

STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

March 20, 2012

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. Consistent with Executive Order No. 1 issued January 5, 2011, these projections reflect the state's estimated year-end balance in accordance with Generally Accepted Accounting Principles (GAAP) as well as an estimated balance from operations on a budgetary basis.

General Fund

We are projecting a \$62.6 million operating deficit on a GAAP basis for fiscal year 2012, an increase of \$23.5 million over last month's estimate. On a budgetary basis, a positive balance from operations of \$12.4 million is anticipated. This change in balance is due entirely to revisions in our revenue forecast, as detailed below. The performance of income tax collections during the April filing period, currently projected at \$1.3 billion, will be the most significant factor affecting year-end results. While the estimated GAAP shortfall represents about three-tenths of one percent of General Fund appropriations, it should be noted that final results will not be known until audited financial statements for fiscal year 2012 are available after the end of the calendar year and may differ from the GAAP estimate offered in this letter.

Revenues

Revenues in this month's letter are being revised downward by \$23.5 million. The largest positive change is in the Personal Income Tax, up \$50 million, due to strong collections and enforcement activity. The continued rise in oil prices is expected to yield \$20 million in additional Oil Companies tax collections. The largest negative change is in the Refunds of Taxes category with the expectation that the state will issue \$50 million more in Personal Income Tax refunds this fiscal year. The Inheritance and Estate tax has been revised downward by \$25 million as collections have consistently failed to meet their monthly targets. All other changes net to a negative \$18.5 million.

Expenditures

Overall, expenditures are estimated at \$49.7 million below appropriated levels, unchanged from last month's estimate. Lapses of \$159.0 million beyond those included in the adopted budget are expected to offset projected deficiencies totaling \$109.3 million.

Relatively minor changes in projected deficiencies are forecast. A \$1.6 million shortfall is expected in the Public Defenders Services Commission across a number of accounts. The Teachers' Retirement Board is expected to experience a deficiency of \$2.2 million in its Retirees Health Service Cost account due to higher than anticipated membership in the plan. The projected deficiency in the Comptroller's Adjudicated Claims account has been increased to \$3.5 million this month. We are continuing to project two significant net deficiencies totaling \$100.0 million in the Office of the State Comptroller's fringe benefits accounts. In the account that funds health care for retired state employees, costs are expected to exceed available funds. A shortfall is also expected in the account that funds pension payments due to a revised actuarial estimate of the State's required contribution to the State Employees Retirement Fund which incorporates not only the changes resulting from the State's agreement last year with SEBAC, but the impact of market changes through the end of fiscal year 2011 as well as the extraordinary level of retirements through October 2011. Two new Other Expenses deficiencies this month include a \$1.8 million shortfall in the Department of Emergency Services and Public Protection as a result of rising fuel costs, and \$200,000 in the Office of the Chief Medical Examiner due to laboratory testing expenses.

In addition to budgeted bottom line lapses, this month's letter continues to reflect \$78.7 million in rescissions implemented by the Governor pursuant to Section 4-85(b) of the Connecticut General Statutes. Beyond these amounts, a number of lapses are anticipated in a variety of agencies. In the Treasurer's Debt Service account, we are projecting a lapse of \$60.5 million as a result of lower than anticipated interest costs and net premiums from bond sales. Personal Services lapses of \$3.3 million in the Office of Legislative Management, \$0.3 million at the Auditors of Public Accounts, and \$2.8 million in the Department of Developmental Services are also forecast. The Department of Mental Health and Addiction Services is expected to lapse \$3.8 million in the GA Managed Care and Home and Community Based Waiver accounts due to lower than expected utilization and claim costs. The State Department of Education will lapse \$0.9 million due to efficiencies and cost saving measures as well as lower than anticipated attendance in certain programs. In the Department of Children and Families, \$11.5 million is anticipated to lapse across several accounts, largely due to lower-than-budgeted caseloads and delays in program implementation. In the Department of Public Health, \$1.7 million will remain unspent due to revised estimates of funding commitments for the year. The Office of Policy and Management will lapse \$1.2 million in the Tax Relief for Elderly Renters account due to lower-than-budgeted growth in claims volume. Finally, \$90.0 million is available in the Reserve for Salary Adjustment account due largely to wage freeze savings negotiated as part of last year's SEBAC agreement as well as funds carried-forward from previous fiscal years which will not be needed this year.


