



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

April 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 2010-11 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 \$228.1 million, up \$111.7 million from last month's estimate. Revenues reflect an overall increase of \$133.4 million, and aggregate expenditure requirements have increased by \$21.7 million. While underlying expenditure trends continue to improve, this month's projection reflects a \$52.4 million adjustment to the DSS Medicaid account in order to reflect reversal of the June nursing home payment delay which is further detailed below. Although we are projecting a balance for FY 2011 in the General Fund, we note that this projection relies on significant sources of non-recurring revenue, including the planned issuance of Economic Recovery Revenue Bonds, use of the FY 2010 surplus, utilization of the remainder of the Budget Reserve Fund, and the final year of enhanced federal stimulus funding. 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 1st letter. Also, it should 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 any outstanding Economic Recovery Notes issued to finance the FY 2009 deficit.

Revenues

General Fund revenue is projected to increase by \$133.4 million over last month's forecast. The largest change is an increase in the corporation tax of \$110.0 million due primarily to robust collections in the months of March and April, along with the expectation that the remainder of the year will also outperform our target. Refunds of Taxes are being revised downward by \$20.0 million as both personal and corporate tax refunds have slowed in recent months. All other changes net to a positive \$3.4 million. Our office, in conjunction with the Office of Fiscal Analysis, will be releasing a revised consensus revenue forecast by April 30th at which time we expect to have more definitive collection data regarding income tax payments that were due on April 18th.

Expenditures

This month we are projecting that expenditures will exceed appropriations by \$290.0 million: \$345.2 million in deficient accounts offset by \$55.2 million in projected lapses beyond those required by the budget.

As noted in prior forecasts, a number of deficiencies are related to difficulties in fully achieving budgeted savings for contracts and Other Expenses. These include \$6.77 million in the Department of Public Works' Other Expenses, Management Services, Rents and Moving Expenses and Facilities Design accounts; \$9.0 million in the Department of Public Safety's Other Expenses and Fleet Services accounts; \$5.0 million in the Department of Correction's Other Expenses account; \$5.3 million in the Department of Mental Health and Addiction Services' Other Expenses account; \$21 million in the Department of Social Services' Other Expenses account; \$0.18 million in the Department of Agriculture's Other Expenses account; and \$0.63 million in the Office of the State Comptroller's Other Expenses account.

Our estimates continue to reflect additional requirements for the Low Income Adults (LIA) population under Medicaid. As a result of stronger than forecast caseload and utilization growth for this program, we are anticipating a net deficiency of \$51.95 million in DMHAS' General Assistance Managed Care account after accounting for offsetting lapses. Expansion under the LIA program, growth in other components of Medicaid caseload and overly aggressive budgeted savings targets for the Medicaid program are expected to result in a projected \$241.0 million net deficiency in DSS' Medicaid account after accounting for offsetting lapses.

Also included within the Medicaid deficiency is an adjustment to reflect reversal of the budgeted delay in nursing home payments, consistent with my testimony before the Appropriations Committee on April 11th. For budgetary purposes, a two week delay in Medicaid payments to nursing homes was included in Public Act 09-5 of the September Special Session. Reversal of this delay in June would result in a gross cost of \$52.4 million in FY 2011. By making this payment now, Connecticut can take advantage of enhanced federal reimbursement available under ARRA and garner an additional \$3.6 million in revenue. After factoring in the higher ARRA reimbursement, this proposal will result in a net cost to the state of \$22.6 million in FY 2011, with no budgetary impact for the upcoming biennium. This proposal is not only good for the nursing home industry, but it is also consistent with Governor Malloy's commitments to Generally Accepted Accounting Principles (GAAP) and to maximizing federal reimbursement.

A \$0.3 million deficiency is forecast in the Department of Administrative Services' Workers Compensation Claims account, and \$0.07 million in the Teachers' Retirement Board due to payments for identity theft insurance for its members resulting from an unintentional release of pension information in November 2009. As in prior months, deficiencies continue to be anticipated in two Judicial branch agencies. The Public Defender Services Commission is

anticipated to end the year with a \$1.6 million deficiency: \$1.0 million in the Special Public Defenders – Noncontractual account, and \$0.6 million in the Expert Witnesses account. A \$2.4 million shortfall is estimated in the Child Protection Commission's Contracted Attorneys account.

