

CONNECTICUT

FY 2016 - FY 2017 BIENNIUM
GOVERNOR'S BUDGET



DANNEL P. MALLOY, GOVERNOR

February 26, 2015

Introduction

The Governor's budget proposal for the biennium is balanced, responsible, and provides tax relief.

It builds on the priorities of the last four years.

- Jobs and the economy
- Education
- Continued support for municipalities
- Smart investments in the state's infrastructure
- Transparency and accountability through Generally Accepted Accounting Principles (GAAP)



Budget Overview



Governor Malloy's Recommended Budget

Appropriated Funds Of The State

(in millions)

	Recommended	
	<u>FY 2016</u>	<u>FY 2017</u>
General Fund	\$ 18,001.8	\$ 18,551.2
Special Transportation Fund	1,438.2	1,504.5
Banking Fund	29.9	30.1
Insurance Fund	79.9	81.3
Consumer Counsel and Public Utility Control Fund	26.6	26.6
Workers' Compensation Fund	27.3	27.0
Mashantucket Pequot & Mohegan Fund	61.8	61.8
Regional Market Operation Fund	1.1	1.1
Criminal Injuries Compensation Fund	2.9	2.9
Grand Total	\$ 19,669.3	\$ 20,286.5

Totals may not add due to rounding

Summary of Expenditure Growth

(in millions)

	FY 2016			% Growth Over <u>FY 2015</u>
	Estimated Expenditures	Net Adjustments	Recommended Appropriation	
	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2016</u>	
General Fund	\$ 17,480.5	\$ 521.3	\$ 18,001.8	3.0%
Special Transportation Fund	1,341.8	96.4	1,438.2	7.2%
Mashantucket Pequot & Mohegan Fund	61.8	-	61.8	0.0%
All Other Funds	<u>152.6</u>	<u>14.9</u>	<u>167.5</u>	<u>9.8%</u>
Total	\$ 19,036.7	\$ 632.6	\$ 19,669.3	3.3%

	FY 2017			% Growth Over <u>FY 2016</u>
	Recommended Appropriation	Net Adjustments	Recommended Appropriation	
	<u>FY 2016</u>	<u>FY 2016</u>	<u>FY 2017</u>	
General Fund	\$ 18,001.8	\$ 549.4	\$ 18,551.2	3.1%
Special Transportation Fund	1,438.2	66.3	1,504.5	4.6%
Mashantucket Pequot & Mohegan Fund	61.8	-	61.8	0.0%
All Other Funds	<u>167.5</u>	<u>1.5</u>	<u>169.0</u>	<u>0.9%</u>
Total	\$ 19,669.3	\$ 617.2	\$ 20,286.5	3.1%

