

FY 10 - FY 14
General Fund & Transportation Fund
Budget Projections

May 4, 2010

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Summary

General Fund

Since our last statement on February 2, 2010, revenues have improved and estimated expenditure levels have declined. The General Fund is now projected to end the year with a surplus of \$139.3 million. FY 11 is still projected to be in deficit but it has been reduced to \$371.7 million. The out years (FY 12 - FY 14) continue to face considerable deficits of more than 15% of estimated expenditures in each year. The deficit increases significantly in FY 12 as the one-time infusions of federal stimulus, rainy day funds and assumed securitization (in FY 11) are no longer available.

(\$ - millions)	FY 10	FY 11	FY 12	FY 13	FY 14
Est. (Deficit)/Surplus	\$ 139.3	(\$371.7)	(\$3,373.2)	(\$3,165.9)	(\$3,146.2)
% of Est. Expenditures	0.8%	2.1%	17.6%	16.0%	15.3%
Est. Expenditures	\$ 17,317.1	\$ 17,787.5	\$ 19,164.6	\$ 19,776.6	\$ 20,543.5
Est. Revenue	17,456.4	17,415.8	15,791.4	16,610.7	17,397.3

Transportation Fund

The Transportation Fund outlook is brighter than that of the General Fund as only one year (FY 12) is projected to be in deficit (see table). However, since the Transportation Fund, unlike the General Fund, carries a balance, the fund is anticipated to remain in the black over the next five years.

(\$ - millions)	FY 10	FY 11	FY 12	FY 13	FY 14
Est. Surplus/(Deficit)	\$ 8.0	\$ 26.1	\$ (42.4)	\$ 4.0	\$ 14.3
% of Est. Expenditures	0.7%	2.2%	3.4%	0.3%	1.1%
Est. Fund Balance	101.6	127.7	85.4	89.3	103.6

Note: This report utilizes the consensus revenue estimates that were jointly agreed to by OPM and OFA on April 30, 2010. Therefore any references to “current revenue estimates” in this report are the same as those jointly agreed to on April 30, 2010.

GENERAL FUND

FY 10 Surplus

The calculation of the estimated surplus of \$139.3 million for FY 10 includes the following:

- \$84.0 million in higher revenue since originally estimated;
- \$53.2 million lower expenditures than originally budgeted;
- \$59.2 million in Governor’s rescissions;
- full achievement of \$473 million in budgeted lapses;
- \$100 million in reduced contributions to the state employee pension fund¹;
- \$77.6 million in reduced appropriations in PA 10-3, “AAC Deficit Mitigation for Fiscal Year Ending June 30, 2010;” and
- \$144.6 million in additional state spending requirements (deficiencies).

FY 10 General Fund Summary (\$ - millions)			
	Budget	Increases	
	Plan	(Decreases)	Projected
Appropriations	\$17,843.6	\$ -	\$17,843.6
Adjustments:			
FY 10 Deficiency Requirements	-	144.6	144.6
Adjudicated Claims	-	7.5	7.5
Refunds of Escheated Property	-	33.0	33.0
Budgeted Lapses	(473.3)	-	(473.3)
Governor's 11/5/09 Rescissions	-	(31.6)	(31.6)
Governor's 11/24/09 Rescissions	-	(19.4)	(19.4)
Governor's 3/29/10 Rescissions	-	(8.2)	(8.2)
State Employee Pension Payments	-	(100.0)	(100.0)
Additional Lapse	-	(1.5)	(1.5)
PA 10-3 Deficit Mitigation	-	(77.6)	(77.6)
Total [2]	17,370.3	(53.2)	17,317.1
Revenues			
Taxes	10,927.6	(222.5)	10,705.1
Other Revenue	1,307.1	43.1	1,350.2
Other Sources	5,137.7	263.4	5,401.1
Total	17,372.4	84.0	17,456.4
Est. Surplus/(Deficit)	2.1	137.2	139.3

¹ The April 2009 collective bargaining agreement between the state and SEBAC included a provision that allowed reducing the contribution to the state employees retirement plan by up to \$100 million annually if the Comptroller’s projected revenues fall \$300 million or more below the revenue estimates included in the adopted budget.

Expenditures

Lapses

The FY 10 and FY 11 biennial budget included significant lapses that were 2.7% and 2.9% of the original budget respectively. The table below breaks out the FY 10 and FY 11 projected General Fund lapses. This includes the budgeted lapse of \$473.3 million in FY 10 and \$530.4 million in FY 11 that is anticipated to remain unexpended, either through normal spending patterns (most agencies do not expend their full appropriation), or through "mandated" savings.

