

STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

April 19, 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 \$44.7 million shortfall in the General Fund on a GAAP basis, but a minor \$2.8 million surplus on a budgetary basis, an improvement of \$36.4 million from the amount reported last month. The improvement in balance is the result of several positive developments in revenue as discussed further below, in combination with continuing favorable trends in expenditures. It should be noted, however, that April income tax collection data will be finalized in the coming weeks and any significant deviations (positive or negative) from projected receipts will impact this forecast.

As noted in prior months, our estimate includes the impact of rescissions announced November 28, 2012, the deficit mitigation measures adopted in Public Act 12-1, December Special Session, and the impact of hiring and contract restrictions announced January 22nd. It does not, however, reflect the impact of federal sequestration. Our best estimate at this time is that sequestration will result in little immediate state budgetary impact, but the economic impact of these cuts, especially in the defense sector of Connecticut's economy, could have a significant effect on revenues going forward.

Revenues

Revenues have been revised upward by \$52.3 million from last month. The Inheritance and Estate Tax has been revised upward by \$90 million due to larger than normal collections. Rents, Fines, and Escheats have been revised upward by \$25 million due to higher than expected escheat revenue in March. Sales Tax revenue has been revised downward by \$15 million as the tax continues to slightly underperform its monthly target. Transfers from Special Revenue have been revised downward by \$13.9 million due to the drawing of two popular numeric combinations which resulted in larger than normal prize payouts. Given the anticipated positive balance in the General Fund, we are no longer forecasting the need to

transfer \$15 million from the Budget Reserve Fund as anticipated in section 29 of Public Act 12-104. All other revenue changes net to a negative \$18.8 million. It should be noted that April is the most important month for Income Tax collections, and those receipts are still being tallied by the Department of Revenue Services. It would therefore be premature to modify our forecast for that revenue source at this time. Note that my office and the legislature's Office of Fiscal Analysis will release an updated consensus forecast at the end of April.

Expenditures

Overall, expenditures are projected to fall below budgeted appropriations by a total of \$117.6 million, including the impact of revisions adopted as part of the December deficit mitigation plan. This month's estimate includes \$306.3 million in deficiencies, which are more than offset by lapses (including rescissions) that are anticipated to exceed budgeted levels by \$423.9 million.

Projected Deficiencies

First, and most significantly, a net deficiency of \$247 million is anticipated in the Department of Social Services' Medicaid accounts, an improvement of \$8 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 \$12.5 million in the Department of Mental Health and Addiction Services' General Assistance Managed care account. A \$5 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 million in its Personal Services and Other Expenses accounts 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 and Other Expenses accounts totaling \$13.8 million due largely to aggressive budget assumptions. The Department of Consumer Protection will experience a shortfall of \$0.2 million in its Personal Services account as a result of a restructuring of casino staffing reimbursements. The Office of the State Comptroller is expected to incur deficiencies totaling \$1.5 million in Personal Services and Other Expenses. Lastly, a \$3.3 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, up \$13.3 million from last month, attributable to pricing from the fall and spring sales as well as generally favorable market conditions. Lapses totaling \$28 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 \$3.1 million in the Department of Public Health are anticipated due to favorable expenditure trends. Lapses totaling \$55.7 million are forecast in the Comptroller's fringe benefits accounts, a downward adjustment of \$12 million from last

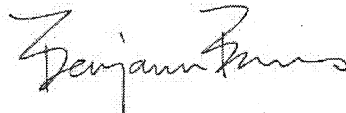
month, with the lapses attributable to positive trends in healthcare costs for retired state employees, reduced Social Security tax and unemployment compensation obligations, and reduced pension costs in the higher education Alternative Retirement Plan. We continue to forecast Personal Services lapses 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 \$1.4 million across a variety of accounts due to reduced expenditure requirements. The Teachers' Retirement Board is expected to lapse \$3.6 million, primarily in the Retirees Health Service Cost account due to pharmacy reimbursements and lower than budgeted membership in the municipal retiree health plan. Lastly, we anticipate a lapse of \$3.2 million in the Department of Education attributable to lower than budgeted enrollment in the Priority School Districts and Magnet Schools accounts. 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 have been revised downward by \$4.5 million, due primarily to weaker than expected collections in Motor Vehicle Receipts, which are down by \$4.9 million from last month's forecast. A lapse of \$5 million is anticipated in the Department of Transportation's Rail Operations account based on current expenditure trends, and \$17.4 million in the Treasurer's debt service account attributable to the December bond sale. A lapse of \$5.2 million is forecast in the Comptroller's fringe benefit accounts due to reduced Social Security tax, unemployment compensation and active employee health care obligations. New this month are lapses totaling \$1 million in the Department of Motor Vehicles' Personal Services 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 \$161.3 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 black ink, appearing to read "Benjamin Barnes", written in a cursive style.

