

Revenue Briefing: General Fund Budget Status and Outlook

Office of Fiscal Analysis
February 25, 2016

Revisions to Personal Income Tax Estimates since the 2016-2017 Budget was Enacted (\$ - millions)

	FY 16	FY 17
Budget	9,834.4	10,357.2
November Consensus	(189.4)	(353.1)
January Revisions	(75.0)	(175.0)
February Revisions	(200.0)	(350.0)
February Estimate	9,370.0	9,479.1
Cumulative Revisions	(464.4)	(878.1)

FY 16 General Fund Update (\$ - millions)

<u>DECEMBER</u>	
Fiscal Accountability Report *	(254.4)
Net Changes in the Deficit Mitigation Plan, PA 01-15 DSS	228.7
Anticipated Savings due to Executive Authority	18.5
Total Changes	<u>247.2</u>
Operating Surplus/(Deficit)	(7.2)
<u>JANUARY</u>	
Impact of Revenue Changes / Jan. 15 Consensus	(26.8)
Impact of Expenditure Changes / Jan. 25th OFA Monthly Statement	(38.3)
Operating Surplus/(Deficit)	(72.3)
<u>FEBRUARY</u>	
Impact of Revenue Changes / Feb. 25th OFA Monthly Statement	(198.0)
Impact of Expenditure Changes / Feb. 25th OFA Monthly Statement	4.2
Operating Surplus/(Deficit)	(266.1)
* November 18, 2015; FY 16 includes the impact of Sep. 2015 rescissions	

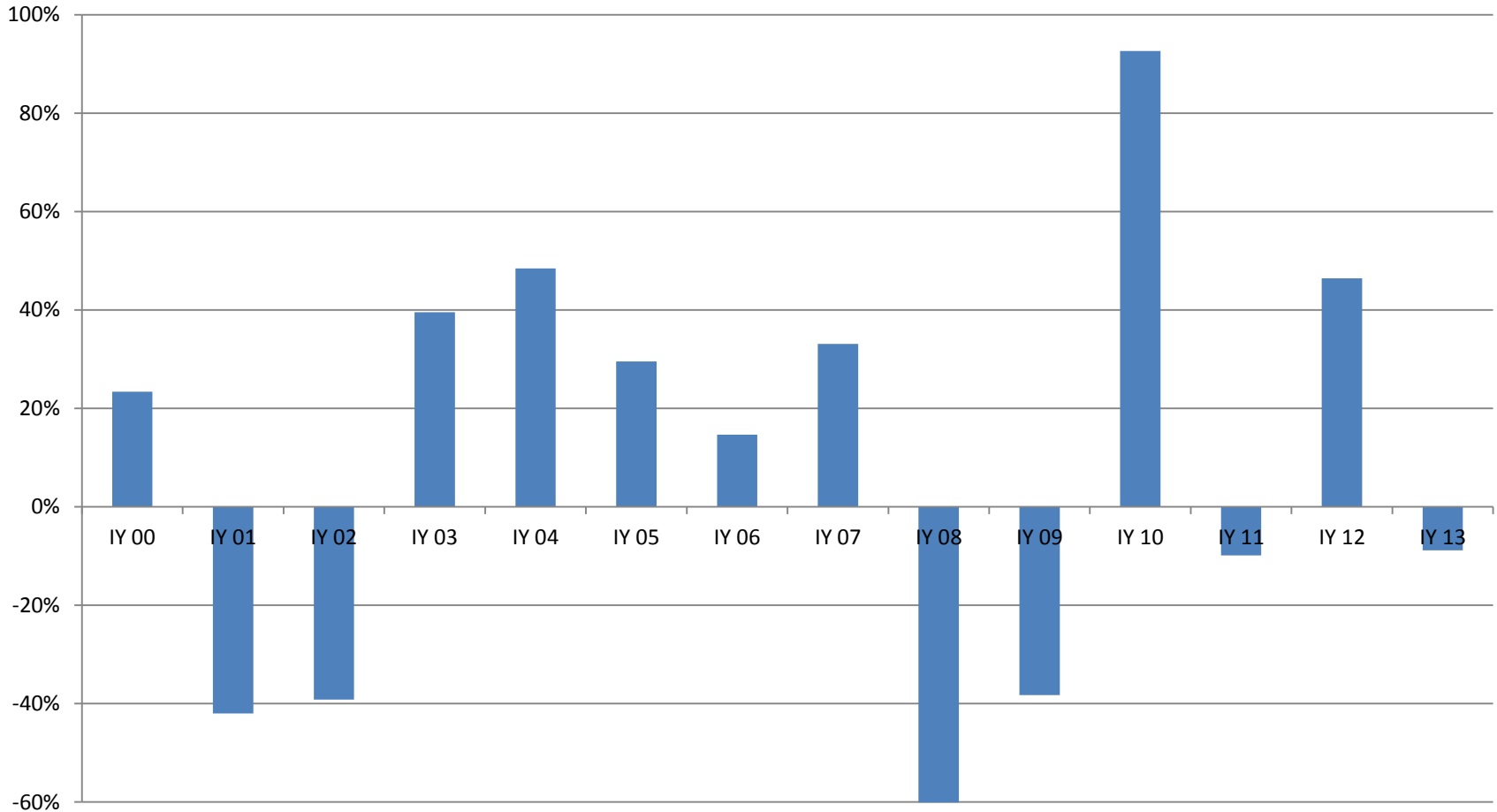
FY 17 General Fund Update (\$ - millions)

