



# STATE OF CONNECTICUT

## OFFICE OF POLICY AND MANAGEMENT

March 20, 2014

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 2014 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. In compliance 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).

### General Fund

This month's estimate reflects a positive \$504.9 million balance from operations, up \$0.5 million from last month's letter, as detailed below. The Governor's recommended budget revisions would direct approximately \$255 million of this surplus to provide a refund of sales and motor fuels taxes and to provide an additional contribution to the State Employees Retirement System, leaving \$249.9 million to be deposited in the Budget Reserve Fund. In addition, the Governor has proposed that \$30 million of the FY 2013 surplus that was originally budgeted as revenue for FY 2015 would also be deposited in the Budget Reserve Fund, bringing the aggregate balance in the fund from its current level of \$270.7 million to a total of \$550.6 million.

### Revenues

Total General Fund revenues remain unchanged this month, although several individual sources have been modified from our previous forecast. The Insurance Companies tax has been revised downward by \$15.0 million primarily due to weaker estimated payments that were due on March 15<sup>th</sup>. Indian Gaming Payments have also been revised downward by \$4.0 million due to several months of weak collections. Positive revisions include \$10.0 million in the Public Services tax which has been strong for most of the fiscal year, and \$5.0 million in lottery-related transfers which continue to exceed the target. All other changes net to a positive \$4.0 million. As noted last month, more than fifty percent of income tax collections is received after January 31<sup>st</sup> and the current forecast anticipates significant collections during the April filing season.

## Expenditures

Overall, expenditures are projected to be \$79.4 million below the budget plan. Net additional requirements (deficiencies) of \$44.1 million are more than offset by projected lapsing appropriations of \$123.5 million, as discussed further below.

*Lapses.* As noted above, this month's letter includes \$123.5 million in lapsing appropriations beyond the targets included in the adopted budget. In addition, these lapses do not rely on any amounts that would be carried forward under existing statutes or under the Governor's proposed budget for FY 2015 (H.B. 5030).

- Department of Social Services – A net lapse of \$76.0 million in the Medicaid account is projected, after netting out the impact of the transfer approved in November by the Finance Advisory Committee of \$67 million from the Disproportionate Share - Hospital (DSH) account to Medicaid in order to maximize payments to hospitals for uncompensated care costs, as described in previous months.
- Treasurer – Debt Service – Favorable interest rates and bond premiums result in an expected lapse of \$47.0 million.
- Teachers' Retirement Board – A lapse of \$2.0 million is projected based on lower than budgeted rates for Retiree Healthcare. In addition, a total of \$400,000 is expected to lapse in the department's Personal Services and Other Expenses accounts.
- Department of Children and Families – A total of \$22.2 million is expected to lapse across a variety of accounts, primarily as a result of reduced out-of-home placements.
- Office of Legislative Management – A total of \$6.5 million is expected to lapse in Personal Services and Other Expenses.
- Auditors of Public Accounts – A lapse of \$400,000 is anticipated in the department's Personal Services account.
- Office of the Attorney General – A lapse of \$500,000 is anticipated in the department's Personal Services account.
- Department of Housing – A lapse of \$2.0 million is anticipated in the Housing / Homeless Services account due to slower than anticipated transitions in the Money Follows the Person (MFP) program and delays in placements related to public housing revitalization projects.
- Office of the State Comptroller – A total of \$1.0 million is expected to lapse in Personal Services and Other Expenses.
- State Comptroller – Fringe Benefits – Fringe benefit costs are expected to be below budgeted levels by a total of \$23.2 million in the Higher Education Alternative Retirement Plan, Employer's Social Security Tax, and Unemployment Compensation accounts.
- Department of Developmental Services – A lapse of \$2.1 million is anticipated in the department's Personal Services account.
- Department of Public Health – A total lapse of \$2.3 million is anticipated in the department's Personal Services and School Based Health Clinics accounts.
- Budgeted lapses – We project that \$54.7 million of the \$94.7 million Unallocated Lapse target for the Legislative and Executive branches of government has been achieved,

and anticipate full achievement of this target by year end. However, we do not expect that the \$7,400,672 Unallocated Lapse target in the Judicial branch of government will be achieved.

