



S T A T E O F C O N N E C T I C U T
OFFICE OF POLICY AND MANAGEMENT

December 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 2012 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 but include an adjustment as noted below in compliance with legislation initiating the state's transition to Generally Accepted Accounting Principles (GAAP).

General Fund

We are projecting a General Fund balance of \$83.7 million this month, an improvement of \$4.6 million from last month's estimate, and \$8.7 million above the amount reserved per Sec. 46 of Public Act 11-48 to address the GAAP deficit. As was indicated in previous months, uncertainty continues to exist regarding several significant expenditure areas, most notably, the pending updated valuation of the State Employees Retirement Fund and the financial impact of changes affecting the State employee health care accounts. Additional information regarding the status of these accounts is expected in the coming weeks. In accordance with Sec. 511 of Public Act 09-3, June Special Session, any remaining balance beyond the \$75.0 million required for GAAP will be utilized to redeem Economic Recovery Notes issued to finance the FY 2009 deficit.

Revenues

This month's estimate is revised downward by \$0.5 million to reflect several changes to our projections. Estimated sales tax revenues are being revised upward by \$89.5 million as collections have continued to outpace their monthly targets. Refunds of taxes are being increased by \$50.0 million due primarily to a high level of income tax refunds paid in October and November for taxpayers that had previously filed for extensions. Refunds of payments are being revised upward by \$20.0 million as property escheated to the state has been reclaimed by the rightful owners. All other changes net to a negative \$20.0 million.

Expenditures

Overall, expenditures are estimated at \$14.4 million below appropriated levels, a decrease of \$5.2 million from last month's estimate. Notably, while Finance Advisory Committee action will likely be necessary to address offsetting shortfalls and lapses within the Department of Social Services, we are no longer projecting an overall deficiency for the agency. The Public Defenders Services Commission is expected to experience a deficiency of \$500,000 in its Special Public Defenders – Non Contractual account, in addition to the \$2.0 million shortfall in the Contracted Attorneys account resulting from a plan to resolve payments for cases handled by contracted child protection attorneys. The Teachers' Retirement Board is expected to experience a deficiency of \$2.4 million in its Retirees Health Service Cost account due to higher than anticipated membership in the plan. This month we are also projecting a deficiency of \$450,000 in the Department of Energy and Environmental Protection's Environmental Conservation Fund account as a result of the State's share of clean-up costs for the August and October storms. Finally, we are projecting a deficiency of \$1.8 million in the Comptroller's Adjudicated Claims account as a result of higher than budgeted claim settlements.

The deficiencies noted above are offset by a number of anticipated lapses. In the Treasurer's Debt Service account, \$65.0 million is expected to lapse as a result of lower than anticipated interest costs and net premiums from bond sales. Personal Services lapses of \$2 million in the Office of Legislative Management and \$300,000 at the Auditors of Public Accounts are also forecast. In the Department of Children and Families, \$24.3 million is anticipated to lapse across a variety of accounts, largely due to lower-than-budgeted caseloads, delays in program implementation and reduced Personal Services costs. Finally, within the Office of Policy and Management, \$2.0 million will remain unspent in the Tax Relief for Elderly Renters account due to lower-than-budgeted growth in claims volume.

Watch List

As noted above, several areas of the budget have the potential to significantly impact the estimates provided in this letter. First, this letter does not include any projected deficiencies in the accounts within the Office of the State Comptroller that fund health care costs for active and retired state employees. However, based on higher than anticipated enrollment in the Health Enhancement Program and the limited expenditure data available to this office, a significant shortfall is possible for these accounts; as more data becomes available a revised estimate can be made. Second, an updated valuation and calculation of the State's actuarially required contribution to the State employees' pension fund is anticipated in the coming weeks; until that calculation is complete, the impacts of the changes negotiated between the State and SEBAC in combination with market changes over the valuation period are not known. Finally, financial impacts resulting from federal budget uncertainty or additional state costs that may arise from the severe storms during August and October are not anticipated to significantly affect the estimates provided in this letter; we will, however, continue to monitor these areas and will reflect any changes that arise in future projections.