Partially offsetting these deficiencies are a number of forecast lapses. The Office of the Treasurer's Debt Service accounts will lapse \$41.8 million. The Department of Children and Families is expected to lapse a total of \$21.8 million across a variety of accounts, including \$9.5 million in its Personal Services account, \$4.0 million in the Individualized Family Supports account, \$4.0 million in its Individualized family Supports account, and \$4.0 million in its Board & Care – Foster account. An additional \$60 million is available in OPM's Reserve for Salary Adjustment account, primarily as a result of funds for FY 2010 non-bargaining unit salary increases which were not implemented and that carried-forward into FY 2011 pursuant to Sec. 32 of Public Act 09-3, June Special Session, and similar increases budgeted for FY 2011 that are not expected to take place. A number of agencies are expected to lapse Personal Services funding, including \$1.0 million in the Auditors of Public Accounts, \$0.32 million in the Office of the State Treasurer, \$1.3 million in the Department of Revenue Services, \$0.85 million in the Division of Special Revenue, \$0.9 million in the Department of Veterans' Affairs, \$0.6 million in the Office of the Attorney General, \$0.58 million in the Department of Consumer Protection, and \$0.5 million in the Commission on Human Rights and Opportunities. New Personal Services lapses are anticipated this month totaling \$0.27 million in the Department of Emergency Management and Homeland Security, and \$0.20 million in the Freedom of Information Commission.

The Elections Enforcement Commission is expected to lapse \$0.5 million due to expenditure requirements that are below budgeted levels for administration of the Citizens' Election Fund. Lapses totaling \$2.4 million are forecast in the Department of Environmental Protection as a result of reduced expenditure demands in the Emergency Spill Response, Clean Air, Solid Waste Management, and Environmental Quality accounts. The Department of Developmental Services will lapse a net of \$13.1 million, including \$2.3 million in Personal Services, \$1.0 million in Workers' Compensation Claims, \$1.8 million in the Community Residential Services account due to somewhat slower transitions under the Money Follows the Person initiative compared to budgeted levels, and \$8.0 million in one-time savings in the Employment and Day Services and Voluntary Services accounts due to a conversion of payments made by their fiscal intermediary from a quarterly to a monthly basis. The fringe benefit accounts budgeted under the Office of the State Comptroller are anticipated to lapse \$16.95 million due to lower-than-budgeted employer Social Security tax requirements as well as lower than budgeted expenditures for the higher education Alternative Retirement Plan. The Office of Legislative Management is anticipated to lapse \$4.0 million, including \$3.0 million in Personal Services and \$1.0 million in Other Expenses. The Secretary of the State is expected to lapse \$0.30 million in its Commercial Recording Division account. Finally, while we are not anticipating achievement of \$50 million in savings for Enhancing Agency Outcomes, we remain confident that the overall budgeted lapse target will be met this fiscal year.

Special Transportation Fund

In the Special Transportation Fund, our revenue projections are being revised downward by \$2.5 million over last month's forecast. Motor fuels tax collections are being revised downward by \$2.0 million due to weak collections attributed to the month of January most likely due to the numerous snowstorms that occurred in the state and overall weakness that may be attributable to rising prices for fuel. All other changes net to a negative \$0.5 million. Our expenditure estimate reflects a net improvement of \$1.45 million over last month. A \$4.0 million deficit is forecast for the Department of Transportation's Personal Services account. Offsetting this deficit is an increase in anticipated lapses totaling \$5.45 million beyond last month's projection. Projected lapses for the Office of the Treasurer's Debt Service account have increased \$2.0 million over last month to a total of \$16.0 million. A \$3.0 million lapse is forecast in the Comptroller's fringe benefits accounts. The estimated lapse in the Department of Motor Vehicles' Other Expenses account has increased \$0.45 million to a total of \$1.25 million. Overall, an annual operating deficit of \$1.05 million is forecast, and the fund balance on June 30, 2011 is anticipated to be \$104.5 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,

Benjamin Barnes
Secretary

Summary
April 20, 2011

State of Connecticut
Summary of Changes
General Fund and Special Transportation Fund
Projected to June 30, 2011
As of March 31, 2011
(In Millions)

General Fund

Balance - March 21, 2011		\$	116.4
Revenues			
Corporation	110.0		
Inheritance and Estate	10.0		
Refunds	20.0		
All Other	<u>(6.6)</u>		133.4
Expenditures			
Additional Requirements	(24.2)		
Estimated Lapses	2.5		
Miscellaneous Adjustments/Rounding	<u>0.0</u>		<u>(21.7)</u>
Balance - April 20, 2011		\$	228.1
Reserved Balance ¹			<u>(228.1)</u>
Estimated Balance - June 30, 2011		\$	<u>-</u>

