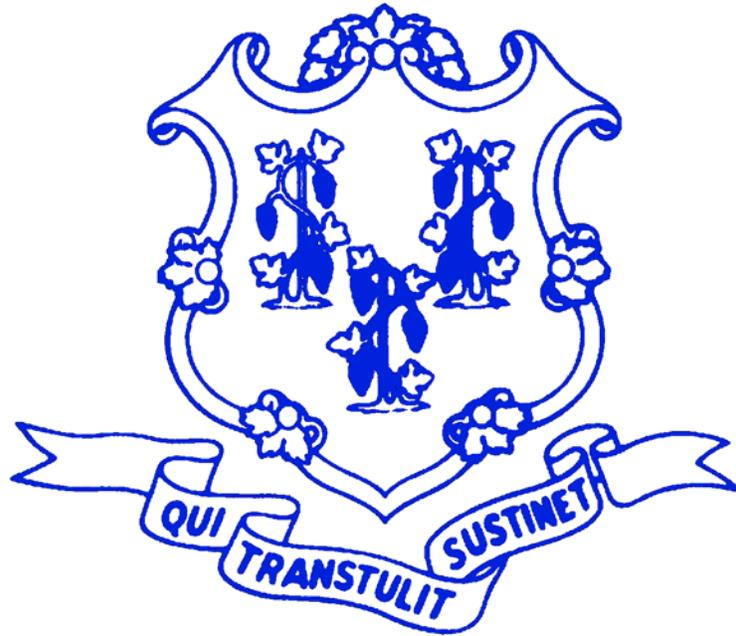


Connecticut General Assembly

OFFICE OF FISCAL ANALYSIS

<http://www.cga.ct.gov/ofa/>



FY 10 - FY 14 General Fund and Transportation Fund Budget Projections and Fiscal Information

November 13, 2009

OFA Report Highlights

General Fund

The FY 10 and FY 11 General Fund deficits are projected at \$385.9 million and \$286.7 million respectively. General Fund current services shortfalls are projected for FY 12 (\$3,282.0 million), FY 13 (\$3,023.6 million) and FY 14 (\$3,191.9 million). The revenue projections for FY 10 - FY 14 assume that the scheduled Sales Tax rate reduction from 6.0% to 5.5% will not go into effect 1/1/10 because the trigger provisions that prevent the rate decrease from taking effect (Section 113 of PA 09-3 (JSS)) will be met.

Transportation Fund

The FY 10 Transportation Fund operating surplus is projected to be \$4 million (\$3.0 million higher than budgeted), which will increase the cumulative surplus to \$97.6 million. The increase is attributable to the repeal of a transfer to the Conservation Fund. **Out year projections indicate that the Transportation Fund will experience operating deficits beginning in FY 12, which will reduce the fund's cumulative balance to \$34.5 million by FY 14.** These operating deficits are attributable to the cumulative effect of the growth rate in expenditures accelerating faster than the anticipated growth rate in revenues over the five year period of FY 10 through the end of FY 14.

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**General Fund Budget Projections FY 10 through FY 14
as of November 13, 2009
(in millions)**

	Estimated	OFA Current Services Estimates 11/13/09			
Budget Overview:	<u>FY 10</u>	<u>FY 11</u>	<u>FY 12</u>	<u>FY 13</u>	<u>FY 14</u>
Consensus Revenues as of 10/15/09	\$ 17,204.0	\$ 17,432.7	\$ 15,794.8	\$ 16,755.5	\$ 17,485.7
OFA Expenditures as of 11/13/09	17,581.4	17,849.4	19,206.8	19,909.1	20,807.6
Balance	\$ (377.4)	\$ (416.7)	\$ (3,412.0)	\$ (3,153.6)	\$ (3,321.9)
OFA Revised Revenue as of 11/13/09	17,195.5	17,562.7	15,924.8	16,885.5	17,615.7
OFA Revised Balance as of 11/13/09	\$ (385.9)	\$ (286.7)	\$ (3,282.0)	\$ (3,023.6)	\$ (3,191.9)
Deficit as a % of budget	2.2%	1.6%	17.1%	15.2%	15.3%
Spending Cap Comparison (All Funds):	(840.9)	(589.9)	1,245.3	141.0	434.0
<p>Amount Over/(Under) Cap in the out-years assumes appropriations at the current services level. Figures also assume that expenditure amounts in excess of the cap are built into the subsequent year's base for purposes of cap calculation.</p>					
General Fund Growth Rates					
(Growth rates reflect base adjustments)					
Revenue		3.4%	5.8%	6.4%	4.3%
Expenditures		1.5%	7.6%	3.7%	4.5%

**FY 10 General Fund Summary
as of November 13, 2009
(in millions)**

	<u>Budget Plan</u>	<u>Increases (Decreases)</u>	<u>Projected</u>
Consensus Revenues as of 10/15/09			
Taxes	\$ 10,927.6	\$ (121.5)	\$ 10,806.1
Other Revenue	1,306.8	(21.7)	1,285.1
Other Sources	5,138.0	(25.2)	5,112.8
Total Consensus Revenue as of 10/15/09	\$ 17,372.4	\$ (168.4)	\$ 17,204.0
OFA Revised Revenue as of 11/13/09			
Taxes	\$ 10,927.6	\$ (130.0)	\$ 10,797.6
Other Revenue	1,306.8	(21.7)	1,285.1
Other Sources	5,138.0	(25.2)	5,112.8
Total OFA Revised Revenue as of 11/13/09	\$ 17,372.4	\$ (176.9)	\$ 17,195.5
Appropriations			
Original Appropriations - Gross	\$ 17,843.6	\$ -	\$ 17,843.6
Plus:			
FY 10 Deficiency Requirements	-	205.9	205.9
Governor's November Recisions		(32.3)	(32.3)
Adjudicated Claims	-	7.5	7.5
Refunds of Escheated Property	-	30.0	30.0
Less:			
Lapses	(473.3)	-	(473.3)
Total Expenditures [1]	\$ 17,370.3	\$ 211.1	\$ 17,581.4
Balance - OFA Expenditures (11/13/09) and Consensus Revenue (10/15/09)	\$ 2.1	\$ (379.5)	\$ (377.4)
Balance - OFA Expenditures (11/13/09) and OFA Revised Revenue (11/13/09)	\$ 2.1	\$ (388.0)	\$ (385.9)

[1] Excludes expenditures from prior year carryforwards.

General Fund Revenue Estimates
(\$ - Thousands)

	FY 10 Budget	Consensus Revisions	FY 10 Consensus	Additional Changes	FY 10 Revised	FY 11 Budget	Consensus Revisions	FY 11 Consensus	Additional Changes	FY 11 Revised
Taxes										
Personal Income	\$ 6,630,700	\$ (20,000)	\$ 6,610,700	\$ (50,000)	\$ 6,560,700	\$ 6,654,700	\$ (20,000)	\$ 6,634,700	\$ (50,000)	\$ 6,584,700
Sales and Use	3,166,700	(89,800)	3,076,900	41,500	3,118,400	3,095,400	(67,100)	3,028,300	180,000	3,208,300
Corporations	721,600	-	721,600	-	721,600	731,900	-	731,900	-	731,900
Public Service Corporations	272,300	-	272,300	-	272,300	278,300	-	278,300	-	278,300
Inheritance and Estate	208,700	(6,500)	202,200	-	202,200	102,000	-	102,000	-	102,000
Insurance Companies	202,700	(2,500)	200,200	-	200,200	216,800	(2,500)	214,300	-	214,300
Cigarettes	392,600	(5,000)	387,600	-	387,600	403,100	(14,100)	389,000	-	389,000
Real Estate Conveyance	94,500	-	94,500	-	94,500	117,500	-	117,500	-	117,500
Oil Companies	98,900	25,500	124,400	-	124,400	75,500	25,500	101,000	-	101,000
Alcoholic Beverages	48,000	-	48,000	-	48,000	48,500	-	48,500	-	48,500
Admissions, Dues and Cabaret	37,100	-	37,100	-	37,100	37,600	-	37,600	-	37,600
Miscellaneous	143,700	1,800	145,500	-	145,500	144,700	1,800	146,500	-	146,500
Total Taxes	12,017,500	(96,500)	11,921,000	(8,500)	11,912,500	11,906,000	(76,400)	11,829,600	130,000	11,959,600
Refunds of Taxes	(1,080,500)	(25,000)	(1,105,500)	-	(1,105,500)	(983,300)	(25,000)	(1,008,300)	-	(1,008,300)
R & D Credit Exchange	(9,400)	-	(9,400)	-	(9,400)	(10,500)	-	(10,500)	-	(10,500)
Taxes Less Refunds	10,927,600	(121,500)	10,806,100	(8,500)	10,797,600	10,912,200	(101,400)	10,810,800	130,000	10,940,800
Other Revenue										
Transfer Special Revenue	293,400	-	293,400	-	293,400	295,100	-	295,100	-	295,100
Indian Gaming Payments	384,100	(13,100)	371,000	-	371,000	391,700	(38,400)	353,300	-	353,300
Licenses, Permits and Fees	281,500	(1,600)	279,900	-	279,900	265,600	(1,800)	263,800	-	263,800
Sales of Commodities and Services	33,200	-	33,200	-	33,200	34,300	-	34,300	-	34,300
Rentals, Fines and Escheats	97,300	(1,500)	95,800	-	95,800	103,400	(1,500)	101,900	-	101,900
Investment Income	10,000	-	10,000	-	10,000	10,000	-	10,000	-	10,000
Miscellaneous	208,000	(5,500)	202,500	-	202,500	218,500	(21,000)	197,500	-	197,500
Refunds of Payments	(700)	-	(700)	-	(700)	(700)	-	(700)	-	(700)
Total Other Revenue	1,306,800	(21,700)	1,285,100	-	1,285,100	1,317,900	(62,700)	1,255,200	-	1,255,200
Other Sources										
Federal Grants	4,051,800	-	4,051,800	-	4,051,800	3,770,400	-	3,770,400	-	3,770,400
Transfer to the Resources of the General Fund	1,121,900	(25,200)	1,096,700	-	1,096,700	1,678,000	-	1,678,000	-	1,678,000
Transfer from Tobacco Settlement Fund	107,300	-	107,300	-	107,300	106,100	-	106,100	-	106,100
Transfer From (To) Other Funds	(143,000)	-	(143,000)	-	(143,000)	(187,800)	-	(187,800)	-	(187,800)
Total Other Sources	5,138,000	(25,200)	5,112,800	-	5,112,800	5,366,700	-	5,366,700	-	5,366,700
Total Revenue	\$ 17,372,400	\$ (168,400)	\$ 17,204,000	\$ (8,500)	\$ 17,195,500	\$ 17,596,800	\$ (164,100)	\$ 17,432,700	\$ 130,000	\$ 17,562,700

General Fund and Transportation Fund Budget Projections (as of November 13, 2009)

I. FY 10 General Fund

Our projections for the fiscal year ending June 30, 2010 indicate a **potential deficit of \$385.9 million** (which represents 2.2% of the budget). This figure assumes that **estimated revenues will be \$176.9 million lower than budgeted** and **estimated expenditures will be \$211.1 million higher than net appropriations**. This is partially offset by a \$2.1 million budgeted surplus, which yields the \$385.9 million potential deficit. The revenue projections for FY 10 - FY 14 assume that the scheduled Sales Tax rate reduction from 6.0% to 5.5% will not go into effect 1/1/10 because the trigger provisions that prevent the rate decrease from taking effect (Section 113 of PA 09-3 (JSS)) will be met.