General Fund Estimated Lapse Items (\$ - millions)	FY 10	FY 11
Budget Lapse	(473.3)	(530.4)
Governor's Rescissions	(59.2)	-
State Employee Pension Contribution	(100.0)	-
Other Lapse Adjustments	(1.5)	-
TOTAL	(\$634.0)	(\$530.4)

Deficiencies

State agency spending needs have reduced by \$163.6 million since February and now total \$144.6 million. However, the 14 agencies that are experiencing deficiency needs have also had \$128.6 million held back from their original appropriations. Therefore, were it not for the budgeted lapses identified above, the agencies additional spending needs would have been significantly reduced. On average, the deficiencies represent about 2.2% of the agencies' original appropriation. See the table below for detail.

FY 10 State Agency Estimated Deficiency Needs (\$ - millions)					
Agency	Orig. Approp.	Holdbacks	Est. Def. Amount	% of Approp.	Change since Feb.
Public Works	\$ 54.7	\$ 9.3	\$ 5.2	9.5	(\$1.9)
Public Health	88.0	5.2	3.5	3.9	(2.0)
Mental Health & Addiction Services ¹	609.0	31.1	5.5	0.9	(6.6)
Social Services	5,066.5	35.6	116.9	2.3	(59.6)
Correction	694.1	37.2	8.5	1.2	(10.4)
Administrative Services - Workers Comp.	24.7	-	2.5	10.1	-
Commission on Culture and Tourism	18.1	1.1	0.63	3.5	0.2
Human Rights and Opportunities	6.8	1.0	0.22	3.2	0.2
Protection and Advocacy for Persons with Disabilities	2.7	0.15	0.063	2.3	0.06
Veterans Affairs	32.5	3.2	0.187	0.6	0.2
Office of the Victim Advocate	0.3	0.021	0.034	11.3	0.03
Military Department	6.8	1.0	.070	1.0	0.07
Public Defender Services Commission	50.8	3.7	1.3	2.6	1.3
Other Agencies Deficiency Changes since February	-	-	-	-	(85.2)
Total General Fund	\$6,655.0	\$128.6	\$144.6	2.2%	(\$163.6)

See Appendix A for detail on each General Fund agency's deficiency.

¹ FY 10 appropriation includes Disproportionate Share expenditures budgeted in DSS

Change since Last OFA Projection on 2/2/10

The deficit projected in our February statement has been eliminated and we are currently projecting a surplus of approximately \$139.3 million in FY 10. This is due primarily to changes implemented in PA 10-3, AAC Deficit Mitigation for the Fiscal Year Ending June 30, 2010, a reduction in deficiency requirements, and enhanced revenue collections.

Projected deficits in FY 11 and in FY 12 - FY 14 have also decreased by \$354.0 million to \$662.7 million depending on the year. See the table below for further detail.

Summary of Changes Since Last OFA Projection (2/2/10)					
General Fund (\$ - millions)					
	FY 10	FY 11	FY 12	FY 13	FY 14
Projected Deficit as of 2/2/10	(\$535.5)	(\$725.7)	(\$3,880.7)	(\$3,738.6)	(\$3,808.9)
Expenditure (Increases)/Decreases - Net	247.9	82.4	101.9	150.6	197.7
Revenue Increases/(Decreases) - Net	426.9	271.6	405.6	422.1	465.0
Current Projected Surplus/(Deficit)	139.3	(371.7)	(3,373.2)	(3,165.9)	(3,146.2)
Deficit Change Since 2/2/10	\$674.8	\$354.0	\$507.5	\$572.7	\$662.7

Out-Year Deficit Problems

The significant shortfalls in FY 12 - FY 14 are primarily due to three factors: (1) one-time measures utilized in FY 11, (2) increased debt service payments due to the issuance of Economic Recovery Notes (ERNs), and (3) revenue intercepts due to securitization that will impact the out-years beginning in FY 12.

One-Time Measures and Impact of ERN's and Securitization ¹	
One-Time Measures Utilized in FY 11 and Not Available in FY 12	
Federal Stimulus	\$594.8
Budget Reserve Fund (BRF)	103.2
Securitization	1,290.7
Reductions to Certain Funds (Sweeps)	78.9
Total	\$2,067.6
Impact of ERN's and Securitization	
Economic Recovery Notes (ERN's) - Debt Service	238.0
Securitization - Revenue Intercept	216.5
Total	\$454.5
Grand Total	\$2,522.1

In addition, there are several major expenditure categories that are expected to add significantly to expenditure growth. The major areas of increases in FY 12 - FY 14 include (1) costs associated with state employee wage increases that may be approved and (2) increased future year appropriations that reflect FY 10 deficiency needs rolled forward into the out-years.

