



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

March 21, 2011

The Honorable Kevin Lembo
State Comptroller
55 Elm Street
Hartford, Connecticut 06106

Dear Comptroller Lembo:

The following information on the State's General Fund for fiscal year 2010-11 is provided in accordance with Section 4-66 of the General Statutes. In addition, an analysis of the Special Transportation Fund is included due to the significant nature of this fund. It should be noted that these projections reflect the state's current modified cash basis of accounting.

General Fund

We are projecting a General Fund balance of \$116.4 million, up \$59.2 million from last month's estimate. Revenues reflect an overall increase of \$49.7 million, and aggregate expenditure trends have improved by \$9.5 million. While we are projecting a balance for FY 2011 in the General Fund, we note that this projection relies on significant sources of non-recurring revenue, including the planned issuance of Economic Recovery Revenue Bonds, use of the FY 2010 surplus, utilization of the remainder of the Budget Reserve Fund, and the final year of enhanced federal stimulus funding. Note that the 2009 agreement with SEBAC requires that \$14.5 million be deposited in the trust fund for Other Post Employment Benefits (OPEB) as a result of the positive operating balance forecast in January and confirmed in the Comptroller's February 1st letter. Also, it should be noted that, per Sec. 511 of Public Act 09-3, June Special Session, any remaining balance at year end must be used to redeem any outstanding Economic Recovery Notes issued to finance the FY 2009 deficit.

Revenues

General Fund revenue is projected to increase over last month's forecast by \$49.7 million. The largest change is an increase in estimated sales tax revenue of \$33.1 million as year-to-date collections have exceeded the consensus target, reflecting continued improvement in the state's economy. Other revenue increases include an upward revision in the estate tax revenue projection by \$25.0 million to reflect receipt of several significant payments, and an increase in the oil companies tax estimate by \$10.0 million as the result of rising fuel prices. Offsetting these increases are several reductions in our projections. The Public Services tax estimate is decreased by \$7.0 million due to weaker collection performance and a reduction in electric rates. We are also lowering our projections for Transfers-Special Revenue and Indian Gaming payments by \$8.4 million and \$3.0 million respectively as collections have slowed in comparison to their targets. The positive \$40.0 million in miscellaneous revenue and the negative \$40.0 million in Transfers to the Resources of the

General Fund reflect a technical change in accounting for the revenue from the six month Economic Transition Charge.

Expenditures

This month we are projecting that expenditures will exceed appropriations by \$268.3 million: \$321.0 million in deficient accounts offset by \$52.7 million in projected lapses beyond those required by the budget.

As noted in prior forecasts, a number of deficiencies are related to difficulties in fully achieving budgeted savings for contracts and Other Expenses. These include \$6.4 million in the Department of Public Works' Other Expenses, Management Services, and Rents and Moving Expenses accounts; \$8.0 million in the Department of Public Safety's Other Expenses and Fleet Services accounts; \$8.0 million in the Department of Correction's Other Expenses account; \$5.3 million in the Department of Mental Health and Addiction Services' Other Expenses account; \$21 million in the Department of Social Services' Other Expenses account; \$0.6 million in the Department of Administrative Services' Workers' Compensation Administrator account; and \$0.28 million in the Department of Agriculture's Other Expenses account. New this month are forecast deficiencies in the Office of the State Comptroller's Other Expenses account in the amount of \$0.43 million, and \$0.22 million in the Agricultural Experiment Station's Other Expenses account.

Our estimates continue to reflect additional requirements for the Low Income Adults (LIA) population under Medicaid. As a result of stronger than forecast caseload and utilization growth for this program, we are anticipating a net deficiency of \$54.7 million in DMHAS' General Assistance Managed Care account after accounting for offsetting lapses. Expansion under the LIA program, growth in other components of Medicaid caseload and overly aggressive budgeted savings targets for the Medicaid program are expected to result in a projected \$211.0 million net deficiency in DSS' Medicaid account after accounting for offsetting lapses.