10/15/09 Consensus Revenues

The consensus revenue estimates were developed in cooperation with the Office of Policy and Management as required under the provisions of PA 09-214. The figures are based on current year revenue collection data and data from prior years, national and international economic trends and economic forecasts for Connecticut provided by Moody's/Economy.com.

The consensus estimates indicate a \$168.4 million net decrease in FY 10 General Fund revenue collections and a \$164.1 million decrease in FY 11. The FY 10 net decrease is due to projected increases of \$27.3 million and decreases of \$195.7 million. The FY 11 net decrease is due to projected increases of \$27.3 million and decreases of \$191.4 million.

The FY 10 increase of \$25.5 million is from the Oil Companies Tax. The most significant FY 10 decreases are: (1) \$89.8 million in Sales Tax, (2) \$13.1 million in Indian Gaming Payments, and (3) \$25.0 million in Refunds of Taxes¹. The FY 11 increase of \$25.5 million is from the Oil Companies Tax. The most significant FY 11 decreases are: (1) \$67.1 million in Sales Tax, (2) \$38.4 million in Indian Gaming Payments, and (3) \$25.0 million in Refunds of Taxes.

The projected increase of \$25.5 million in **Oil Companies Tax** revenue in each of FY 10 and FY 11 reflects the federal Energy Information Administration's short-term energy outlook for the wholesale price of gasoline over the next 12 months.

¹ An increase in Refunds of Taxes results in a revenue decrease.

The projected **Sales Tax** decreases of \$89.8 million in FY 10 and \$67.1 million in FY 11 reflect a decrease in the growth rate for FY 10 based on current-year revenue collections. The growth rate for FY 10 decreased from -1.2% to -3.9% and the decrease in FY 11 flows from the lower FY 10 base figure.

The projected **Indian Gaming Payments** decrease of \$13.1 million in FY 10 reflects the net effect of a one-time payment of \$25.0 million to the state for a settlement related to promotional slot machine play and a decrease of \$38.1 million due to the continued decline in the level of slot machine gaming activity. The \$38.4 million decrease in FY 11 parallels the decline in gaming activity in FY 10.

The projected increase of \$25.0 million in **Refunds of Taxes** in each of FY 10 and FY 11 is based on data through the end of October that shows higher than anticipated Personal Income Tax refunds.

Revenue Changes Since 10/15/09 Consensus Estimates

Since the consensus estimates were developed on October 15, 2009, revenue collection data indicates the following adjustments to FY 10 and FY 11 estimates:

FY 10 **Personal Income Tax** has decreased by \$50.0 million due to weakness in withholding payments. There is a \$50.0 million reduction in FY 11 flowing from the FY 10 decrease due to the lower base.

The **Sales and Use Tax** net adjustment is an increase of \$41.5 million in FY 10 and an increase of \$180.0 million in FY 11. The figures are a combination of two factors: (1) a reduction in collections of \$88.0 million in each of FY 10 and FY 11 due to the continued weakness in the retail and housing sectors and (2) a revenue increase of \$129.5 million in FY 10 and \$268.0 million in FY 11, which reflects that the scheduled Sales Tax rate reduction from 6.0% to 5.5% will not go into effect 1/1/10 because the trigger provisions that prevent the rate decrease from taking effect (Section 113 of PA 09-3 (JSS)) will be met.

Expenditures

The FY 10 estimated expenditures of \$17,581.4 million reflect a \$211.1 million increase to the budgeted \$17,370.3 million. The increase in expenditures is largely attributable to: \$205.9 million in agencies' projected deficiencies (explanations for specific deficiencies are provided below).

The budget anticipates that the following sums will remain unexpended, either through normal spending patterns (most agencies do not expend their full appropriation), or through "mandated" savings. The 2009 - 2011 biennial budget reflects the following lapse (savings) adjustments:

Budgeted Lapse/Savings	FY 10	FY 11
General Fund:		
Reduce Outside Consultant Contracts [1]	(\$95,000,000)	(\$95,000,000)
Estimated Unallocated Lapses [2]	(87,780,000)	(87,780,000)
General Personal Services Reduction [3]	(14,000,000)	(14,000,000)
General Other Expenses Reductions [3]	(11,000,000)	(11,000,000)
Personal Services Reductions [4]	(190,977,440)	(193,664,492)
Legislative Unallocated Lapses [5]	(2,700,000)	(2,700,000)
DoIT Lapses [6]	(30,836,354)	(31,718,598)
Enhance Agency Outcomes [7]	(3,000,000)	(50,000,000)
Management Reduction [8]	(10,000,000)	(12,500,000)
Reduce Other Expense to FY 07 Levels [9]	(28,000,000)	(32,000,000)
Total General Fund	(\$473,293,794)	(\$530,363,090)
<p>[1] Savings attributed to reducing state agencies' outside consultant contracts.</p> <p>[2] Estimated lapse through normal spending patterns.</p> <p>[3] OPM prorates the General Personal Services Reduction and General Other Expenses Reductions among agencies and has shown these amounts as targets to be achieved as agencies plan their spending in FY 10.</p> <p>[4] Savings from the Retirement Incentive Program (RIP), furlough days, and various health and pension SEBAC agreement savings.</p> <p>[5] Target for the legislative agencies to achieve.</p> <p>[6] Funding for state agencies' information technology is consolidated within the Department of Information Technology (DoIT).</p> <p>[7] Estimated lapse from achieving efficiencies and economies in state agencies' spending.</p> <p>[8] Reduces Personal Services funding for management level positions.</p> <p>[9] Reduces various agencies' Other Expenses to FY 07 spending levels.</p>		

Although our FY 10 estimated expenditures assume the budgeted lapse savings will be achieved, it should be noted that given the aggressive lapse savings included in the budget, the extent to which some contract savings goals cannot be achieved may further increase agency deficiencies. Over the past ten years, the average General Fund budgeted lapse is \$218.4 million compared to the FY 10 budgeted lapse of \$473.3 million. The majority of these lapses are intended to be achieved through forced lapses (allotment holdbacks).

It should be noted that the SEBAC agreement included a trigger for further action if the Comptroller's projected revenues fall below a set level. Further action included reducing the contribution to the state employees retirement plan by up to \$100 million annually. At this point OFA's estimates do not assume implementation of these actions (or any resulting impact to the unfunded liability of the retirement fund).

Deficiencies

The anticipated lapse is offset by \$205.9 million in projected deficiencies. These net deficiencies are in the Departments of Public Works (\$8.3 million), Public Safety (\$3.3 million), Public Health (\$5.5 million), Developmental Services (\$18.2 million), Mental Health and Addiction Services (\$5.7 million), Social Services (\$72.7 million), Correction (\$21.5 million), Judicial (\$4.5 million), Comptroller's Fringe Benefit Account for Retiree Health (\$60.9 million), Revenue Services (\$2.0 million), Administrative Services (\$1.3 million) and the Department of Administrative Services - Workers' Compensation Claims account (\$2.0 million).

Although not specifically identified below there are other potential areas of concern: the Division of Criminal Justice's Other Expenses available funding (appropriation less various holdbacks), which is 33% less than FY 09 actual spending; Department of Public Safety's Workers Compensation Claims account, which is experiencing higher than budgeted monthly claim payouts; the Office of the State Comptroller, which may have difficulty meeting current contractual obligations due to available funding in the Other Expenses account; and the Commission on Children's expenditures may exceed budgeted levels.

Please see the explanations below for FY 10 projected deficiencies.

Department of Public Works - \$8,300,000

The Department of Public Works has a projected net deficiency of \$8.3 million, which represents 15.2% of its FY 10 appropriation of \$54.7 million. This assumes that holdbacks totaling \$9.3 million are not released. If the holdbacks were released, the estimated deficiency would be eliminated.

The agency's projected FY 10 budget shortfall of \$8.3 million is composed of \$4 million in Other Expenses, \$2.3 million in Rents and Moving, \$1 million in Property Management Services and \$1 million in Facilities Design Expenses. The deficiencies are a result of anticipated savings associated with operating efficiencies and renegotiation of office space leases that the agency is unlikely to achieve in FY 10.

The Facilities Design Expenses account funds the agency's oversight of the planning, design and construction of state buildings as well as the provision of technical assistance to all state-managed institutions. The Property Management Services account supports the agency's administration of the operation, maintenance and security of state-owned occupied and vacant buildings. The Rents and Moving account finances the agency's efforts to assist state agencies in determining their space requirements, leasing real property and expediting physical moves into new office space.

Department of Public Safety - \$3,300,000

The Department of Public Safety (DPS) has a projected deficiency of \$3.3 million, which represents 1.9% of its FY 10 appropriation of \$170.4 million. This assumes that a bottom-line holdback of \$25.1 million for the agency is not released.

The projected deficiency is in Fleet Purchase, which is largely due to the application of a \$3.3 million contract savings holdback to the account that cannot be achieved. DPS leases vehicles from the Department of Administrative Services (DAS) through monthly payments to DAS over a 48-month period (after which DPS continues to pay a nominal administration and insurance fee to DAS). If the \$3.3 million holdback in this account is not released, it is anticipated that DPS will not be able to pay DAS fleet invoices going forward beginning in December. It is unclear if this will result in agency vehicles being removed from service.

Department of Public Health - \$5,500,000

The Department of Public Health has a projected a net deficiency of \$5.5 million, which represents 6.2% of its FY 10 appropriation of \$88 million. This assumes that holdbacks totaling \$6.7 million for the agency are not released. If the holdbacks were released, the estimated deficiency would be eliminated.

The deficiency is attributable to Personal Services (\$3.0 million) and Other Expenses (\$2.5 million). The Personal Services shortfall is due to greater than budgeted staffing expenses. The Other Expenses deficiency is primarily attributable to costs associated with maintaining: 1) current operations at the state laboratory and 2) on-line licensing system vendor costs.

