



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

May 20, 2013

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 2013 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 \$164.8 million surplus in the General Fund on a GAAP basis, and a \$212.3 million surplus on a budgetary basis, an improvement of \$14.7 million from the amount reported in our April 30th forecast. The improvement in balance is the result of continued restraint in spending.

Revenues

Revenues remain unchanged from our April 30th letter, and continue to reflect the consensus forecast reached between this office and the Office of Fiscal Analysis pursuant to C.G.S. 2-36c.

Expenditures

Overall, expenditures are projected to fall below budgeted appropriations by a total of \$132.3 million, including the impact of revisions adopted as part of the December deficit mitigation plan. This month's estimate includes \$299.2 million in deficiencies, which are more than offset by lapses (including rescissions) that are anticipated to exceed budgeted levels by \$431.5 million. Note that the discussion below reflects results after accounting for transfers approved at the May 2nd meeting of the Finance Advisory Committee.

Projected Deficiencies

First, and most significantly, a net deficiency of \$243 million is anticipated in the Department of Social Services' Medicaid accounts, an improvement of \$4 million from the level reported last month. The shortfall is largely due to increased utilization of medical services and increasing caseloads in the Low-Income Adults (LIA) program, which is also driving a projected net shortfall of \$8 million in the Department of Mental Health and Addiction Services' General Assistance Managed care account. A \$5.3 million shortfall in DSS' Personal Services account is also projected as a result of actions to hire staff to process increased applications and

eligibility re-determinations for the department's programs. The Department of Correction is anticipated to incur deficiencies totaling \$23.1 million in its Personal Services account primarily as a result of overly optimistic savings assumptions in the enacted budget. Similarly, the Department of Emergency Services and Public Protection is also anticipated to experience shortfalls in its Personal Services account totaling \$13.8 million due largely to aggressive budget assumptions. The Office of the State Comptroller is expected to incur deficiencies totaling \$1.2 million in Personal Services and Other Expenses. Lastly, a \$4.8 million shortfall is anticipated in the Adjudicated Claims account administered by the Comptroller, attributable to several recent settlements.

Projected Lapses

Offsetting these shortfalls are a number of anticipated lapses, which have been adjusted to reflect amounts remaining after rescissions and deficit mitigation actions. We anticipate a \$33.3 million lapse in the Treasurer's debt service accounts attributable to pricing from the fall and spring sales as well as generally favorable market conditions. Lapses totaling \$30.6 million are forecast in a variety of accounts in the Department of Children and Families primarily as a result of reduced caseloads, and lapses of \$5.5 million in the Office of Legislative Management and \$4.1 million in the Department of Public Health are anticipated due to favorable expenditure trends. Lapses totaling \$92.7 million are forecast in the Comptroller's fringe benefits accounts, up \$37 million from last month as a result of positive trends in healthcare costs for retired state employees, reduced Social Security tax and unemployment compensation obligations, and reduced pension costs in the higher education Alternative Retirement Plan. We continue to forecast Personal Services lapses in a variety of agencies: \$0.3 million in the Auditors of Public Accounts, \$0.5 million in the Department of Administrative Services, and \$0.4 million in the Division of Criminal Justice. The Office of Policy and Management is expected to lapse a total of \$1.5 million across a variety of accounts due to reduced expenditure requirements. The Teachers' Retirement Board is expected to lapse \$4.7 million, primarily in the Retirees Health Service Cost and Municipal Retiree Health Insurance accounts due to pharmacy reimbursements and lower than budgeted membership in the municipal retiree health plan. Lapses totaling \$4.9 million in the Department of Education are forecast, attributable to lower than budgeted enrollment in the Priority School Districts and Magnet Schools accounts. New this month is an estimated \$0.8 million lapse in Personal Services and Other Expenses in the Department of Revenue Services due to spending restraint, as well as a \$5.9 million lapse in the Department of Developmental Services due to a recalculation of the provider tax for publicly operated intermediate care facilities. It should be noted that the lapses detailed above indicate full achievement of all budgeted unallocated savings targets.

