



# Fiscal Accountability Presentation

CONNECTICUT GENERAL ASSEMBLY  
**Office of Fiscal Analysis**

DIRECTOR  
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# The FAR Journey

**Current Fiscal Year**

**Out Years** (FY 20 - FY 22)

**Fiscal Horizon — Areas of Concern**

# Financial Summary by Fund

In Million of Dollars

Fund	FY 19	FY 20	FY 21	FY 22
<b>General Fund (GF)</b>				
November Consensus Revenue	19,269.4	17,823.2	18,038.0	17,910.1
<b>Expenditures</b>				
Previous Year Expenditure		18,990.8	17,823.2	18,038.0
Fixed Cost Growth		654.6	536.8	578.1
Other Expenditure Adjustments		(261.7)	127.2	18.6
Expenditure Reduction (CGS Sec. 2-36b)		(1,560.6)	(449.2)	(724.6)
<b>Subtotal</b>	<b>18,990.8</b>	<b>17,823.2</b>	<b>18,038.0</b>	<b>17,910.1</b>
<b>GF Balance</b>	<b>278.6</b>	-	-	-
<b>Special Transportation Fund (STF)</b>				
November Consensus Revenue	1,684.6	1,803.5	1,904.8	1,994.6
<b>Expenditures</b>				
Previous Year Expenditure		1,618.0	1,686.6	1,783.0
Fixed Cost Growth		58.4	82.6	79.9
Other Expenditure Adjustments		10.2	13.8	1.1
<b>Subtotal</b>	<b>1,618.0</b>	<b>1,686.6</b>	<b>1,783.0</b>	<b>1,864.0</b>
<b>STF Balance</b>	<b>66.6</b>	<b>116.9</b>	<b>121.8</b>	<b>130.6</b>
<b>Other Appropriated Funds</b>				
Revenue <sup>1</sup>	246.3	251.0	251.4	254.4
Expenditure Reduction (CGS Sec. 2-36b) <sup>2</sup>	-	(2.7)	(0.3)	-
Expenditures	241.8	240.4	242.4	242.7
<b>Other Appropriated Funds Balance</b>	<b>4.5</b>	<b>10.6</b>	<b>8.9</b>	<b>11.6</b>
<b>All Appropriated Funds</b>				
Revenue	21,200.3	19,877.7	20,194.2	20,159.1
Expenditures	20,850.6	19,750.2	20,063.4	20,016.8
<b>ALL APPROP. FUNDS BALANCE</b>	<b>349.7</b>	<b>127.5</b>	<b>130.8</b>	<b>142.3</b>

<sup>1</sup>The Other Appropriated Funds FY 19 revenue projection includes the use of \$5.5 million in prior year fund balances that are needed to accommodate projected FY 19 expenditures.

<sup>2</sup>These reductions are built into the expenditure projections in the following row.

# General Fund (GF) Summary

In Millions of Dollars

Summary	FY 19
Budgeted Balance	10.5
<b>Revenue</b>	
Budgeted	19,008.7
Withholding	255.4
Sales and Use	58.0
Corporations	49.0
Refunds of Taxes	(72.2)
Other Revenue	(29.5)
<b>Subtotal</b>	<b>19,269.4</b>
<b>Expenditures</b>	
Budgeted	18,998.2
Agency Lapses	(73.9)
Agency Deficiencies	66.6
<b>Subtotal</b>	<b>18,990.8</b>
<b>SURPLUS/(DEFICIT)</b>	<b>278.6</b>

# FY 19 Revenue Changes

In Millions of Dollars

Revenue Category	Budget	November Estimate	Difference
Estimates and Finals	2,959.9	3,244.8	284.9
Withholding	6,147.7	6,403.1	255.4
Sales and Use	4,153.6	4,211.6	58.0
Corporations	920.2	969.2	49.0
All Other (Net)	5,190.4	5,088.7	(101.7)
Volatility Adjustment Transfer	(363.1)	(648.0)	(284.9)
<b>TOTAL</b>	<b>19,008.7</b>	<b>19,269.4</b>	<b>260.7</b>

# FY 20 Fiscal Cliff

## The FY 20 Deficit

+\$278.6 million  
(FY 19 proj. surplus)