Special Transportation Fund

In the Special Transportation Fund, revenues remain unchanged from last month and are consistent with the consensus revenue forecast released on October 14, 2011. The projected lapse in the Treasurer's Debt Service account is anticipated to increase by \$10 million over last month's projection as a result of refunded bond premium and lower than anticipated interest rates for the December bond sale. We continue to anticipate no net shortfalls within this fund. As with the General Fund, health care cost trends have the potential to impact future estimates. We anticipate the fund balance on June 30, 2012 to be \$119.2 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.

Given that the adopted budget is only \$1.0 million below the constitutional expenditure cap and the need to remain balanced on a GAAP basis, we will continue to pay close attention to managing expenditures throughout the year.

Sincerely,

A handwritten signature in blue ink that reads "Benjamin Barnes". The signature is written in a cursive style with a large initial "B".

Benjamin Barnes
Secretary

Summary
December 20, 2011

State of Connecticut
Summary of Changes
General Fund and Special Transportation Fund
Projected to June 30, 2012
As of November 30, 2011
(In Millions)

General Fund

Balance - November 18, 2011		\$	79.1
Revenues			
Sales Tax	89.5		
Refunds of Taxes and Other Payments	(70.0)		
All other changes	(20.0)		(0.5)
			<hr/>
Expenditures			
Additional Requirements	4.9		
Estimated Lapses	0.3		
Miscellaneous Adjustments/Rounding	0.0		5.2
			<hr/>
Balance - December 20, 2011		\$	83.7
Reserved Balance ¹			(83.7)
			<hr/>
Estimated Balance - June 30, 2012		\$	-

1. \$75,000,000 is reserved for GAAP per Sec. 46 of P.A. 11-48, with the balance applied to Economic Recovery Notes per Sec. 511, P.A. 09-3, June Spec. Sess.

Special Transportation Fund

Carry Forward FY 2010-11 Surplus		\$	107.4
Balance - November 18, 2011			1.8
Revenues			
No change	0.0		0.0
			<hr/>
Expenditures			
Additional Requirements	0.0		
Estimated Lapses	10.0		
Miscellaneous Adjustments/Rounding	0.0		10.0
			<hr/>
Estimated Balance - June 30, 2012		\$	119.2

State of Connecticut
General Fund
Statement of Revenues, Expenditures, and Results of Operations
Projected to June 30, 2012
As of November 30, 2011
(In Millions)

	General Assembly <u>Budget Plan</u> ^{1.}	Revised Estimates <u>OPM</u> ^{2.}	Over/ <u>(Under)</u>
REVENUE			
Taxes	\$14,954.4	\$15,038.0	\$83.6
Less: Refunds	<u>(\$935.3)</u>	<u>(\$985.3)</u>	<u>(\$50.0)</u>
Taxes - Net	\$14,019.1	\$14,052.7	\$33.6
Other Revenue	\$1,226.5	\$1,182.6	(\$43.9)
Other Sources	<u>\$3,543.0</u>	<u>\$3,541.7</u>	<u>(\$1.3)</u>
TOTAL Revenue	\$18,788.6	\$18,777.0	(\$11.6)
EXPENDITURES			
Appropriations	\$19,485.6	\$19,485.6	\$0.0
Net Additional Requirements	\$0.0	\$7.2	\$7.2
Less: Estimated Lapses	<u>(\$777.9)</u>	<u>(\$799.5)</u>	<u>(\$21.6)</u>
TOTAL Expenditures	\$18,707.7	\$18,693.3	(\$14.4)
Balance from Operations	\$80.9	\$83.7	\$2.8
Miscellaneous Adjustments	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>
Balance - June 30, 2012	\$80.9	\$83.7	\$2.8
Reserved Balance ^{3.}	<u>(\$80.9)</u>	<u>(\$83.7)</u>	<u>(\$2.8)</u>
Estimated Balance - June 30, 2012	\$0.0	\$0.0	\$0.0

1. P.A. 11-6, as amended by P.A. 11-61 and P.A. 11-1, June Spec. Sess.

2. As amended by P.A. 11-1, October Spec. Sess.

3. \$75,000,000 is reserved for GAAP per Sec. 46 of P.A. 11-48, with the balance 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, 2012
As of November 30, 2011
(In Millions)