Special Transportation Fund

In the Special Transportation Fund, estimated revenues are unchanged from April 30th and continue to reflect the consensus revenue forecast. A lapse of \$10 million is anticipated in the

Department of Transportation's Rail Operations account based on current expenditure trends, and \$19.4 million in the Treasurer's debt service account attributable to the December bond sale. A lapse of \$5.7 million is forecast in the Comptroller's fringe benefit accounts due to reduced Social Security tax, unemployment compensation and active employee health care obligations. Lapses totaling \$1.7 million are projected in the Department of Motor Vehicles' Personal Services, Other Expenses and Equipment accounts. Finally, lapses totaling \$7.4 million are forecast based on the December deficit mitigation plan. The fund balance on June 30, 2013 is anticipated to be \$169.0 million.

As always, it is important to note that while these projections are the best that can be made at this time, estimates may need to be adjusted as the fiscal year draws to a close.

Sincerely,

A handwritten signature in black ink, appearing to read "Benjamin Barnes", written in a cursive style.

Benjamin Barnes
Secretary

Summary
May 20, 2013

State of Connecticut
Summary of Changes
General Fund and Special Transportation Fund
Projected to June 30, 2013
As of April 30, 2013
(In Millions)

General Fund

Balance - Prior Month		\$	197.6
Revenues			
No change	0.0		0.0
Expenditures			
Additional Requirements	7.1		
Estimated Lapses	7.6		
Miscellaneous Adjustments/Rounding	0.0		14.7
Estimated Balance - June 30, 2013 - Budgetary Basis ¹		\$	212.3
Conversion to GAAP			(47.5)
Estimated Balance - June 30, 2013 - GAAP Basis		\$	164.8

1. Up to \$50,000,000 of any surplus would, if necessary, be reserved for GAAP per Sec. 4-30c of the General Statutes, with the balance applied to Economic Recovery Notes per Sec. 4-30b of the General Statutes.

Special Transportation Fund

Carry Forward FY 2012 Surplus		\$	145.8
Balance - Prior Month			15.0
Revenues			
No change	0.0		0.0
Expenditures			
Additional Requirements	0.0		
Estimated Lapses	8.2		
Miscellaneous Adjustments/Rounding	0.0		8.2
Estimated Balance - June 30, 2013		\$	169.0

State of Connecticut
General Fund
Statement of Revenues, Expenditures, and Results of Operations, GAAP and Budgetary Bases
Projected to June 30, 2013
As of April 30, 2013
(In Millions)

	General Assembly Budget Plan ¹	Revised Estimates OPM	Over/ (Under)
REVENUE			
Taxes	\$ 15,483.8	\$ 15,565.0	\$ 81.2
Less: Refunds	(1,075.6)	(1,170.5)	(94.9)
Taxes - Net	\$ 14,408.2	\$ 14,394.5	\$ (13.7)
Other Revenue	1,158.3	1,121.4	(36.9)
Other Sources	3,576.7	3,704.2	127.5
TOTAL Revenue	\$ 19,143.2	\$ 19,220.1	\$ 76.9
OTHER FINANCING SOURCES			
Prior Year Appropriations Continued to FY 2013		\$ 130.4	\$ 130.4
Current Year Appropriations Continued to FY 2014		-	-
TOTAL Revenue and Other Financing Sources	\$ 19,143.2	\$ 19,350.5	\$ 207.2
EXPENDITURES			
Current Year Appropriations ¹	\$ 19,256.4	\$ 19,256.4	\$ -
Appropriation Revisions		-	-
Prior Year Appropriations Continued to FY 2013		130.4	130.4
TOTAL Initial and Continued Appropriations	\$ 19,256.4	\$ 19,386.8	\$ 130.4
Net Additional Expenditure Requirements		299.2	299.2
Estimated Lapses	(116.3)	(547.8)	(431.5)
Current Year Appropriations Continued to FY 2014		-	-
TOTAL Estimated Expenditures	\$ 19,140.1	\$ 19,138.2	\$ (1.9)
Estimated Balance - Budgetary Basis - 6/30/2013 ²	\$ 3.1	\$ 212.3	\$ 209.2
CONVERSION TO GAAP			
Changes in Revenue Accruals		\$ (6.8)	\$ (6.8)
Changes in Expenditure Accruals		(40.7)	(40.7)
Changes in Continuing Appropriations		-	-
Net Change in General Fund Balance - GAAP Basis - 6/30/2013		\$ 164.8	\$ 161.7

1. P.A. 12-104, as amended by P.A. 12-1, June Spec. Sess.

2. Up to \$50,000,000 of any surplus would, if necessary, be reserved for GAAP per Sec. 4-30c of the General Statutes, with the balance applied to Economic Recovery Notes per Sec. 4-30b of the General Statutes.