**-\$1,839.1 million**  
(FY 20 changes)

**= -\$1,560.6 million**  
anticipated FY 20 deficit

**Hospital Related:**  
**-\$814.9 million**

**Revenue Policy & Technical:**  
**-\$581.3 million**

**Expenditure Growth:**  
**-\$719.8 million**

**TOTAL:**  
**-\$1,839.1 million**

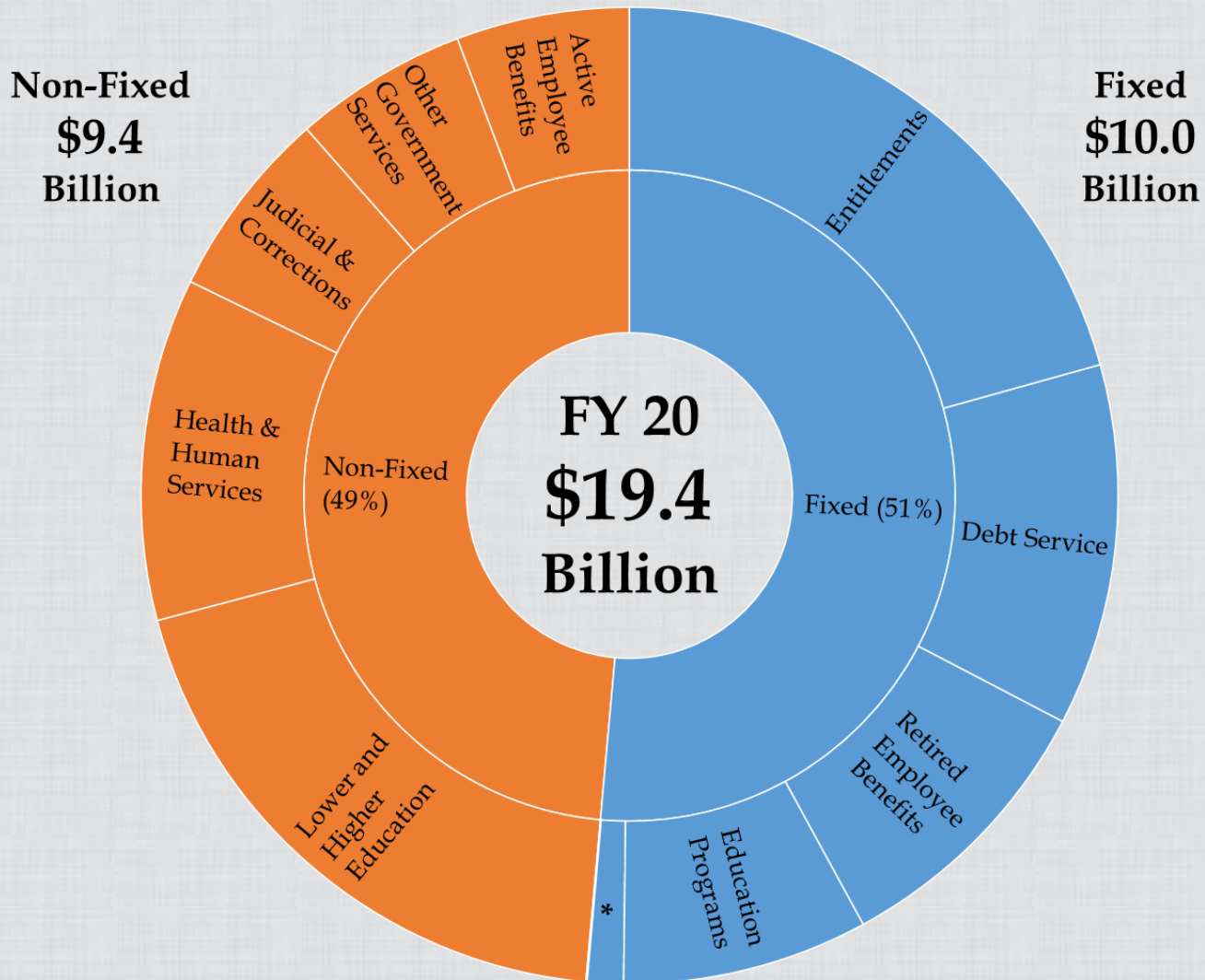
\$276.8 million	Revenue Growth
\$104.8 million	Net Impact of Hospital Supplemental Payment Reduction
<b>-\$516.0 million</b>	Hospital Tax Decrease as Required by CGS 12-263q
<b>-\$403.7 million</b>	Federal Grants Revenue Adjustment due to delayed FY 18 Supplemental Payments
<b>-\$209.1 million</b>	Budgeted Fund Sweeps
<b>-\$98.4 million</b>	Increase Motor Vehicle Sales Tax Transfer to STF
<b>-\$273.8 million</b>	<b>Other Revenue Policy &amp; Technical Adjustments</b> Policy (\$116.6 million) Technical Adjustments (\$157.2 million)
<b>-\$654.6 million</b>	<b>Fixed Cost Increases</b> Medicaid & Other Entitlements (\$253.9 million) State Employee Pension & Retiree Health (\$188.3 million) Teacher's Retirement & Retiree Health (\$113.0 million) Debt Service (\$110.9 million) Adjudicated Claims (-\$11.5 million)
<b>-\$65.1 million</b>	SEBAC