Projections have been developed by applying inflationary and specific growth factors to the estimated expenditure account levels for FY 10 and each subsequent year. These assumptions include 4.5% salary increases for state employees in subsequent years (3.0% for cost of living adjustments and 1.5% for Annual Increments) and 2.1% in each year for other accounts. In addition, each major appropriated account has been examined individually and adjusted as necessary to reflect amounts anticipated to be required based on current law, historical trends or caseload projections.

The table on the next page identifies some of the major accounts with significant increases in FY 12 through FY 14:

¹ Revised 5/11/10 to include changes in PA 10-3 (Deficit Mitigation).

Major General Fund Appropriation Increases for FY 12 - FY 14 (in millions)			
(increases shown are above prior year base)			
Agency/Account	FY 12	FY 13	FY 14
DSS – Medicaid	\$286.5	\$230.1	\$242.8
Debt Service	303.0	53.3	56.6
Personal Services (gross - statewide)	124.7	130.2	135.1
SDE - Education Equalization Grant (ECS)	47.2	48.4	49.6
Fringe Benefits - Retirement Contribution	165.8	37.3	38.9
Fringe Benefits - Retired State Employee Health	24.3	25.3	24.7
DCF - Board & Care (Residential, Foster & Adoption)	22.2	18.2	15.2
TRB – Retirement Contributions	23.3	24.2	25.2
27 th Payroll of State Employees	108.7	-	-
Total	\$1,105.7	\$567.0	\$588.1

Spending Cap

The state is under the spending cap in both FY 10 and FY 11 but is projected to be over the cap in FY 12 – FY 14. Appropriations for FY 10 include original appropriations plus estimated deficiency appropriations.¹ The below calculations are based on all appropriated funds.

(\$ - millions)	FY 10	FY 11	FY 12	FY 13	FY 14
Approp. Allowed by Cap	\$ 19,434.9	\$ 19,322.8	\$ 20,042.9	\$ 20,588.7	\$ 21,056.7
Estimated Expenditures	18,574.4 ²	19,124.6	20,591.8	21,225.2	22,013.8
\$ Over/(Under) the Cap	(\$860.5)	(\$198.3)	\$548.9	\$636.5	\$957.1

¹ Estimated expenditure amounts reflect current services estimates. Figures assume that expenditure amounts in excess of the cap are not built into the subsequent year’s base for cap calculation purposes.

² Figure assumes a deficiency appropriation in FY 10.

Revenues

Our revenue estimates are based on current year revenue collection data and data from prior years, national and international economic trends and economic forecasts for Connecticut provided by Moody's/Economy.com.

FY 10

The latest FY 10 estimates (see table below) show a net increase of \$84.0 million and \$426.9 million above original budget estimates and the January 15 consensus estimates, respectively.