Department of Developmental Services - \$18,200,000

The Department of Developmental Services has a projected net deficiency of \$18.2 million, which represents 1.8% of its FY 10 appropriation of \$1,002 million. This assumes that holdbacks totaling \$23.3 million are not released. If these holdbacks were released the deficiency would be eliminated.

A gross deficiency of \$21.7 million is due to the anticipated shortfalls in the following accounts: Workers' Compensation Claims (\$2.0 million) due to higher than budgeted monthly claims; Other Expenses (\$2.3 million) resulting from higher than budgeted costs; Voluntary Services Program (\$2.5 million) due to unbudgeted caseload growth in both out-of-home placements and children eligible for services; Community Residential Services (\$5.9 million) resulting from unbudgeted development needs and the conversion of clients

from state operated to privately-provided services; and Early Intervention (\$9 million) due to unbudgeted caseload growth, increase in service hours paid at the supplemental rates and the anticipated delay in the implementation of increased parent fees and insurance reimbursement.

It is anticipated that the cost of the conversion of services in the Community Residential Services account will be offset by the remaining savings associated with the conversion in the Personal Services account, \$3.5 million, via an anticipated Finance Advisory Committee (FAC) transfer.

Department of Mental Health and Addiction Services - \$5,702,872

The Department of Mental Health and Addiction Services has a projected net deficiency of \$5.7 million, which represents 0.82% of its FY 10 appropriation of \$687 million (includes Disproportionate Share expenditures). This assumes that holdbacks totaling \$31.1 million are not released. If the holdbacks were released, the net deficiency would be eliminated.

A gross deficiency of \$9.7 million is attributable to Other Expenses (\$5.0 million), Discharge and Diversion Services (\$4.0 million) and Professional Services (\$0.7 million). The Other Expenses and Professional Services deficiencies are a result of an increased use of contracted doctors to provide coverage for retired state employees. The Discharge and Diversion Services deficiency results from providing community support for inpatient clients discharged due to the closure of inpatient psychiatric beds at Cedarcrest Hospital. It is anticipated that \$4.0 million available in the Personal Services account will be transferred to cover some of the shortfall resulting in a \$5.7 million net deficiency, via an anticipated Finance Advisory Committee (FAC) transfer.

Department of Social Services - \$72,700,000

The Department of Social Services (DSS) has a projected net deficiency of \$72.7 million, which represents 1.4% of its FY 10 appropriation of \$5.1 billion. This assumes that holdbacks totaling \$35.6 million are not released. If the holdbacks were released, the estimated deficiency would be reduced.

The DSS shortfall is primarily in the Medicaid account. The FY 10 budget included significant savings (\$102.9 million) related to managing the fee-for-service population, implementing special needs plans, and reducing the HUSKY Program's managed care rates. Given the late passage of the budget as well as the complexities of implementing these policies, it is unlikely that the full savings will be achieved in FY 10.

Additionally, deficiencies are projected in the Other Expenses (\$9.5 million), HUSKY B (\$5 million), Charter Oak (\$6 million), Connecticut Home Care (\$4 million) and Temporary Family Assistance (\$3.5 million) accounts. These deficiencies are largely due to caseload changes, but are also impacted by the late implementation of certain savings initiatives assumed in the budget.

These deficiencies are offset by projected lapses in the Child Care Subsidies (\$10.7 million) and State Administered General Assistance (SAGA) (\$12 million) accounts. The Child Care Subsidies surplus is related to the continued enrollment closure of the higher

income, non-entitlement portions of the program. Under SAGA, the budget included appropriations for higher provider rates, contingent on the Federal government approving the inclusion of SAGA in the Medicaid program. As this approval has not yet been received, the higher SAGA rates have not gone into effect.

In addition to the assumed policy changes noted above, the FY 10 budget included significant savings associated with a variety of programmatic restructuring in this department. To the extent that these changes are delayed, or the final implementation does not achieve the savings targets assumed in the budget, a higher deficiency under DSS may result.

Department of Correction - \$21,500,000

The Department of Correction has a projected net deficiency of \$21.5 million, which represents 3.1% of its FY 10 appropriation of \$694.1 million. This assumes that various holdbacks of approximately \$37.0 million (\$17.4 million in Personal Services and \$19.5 million in Other Expenses) are not released. If the holdbacks were released, the agency would not have a deficiency.

The \$21.5 million deficiency occurs in two areas: Other Expenses (\$17.0 million), and Workers' Compensation Claims (\$4.5 million).

The shortfall in Other Expenses is due to an inability to achieve a reduced appropriation (the FY 10 appropriation, not including holdbacks, is approximately \$700,000 less than the FY 09 appropriation) as well as various other savings initiatives including policies on managing the prison population.

The shortfall in Workers' Compensation Claims is due to medical expenditures in both August and September that are higher than expected. The FY 10 appropriation level of \$24.9 million is \$1.7 million lower than the amount expended on Workers' Compensation in FY 09.

The \$21.5 million deficiency assumes that a transfer from the Reserve for Salary Adjustment Account will occur to offset any deficiency in Personal Services (which is now estimated to be \$12.5 million).

Judicial Department - \$4,500,000

The Judicial Department has a projected net deficiency of \$4.5 million, which represents 0.9% of its FY 09 gross appropriation of \$498.1 million. This assumes that various holdbacks totaling approximately \$30.2 million are not released.

A deficiency of approximately \$4.5 million is projected within the Other Expenses line item. The net appropriation (less various allotment holdbacks to achieve savings) in this account

is approximately \$6.7 million less than FY 09 actual spending, and \$8.3 million less than FY 09 spending plus necessary significant increases to maintain current services.¹

The \$4.5 million projected deficiency in Other Expenses assumes the implementation of various service reductions and savings indicated by the Judicial Department in its October 1, 2009, letter to legislative leadership and the chairs/ranking members of the Appropriations and Judiciary Committees. Included among the initiatives in that letter is the shifting of an estimated \$3.3 million in certain costs² from the Other Expenses line item to the Juvenile Alternative Incarceration (JAI) line item.

The shifting of \$3.3 million in costs to the JAI line item will necessitate either: (1) a reduction in other services supported through that line item, including the planned expansion of Family Support Centers; or (2) an additional deficiency appropriation of up to \$3.3 million.

Fringe Benefit Account - Retired State Employees Health Service Cost - \$60,900,000

The Retired State Employees Health Service Cost account budgeted in the Miscellaneous Accounts administered by the State Comptroller has a projected net deficiency of \$60.9 million, which represents 12.6% of its FY 10 appropriation of \$482.9 million. This assumes that holdbacks totaling \$128.3 million for the other fringe benefit accounts are not released. If the holdbacks were released, the estimated deficiency would be eliminated.

The gross deficiency of \$60.9 million represents the retiree health costs of the approximately 3,900 employees who participated in the Retirement Incentive Program (RIP). The budgeted appropriation for this fringe benefit account was not previously adjusted for these costs under PA 09-3 JSS and PA 09-7 SSS.

Department of Revenue Services - \$2,000,000

The Department of Revenue Services has a projected net deficiency of \$2.0 million, which represents 2.8% of its FY 10 appropriation of \$72.9 million. This assumes that holdbacks totaling \$12.2 million for the agency are not released. If the holdbacks were released, the estimated deficiency would be eliminated.

The deficiency of \$2.0 million in the Other Expenses account is due to maintaining ongoing contractual obligations. The contracts support the department's Integrated Tax Administration System (ITAS) and other information systems.

Department of Administrative Services - \$1,314,068

The Department of Administrative Services has a projected net deficiency of \$1.3 million, which represents 3.0% of its FY 10 appropriation of \$43.2 million. This assumes that holdbacks totaling \$4.7 million for the agency are not released. If these holdbacks were released, DAS would not incur a deficiency.

¹ Necessary increases to maintain current service levels: \$750,931 to annualize the additional cost of the new Bridgeport Juvenile Detention Center; \$537,480 to cover increased utility costs; and \$250,000 to implement a new inmate victim notification system required under PA 08-1 of the JSS.

² These costs are medical and other direct care expenses for children in detention.

The deficiency is the result of maintaining current contract requirements with the workers' compensation third party administrator. The Workers' Compensation Administrator account provides funding for the third party administrator contract for workers' compensation claims administration and medical case management.

Department of Administrative Services - Workers' Compensation Claims - \$2,000,000

The Workers' Compensation Claims account has a projected net deficiency of \$2.0 million, which represents 8.1% of its FY 10 appropriation of \$24.7 million.

The deficiency is the result of three factors: a rollout of the FY 09 deficiency; increases in medical and indemnity costs; and several catastrophic medical claims.

Funding within the Department of Administrative Services Workers' Compensation Claims account is used to pay the workers' compensation claims costs for the legislative branch, the judicial branch and all executive branch agencies except the Departments of Correction, Public Safety, Children and Families, Developmental Services, Mental Health and Addiction Services, and the Department of Transportation/Department of Motor Vehicles Special Transportation Fund. These agencies have their own Workers' Compensation Claims accounts.

<p>Total OFA Net Deficiencies (\$205,916,940)</p>
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II. FY 12 through FY 14 General Fund Budget Projections

Our current services analysis indicates potential General Fund shortfalls of \$3,282.0 million in FY 12, \$3,023.6 million in FY 13 and \$3,191.9 million in FY 14.

These gaps are largely attributable to the following one-time measures utilized in FY 11: Increased debt service payments due to the issuance of Economic Recovery Notes (ERN's), and revenue intercepts due to securitization that will impact the out-years beginning in FY 12.

Major Factors Contributing Toward the FY 12 Deficit (in millions)	
Federal Stimulus	\$594.8
Budget Reserve Fund (BRF)	342.0
Securitization	1,290.7
Reductions to Certain Funds (Sweeps)	45.3
Total—One-Time Measures Utilized in FY 11 and Not Available in FY 12	\$2,272.8
ERN's - Debt Service (principal and interest)	\$238.0
Securitization - Revenue Intercept	216.5
Total - Impact of ERN's and Securitization	\$454.5
Grand Total - One-Time Measures and Impact of ERN's and Securitization	\$2,727.3

The FY 12 deficit assumes a revenue decline with modest additional current services expenditure requirements. The FY 12 current services projection would result in a 7.6% rate of expenditure growth from FY 11. The revenue adjusted growth rate of 5.8% would result in FY 12. The expenditure and revenue growth rates for FY 13 would be 3.7% and 6.4% respectively.

Included in our FY 12 projections is the rollout of the above structural difficulties in addition to \$108.7 million for the 27th payroll for state employees. Projections in this report are based on current law, existing policy commitments, estimated caseload and workload requirements. The FY 12 through FY 14 figures use FY 11 as the baseline for projections with modest growth. These estimates show the direction of revenues and spending if current laws and policies remain unchanged. They are not forecasts of what will actually occur, since policymakers will likely seek to alter current priorities.