A \$0.5 million deficiency is forecast in the Department of Administrative Services' Workers Compensation Claims account, and \$0.2 million (after this month's Finance Advisory Committee action) in the Teachers' Retirement Board due to payments for identity theft insurance for its members resulting from an unintentional release of pension information in November 2009. As in prior months, deficiencies continue to be anticipated in two Judicial branch agencies. The Public Defender Services Commission is anticipated to end the year with a \$1.8 million deficiency: \$1.0 million in the Special Public Defenders – Noncontractual account, and \$0.8 million in the Expert Witnesses account. A \$2.6 million shortfall is estimated in the Child Protection Commission's Contracted Attorneys account.

Partially offsetting these deficiencies are a number of forecast lapses. The Office of the Treasurer's Debt Service accounts will lapse \$38.5 million. The Department of Children and Families is expected to lapse a total of \$20.8 million across a variety of accounts, including \$9.5 million in its Personal Services account, \$4.0 million in the Individualized Family Supports account, and \$3.5 million in its Board & Care – Foster account. An additional \$60 million is available in OPM's Reserve for Salary Adjustment account, primarily as a result of funds for FY 2010 non-bargaining unit salary increases which were not implemented and that carried-forward into FY 2011 pursuant to Sec. 32 of Public Act 09-3, June Special Session, and similar increases budgeted for FY 2011 that are not expected to take place. A number of agencies are expected to lapse Personal Services funding, including \$0.9 million in

the Auditors of Public Accounts, \$0.25 million in the Office of the State Treasurer, \$1.3 million in the Department of Revenue Services, \$0.4 million in the Department of Veterans' Affairs, \$0.6 million in the Office of the Attorney General, \$0.55 million in the Department of Consumer Protection, and \$0.5 million in the Commission on Human Rights and Opportunities. In addition, \$0.4 million is expected to lapse in the Elections Enforcement Commission due to expenditure requirements that are below budgeted levels for administration of the Citizens' Election Fund. Lapses totaling \$2.1 million are forecast in the Department of Environmental Protection as a result of reduced expenditure demands in the Emergency Spill Response, Clean Air, and Environmental Quality accounts. The Department of Developmental Services will lapse a net of \$12.0 million, including \$2.3 million in Personal Services, \$1.0 million in Workers' Compensation Claims, \$1.8 million in the Community Residential Services account due to somewhat slower transitions under the Money Follows the Person initiative compared to budgeted levels, and \$6.9 million in one-time savings in the Employment and Day Services and Voluntary Services accounts due to a conversion of payments made by their fiscal intermediary from a quarterly to a monthly basis. The fringe benefit accounts budgeted under the Office of the State Comptroller are anticipated to lapse \$11.95 million due to lower-than-budgeted employer Social Security tax requirements as well as lower than budgeted expenditures for the Higher Education Alternative Retirement Plan. New lapses this month include \$4.0 million in the Office of Legislative Management, including \$3.0 million in Personal Services and \$1.0 million in Other Expenses, and \$0.6 million in Personal Services in the Division of Special Revenue. Finally, while we are not anticipating achievement of \$50 million in savings for Enhancing Agency Outcomes, we remain confident that the overall budgeted lapse target will be met this fiscal year.

It should be noted that our projections continue to assume no state resources will be provided to continue benefits under the Connecticut Energy Assistance Program should federal funding be exhausted. While the federal government has not adopted a budget and continues to operate under temporary spending measures, the funding awarded to Connecticut to date is expected to cover most of the heating season.

Special Transportation Fund

In the Special Transportation Fund, our projections remain unchanged from last month. Our expenditure estimate continues to reflect \$14.0 million in projected lapses for the Office of the Treasurer's Debt Service account, and an estimated \$0.8 million lapse in the Department of Motor Vehicles' Other Expenses account. An annual operating balance of \$0.1 million is forecast, and the fund balance on June 30, 2011 is anticipated to be \$105.5 million.