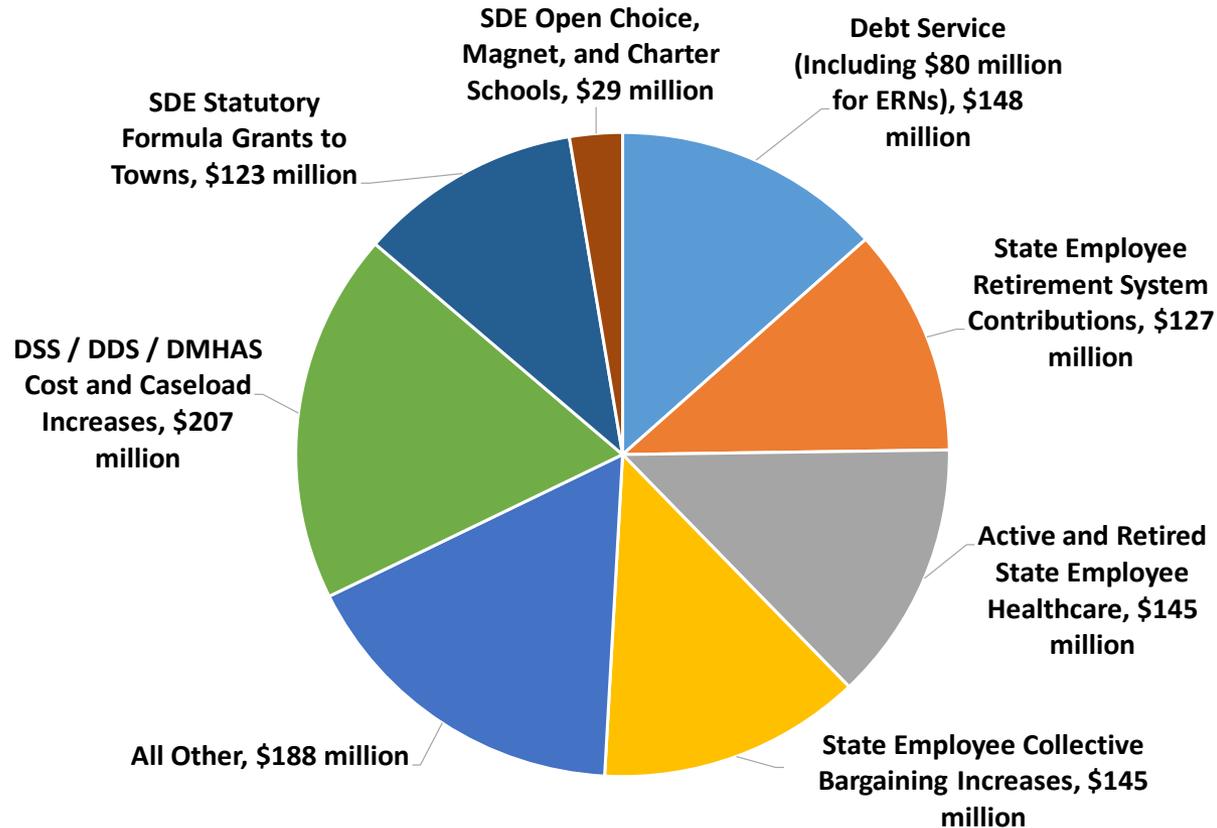
Closing the Current Services Budget Gap

Even though recommended General Fund spending in FY 2016 is 3.0% higher than FY 2015 estimated levels, it represents a \$590 million reduction over FY 2016 current services projections

(in millions)

<u>General Fund</u>	FY 2016			FY 2017		
	<u>Current Services</u>	<u>Policy Changes</u>	<u>Proposed Budget</u>	<u>Current Services</u>	<u>Policy Changes</u>	<u>Proposed Budget</u>
Revenues	\$17,447.4	\$ 557.6	\$ 18,005.0	\$ 18,199.4	\$ 356.8	\$ 18,556.2
Expenditures	<u>18,592.1</u>	<u>(590.3)</u>	<u>18,001.8</u>	<u>19,304.6</u>	<u>(753.4)</u>	<u>18,551.2</u>
Surplus/(Deficit)	\$ (1,144.7)	\$ 1,147.9	\$ 3.3	\$ (1,105.2)	\$ 1,110.2	\$ 5.0

General Fund Current Services Cost Drivers – FY 2016

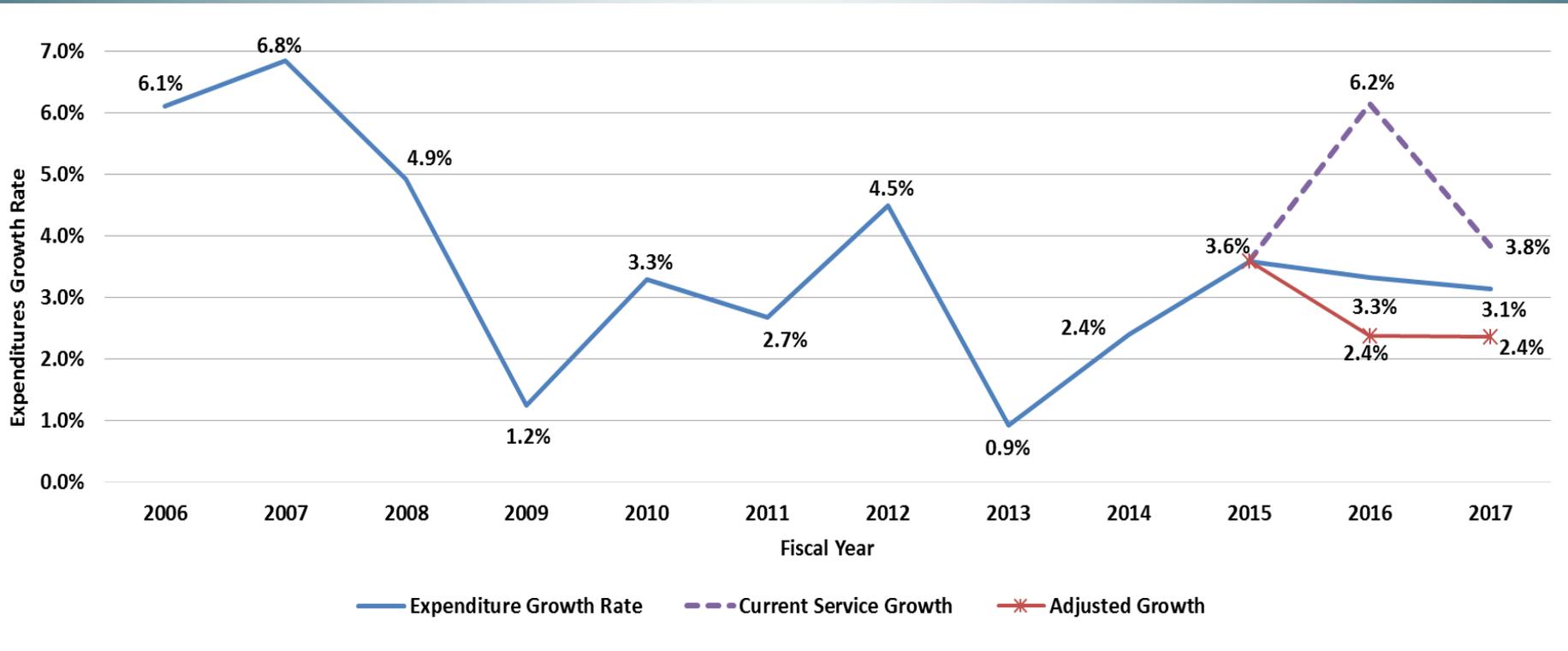


Total Current Services Growth = \$1,112 million

Budget Growth Rate

Budget Growth Rate - All Funds

<u>Fiscal Years</u>	<u>Total All Funds</u>
FY '96 - FY '05	4.7%
FY '06 - FY '11	4.2%
FY '12 - FY '17 (rec.)	3.0%