General Fund Revenue				
Comparison of Budget Estimates and April 2010 Consensus Estimates (\$ - Millions)				
	FY 10			
	Original	4/30/2010	Change	Change from
	Estimates	Estimates	from Orig. Est.	Jan. Est.
Taxes				
Personal Income	\$ 6,630.7	\$ 6,560.5	\$ (70.2)	\$ 137.5
Sales and Use	3,166.7	3,076.1	(90.6)	-
Corporations	721.6	671.6	(50.0)	(35.0)
Public Service Corporations	272.3	265.4	(6.9)	(5.8)
Inheritance and Estate	208.7	191.2	(17.5)	(5.0)
Insurance Companies	202.7	213.6	10.9	13.4
Cigarettes	392.6	387.6	(5.0)	-
Real Estate Conveyance	94.5	92.3	(2.2)	(2.2)
Oil Companies	98.9	124.4	25.5	-
Alcoholic Beverages	48.0	47.6	(0.4)	-
Admissions, Dues and Cabaret	37.1	36.1	(1.0)	(1.0)
Miscellaneous	<u>143.7</u>	<u>143.9</u>	<u>0.2</u>	<u>(1.6)</u>
Total - Taxes	12,017.5	11,810.3	(207.2)	100.3
Refunds of Taxes	(1,080.5)	(1,095.5)	(15.0)	50.0
R & D Credit Exchange	<u>(9.4)</u>	<u>(9.7)</u>	<u>(0.3)</u>	<u>(0.3)</u>
Taxes - Less Refunds	10,927.6	10,705.1	(222.5)	150.0
Other Revenue				
Transfer Special Revenue	293.4	293.4	-	-
Indian Gaming Payments	384.1	381.7	(2.4)	10.7
Licenses, Permits and Fees	281.5	240.9	(40.6)	(24.0)
Sales of Commodities and Services	33.2	33.2	-	-
Rentals, Fines and Escheats	97.3	229.9	132.6	59.9
Investment Income	10.0	6.5	(3.5)	(3.5)
Miscellaneous	208.0	165.6	(42.4)	(12.0)
Refunds of Payments	<u>(0.7)</u>	<u>(1.0)</u>	<u>(0.3)</u>	<u>(0.3)</u>
Total - Other Revenue	1,306.8	1,350.2	43.4	30.8
Other Sources				
Federal Grants	4,051.8	4,042.5	(9.3)	(51.5)
Transfer to the Resources of the General Fund	1,121.9	1,390.0	268.1	293.3 ¹
Transfer from Tobacco Settlement Fund	107.3	101.6	(5.7)	(5.7)
Transfer From/(To) Other Funds	<u>(143.0)</u>	<u>(133.0)</u>	<u>10.0</u>	<u>10.0²</u>
Total - Other Sources	5,138.0	5,401.1	263.1	246.1
Total - General Fund Revenue	\$ 17,372.4	\$ 17,456.4	\$ 84.0	\$ 426.9

¹ Includes \$291.9 million in increased revenue per PA 10-3, AAC Deficit Mitigation for the Fiscal Year Ending June 30, 2010.

² Reduction of transfer from GF to TF per PA 10-3, AAC Deficit Mitigation for the Fiscal Year Ending June 30, 2010.

FY 11

The latest FY 11 estimates (see table below) show a net decrease of \$181.0 million below the original budget estimates, and a net increase of \$271.6 million above the January 15 consensus revenue estimates.

General Fund Revenue				
Comparison of Budget Estimates and April 2010 Consensus Estimates (\$ - Millions)				
	FY 11			
	Original Estimates	4/30/2010 Estimates	Change from Orig. Est.	Change from Jan. Est.
Taxes				
Personal Income	\$ 6,654.7	\$ 6,682.5	\$ 27.8	\$ 240.0
Sales and Use	3,095.4	3,165.8	70.4	-
Corporations	731.9	669.9	(62.0)	(25.0)
Public Service Corporations	278.3	271.4	(6.9)	(5.8)
Inheritance and Estate	102.0	99.0	(3.0)	-
Insurance Companies	216.8	223.9	7.1	9.6
Cigarettes	403.1	386.5	(16.6)	-
Real Estate Conveyance	117.5	114.9	(2.6)	(2.6)
Oil Companies	75.5	107.7	32.2	6.7
Alcoholic Beverages	48.5	48.1	(0.4)	-
Admissions, Dues and Cabaret	37.6	36.5	(1.1)	(1.1)
Miscellaneous	<u>144.7</u>	<u>144.9</u>	<u>0.2</u>	<u>(1.6)</u>
Total - Taxes	11,906.0	11,951.1	45.1	220.2
Refunds of Taxes	(983.3)	(1,009.3)	(26.0)	24.0
R & D Credit Exchange	<u>(10.5)</u>	<u>(10.5)</u>	<u>-</u>	<u>-</u>
Taxes - Less Refunds	10,912.2	10,931.3	19.1	244.2
Other Revenue				
Transfer Special Revenue	295.1	295.1	-	-
Indian Gaming Payments	391.7	365.8	(25.9)	12.5
Licenses, Permits and Fees	265.6	235.4	(30.2)	(25.9) ¹
Sales of Commodities and Services	34.3	34.3	-	-
Rentals, Fines and Escheats	103.4	99.5	(3.9)	(2.4)
Investment Income	10.0	6.5	(3.5)	(3.5)
Miscellaneous	218.5	167.0	(51.5)	(4.5)
Refunds of Payments	<u>(0.7)</u>	<u>(0.9)</u>	<u>(0.2)</u>	<u>(0.2)</u>
Total - Other Revenue	1,317.9	1,202.7	(115.2)	(24.0)
Other Sources				
Federal Grants	3,770.4	3,892.6	122.2	258.5 ²
Transfer to the Resources of the General Fund	1,678.0	1,472.8	(205.2)	(205.2) ³
Transfer from Tobacco Settlement Fund	106.1	102.3	(3.8)	(3.8)
Transfer From/(To) Other Funds	<u>(187.8)</u>	<u>(185.9)</u>	<u>1.9</u>	<u>1.9⁴</u>
Total - Other Sources	5,366.7	5,281.8	(84.9)	51.4
Total - General Fund Revenue	\$ 17,596.8	\$ 17,415.8	\$ (181.0)	\$ 271.6

¹ Includes a reduction of \$1.9 million per PA 10-3, AAC Deficit Mitigation for the Fiscal Year Ending June 30, 2010.