# GF Fixed Cost Changes & Non-Fixed Cost Reductions

In Millions of Dollars

Category	FY 19	FY 20	FY 21	FY 22
November Consensus Revenue	19,269.4	17,823.2	18,038.0	17,910.1
<b>Expenditures</b>				
Previous Year Expenditures		18,990.8	17,823.2	18,038.0
<b>Fixed Costs</b>		654.6	536.8	578.1
Medicaid & Other Entitlements		253.9	184.9	188.4
State Employee Pension & Retiree Health		188.3	146.9	152.2
Teacher's Retirement & Retiree Health		113.0	49.9	51.3
Debt Service		110.9	155.0	185.9
Adjudicated Claims		(11.5)	0.2	0.2
SEBAC		65.1	127.2	18.6
Hospital Medicaid Supplemental Payment Reduction		(326.8)	-	-
<b>Non-Fixed Cost Expenditure Reduction</b>		(1,560.6)	(449.2)	(724.6)
<b>All Expenditures</b>	<b>18,990.8</b>	<b>17,823.2</b>	<b>18,038.0</b>	<b>17,910.1</b>
<b>BALANCE</b>	<b>278.6</b>	<b>-</b>	<b>-</b>	<b>-</b>

# GF Non-Fixed & Fixed Costs in the Out-Years

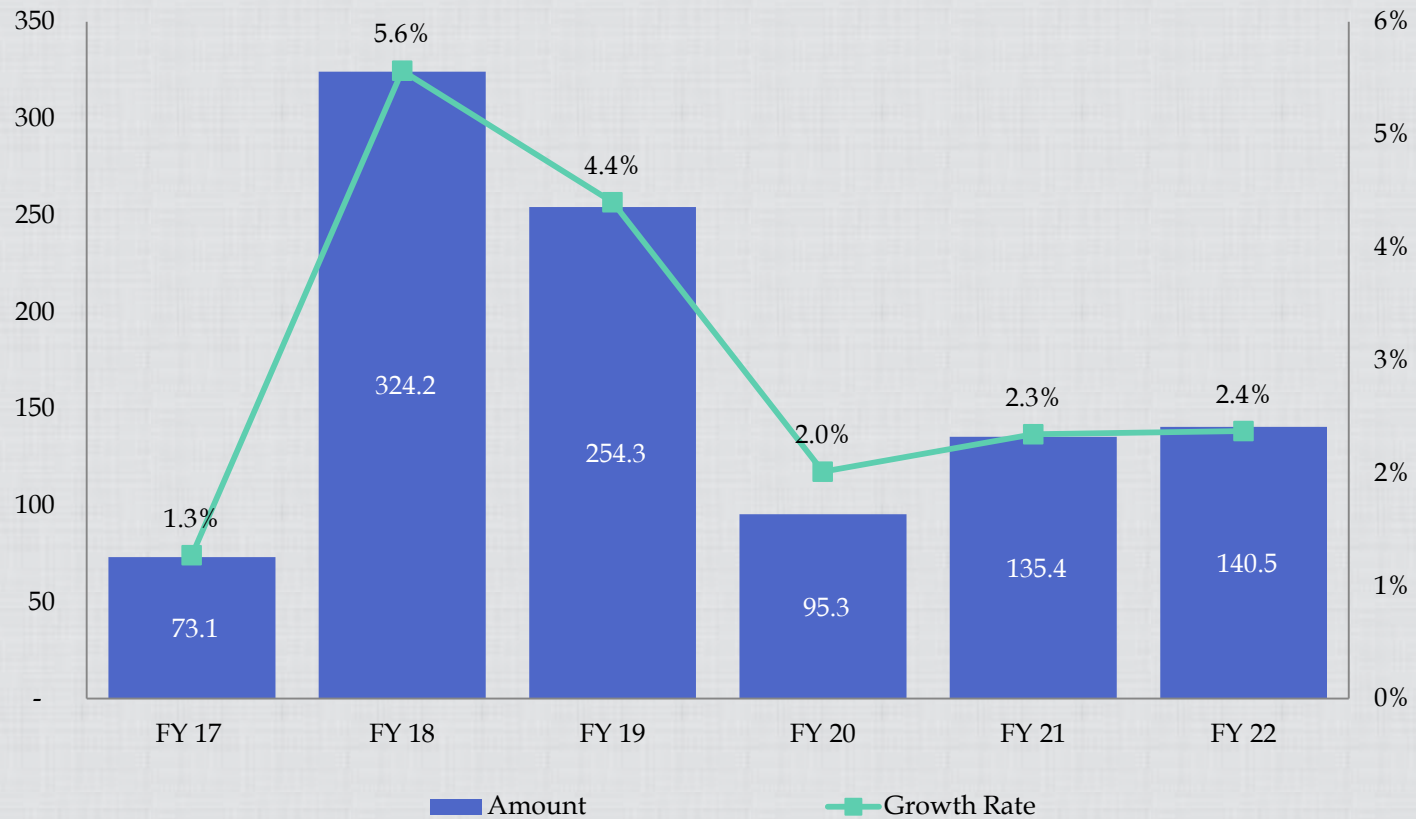


\*Active Employee Benefits - Fixed Costs



# Trends in Income Tax Withholding Growth

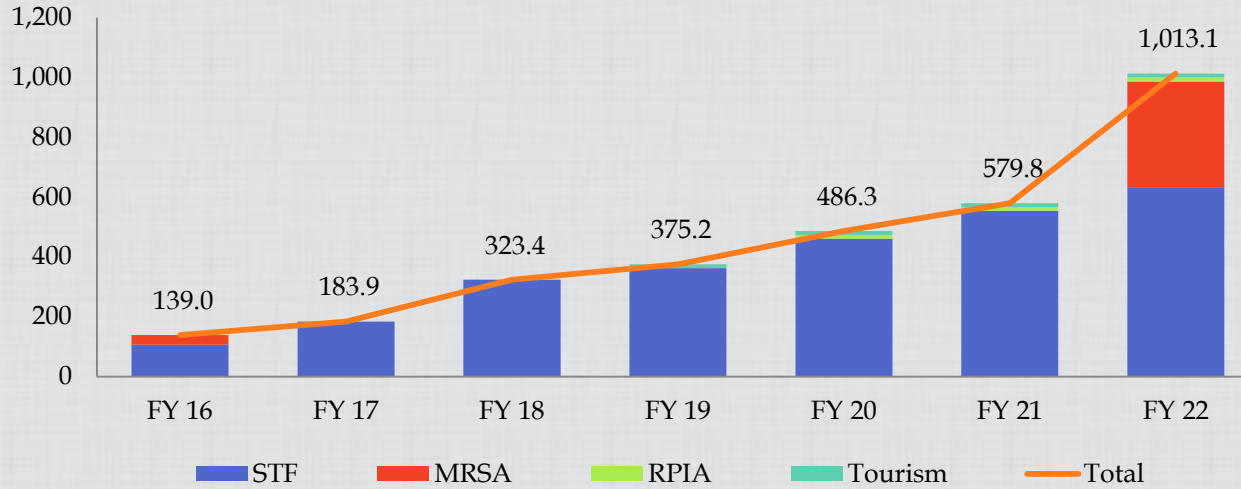
In Millions of Dollars



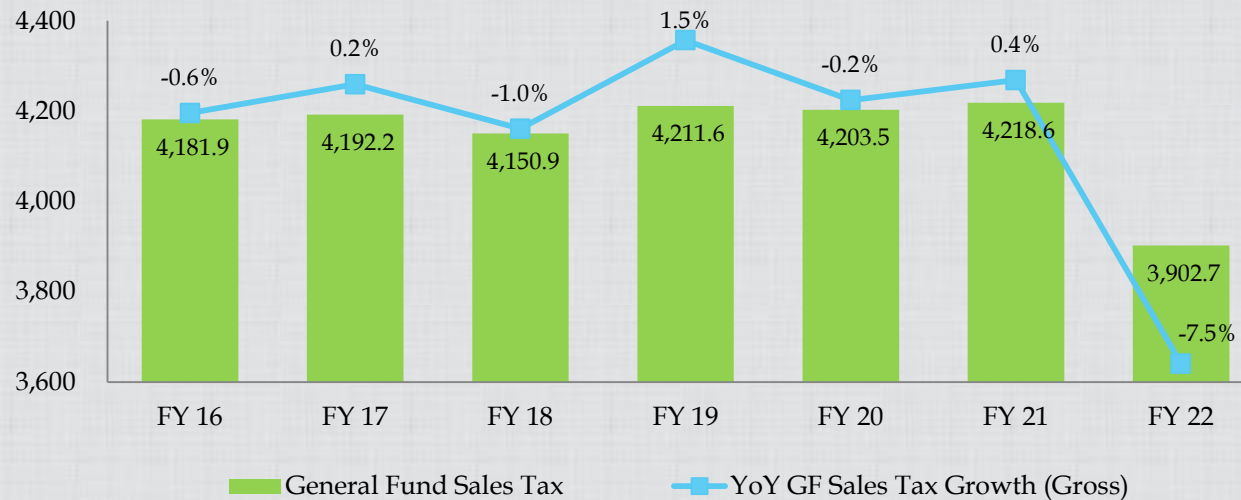
# Estimated Sales and Use Tax Revenues

In Millions of Dollars

## Sales Tax Transfers

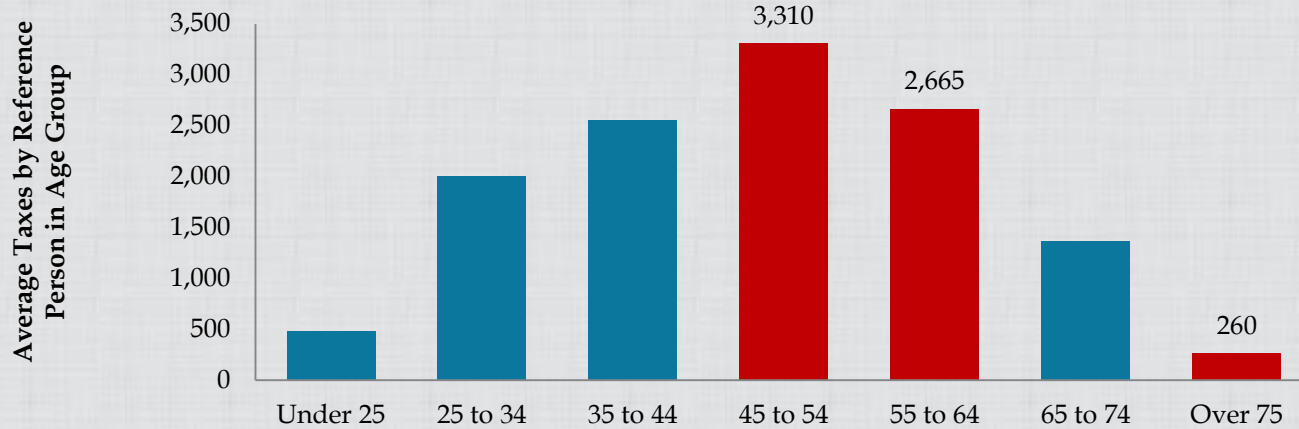


## General Fund

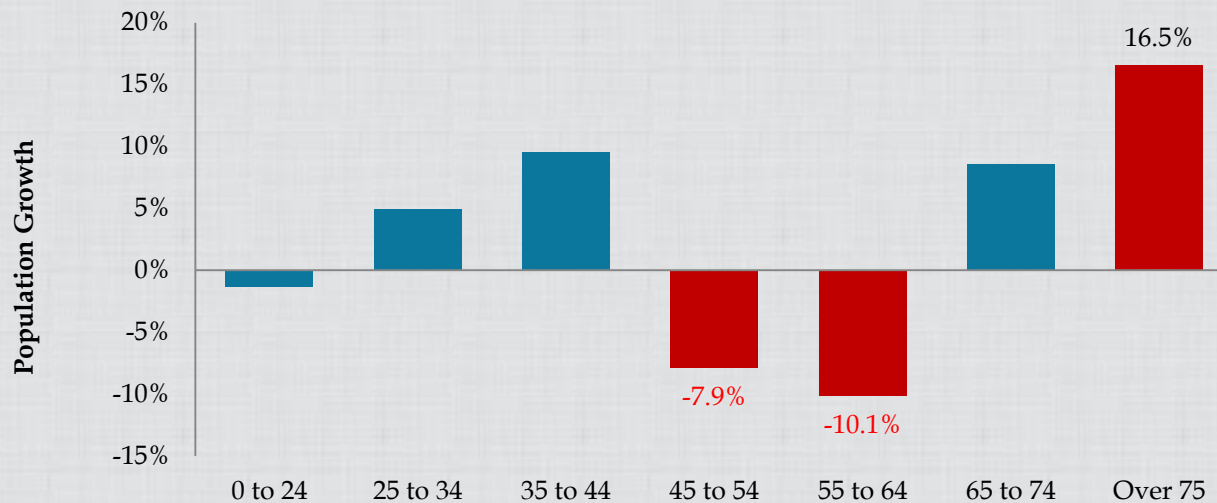


# Unfavorable Demographics

## State and Local Income Taxes by Age in the US (2017)



## Connecticut Projected Population Growth by Age (2020 to 2030)



# Status of High Income Industries

Industry	Total Wages 2017 In Billions \$	Employment 2017	Average Annual Wage 2017	Past 5 Years Average Annual Growth		Annualized Growth Rate <sup>1</sup>
				Employment	Average Wages	
Professional and Technical Services	9.98	96,351	103,549	0.9%	2.4%	1.3%
Insurance	7.8	58,375	133,641	-0.7%	2.8%	0.7%
Financial Investments	7.43	23,485	316,481	-1.3%	-0.3%	0.6%
Management of Companies	4.99	32,346	154,375	0.9%	-0.2%	0.7%
Transportation Equipment	4.49	43,992	101,983	1.0%	1.8%	2.2%
Banking (Credit Intermediation)	2.71	24,336	111,197	-1.8%	3.2%	-0.1%

<sup>1</sup>Reflects annualized growth between 2016 and 2026 based on Connecticut Industry Projections from the CT DOL.