The adjusted growth rate line excludes debt service and payments toward pensions

Addressing the FY 2015 Deficit

(in millions)

Projected Ending Balance as of February 20, 2015		\$ (61.2)
	Net	
	Impact on	
<u>Proposed Adjustments</u>	<u>Balance</u>	
HB 6825 - Governor's FY 15 Deficiency Bill		
Transfer from Biomedical Trust Fund	\$ 9.4	
Redirect MRSA revenue to General Fund	\$ 12.7	
Transfer from Community Investment Act	\$ 15.2	
Additional Administrative Actions	\$ 23.9	
Total Proposed Adjustments		\$ 61.2
Revised Surplus/(Deficit)		-
Transfer to Budget Reserve Fund		-
Balance June 30, 2015		<u>\$ -</u>

Revenue



Revenue Proposals

(in millions)

<u>Tax Cuts</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
Sales Tax - Reduce Rate to 6.2% on 11/1/2015	\$ (70.1)	\$ -	\$ -
Sales Tax - Reduce Rate to 5.95% on 4/1/2017	-	(154.9)	(299.5)
Corp. Tax - Eliminate Business Entity Tax	-	(40.0)	-
Subtotal - Tax Cuts	\$ (70.1)	\$ (194.9)	\$ (299.5)
 <u>Extensions/Modifications</u>			
Income Tax - Delay Increase in Singles Exemption	\$ 12.7	\$ 8.5	\$ 4.3
Earned Income Tax Credit - Delay Increase in Credit	11.0	11.0	-
Sales Tax - Eliminate Clothing Exemption	138.0	142.1	146.4
Sales Tax - Reduce Sales Tax Free Week to <\$100	1.0	1.1	1.2
Corp. Tax - Maintain Current 20% Surcharge	44.4	75.0	75.0
Insurance - Maintain 3 Tier Credit Cap	18.7	18.7	-
Insurance - Continue Film Moratorium	4.0	4.0	-
Subtotal - Extensions/Modifications	\$ 229.8	\$ 260.4	\$ 226.9
 <u>Closing Loopholes</u>			
Corp. Tax - Limit Use of Net Operating Losses @50%	\$ 156.3	\$ 90.1	\$ 90.1
Corp. Tax - Limit Use of Credits @ 35%/45%/60%	72.5	29.3	26.2
Hospital Tax - Limit Use of Credits @ 35%/45%/60%	5.0	3.8	3.1
Subtotal - Closing Loopholes	\$ 233.8	\$ 123.2	\$ 119.4