*Deficiencies.* Partially offsetting these lapses are projected deficiencies totaling \$44.3 million across six agencies:

- Department of Administrative Services – A deficiency of \$8.0 million is projected in Personal Services. The shortfall is attributable to the settlement of two large claims against the state earlier this fiscal year, which were paid from the State Insurance and Risk Operations account. In November, the Finance Advisory Committee approved a transfer of funds from Personal Services to enable the agency to make timely settlement payments, thus shifting the shortfall from the Insurance and Risk Operations account to Personal Services.
- Department of Emergency Services and Public Protection – A shortfall of \$4.4 million is projected in the Personal Services account as a result of a reduction in casino reimbursements negotiated with the Pequot and Mohegan tribal governments, rising overtime costs, and payment of costs for assistance from the Pennsylvania and Rhode Island National Guard related to the February 2013 snowstorm.
- Department of Education – A net shortfall of \$17.7 million is anticipated in the Magnet Schools account as a result of unbudgeted legislation requiring the state to pick up preschool tuition costs, and also due to supplemental transportation costs for the *Sheff* settlement.
- Office of the Chief Medical Examiner – A net \$100,000 shortfall is projected in Other Expenses due to laboratory testing costs.
- Public Defender Services Commission – The agency's assigned counsel costs are anticipated to exceed budgeted levels by \$4.9 million due to capital case costs, efforts to retire the habeas corpus case backlog, and one-time costs to catch up on bills from the prior year. The Finance Advisory Committee approved a transfer earlier this month that shifts the shortfall to Personal Services.
- Comptroller – Miscellaneous – Settlement of several claims against the state is expected this fiscal year which would result in a \$6.2 million shortfall in the Adjudicated Claims account.
- DAS – Workers' Compensation – A shortfall of \$2.8 million is projected due to rising claims costs.

### **Special Transportation Fund**

This month's projection reflects a net \$3.7 million operating deficit in the Special Transportation Fund. Overall, we are projecting \$13.3 million in deficiencies; lapses total \$12.1 million, \$1.1 million above the budget plan. The most significant shortfall is in the Department of Transportation, which we project will be over budget by \$10 million. Of this sum, \$7 million is to winter storm costs, while \$3 million is the net cost, after other offsetting

factors, attributable to the New Haven line power failure and the May 2013 derailment. We are also projecting a shortfall of \$0.8 million in the DAS – Workers' Compensation Claims account, and \$2.5 million in the State Employee Health Care fringe benefit account administered by the Comptroller. Largely offsetting these deficiencies are lapses of \$10.1 million in the Treasurer's Debt Service account and \$2.0 million in the Department of Motor Vehicles' Personal Services and Other Expenses accounts.

Special Transportation Fund revenues remain unchanged from last month at \$8.0 million above the budget plan, and continue to reflect the consensus estimate reached between OPM and the legislature's Office of Fiscal Analysis in January. We are projecting a fund balance on June 30, 2014, of \$160.9 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 year progresses to reflect changes in the economy, expenditure patterns, and/or other factors.

Sincerely,

A handwritten signature in cursive script, appearing to read "Benjamin Barnes".