² Includes \$102.7 million in increased revenue per PA 10-3, AAC Deficit Mitigation for the Fiscal Year Ending June 30, 2010.

³ Reduction in revenue a result of various transfers included in PA 10-3, AAC Deficit Mitigation for the Fiscal Year Ending June 30, 2010.

⁴ Reduction of transfer from GF to TF per PA 10-3, AAC Deficit Mitigation for the Fiscal Year Ending June 30, 2010.

FY 12 - FY 14

Current economic trends indicate that the national economy is improving and will continue to recover throughout 2010, but that Connecticut's economy will not recover as quickly or as strongly.

The table below presents the growth rates for the major General Fund revenue sources. The growth rates were developed using relevant economic variables forecasted for Connecticut by Moody's/Economy.com for calendar years 2011 through 2014.

Revenue Source Growth Rates FY 12 - FY 14			
	FY 12	FY 13	FY 14
Personal Income Tax:			
Withholding	3.8%	4.2%	4.5%
Estimated Payments	14.4%	14.7%	10.0%
Final Payments	18.7%	20.0%	11.2%
Sales Tax:	3.6%	3.5%	3.2%
Corporate Business Tax:	0.0%	1.0%	3.0%

TRANSPORTATION FUND

FY 10 and FY 11 Revenues and Expenditures

The Special Transportation Fund (STF) projected cumulative fund balance increases by \$8.0 million and \$26.1 million in FY 10 and FY 11, respectively.

This is the result of a projected net increase of \$7.0 million in the FY 10 operating surplus due to a decrease in revenue of \$2.1 million which is offset by expenditure reductions of \$9.1 million. Similarly, there is a projected net increase of \$25.0 million in the FY 11 operating surplus due to a revenue increase of \$14.8 million and expenditure reductions of \$10.2 million. See table below for details.

These changes are outlined in the table below:

FY 10 and FY 11 Transportation Fund Summary as of April 30, 2010						
(\$ - millions)						
	FY 10			FY 11		
	Budget	Increase/ (Decrease)	Revised Estimates	Budget	Increase/ (Decrease)	Revised
Consensus Revenues:	Plan			Plan		
Taxes	\$684.8	19.3	\$ 704.1	\$701.9	11.5	\$713.4
Other Revenue	<u>430.9</u>	<u>(21.4)</u>	<u>409.5</u>	<u>479.8</u>	<u>3.3</u>	<u>483.1</u>
Total Revenue	\$1,115.7	(2.1)	\$1,113.6	\$1,181.7	14.8	\$1,196.5
Appropriations:						
Original Appropriations - Gross	\$1,135.9	0.0	\$1,135.9	\$1,202.0	0.0	\$1,202.0
Plus: Deficiency Requirements¹:	\$0.0	2.0	\$2.0	\$0.0	0.0	\$0.0
Less: Allotment Rescissions	0.0	(0.9)	(0.9)	0.0	0.0	0.0
Less: Lapse	(11.0)	(7.5)	(18.5)²	(11.0)	(10.2)	(21.2)³
PS Reduction	<u>(10.2)</u>	<u>2.7</u>	<u>(12.9)</u>	<u>(10.4)</u>	<u>0.0</u>	<u>(10.4)</u>
Total Adjustments	(21.2)	(9.1)	(30.3)	(21.4)	(10.2)	(31.6)
Total Expenditures	\$1,114.7	(\$9.1)	\$1,105.6	\$1,180.6	(\$10.2)	\$1,170.4
Surplus/(Deficit) from Operations	\$1.0	\$7.0	\$8.0	\$1.1	\$25.0	\$26.1
Plus: Cumulative Surplus as of:	June 30, 2009⁴		\$93.6	June 30, 2010		\$101.6
Projected Fund Balance as of:	June 30, 2010		\$101.6	June 30, 2011		\$127.7

¹ Attributable to a \$2.0 million deficiency in the DAS workers' compensation claims account, which is driven by increases in medical costs in excess of \$200,000 per month over the previous year.