Revenues FY 12 through FY 14

The projections for FY 12 through FY 14 were developed based on the revised FY 11 consensus revenue estimates adjusted for revenue changes. Current economic forecasts predict that the national economy will begin to recover by mid-2010 but Connecticut's economy will not recover as quickly or as strongly as the national economy.

The table below presents the growth rates for the major General Fund revenue sources. The growth rates were developed using relevant economic variables forecasted by Moody's/Economy.com for Connecticut for calendar years 2011 through 2014.

Revenue Source Growth Rates FY 12 - FY 14			
	FY 12	FY 13	FY 14
Personal Income Tax:			
Withholding	3.8%	4.5%	5.0%
Estimated Payments	16.1%	20.0%	10.0%
Final Payments	18.6%	24.3%	11.9%
Sales Tax:			
	5.3%	4.6%	3.3%
Corporate Business Tax:			
	5.0%	2.0%	2.0%

Expenditures FY 12 through FY 14

The FY 12 projection of \$19,206.8 million represents a \$1,357.4 million increase over FY 11. The table on the previous page identifies the major structural difficulties that are reflected in the out year projections.

The out-year projections include: 1) costs associated with collective bargaining contracts that may be approved and 2) increased future year appropriations that reflect FY 10 deficiency needs rolled forward into the out-years. Projections have been developed by applying inflationary and specific growth factors to the estimated expenditure levels for FY 10 and each subsequent year. This assumes 4.5% to 5% salary increases for state employees in subsequent years (3% to 3.5% for cost of living adjustments and 1.5% for Annual Increments) and 2.0% in each year for other accounts. In addition, each major appropriated account has been examined individually and adjusted as necessary to reflect amounts anticipated to be required based on current law, historical trends or caseload projections.

The table below identifies some of the major accounts with significant increases in FY 12 through FY 14:

Major General Fund Appropriation Increases for FY 12 - FY 14 (in millions) (increases shown are above prior year base)			
Agency/Account	FY 12	FY 13	FY 14
DSS – Medicaid	\$265.8	\$284.4	\$304.3
Debt Service	263.2	46.9	56.2
Personal Services (gross - statewide)	148.3	154.9	161.9
SDE - Education Equalization Grant (ECS)	47.2	48.4	49.6
Fringe Benefits - Retirement Contribution	165.8	37.3	38.9
Fringe Benefits - Retired State Employee Health	24.3	25.3	24.7
DSS - State Administered General Assistance	21.3	22.8	24.4
DCF - Board & Care (Residential, Foster & Adoption)	22.0	12.4	20.0
TRB – Retirement Contributions	23.3	24.2	25.2
27 th Payroll of State Employees	108.7	-	-
Total Major GF Appropriation	\$1,089.9	\$656.6	\$705.2

III. Transportation Fund

FY 10 Revenues and Expenditures

The projected FY 10 Special Transportation Fund (STF) operating surplus is projected to be \$4.0 million, which is \$3.0 million higher than budgeted. The \$3.0 million adjustment reflects the repeal of the transfer to the Conservation Fund, which was enacted after the Finance, Revenue and Bonding Committee estimates were adopted on October 2nd. This will result in STF's FY 10 projected cumulative fund balance increase from \$93.6 million to \$97.6 million.

The STF consensus revenue estimates for FY 10 through FY 14 were developed in cooperation with the Office of Policy and Management as required under the provisions of PA 09-214. The figures are based on current year revenue collection data and data from prior years.

FY 10 Transportation Fund Summary as of November 13, 2009 (in millions)			
	Budget Plan	Increase/ (Decrease)	Revised Estimates
Revenues:			
Taxes	\$684.8	\$0.0	\$684.8
Other Revenue	430.9	3.0	433.9
Total Revenue	\$1,115.7	\$3.0	\$1,118.7
Appropriations:			
Original Appropriations – Gross	\$1,135.9	\$0.0	\$1,135.9
Plus: Deficiency requirements	\$0.0	\$0.0	\$0.0
Less:			
Lapses			
Estimated Unallocated	(\$11.0)	\$0.0	(\$11.0)
Personal Services Reduction	(10.2)	0.0	(10.2)
Total Lapses	(21.2)	0.0	(21.2)
Total Expenditures	\$1,114.7	\$0.0	\$1,114.7
Surplus/(Deficit) from Operations FY 10	\$1.0	\$3.0	\$4.0
Plus: Cumulative Surplus as of June 30, 2009 [1]			\$93.6
Projected Fund Balance as of June 30, 2010			\$97.6
[1] Estimated FY 09 ending cumulative balance in the Transportation Fund.			

**FY 10 Transportation Fund Revenue Estimates as of November 13, 2009
(in millions)**

	FY 10 Budget Plan	OFA Over/(Under) Budget Plan	FY 10 OFA Estimates
Taxes			
Motor Fuels	\$494.7	\$0.0	\$494.7
Petroleum Products Tax	141.9	0.0	141.9
Sales Tax – DMV	54.8	0.0	54.8
Refunds of Taxes	(6.6)	0.0	(6.6)
Total Taxes Less Refunds	\$684.8	\$0.0	\$684.8
Other Revenue			
Motor Vehicles Receipts	\$224.5	\$0.0	\$224.5
License, Permits, and Fees	136.1	0.0	136.1
Interest Income	16.5	0.0	16.5
Transfers to Conservation Fund [1]	(3.0)	3.0	0.0
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 [2]	81.2	0.0	81.2
Refunds of Payments	(2.6)	0.0	(2.6)
Total - Other Revenue	\$430.9	\$3.0	\$433.9
Total Revenue	\$1,115.7	\$3.0	\$1,118.7

[1] The Conservation Fund transfers were repealed by Section 513 of PA 09-3 JSS (HB 6802) but were not included in the revenue estimates adopted by the Finance, Revenue and Bonding Committee.

[2] PA 09-8 SSS (SB 2052) increased the amount of transfers from the General Fund to the Transportation Fund to \$81.2 million in FY 10, \$126.0 million in FY 11 & FY 12, and \$172.8 million in FY 13 and thereafter.

Out-Years FY 12 - FY 14 Revenues and Expenditures

The STF projections indicate that estimated expenditures will continue to increase faster than estimated revenues, which will result in net operating deficits beginning in FY 12. However, transfers from the General Fund to the STF will increase from \$126.0 million to \$172.8 million beginning in FY 13 (PA 09-8 (SSS)), which will reduce the disparity between expenditures and revenues.

As the table below shows, operating balances of the STF are expected to become negative beginning in FY 12 and continuing through FY 14. This will reduce the cumulative balance from \$101.7 million in FY 11 to \$47.6 million in FY 12 due to the operating deficit of \$54.1 million in FY 12. However, the increased General Fund transfer in FY 13, PA 09-8 SSS, will result in lowering the operating deficits for FY 13 and FY 14, which will decrease the cumulative surplus to \$34.5 million in FY 14.

Special Transportation Fund Operating Balance and Cumulative Balance Projections (in millions)					
	FY 10	FY 11	FY 12	FY 13	FY 14
Net Operating Surplus/(Deficit)	\$4.0	\$4.1	(\$54.1)	(\$9.1)	(\$4.0)
Cumulative Balance	\$97.6	\$101.7	\$47.6	\$38.5	\$34.5

The STF expenditure increases are due to:

- 1) Full implementation of the rail and bus subsidies provisions that were included in the recently-enacted Transportation Initiatives (PA 05-4 JSS and PA 06-136). The increases above current expenditures are expected to range between \$10 million in FY 12 to \$30 million in FY 14.
- 2) An annual \$1.5 million grant-in-aid to Tweed-New Haven Airport beginning in FY 10.
- 3) \$2.1 million annual cost to DMV for implementation of the vision screening program.
- 4) \$7.4 million for one-time costs associated with the 27th payroll in FY 12.
- 5) It is anticipated that the state's contribution to the state employees' pension system will increase. This is primarily due to the 2009 Retirement Incentive Program and the deferral of pension contributions that were included in the State Employees Bargaining Agent Coalition (SEBAC) 2009 agreement. These are estimates - the next actuarial valuation of State Employees Retirement System (SERS) is scheduled for 6/30/10 to determine FY 12 and FY 13 pension contribution levels.

Transportation Fund Projections FY 10 - FY 14 as of November 13, 2009
(in millions)

	FY 10	FY 11	FY 12	FY 13	FY 14
	-----Consensus-----		-Consensus Out-Year Projections-		
Beginning Balance as of July 1st	\$93.6	\$97.6	\$101.7	\$47.6	\$38.5
REVENUES					
Taxes					
Motor Fuels Tax	\$494.7	\$489.7	\$494.6	\$499.5	\$504.5
Petroleum Products Tax	141.9	165.3	165.3	165.3	179.2
Sales Tax - DMV	54.8	53.8	55.6	56.7	57.8
Refund of Taxes	(6.6)	(6.9)	(7.0)	(7.1)	(7.2)
<i>Total - Taxes less Refunds</i>	<i>\$684.8</i>	<i>\$701.9</i>	<i>\$708.5</i>	<i>\$714.4</i>	<i>\$734.3</i>
Other Revenue					
Motor Vehicle Receipts	\$224.5	\$228.2	\$232.5	\$236.5	\$240.6
License, Permits and Fees	136.1	136.5	137.8	139.2	142.6
Interest Income	16.5	16.5	20	22	22
Transfers to/from Other Funds [1]	74.7	119.5	119.5	166.3	166.3
Release from Debt Service Reserves	0	0	0	0	0
<i>Total - Other Revenue</i>	<i>\$451.8</i>	<i>\$500.7</i>	<i>\$509.8</i>	<i>\$564.0</i>	<i>\$571.5</i>
Less Refunds of Payments	(2.6)	(2.6)	(2.7)	(2.8)	(2.9)
Less Transfers to TSB Account [2]	(15.3)	(15.3)	(15.3)	(15.3)	(15.3)
TOTAL REVENUE	\$1,118.7	\$1,184.7	\$1,200.3	\$1,260.3	\$1,287.6
EXPENDITURES					
	-----Budget Act-----		-OFA Out-Year Projections-----		
Debt Service	\$444.0	\$467.2	\$482	\$476.9	\$476
DOT Budgeted Expenses	492.6	512.9	544.8	563.9	577.5
DMV Budgeted Expenses	59.4	60.1	64.7	67.2	69.7
Other Budgeted Expenses [3]	139.9	161.8	184.3	182.8	189.8
<i>Subtotal - Expenditures</i>	<i>\$1,135.9</i>	<i>\$1,202.0</i>	<i>\$1,275.8</i>	<i>\$1,290.8</i>	<i>\$1,313.0</i>
Less Unallocated Lapses	(11.0)	(11.0)	(11.0)	(11.0)	(11.0)
Less Personal Services Reductions	(10.2)	(10.4)	(10.4)	(10.4)	(10.4)
TOTAL EXPENDITURES	\$1,114.7	\$1,180.6	\$1,254.4	\$1,269.4	\$1,291.6
Net Operating Surplus/(Deficit)	\$4.0	\$4.1	(\$54.1)	(\$9.1)	(\$4.0)
Ending Balance as of June 30th	\$97.6	\$101.7	\$47.6	\$38.5	\$34.5
Debt Service Ratio [4]	2.6	2.6	2.5	2.7	2.7
[1] PA 09-8 SSS increased the amount of transfers from the General Fund to the Transportation Fund to \$81.2 million in FY 10, \$126.0 million in FY 11 & FY 12, and \$172.8 million in FY 13 and thereafter. (1) The Conservation Fund transfers were repealed by Section 513 of PA 09-3 JSS but were not included in the Revenue Estimates adopted by the Finance Committee.					
[2] Incremental revenue from the various DMV fee changes allocated to the Transportation Strategy Board (TSB) and deposited in the TSB projects account.					
[3] The figure for FY 12 includes \$7.4 million for 27th payroll costs.					
[4] 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.					

