

STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

August 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 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 the General Fund will remain in balance as per the budget plan. However, it is important to note that, while limited expenditure data exists at this early point in the fiscal year, unfavorable expenditure trends appear to be developing in a small number of agency accounts as detailed below. In addition, significant uncertainty remains with regard to the national and global economic picture. Careful attention to these factors will be required as the year progresses.

The adopted budget includes a \$3.1 million balance from operations, an amount insufficient to freeze the current GAAP deficit which is estimated at \$1.7 billion. If a surplus develops this fiscal year, up to \$50.0 million must be reserved by the Comptroller to be applied to the GAAP deficit per Sec. 46 of Public Act 11-48, with the remainder dedicated to redeeming Economic Recovery Notes issued to finance the FY 2009 deficit in accordance with Sec. 511 of Public Act 09-3, June Special Session.

Revenues

Given that it is very early in the fiscal year, our revenue projections this month remain unchanged relative to the adopted budget. However, the revenue forecast that underlies the fiscal 2013 budget assumes an accelerating national economic expansion which currently remains elusive. Furthermore, the likelihood of political brinksmanship at the national level surrounding potential sequestration and expiration of several policies increases the level of uncertainty in our revenue forecast.

Expenditures

We are currently projecting that expenditures will be in line with appropriated levels. However, expenditures trends have developed in several agencies that will demand close

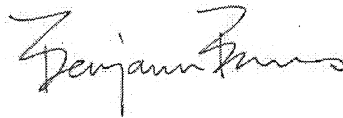
monitoring over the coming months and may impact future expenditure projections. In particular, caseload and utilization trends in the Medicaid program will need to significantly moderate from their current pace in order for spending in the Medicaid accounts to remain within available appropriations. Finally, Personal Services cost trends in the departments of Correction and Emergency Services and Public Protection are currently running above the levels that can be supported by available appropriations.

Special Transportation Fund

In the Special Transportation Fund, estimated revenues and expenditures remain unchanged relative to the adopted budget. We anticipate the fund balance on June 30, 2013 to be \$146.3 million.

It is important to note that this represents the first projection of the State's General Fund and Transportation Fund position for FY 2013. 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 black ink, appearing to read "Benjamin Barnes". The signature is written in a cursive style with a large initial "B".

Benjamin Barnes
Secretary

Summary
August 20, 2012

State of Connecticut
Summary of Changes
General Fund and Special Transportation Fund
Projected to June 30, 2013
As of July 31, 2012
(In Millions)

General Fund

Balance - Adopted Budget		\$	3.1
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, 2013 - Budgetary Basis		\$	3.1
Reserved Balance ¹ :			(50.0)
Estimated Balance - June 30, 2013 - GAAP Basis		\$	(46.9)

1. Up to \$50,000,000 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 2012 Surplus		\$	145.3
Balance - Adopted Budget			1.0
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, 2013		\$	146.3

State of Connecticut
General Fund
Statement of Revenues, Expenditures, and Results of Operations
Projected to June 30, 2013
As of July 31, 2012
(In Millions)

	General Assembly Budget Plan ¹	Revised Estimates OPM	Over/ (Under)
REVENUE			
Taxes	\$ 15,483.8	\$ 15,483.8	\$ -
Less: Refunds	(1,075.6)	(1,075.6)	-
Taxes - Net	\$ 14,408.2	\$ 14,408.2	\$ -
Other Revenue	1,158.3	1,158.3	-
Other Sources	3,576.7	3,576.7	-
TOTAL Revenue	\$ 19,143.2	\$ 19,143.2	\$ -
EXPENDITURES			
Appropriations	\$ 19,256.4	\$ 19,256.4	\$ -
Net Additional Requirements	-	-	-
Less: Estimated Lapses	(116.3)	(116.3)	-
TOTAL Expenditures	\$ 19,140.1	\$ 19,140.1	\$ -
Balance from Operations	\$ 3.1	\$ 3.1	\$ -
Miscellaneous Adjustments	-	-	-
Estimated Balance - Budgetary Basis	3.1	3.1	-
Reserved Balance - GAAP ²	(50.0)	(50.0)	-
Estimated Balance - GAAP Basis	\$ (46.9)	\$ (46.9)	\$ -
Reserved Balance -Other ²	-	-	-
Remaining Balance - 6/30/2012	\$ (46.9)	\$ (46.9)	\$ -

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

2. Up to \$50,000,000 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, 2013
As of July 31, 2012
(In Millions)

	General Assembly Budget Plan	Revised Estimates OPM	Over/ (Under)
TAXES			
Personal Income	\$ 8,554.3	\$ 8,554.3	\$ -
Sales and Use	4,045.9	4,045.9	-
Corporation	793.0	793.0	-
Public Service Corporations	275.2	275.2	-
Inheritance and Estate	166.2	166.2	-
Insurance Companies	234.4	234.4	-
Cigarettes	411.1	411.1	-
Real Estate Conveyance	100.3	100.3	-
Oil Companies	182.6	182.6	-
Electric Generation	71.0	71.0	-
Alcoholic Beverages	59.3	59.3	-
Admissions and Dues	39.6	39.6	-
Health Provider Tax	530.7	530.7	-
Miscellaneous	20.1	20.1	-
TOTAL - TAXES	\$ 15,483.8	\$ 15,483.8	\$ -
Less: Refunds of Taxes	(950.6)	(950.6)	-
Earned Income Tax Credit	(116.5)	(116.5)	-
R & D Credit Exchange	(8.5)	(8.5)	-
TOTAL - TAXES - NET	\$ 14,408.2	\$ 14,408.2	\$ -
OTHER REVENUE			
Transfers - Special Revenue	\$ 305.1	\$ 305.1	\$ -
Indian Gaming Payments	336.2	336.2	-
Licenses, Permits, Fees	258.8	258.8	-
Sales of Commodities and Services	34.8	34.8	-
Rents, Fines, Escheats	107.7	107.7	-
Investment Income	2.8	2.8	-
Miscellaneous	162.9	162.9	-
Refunds of Payments	(50.0)	(50.0)	-
TOTAL - OTHER REVENUE	\$ 1,158.3	\$ 1,158.3	\$ -
OTHER SOURCES			
Federal Grants	\$ 3,629.0	\$ 3,629.0	\$ -
Transfer from Tobacco Settlement Fund	93.1	93.1	-
Transfers to Other Funds ¹	(145.5)	(145.5)	-
TOTAL - OTHER SOURCES	\$ 3,576.7	\$ 3,576.7	\$ -
TOTAL - GENERAL FUND REVENUE	\$ 19,143.2	\$ 19,143.2	\$ -