Governor's Recommended	Original	Revised ^[1]	Difference
Revenues	18,713.6	18,152.3	(561.3)
Appropriations	<u>18,711.2</u>	<u>18,141.7</u>	(569.5)
Operating Surplus / (Deficit)	2.4	10.6	
Update	Original	Revised ^[2]	Difference
Revenues	18,713.6	17,802.3	(911.3)
Appropriations	<u>18,711.2</u>	<u>18,141.7</u>	(569.5)
Operating Surplus / (Deficit)	2.4	(339.4)	
[1] Revenues reflect January 15th consensus estimates plus \$1.8 million (net) recommended policy changes.			
[2] Revenues reflect OFA's February 25th update.			

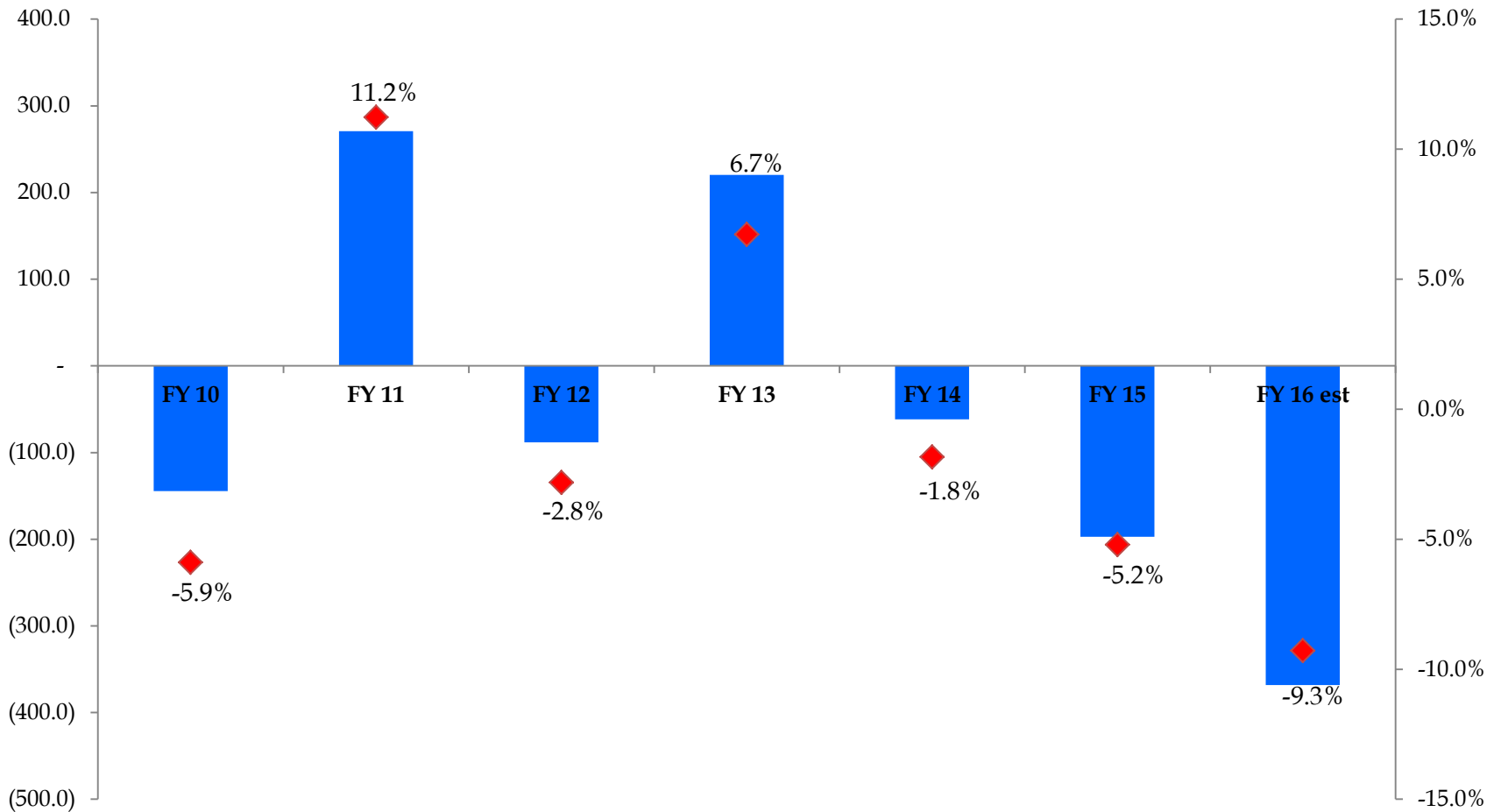
Annual Error Rates: Budget v. Actual General Fund Revenues