It is important to note that while these projections are the best that can be made at this time, estimates may have to be adjusted to reflect changes in the economy, expenditure patterns and/or other factors as the year progresses.

Sincerely,



Benjamin Barnes
Secretary

Summary
March 21, 2011

State of Connecticut
Summary of Changes
General Fund and Special Transportation Fund
Projected to June 30, 2011
As of February 28, 2011
(In Millions)

General Fund

Balance - February 22, 2011		\$	57.2
Revenues			
Sales and Use Tax	33.1		
Inheritance and Estate	25.0		
All Other	<u>(8.4)</u>		49.7
Expenditures			
Additional Requirements	(5.3)		
Estimated Lapses	14.8		
Miscellaneous Adjustments/Rounding	<u>0.0</u>		9.5
Balance - March 21, 2011		\$	116.4
Reserved Balance ¹ .			<u>(116.4)</u>
Estimated Balance - June 30, 2011		\$	<u>-</u>

1. \$14.5 million for OPEB trust fund per 2009 SEBAC agreement, with remainder applied to Economic Recovery Notes per Sec. 511, P.A. 09-3, June Spec. Sess.

Special Transportation Fund

Carry Forward FY 2009-10 Surplus		\$	105.4
Balance - February 22, 2011			0.1
Revenues - No Change			0.0
Expenditures - No Change			<u>0.0</u>
Miscellaneous Adjustments/Rounding		\$	<u>105.5</u>

Summary
March 21, 2011

State of Connecticut
Summary of Changes
General Fund and Special Transportation Fund
Projected to June 30, 2011
As of February 28, 2011
(In Millions)

General Fund

Balance - February 22, 2011		\$	57.2
Revenues			
Sales and Use Tax	33.1		
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All Other	<u>(8.4)</u>		49.7
Expenditures			
Additional Requirements	(5.3)		
Estimated Lapses	14.8		
Miscellaneous Adjustments/Rounding	<u>0.0</u>		9.5
Balance - March 21, 2011		\$	116.4
Reserved Balance ¹ .			<u>(116.4)</u>
Estimated Balance - June 30, 2011		\$	<u>-</u>

1. \$14.5 million for OPEB trust fund per 2009 SEBAC agreement, with remainder applied to Economic Recovery Notes per Sec. 511, P.A. 09-3, June Spec. Sess.

Special Transportation Fund

Carry Forward FY 2009-10 Surplus		\$	105.4
Balance - February 22, 2011			0.1
Revenues - No Change			0.0
Expenditures - No Change			<u>0.0</u>
Miscellaneous Adjustments/Rounding		\$	<u>105.5</u>

State of Connecticut
General Fund
Statement of Revenues, Expenditures, and Results of Operations
Projected to June 30, 2011
As of February 28, 2011
(In Millions)

	General Assembly <u>Budget Plan</u> ^{1.}	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
REVENUE			
Taxes	\$11,941.5	\$12,425.9	\$484.4
Less: Refunds	<u>(\$1,019.8)</u>	<u>(\$979.1)</u>	<u>\$40.7</u>
Taxes - Net	\$10,921.7	\$11,446.8	\$525.1
Other Revenue	\$1,202.7	\$1,250.6	\$47.9
Other Sources	<u>\$5,543.0</u>	<u>\$5,414.5</u>	<u>(\$128.5)</u>
TOTAL Revenue	\$17,667.4	\$18,111.9	\$444.5
EXPENDITURES			
Appropriations	\$17,963.5	\$17,963.5	\$0.0
Net Additional Requirements	\$0.0	\$321.0	\$321.0
Less: Estimated Lapses	<u>(\$296.3)</u>	<u>(\$349.0)</u>	<u>(\$52.7)</u>
TOTAL Expenditures	\$17,667.2	\$17,935.5	\$268.3
Balance from Operations	\$0.2	\$176.4	\$176.2
Miscellaneous Adjustments	<u>\$0.0</u>	<u>(\$60.0)</u>	<u>(\$60.0)</u>
Estimated Balance 6/30/11	\$0.2	\$116.4	\$116.2
Reserved Balance ^{2.}	<u>(\$0.2)</u>	<u>(\$116.4)</u>	<u>(\$116.2)</u>
Estimated Balance - June 30, 2011	\$0.0	\$0.0	\$0.0