1. 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 July 31, 2012

No Additional Requirements
Total

\$	-
<hr/>	
\$	-
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State of Connecticut
General Fund
Estimated Lapses
Projected to June 30, 2013
As of July 31, 2012

Unallocated Lapse	\$ 91,676,192
Unallocated Lapse - Legislative	3,028,105
Unallocated Lapse - Judicial	7,400,672
General Lapse - Legislative	56,251
General Lapse - Judicial	401,946
General Lapse - Executive	13,785,503
Total	<u>\$ 116,348,669</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	March 2013	April 2013	May 2013	June 2013
REVENUE	#####												
Appropriations	19,256.4												
Additional Requirements	0.0												
Less: Estimated Lapses	(116.3)												
TOTAL - Estimated Expenditures	19,140.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance from Operations	3.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	0.0	0.0	0.0	0.0
Est. Balance 6/30/13 - Budgetary Basis	\$3.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Reserved Balance - GAAP ³	(50.0)												
Est. Balance 6/30/13 - GAAP Basis	(\$46.9)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$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 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
August 20, 2012

State of Connecticut
Special Transportation Fund
Analysis of Budget Plan
Projected to June 30, 2013
As of July 31, 2012
(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	\$ 145.3	\$ -
REVENUE			
Taxes	\$ 773.3	\$ 773.3	\$ -
Less: Refunds of Taxes	<u>(7.8)</u>	<u>(7.8)</u>	<u>-</u>
Taxes - Net	765.5	765.5	-
Other Revenue	<u>468.2</u>	<u>468.2</u>	<u>-</u>
TOTAL - Revenue	\$ 1,233.7	\$ 1,233.7	\$ -
EXPENDITURES			
Appropriations	\$ 1,243.7	\$ 1,243.7	\$ -
Net Additional Requirements	-	-	-
Less: Estimated Lapses	<u>(11.0)</u>	<u>(11.0)</u>	<u>-</u>
TOTAL - Expenditures	\$ 1,232.7	\$ 1,232.7	\$ -
Balance from Operations	\$ 1.0	\$ 1.0	\$ -
Miscellaneous Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
Estimated Balance - June 30, 2012	<u>\$ 146.3</u>	<u>\$ 146.3</u>	<u>\$ -</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.

Statement 2T
August 20, 2012

State of Connecticut
Special Transportation Fund
Revenue Estimates
Projected to June 30, 2013
As of July 31, 2012
(In Millions)

	<u>General Assembly Budget Plan</u>	<u>Revised Estimates OPM</u>	<u>Over/ (Under)</u>
TAXES			
Motor Fuels	\$ 497.5	\$ 497.5	\$ -
Oil Companies	199.4	199.4	-
Sales Tax DMV	76.4	76.4	-
TOTAL - TAXES	<u>773.3</u>	<u>773.3</u>	-
Less: Refunds of Taxes	(7.8)	(7.8)	-
TOTAL - TAXES - NET	<u>\$ 765.5</u>	<u>\$ 765.5</u>	\$ -
OTHER REVENUE			
Motor Vehicle Receipts	\$ 233.4	\$ 233.4	\$ -
Licenses, Permits, Fees	137.9	137.9	-
Interest Income	6.0	6.0	-
Federal Grants	13.1	13.1	-
Transfers (To)/From Other Funds	81.2	81.2	-
Refunds of Payments	(3.4)	(3.4)	-
TOTAL - OTHER REVENUE	<u>\$ 468.2</u>	<u>\$ 468.2</u>	\$ -
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$ 1,233.7	\$ 1,233.7	\$ -

Statement 3T
August 20, 2012

State of Connecticut
Special Transportation Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2013
As of July 31, 2012

No Additional Requirements
Total

\$	-
<u>\$</u>	<u>-</u>

Statement 4T
August 20, 2012

State of Connecticut
Special Transportation Fund
Estimated Lapses
Projected to June 30, 2013
As of July 31, 2012

Unallocated Lapses	\$ 11,000,000
Total	<u>\$ 11,000,000</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	March 2013	April 2013	May 2013	June 2013
Beginning Balance ^{2.}	\$ 145.3												
Revenue	1,233.7												
Total Available	1,379.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Appropriations	1,243.7												
Additional Requirements	0.0												
Less: Estimated Lapses	(11.0)												
TOTAL - Estimated Expenditures	1,232.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance from Operations	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Compt's Misc. Adjustments/Rounding	0.0												
Estimated Balance 6/30/13	\$146.3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$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.