	Personal Income Tax - Withholding	Personal Income Tax - Estimates and Finals	Personal Income Tax - Total	Other Taxes (Net)	Total Taxes (Net)
FY 16 est	-1.6%	-9.3%	-4.7%	0.9%	-2.6%
FY 15	1.5%	-5.2%	-1.2%	-0.2%	-0.8%
FY 14	-0.5%	-1.8%	-1.0%	1.4%	-0.1%
FY 13	-1.0%	6.7%	1.9%	-0.7%	0.8%
FY 12	-1.1%	-2.8%	-1.7%	-1.2%	-1.5%
FY 11	6.9%	11.2%	8.4%	13.3%	10.3%
FY 10	2.4%	-5.9%	-0.7%	0.3%	-0.3%

Net Capital Gains (% change from prior year)



Estimated/Finals: Rates of Variance between Projections and Actuals, Budgetary Consequences (\$ - millions)



Growth (Year over Year) in Estimated Payments

Income / Calendar Year	First 3Qs	4th Q	4Q - First 3Qs	All Q
2015	6.4%	-9.5%	-16.0%	-0.9%
2014	4.4%	5.0%	0.6%	4.7%
2013	9.1%	1.5%	-7.6%	5.5%
2012	18.6%	24.6%	6.1%	21.4%
2011	13.5%	2.9%	-10.6%	8.3%
2010	13.5%	25.2%	11.7%	18.9%
2009	-35.9%	-9.4%	26.5%	-25.8%
2008	-1.0%	-22.8%	-21.8%	-10.6%
2007	16.2%	18.3%	2.1%	17.1%
2006	13.5%	6.1%	-7.4%	10.1%
2005	22.3%	22.3%	0.0%	22.3%

Growth (Year over Year) in Final Payments Compared to Estimated Payments

Year	First 3 Q	4th Q	4Q - First 3Qs	All Q	Final	Total	Final - Total
2015 X	6.4%	-9.5%	-16.0%	-0.9%	5.4%	1.8%	3.6%
2015	6.4%	-9.5%	-16.0%	-0.9%	1.2%	0.0%	1.2%
2011	13.5%	2.9%	-10.6%	8.3%	8.6%	8.5%	0.2%

Projections of Growth are Revised Significantly due to 4th Quarter Payments

January Estimate	FY 16	FY 17
Personal Income Tax	3.0%	2.9%
Withholding	3.0%	3.0%
Est/Finals	2.9%	2.8%
February Estimate	FY 16	FY 17
Personal Income Tax	0.8%	1.4%
Withholding	3.0%	2.8%
Est/Finals	-2.5%	-0.9%

