



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

May 18, 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 2012 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 \$272.5 million operating deficit on a GAAP basis for fiscal year 2012, an improvement of \$2.3 million from our April 30th estimate. On a budgetary basis, we are forecasting an operating deficit of \$197.5 million.

While our forecast is generally based on expenditures through April 30th, it also includes several other factors. First, we have accounted for the impact of transfers approved at the May 14th meeting of the Finance Advisory Committee as well as deficiency transfers included in sections 31 and 32 of House Bill 5557, *AN ACT MAKING ADJUSTMENTS TO STATE EXPENDITURES FOR THE FISCAL YEAR ENDING JUNE 30, 2013*, which is awaiting signature by the Governor. These transfers resolve the deficiencies noted in our forecasts from prior months. We have also adjusted our expenditure estimates to include the impact of funds carried forward in HB 5557 from fiscal year 2012 to fiscal year 2013.

It should be noted that Section 28 of House Bill 5557, which transfers funding reserved for retirement of Economic Recovery Notes issued to address the fiscal year 2009 operating deficit into the Budget Reserve Fund, is expected to resolve the projected operating deficit in the General Fund for fiscal year 2012.

Revenues

Revenues reflect minor adjustments to the April 30th consensus forecast reached between this office and the Office of Fiscal Analysis pursuant to C.G.S. 2-36c. Estimated public service tax revenues are revised downward by \$6.0 million, offset by a \$6.0 million increase in the estate tax to reflect the most recent trends in collections.

Expenditures

Overall, expenditures are estimated at \$35.1 million above appropriated levels, an improvement of \$2.3 million from our April 30th estimate.

Deficiencies: Action taken during the May 14th Finance Advisory Committee meeting and deficiency transfers in HB 5557 have eliminated projected shortfalls.

Projected lapses: In addition to savings programmed as part of the adopted budget and rescissions implemented by the Governor pursuant to Section 4-85(b) of the General Statutes, lapses are anticipated in a number of agencies as detailed below.

- Office of Legislative Management. A total of \$4.0 million is anticipated to lapse in Personal Services and Other Expenses.
- Auditors of Public Accounts. A total of \$0.7 million will lapse in Personal Services and Other Expenses.
- Secretary of the State. The Commercial Recording Division account will lapse \$0.11 million.
- Office of the Treasurer. A Personal Services lapse of \$0.17 million is expected.
- Office of the Treasurer - Debt Service. A lapse of \$75.0 million is projected as a result of lower than anticipated interest costs and net premiums from bond sales.
- Department of Revenue Services. \$0.95 million will lapse in Personal Services and Other Expenses.
- Office of the State Comptroller. \$0.2 million will lapse in Personal Services.
- OSC – Fringe Benefits. \$32.3 million will lapse, primarily in the Employers Social Security Tax and Unemployment Compensation accounts due to hiring restraint.
- Office of Governmental Accountability. A total of \$0.4 million will lapse in the Other Expenses and Contracting Standards Board accounts.
- Office of Policy and Management. A total of \$1.25 million is expected to lapse in the Tax Relief for Elderly Renters account due to lower-than-budgeted growth in claims volume. An additional \$1.2 million is expected to lapse in the Other Expenses and Justice Assistance Grant accounts.
- OPM - Reserve for Salary Adjustment. As a result of section 33 of HB 5557, \$80.0 million is expected to lapse. These funds are available largely due to wage freeze savings negotiated as part of last year's SEBAC agreement as well as funds carried-forward from previous fiscal years which will not be needed this year.
- Department of Administrative Services. A total of \$0.95 million will lapse in Personal Services, Other Expenses and the Rents and Moving account.
- DAS – Workers' Compensation Claims. This account is expected to lapse \$0.25 million.
- Department of Construction Services. A lapse \$0.32 million is expected in Personal Services.
- Office of the Attorney General. \$0.5 million will lapse in Personal Services.
- Department of Economic and Community Development. The Elderly Congregate Rent Subsidy account will lapse \$0.14 million.