IV. Other Appropriated Funds Projected Revenues, Expenditures and Ending Balances for FY 10 through FY 14

	FY 09 actual	FY 10 estimated	FY 11	FY 12	FY 13	FY 14
<u>MASHANTUCKET PEQUOT AND MOHEGAN FUND</u>						
Beginning Balance	6,898,519	50,000	70,093	90,186	140,186	190,186
Revenue	86,300,000	61,800,000	61,800,000	86,300,000	86,300,000	86,300,000
Expenditures	(92,998,519)	(61,779,907)	(61,779,907)	(86,250,000)	(86,250,000)	(86,250,000)
Transfers	(150,000)	-	-	-	-	-
Ending Balance	50,000	70,093	90,186	140,186	190,186	240,186
<u>REGIONAL MARKET OPERATION FUND [1]</u>						
Beginning Balance	1,089,686	915,071	986,129	1,029,056	1,063,270	1,088,312
Revenue	967,700	1,000,000	1,000,000	1,020,000	1,040,400	1,061,208
Expenditures	(1,142,315)	(928,942)	(957,073)	(985,785)	(1,015,359)	(1,045,820)
Transfers	-	-	-	-	-	-
Ending Balance	915,071	986,129	1,029,056	1,063,270	1,088,312	1,103,700
<u>BANKING FUND</u>						
Beginning Balance	53,811,250	21,293,996	22,252,848	21,479,762	21,355,825	19,598,582
Revenue	20,493,591	21,100,000	19,800,000	21,100,000	19,800,000	21,100,000
Expenditures	(32,010,845)	(20,141,148)	(20,573,086)	(21,223,937)	(21,557,243)	(22,000,000)
Transfers	(21,000,000)	-	-	-	-	-
Ending Balance	21,293,996	22,252,848	21,479,762	21,355,825	19,598,582	18,698,582
<u>INSURANCE FUND [2]</u>						
Beginning Balance	7,348,865	5,788,478	6,120,000	6,290,400	6,338,800	6,489,200
Revenue	23,122,139	24,724,523	25,295,192	25,926,936	26,805,292	27,455,038
Expenditures	(23,682,526)	(24,393,002)	(25,124,792)	(25,878,536)	(26,654,892)	(27,454,538)
Transfers	(1,000,000)	-	-	-	-	-
Ending Balance	5,788,478	6,120,000	6,290,400	6,338,800	6,489,200	6,489,700
<u>CONSUMER COUNSEL AND PUBLIC UTILITY CONTROL FUND</u>						
Beginning Balance	8,786,601	7,203,817	9,401,743	11,452,277	13,342,462	15,058,615
Revenue	22,845,624	23,530,992	24,236,922	24,964,030	25,712,951	26,484,339
Expenditures	(20,928,407)	(21,333,066)	(22,186,389)	(23,073,844)	(23,996,798)	(24,956,670)
Transfers	(3,500,000)	-	-	-	-	-
Ending Balance	7,203,817	9,401,743	11,452,277	13,342,462	15,058,615	16,586,284
<u>WORKERS' COMPENSATION FUND</u>						
Beginning Balance	13,419,348	6,867,522	15,762,934	16,229,220	16,574,157	17,012,892
Revenue	22,397,105	30,221,508	22,250,000	23,000,000	24,000,000	25,000,000
Expenditures	(21,948,931)	(21,326,096)	(21,783,714)	(22,655,063)	(23,561,265)	(24,503,716)
Transfers	(7,000,000)	-	-	-	-	-
Ending Balance	6,867,522	15,762,934	16,229,220	16,574,157	17,012,892	17,509,177

IV. Other Appropriated Funds Projected Revenues, Expenditures and Ending Balances for FY 10 through FY 14

	FY 09 actual	FY 10 estimated	FY 11	FY 12	FY 13	FY 14
<u>CRIMINAL INJURIES COMPENSATION FUND</u> [3]						
Beginning Balance	6,111,136	5,698,827	3,491,417	2,007,819	1,696,964	1,280,782
Revenue	3,208,195	3,200,000	3,200,000	3,200,000	3,200,000	3,200,000
Expenditures	(2,620,504)	(3,132,410)	(3,408,598)	(3,510,856)	(3,616,182)	(3,724,667)
Transfers	(1,000,000)	(2,275,000)	(1,275,000)	-	-	-
Ending Balance	5,698,827	3,491,417	2,007,819	1,696,964	1,280,782	756,115
<u>SOLDIERS, SAILORS AND MARINES' FUND</u> [4]						
Trust Fund Value as of June 30, 2009, was \$56.7 million						
Special Revenue Fund Balance - Beginning	(3,698,327)	(3,786,258)	(3,593,611)	(3,356,616)	(3,074,807)	(2,747,728)
Revenue [5]	2,018	-	-	-	-	-
Expenditures	(3,198,885)	(2,978,468)	(2,997,543)	(3,017,419)	(3,038,134)	(3,059,727)
Transfers from the Trust Fund	3,108,936	3,171,115	3,234,537	3,299,228	3,365,213	3,432,517
Special Revenue Fund Balance - Ending	(3,786,258)	(3,593,611)	(3,356,616)	(3,074,807)	(2,747,728)	(2,374,938)
<u>TOTAL</u>						
Beginning Balance	93,767,077	44,031,453	54,491,552	55,222,102	57,436,856	57,970,840
Revenue	179,336,371	165,577,023	157,582,114	185,510,965	186,858,642	190,600,586
Expenditures	(198,530,933)	(156,013,039)	(158,811,101)	(186,595,440)	(189,689,872)	(192,995,137)
Transfers [6]	(30,541,064)	(2,275,000)	(1,275,000)	-	-	-
Ending Balance	44,031,453	51,320,437	51,987,565	54,137,628	54,605,627	55,576,288

Notes:

- [1] Revenue was calculated at a 2% increase while expenditures were calculated at a 3% increase. The beginning balance in FY 09 includes a one-time carryforward from FY 08 of \$123,709 which was used for a new sewer line and railroad track repair at the Regional Market in Hartford.
- [2] The Insurance Department assesses domestic insurance companies for its appropriation and the appropriation of the Office of the Healthcare Advocate, including the cost of fringe benefits for personnel, plus the expenditures made on behalf of these agencies from the Capital Equipment Purchase Fund. The assessment is adjusted each fiscal year so that between \$6.0 and \$6.5 million remains in the ending balance of the Insurance Fund to cover first quarter expenses in the fiscal year that follows.
- [3] Annual revenue from criminal fines anticipated to remain flat at approximately \$3.2 million as in recent years; spending requirements projected to increase at a rate of 3% annually; FY 10 and FY 11 transfers out in accordance with Section 74 of PA 09-3 of the June Special Session (the Budget Act).
- [4] The SSMF expends dollars that are allocated to the agency based on level of appropriation, and interest earned on the Trust Fund is transferred to the agency on a monthly basis to be utilized for those expenditures. As of June 30, 2009 the SSMF special revenue fund had a cumulative negative balance of \$3.8 million due to expenditures exceeding actual interest income since FY 02.
- [5] FY 09 revenue is attributable to a refund of expenditures from a prior year.
- [6] In accordance with deficit mitigation legislation during FY 09, \$33.65 million was transferred from various special revenue appropriated funds to the General Fund. The total FY 09 transfer amount is net the \$3.1 million transfer to the SSMF described above.

V. Miscellaneous Fiscal Information

Tax Credits, Exemptions and Deductions

Appendix A presents a listing of the tax credits, exemptions, and deductions and an estimate of the value of each item. The estimates were formulated using data extracted from Connecticut tax returns whenever possible. Other sources include federal and other state tax expenditure estimates, data from federal tax returns, and other applicable data for Connecticut and the nation.

Each estimate measures the impact of the provision in isolation, with economic conditions and other tax provisions held constant. It should be noted that because each estimate measures the impact of the provision as it exists under current conditions, it does not represent the fiscal impact if the provision was repealed. In many cases, the fiscal impact of repealing a provision would greatly differ from the estimate presented in Appendix A.

The estimates in Appendix A come from the Connecticut Tax Expenditure Report published every two years (the latest one published in January 2008) pursuant to Connecticut General Statutes Section 12-7b (e).

Projected Bond Authorizations, Allocations, Issuances and Debt Service

The table below presents OFA's estimates for General Obligation (GO) and Special Tax Obligation (STO) bond authorizations, allocations, issuance and debt service for FY 10 through FY 14. The figures show that GO bond issuance remains fairly stable over the 5-year period but the expenditure on debt service gradually increases. This increase reflects the assumption that the state will issue GO bonds at higher interest rates over this period. For example, the state issued tax exempt GO bonds in April 2009 at an interest rate of 4.24% while the interest rate assumptions used for the projections in the table below are 5.25%. The STO debt projections use the same assumption that STO bonds will be issued at higher interest rates over this period but the effect on STO debt service is less noticeable because fewer STO bond are issued.