Benjamin Barnes
Secretary

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

General Fund

Balance - Prior Month		\$	(33.6)
Revenues			
Inheritance and Estate Tax	90.0		
Rents, Fines, and Escheats	25.0		
Sales Tax	(15.0)		
Transfers from Special Revenue	(13.9)		
Transfers from Other Funds	(15.0)		
All other changes (net)	(18.8)		52.3
Expenditures			
Additional Requirements	8.1		
Estimated Lapses	(24.0)		
Miscellaneous Adjustments/Rounding	0.0		(15.9)
Estimated Balance - June 30, 2013 - Budgetary Basis ¹		\$	2.8
Conversion to GAAP			(47.5)
Estimated Balance - June 30, 2013 - GAAP Basis		\$	(44.7)

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			14.7
Revenues			
Motor Vehicle Receipts	(4.9)		
All Other Changes (net)	0.4		(4.5)
Expenditures			
Additional Requirements	0.0		
Estimated Lapses	5.3		
Miscellaneous Adjustments/Rounding	0.0		5.3
Estimated Balance - June 30, 2013		\$	161.3

State of Connecticut
General Fund
Statement of Revenues, Expenditures, and Results of Operations, GAAP and Budgetary Bases
Projected to June 30, 2013
As of March 31, 2013
(In Millions)

	General Assembly Budget Plan ¹	Revised Estimates OPM	Over/ (Under)
REVENUE			
Taxes	\$ 15,483.8	\$ 15,352.8	\$ (131.0)
Less: Refunds	(1,075.6)	(1,161.0)	(85.4)
Taxes - Net	\$ 14,408.2	\$ 14,191.8	\$ (216.4)
Other Revenue	1,158.3	1,125.9	(32.4)
Other Sources	3,576.7	3,707.6	130.9
TOTAL Revenue	\$ 19,143.2	\$ 19,025.3	\$ (117.9)
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	\$ 19,155.7	\$ 12.4
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		306.3	306.3
Estimated Lapses	(116.3)	(540.2)	(423.9)
Current Year Appropriations Continued to FY 2014		-	-
TOTAL Estimated Expenditures	\$ 19,140.1	\$ 19,152.9	\$ 12.8
Estimated Balance - Budgetary Basis - 6/30/2013 ²	\$ 3.1	\$ 2.8	\$ (0.3)
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		\$ (44.7)	\$ (47.8)

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 March 31, 2013
(In Millions)

	General Assembly Budget Plan	Revised Estimates OPM	Over/ (Under)
TAXES			
Personal Income	\$ 8,554.3	\$ 8,554.3	\$ -
Sales and Use	4,046.0	3,871.2	(174.8)
Corporation	793.0	716.2	(76.8)
Public Service Corporations	275.2	278.7	3.5
Inheritance and Estate	166.2	316.2	150.0
Insurance Companies	234.4	247.8	13.4
Cigarettes	411.1	405.1	(6.0)
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	37.6	(2.0)
Health Provider Tax	530.7	509.0	(21.7)
Miscellaneous	20.1	18.7	(1.4)
TOTAL - TAXES	\$ 15,483.8	\$ 15,352.8	\$ (131.0)
Less: Refunds of Taxes	(950.6)	(1,040.6)	(90.0)
Earned Income Tax Credit	(116.5)	(115.5)	1.0
R & D Credit Exchange	(8.5)	(4.9)	3.6
TOTAL - TAXES - NET	\$ 14,408.2	\$ 14,191.8	\$ (216.4)
OTHER REVENUE			
Transfers - Special Revenue	\$ 305.1	\$ 301.2	\$ (3.9)
Indian Gaming Payments	336.2	293.0	(43.2)
Licenses, Permits, Fees	258.8	262.8	4.0
Sales of Commodities and Services	34.8	35.8	1.0
Rents, Fines, Escheats	107.7	134.2	26.5
Investment Income	2.8	0.5	(2.3)
Miscellaneous	162.9	167.9	5.0
Refunds of Payments	(50.0)	(69.5)	(19.5)
TOTAL - OTHER REVENUE	\$ 1,158.3	\$ 1,125.9	\$ (32.4)
OTHER SOURCES			
Federal Grants	\$ 3,629.0	\$ 3,732.6	\$ 103.6
Transfer from Tobacco Settlement Fund	93.1	93.1	-
Transfers to Other Funds ¹	(145.5)	(118.1)	27.4
TOTAL - OTHER SOURCES	\$ 3,576.7	\$ 3,707.6	\$ 130.9
TOTAL - GENERAL FUND REVENUE	\$ 19,143.2	\$ 19,025.3	\$ (117.9)

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

Statement 3
April 19, 2013

State of Connecticut - General Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2013
As of March 31, 2013