1. P.A. 10-179 as amended by P.A. 10-1, JSS and P.A. 10-2, JSS

2. \$14.5 million for OPEB trust fund per 2009 SEBAC agreement, with remainder applied to Economic Recovery Notes per Sec. 511, P.A. 09-3, June Spec. Sess.

State of Connecticut
General Fund
Revenue Estimates
Projected to June 30, 2011
As of February 28, 2011
(In Millions)

TAXES	
Personal Income	\$6,893.5
Sales and Use	3,342.0
Corporation	660.5
Public Service Corporations	269.1
Inheritance and Estate	196.9
Insurance Companies	220.7
Cigarettes	409.8
Real Estate Conveyance	88.3
Oil Companies	123.1
Alcoholic Beverages	48.7
Admissions and Dues	35.1
Miscellaneous	138.2
TOTAL - TAXES	<u>\$12,425.9</u>
Less: Refunds of Taxes	(970.0)
R & D Credit Exchange	(9.1)
TOTAL - TAXES - NET	<u>\$11,446.8</u>
OTHER REVENUE	
Transfers - Special Revenue	\$282.6
Indian Gaming Payments	362.0
Licenses, Permits, Fees	241.5
Sales of Commodities and Services	35.8
Rents, Fines, Escheats	126.5
Investment Income	1.5
Miscellaneous	202.2
Refunds of Payments	(1.5)
TOTAL - OTHER REVENUE	<u>\$1,250.6</u>
OTHER SOURCES	
Federal Grants	\$4,166.6
Transfers to the Resources of the General Fund	1,314.1
Transfer from Tobacco Settlement Fund	103.2
Transfers to Other Funds	(169.4)
TOTAL - OTHER SOURCES	<u>\$5,414.5</u>
TOTAL - GENERAL FUND REVENUE	\$18,111.9

State of Connecticut - General Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2011
As of February 28, 2011

Department of Administrative Services	\$600,000
Office of the State Comptroller	430,000
Department of Public Works	6,400,000
Agricultural Experiment Station	220,000
Department of Agriculture	280,000
Department of Public Safety	8,000,000
Department of Mental Health & Addiction Services	60,000,000
Department of Social Services	232,000,000
Teachers' Retirement Board	200,000
Department of Correction	8,000,000
Public Defender Services Commission	1,800,000
Commission on Child Protection	2,600,000
DAS-Worker's Compensation Claims	500,000
Total	<u>\$321,030,000</u>

State of Connecticut
General Fund
Estimated Lapses
Projected to June 30, 2011
As of February 28, 2011

Reduce Outside Consultant Contracts-Legislative	\$ 492,305
General Personal Services Reduction-Legislative	476,000
General Other Expenses Reduction-Legislative	374,000
Office of Legislative Management	4,000,000
Auditors of Public Accounts	900,000
Reduce OE to FY 2007 Levels-Legislative	1,111,306
Personal Services Reductions-Legislative	1,205,311
DOIT Lapse-Legislative	25,175
Management Lapse- Legislative	903,521
Reduce Outside Consultant Contracts-Executive	91,874,920
General Personal Services Reduction-Executive	11,538,800
General Other Expenses Reduction-Executive	9,066,200
Reduce OE to FY 2007 Levels-Executive	30,888,694
General Personal Services Reduction-Judicial	1,985,200
General Other Expenses Reduction-Judicial	1,559,800
Reduce Outside Consultant Contracts-Judicial	2,632,775
Enhance Agency Outcomes	0
Estimated Unallocated Lapses	40,000,000
Elections Enforcement Commission	400,000
Office of the State Treasurer	250,000
Department of Revenue Services	1,300,000
Division of Special Revenue	600,000
Department of Veterans' Affairs	400,000
Office of the Attorney General	600,000
Department of Consumer Protection	550,000
Commission on Human Rights and Opportunities	500,000
Department of Environmental Protection	2,100,000
Department of Develomental Services	12,000,000
Department of Children and Families	20,800,000
Office of the State Treasurer - Debt Service	38,500,000
OSC - Fringe Benefits	11,950,000
OPM - Reserve for Salary Adjustment	60,000,000
Total	<u><u>\$348,984,007</u></u>