- Department of Consumer Protection. A lapse of \$0.37 million in Personal Services is anticipated.
- Department of Labor. The STRIDE program will lapse \$0.2 million.
- Commission on Human Rights and Opportunities. A lapse of \$0.1 million in Personal Services is anticipated.
- Department of Energy and Environmental Protection. A total of \$0.99 million will lapse across the Clean Air, Environmental Quality, and Lobster Restoration accounts.
- Department of Public Health. A total lapse of \$3.84 million is forecast across a variety of accounts, largely due to revised estimates of funding commitments for the year.
- Department of Developmental Services. A total of \$8.04 million will lapse, primarily in the Personal Services and Employment and Day Services accounts.
- Department of Mental Health and Addiction Services. A total lapse of \$4.4 million is expected in the GA Managed Care and Home and Community Based Waiver accounts due to lower than expected utilization and claim costs.
- Department of Social Services. \$8.4 million will lapse across a variety of accounts, primarily due to anticipated year end requirements for entitlement programs.
- Bureau of Rehabilitative Services. \$0.16 million is expected to lapse in the Employment Opportunities account.
- State Department of Education. A total of \$0.73 million will lapse. This represents a reduction of \$10.0 million from last month's estimate and is primarily as a result of proposed carry forwards.
- Connecticut State Library. \$0.42 million will lapse in the Personal Services, Other Expenses, and Computer Access accounts.
- Office of Financial and Academic Affairs for Higher Education. A total of \$0.45 million will lapse in the Education and Health Initiatives and Kirklyn Kerr accounts.
- Department of Children and Families. \$17.5 million is anticipated to lapse across a number of accounts, largely due to lower-than-budgeted caseloads and delays in program implementation.

Special Transportation Fund

A balance from operations of \$3.8 million is forecast, up \$0.6 million from our April 30th letter. Revenues continue to reflect the consensus revenue estimate reached in April. On the expenditure side, the Department of Motor Vehicles is anticipated to lapse \$0.5 million in its Personal Services account. The Department of Transportation is expected to lapse \$13.6 million, primarily in the accounts that fund bus and rail operations due to fare increases that reduce required operating subsidies, and in Personal Services. The Treasurer's Debt Service account will lapse \$35.7 million in part as a result of lower than anticipated interest rates for the December bond sale, cancellation of the Spring bond sale, and arbitrage rebates. Additionally, the Comptroller's fringe benefit accounts are expected to lapse \$6.8 million. The fund balance on June 30, 2012 is anticipated to be \$111.2 million.

As always, 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 before the year concludes.

Sincerely,

A handwritten signature in cursive script, appearing to read "Benjamin Barnes".

Benjamin Barnes
Secretary

Summary
May 18, 2012

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

General Fund

Balance - projected as of Apr. 30, 2012		\$	(199.8)
Revenues			
Public Service Corporations	(6.0)		
Inheritance and Estate	<u>6.0</u>		0.0
Expenditures			
Additional Requirements	102.6		
Estimated Lapses	(100.3)		
Miscellaneous Adjustments/Rounding	<u>0.0</u>		<u>2.3</u>
Balance - projected as of Apr. 30, 2012		\$	(197.5)
Reserved Balance ¹			<u>(75.0)</u>
Estimated Balance - June 30, 2012 - GAAP Basis		\$	<u>(272.5)</u>

1. Up to \$75,000,000 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 2010-11 Surplus		\$	107.4
Balance - projected as of Apr. 30, 2012			3.2
Revenues			
No change	<u>0.0</u>		0.0
Expenditures			
Additional Requirements	0.0		
Estimated Lapses	0.6		
Miscellaneous Adjustments/Rounding	<u>0.0</u>		<u>0.6</u>
Estimated Balance - June 30, 2012		\$	<u>111.2</u>