FY 10 – FY 14 Projections for General Obligation and Special Tax Obligation Bonds (in billions)					
	<u>FY 10</u>	<u>FY 11</u>	<u>FY 12</u>	<u>FY 13</u>	<u>FY 14</u>
General Obligation (GO) Bond Projections					
Bond Authorizations ¹	1.2	1.1	1.4	1.3	1.3
Bond Allocations ²	1.2	1.1	1.4	1.3	1.3
Bond Issuance ²	1.2	1.3	1.4	1.3	1.3
Debt Service ³	1.7	1.7	1.9	2.0	2.0
Special Tax Obligation (STO) Bond Projections					
Bond Authorizations ⁴	0.6	0.3	0.3	0.3	0.3
Bond Allocations ⁴	0.5	0.5	0.5	0.5	0.5
Bond Issuance ⁴	0.5	0.6	0.4	0.4	0.4
Debt Service ⁴	0.4	0.5	0.5	0.5	0.5

The table above includes the following references:

1) FY 10 and FY 11 figures are based on authorizations made during the 2009 legislative session. FY 12 - FY 14 estimates are based on information supplied by the Office of the State Treasurer. The figures include authorizations for the UConn 21st Century infrastructure program and the CSUS 2020 infrastructure program.

2) The estimates are based on information supplied by the Office of the State Treasurer. The figures include the UConn 21st Century infrastructure program and the CSUS 2020 infrastructure program.

3) The estimates are based on information supplied by the Office of the State Treasurer. OFA adjusted the projections to reflect the anticipated debt service lapse for each year.

4) The figures are based on information supplied by the Office of the State Treasurer. The estimates include assumptions regarding the allocation and issuance of \$1.3 billion in STO bonds authorized during the 2006 legislative session for strategic transportation projects and initiatives.

The components of the bond projections included in the table above are described as follows:

General Obligation (GO) bonds finance the construction of buildings, grants and loans for housing, economic development, community care facilities, school construction grants, state parks and open space. The University of Connecticut Infrastructure Renewal Program (UConn 21st Century) and the Connecticut State University System infrastructure renewal program (CSUS 2020) are also included in this category. The revenue stream from the state's General Fund pays debt service on GO bonds.

Special Tax Obligation (STO) bonds finance the state's portion of the cost of highway and bridge construction and maintenance. In addition to the ongoing transportation infrastructure renewal program, the figures in the table also include the transportation initiatives passed during the 2005, 2006 and 2007 legislative sessions. The repayment source for STO bonds is a dedicated revenue stream from the state's motor fuels tax and motor vehicle registrations, licenses and fees.

The capital budget that is passed by the General Assembly each biennium is composed of individual bond authorizations that indicate: (1) the state agency receiving the funds, (2) a description of the purpose for which the funds will be used and (3) the amount of funds for the designated purpose. Bond authorizations can be thought of as enabling legislation.

Bond allocations: For an agency to actually commit funds for a project, the bond funds authorized for the project must be allocated. This means that the State is prepared to finance the costs associated with implementation of the next phase of the project. The State Bond Commission (SBC) has statutory responsibility for the allocation process. The SBC is primarily an Executive Branch commission and is currently composed of ten members: the Governor, the Treasurer, the Comptroller, the Attorney General, the Secretary of OPM, the Commissioner of Public Works and the Senate and House

Chairmen of the Finance, Revenue and Bonding Committee and the ranking members of the Committee.

Bond issuance: Bonds are issued by the Office of the State Treasurer several times each year. The issuance schedule is planned in accordance with estimates of the scale and pattern of capital expenditures. The overall pattern of expenditure flows from the capital budget approved by the General Assembly and the flow of individual projects approved for issuance by the State Bond Commission.

Debt service is the amount of money paid by the state each year for (1) interest and principal on outstanding debt and (2) fees related to debt.

Analysis of Possible Uses of Surplus Funds

Under the Connecticut Constitution and General Statutes, the three possible uses of surplus funds are:

The Budget Reserve or Rainy Day Fund - Under Article 28, Section 18(c) of the Connecticut Constitution, any unappropriated General Fund surplus is first transferred to the Budget Reserve Fund (BRF) to raise the balance to 10% of net General Fund appropriations. The resources of the BRF are invested in the Short Term Investment Fund (STIF), which has a 10-year annualized rate of return of 3.5%.

Reduction of Bonded Indebtedness - If any additional surplus remains after the BRF transfer, Article 28 stipulates that it must be used to reduce bonded indebtedness. The average interest rate for General Obligation (GO) bonds is currently about 4.5%.

Reduction of unfunded pension liability in the State Employees Retirement Fund and Teachers' Retirement Fund - A currently inoperative section of the statutes¹ requires that after the transfer to the BRF, any additional surplus must be used to reduce the unfunded pension liability in the State Employees Retirement Fund by up to 5% of unfunded prior service liability, followed by the reduction of bonded indebtedness. The 10-year annualized rate of return for the Connecticut Retirement Plans and Trust Funds (which includes the State Employees Retirement Fund and the Teachers' Retirement Fund) is 4.5%².

At this time, the rate of return for the State Employees Retirement Funds and Teachers' Retirement Fund is the same as the average interest rate on GO bonds. Assuming that transfers to the BRF continue to be the first priority for unappropriated General Fund surplus, it would equally advantageous to the state in the long term to use any remaining surplus to: (1) reduce the unfunded liability of the State Employees Retirement Fund and/or the Teachers' Retirement Fund or (2) reduce GO bonded indebtedness.

¹ The constitutional amendment became effective 11/25/92 while CGS Sec. 4-30a became effective 6/10/92. Because the effective date of Article 28, Section 18(c) is more recent than CGS Sec. 4-30a, the constitutional amendment controls the use of unappropriated General Fund surplus and renders inoperative the portion of CGS Sec. 4-30a that transfers surplus to the pension fund.

² The Office of the State Treasurer provided this figure for informational purposes only.

Long-Term Obligations

Unfunded liabilities are legal commitments incurred during the current or a prior year that must be paid at some time in the future but for which no reserves have been set aside. The State of Connecticut's unfunded obligations are in four areas: (1) bonded indebtedness (debt outstanding), (2) state employee and teachers' retirement, (3) state employee post employment health and life benefits and (4) Generally Accepted Accounting Principles.

Debt Outstanding - This figure includes debt that is backed by revenue derived from the General Fund, the Special Transportation Fund and a variety of other revenue sources such as the Clean Water Fund and Bradley International Airport.

State Employee Pensions and Teachers' Pensions - These figures are an actuarial estimate of the cost of the future retirement payments of state employees and Connecticut public school teachers for which the state does not have funds already set aside.

State Other Post Employment Benefits - This figure is an actuarial estimate of non-pension employment benefits (retiree health insurance and life insurance) for state employees for which reserves have not been set aside. The major component of this category is retiree health insurance benefits. The Government Accounting Standards Board (GASB) now requires large employers, like the State of Connecticut, to quantify the liability associated with non-pension retirement benefits offered to employees.

Generally Accepted Accounting Principles - This figure represents the unfunded liability associated with the state converting from a modified cash basis of accounting to an accrual basis of accounting. Under Generally Accepted Accounting Principles (GAAP), an accrual basis of accounting would be used whereby expenditures would be charged when owed (rather than paid) and all revenues would be recognized when earned (rather than received). PA 08-111 *AAC the Implementation of Generally Accepted Accounting Principles (GAAP)*, allows for discretionary implementation of GAAP by the Comptroller. The out-year projections do not include impact of the conversion to GAAP.

Long-Term Obligations (in billions)	
Debt Outstanding [1]	\$18.0
State Employee Pensions – Unfunded [2]	9.3
Teachers' Pensions – Unfunded [3]	6.5
State Post Retirement Health and Life – Unfunded [4]	21.7
Teachers' Post Retirement Health and Life	2.3
Generally Accepted Accounting Principles (GAAP) Deficit	1.1
Total	\$58.9

The table above includes the following references:

- 1) As of 9/30/09; Source: Office of the State Treasurer.
- 2) As of most recent actuarial valuation, dated 6/30/08. The increase to the unfunded liability will be assessed in the upcoming 6/30/10 valuation. Factors that will increase the unfunded liability as a result of the State Employees Bargaining Agent Coalition (SEBAC) 2009 agreement include: the 2009 Retirement Incentive Program and the deferral of \$50 million in pension contributions in FY 09 and \$64.5 million in FY 10.
- 3) As of the most recent actuarial valuation, dated 6/30/08.
- 4) Pursuant to requirements of Statement 45 of the Government Accounting Standards Board (GASB), the state quantified its liability for other post employment benefits (OPEB) with an actuarial valuation, as of April 2006. Currently, the state funds retiree health benefits on a pay-as-you-go basis. According to the valuation, if the state were to address this liability on an advance funding basis the OPEB expense would be substantially reduced to \$11.4 billion. The state appropriated \$10 million from the FY 07 surplus to establish an OPEB trust fund in FY 08. In addition, on March 20, 2008 a memorandum of understanding between the State and SEBAC allowed the state to self-insure its pharmacy benefits, with the stipulation that the State would pay the resulting \$14.5 million in savings into the OPEB trust fund. The SEBAC 2009 agreement allowed this \$14.5 million contribution to be deferred until the first fiscal year in which there is a projected budget surplus.

Budget Reserve (Rainy Day) Fund Status

General Fund surpluses resulted in the following additions to the BRF: \$302.2 million in FY 04; \$363.9 million in FY 05; \$446.5 million in FY 06; and \$269.2 million in FY 07, which contributed toward a total Budget Reserve Fund (BRF) balance of \$1,381.7 million (80.5% of full BRF capacity). There was no contribution to the BRF in FY 08; PA 08-1 and PA 08-2 of the August Special Session, transferred the FY 08 unappropriated surplus of \$83.4 million to FY 09 revenue. The BRF had been depleted when its prior \$594.7 million balance was used to partially cover the \$817.1 million deficit in FY 02. The maximum allowable in the BRF is 10% of the amount of the net General Fund appropriations for the fiscal year in progress. With net General Fund appropriations for FY 10 totaling \$17,370.3 million, the maximum allowable in the BRF is \$1,737.0 million. The table below reflects the status of the BRF.

Budget Reserve (Rainy Day) Fund Status (in millions)	
Recent Surpluses Credited to the Budget Reserve Fund	
FY 04	\$302.2
FY 05	363.9
FY 06	446.5
FY 07	269.2
Total - BRF balance	\$1,381.7
Transfer to General Fund	
FY 10	(\$1,039.7)
FY 11	(\$342.0)
Total BRF balance	\$0

The Budget Reserve (Rainy Day) Fund (BRF) balance as of June 30, 2009 was approximately \$1,381.7 million. Issuance of ERNs to fund the FY 09 General Fund operating budget deficit precludes the automatic transfer of resources from the BRF to the General Fund when the State Comptroller officially certifies the deficit (CGS Sec. 4-30a(b)). Instead, PA 09-3 SSS, as amended by PA 09-8 SSS, transfers \$1,039.7 million from the BRF to the General Fund in FY 10 and \$342.0 million in FY 11.