State of Connecticut
2010-11 General Fund
Summary of Operations Per Letter to the Comptroller
(In Millions)

	Budget Plan ¹	July 2010	August 2010	September 2010	October 2010	November 2010	December 2010	January 2011	February 2011	March 2011	April 2011	May 2011	June 2011
REVENUE	\$17,667.4	\$17,865.5	\$17,865.5	\$17,934.8	\$17,934.8	\$17,943.6	\$18,062.2	\$18,062.2	\$18,111.9				
Appropriations	17,963.5	17,963.5	17,963.5	17,963.5	17,963.5	17,963.5	17,963.5	17,963.5	17,963.5				
Additional Requirements	0.0	171.7	171.2	233.4	233.4	253.3	315.7	315.7	321.0				
Less: Estimated Lapses	(296.3)	(246.3)	(263.8)	(302.4)	(302.4)	(334.4)	(334.2)	(334.2)	(349.0)				
TOTAL - Estimated Expenditures	17,667.2	17,888.9	17,870.8	17,894.5	17,894.5	17,882.4	17,945.0	17,945.0	17,935.5	0.0	0.0	0.0	0.0
Balance from Operations	0.2	(23.4)	(5.3)	40.3	40.3	61.2	117.2	117.2	176.4	0.0	0.0	0.0	0.0
Compt.'s Misc. Adjustments/Rounding	0.0	(40.0)	(40.0)	(40.0)	(40.0)	(60.0)	(60.0)	(60.0)	(60.0)				
Estimated Balance 6/30/11 ²	\$0.2	(\$63.4)	(\$45.3)	\$0.3	\$0.3	\$1.2	\$57.2	\$57.2	\$116.4	\$0.0	\$0.0	\$0.0	\$0.0

1. P.A. 10-179 as amended by P.A. 10-1, JSS and P.A. 10-2, JSS

2. Balance to be applied to: \$14.5 million to OPEB trust fund per 2009 SEBAC agreement, with remainder for Economic Recovery Notes per Sec. 511, P.A. 09-3, June Spec. Sess.

Statement 1T
March 21, 2011

State of Connecticut
Special Transportation Fund
Analysis of Budget Plan
Projected to June 30, 2011
As of February 28, 2011
(In Millions)

	General Assembly <u>Budget Plan</u> ^{1.}	Revised Estimates <u>OPM</u>	Over/ (Under)
Surplus Carried Forward from 2009-10 ^{2.}	\$101.2	\$105.4	\$4.2
REVENUE			
Taxes	\$720.3	\$723.8	\$3.5
Less: Refunds of Taxes	<u>(6.9)</u>	<u>(7.2)</u>	<u>(0.3)</u>
Taxes - Net	713.4	716.6	3.2
Other Revenue	<u>466.6</u>	<u>456.6</u>	<u>(10.0)</u>
TOTAL - Revenue	\$1,180.0	\$1,173.2	(\$6.8)
EXPENDITURES			
Appropriations	\$1,187.9	\$1,187.9	\$0.0
Additional Appropriations	0.0	0.0	0.0
Less: Estimated Lapses	<u>(11.0)</u>	<u>(14.8)</u>	<u>(3.8)</u>
TOTAL - Expenditures	\$1,176.9	\$1,173.1	(\$3.8)
Balance from Operations	\$3.1	\$0.1	(\$3.0)
Miscellaneous Adjustments	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Estimated Balance 6/30/11	<u>\$104.3</u>	<u>\$105.5</u>	<u>\$1.2</u>

1. P.A. 10-179 as amended by P.A. 10-1, JSS and P.A. 10-2, JSS

2. Budget Plan as estimated by the Office of Policy and Management. Revised Estimates per the Comptroller's September 1, 2010 Letter.

