



# STATE OF CONNECTICUT

## OFFICE OF POLICY AND MANAGEMENT

May 20, 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 2011 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 \$679.8 million, up \$451.7 million from last month's estimate. Revenues reflect an overall increase of \$383.3 million, including the impact of the consensus forecast released by my office and the Office of Fiscal Analysis last month, while aggregate expenditure requirements have decreased by \$68.4 million. Due to the projected year-end balance, we no longer foresee the need to issue \$646.1 million in Economic Recovery Revenue Bonds for FY 2011. Accordingly, I will be working with the Treasurer and the General Assembly to repeal the legislation authorizing such deficit financing. 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 1<sup>st</sup> letter. It should also 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 Economic Recovery Notes issued to finance the FY 2009 deficit.

### Revenues

Our projections this month reflect an overall increase in revenue of \$383.3 million over last month, of which \$281.5 million was reflected in the consensus revenue estimate released by my office and the Office of Fiscal Analysis on April 29<sup>th</sup>. Since our April 20<sup>th</sup> forecast was released, our Personal Income Tax estimate has been revised upward by a total of \$286.5 million as the result of strength seen in withholding collections along with estimates and final payments. Estimated Estate Tax revenues have increased by \$36.1 million as year-to-date collections have significantly exceeded the target. Projected Federal Grant revenues are expected to grow by \$38.2 million due to additional expenditures that will result in increased reimbursements. Oil prices also continue to remain significantly higher than previously

projected, and as a result we are increasing our oil companies tax revenue projection by \$24.9 million. Rents, Fines, and Escheats revenue projections were increased this month by \$19.4 million, primarily as a result of greater escheat collections. These increases are offset by a reduction in the amount of the Transfer from the Tobacco Settlement Fund of \$7.8 million, and Refunds of Taxes that are running \$10.0 million higher than previously projected. Other miscellaneous adjustments net to a negative \$4.0 million.

### Expenditures

This month we are projecting that expenditures will exceed appropriations by \$221.6 million, an improvement of \$68.4 million over last month. This estimate reflects \$344.6 million in deficient accounts offset by \$123.0 million in projected lapses beyond those required by the budget. It should be noted that all budgeted lapse targets have been satisfied, including those for “unallocated” lapses. The most significant items and changes since last month’s estimates are addressed below.

We continue to forecast a net deficiency of \$241.0 million in the Department of Social Services’ Medicaid account, primarily as the result of expansion under the Low Income Adults (LIA) program, growth in various other components of Medicaid caseload, overly aggressive budgeted savings targets, and reversal of the budgeted delay in nursing home payments to take advantage of enhanced federal reimbursement available under ARRA. Additionally, we continue to anticipate a deficiency of \$51.95 million in DMHAS’ General Assistance Managed Care account as a result of stronger than forecast caseload and utilization growth for the LIA program. All other anticipated deficiencies remain unchanged since last month’s forecast with the exception of the Public Defender Services Commission, which is anticipated to end the year with a \$1.0 million deficiency, an improvement of \$0.6 million over last month. A \$0.4 million shortfall is anticipated in PDS’ Special Public Defenders – Noncontractual account, and a \$0.6 million deficiency is forecast in the Expert Witnesses account.

A substantial number of new lapses are forecast this month. Projected lapses in the Office of Legislative Management and the Auditors of Public Accounts have grown by \$1.0 million and \$0.4 million, respectively, over last month. The Office of Policy and Management is projecting over \$1.3 million in lapses, primarily in Other Expenses, but also in the property tax relief accounts for the elderly and for veterans due to claims volume that is less than budgeted levels. Projected lapses in the Department of Environmental Protection have grown by \$1.1 million over last month, mainly in Personal Services and the Environmental Quality account. The Department of Developmental Services is expected to lapse \$26.5 million, up \$13.4 million over last month. This is due chiefly to a one-time reconciliation of cash needed to pay claims for individualized client budgets against funds provided to the fiscal intermediary charged with paying for those services. The lapse in the Department of Children and Families’ budget has grown by over \$2.0 million since last month, primarily because of recovery of unspent contract funds from FY 2010. Most significantly, based on information recently supplied by your office, we are incorporating your projected lapse of \$100.0 million for retiree health care.

### **Special Transportation Fund**

In the Special Transportation Fund, our revenue projections reflect minor adjustments over last month, inclusive of revisions resulting from the April consensus revenue forecast. Our expenditure estimate reflects a net improvement of \$1.3 million over last month, primarily in the Comptroller's fringe benefits accounts. Overall, an annual operating surplus of \$1.3 million is forecast, and the fund balance on June 30, 2011 is anticipated to be \$106.7 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,

A handwritten signature in blue ink, appearing to read "Benjamin Barnes". The signature is fluid and cursive, with the first name being more prominent.