Efforts to Obtain Federal Funds

General Fund revenues from federal reimbursements grew by \$917.9 million from FY 08 to FY 09 (or an increase of 34.0%). Major programs contributing to FY 09 aggregate revenues of approximately \$3.62 billion included: Medicaid (at \$2.98 billion), Dependent Children – Temporary Assistance to Needy Families/Child Care Development Block Grant (at \$0.29 billion), Title IV-E – Foster/Adoption/Independent Living (at \$0.1 billion), and Social Services Administration (at \$0.14 billion).¹

Budget and Other 2009 Legislation

Sections 50-51 of PA 09-3 JSS (the budget act) authorizes the Governor to transfer via Finance Advisory Committee (FAC) action any General Fund appropriation between agencies in order to: maximize federal matching funds, provided both agencies certify that the expenditure of transferred funds will be for the same purpose as the original appropriation; receive federal funding intended to promote the recovery of the state or

¹ The growth rate excluding American Recovery and Reinvestment Act of 2009 (ARRA) funding was 18.8%.

national economy, provided the Governor presents a plan to the Appropriations and other committee of cognizance for their approval or rejection.

Section 52 of PA 09-3 JSS authorizes the Governor to adjust any appropriation made to any agency with FAC approval in order to maximize federal funding, provided the Governor presents a plan to the Appropriations and Finance, Revenue and Bonding Committees.

Various other legislation was enacted that relate to the Economic Stimulus Act of 2008 and the American Recovery and Reinvestment Act of 2009 (ARRA). The following table identifies these changes.

Public Act	Public Act Title	Impact
PA 09-1 (Section 28)	AAC Deficit Mitigation For The Fiscal Year Ending June 30, 2009.	Exempts from eligibility and benefit determinations any funds an individual receives as a payment under the federal Economic Stimulus Act of 2008. Precludes any savings that the state or localities may have realized based on reduced caseloads or benefit payments had they counted these payments as income.
PA 09-2 (Section 22)	AAC Deficit Mitigation Measures for the Fiscal Year Ending June 30, 2009	Required the OPM Secretary to notify the General Assembly by 3/15/09 if any of the act's provisions would have adversely affected the state's eligibility for, or receipt of, funds under ARRA or any other federal program.
PA 09-3	AAC Certain State Programs and the American Recovery and Reinvestment Act of 2009	Makes a number of unrelated changes concerning (1) OPM applications for federal Department of Energy grants under ARRA, (2) continuation of health insurance coverage, (3) unemployment compensation, and (4) exclusion of ARRA payments from consideration for certain program eligibility and benefits (see impact associated with PA 09-1 above). Unemployment compensation changes estimated to result in (a) annual cost to UC Trust Fund of \$1.3 - \$2.1 million, (b) approximately \$58 million in UC Modernization incentive payments to CT.
PA 09-12	AAC Clean Water Projects, the State Fiscal Stabilization Fund and the American Recovery and Reinvestment Act of 2009	Makes changes to statute for the Clean Water Fund and the Drinking Water federal revolving loan account that enable the state to utilize ARRA funding. The state is scheduled to receive \$48.5 million for Clean Water Fund projects and \$19.5 million for Drinking Water projects under ARRA. Results in potential long term GF debt service savings, as GO bonds may otherwise have funded certain projects in future fiscal years.
PA 09-186 (Section 6)	AAC the Programs and Activities of the Department of Transportation	Requires the DOT to submit copies of reports required pursuant to ARRA to the Transportation Committee.

PA 09-232 (Sections 74-77)	AAC Revisions to Department of Public Health Licensing Statutes	Requires DPH to seek private and federal funds, including through ARRA, for the initial development of a statewide health information exchange.
PA 09-1 June 19 th SS (Section 19)	AAC Educator Certification and Professional Development and Other Education Issues	Allows a municipality to reduce its budgeted appropriation to the local or regional board of education by an amount up to the limit of the (federal) fiscal stabilization funds received directly by the board.
PA 09-2 June 19 th SS (Sections 4-5)	AAC Deficiency Appropriations for the Fiscal Year Ending June 30, 2009, Funding for Employment and Training Initiatives and Cancellation of Debt Income	Decouples CT's Corporation Tax from an ARRA provision that allows businesses that repurchase their debt in 2009 and 2010 to include the income in equal proportions over five years beginning in 2014 rather than in the years of repurchase. The act requires companies to add back this income for Connecticut tax purposes. This precludes a GF revenue loss to the Corporation Business Tax of between \$9.0 and \$18.0 million per year in FY 10 and FY 11.
PA 09-2 SSS (Section 68)	AA Authorizing And Adjusting Bonds of the State for Capital Improvements, Transportation and Other Purposes	Requires the commissioner of DOT, when considering capital grants for freight rail projects, to extend preferential status to activities on DOT's list of projects eligible for ARRA funding.
PA 09-3 JSS (Sections 129-132)	AAC Expenditures and Revenue for the Biennium Ending June 30, 2011.	Makes changes that permit the state and municipalities to utilize financing options provided in ARRA for various types of capital projects. This will result in debt service savings (for the General and Special Transportation Funds) and municipalities to the degree that they are able to take advantage of ARRA options that reduce the cost of borrowing.

To date, ARRA awards benefiting Connecticut approximate \$2.4 billion (for further detail see www.recovery.ct.gov). Anticipated ARRA funds included in the General Fund Revenue schedule (adopted by the Finance, Revenue and Bonding Committee on 10/2/09) are as follows:

	FY 09 - 11
Medicaid	\$1,290.3
Title IV-E (Foster Care/Adoption)	14.5
Fiscal Stabilization – Education	443.3
Fiscal Stabilization – Other Services	98.6
<i>Fiscal Stabilization – Subtotal</i>	<i>541.8</i>
Total	\$1,846.6

Other Major Initiatives

The Department of Social Services undertook efforts to obtain additional federal revenue for retroactive Medicaid rate adjustments for certain services billed under the Department of Developmental Services. Temporary rates had been established several years ago for purposes of drawing down federal revenue. However, DSS was able to certify a higher rate for federal claiming as the actual costs of service provision became clear. These efforts are expected to garner additional one-time federal revenue of approximately \$290 million, to be received in FY 09 and FY 10.

Section 55 of PA 09-5 SSS (the Human Services Implementer) requires DSS to submit a federal waiver to include the current population of the State Administered General Assistance (SAGA) program within the state Medicaid program. PA 09-3 JSS (the biennial budget) included additional appropriations of \$43.3 million in FY 10 and \$91 million in FY 11 to reflect elevating current SAGA rates to the Medicaid level. These additional costs are offset by new anticipated federal revenue of \$50.1 million in FY 10 and \$129.5 million in FY 11. Therefore, should this federal waiver be approved, the state would realize a net savings of \$6.8 million in FY 10 and \$38.6 million in FY 11.

P.L. 110-351, The Fostering Connections to Success and Increasing Adoptions Act of 2008, was signed into law on 10/7/08. Among other changes, the law extends federal financial participation (Title IV-E program) to cases in which eligible children, formerly in foster care, are in kinship guardianship settings. Connecticut has operated a state-funded subsidized guardianship program since 1997. Section 69 of PA 09-5 SSS makes statutory changes necessary to allow Connecticut to conform with the federal law. FY 10 revenues of \$0.6 million are expected (\$1.2 million in FY 11; increasing to approximately \$4.0 million once fully annualized).

Appendix A - State Tax Expenditure Summary

The table below summarizes state tax expenditures over \$100,000 and provides estimates for the value of each.

Summary of Major Identifiable State Tax Expenditures: FY 11 Estimates [1] (in millions)

Personal Income Tax	Expenditures
Interest on US Obligations	\$80.0
Dividends from Mutual Funds Derived from US Govt Obligations	10.0
Refunds of State and Local Income Taxes	50.0
Tier I Railroad Retirement Benefits	1.0
Beneficiary's share of Connecticut fiduciary adjustment	0.5
Gain on sale of Connecticut Bonds	0.5
Social Security Benefits	90.0
Military Retirement Income	2.5
Contributions to CHET	5.0
Other Deductions	20.0
Credit for Property Taxes Paid	\$375.0
Total Personal Income Tax	\$634.5
Sales and Use Tax	
<i>Consumer Goods</i>	
Sales of Food Products for Human Consumption	\$400.0
Items Purchased with Federal Food Stamps Coupons	1.0
Oxygen, Blood Plasma, Prostheses, Wigs, Hearing Aids, Crutches, Walkers, Wheel Chairs, Life Support Equipment, Apnea Monitors, Chairlifts, Relate Repair Services, Reading Aids, Canes, and Support Hoses	7.5
Prescription Medicines, Syringes and Needles	300.0
Non-prescription Drugs and Medicines	20.0
Disposable Pads for Incontinence	0.5
Smoking Cessation Products	0.2
Clothing Under \$50.00	150.0
Cloth or Fabric Purchased for Non-Commercial Sewing	0.5
Sales Tax "Free Week"	4.0
Fuel for Heating Purposes	200.0
Certain Utilities Sales	5.0
Water Companies Purchases	4.0
Motor Vehicle Fuel	350.0
Newspapers and Magazines	15.0
The first \$2,500 of Burial or Cremation Services; Caskets	5.0
Bicycle Helmets	0.2
Weatherization Products and Fluorescent Light Bulbs	5.0
Child Car Seats	0.5
College Text Books	2.5
Passenger Cars 40 MPG Highway or greater recheck	2.0
Solar Energy, Geothermal, and Ice Storage Systems	2.0
<i>Subtotal Consumer Goods</i>	\$1,474.9