Special Transportation Fund

A balance from operations of \$1.5 million is forecast, unchanged from last month. Revenues continue to reflect the consensus estimate reached January 17th, and our expenditure estimates reflect only minor changes from last month. The Department of Motor Vehicles is

anticipated to lapse \$0.65 million in its Equipment and Personal Services accounts. The Department of Transportation is expected to lapse \$12.9 million, primarily in the accounts that fund bus and rail operations due to fare increases that reduce required operating subsidies, and in Personal Services. Additionally, \$30.0 million is projected to lapse in the Treasurer's Debt Service account in part as a result of refunded bond premium and lower than anticipated interest rates for the December bond sale. The fund balance on June 30, 2012 is anticipated to be \$108.9 million.

We continue to monitor revenue trends as well as expenditure patterns and will take appropriate action as necessary to ensure we fulfill the Governor's expectation that the state's General Fund end the year in balance on a GAAP basis. As always, 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 20, 2012

State of Connecticut
Summary of Changes
General Fund and Special Transportation Fund
Projected to June 30, 2012
As of February 29, 2012
(In Millions)

General Fund

Balance - projected as of Feb. 21, 2012		\$	35.9
Revenues			
Personal Income Tax	50.0		
Oil Companies Tax	20.0		
Inheritance and Estate Tax	(25.0)		
Refunds of Taxes	(50.0)		
Cigarettes	(12.5)		
Rents, Fines, Escheats	(13.0)		
All Other Changes (Net)	7.0		(23.5)
Expenditures			
Additional Requirements	(1.7)		
Estimated Lapses	1.7		
Miscellaneous Adjustments/Rounding	0.0		(0.0)
Balance - projected as of Mar. 20, 2012		\$	12.4
Reserved Balance ¹			(75.0)
Estimated Balance - June 30, 2012 - GAAP Basis		\$	(62.6)

1. Up to \$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 - projected as of Feb. 21, 2012			1.5
Revenues			
No Change	0.0		0.0
Expenditures			
Additional Requirements	0.0		
Estimated Lapses	0.0		
Miscellaneous Adjustments/Rounding	0.0		0.0
Estimated Balance - June 30, 2012		\$	108.9

State of Connecticut
General Fund
Statement of Revenues, Expenditures, and Results of Operations
Projected to June 30, 2012
As of February 29, 2012
(In Millions)

	General Assembly Budget Plan ^{1.}	Revised Estimates OPM ^{2.}	Over/ (Under)
REVENUE			
Taxes	\$14,954.4	\$15,040.3	\$85.9
Less: Refunds	(\$935.3)	(\$1,042.8)	(\$107.5)
Taxes - Net	\$14,019.1	\$13,997.5	(\$21.6)
Other Revenue	\$1,226.5	\$1,146.8	(\$79.7)
Other Sources	\$3,543.0	\$3,526.1	(\$16.9)
TOTAL Revenue	\$18,788.6	\$18,670.4	(\$118.2)
EXPENDITURES			
Appropriations	\$19,485.6	\$19,485.6	\$0.0
Net Additional Requirements	\$0.0	\$109.3	\$109.3
Less: Estimated Lapses	(\$777.9)	(\$936.9)	(\$159.0)
TOTAL Expenditures	\$18,707.7	\$18,658.0	(\$49.7)
Balance from Operations	\$80.9	\$12.4	(\$68.5)
Miscellaneous Adjustments	\$0.0	\$0.0	\$0.0
Estimated Balance - Budgetary Basis	\$80.9	\$12.4	(\$68.5)
Reserved Balance - GAAP ³	(\$75.0)	(\$75.0)	\$0.0
Estimated Balance - GAAP Basis	\$5.9	(\$62.6)	(\$68.5)
Reserved Balance -Other ³	(\$5.9)	\$0.0	\$5.9
Remaining Balance - 6/30/2012	\$0.0	(\$62.6)	(\$62.6)