Benjamin Barnes  
Secretary

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

**General Fund**

Balance - April 20, 2011		\$	228.1
Revenues			
Personal Income Tax	286.5		
Inheritance and Estate	36.1		
Oil Companies	24.9		
Rents, Fines, Escheats	19.4		
Federal Grants	38.2		
Refunds of Taxes	(10.0)		
All Other	(11.8)		
			383.3
Expenditures			
Additional Requirements	0.6		
Estimated Lapses	67.8		
Miscellaneous Adjustments/Rounding	0.0		
			68.4
Balance - May 20, 2011		\$	679.8
Reserved Balance <sup>1</sup>			(679.8)
Estimated Balance - June 30, 2011		\$	-

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 - April 20, 2011			(0.9)
Revenues			
Motor Fuels Tax	(1.4)		
Sales Tax - DMV	1.0		
Licenses, Permits, Fees	1.8		
Motor Vehicle Receipts	(1.0)		
All Other	0.5		
			0.9
Expenditures			
Additional Requirements	0.0		
Estimated Lapses	1.3		
Miscellaneous Adjustments/Rounding	0.0		
			1.3
Estimated Balance - June 30, 2011		\$	106.7

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

	General Assembly <u>Budget Plan</u> <sup>1.</sup>	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
<b>REVENUE</b>			
Taxes	\$11,941.5	\$12,877.6	\$936.1
Less: Refunds	<u>(\$1,019.8)</u>	<u>(\$968.0)</u>	<u>\$51.8</u>
Taxes - Net	\$10,921.7	\$11,909.6	\$987.9
Other Revenue	\$1,202.7	\$1,274.1	\$71.4
Other Sources	<u>\$5,543.0</u>	<u>\$5,444.9</u>	<u>(\$98.1)</u>
TOTAL Revenue	\$17,667.4	\$18,628.6	\$961.2
<b>EXPENDITURES</b>			
Appropriations	\$17,963.5	\$17,963.5	\$0.0
Net Additional Requirements	\$0.0	\$344.6	\$344.6
Less: Estimated Lapses	<u>(\$296.3)</u>	<u>(\$419.3)</u>	<u>(\$123.0)</u>
TOTAL Expenditures	\$17,667.2	\$17,888.8	\$221.6
Balance from Operations	\$0.2	\$739.8	\$739.6
Miscellaneous Adjustments	<u>\$0.0</u>	<u>(\$60.0)</u>	<u>(\$60.0)</u>
Estimated Balance 6/30/11	\$0.2	\$679.8	\$679.6
Reserved Balance <sup>2.</sup>	<u>(\$0.2)</u>	<u>(\$679.8)</u>	<u>(\$679.6)</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 April 30, 2011  
(In Millions)

TAXES	
Personal Income	\$7,180.0
Sales and Use	3,342.0
Corporation	770.4
Public Service Corporations	269.1
Inheritance and Estate	243.0
Insurance Companies	215.0
Cigarettes	405.9
Real Estate Conveyance	85.2
Oil Companies	148.0
Alcoholic Beverages	46.7
Admissions and Dues	34.1
Miscellaneous	138.2
TOTAL - TAXES	<u>\$12,877.6</u>
Less: Refunds of Taxes	(960.0)
R & D Credit Exchange	<u>(8.0)</u>
TOTAL - TAXES - NET	<u>\$11,909.6</u>
OTHER REVENUE	
Transfers - Special Revenue	\$285.0
Indian Gaming Payments	360.7
Licenses, Permits, Fees	245.0
Sales of Commodities and Services	35.8
Rents, Fines, Escheats	145.9
Investment Income	1.0
Miscellaneous	202.2
Refunds of Payments	<u>(1.5)</u>
TOTAL - OTHER REVENUE	<u>\$1,274.1</u>
OTHER SOURCES	
Federal Grants	\$4,204.8
Transfers to the Resources of the General Fund	1,314.1
Transfer from Tobacco Settlement Fund	95.4
Transfers to Other Funds	<u>(169.4)</u>
TOTAL - OTHER SOURCES	<u>\$5,444.9</u>
TOTAL - GENERAL FUND REVENUE	\$18,628.6

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

Office of the State Comptroller	630,000
Department of Public Works	6,770,000
Department of Agriculture	180,000
Department of Public Safety	9,000,000
Department of Mental Health & Addiction Services	57,250,000
Department of Social Services	262,000,000
Teachers' Retirement Board	70,000
Department of Correction	5,000,000
Public Defender Services Commission	1,000,000
Commission on Child Protection	2,400,000
DAS-Worker's Compensation Claims	300,000
Total	<u>\$344,600,000</u>