Benjamin Barnes  
Secretary

Summary  
March 20, 2014

State of Connecticut  
Summary of Changes  
General Fund and Special Transportation Fund  
Projected to June 30, 2014  
As of February 28, 2014  
(In Millions)

**General Fund**

Balance from Operations - Prior Month		\$	504.4
Revenues			
Public Service	10.0		
Insurance Companies	(15.0)		
Transfers - Special Revenue	5.0		
Indian Gaming Payments	(4.0)		
All Other Changes - net	4.0		0.0
Expenditures			
Additional Requirements	0.8		
Estimated Lapses	(0.3)		
Miscellaneous Adjustments/Rounding	0.0		0.5
Estimated Balance from Operations - June 30, 2014		\$	<u>504.9</u>

**Special Transportation Fund**

Fund Balance as of June 30, 2013		\$	164.6
Balance from Operations - Prior Month			1.5
Revenues			
No Changes	0.0		0.0
Expenditures			
Additional Requirements	(5.5)		
Estimated Lapses	0.3		
Miscellaneous Adjustments/Rounding	0.0		(5.2)
Estimated Fund Balance - June 30, 2014		\$	<u>160.9</u>

State of Connecticut  
General Fund  
Statement of Revenues, Expenditures, and Results of Operations  
Projected to June 30, 2014  
As of February 28, 2014  
(In Millions)

	General Assembly Budget Plan	Revised Estimates OPM	Over/ (Under)
<b>REVENUE</b>			
Taxes	\$ 15,517.5	\$ 15,920.2	\$ 402.7
Less: Refunds	(1,183.5)	(1,153.5)	30.0
Taxes - Net	\$ 14,334.0	\$ 14,766.7	\$ 432.7
Other Revenue	1,153.7	1,154.8	1.1
Other Sources <sup>1</sup>	1,705.4	1,692.8	(12.6)
<b>TOTAL Revenue</b>	<b>\$ 17,193.1</b>	<b>\$ 17,614.3</b>	<b>\$ 421.2</b>
<b>EXPENDITURES</b>			
Initial Current Year Appropriations <sup>1,2</sup>	\$ 17,361.4	\$ 17,361.4	\$ -
Prior Year Appropriations Continued to FY 2014 <sup>3</sup>		112.4	112.4
<b>TOTAL Initial and Continued Appropriations</b>	<b>\$ 17,361.4</b>	<b>\$ 17,473.8</b>	<b>\$ 112.4</b>
Appropriation Adjustments	-	-	-
<b>TOTAL Adjusted Appropriations</b>	<b>\$ 17,361.4</b>	<b>\$ 17,473.8</b>	<b>\$ 112.4</b>
Net Additional Expenditure Requirements		44.1	44.1
Estimated Appropriations Lapsed	(172.6)	(296.1)	(123.5)
Estimated Appropriations to be Continued to FY 2015		-	-
<b>TOTAL Estimated Expenditures</b>	<b>\$ 17,188.7</b>	<b>\$ 17,221.8</b>	<b>\$ 33.0</b>
Net Change in Fund Balances - Continuing Appropriations	-	(112.4)	(112.4)
Miscellaneous Adjustments/Rounding	-	-	-
<b>Net Change in Unassigned Fund Balance - 6/30/2014</b>	<b>\$ 4.4</b>	<b>\$ 504.9</b>	<b>\$ 500.6</b>

1. Note that, in a departure from the budgets enacted in previous years, the adopted budget "net appropriates" the Medicaid account in the Department of Social Services. This change in practice makes Connecticut's budget treatment of Medicaid consistent with the budgets of other states. A total of \$2,768.7 million was removed from both budgeted revenues and appropriations to accomplish this transition.

2. P.A. 13-184, as amended by P.A. 13-247.

3. P.A. 13-184, as amended by P.A. 13-247, and other statutory provisions.

State of Connecticut  
General Fund  
Revenue Estimates  
Projected to June 30, 2014  
As of February 28, 2014  
(In Millions)