Sales and Use Tax (continued)	Expenditures
<i>Business and Agricultural Exemptions</i>	
Machinery Used in Manufacturing	\$150.0
Component Parts for Assembly of Manufacturing Machinery	10.0
Production Materials	10.0
Partial Exemption for Materials, Tools, Fuels, Machinery and Equipment used in Manufacturing	6.0
Replacement Parts in Enterprise Zones	2.0
Agriculture Production	5.0
Commercial Fishing	5.0
Fuel Cell Manufacturing Facility	0.1
Aircraft Repair, Replacement Parts; Aircraft Repair Services; Materials, Tools, Fuel, Machinery and Equipment used in an Aircraft Manufacturing Facility	6.0
Aviation Consulting	0.2
Commercial Trucks, Trailers and Combination, and Commercial Vehicles used in Inter-State Business	10.0
Motor Buses used in Inter-State Business	0.2
Aviation Fuel	8.0
Printed Material Sent Out of State	2.0
Commercial Printing	7.0
Typesetting, Color Separation and Finished Copy	5.0
Waste Treatment and Air Pollution Facilities	5.0
Motion Picture, Video, TV and Radio Production & Broadcast Equipment	2.0
Lease of Rental of Motion Pictures by Theater Owners	2.0
Motion Picture Leasing or Rental	0.5
Computer Related Cleaning Equipment	0.2
<i>Subtotal Business and Agricultural Exemptions</i>	<i>\$236.2</i>
 <i>Mold, Dies, Patterns and Sand Handling Equipment for Metal Casting</i>	
Foundries	\$0.2
Mold, Dies Patterns for Pattern shops and Metal Casting Foundries	0.2
Safety Apparel	2.5
Commercial Photographic Film and Paper Processing Materials	0.2
Biotechnology	2.0
Connecticut Resource Recovery Authority	6.0
Solid Waste to Energy Facilities	2.0
<i>Subtotal Mold, Dies, Patterns and Sand Handling Equipment for Metal Casting</i>	<i>\$13.1</i>
 <i>Non-Profit Organization Exemptions</i>	
Children's Hospital and the John Dempsey Hospital	\$5.0
Sales to Nonprofit organizations (combined lease, labor, and goods)	800.0
Sales by Nonprofit Hospitals, Nursing Homes and Rest Homes	0.5
<i>Subtotal Government and Charitable Organizations</i>	<i>\$805.5</i>
 <i>Miscellaneous Exemptions</i>	
Motor Vehicles & Vessels Purchased by Non-Residents to use Out of State	\$40.0
Vessels Brought in to the State for Storage, Maintenance or Repair	0.5
Casual or Isolated Sales	0.5
Tax on Casual Sales of Motor Vehicles, Vessels, Snowmobiles & Aircraft	2.0
Mobile Homes and Pre-Fabricated Homes	0.5
<i>Subtotal Miscellaneous Exemptions</i>	<i>\$43.5</i>

Sales and Use Tax (continued)	Expenditures
<i>Service Exemptions</i>	
Drug Testing Services	\$3.0
Personnel Services; Marketing, Development, Testing or Research Services; Business Services in Joint Ventures	4.0
Services Between Parent Companies and Subsidiaries	2.5
Computer and Data Processing	90.0
Certain Sales of Computer and Data Processing Services	0.3
Calibration and ISO Services	0.2
Sale of Repair or Maintenance on Vessels	4.0
Renovation & Repair for Residential Property	30.0
Patient Care Services	10.0
Tangible Property Purchased by For-Profit Hospitals	0.5
Leased Employees & Professional Contract Employees	0.2
Motor Vehicle Parking	4.5
Car Washes	4.0
Amusement and Recreation Services	3.0
Massage Therapist and Electrology Services	0.3
Sales Agent Services	2.0
Advertising	50.0
Tax Preparation	4.0
Winter Boat Storage	0.3
Services provided by off-duty Police or Firefighter	4.0
Training Services	5.0
Non-Cable Communication Services	0.1
Marine Vessel Brokerage Services	0.2
Media Payroll Services	1.5
<i>Subtotal Service Exemptions</i>	<i>\$223.6</i>
 <i>Items Subject to a Lower Sales Tax Rate or Basis</i>	
Sales of Vessels to Nonresidents	\$1.0
Trade-In of Certain Construction Equipment	1.0
Trade-In of Motor Vehicles, Snowmobiles, Vessels or Farm Tractors Coupons and Discounts and Battery Deposits and Trade-Ins of Like Kind	50.0
Trade-In of Core Parts	50.0
Licensed Motor Vehicle Dealers	1.0
<i>Subtotal of Items Subject to a Lower Sales Tax Rate or Basis</i>	<i>\$103.0</i>
Total of Sales and Use Tax	\$2,899.8
 Petroleum Companies Gross Earnings Tax	
#2 Heating Oil used for Heating Purposes	\$350.0
#2 Heating Oil used in Commercial Fishing	6.0
Propane Used for Residential Heating	15.0
Bunker Fuel Oil, Intermediate Fuel, Marine Diesel Oil & Gas Oil	7.0
Kerosene Used for Residential Heating	2.5
Propane Used as Motor Fuel	0.0
Fuel Used in Vessels Engaged in Interstate Commerce	5.0
Fuel Used by Industrial Consumers (SIC 2000-3999)	7.0
Paraffin and Microcrystalline Waxes	0.0
Petroleum Products used in Fuel Cells	0.3
Commercial Heating Oil Blend	1.0
Credit for Sale to Resellers Located Outside the State	50.0
Total Petroleum Companies Gross Earnings Tax	\$443.8

Corporate Business Tax	Expenditures
<i>Exemptions and Deductions</i>	
Foreign Insurance Companies	\$10.0
Railroad Companies	0.8
Political Associations	2.5
Electric Cooperatives	2.8
Alternative Energy System Companies	0.3
Aero-Derived Gas Turbine Systems	0.1
Regulated Investment Co and REITs	1.1
Unpaid Loss Reserve Adjustment for Non-Life Insurance Cos	1.0
Subchapter S Corporations	26.0
Domestic Insurance Companies	20.0
Passive Investment Companies	20.0
Net Operating Loss Carry-Forward	50.0
Net Capital Loss Carry-Over	65.0
Capital Gains from Sales of Open Space or Watershed Land	1.0
<i>Subtotal Exemptions and Deductions</i>	<i>\$200.6</i>
 <i>Credits</i>	
Apprenticeship	\$0.3
Displaced Worker	5.0
Donation of Land for Educational Use	0.5
Electronic Data Processing	20.0
Employment Expansion Project	1.0
Film and Digital Media Production	5.0
Fixed Capital	60.0
Historic Home Rehabilitation	0.5
Historic Structure Rehabilitation	0.5
Housing Program Contribution	5.0
Human Capital	2.0
Insurance Reinvestment	2.0
Job Creation	10.0
Machinery and Equipment	1.5
Mfg Facilities/Service Facilities/Enterprise Zones	1.5
Mixed Use Historic Structure	50.0
Motion Picture Infrastructure	10.0
Neighborhood Assistance	1.5
Open Space Land Donation	0.1
Research & Development	5.0
Research & Experimentation	15.0
Sale of Certain Credits	7.5
Urban and Industrial Reinvestment Credit	1.0
<i>Subtotal Credits</i>	<i>\$204.9</i>
Total Corporate Income Tax	\$405.5
 Cigarette and Tobacco Products Taxes	
Tobacco Products Exported Out of State	\$6.0
 Alcoholic Beverage Tax	
Sales to United States Military	\$5.0

Public Service Companies Gross Earnings Tax	Expenditures
<i>Exemptions and Deductions</i>	
Sales for Resale	\$75.0
Earnings to Pay for Debt Service on Energy Securitization	1.0
Railroad Companies When Certified by DOT	2.0
Propane Gas Used as Motor Fuel	0.1
Gas and Electricity Used by Industrial Consumers (SIC 2000-3999)	15.0
Gas Sold to Facility with 775 MW of Capacity	5.0
<i>Subtotal Exemptions and Deductions</i>	<i>\$98.1</i>
Lowered Rate for Residential Utilities	\$7.0
<i>Credits</i>	
Personal Property Tax Paid on Data Processing Equipment	\$1.0
Rehabilitation of Historic Homes	0.3
Historic Structures (other than homes)	0.3
Job Creation	1.0
Displaced Worker	1.0
Housing Program Contributions	6.0
<i>Subtotal Credits</i>	<i>\$9.6</i>
Total Public Service Companies Gross Earnings Tax	\$114.7

Insurance Premiums Tax

<i>Exemptions and Deductions</i>	
Ocean Marine Insurance	\$1.0
State Employee Health Plans	2.0
Medicaid, HUSKY and General Assistance	7.0
<i>Sub Total Credits</i>	<i>\$10.0</i>
<i>Credits</i>	
Credit for Insurance Guaranty Fund Payments	\$1.0
Insurance Department Assessment Credit	1.0
Housing Program Contribution	0.5
Neighborhood Assistance	2.0
Historic Home Rehabilitation	1.8
Historic Structure Rehabilitation	1.8
Clean Alternative Fuels	0.5
Insurance Reinvestment	12.0
Electronic Data Processing	15.0
Job Creation	1.0
Displaced Electric Worker	0.5
Film and Digital Media Production	5.0
Digital Animation Production	15.0
<i>Subtotal Credits</i>	<i>\$57.1</i>
Total Insurance Premiums Tax	\$67.1

Admissions and Dues Taxes	Expenditures
Admission Tax	
Charges less than \$1.00 and Movies less than \$5.00	\$3.0
Admission to events held at:	
Hartford Civic Center, New Haven Coliseum, New Britain Beehive Stadium, New Britain Veterans Memorial Stadium, Tennis Foundation, O'Neill Convocation Center, Stafford Motor Speedway, Thompson Speedway, Waterford Speedbowl, Lime Rock Park, Bridgeport Harbor Yard Stadium, New Haven Ravens Games, Waterbury Spirit Games, New Britain Rock Cats Games, CT Expo Center, and Convention Center	8.0
Nonprofit Theater or Playhouse, Gateway's Candlewood House and Ocean Beach Park	0.2
Carnival or Amusement Rides	2.5
Establishments subject to the Cabaret Tax before July 1, 1999	1.5
<i>Subtotal Admissions Tax</i>	<i>\$15.2</i>
Dues Tax	
Portion of Dues Used to Acquire Open Space Land	\$0.1
Club Locker Rentals	0.2
<i>Subtotal Dues Tax</i>	<i>\$0.3</i>
Total Admissions and Dues Taxes	\$15.5

Motor Fuels and Motor Carrier Road Taxes

<i>Exemptions to Motor Fuels Tax</i>	
US Government	\$0.1
Municipalities, Transit Districts and the State	5.0
Fuel Distributors	900.0
Fuel Exported Out of State	80.0
Alternative Fuels Used by Covered Fleets	0.5
Aviation Fuel	25.0
<i>Subtotal Motor Fuels Tax Exemptions</i>	<i>\$1,010.6</i>
<i>Refunds of Motor Fuels Tax</i>	
Vehicles not Operated on Public Highways	\$2.5
CT Motor Bus Companies and Other Livery Services	1.5
High-Occupancy Commuter Vehicles	0.5
Municipalities, Transit Districts, State, US Govt, and Ambulances	1.0
Farming	0.5
Meals on Wheels for Seniors	1.0
<i>Subtotal Refunds of Motor Fuels Tax</i>	<i>\$7.0</i>
Credit for Motor Carrier Road Tax on Motor Fuels Tax Paid in State	\$1.0
Total Motor Fuels and Motor Carrier Road Taxes	\$1,018.6

Grand Total—Major Identifiable State Tax Expenditures^[1] \$5,610.5

^[1] Estimated identifiable revenue reductions of \$100,000 or more.