



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

October 19, 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 experience a \$107.6 million shortfall on a GAAP basis, and a \$60.1 million shortfall on a budgetary basis, a change of \$33.2 million from last month. This change is due to weaker revenue collections, as detailed below. As noted last month, significant uncertainty exists with regard to the national and global economic picture and, by extension, to the assumptions used in our estimates.

The adopted budget included a \$3.1 million balance from operations on a budgetary basis. Section 4-30c of the General Statutes requires that up to \$50 million of any surplus that should develop this fiscal year be devoted, if necessary, to freeze the current General Fund GAAP deficit at the June 30, 2011 level, which was approximately \$1.75 billion. Because preliminary estimates of the June 30, 2012 GAAP deficit suggest an improvement over the 2011 level, this section is not anticipated to be operative, and therefore any surplus would be dedicated to redeeming Economic Recovery Notes issued to finance the FY 2009 deficit in accordance with Section 4-30b of the General Statutes.

Revenues

Forecast revenues are being revised downward by \$33.2 million from the level reported last month. Indian Gaming Payments are being revised downward by \$25.0 million and the Corporation Tax is being revised downward by \$15.0 million, reflecting weaker collections to date. All other changes net to a positive \$6.8 million. As noted in last month's letter, the revenue forecast that underlies the FY 2013 budget assumes a modestly accelerating national expansion which has yet to materialize. In particular, we are closely watching revenue collections from the Sales Tax, which appear to be weaker than expected. Finally, continued political gridlock and brinksmanship at the national level relative to addressing the budget and economy, including the prospects of sequestration and the expiration of tax cut and other

significant federal policies in January, coupled with global economic concerns, continue to lend a high level of uncertainty to our revenue forecast.

Expenditures

We continue to forecast two areas where expenditures will differ from appropriated levels. First, a \$100.0 million deficiency is anticipated in the Department of Social Services' Medicaid accounts due to increasing caseloads in the Low Income Adults program as well as increased utilization of medical services. Recent expenditure and caseload trends, however, suggest the potential for an increase in this deficiency as the year progresses. Partially offsetting this shortfall is a \$20.0 million lapse anticipated in the Treasurer's debt service accounts attributable to pricing from the fall sale as well as generally favorable market conditions. Beyond these areas, we continue to closely watch trends in several agencies that may impact future expenditure projections, including Personal Services and Other Expenses cost trends in the departments of Correction and Emergency Services and Public Protection which are currently running above the levels that can be supported by available appropriations.

Special Transportation Fund

In the Special Transportation Fund, estimated revenues are being revised downward by \$2.0 million due to reduced estimates of interest income. Offsetting this is a projected lapse in the Department of Transportation in the Rail Operations account based on current expenditure trends. We anticipate the fund balance on June 30, 2013 to be \$146.8 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,



Benjamin Barnes
Secretary

Summary
October 19, 2012

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

General Fund

Balance - Prior Month		\$	(26.9)
Revenues			
Corporation Tax	(15.0)		
Indian Gaming Payments	(25.0)		
All Other	6.8		(33.2)
Expenditures			
Additional Requirements	0.0		
Estimated Lapses	0.0		
Miscellaneous Adjustments/Rounding	0.0		0.0
Estimated Balance - June 30, 2013 - Budgetary Basis ^{1.}		\$	(60.1)
Conversion to GAAP			(47.5)
Estimated Balance - June 30, 2013 - GAAP Basis		\$	(107.6)

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			1.0
Revenues			
Interest Income	(2.0)		(2.0)
Expenditures			
Additional Requirements	0.0		
Estimated Lapses	2.0		
Miscellaneous Adjustments/Rounding	0.0		2.0
Estimated Balance - June 30, 2013		\$	146.8

State of Connecticut
General Fund
Statement of Revenues, Expenditures, and Results of Operations, GAAP and Budgetary Bases
Projected to June 30, 2013
As of September 30, 2012
(In Millions)

	General Assembly Budget Plan ¹	Revised Estimates OPM	Over/ (Under)
REVENUE			
Taxes	\$ 15,483.8	\$ 15,472.0	\$ (11.8)
Less: Refunds	(1,075.6)	(1,072.1)	3.5
Taxes - Net	\$ 14,408.2	\$ 14,399.9	\$ (8.3)
Other Revenue	1,158.3	1,135.5	(22.8)
Other Sources	3,576.7	3,624.6	47.9
TOTAL Revenue	\$ 19,143.2	\$ 19,160.0	\$ 16.7
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	\$ 19,290.3	\$ 147.1
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		100.0	100.0
Estimated Lapses	(116.3)	(136.3)	(20.0)
Current Year Appropriations Continued to FY 2014		-	-
TOTAL Estimated Expenditures	\$ 19,140.1	\$ 19,350.5	\$ 210.4
Estimated Balance - Budgetary Basis - 6/30/2013 ²	\$ 3.1	\$ (60.1)	\$ (63.3)
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		\$ (107.6)	\$ (110.8)

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 September 30, 2012
(In Millions)