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

	General Assembly <u>Budget Plan</u> ¹ :	Revised Estimates <u>OPM</u> ² :	Over/ <u>(Under)</u>
REVENUE			
Taxes	\$14,954.4	\$14,927.9	(\$26.5)
Less: Refunds	<u>(\$935.3)</u>	<u>(\$1,099.8)</u>	<u>(\$164.5)</u>
Taxes - Net	\$14,019.1	\$13,828.1	(\$191.0)
Other Revenue	\$1,226.5	\$1,152.6	(\$73.9)
Other Sources	<u>\$3,543.0</u>	<u>\$3,564.6</u>	<u>\$21.6</u>
TOTAL Revenue	\$18,788.6	\$18,545.3	(\$243.3)
EXPENDITURES			
Appropriations	\$19,485.6	\$19,485.6	\$0.0
Net Additional Requirements	\$0.0	\$0.0	\$0.0
Less: Estimated Lapses	<u>(\$777.9)</u>	<u>(\$742.8)</u>	<u>\$35.1</u>
TOTAL Expenditures	\$18,707.7	\$18,742.8	\$35.1
Balance from Operations	\$80.9	(\$197.5)	(\$278.4)
Miscellaneous Adjustments	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>
Estimated Balance - Budgetary Basis	\$80.9	(\$197.5)	(\$278.4)
Reserved Balance - GAAP ³	<u>(\$75.0)</u>	<u>(\$75.0)</u>	<u>\$0.0</u>
Estimated Balance - GAAP Basis	\$5.9	(\$272.5)	(\$278.4)
Reserved Balance -Other ³	<u>(\$5.9)</u>	<u>\$0.0</u>	<u>\$5.9</u>
Remaining Balance - 6/30/2012	\$0.0	(\$272.5)	(\$272.5)

1. P.A. 11-6, as amended by P.A. 11-61 and P.A. 11-1, June Spec. Sess.

2. As amended by P.A. 11-1, October Spec. Sess.

3. Up to \$75,000,000 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, 2012
As of April 30, 2012
(In Millions)

TAXES	
Personal Income	\$8,284.0
Sales and Use	3,869.5
Corporation	721.9
Public Service Corporations	262.7
Inheritance and Estate	165.0
Insurance Companies	234.8
Cigarettes	426.5
Real Estate Conveyance	97.0
Oil Companies	155.2
Electric Generation	71.0
Alcoholic Beverages	58.9
Admissions and Dues	35.4
Health Provider Tax	525.9
Miscellaneous	20.1
TOTAL - TAXES	<u>\$14,927.9</u>
Less: Refunds of Taxes	(993.6)
Earned Income Tax Credit	(101.2)
R & D Credit Exchange	(5.0)
TOTAL - TAXES - NET	<u>\$13,828.1</u>
OTHER REVENUE	
Transfers - Special Revenue	\$313.3
Indian Gaming Payments	347.8
Licenses, Permits, Fees	269.9
Sales of Commodities and Services	33.9
Rents, Fines, Escheats	111.2
Investment Income	2.4
Miscellaneous	157.3
Refunds of Payments	(83.2)
TOTAL - OTHER REVENUE	<u>\$1,152.6</u>
OTHER SOURCES	
Federal Grants	\$3,611.3
Transfer from Tobacco Settlement Fund	96.1
Transfers to Other Funds	(142.8)
TOTAL - OTHER SOURCES	<u>\$3,564.6</u>
TOTAL - GENERAL FUND REVENUE	\$18,545.3

State of Connecticut - General Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2012
As of April 30, 2012

No Additional Requirements
Total

\$	-
\$	-

Statement 4
May 18, 2012

State of Connecticut
General Fund
Estimated Lapses
Projected to June 30, 2012
As of April 30, 2012

Unallocated Lapse	\$ -
Unallocated Lapse - Legislative	-
Unallocated Lapse - Judicial	2,545,000
General Personal Services Reduction - Legislative	476,000
General Personal Services Reduction - Executive	8,150,694
General Other Expenses Reduction - Legislative	374,000
General Other Expenses Reduction - Executive	8,413,279
Labor-Management Savings - Legislative	4,586,734
Labor-Management Savings - Executive	405,480,000
Labor-Management Savings - Judicial	26,220,929
February 28, 2012 Rescissions	42,536,822
Office of Legislative Management	4,020,000
Auditors of Public Accounts	700,000
Secretary of the State	110,000
Office of the State Treasurer	170,000
Department of Revenue Services	950,000
Office of the State Comptroller	200,000
Office of Government Accountability	400,000
Office of Policy and Management	2,450,000
OPM - Reserve for Salary Adjustment	80,000,000
Department of Administrative Services	950,000
DAS - Workers' Compensation Claims	250,000
Department of Construction Services	320,000
Office of the Attorney General	500,000
Department of Economic and Community Development	140,000
Department of Consumer Protection	370,000
Department of Labor	200,000
Commission on Human Rights and Opportunities	100,000
Department of Energy and Environmental Protection	990,000
Department of Public Health	3,840,000
Department of Developmental Services	8,040,000
Department of Mental Health and Addiction Services	4,400,000
Department of Social Services	8,400,000
Bureau of Rehabilitative Services	160,000
State Department of Education	730,000
Connecticut State Library	419,000
Office of Financial and Academic Affairs for Higher Education	450,000
Department of Children and Families	17,490,000
OSC-Fringe Benefits	32,300,000
State Treasurer - Debt Service	75,000,000