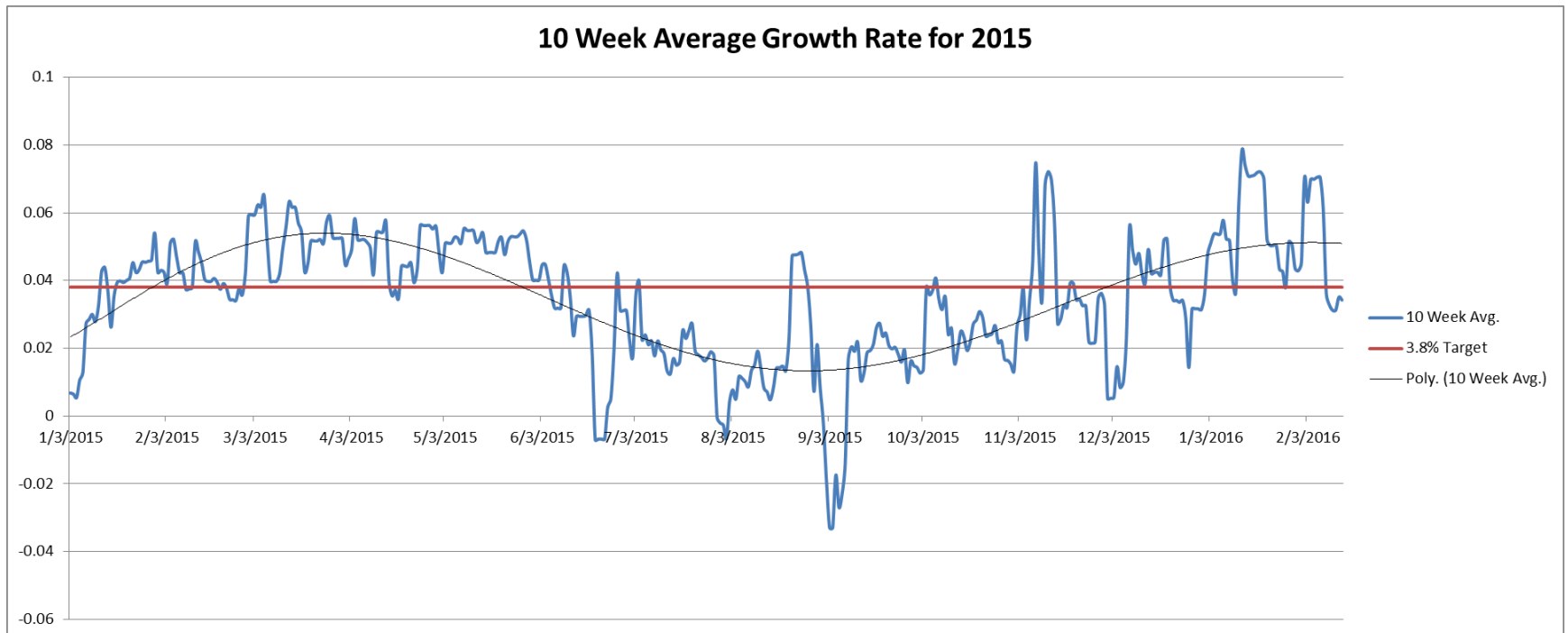
Summary of FY 17 Adjustments to Personal Income Tax Projections (\$ - millions)

	FY 17
Carry forward FY 16 revision in E&F	<u>(200.0)</u>
Downgrade anticipated growth into FY 17	<u>(150.0)</u>
Total Feb. 25th Revision	<u>(350.0)</u>

Ongoing Significant Risk to FY 16 Estimates

- Corporate Tax
 - Approximately \$200 million or 22.2% of the total FY 16 projection for this tax is due to new policies
 - Major payments due in March and June
- Income Tax - Withholding
 - We are meeting revised growth levels in FY16 but need to make up some ground
- Income Tax – Final Payments
 - April Collections are volatile
 - Approximately 40% of the revenue stream is collected during this period

Income Tax - Withholding



Statutory Bond Cap Calculation

- Debt certification
 - Compares net indebtedness to net tax revenue
 - Applies to General Obligation debt, which is supported by General Fund tax revenue
 - Certain types of net indebtedness are exempt: Special Transportation Obligation bonds, Clean Water Fund bonds, Tax Incremental Financing bonds, etc.
 - Prepared by the Office of the State Treasurer
 - Biannual calculations: Jan 1 and July 1
 - Other calculations required by statute when...
 - The State Bond Commission meets to allocates bonds
 - The General Assembly seeks to pass a bill authorizing any new debt
 - Statutory debt limits subject to debt certification
 - Bond authorizations cannot exceed 100% of the debt limit, which is 1.6 times the Net Tax Revenue of the General Fund
 - If/when net indebtedness meets or exceeds 90% of the debt limit, the Governor must recommend more bond cancellations