Office of the State Comptroller	\$ 1,500,000
Department of Emergency Services and Public Protection	13,800,000
Department of Consumer Protection	200,000
Department of Mental Health and Addiction Services	12,500,000
Department of Social Services	252,000,000
Department of Correction	23,000,000
OSC - Miscellaneous	3,300,000
Total	<u>\$ 306,300,000</u>

State of Connecticut
General Fund
Estimated Lapses
Projected to June 30, 2013
As of March 31, 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	1,400,000
Department of Administrative Services	500,000
Department of Criminal Justice	400,000
Department of Public Health	3,100,000
State Department of Education	3,200,000
Teachers' Retirement Board	3,600,000
Department of Children and Families	28,000,000
Office of the State Treasurer - Debt Service	33,300,000
Office of the State Comptroller - Fringe Benefits	55,700,000
November 28, 2012 Rescissions	170,444,693
December 19, 2012 DMP Allotment Reductions	209,540,125
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>\$ 540,228,518</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	\$ 19,015.1	\$ 19,013.4	\$ 18,979.5	\$ 18,979.5	\$ 18,973.0	\$ 19,025.3			
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			
Additional Requirements	0.0	0.0	100.0	100.0	294.1	309.1	337.9	337.6	314.4	306.3			
Less: Estimated Lapses	(116.3)	(116.3)	(136.3)	(136.3)	(170.4)	(300.1)	(550.4)	(558.8)	(564.2)	(540.2)			
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	0.0	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)	2.8	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)	(\$ 365.0)	(\$ 252.0)	(\$ 64.4)	(\$ 55.7)	(\$ 33.6)	\$ 2.8	\$ 0.0	\$ 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)			
Est. Balance 6/30/13 - GAAP Basis		(\$ 46.9)	(\$ 74.4)	(\$ 107.6)	(\$ 412.5)	(\$ 299.5)	(\$ 111.9)	(\$ 103.2)	(\$ 81.1)	(\$ 44.7)	\$ 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
 April 19, 2013

State of Connecticut
 Special Transportation Fund
 Analysis of Budget Plan
 Projected to June 30, 2013
 As of March 31, 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>(6.2)</u>	<u>1.6</u>
Taxes - Net	765.5	766.2	0.7
Other Revenue	<u>468.2</u>	<u>457.0</u>	<u>(11.2)</u>
TOTAL - Revenue	<u>\$ 1,233.7</u>	<u>\$ 1,223.2</u>	<u>\$ (10.5)</u>
EXPENDITURES			
Appropriations	\$ 1,243.7	\$ 1,243.7	\$ -
Net Additional Requirements	-	-	-
Less: Estimated Lapses	<u>(11.0)</u>	<u>(36.0)</u>	<u>(25.0)</u>
TOTAL - Expenditures	<u>\$ 1,232.7</u>	<u>\$ 1,207.7</u>	<u>\$ (25.0)</u>
Balance from Operations	\$ 1.0	\$ 15.5	\$ 14.5
Miscellaneous Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
Estimated Balance - June 30, 2013	<u>\$ 146.3</u>	<u>\$ 161.3</u>	<u>\$ 15.0</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
April 19, 2013

State of Connecticut
Special Transportation Fund
Revenue Estimates
Projected to June 30, 2013
As of March 31, 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)	(6.2)	1.6
TOTAL - TAXES - NET	<u>\$ 765.5</u>	<u>\$ 766.2</u>	<u>\$ 0.7</u>
OTHER REVENUE			
Motor Vehicle Receipts	\$ 233.4	\$ 230.9	\$ (2.5)
Licenses, Permits, Fees	137.9	140.0	2.1
Interest Income	6.0	3.1	(2.9)
Federal Grants	13.1	12.5	(0.6)
Transfers (To)/From Other Funds	81.2	73.7	(7.5)
Refunds of Payments	(3.4)	(3.2)	0.2
TOTAL - OTHER REVENUE	<u>\$ 468.2</u>	<u>\$ 457.0</u>	<u>\$ (11.2)</u>
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	<u>\$ 1,233.7</u>	<u>\$ 1,223.2</u>	<u>\$ (10.5)</u>

Statement 3T
April 19, 2013

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

No Additional Requirements	\$ -
Total	<u><u>\$ -</u></u>

Statement 4T
April 19, 2013

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

Unallocated Lapses	\$	-
Department of Motor Vehicles		1,000,000
Department of Transportation		5,000,000
OSC - Fringe Benefits		5,200,000
OTT - Debt Service		17,400,000
December 19, 2012 DMP Allotment Reductions		7,414,380
Total		<u>\$ 36,014,380</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	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			
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	1,223.2			
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	1,369.0	0.0	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			
Additional Requirements	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)			
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	0.0	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	15.5	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 6/30/13	\$146.3	\$146.3	\$146.8	\$146.8	\$149.7	\$156.1	\$158.6	\$159.0	\$160.5	\$161.3	\$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.