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. Up to \$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 February 29, 2012
(In Millions)

TAXES

Personal Income	\$8,431.0
Sales and Use	3,880.5
Corporation	707.7
Public Service Corporations	268.7
Inheritance and Estate	133.0
Insurance Companies	228.8
Cigarettes	431.3
Real Estate Conveyance	93.1
Oil Companies	156.6
Electric Generation	71.0
Alcoholic Beverages	57.9
Admissions and Dues	36.5
Health Provider Tax	525.9
Miscellaneous	18.3
TOTAL - TAXES	<u>\$15,040.3</u>
Less: Refunds of Taxes	(923.6)
Earned Income Tax Credit	(110.2)
R & D Credit Exchange	(9.0)
TOTAL - TAXES - NET	<u>\$13,997.5</u>

OTHER REVENUE

Transfers - Special Revenue	\$302.8
Indian Gaming Payments	346.4
Licenses, Permits, Fees	269.9
Sales of Commodities and Services	36.4
Rents, Fines, Escheats	110.7
Investment Income	2.0
Miscellaneous	160.0
Refunds of Payments	(81.4)
TOTAL - OTHER REVENUE	<u>\$1,146.8</u>

OTHER SOURCES

Federal Grants	\$3,572.8
Transfer from Tobacco Settlement Fund	96.1
Transfers to Other Funds	(142.8)
TOTAL - OTHER SOURCES	<u>\$3,526.1</u>

TOTAL - GENERAL FUND REVENUE \$18,670.4

State of Connecticut - General Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2012
As of February 29, 2012

Department of Emergency Services and Public Protection	\$	1,800,000
Office of the Chief Medical Examiner		200,000
Teachers' Retirement Board		2,200,000
Public Defender Services Commission		1,600,000
OSC-Fringe Benefits		100,000,000
OSC-Miscellaneous - Adjudicated Claims		3,500,000
Total	\$	<u>109,300,000</u>

State of Connecticut
General Fund
Estimated Lapses
Projected to June 30, 2012
As of February 29, 2012

Unallocated Lapse	\$ -
Unallocated Lapse - Legislative	-
Unallocated Lapse - Judicial	2,545,000
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
February 28, 2012 Rescissions	78,690,872
Office of Legislative Management	3,300,000
Auditors of Public Accounts	300,000
Office of Policy and Management	1,200,000
OPM - Reserve for Salary Adjustment	90,000,000
Department of Public Health	1,700,000
Department of Developmental Services	2,800,000
Department of Mental Health and Addiction Services	3,800,000
State Department of Education	900,000
Department of Children and Families	11,500,000
State Treasurer - Debt Service	60,500,000
Total	<u>\$ 936,895,889</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	\$18,693.9	\$18,693.9	\$18,670.4				
Appropriations	19,485.6	19,485.6	19,485.6	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	107.6	107.6	109.3				
Less: Estimated Lapses	(777.9)	(777.9)	(792.9)	(808.2)	(799.2)	(799.5)	(900.7)	(935.2)	(936.9)				
TOTAL - Estimated Expenditures	18,707.7	18,707.7	18,709.7	18,710.4	18,698.4	18,693.3	18,692.5	18,658.0	18,658.0	0.0	0.0	0.0	0.0
Balance from Operations	80.9	80.9	78.9	75.6	79.1	83.7	1.4	35.9	12.4	0.0	0.0	0.0	0.0
Misc. Adjustments/Rounding	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Est. Balance 6/30/12 - Budgetary Basis	\$80.9	\$80.9	\$78.9	\$75.6	\$79.1	\$83.7	\$1.4	\$35.9	\$12.4	\$0.0	\$0.0	\$0.0	\$0.0
Reserved Balance - GAAP ³	(75.0)	(75.0)	(75.0)	(75.0)	(75.0)	(75.0)	(75.0)	(75.0)	(75.0)				
Est. Balance 6/30/12 - GAAP Basis	\$5.9	\$5.9	\$3.9	\$0.6	\$4.1	\$8.7	(\$73.6)	(\$39.1)	(\$62.6)	\$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. Up to \$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.