State of Connecticut
General Fund
Revenue Estimates
Projected to June 30, 2013
As of April 30, 2013
(In Millions)

	<u>General Assembly Budget Plan</u>	<u>Revised Estimates OPM</u>	<u>Over/ (Under)</u>
TAXES			
Personal Income	\$ 8,554.3	\$ 8,663.9	\$ 109.6
Sales and Use	4,046.0	3,856.6	(189.4)
Corporation	793.0	716.2	(76.8)
Public Service Corporations	275.2	278.7	3.5
Inheritance and Estate	166.2	428.6	262.4
Insurance Companies	234.4	254.8	20.4
Cigarettes	411.1	402.1	(9.0)
Real Estate Conveyance	100.3	100.3	-
Oil Companies	182.6	167.8	(14.8)
Electric Generation	71.0	70.6	(0.4)
Alcoholic Beverages	59.3	59.3	-
Admissions and Dues	39.6	36.6	(3.0)
Health Provider Tax	530.7	509.5	(21.2)
Miscellaneous	20.1	20.0	(0.1)
TOTAL - TAXES	<u>\$ 15,483.8</u>	<u>\$ 15,565.0</u>	<u>\$ 81.2</u>
Less: Refunds of Taxes	(950.6)	(1,050.6)	(100.0)
Earned Income Tax Credit	(116.5)	(115.5)	1.0
R & D Credit Exchange	(8.5)	(4.4)	4.1
TOTAL - TAXES - NET	<u>\$ 14,408.2</u>	<u>\$ 14,394.5</u>	<u>\$ (13.7)</u>
OTHER REVENUE			
Transfers - Special Revenue	\$ 305.1	\$ 301.2	\$ (3.9)
Indian Gaming Payments	336.2	292.7	(43.5)
Licenses, Permits, Fees	258.8	267.8	9.0
Sales of Commodities and Services	34.8	36.8	2.0
Rents, Fines, Escheats	107.7	136.5	28.8
Investment Income	2.8	0.5	(2.3)
Miscellaneous	162.9	170.4	7.5
Refunds of Payments	(50.0)	(84.5)	(34.5)
TOTAL - OTHER REVENUE	<u>\$ 1,158.3</u>	<u>\$ 1,121.4</u>	<u>\$ (36.9)</u>
OTHER SOURCES			
Federal Grants	\$ 3,629.0	\$ 3,729.2	\$ 100.2
Transfer from Tobacco Settlement Fund	93.1	93.1	-
Transfers to Other Funds ¹	(145.5)	(118.1)	27.4
TOTAL - OTHER SOURCES	<u>\$ 3,576.7</u>	<u>\$ 3,704.2</u>	<u>\$ 127.5</u>
TOTAL - GENERAL FUND REVENUE	<u>\$ 19,143.2</u>	<u>\$ 19,220.1</u>	<u>\$ 76.9</u>

1. General Assembly Budget Plan assumes transfer of \$15 million from the Budget Reserve Fund per PA 12-104, section 29.

State of Connecticut - General Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2013
As of April 30, 2013

Office of the State Comptroller	\$ 1,200,000
Department of Emergency Services and Public Protection	13,800,000
Department of Mental Health and Addiction Services	8,000,000
Department of Social Services	248,300,000
Department of Correction	23,100,000
OSC - Miscellaneous	4,800,000
Total	<u>\$ 299,200,000</u>

State of Connecticut
General Fund
Estimated Lapses
Projected to June 30, 2013
As of April 30, 2013

Unallocated Lapse	\$ -
Unallocated Lapse - Legislative	-
Unallocated Lapse - Judicial	-
General Lapse - Legislative	56,251
General Lapse - Judicial	401,946
General Lapse - Executive	13,785,503
Office of Legislative Management	5,500,000
Auditors of Public Accounts	300,000
Office of Policy and Management	1,500,000
Department of Revenue Services	800,000
Department of Administrative Services	500,000
Department of Criminal Justice	400,000
Department of Public Health	4,100,000
Department of Developmental Services	5,900,000
State Department of Education	4,900,000
Teachers' Retirement Board	4,700,000
Department of Children and Families	30,600,000
Office of the State Treasurer - Debt Service	33,300,000
Office of the State Comptroller - Fringe Benefits	92,700,000
November 28, 2012 Rescissions	135,373,218
December 19, 2012 DMP Allotment Reductions	202,007,164
December 19, 2012 DMP Holdbacks - Executive	4,000,000
December 19, 2012 DMP Holdbacks - Legislative	2,000,000
December 19, 2012 DMP Holdbacks - Judicial	5,000,000
Total	<u>\$ 547,824,082</u>