Statement 2T
March 21, 2011

State of Connecticut
Special Transportation Fund
Revenue Estimates
Projected to June 30, 2011
As of February 28, 2011
(In Millions)

TAXES	
Motor Fuels	\$490.7
Oil Companies	165.3
Sales Tax DMV	67.8
TOTAL - TAXES	<u>723.8</u>
Less: Refunds of Taxes	<u>(7.2)</u>
TOTAL - TAXES - NET	\$716.6
OTHER REVENUE	
Motor Vehicle Receipts	\$221.9
Licenses, Permits, Fees	135.2
Interest Income	7.5
Federal Grants	9.3
Transfers (To)/From Other Funds	85.8
Refunds of Payments	<u>(3.1)</u>
TOTAL - OTHER REVENUE	<u>\$456.6</u>
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$1,173.2

State of Connecticut
Special Transportation Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2011
As of February 28, 2011

No Additional Requirements	<u>\$0</u>
Total	\$0

Statement 4T
March 21, 2011

State of Connecticut
Special Transportation Fund
Estimated Lapses
Projected to June 30, 2011
As of February 28, 2011

Office of the State Treasurer - Debt Service	\$14,000,000
Department of Motor Vehicles	\$800,000
Total	<u>\$14,800,000</u>

State of Connecticut
2010-11 Special Transportation Fund
Summary of Operations Per Letter to the Comptroller
(In Millions)

	Budget Plan ¹	July 2010	August 2010	September 2010	October 2010	November 2010	December 2010	January 2011	February 2011	March 2011	April 2011	May 2011	June 2011
Beginning Balance ²	\$101.2	\$101.2	\$105.4	\$105.4	\$105.4	\$105.4	\$105.4	\$105.4	\$105.4				
Revenue	<u>1,180.0</u>	<u>1,181.6</u>	<u>1,181.6</u>	<u>1,182.3</u>	<u>1,182.3</u>	<u>1,178.8</u>	<u>1,173.2</u>	<u>1,173.2</u>	<u>1,173.2</u>				
Total Available	1,281.2	1,282.8	1,287.0	1,287.7	1,287.7	1,284.2	1,278.6	1,278.6	1,278.6	0.0	0.0	0.0	0.0
Appropriations	1,187.9	1,187.9	1,187.9	1,187.9	1,187.9	1,187.9	1,187.9	1,187.9	1,187.9				
Additional Requirements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Less: Estimated Lapses	<u>(11.0)</u>	<u>(11.0)</u>	<u>(11.0)</u>	<u>(11.0)</u>	<u>(11.0)</u>	<u>(11.0)</u>	<u>(14.8)</u>	<u>(14.8)</u>	<u>(14.8)</u>				
TOTAL - Estimated Expenditures	1,176.9	1,176.9	1,176.9	1,176.9	1,176.9	1,176.9	1,173.1	1,173.1	1,173.1	0.0	0.0	0.0	0.0
Balance from Operations	3.1	4.7	4.7	5.4	5.4	1.9	0.1	0.1	0.1	0.0	0.0	0.0	0.0
Compt's Misc. Adjustments/Rounding	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Estimated Balance 6/30/11	\$104.3	\$105.9	\$110.1	\$110.8	\$110.8	\$107.3	\$105.5	\$105.5	\$105.5	\$0.0	\$0.0	\$0.0	\$0.0

1. P.A. 10-179 as amended by P.A. 10-1, JSS and P.A. 10-2, JSS

2. Budget Plan and the month of July as estimated by the Office of Policy and Management. August and thereafter per the Comptroller's September 1, 2010 Letter.