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State Budget Projections for FY 14 – FY 16
General Fund
January 29, 2013

Summary

We are currently projecting a 138.6 million deficit for FY 13, which is detailed in the January 25, 2013 General Fund projection report. In addition, we are projecting deficits of $1,195.4 million FY 14, $1,304.2 million in FY 15, and $1,426.3 million in FY 16.

The $1,195.4 million projected deficit in FY 14 represents an increase of $57.3 million since November. This change is composed of $11.0 million in expenditure reductions and $68.3 million in consensus revenue reductions.

General Fund Budget Outlook ($ in millions)

<table>
<thead>
<tr>
<th></th>
<th>FY 13</th>
<th>FY 14</th>
<th>FY 15</th>
<th>FY 16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Expenditures</td>
<td>19,118.1</td>
<td>20,850.7</td>
<td>22,077.8</td>
<td>23,117.0</td>
</tr>
<tr>
<td>Estimated Revenue</td>
<td>18,979.5</td>
<td>19,655.3</td>
<td>20,773.6</td>
<td>21,690.7</td>
</tr>
<tr>
<td>Surplus/(Deficit)</td>
<td>(138.6)</td>
<td>(1,195.4)</td>
<td>(1,304.2)</td>
<td>(1,426.3)</td>
</tr>
<tr>
<td>Percent of Estimated Expenditures</td>
<td>-0.7%</td>
<td>-5.7%</td>
<td>-5.9%</td>
<td>-6.2%</td>
</tr>
</tbody>
</table>

Major Expenditure Changes

The $11.0 million net reduction to expenditures includes the following changes:

- $24.6 million in reductions related to inflation amounts for line items reduced in November rescissions and the December deficit mitigation plan.
- $12.1 million in net reductions to Personal Services accounts related to a refined methodology that more accurately reflects year to year changes.
- $37.7 million in increases related to expenditure estimates updated prior to the December deficit mitigation bill. Major changes include $1.0 million in increases in the Department of Consumer Protection personal services account, $1.6 million in increases in the Department of Emergency Services and Public Protection Other Expenses account, and $34 million in increases in various accounts in the Department of Social Services.
- $81.8 million in increases related to expenditure estimates detailed in the January 25th, 2013 General Fund projection. These updates include $88 million in increases in various accounts in the Department of Social Services, $12.9 million in increases in the Department of Mental Health and Addiction Services, and a decrease of $11.4 million in the Office of State Comptroller – Fringe Benefits.
• $93.8 in net reductions to FY 14 projections including $64.7 million in reductions in State Employees Retirement Contributions related to updated actuarial information, and $19.6 million in reductions to debt service accounts.

Major Revenue Changes

The $68.3 million net reduction to revenues includes the following changes:

• $71.4 million in reductions to the Personal Income Tax primarily related to lower projected growth in withholding payments (from 7.1% to 5.8%).
• $130.0 million in reductions to the Sales & Use Tax related to a $116.0 million base reduction from FY 13, and a slight reduction in growth assumptions (from 3.9% to 3.7%).
• $9.5 million in decreases to the Petroleum Products Gross Earnings Tax based on reduced consumption projections.
• $11.5 million in decreases to Indian Gaming Payments related to a base reduction made in FY 13.
• $11.4 million in reductions to Refunds of Taxes due to a policy change related to income tax fraud detection tied to the December 2012 Deficit Mitigation Plan.
• $8.0 million in increases to the Corporation Business Tax related to a re-calculation of the out-years impact of the 20% surcharge based on the latest data.
• $131.7 million in net increases to Federal Revenue tied to expenditure changes for which the state receives a federal match, and the timing of certain claims.