	General Assembly <u>Budget Plan</u>	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
<b>TAXES</b>			
Personal Income	\$ 8,808.8	\$ 9,021.9	\$ 213.1
Sales and Use	4,044.0	4,132.2	88.2
Corporation	723.5	815.4	91.9
Public Service Corporations	279.6	289.6	10.0
Inheritance and Estate	173.2	185.1	11.9
Insurance Companies	271.2	256.2	(15.0)
Cigarettes	390.4	383.4	(7.0)
Real Estate Conveyance	143.8	159.4	15.6
Oil Companies	36.8	36.8	-
Electric Generation	17.5	15.5	(2.0)
Alcoholic Beverages	59.8	59.8	-
Admissions and Dues	37.0	38.0	1.0
Health Provider Tax	512.0	507.0	(5.0)
Miscellaneous	19.9	19.9	-
<b>TOTAL - TAXES</b>	<b>\$ 15,517.5</b>	<b>\$ 15,920.2</b>	<b>\$ 402.7</b>
Less: Refunds of Taxes	(1,073.5)	(1,043.5)	30.0
Earned Income Tax Credit	(104.5)	(104.5)	-
R & D Credit Exchange	(5.5)	(5.5)	-
<b>TOTAL - TAXES - NET</b>	<b>\$ 14,334.0</b>	<b>\$ 14,766.7</b>	<b>\$ 432.7</b>
<b>OTHER REVENUE</b>			
Transfers - Special Revenue	\$ 313.9	\$ 315.1	\$ 1.2
Indian Gaming Payments	285.3	281.3	(4.0)
Licenses, Permits, Fees	301.2	315.2	14.0
Sales of Commodities and Services	38.2	41.2	3.0
Rents, Fines, Escheats	114.5	114.6	0.1
Investment Income	1.3	0.1	(1.2)
Miscellaneous	169.1	160.1	(9.0)
Refunds of Payments	(69.8)	(72.8)	(3.0)
<b>TOTAL - OTHER REVENUE</b>	<b>\$ 1,153.7</b>	<b>\$ 1,154.8</b>	<b>\$ 1.1</b>
<b>OTHER SOURCES</b>			
Federal Grants	\$ 1,312.7	\$ 1,305.5	\$ (7.2)
Transfer from Tobacco Settlement Fund	107.0	107.0	-
Transfers to Other Funds	285.7	280.3	(5.4)
<b>TOTAL - OTHER SOURCES</b>	<b>\$ 1,705.4</b>	<b>\$ 1,692.8</b>	<b>\$ (12.6)</b>
<b>TOTAL - GENERAL FUND REVENUE</b>	<b>\$ 17,193.1</b>	<b>\$ 17,614.3</b>	<b>\$ 421.2</b>

State of Connecticut - General Fund  
Appropriation Adjustments - Net Additional Requirements  
Projected to June 30, 2014  
As of February 28, 2014

Department of Administrative Services	\$	8,000,000
Department of Education		17,700,000
Department of Emergency Services and Public Protection		4,400,000
Office of the Chief Medical Examiner		100,000
Public Defenders Services Commission		4,900,000
OSC - Miscellaneous		6,200,000
DAS - Workers Compensation Claims		2,800,000
Total	\$	<u>44,100,000</u>



State of Connecticut  
General Fund  
Estimated Lapses  
Projected to June 30, 2014  
As of February 28, 2014

Unallocated Lapse	\$ 40,000,000
Unallocated Lapse - Legislative	-
Unallocated Lapse - Judicial	-
General Other Expenses Reductions - Legislative	140,000
General Other Expenses Reductions - Executive	3,312,000
General Other Expenses Reductions - Judicial	548,000
General Lapse - Legislative	56,251
General Lapse - Executive	13,785,503
General Lapse - Judicial	401,946
GAAP Lapse	5,500,000
Transfer GAAP Funding	40,000,000
Statewide Hiring Reduction - Legislative	190,309
Statewide Hiring Reduction - Executive	5,478,184
Statewide Hiring Reduction - Judicial	1,128,261
Office of Legislative Management	6,500,000
Auditors of Public Accounts	400,000
Office of the Attorney General	500,000
Office of the State Comptroller	1,000,000
Department of Housing	2,000,000
Department of Public Health	2,300,000
Department of Developmental Services	2,100,000
Department of Social Services	76,000,000
Teachers' Retirement Board	2,400,000
Department of Children and Families	22,200,000
OTT - Debt Service	47,000,000
OSC - Fringe Benefits	23,200,000
Total	<u>\$ 296,140,454</u>