TAXES	
Personal Income	\$8,456.9
Sales and Use	3,855.0
Corporation	707.7
Public Service Corporations	268.7
Inheritance and Estate	158.0
Insurance Companies	228.7
Cigarettes	443.8
Real Estate Conveyance	97.8
Oil Companies	115.5
Electric Generation	71.0
Alcoholic Beverages	54.9
Admissions and Dues	37.8
Health Provider Tax	525.9
Miscellaneous	16.3
TOTAL - TAXES	<u>\$15,038.0</u>
Less: Refunds of Taxes	(866.1)
Earned Income Tax Credit	(110.2)
R & D Credit Exchange	(9.0)
TOTAL - TAXES - NET	<u>\$14,052.7</u>
OTHER REVENUE	
Transfers - Special Revenue	\$295.9
Indian Gaming Payments	348.8
Licenses, Permits, Fees	274.1
Sales of Commodities and Services	36.4
Rents, Fines, Escheats	127.4
Investment Income	2.0
Miscellaneous	168.0
Refunds of Payments	(70.0)
TOTAL - OTHER REVENUE	<u>\$1,182.6</u>
OTHER SOURCES	
Federal Grants	\$3,588.4
Transfer from Tobacco Settlement Fund	96.1
Transfers to Other Funds	(142.8)
TOTAL - OTHER SOURCES	<u>\$3,541.7</u>
TOTAL - GENERAL FUND REVENUE	\$18,777.0

State of Connecticut - General Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2012
As of November 30, 2011

Department of Energy and Environmental Protection	450,000
Teachers' Retirement Board	2,400,000
Public Defender Services Commission	2,500,000
OSC-Miscellaneous - Adjudicated Claims	1,800,000
Total	<u><u>\$7,150,000</u></u>

State of Connecticut
General Fund
Estimated Lapses
Projected to June 30, 2012
As of November 30, 2011

Unallocated Lapse	\$ 22,300,000
Unallocated Lapse - Legislative	400,000
Unallocated Lapse - Judicial	3,545,000
General Personal Services Reduction - Legislative	476,000
General Personal Services Reduction - Executive	11,538,800
General Other Expenses Reduction - Legislative	374,000
General Other Expenses Reduction - Executive	9,066,200
Labor-Management Savings - Legislative	4,586,734
Labor-Management Savings - Executive	625,947,354
Labor-Management Savings - Judicial	27,670,929
Office of Legislative Management	2,000,000
Auditors of Public Accounts	300,000
Office of Policy and Management	2,000,000
Department of Children and Families	24,300,000
State Treasurer - Debt Service	65,000,000
Total	<u><u>\$799,505,017</u></u>

State of Connecticut
2011-12 General Fund
Summary of Operations Per Letter to the Comptroller
(In Millions)

	Budget Plan ¹	July 2011	August 2011	September 2011	October 2011 ²	November 2011	December 2011	January 2012	February 2012	March 2012	April 2012	May 2012	June 2012
REVENUE	\$18,788.6	\$18,788.6	\$18,788.6	\$18,786.0	\$18,777.5	\$18,777.0							
Appropriations	19,485.6	19,485.6	19,485.6	19,485.6	19,485.6	19,485.6							
Additional Requirements	0.0	0.0	17.0	33.0	12.0	7.2							
Less: Estimated Lapses	(777.9)	(777.9)	(792.9)	(808.2)	(799.2)	(799.5)							
TOTAL - Estimated Expenditures	18,707.7	18,707.7	18,709.7	18,710.4	18,698.4	18,693.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance from Operations	80.9	80.9	78.9	75.6	79.1	83.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Compt.'s Misc. Adjustments/Rounding	0.0	0.0	0.0	0.0	0.0	0.0							
Estimated Balance 6/30/12 ³	\$80.9	\$80.9	\$78.9	\$75.6	\$79.1	\$83.7	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

1. P.A. 11-6, as amended by P.A. 11-61 and P.A. 11-1, June Spec. Sess.

2. As amended by P.A 11-1, October Spec. Sess.

3. \$75,000,000 is reserved for GAAP per Sec. 46 of P.A. 11-48, with the balance applied to 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, 2012
As of November 30, 2011
(In Millions)