² Attributable to a decrease in debt service requirements, Personal Services and Other Expenses reductions, and lapses in various accounts due to efficiencies in agency operations.

³ Attributable to a decrease in debt service requirements and lapses in various accounts due to efficiencies in agency operations.

⁴ Estimated FY 09 ending cumulative balance in the Transportation Fund.

Out-Years FY 12 - FY 14 Revenues and Expenditures

As the table below illustrates, the STF operating balance is projected to be in deficit in FY 12 because expenditures are expected to continue to increase faster than revenues. However, the General Fund transfer¹ to the STF will increase from \$124.1 million to \$172.8 million beginning in FY 13, which will reduce the disparity between expenditures and revenues. This will result in operating surpluses for FY 13 and FY 14, and a cumulative surplus of \$103.6 million in FY 14.

Special Transportation Fund Operating Balance and Cumulative Balance Projections					
(\$ - millions)					
	FY 10	FY 11	FY 12	FY 13	FY 14
Operating Balance - Surplus/(Deficit)	\$8.0	\$26.1	(\$42.4)	\$4.0	\$14.3
Cumulative Balance	\$101.6	\$127.7	\$85.4	\$89.3	\$103.6

The increases in STF expenditures are due to the following:

- Additional expenditures of between \$10 million in FY 12 and \$30 million in FY 14 for full implementation of the rail and bus subsidy Transportation Initiatives provision enacted in PA 05-4 JSS and PA 06-136.
- \$1.5 million beginning in FY 10 for an annual grant-in-aid to Tweed-New Haven Airport.
- \$2.1 million beginning in FY 12 for DMV's annual cost to implement the vision screening program.
- \$7.4 million in FY 12 for a one-time cost associated with the 27th payroll.
- The state's contribution² to the state employees' pension system is expected to increase due to: (a) the 2009 Retirement Incentive Program and (b) deferral of pension contributions that were included in the State Employees Bargaining Agent Coalition (SEBAC) 2009 agreement.

¹ PA 10-3 reduced the amount of transfers from the General Fund to the Transportation fund to \$71.2 million in FY 10, \$124.1 million in FY 11 & FY 12, and \$172.8 million annually thereafter.

² Updated estimates for these expenditures will be available after the next actuarial valuation of State Employees Retirement System (SERS), which is scheduled for 6/30/10 to determine FY 12 and FY 13 pension contribution levels.

Appendix A

Detail on Agency Deficiencies

TOTAL NET DEFICIENCIES - \$144,612,000

Department of Public Works - \$5,200,000

The agency's projected FY 10 budget shortfall is composed of:

- \$1.6 million in Other Expenses,
- \$2.0 million in Rents and Moving,
- \$1.2 million in Property Management Services and
- \$0.7 million in Facilities Design Expenses.

These deficiencies will be partially offset by a small lapse \$0.3 million in the Personal Services account, for a net lapse of \$5.2 million. The deficiencies are a result of anticipated savings associated with operating efficiencies and renegotiation of office space leases that the agency is unlikely to achieve in FY 10.

The Facilities Design Expenses account funds the agency's oversight of the planning, design and construction of state buildings as well as the provision of technical assistance to all state-managed institutions. The Property Management Services account supports the agency's administration of the operation, maintenance and security of state-owned occupied and vacant buildings. The Rents and Moving account finances the agency's efforts to assist state agencies in determining their space requirements, leasing real property and expediting physical moves into new office space.

Department of Public Health - \$3,508,000

The agency's projected FY 10 budget shortfall is composed of:

- \$2.0 million in Personal Services,
- \$0.8 million in Other Expenses and
- \$0.7 million in Community Health Services

The Personal Services shortfall is due to greater than budgeted staffing expenses. The Other Expenses deficiency is primarily attributable to costs associated with maintaining: 1) current operations at the state laboratory and 2) on-line licensing system vendor costs. The Community Health Services deficiency is due to the transfer of \$920,500 out of this account to cover a shortfall in the X-Ray Screening and Tuberculosis account (see below). The release of the \$3.5 million in holdbacks (totaling \$6.7 million) would allow the agency to cover these shortfalls through the end of the fiscal year.

Funding for the X-Ray Screening and Tuberculosis account was reduced by \$379,900 (50%) in FY 10 in anticipation of an increase in federal reimbursement for tuberculosis payments due to enhanced information sharing between the Department of Social

Services and the Department of Public Health. To date, federal reimbursements have not replaced the funding reduction in this account. \$920,500 from the Community Health Services was approved for transfer to the X-Ray Screening and Tuberculosis account by the Finance Advisory Committee on the January 14, 2010.