State of Connecticut
2012-13 General Fund
Summary of Operations Per Letter to the Comptroller
(In Millions)

	Budget Plan ¹	July 2012	August 2012	September 2012	October 2012	November 2012	December 2012	January 2013	February 2013	Updated March 2013	April 2013	May 2013	June 2013
REVENUE	\$19,143.2	\$19,143.2	\$19,193.2	\$19,160.0	\$19,015.1	\$19,013.4	\$18,979.5	\$18,979.5	\$18,973.0	\$19,220.1	\$19,220.1		
Appropriations	19,256.4	19,256.4	19,256.4	19,256.4	19,256.4	19,256.4	19,256.4	19,256.4	19,256.4	19,256.4	19,256.4		
Additional Requirements	0.0	0.0	100.0	100.0	294.1	309.1	337.9	337.6	314.4	306.3	299.2		
Less: Estimated Lapses	(116.3)	(116.3)	(136.3)	(136.3)	(170.4)	(300.1)	(550.4)	(558.8)	(564.2)	(540.2)	(547.8)		
TOTAL - Estimated Expenditures	19,140.1	19,140.1	19,220.1	19,220.1	19,380.1	19,265.4	19,043.9	19,035.2	19,006.6	19,022.5	19,007.8	0.0	0.0
Balance from Operations	3.1	3.1	(26.9)	(60.1)	(365.0)	(252.0)	(64.4)	(55.7)	(33.6)	197.6	212.3	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	0.0	0.0		
Est. Balance 6/30/13 - Budgetary Basis ²	\$3.1	\$3.1	(\$26.9)	(\$60.1)	(\$365.0)	(\$252.0)	(\$64.4)	(\$55.7)	(\$33.6)	\$197.6	\$212.3	\$0.0	\$0.0
Conversion to GAAP		(50.0)	(47.5)	(47.5)	(47.5)	(47.5)	(47.5)	(47.5)	(47.5)	(47.5)	(47.5)		
Est. Balance 6/30/13 - GAAP Basis		(\$46.9)	(\$74.4)	(\$107.6)	(\$412.5)	(\$299.5)	(\$111.9)	(\$103.2)	(\$81.1)	\$150.1	\$164.8	\$0.0	\$0.0

1. P.A. 12-104, as amended by P.A. 12-1, June Spec. Sess.

2. Up to \$50,000,000 of any surplus would, if necessary, be reserved for GAAP per Sec. 4-30c of the General Statutes, with the balance applied to Economic Recovery Notes per Sec. 4-30b of the General Statutes.

State of Connecticut
Special Transportation Fund
Analysis of Budget Plan
Projected to June 30, 2013
As of April 30, 2013
(In Millions)

	General Assembly <u>Budget Plan</u> ¹ :	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
Surplus Carried Forward from FY 2012 ² :	\$ 145.3	\$ 145.8	\$ 0.5
REVENUE			
Taxes	\$ 773.3	\$ 772.4	\$ (0.9)
Less: Refunds of Taxes	<u>(7.8)</u>	<u>(5.9)</u>	<u>1.9</u>
Taxes - Net	765.5	766.5	1.0
Other Revenue	<u>468.2</u>	<u>456.2</u>	<u>(12.0)</u>
TOTAL - Revenue	<u>\$ 1,233.7</u>	<u>\$ 1,222.7</u>	<u>\$ (11.0)</u>
EXPENDITURES			
Appropriations	\$ 1,243.7	\$ 1,243.7	\$ -
Net Additional Requirements	-	-	-
Less: Estimated Lapses	<u>(11.0)</u>	<u>(44.2)</u>	<u>(33.2)</u>
TOTAL - Expenditures	<u>\$ 1,232.7</u>	<u>\$ 1,199.5</u>	<u>\$ (33.2)</u>
Balance from Operations	\$ 1.0	\$ 23.2	\$ 22.2
Miscellaneous Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
Estimated Balance - June 30, 2013	<u>\$ 146.3</u>	<u>\$ 169.0</u>	<u>\$ 22.7</u>

1. P.A. 12-104, as amended by P.A. 12-1, June Spec. Sess.

2. Budget plan as estimated by the Office of Policy and Management. Revised estimates per the Comptroller's Sept. 4, 2012 letter.