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		\$	105.5
Balance - March 21, 2011			0.1
Revenues			
Motor Fuels Tax	(2.0)		
Sales Tax - DMV	1.5		
Interest Income	<u>(2.0)</u>		<u>(2.5)</u>
Expenditures			
Additional Requirements	(4.0)		
Estimated Lapses	5.4		
Miscellaneous Adjustments/Rounding	<u>0.0</u>		<u>1.4</u>
Estimated Balance - June 30, 2011		\$	<u>104.5</u>

State of Connecticut
General Fund
Statement of Revenues, Expenditures, and Results of Operations
Projected to June 30, 2011
As of March 31, 2011
(In Millions)

	General Assembly Budget Plan ¹	Revised Estimates OPM	Over/ (Under)
REVENUE			
Taxes	\$11,941.5	\$12,540.2	\$598.7
Less: Refunds	(\$1,019.8)	(\$958.0)	\$61.8
Taxes - Net	\$10,921.7	\$11,582.2	\$660.5
Other Revenue	\$1,202.7	\$1,248.6	\$45.9
Other Sources	\$5,543.0	\$5,414.5	(\$128.5)
TOTAL Revenue	\$17,667.4	\$18,245.3	\$577.9
EXPENDITURES			
Appropriations	\$17,963.5	\$17,963.5	\$0.0
Net Additional Requirements	\$0.0	\$345.2	\$345.2
Less: Estimated Lapses	(\$296.3)	(\$351.5)	(\$55.2)
TOTAL Expenditures	\$17,667.2	\$17,957.2	\$290.0
Balance from Operations	\$0.2	\$288.1	\$287.9
Miscellaneous Adjustments	\$0.0	(\$60.0)	(\$60.0)
Estimated Balance 6/30/11	\$0.2	\$228.1	\$227.9
Reserved Balance ²	(\$0.2)	(\$228.1)	(\$227.9)
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 March 31, 2011
(In Millions)

TAXES	
Personal Income	\$6,893.5
Sales and Use	3,342.0
Corporation	770.5
Public Service Corporations	269.1
Inheritance and Estate	206.9
Insurance Companies	215.0
Cigarettes	409.8
Real Estate Conveyance	88.3
Oil Companies	123.1
Alcoholic Beverages	48.7
Admissions and Dues	35.1
Miscellaneous	138.2
TOTAL - TAXES	<u>\$12,540.2</u>
Less: Refunds of Taxes	(950.0)
R & D Credit Exchange	(8.0)
TOTAL - TAXES - NET	<u>\$11,582.2</u>
OTHER REVENUE	
Transfers - Special Revenue	\$282.6
Indian Gaming Payments	360.0
Licenses, Permits, Fees	241.5
Sales of Commodities and Services	35.8
Rents, Fines, Escheats	126.5
Investment Income	1.5
Miscellaneous	202.2
Refunds of Payments	(1.5)
TOTAL - OTHER REVENUE	<u>\$1,248.6</u>
OTHER SOURCES	
Federal Grants	\$4,166.6
Transfers to the Resources of the General Fund	1,314.1
Transfer from Tobacco Settlement Fund	103.2
Transfers to Other Funds	(169.4)
TOTAL - OTHER SOURCES	<u>\$5,414.5</u>
TOTAL - GENERAL FUND REVENUE	\$18,245.3

State of Connecticut - General Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2011
As of March 31, 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	1,600,000
Commission on Child Protection	2,400,000
DAS-Worker's Compensation Claims	300,000
Total	<u>\$345,200,000</u>