	General Assembly <u>Budget Plan</u>	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
TAXES			
Personal Income	\$ 8,554.3	\$ 8,554.3	\$ -
Sales and Use	4,046.0	4,046.0	-
Corporation	793.0	778.0	(15.0)
Public Service Corporations	275.2	275.2	-
Inheritance and Estate	166.2	166.2	-
Insurance Companies	234.4	237.6	3.2
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	\$ 15,472.0	\$ (11.8)
Less: Refunds of Taxes	(950.6)	(950.6)	-
Earned Income Tax Credit	(116.5)	(116.5)	-
R & D Credit Exchange	(8.5)	(5.0)	3.5
TOTAL - TAXES - NET	\$ 14,408.2	\$ 14,399.9	\$ (8.3)
OTHER REVENUE			
Transfers - Special Revenue	\$ 305.1	\$ 305.1	\$ -
Indian Gaming Payments	336.2	311.2	(25.0)
Licenses, Permits, Fees	258.8	262.8	4.0
Sales of Commodities and Services	34.8	34.8	-
Rents, Fines, Escheats	107.7	107.7	-
Investment Income	2.8	1.0	(1.8)
Miscellaneous	162.9	162.9	-
Refunds of Payments	(50.0)	(50.0)	-
TOTAL - OTHER REVENUE	\$ 1,158.3	\$ 1,135.5	\$ (22.8)
OTHER SOURCES			
Federal Grants	\$ 3,629.0	\$ 3,680.9	\$ 51.9
Transfer from Tobacco Settlement Fund	93.1	93.1	-
Transfers to Other Funds ¹	(145.5)	(149.5)	(4.0)
TOTAL - OTHER SOURCES	\$ 3,576.7	\$ 3,624.6	\$ 47.9
TOTAL - GENERAL FUND REVENUE	\$ 19,143.2	\$ 19,160.0	\$ 16.7

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 September 30, 2012

Department of Social Services - Medicaid
Total

\$	100,000,000
\$	<u>100,000,000</u>

Statement 4
October 19, 2012

State of Connecticut
General Fund
Estimated Lapses
Projected to June 30, 2013
As of September 30, 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
Office of the State Treasurer - Debt Service	20,000,000
Total	<u>\$ 136,348,669</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	\$19,143.2	\$19,143.2	\$19,193.2	\$19,160.0									
Appropriations	19,256.4	19,256.4	19,256.4	19,256.4									
Additional Requirements	0.0	0.0	100.0	100.0									
Less: Estimated Lapses	(116.3)	(116.3)	(136.3)	(136.3)									
TOTAL - Estimated Expenditures	19,140.1	19,140.1	19,220.1	19,220.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance from Operations	3.1	3.1	(26.9)	(60.1)	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 ²	\$3.1	\$3.1	(\$26.9)	(\$60.1)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Conversion to GAAP	(50.0)	(50.0)	(47.5)	(47.5)									
Est. Balance 6/30/13 - GAAP Basis	(\$46.9)	(\$46.9)	(\$74.4)	(\$107.6)	\$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 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.

Statement 1T
October 19, 2012

State of Connecticut
Special Transportation Fund
Analysis of Budget Plan
Projected to June 30, 2013
As of September 30, 2012
(In Millions)

	General Assembly Budget Plan ¹	Revised Estimates OPM	Over/ (Under)
Surplus Carried Forward from FY 2012 ²	\$ 145.3	\$ 145.8	\$ 0.5
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>466.2</u>	<u>(2.0)</u>
TOTAL - Revenue	\$ 1,233.7	\$ 1,231.7	\$ (2.0)
EXPENDITURES			
Appropriations	\$ 1,243.7	\$ 1,243.7	\$ -
Net Additional Requirements	-	-	-
Less: Estimated Lapses	<u>(11.0)</u>	<u>(13.0)</u>	<u>(2.0)</u>
TOTAL - Expenditures	\$ 1,232.7	\$ 1,230.7	\$ (2.0)
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>\$ 146.8</u>	<u>\$ 0.5</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
October 19, 2012

State of Connecticut
Special Transportation Fund
Revenue Estimates
Projected to June 30, 2013
As of September 30, 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	4.0	(2.0)
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>\$ 466.2</u>	\$ (2.0)
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$1,233.7	\$1,231.7	\$ (2.0)

Statement 3T
October 19, 2012

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

No Additional Requirements
Total

\$	-
<hr/>	
\$	-
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Statement 4T
September 20, 2012

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

Unallocated Lapses	\$ 11,000,000
Department of Transportation	\$ 2,000,000
Total	<u>\$ 13,000,000</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	\$ 145.3	\$ 145.8	\$ 145.8									
Revenue	<u>1,233.7</u>	<u>1,233.7</u>	<u>1,233.7</u>	<u>1,231.7</u>									
Total Available	1,379.0	1,379.0	1,379.5	1,377.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Appropriations	1,243.7	1,243.7	1,243.7	1,243.7									
Additional Requirements	0.0	0.0	0.0	0.0									
Less: Estimated Lapses	<u>(11.0)</u>	<u>(11.0)</u>	<u>(11.0)</u>	<u>(13.0)</u>									
TOTAL - Estimated Expenditures	1,232.7	1,232.7	1,232.7	1,230.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance from Operations	1.0	1.0	1.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	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>									
Estimated Balance 6/30/13	\$ 146.3	\$ 146.3	\$ 146.8	\$ 146.8	\$ 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. August and thereafter per the Comptroller's September 4, 2012 Letter.