Sources: CT DOL; US Bureau of Labor Statistics; 5 year averages include growth between 2012 and 2017

# Recession Ready?

**LONGEST TIME BETWEEN RECESSIONS**

**10 Years**

1991-2001

**TIME SINCE LAST RECESSION**

**9 Years and Counting**

Since June 2009

**IF RECESSION STARTS:**

June 2019 = MATCHES RECORD  
Start of Biennium

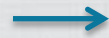
June 2021 = EXCEEDS RECORD BY 2 YRS.  
End of Biennium

# Recession Tools

## Options

## Constraints

Borrowing



Bond Covenant & Bond Caps

Spending Cuts



Fixed Cost Obligations

Revenue



Future Federal Revenue Unclear

Budget Reserve Fund



Bond Covenant

# Projected Balances of the BRF<sup>1,2,3</sup>

In Millions of Dollars

Fiscal Year (FY)	Balance at FY Start	Change	Balance at End of FY	Appropriations	Balance at FY Start as a % of Approp.
18	212.9	972.4	1,185.3	18,610.8	1.1%
19	1,185.3	926.6	2,111.9	18,990.8	6.2%
20 (proj.)	2,111.9	278.1	2,390.0	19,319.5	10.9%
21 (proj.)	2,390.0	263.3	2,653.3	18,518.8	12.9%
22 (proj.)	2,653.3	244.3	2,897.6	18,644.7	14.2%
<b>TOTAL</b>		<b>1,712.3</b>			

<sup>1</sup>The FY 19 "Change" estimate includes a Volatility Adjustment transfer of \$648 million and a net operating surplus (after the Volatility Adjustment transfer) of \$278.6 million.

<sup>2</sup>Assumes none of the following takes place: (a) withdrawals from the BRF, (b) diversion of projected Volatility Adjustment transfers, or (c) diversion of the estimated FY 19 net operating surplus.

<sup>3</sup>Assumes FY 20 - FY 22 appropriations add back expenditure reductions that are assumed to balance future budgets.

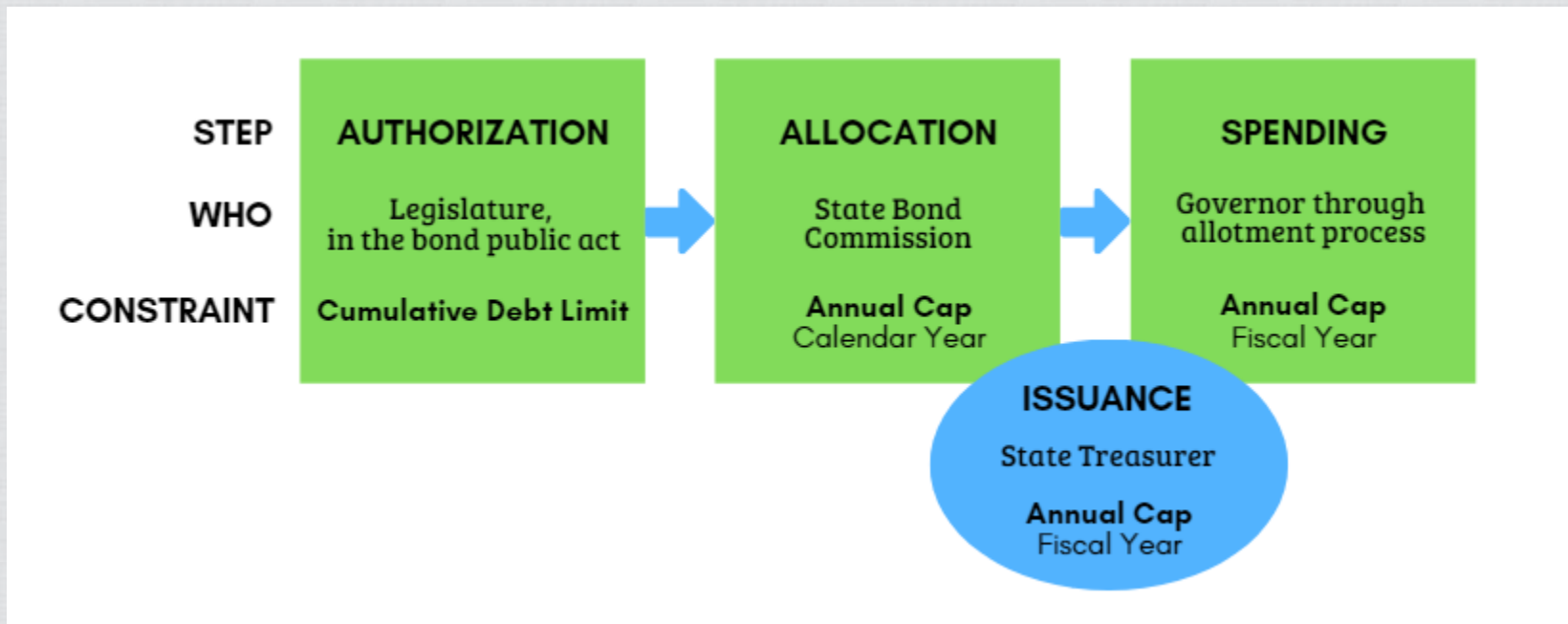
# Special Transportation Fund (STF) Balance