State of Connecticut  
2013-14 General Fund  
Summary of Operations Per Letter to the Comptroller  
(In Millions)

	Budget Plan 1	July 2013	August 2013	September 2013	October 2013	November 2013	December 2013	January 2014	February 2014	March 2014	April 2014	May 2014	June 2014
REVENUE	\$ 17,193.1	\$ 17,193.1	\$ 17,193.1	\$ 17,126.1	\$ 17,249.5	\$ 17,394.8	\$ 17,614.3	\$ 17,614.3	\$ 17,614.3				
Appropriations	17,361.4	17,361.4	17,361.4	17,361.4	17,361.4	17,361.4	17,361.4	17,361.4	17,361.4				
Additional Requirements	0.0	0.0	0.0	20.0	23.2	30.7	44.3	44.9	44.1				
Less: Estimated Lapses	(172.6)	(172.6)	(172.6)	(266.4)	(270.9)	(270.5)	(297.5)	(296.4)	(296.1)				
TOTAL - Estimated Expenditures	17,188.7	17,188.7	17,188.7	17,114.9	17,113.6	17,121.5	17,108.2	17,109.9	17,109.4	0.0	0.0	0.0	0.0
Balance from Operations	4.4	4.4	4.4	11.2	135.9	273.3	506.1	504.4	504.9				
Misc. Adjustments/Rounding	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0				
Est. Balance from Operations - 6/30/14	\$4.4	\$4.4	\$4.4	\$11.2	\$135.9	\$273.3	\$506.1	\$504.4	\$504.9	\$0.0	\$0.0	\$0.0	\$0.0

1. P.A. 13-184, as amended by P.A. 13-247.

Statement 1T  
March 20, 2014

State of Connecticut  
Special Transportation Fund  
Analysis of Budget Plan  
Projected to June 30, 2014  
As of February 28, 2014  
(In Millions)

	General Assembly Budget Plan <sup>1</sup>	Revised Estimates OPM	Over/ (Under)
Fund Balance as of June 30, 2013 <sup>2</sup>	\$ 165.9	\$ 164.6	\$ (1.3)
REVENUE			
Taxes	\$ 962.0	\$ 969.0	\$ 7.0
Less: Refunds of Taxes	(6.5)	(6.5)	-
Taxes - Net	955.5	962.5	7.0
Other Revenue	288.2	289.2	1.0
TOTAL - Revenue	\$ 1,243.7	\$ 1,251.7	\$ 8.0
EXPENDITURES			
Appropriations	\$ 1,254.2	\$ 1,254.2	\$ -
Net Additional Requirements	-	13.3	13.3
Less: Estimated Lapses	(11.0)	(12.1)	(1.1)
TOTAL - Expenditures	\$ 1,243.2	\$ 1,255.4	\$ 12.2
Balance from Operations	\$ 0.5	\$ (3.7)	\$ (4.2)
Miscellaneous Adjustments	-	-	-
Estimated Fund Balance - June 30, 2014	\$ 166.4	\$ 160.9	\$ (5.5)

1. P.A. 13-184.

2. Budget plan as estimated by the Office of Policy and Management. Revised estimates per the Comptroller's September 3, 2013 letter.

