

OFFICE OF FISCAL ANALYSIS

Room 5200, Legislative Office Building
Hartford, CT 06106 - (860) 240-0200
E-Mail: ofa@cga.ct.gov
www.cga.ct.gov/ofa

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)

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

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.