Statutory Bond Cap Calculation* (cont.): Summary Calculations

	(a)	(b)	(c)	Difference (c) - (a)	Difference (c) - (b)
Fiscal Year	2016	2017	2017		
Effective date of the calculation	1/19/16	7/1/16	7/1/16		
Net Indebtedness	\$ 21,000,067,080	\$ 22,518,819,285	\$ 22,518,819,285	\$1,518,752,205	
Net Total General Fund Tax Receipts	\$ 15,609,800,000	\$ 16,216,365,000	\$ 15,649,700,000	\$ 39,900,000	\$ (566,665,000)
Debt Limit @ 1.6 * Net Total GF Tax Receipts	\$ 24,975,680,000	\$ 25,946,184,000	\$ 25,039,520,000	\$ 63,840,000	\$ (906,664,000)
% of Debt Limit	84.08%	86.79%	89.93%		
\$ to Debt Limit of 90%	\$ 1,478,044,920	\$ 832,746,315	\$ 16,748,715		
* CT General Statutes charge the Office of the State Treasurer with performing definitive calculations of the statutory bond cap.					

Statutory Bond Cap Calculation* (cont.): Detailed Calculations

	(a)	(b)	(c)	Difference (c) - (a)	Difference (c) - (b)
Fiscal Year	2016	2017	2017		
Effective date of the calculation	1/19/16	7/1/16	7/1/16		
Net Indebtedness					
Authorized and Unissued	\$ 6,484,824,072	\$ 7,628,647,572	\$ 7,628,647,572	\$ 1,143,823,500	
Tax Supported Outstanding	\$ 13,376,021,237	\$ 13,645,754,060	\$ 13,645,754,060	\$ 269,732,823	
Other Indebtedness Guarantees	\$ 1,140,395,000	\$ 1,351,515,000	\$ 1,351,515,000	\$ 211,120,000	
Funds Available to Pay Net Obligations	<u>\$ 1,173,230</u>	<u>\$ 697,347</u>	<u>\$ 697,347</u>	<u>\$ (475,882)</u>	
Net Indebtedness without new policy	\$ 21,000,067,080	\$ 22,625,219,285	\$ 22,625,219,285	\$ 1,625,152,205	
Governor's Revised FY 17					
Additional Bond Authorizations	\$ -	\$ 279,000,000	\$ 279,000,000	\$ 279,000,000	
Cancelled Bond Authorizations	\$ -	<u>\$ (385,400,000)</u>	<u>\$ (385,400,000)</u>	<u>\$ (385,400,000)</u>	
Net Change in Bond Authorizations	\$ -	<u>\$ (106,400,000)</u>	<u>\$ (106,400,000)</u>	<u>\$ (106,400,000)</u>	
Net Indebtedness with new policy	\$ 21,000,067,080	\$ 22,518,819,285	\$ 22,518,819,285	\$ 1,518,752,205	
Net Total General Fund Tax Receipts					
Debt Limit @ 1.6 * Net Total GF Tax Receipts	\$ 15,609,800,000	\$ 16,216,365,000	\$ 15,649,700,000	\$ 39,900,000	\$ (566,665,000)
% of Debt Limit	84.08%	86.79%	89.93%		
\$ to Debt Limit of 90%	\$ 1,478,044,920	\$ 832,746,315	\$ 16,748,715		
* CT General Statutes charge the Office of the State Treasurer with performing definitive calculations of the statutory bond cap.					

Statutory Bond Cap Calculation* (cont.): Alternative Calculation using Revised OFA Revenue Estimates

	(c)	(d)	Difference (d) - (c)
Fiscal Year	2017	2017	
Effective date of the calculation	7/1/16	7/1/16	
Net Indebtedness without new policy	\$ 22,625,219,285	\$ 22,625,219,285	\$ -
Governor's Revised FY 17	\$ (106,400,000)	\$ (106,400,000)	\$ -
Net Indebtedness with new policy	\$ 22,518,819,285	\$ 22,518,819,285	\$ -
Net Total General Fund Tax Receipts	\$ 15,649,700,000	\$ 15,299,700,000	\$ (350,000,000)
Debt Limit @ 1.6 * Net Total GF Tax Receipts	\$ 25,039,520,000	\$ 24,479,520,000	\$ (560,000,000)
% of Debt Limit	89.93 %	91.99 %	
\$ to Debt Limit of 90%	\$ 16,748,715	\$ (487,251,285)	
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Changes in AGI from 2003 to 2014 by Income Group