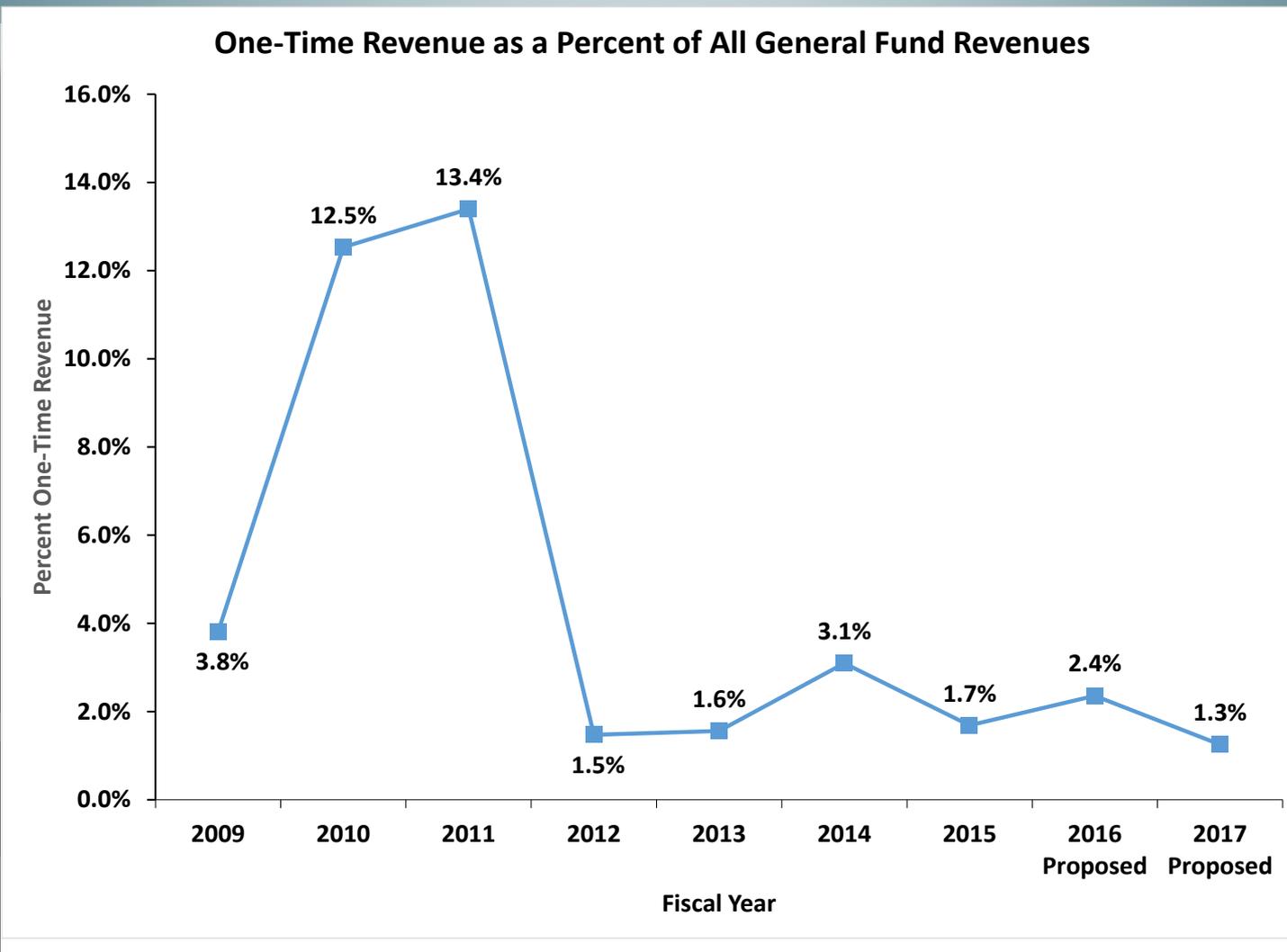
General Fund Revenue Proposals

(in millions)

<u>Fees</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>
DEEP - Increase Solid Waste Disposal Fees	\$ 5.3	\$ 5.3	\$ 5.3
Secretary of State - Increase Pass Through Entity Fees	<u>10.0</u>	<u>12.8</u>	<u>12.8</u>
Subtotal - Fees	\$ 15.3	\$ 18.1	\$ 18.1
<u>Federal Revenue - Medicaid</u>			
Expenditure Changes	\$ (25.7)	\$ (30.6)	\$ (30.6)
Hospital Tax - Update Provider Tax	<u>165.2</u>	<u>165.2</u>	<u>165.2</u>
Subtotal - Federal Revenue	\$ 139.5	\$ 134.6	\$ 134.6
<u>Other Revenue Measures</u>			
Alcohol - Extend Sale Hours	\$ 0.5	\$ 0.5	\$ 0.5
Alcohol - Revise Minimum Pricing	2.8	2.8	2.8
Misc. Rev. - Charge 100% for Resident State Troopers	<u>4.6</u>	<u>4.6</u>	<u>4.6</u>
Subtotal - Other Revenue Measures	\$ 7.9	\$ 7.9	\$ 7.9
<u>Transfers</u>			
GF Transfer to the STF - Let's Go CT!	\$ -	\$ -	\$ (112.0)
Various Fund Transfers	49.0	55.1	14.3
Pay Down GAAP Deficit	<u>(47.6)</u>	<u>(47.6)</u>	<u>(47.6)</u>
Subtotal - Fund Transfers	\$ 1.4	\$ 7.5	\$ (145.3)
Grand Total - Revenue Changes	<u>\$ 557.6</u>	<u>\$ 356.8</u>	<u>\$ 62.1</u>

Use of One-Time Revenues

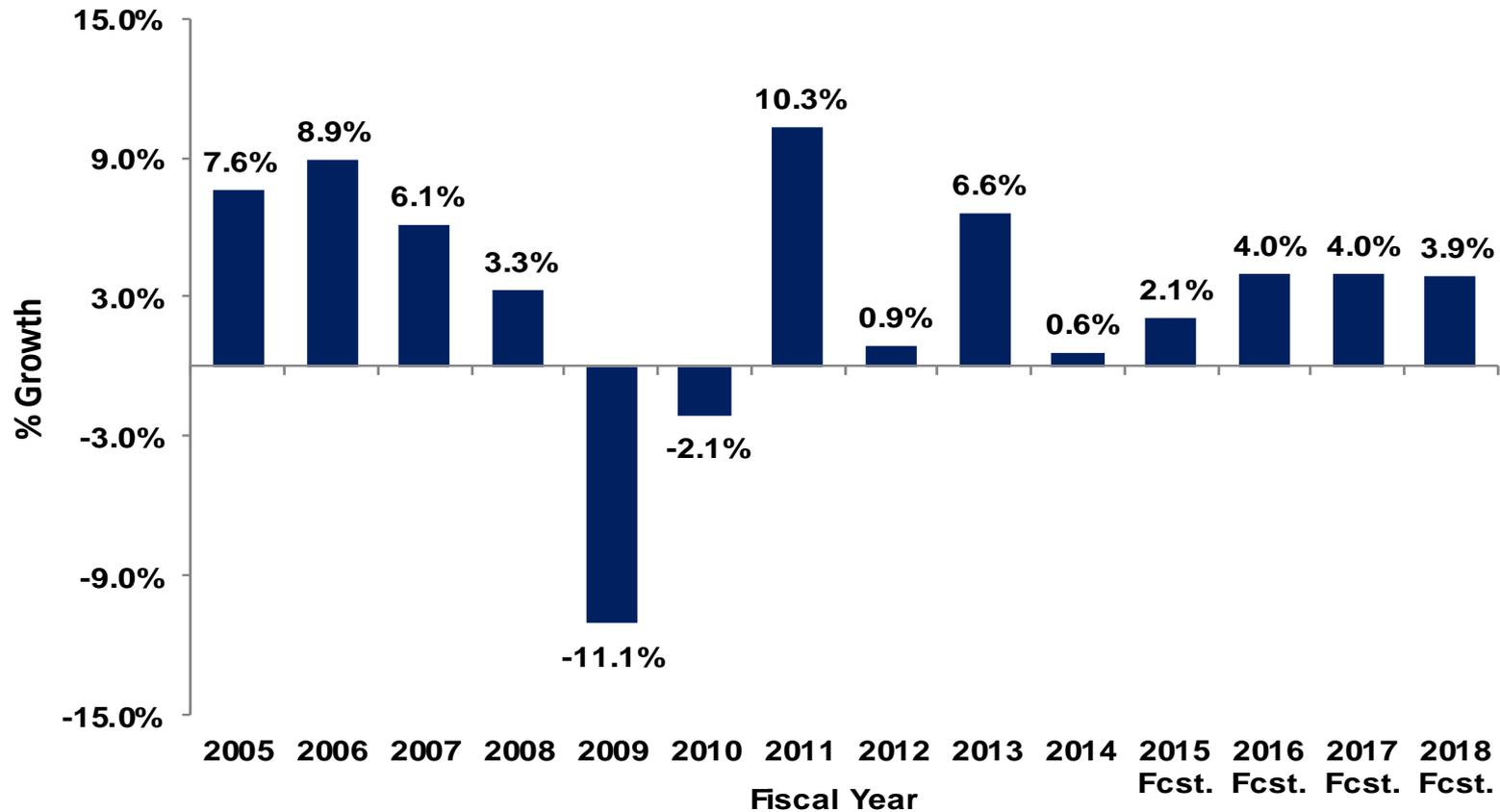
One-time revenues comprise a small fraction of the proposed budget at 2.4% of General Fund revenues in FY 2016 and 1.3% of General Fund revenues in FY 2017