In Millions of Dollars

Summary	FY 19	FY 20	FY 21	FY 22
+ Net Revenues	1,684.6	1,803.5	1,904.8	1,994.6
- Expenditures	1,618.0	1,686.6	1,783.0	1,864.0
Debt Service Expenditures on the Bonds	645.7	688.2	760.9	830.7
Other STF Expenditures	972.3	998.4	1,022.1	1,033.3
= Surplus/(Deficit)	66.6	116.9	121.8	130.6
<b>Cumulative Balance (245.7 at FY 19 start)</b>	<b>312.3</b>	<b>429.2</b>	<b>551.0</b>	<b>681.6</b>



# Process of Bonding State Dollars



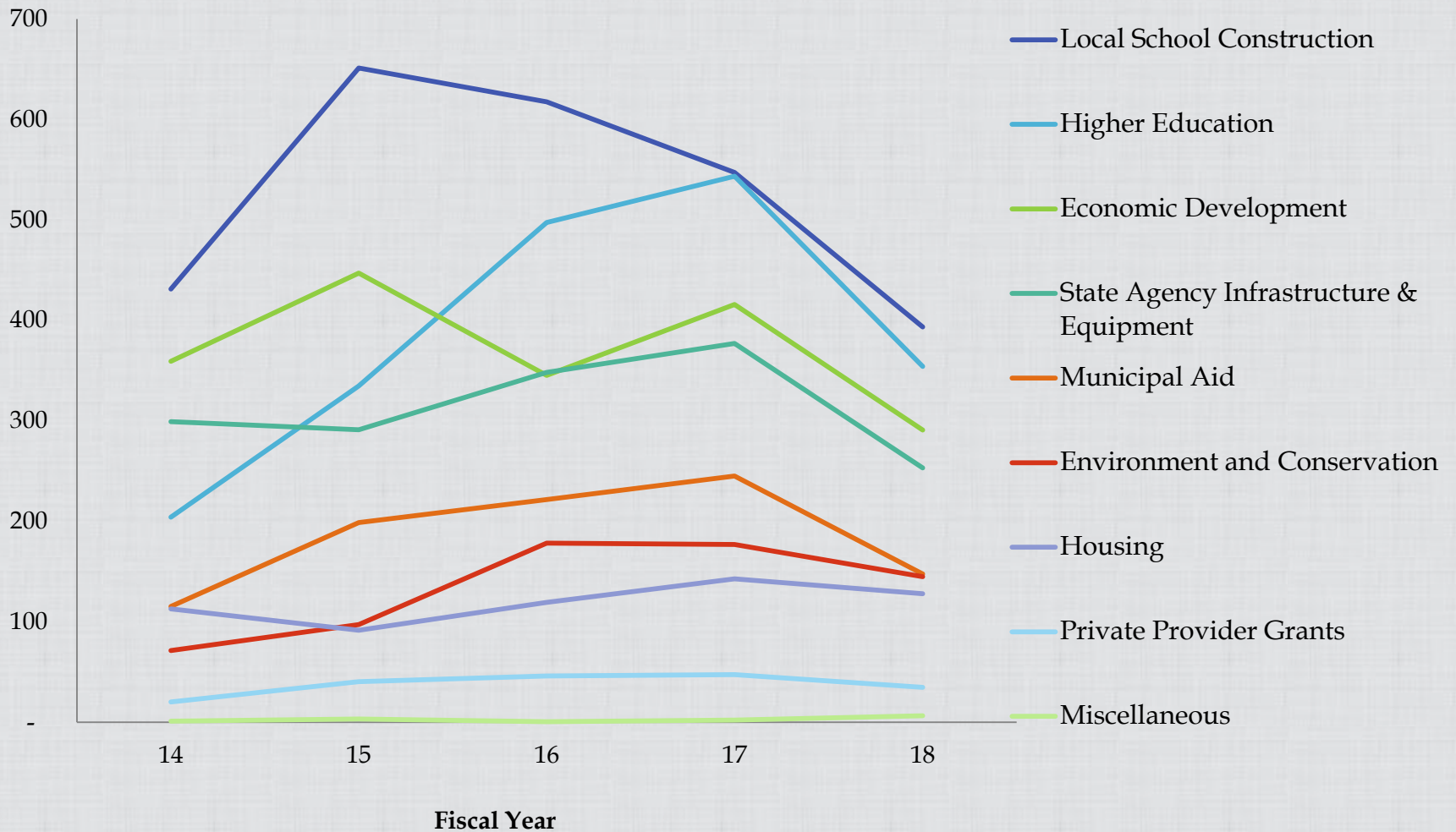
# Estimates of GO Bond Fund Use

In Millions of Dollars

<b>FY</b>	<b>Debt Service</b>	<b>Authorizations</b>	<b>Allocations (Calendar Year)</b>	<b>Issuances</b>
19	2,237	1,394	2,083	2,042
20	2,321	1,874	2,135	2,362
21	2,476	1,549	2,188	2,179
22	2,662	1,396	2,243	2,144
23	2,795	2,013	2,299	2,192