Statement 1T
March 20, 2012

State of Connecticut
Special Transportation Fund
Analysis of Budget Plan
Projected to June 30, 2012
As of February 29, 2012
(In Millions)

	General Assembly Budget Plan ¹	Revised Estimates OPM	Over/ (Under)
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	(7.2)	(7.4)	(0.2)
Taxes - Net	798.6	785.6	(13.0)
Other Revenue	463.9	442.2	(21.7)
TOTAL - Revenue	\$1,262.5	\$1,227.8	(\$34.7)
EXPENDITURES			
Appropriations	\$1,315.4	\$1,315.4	\$0.0
Net Additional Requirements	0.0	0.0	0.0
Less: Estimated Lapses	(53.5)	(89.1)	(35.6)
TOTAL - Expenditures	\$1,261.9	\$1,226.3	(\$35.6)
Balance from Operations	\$0.6	\$1.5	\$0.9
Miscellaneous Adjustments	0.0	0.0	0.0
Estimated Balance - June 30, 2012	\$108.1	\$108.9	\$0.8

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
March 20, 2012

State of Connecticut
Special Transportation Fund
Revenue Estimates
Projected to June 30, 2012
As of February 29, 2012
(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	\$230.0
Licenses, Permits, Fees	137.5
Interest Income	5.0
Federal Grants	13.1
Transfers (To)/From Other Funds	60.1
Refunds of Payments	<u>(3.5)</u>
TOTAL - OTHER REVENUE	\$442.2
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$1,227.8

State of Connecticut
Special Transportation Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2012
As of February 29, 2012

No Additional Requirements
Total

\$	-
\$	-

Statement 4T
March 20, 2012

State of Connecticut
Special Transportation Fund
Estimated Lapses
Projected to June 30, 2012
As of February 29, 2012

Unallocated Lapse	\$ 3,000,000
Labor-Management Savings	42,536,383
Department of Motor Vehicles	650,000
Department of Transportation	12,900,000
State Treasurer - Debt Service	30,000,000
Total	<u>\$ 89,086,383</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	\$107.4	\$107.4	\$107.4				
Revenue	1,262.5	1,262.5	1,262.5	1,243.7	1,243.7	1,243.7	1,227.8	1,227.8	1,227.8				
Total Available	1,370.0	1,370.0	1,369.9	1,351.1	1,351.1	1,351.1	1,335.2	1,335.2	1,335.2	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	1,315.4	1,315.4	1,315.4				
Additional Requirements	0.0	0.0	0.0	0.0	0.0	0.0	1.8	0.0	0.0				
Less: Estimated Lapses	(53.5)	(53.5)	(53.5)	(73.5)	(73.5)	(83.5)	(91.1)	(89.1)	(89.1)				
TOTAL - Estimated Expenditures	1,261.9	1,261.9	1,261.9	1,241.9	1,241.9	1,231.9	1,226.1	1,226.3	1,226.3	0.0	0.0	0.0	0.0
Balance from Operations	0.6	0.6	0.6	1.8	1.8	11.8	1.7	1.5	1.5	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	0.0	0.0	0.0				
Estimated Balance 6/30/12	\$108.1	\$108.1	\$108.0	\$109.2	\$109.2	\$119.2	\$109.1	\$108.9	\$108.9	\$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.