General Fund Revenue

Economic Growth Rates

(underlying growth prior to tax changes/transfers)



FY 2015 – FY 2018 forecast based on January 2015 consensus revenue estimate

Investing in Transportation

LET'S **G**→CT!



LET'S GO CT!

Governor's Transportation Initiative

Long-term strategy to update and improve Connecticut's transportation system

- Creating a more comprehensive intermodal system
- Reducing congestion on roadways
- Enhancing quality of life with more livable, walkable, bikeable communities
- Partnering with communities to advance mixed use Transit-Oriented Development (TOD)
- Fostering economic growth by enabling people and products to move more freely throughout the state



Capital Funding

	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>Totals</u>
Base Program* (STO Bonds)	\$ 671.4	\$ 693.3	\$ 700.0	\$ 700.0	\$ 700.0	\$3,464.7
TAR and Ports* (GO Bonds)	70.0	70.0	70.0	70.0	70.0	350.0
Let's Go CT! (STO Bonds)	<u>274.9</u>	<u>520.2</u>	<u>547.2</u>	<u>749.8</u>	<u>691.0</u>	<u>2,783.1</u>
Totals	\$1,016.3	\$1,283.5	\$1,317.2	\$1,519.8	\$1,461.0	\$6,597.8

* Estimated for FY 2018 through FY 2020

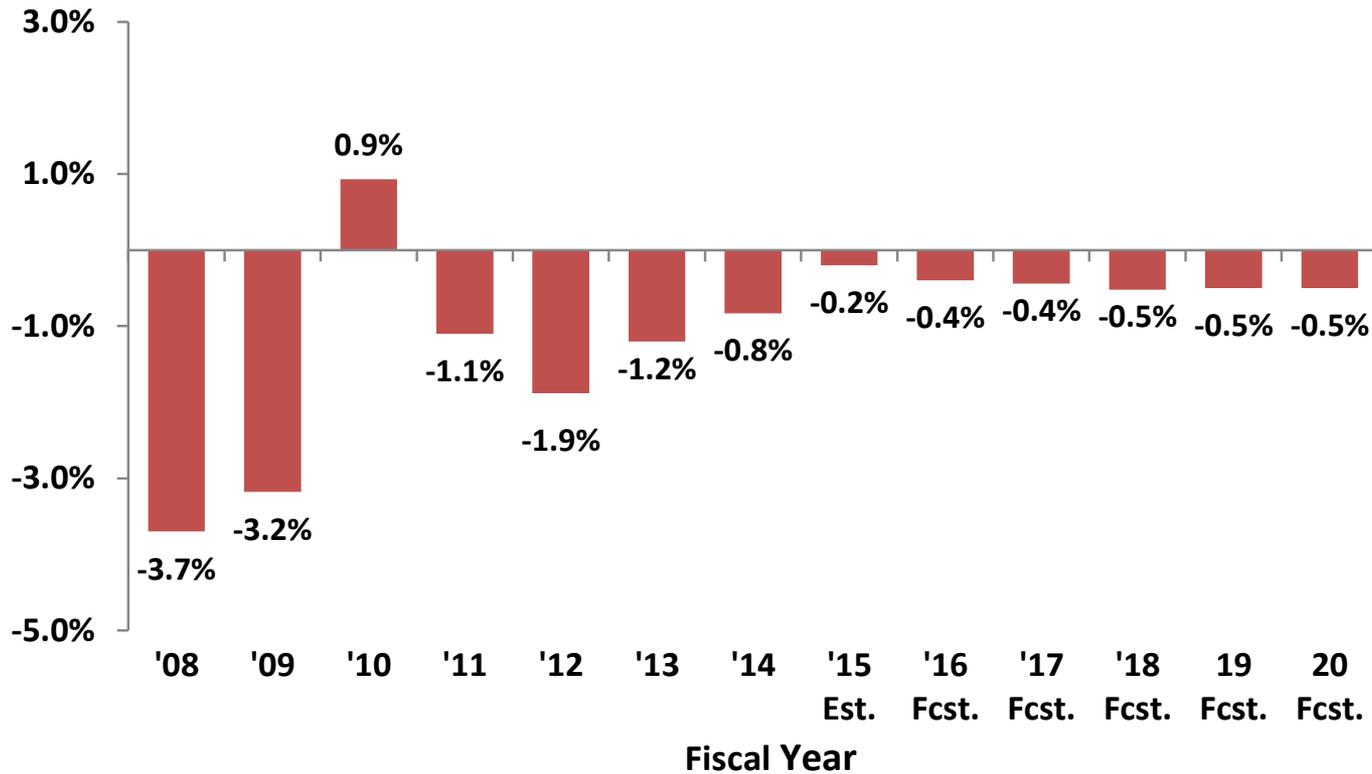
LET'S GO CT!