Statement 2T  
 March 20, 2014

State of Connecticut  
 Special Transportation Fund  
 Revenue Estimates  
 Projected to June 30, 2014  
 As of February 28, 2014  
 (In Millions)

	<u>General Assembly Budget Plan</u>	<u>Revised Estimates OPM</u>	<u>Over/ (Under)</u>
TAXES			
Motor Fuels	\$ 502.9	\$ 506.7	\$ 3.8
Oil Companies	380.7	380.7	-
Sales Tax DMV	78.4	81.6	3.2
TOTAL - TAXES	<u>962.0</u>	<u>969.0</u>	<u>7.0</u>
Less: Refunds of Taxes	<u>(6.5)</u>	<u>(6.5)</u>	<u>-</u>
TOTAL - TAXES - NET	\$ 955.5	\$ 962.5	\$ 7.0
OTHER REVENUE			
Motor Vehicle Receipts	\$ 234.0	\$ 235.7	\$ 1.7
Licenses, Permits, Fees	138.5	138.3	(0.2)
Interest Income	3.8	4.3	0.5
Federal Grants	13.1	12.1	(1.0)
Transfers (To)/From Other Funds	(98.0)	(98.0)	-
Refunds of Payments	<u>(3.2)</u>	<u>(3.2)</u>	<u>-</u>
TOTAL - OTHER REVENUE	\$ 288.2	\$ 289.2	\$ 1.0
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$1,243.7	\$1,251.7	\$ 8.0

Statement 3T  
March 20, 2014

State of Connecticut  
Special Transportation Fund  
Appropriation Adjustments - Net Additional Requirements  
Projected to June 30, 2014  
As of February 28, 2014

Department of Transportation	\$10,000,000
OSC - Fringe Benefits	2,500,000
DAS - Workers' Compensation Claims	<u>800,000</u>
Total	<u>\$13,300,000</u>

Statement 4T  
March 20, 2014

State of Connecticut  
Special Transportation Fund  
Estimated Lapses  
Projected to June 30, 2014  
As of February 28, 2014

Department of Motor Vehicles	\$ 2,000,000
OTT - Debt Service	10,100,000
Total	<u>\$ 12,100,000</u>

State of Connecticut  
2013-14 Special Transportation Fund  
Summary of Operations Per Letter to the Comptroller  
(In Millions)

	Budget Plan <sup>1</sup>	July 2013	August 2013	September 2013	October 2013	November 2013	December 2013	January 2014	February 2014	March 2014	April 2014	May 2014	June 2014
Beginning Balance <sup>2</sup>	\$ 165.9	\$ 165.9	\$ 164.6	\$ 164.6	\$ 164.6	\$ 164.6	\$ 164.6	\$ 164.6	\$ 164.6	\$ 164.6			
Revenue	1,243.7	1,243.7	1,243.7	1,245.8	1,244.5	1,250.6	1,251.7	1,251.7	1,251.7	1,251.7			
Total Available	1,409.6	1,409.6	1,408.3	1,410.4	1,409.1	1,415.2	1,416.3	1,416.3	1,416.3	1,416.3	0.0	0.0	0.0
Appropriations	1,254.2	1,254.2	1,254.2	1,254.2	1,254.2	1,254.2	1,254.2	1,254.2	1,254.2	1,254.2			
Additional Requirements	0.0	0.0	0.0	0.0	0.0	0.0	0.6	7.8	7.8	13.3			
Less: Estimated Lapses	(11.0)	(11.0)	(11.0)	(11.0)	(11.0)	(11.0)	(11.6)	(11.8)	(11.8)	(12.1)			
TOTAL - Estimated Expenditures	1,243.2	1,243.2	1,243.2	1,243.2	1,243.2	1,243.2	1,243.2	1,250.2	1,250.2	1,255.4	0.0	0.0	0.0
Balance from Operations	0.5	0.5	0.5	2.6	1.3	7.4	8.5	1.5	1.5	(3.7)	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	0.0			
Estimated Balance 6/30/14	\$166.4	\$166.4	\$165.1	\$167.2	\$165.9	\$172.0	\$173.1	\$166.1	\$166.1	\$160.9	\$0.0	\$0.0	\$0.0

1. P.A. 13-184.

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 3, 2013 letter.