State of Connecticut  
 General Fund  
 Estimated Lapses  
 Projected to June 30, 2011  
 As of April 30, 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	5,000,000
Auditors of Public Accounts	1,000,000
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	903,520
Reduce Outside Consultant Contracts-Executive	81,107,339
General Personal Services Reduction-Executive	11,538,800
General Other Expenses Reduction-Executive	9,066,200
Reduce OE to FY 2007 Levels-Executive	19,892,194
General Personal Services Reduction-Judicial	1,985,200
General Other Expenses Reduction-Judicial	1,529,172
Reduce Outside Consultant Contracts-Judicial	2,587,829
Enhance Agency Outcomes	-
Estimated Unallocated Lapses	-
Secretary of the State	300,000
Elections Enforcement Commission	500,000
Freedom of Information Commission	200,000
Office of the State Treasurer	320,000
Department of Revenue Services	1,400,000
Division of Special Revenue	850,000
Office of Policy and Management	1,310,000
Department of Veterans' Affairs	980,000
Office of the Attorney General	600,000
Department of Consumer Protection	640,000
Commission on Human Rights and Opportunities	500,000
Department of Emergency Management and Homeland Security	270,000
Department of Environmental Protection	3,500,000
Department of Develomental Services	26,500,000
Department of Children and Families	23,920,000
Office of the State Treasurer - Debt Service	41,800,000
OSC - Fringe Benefits	117,370,000
OPM - Reserve for Salary Adjustment	60,000,000
Total	<u>\$419,254,351</u>



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

	Budget Plan <sup>1</sup>	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	\$18,245.3	\$18,628.6		
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	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	345.2	344.6		
Less: Estimated Lapses	(296.3)	(246.3)	(263.8)	(302.4)	(302.4)	(334.4)	(334.2)	(334.2)	(349.0)	(351.5)	(419.3)		
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	17,957.2	17,888.8	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	288.1	739.8	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)	(60.0)	(60.0)		
Estimated Balance 6/30/11 <sup>2</sup>	\$0.2	(\$63.4)	(\$45.3)	\$0.3	\$0.3	\$1.2	\$57.2	\$57.2	\$116.4	\$228.1	\$679.8	\$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.

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

	General Assembly <u>Budget Plan</u> <sup>1.</sup>	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
Surplus Carried Forward from 2009-10 <sup>2.</sup>	\$101.2	\$105.4	\$4.2
<b>REVENUE</b>			
Taxes	\$720.3	\$722.9	\$2.6
Less: Refunds of Taxes	<u>(6.9)</u>	<u>(7.0)</u>	<u>(0.1)</u>
Taxes - Net	713.4	715.9	2.5
Other Revenue	<u>466.6</u>	<u>455.7</u>	<u>(10.9)</u>
TOTAL - Revenue	\$1,180.0	\$1,171.6	(\$8.4)
<b>EXPENDITURES</b>			
Appropriations	\$1,187.9	\$1,187.9	\$0.0
Net Additional Requirements	0.0	4.0	4.0
Less: Estimated Lapses	<u>(11.0)</u>	<u>(21.6)</u>	<u>(10.6)</u>
TOTAL - Expenditures	\$1,176.9	\$1,170.3	(\$6.6)
Balance from Operations	\$3.1	\$1.3	(\$1.8)
Miscellaneous Adjustments	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Estimated Balance 6/30/11	<u>\$104.3</u>	<u>\$106.7</u>	<u>\$2.4</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  
May 20, 2011

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

TAXES	
Motor Fuels	\$487.3
Oil Companies	165.3
Sales Tax DMV	70.3
TOTAL - TAXES	<u>722.9</u>
Less: Refunds of Taxes	<u>(7.0)</u>
TOTAL - TAXES - NET	\$715.9
OTHER REVENUE	
Motor Vehicle Receipts	\$220.9
Licenses, Permits, Fees	137.0
Interest Income	5.8
Federal Grants	9.3
Transfers (To)/From Other Funds	85.8
Refunds of Payments	<u>(3.1)</u>
TOTAL - OTHER REVENUE	\$455.7
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$1,171.6

Statement 3T  
May 20, 2011

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

Department of Transportation	<u>\$4,000,000</u>
Total	\$4,000,000

Statement 4T  
May 20, 2011

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

Office of the State Treasurer - Debt Service	\$16,000,000
OSC - Fringe Benefits	\$4,500,000
Department of Motor Vehicles	\$1,100,000
Total	<u>\$21,600,000</u>

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

	Budget Plan <sup>1</sup>	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 <sup>2</sup>	\$101.2	\$101.2	\$105.4	\$105.4	\$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>	<u>1,170.7</u>	<u>1,171.6</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	1,276.1	1,277.0	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	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	4.0	4.0		
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>	<u>(20.3)</u>	<u>(21.6)</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	1,171.7	1,170.3	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	(1.0)	1.3	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	\$104.5	\$106.7	\$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.