Major Projects

- Highway design and engineering
 - I-84 Viaduct
 - I-95 Stamford to Bridgeport expansion
 - Waterbury Mixmaster
 - I-91 Ramp to the Charter Oak Bridge
- Rail
 - New Haven/Hartford/Springfield completion
 - New train cars
 - Repairs and re-construction of bridges – New Haven Line
 - Station expansion
 - Parking facilities construction
- Bus Service re-configuration and expansion

Special Transportation Fund

Motor Fuels Tax Economic Growth Rate



FY 2015 – FY 2018 forecast based on January 2015 consensus revenue estimate

Special Transportation Fund Current Program

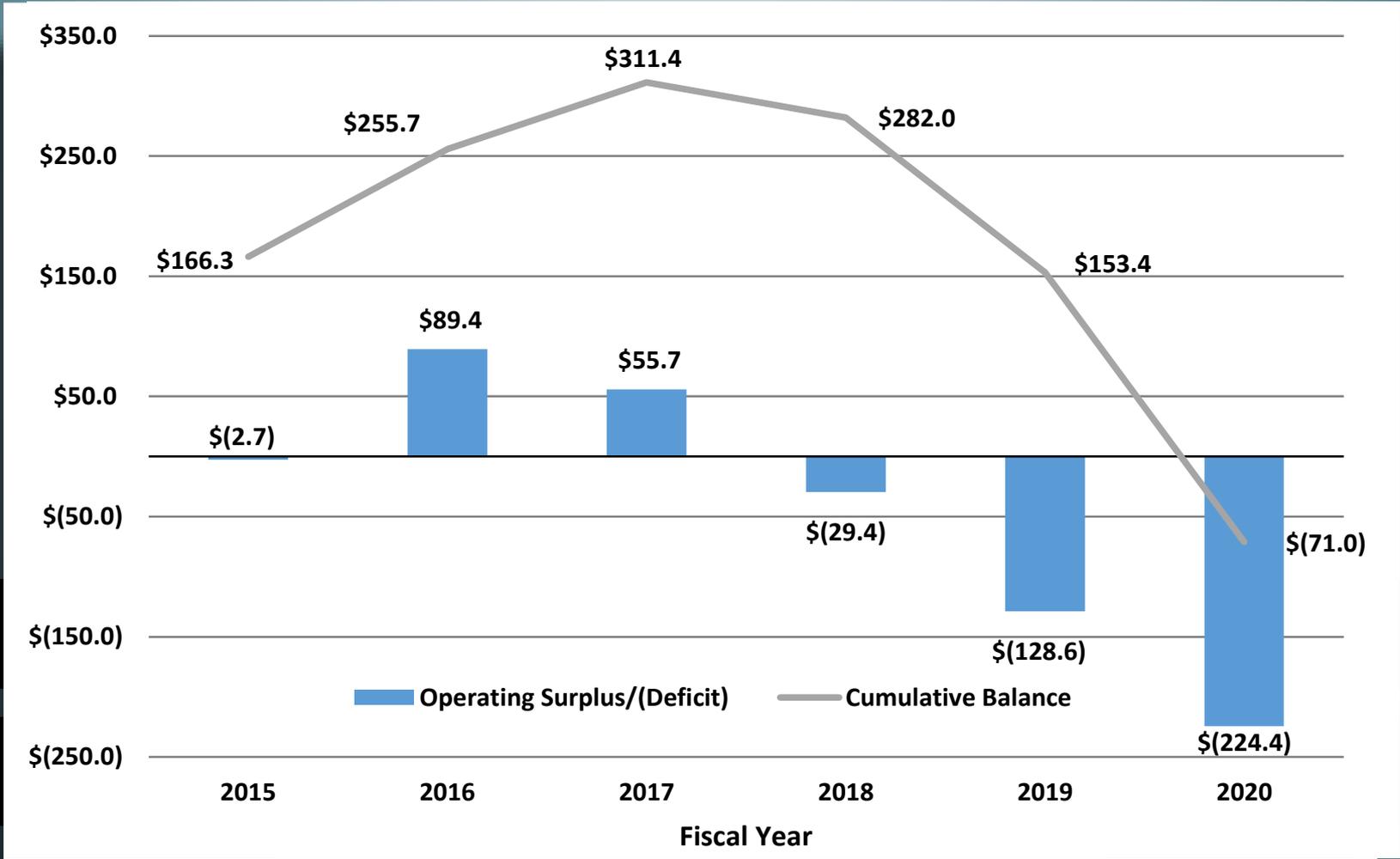
Maintaining Current Transportation Funding (in millions)