Department of Mental Health and Addiction Services - \$5,500,000

The agency's projected FY 10 budget shortfall is composed of:

- \$7.3 million in Other Expenses,
- Offset by \$1.9 million lapse in various accounts.

The gross deficiency of \$7.3 million will be offset by the anticipated lapse of \$836,800 in the Personal Services account, \$36,500 in the Nursing Home Screening Program account, \$777,300 in the Medicaid Adult Rehabilitation option account, and \$210,900 in the Home & Community Based Services account, that will result in a \$5.5 million net deficiency.

The shortfall in Other Expenses is due to an inability to achieve a reduced adjusted appropriation.

Department of Social Services - \$116,900,000

The agency's projected FY 10 budget shortfall is composed of:

- \$109.6 million in Medicaid,
- \$22.0 million in Other Expenses,
- \$1.3 million in Charter Oak,
- \$2.6 million in Temporary Family Assistance and
- Offset by \$18.9 million lapse (Child Care Subsidies, Personal Services & ConnPACE).

Given the economic climate, DSS has seen greatly increased caseloads under many of its programs. Over the past year, caseloads have risen in Medicaid (6.7%), Temporary Family Assistance (8.4%), and SAGA Medical (19%), among others.

The DSS shortfall is primarily in the Medicaid account (\$109.6 million). In addition to the strong caseload growth mentioned above, the FY 10 budget included significant savings (\$102.9 million) related to managing the fee-for-service population, implementing special needs plans, and reducing the HUSKY Program's managed care rates. Given the late passage of the budget as well as the complexities of implementing these policies, it is unlikely that the full savings will be achieved in FY 10. This estimate includes a savings of \$44.8 million from original projections related to reduced clawback payments due to the federal stimulus bill.

Additionally, the deficiencies in Other Expenses (\$22 million), Charter Oak (\$1.3 million), and Temporary Family Assistance (\$2.6 million) accounts are largely due to caseload changes noted above, but are also impacted by the late implementation of certain savings initiatives assumed in the budget. The Other Expenses deficiency

recognizes the difficulty the department may have in meeting the \$26.2 million in holdbacks for that account.

These deficiencies are partially offset by projected lapses in the several accounts including Child Care Subsidies (\$10.7 million), Personal Services (\$3.1 million) and ConnPACE (\$3.5 million) accounts. The Child Care Subsidies surplus is related to a temporary enrollment closure of the higher income, non-entitlement portions of the program. The Personal Services lapse reflects higher than anticipated Retirement Incentive Program savings, while the ConnPACE savings reflects the successful transition of many of the program clientele to Medicare Part D coverage.

Department of Correction - \$8,500,000

The agency's projected FY 10 budget shortfall is composed of:

- \$11.4 million in Other Expenses,
- \$7.5 million in Workers Compensation, and
- \$0.2 million in Legal Services to Prisoners.
- Offset by \$10.6 million lapsing funds under various accounts.

The shortfall in Other Expenses is due to an inability to achieve a reduced adjusted appropriation. It should be noted that the FY 10 appropriation, (prior to the imposition of holdbacks totaling \$19.5 million) was approximately \$0.9 million less than the amount expended by the DOC for Other Expenses in FY 09.

The shortfall in Workers' Compensation Claims is primarily due to medical expenditures that are higher than expected. It should be noted that the FY 10 appropriation level is \$1.7 million lower than the amount expended by the DOC on Workers' Compensation Claims in FY 09.

The shortfall in Legal Services to Prisoners results from the inability to achieve a budgeted lapse for outside consultant contracts while maintaining mandated services.

Lapses are projected under the following accounts due to delays in implementing newly budgeted initiatives: Distance Learning (\$0.2 million); Children of Incarcerated Parents (\$0.7 million); Mental Health Alternative Incarceration Centers (\$0.1 million); and Community Support Services - for residential sex offender programming (\$0.8 million).

Additional lapses are projected under Personal Services (\$3.5 million) due to staff attrition and reduced overtime usage; the Parole Staffing and Operations account (\$0.3 million) due to efficiencies in operation and the effects of the hiring freeze; and the Inmate Medical Services account (\$5.0 million) due to the impact of a declining inmate population, accessing the federal 340b drug pricing program and various other efficiencies.