State of Connecticut
 General Fund
 Estimated Lapses
 Projected to June 30, 2011
 As of March 31, 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	4,000,000
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	903,521
Reduce Outside Consultant Contracts-Executive	91,874,920
General Personal Services Reduction-Executive	11,538,800
General Other Expenses Reduction-Executive	9,066,200
Reduce OE to FY 2007 Levels-Executive	30,888,694
General Personal Services Reduction-Judicial	1,985,200
General Other Expenses Reduction-Judicial	1,559,800
Reduce Outside Consultant Contracts-Judicial	2,632,775
Enhance Agency Outcomes	0
Estimated Unallocated Lapses	30,000,000
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	1,300,000
Division of Special Revenue	850,000
Department of Veterans' Affairs	900,000
Office of the Attorney General	600,000
Department of Consumer Protection	580,000
Commission on Human Rights and Opportunities	500,000
Department of Emergency Management and Homeland Security	270,000
Department of Environmental Protection	2,400,000
Department of Developmental Services	13,100,000
Department of Children and Families	21,840,000
Office of the State Treasurer - Debt Service	41,800,000
OSC - Fringe Benefits	16,950,000
OPM - Reserve for Salary Adjustment	60,000,000
Total	<u>\$351,544,007</u>

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

	Budget Plan ¹	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	\$17,934.8	\$17,934.8	\$17,934.8	\$17,943.6	\$18,062.2	\$18,062.2	\$18,111.9	\$18,245.3			
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			
Additional Requirements	0.0	171.7	171.2	233.4	233.4	253.3	315.7	315.7	321.0	345.2			
Less: Estimated Lapses	(296.3)	(246.3)	(263.8)	(302.4)	(302.4)	(334.4)	(334.2)	(334.2)	(349.0)	(351.5)			
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	0.0	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	0.0	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)			
Estimated Balance 6/30/11 ²	\$0.2	(\$63.4)	(\$45.3)	\$0.3	\$0.3	\$1.2	\$57.2	\$57.2	\$116.4	\$228.1	\$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. 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.

Statement 1T
April 20, 2011

State of Connecticut
Special Transportation Fund
Analysis of Budget Plan
Projected to June 30, 2011
As of March 31, 2011
(In Millions)

	General Assembly <u>Budget Plan</u> ^{1.}	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
Surplus Carried Forward from 2009-10 ^{2.}	\$101.2	\$105.4	\$4.2
REVENUE			
Taxes	\$720.3	\$723.3	\$3.0
Less: Refunds of Taxes	<u>(6.9)</u>	<u>(7.2)</u>	<u>(0.3)</u>
Taxes - Net	713.4	716.1	2.7
Other Revenue	<u>466.6</u>	<u>454.6</u>	<u>(12.0)</u>
TOTAL - Revenue	\$1,180.0	\$1,170.7	(\$9.3)
EXPENDITURES			
Appropriations	\$1,187.9	\$1,187.9	\$0.0
Additional Appropriations	0.0	4.0	4.0
Less: Estimated Lapses	<u>(11.0)</u>	<u>(20.3)</u>	<u>(9.3)</u>
TOTAL - Expenditures	\$1,176.9	\$1,171.7	(\$5.2)
Balance from Operations	\$3.1	(\$1.0)	(\$4.1)
Miscellaneous Adjustments	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Estimated Balance 6/30/11	<u>\$104.3</u>	<u>\$104.5</u>	<u>\$0.1</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
April 20, 2011

State of Connecticut
Special Transportation Fund
Revenue Estimates
Projected to June 30, 2011
As of March 31, 2011
(In Millions)

TAXES	
Motor Fuels	\$488.7
Oil Companies	165.3
Sales Tax DMV	69.3
TOTAL - TAXES	<u>723.3</u>
Less: Refunds of Taxes	<u>(7.2)</u>
TOTAL - TAXES - NET	\$716.1
OTHER REVENUE	
Motor Vehicle Receipts	\$221.9
Licenses, Permits, Fees	135.2
Interest Income	5.5
Federal Grants	9.3
Transfers (To)/From Other Funds	85.8
Refunds of Payments	<u>(3.1)</u>
TOTAL - OTHER REVENUE	\$454.6
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$1,170.7

Statement 3T
April 20, 2011

State of Connecticut
Special Transportation Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2011
As of March 31, 2011

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

Statement 4T
April 20, 2011

State of Connecticut
Special Transportation Fund
Estimated Lapses
Projected to June 30, 2011
As of March 31, 2011

Office of the State Treasurer - Debt Service	\$16,000,000
OSC - Fringe Benefits	\$3,000,000
Department of Motor Vehicles	\$1,250,000
Total	<u>\$20,250,000</u>

State of Connecticut
20010-11 Special Transportation Fund
Summary of Operations Per Letter to the Comptroller
(In Millions)

	Budget Plan ¹	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 ²	\$101.2	\$101.2	\$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>			
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	0.0	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			
Additional Requirements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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>			
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	0.0	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)	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>	<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	\$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. 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.