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Revenues	\$1,339.1	\$1,503.6	\$1,514.4	\$1,514.8	\$1,514.8	\$1,514.9
Expenditures						
Operating	876.9	899.1	918.9	962.3	1,026.0	1,083.3
Debt Service*	464.9	495.9	536.8	578.9	614.4	653.0
Policy Changes	<u>-</u>	<u>19.2</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>	<u>3.0</u>
Total	\$1,341.8	\$1,414.2	\$1,458.7	\$1,544.2	\$1,643.4	\$1,739.3
Balance	(2.7)	89.4	55.7	(29.4)	(128.6)	(224.4)
Cumulative Balance	166.3	255.67	311.4	282.0	153.4	(71.0)

* Assumes current levels of borrowing are maintained

Special Transportation Fund Current Program

(in millions)





Governor's Proposal

Transportation Ramp-Up Projections (in millions)

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>
Revenues						
Baseline	\$ 1,339.1	\$ 1,503.6	\$ 1,514.4	\$ 1,514.8	\$ 1,514.8	\$ 1,514.9
Revenue Changes	-	-	-	112.0	255.0	400.0
Total	\$ 1,339.1	\$ 1,503.6	\$ 1,514.4	\$ 1,626.8	\$ 1,769.8	\$ 1,914.9
Expenditures						
Operating	876.9	899.1	918.9	962.3	1,026.0	1,083.3
Debt Service*	464.9	502.0	563.0	640.4	719.3	802.0
Let's Go CT Expansions	-	37.1	22.6	22.9	23.2	23.5
Total	\$ 1,341.8	\$ 1,438.2	\$ 1,504.5	\$ 1,625.5	\$ 1,768.5	\$ 1,908.8
Balance	(2.7)	65.4	9.9	1.3	1.3	6.0
Cumulative Balance	166.3	231.73	241.7	242.9	244.2	250.2

* Includes additional debt service needs to meet cash flow requirements for all projects

Capital Budget



Capital Investments

Governor Malloy's capital budget focuses on funding projects and programs that address critical infrastructure needs

New general obligation bond authorizations

- \$1.759 billion in FY 2016
- \$1.800 billion in FY 2017

New transportation bond authorizations
(including Let's Go CT!)