Department of Administrative Services - Workers' Compensation Claims - \$2,500,000

The deficiency of \$2.5 million in Workers' Compensation Claims is the result of three factors: a rollout of the FY 09 deficiency; increases in medical and indemnity costs; and several catastrophic medical claims. Funding within the Department of Administrative Services Workers' Compensation Claims account is used to pay the workers' compensation claims costs for state employees in 84 agencies that do not receive a direct appropriation. This includes, the legislative branch, the judicial branch and all executive branch agencies except the Departments of Correction, Public Safety, Children and Families, Developmental Services, Mental Health and Addiction Services, and the Department of Transportation/Department of Motor Vehicles Special Transportation Fund. These agencies have their own Workers' Compensation Claims accounts.

Commission on Culture and Tourism - \$630,000

The agency's projected FY 10 budget shortfall is comprised of:

- \$400,000 in Personal Services
- \$230,000 in Statewide Marketing

The Personal Services (PS) shortfall (\$400,000) is due to greater than budgeted staffing expenses. The FY 10 appropriation (\$2.7 million) was \$1.2 million below the FY 09 appropriation (\$3.9 million), and was unable to be met with a commensurate reduction in staff. It is estimated that the agency's Personal Services needs through the end of the year will be \$2.7 million while \$2.3 million is available.

The Statewide Marketing shortfall (\$230,000) results from costs incurred in FY 09 that were anticipated to be paid in the current fiscal year. The FY 10 appropriation is \$1, which is \$4.085 million less than FY 09, thus no funds were available for these FY 09 costs.

Commission on Human Rights and Opportunities - \$220,000

The agency's projected FY 10 budget shortfall is composed of:

- \$150,000 in Personal Services
- \$70,000 in Other Expenses

The Personal Services (PS) shortfall (\$150,000) results from the agency having a PS budget that was close to the actual needs for the agency before any holdback or lapses were applied. CHRO was appropriated approximately \$6.0 million PS and had a total of \$506,498 reduced due to adjustments.

The Other Expenses shortfall (\$70,000) is due to adjustments made to the OE budget that were unachievable given current operations. The OE appropriated budget was \$728,152 but net holdback and lapses, the agency had \$221,654 available for FY 10. The total expenditures in FY 09 were \$717,456.

Office of Protection and Advocacy for Persons with Disabilities - \$63,000

The Personal Services shortfall (\$63,000) results from the agency having a PS budget that was close to the actual needs for the agency before any holdback or lapses were applied. The OPA was appropriated \$2,289,521 but had \$2,223,523 net adjustments.

Office of the Victim Advocate - \$34,000

The agency's anticipated deficiency of \$34,000 is the result of a shortfall in the Personal Services account. This projection is a result of greater than budgeted staffing expenses. If \$20,500 in holdbacks were released, the agency would still have a deficiency of \$13,500 in the Personal Services account.

Public Defender Services Commission - \$1.3 million

The agency's projected FY 10 budget shortfall is composed of:

- \$200,000 in Other Expenses,
- \$516,000 in Expert Witnesses,
- \$591,000 in Special Public Defenders - Non Contractual, and
- \$90,000 in Special Public Defenders - Contractual.

The anticipated deficiency in Other Expenses is primarily the result of appropriation reductions in the amount of \$188,000 which the agency did not attain. The anticipated deficiency in Expert Witnesses is attributed primarily to litigation of death penalty cases. The anticipated deficiencies in the agency's Special Public Defender line items (\$681,000 in total) are attributed to the carry over of approximately \$415,000 in unpaid bills from FY 09 in addition to FY 10 rescissions of \$427,000.

These deficiencies are partially offset by a projected surplus of \$60,000 in the agency's Training and Education line item due to the curtailment of training activity.

Department of Veterans Affairs - \$187,000

The shortfall of \$247,000 in Other Expenses (OE) is the result of appropriation adjustments, fixed cost expenditures, and cost saving measures. The original appropriation to OE in FY 10 was \$7.0 million but reductions totaling \$1.8 million resulted in an adjusted allotment of \$5.2 million. An FAC transfer of \$500,000 from the Personal Services account on April 1, 2010 reduced the total OE shortfall to the current \$250,000 level and adjusted the available appropriation to \$5.7 million. A projected lapse of \$60,000 in the Personal Services account partially offsets the OE shortfall.

Military Department - \$70,000

The shortfall of \$89,000 in the Other Expenses (OE) account is due to under-funding of security guard services. A lapse of \$19,000 in the Personal Services account will partially offset that shortfall. This lapse is a result of factors including a reduction in overtime, a curtailing of state active duties, and vacancies.