# GO Bond Spending By Category

In Millions of Dollars

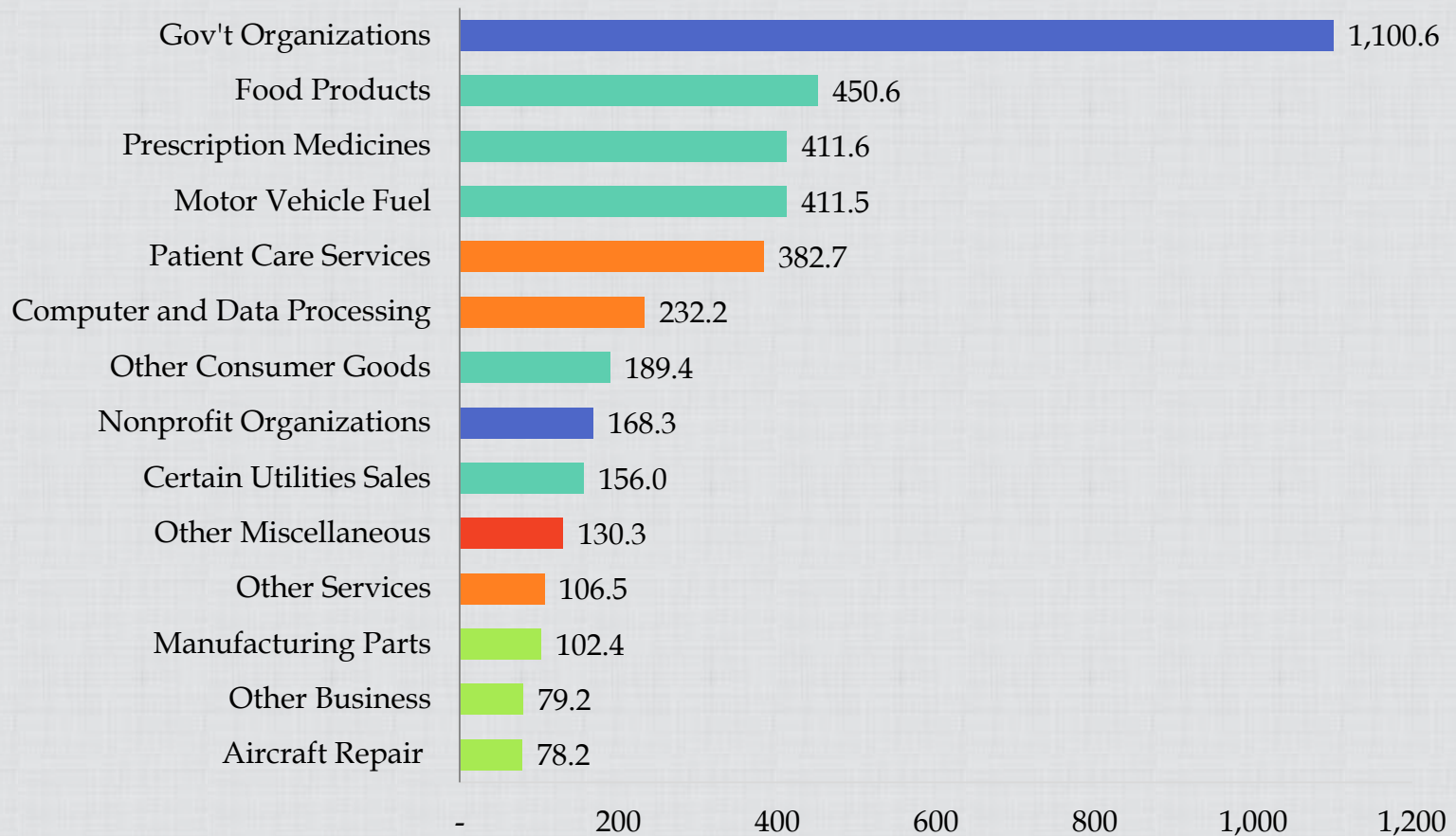


# Summary of Major Identifiable State Tax Expenditure Estimates<sup>1</sup>

Tax Category	FY 19	FY 20	FY 21	FY 22
Personal Income	367.3	482.3	518.3	554.8
Sales and Use	3,999.5	4,081.9	4,175.9	4,277.4
Corporate and Insurance	420.7	428.9	427.2	438.0
Petroleum Companies Gross Earnings	215.4	226.1	231.1	237.4
Motor Fuels and Motor Carrier Road	1,275.5	1,279.5	1,280.5	1,281.5
All Other Taxes	201.7	209.5	211.1	212.8
<b>TOTAL</b>	<b>6,480.1</b>	<b>6,708.2</b>	<b>6,844.1</b>	<b>7,001.9</b>

<sup>1</sup>Includes estimated identifiable revenue reductions of \$100,000 or more.

# FY 19 Major Sales and Use Tax Expenditures



# Questions and Answers Following OPM's Presentation