- \$946.3 million in FY 2016
- \$1.214 billion in FY 2017

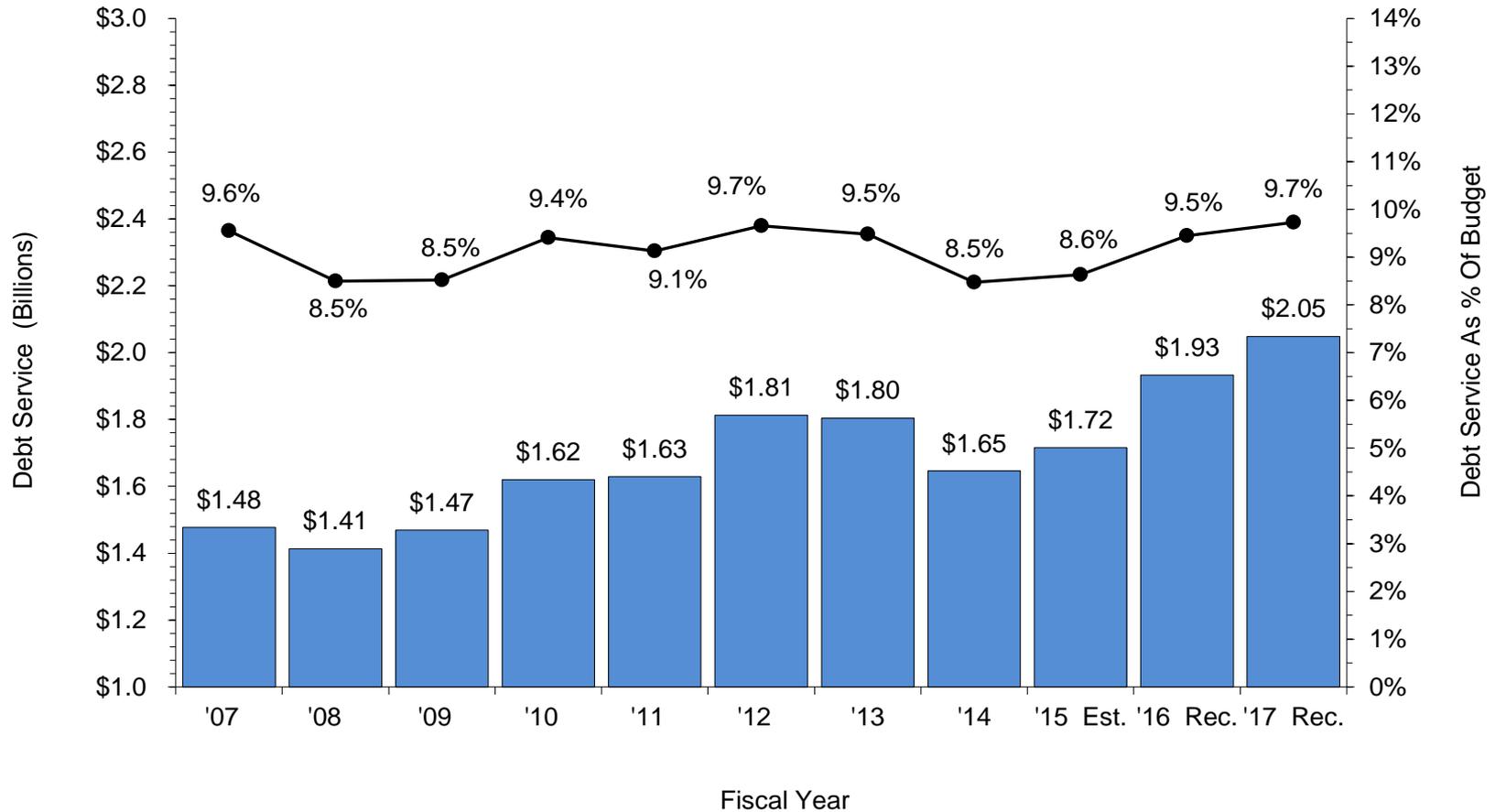
Capital Investments

Significant capital investments over the biennium include

- \$1.1 billion for the school construction program
- \$378 million for Clean Water Fund grants and subsidized low interest loans
- \$377 million for economic development programs
- \$405 million for housing projects and programs, including the Zero:2016 Initiative
- \$186.4 million for Board of Regents projects
- \$180 million for Local Capital Improvement Program and Municipal Projects
- \$100 million for Alliance District school improvements
- \$140 million for Urban Act and Small Town Economic Assistance Programs
- \$140 million for Town Aid Road and Local Bridge Programs
- \$148 million for Local Transportation Capital Program

Debt Service Expenditures

General Fund



Note: FY 2014-17 adjusted for net budgeting of Medicaid for comparison to prior years

Debt Service

Interest Rate Comparison – General Obligation Bonds (in millions)

Actual

Projected

<u>Issue Date</u>	<u>Par Amount</u>	Treasurer's		
		<u>True Interest Cost</u>	<u>Office Projected Rate</u>	<u>OPM Projected Rate</u>
Aug-13	\$ 200.0	3.57%	-	-
Aug-13	285.0	3.88%	-	-
Aug-13	100.0	3.19%	-	-
Oct-13	560.4	3.01%	-	-
Mar-14	353.0	3.45%	-	-
Jun-14	200.0	3.23%	-	-
Aug-14	300.0	3.03%	-	-
Aug-14	200.0	2.37%	-	-
Nov-14	60.0	3.56%	-	-
Nov-14	240.0	2.87%	-	-
Mar-15	400.0	NA	4.50%	3.25%
Jun-15	300.0	NA	4.50%	3.25%
Oct-15	500.0	NA	5.00%	3.50%
Dec-15	250.0	NA	5.00%	3.50%
Mar-16	400.0	NA	5.00%	3.50%
Jun-16	300.0	NA	5.00%	3.50%
Oct-16	500.0	NA	5.25%	4.00%
Dec-16	250.0	NA	5.25%	4.00%
Mar-17	400.0	NA	5.25%	4.00%
Jun-17	300.0	NA	5.25%	4.00%

Debt Service

Biennial Budget Request versus Actual – General Fund (in millions)

Fiscal	Treasurer		
<u>Year</u>	<u>Requested</u>	<u>Actual</u>	<u>Difference</u>
2015	\$ 1,983.5	\$ 1,715.5	\$(268.0)
2014	1,814.8	1,646.1	(168.7)
2013	1,968.3	1,804.2	(164.1)
2012	1,927.2	1,813.4	(113.8)
2011	1,741.4	1,629.7	(111.7)
2010	1,697.3	1,619.5	(77.8)
2009	1,572.7	1,469.3	(103.4)
2008	1,473.2	1,413.0	(60.2)

1. FY 2014 and FY 2015 requested numbers have been adjusted to reflect debt service reductions due to the restructuring of the Economic Recovery Note repayments
2. The average difference between the requested and actual over the last 8 years has been \$133.4 million

Debt Service

Governor's Budget Proposal Comparison – General Fund (in millions)

Fiscal <u>Year</u>	Sept. 2014 Treasurer's <u>Requested</u>	Dec. 2014 Treasurer's <u>Revised</u>	Feb. 2015 Governor <u>Proposal</u>	Comparisons	
				Governor versus <u>Sept.</u>	Governor versus <u>Dec.</u>
2016	\$ 2,140.4	\$ 2,085.8	\$ 1,932.6	\$ (207.8)	\$ (153.3)
2017	\$ 2,253.7	\$ 2,221.3	\$ 2,048.1	\$ (205.6)	\$ (173.2)

1. September 2014 based on Treasurer's General Fund request
2. December 2014 based on Treasurer's December 8, 2014 revised debt service estimates

How Bond Premium Works

Level Principal over 20 Years

(in millions)

	<u>Par Amount</u>	<u>Interest Rate</u>	<u>Year 1</u>	<u>Year 2</u>	<u>...</u>	<u>Total</u>	<u>Premium</u>	<u>Net Cost</u>
No Premium	\$ 100.0	3.0%	\$ 8.0	\$ 7.9		\$131.5	\$ -	\$ 131.5
With Premium	\$ 100.0	5.0%	\$10.0	\$ 9.8		\$152.5	\$ (21.0)	\$ 131.5