Statement 2T
May 20, 2013

State of Connecticut
Special Transportation Fund
Revenue Estimates
Projected to June 30, 2013
As of April 30, 2013
(In Millions)

	<u>General Assembly Budget Plan</u>	<u>Revised Estimates OPM</u>	<u>Over/ (Under)</u>
TAXES			
Motor Fuels	\$ 497.5	\$ 495.8	\$ (1.7)
Oil Companies	199.4	199.4	-
Sales Tax DMV	76.4	77.2	0.8
TOTAL - TAXES	<u>773.3</u>	<u>772.4</u>	<u>(0.9)</u>
Less: Refunds of Taxes	(7.8)	(5.9)	1.9
TOTAL - TAXES - NET	<u>\$ 765.5</u>	<u>\$ 766.5</u>	<u>\$ 1.0</u>
OTHER REVENUE			
Motor Vehicle Receipts	\$ 233.4	\$ 232.1	\$ (1.3)
Licenses, Permits, Fees	137.9	138.0	0.1
Interest Income	6.0	3.0	(3.0)
Federal Grants	13.1	12.5	(0.6)
Transfers (To)/From Other Funds	81.2	73.7	(7.5)
Refunds of Payments	(3.4)	(3.1)	0.3
TOTAL - OTHER REVENUE	<u>\$ 468.2</u>	<u>\$ 456.2</u>	<u>\$ (12.0)</u>
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$1,233.7	\$1,222.7	\$ (11.0)

Statement 3T
May 20, 2013

State of Connecticut
Special Transportation Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2013
As of April 30, 2013

No Additional Requirements
Total

\$	-
<hr/>	
\$	-
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Statement 4T
May 20, 2013

State of Connecticut
Special Transportation Fund
Estimated Lapses
Projected to June 30, 2013
As of April 30, 2013

Unallocated Lapses	\$	-
Department of Motor Vehicles		1,700,000
Department of Transportation		10,000,000
OSC - Fringe Benefits		5,700,000
OTT - Debt Service		19,400,000
December 19, 2012 DMP Allotment Reductions		7,414,380
Total	\$	<u>44,214,380</u>

State of Connecticut
2012-13 Special Transportation Fund
Summary of Operations Per Letter to the Comptroller
(In Millions)

	Budget Plan ¹	July 2012	August 2012	September 2012	October 2012	November 2012	December 2012	January 2013	February 2013	Updated March 2013	April 2013	May 2013	June 2013
Beginning Balance ²	\$ 145.3	\$ 145.3	\$ 145.8	\$ 145.8	\$ 145.8	\$ 145.8	\$ 145.8	\$ 145.8	\$ 145.8	\$ 145.8	\$ 145.8		
Revenue	1,233.7	1,233.7	1,233.7	1,231.7	1,234.6	1,234.6	1,227.7	1,227.7	1,227.7	1,222.7	1,222.7		
Total Available	1,379.0	1,379.0	1,379.5	1,377.5	1,380.4	1,380.4	1,373.5	1,373.5	1,373.5	1,368.5	1,368.5	0.0	0.0
Appropriations	1,243.7	1,243.7	1,243.7	1,243.7	1,243.7	1,243.7	1,243.7	1,243.7	1,243.7	1,243.7	1,243.7		
Additional Requirements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0		
Less: Estimated Lapses	(11.0)	(11.0)	(11.0)	(13.0)	(13.0)	(19.4)	(28.8)	(29.2)	(30.7)	(36.0)	(44.2)		
TOTAL - Estimated Expenditures	1,232.7	1,232.7	1,232.7	1,230.7	1,230.7	1,224.3	1,214.9	1,214.5	1,213.0	1,207.7	1,199.5	0.0	0.0
Balance from Operations	1.0	1.0	1.0	1.0	3.9	10.3	12.8	13.2	14.7	15.0	23.2	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	0.0	0.0		
Estimated Balance 6/30/13	\$146.3	\$146.3	\$146.8	\$146.8	\$149.7	\$156.1	\$158.6	\$159.0	\$160.5	\$160.8	\$169.0	\$0.0	\$0.0

1. P.A. 12-104, as amended by P.A. 12-1, 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 4, 2012 Letter.