	General Assembly <u>Budget Plan</u> ^{1.}	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
Surplus Carried Forward from 2010-11 ^{2.}	\$107.5	\$107.4	(\$0.1)
REVENUE			
Taxes	\$805.8	\$793.0	(\$12.8)
Less: Refunds of Taxes	<u>(7.2)</u>	<u>(7.4)</u>	<u>(0.2)</u>
Taxes - Net	798.6	785.6	(13.0)
Other Revenue	<u>463.9</u>	<u>458.1</u>	<u>(5.8)</u>
TOTAL - Revenue	\$1,262.5	\$1,243.7	(\$18.8)
EXPENDITURES			
Appropriations	\$1,315.4	\$1,315.4	\$0.0
Net Additional Requirements	0.0	0.0	0.0
Less: Estimated Lapses	<u>(53.5)</u>	<u>(83.5)</u>	<u>(30.0)</u>
TOTAL - Expenditures	\$1,261.9	\$1,231.9	(\$30.0)
Balance from Operations	\$0.6	\$11.8	\$11.2
Miscellaneous Adjustments	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Estimated Balance - June 30, 2012	<u>\$108.1</u>	<u>\$119.2</u>	<u>\$11.1</u>

1. P.A. 11-6, as amended by P.A. 11-61 and P.A. 11-1, June Spec. Sess.

2. Budget plan as estimated by the Office of Policy and Management. Revised estimates per the Comptroller's Sept. 1, 2011 letter.

Statement 2T
December 20, 2011

State of Connecticut
Special Transportation Fund
Revenue Estimates
Projected to June 30, 2012
As of November 30, 2011
(In Millions)

TAXES	
Motor Fuels	\$491.8
Oil Companies	226.9
Sales Tax DMV	74.3
TOTAL - TAXES	<u>793.0</u>
Less: Refunds of Taxes	<u>(7.4)</u>
TOTAL - TAXES - NET	\$785.6
OTHER REVENUE	
Motor Vehicle Receipts	\$237.5
Licenses, Permits, Fees	141.9
Interest Income	9.0
Federal Grants	13.1
Transfers (To)/From Other Funds	60.1
Refunds of Payments	<u>(3.5)</u>
TOTAL - OTHER REVENUE	\$458.1
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$1,243.7

State of Connecticut
Special Transportation Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2012
As of November 30, 2011

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

Statement 4T
December 20, 2011

State of Connecticut
Special Transportation Fund
Estimated Lapses
Projected to June 30, 2012
As of November 30, 2011

Unallocated Lapse	\$ 11,000,000
Labor-Management Savings	42,536,383
State Treasurer - Debt Service	30,000,000
Total	<u><u>\$83,536,383</u></u>

State of Connecticut
2011-12 Special Transportation Fund
Summary of Operations Per Letter to the Comptroller
(In Millions)

	Budget Plan ¹	July 2011	August 2011	September 2011	October 2011	November 2011	December 2011	January 2012	February 2012	March 2012	April 2012	May 2012	June 2012
Beginning Balance ²	\$107.5	\$107.5	\$107.4	\$107.4	\$107.4	\$107.4							
Revenue	<u>1,262.5</u>	<u>1,262.5</u>	<u>1,262.5</u>	<u>1,243.7</u>	<u>1,243.7</u>	<u>1,243.7</u>							
Total Available	1,370.0	1,370.0	1,369.9	1,351.1	1,351.1	1,351.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Appropriations	1,315.4	1,315.4	1,315.4	1,315.4	1,315.4	1,315.4							
Additional Requirements	0.0	0.0	0.0	0.0	0.0	0.0							
Less: Estimated Lapses	<u>(53.5)</u>	<u>(53.5)</u>	<u>(53.5)</u>	<u>(73.5)</u>	<u>(73.5)</u>	<u>(83.5)</u>							
TOTAL - Estimated Expenditures	1,261.9	1,261.9	1,261.9	1,241.9	1,241.9	1,231.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance from Operations	0.6	0.6	0.6	1.8	1.8	11.8	0.0	0.0	0.0	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>							
Estimated Balance 6/30/12	\$108.1	\$108.1	\$108.0	\$109.2	\$109.2	\$119.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

1. P.A. 11-6, as amended by P.A. 11-61 and P.A. 11-1, June Spec. Sess.

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, 2011 Letter.