Statement 4
May 18, 2012

State of Connecticut
General Fund
Estimated Lapses
Projected to June 30, 2012
As of April 30, 2012

Total

\$ 742,832,458

State of Connecticut
2011-12 General Fund
Summary of Operations Per Letter to the Comptroller
(In Millions)

	Budget Plan ¹	July 2011	August 2011	September 2011	October 2011 ²	November 2011	December 2011	January 2012	February 2012	Updated March 2012	April 2012	May 2012	June 2012
REVENUE	\$18,788.6	\$18,788.6	\$18,788.6	\$18,786.0	\$18,777.5	\$18,777.0	\$18,693.9	\$18,693.9	\$18,670.4	\$18,545.3	\$18,545.3		
Appropriations	19,485.6	19,485.6	19,485.6	19,485.6	19,485.6	19,485.6	19,485.6	19,485.6	19,485.6	19,485.6	19,485.6		
Additional Requirements	0.0	0.0	17.0	33.0	12.0	7.2	107.6	107.6	109.3	102.6	0.0		
Less: Estimated Lapses	<u>(777.9)</u>	<u>(777.9)</u>	<u>(792.9)</u>	<u>(808.2)</u>	<u>(799.2)</u>	<u>(799.5)</u>	<u>(900.7)</u>	<u>(935.2)</u>	<u>(936.9)</u>	<u>(843.1)</u>	<u>(742.8)</u>		
TOTAL - Estimated Expenditures	18,707.7	18,707.7	18,709.7	18,710.4	18,698.4	18,693.3	18,692.5	18,658.0	18,658.0	18,745.1	18,742.8	0.0	0.0
Balance from Operations	80.9	80.9	78.9	75.6	79.1	83.7	1.4	35.9	12.4	(199.8)	(197.5)	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		
Est. Balance 6/30/12 - Budgetary Basis	\$80.9	\$80.9	\$78.9	\$75.6	\$79.1	\$83.7	\$1.4	\$35.9	\$12.4	(\$199.8)	(\$197.5)	\$0.0	\$0.0
Reserved Balance - GAAP ³	<u>(75.0)</u>	<u>(75.0)</u>	<u>(75.0)</u>	<u>(75.0)</u>	<u>(75.0)</u>	<u>(75.0)</u>	<u>(75.0)</u>	<u>(75.0)</u>	<u>(75.0)</u>	<u>(75.0)</u>	<u>(75.0)</u>		
Est. Balance 6/30/12 - GAAP Basis	\$5.9	\$5.9	\$3.9	\$0.6	\$4.1	\$8.7	(\$73.6)	(\$39.1)	(\$62.6)	(\$274.8)	(\$272.5)	\$0.0	\$0.0

1. P.A. 11-6, as amended by P.A. 11-61 and P.A. 11-1, June Spec. Sess.

2. As amended by P.A. 11-1, October Spec. Sess.

3. Up to \$75,000,000 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
May 18, 2012

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

	General Assembly <u>Budget Plan</u> ^{1.}	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
Surplus Carried Forward from 2010-11 ^{2.}	\$107.5	\$107.4	(\$0.1)
REVENUE			
Taxes	\$805.8	\$794.7	(\$11.1)
Less: Refunds of Taxes	<u>(7.2)</u>	<u>(7.6)</u>	<u>(0.4)</u>
Taxes - Net	798.6	787.1	(11.5)
Other Revenue	<u>463.9</u>	<u>441.1</u>	<u>(22.8)</u>
TOTAL - Revenue	\$1,262.5	\$1,228.2	(\$34.3)
EXPENDITURES			
Appropriations	\$1,315.4	\$1,315.4	\$0.0
Net Additional Requirements	0.0	0.0	0.0
Less: Estimated Lapses	<u>(53.5)</u>	<u>(91.0)</u>	<u>(37.5)</u>
TOTAL - Expenditures	\$1,261.9	\$1,224.4	(\$37.5)
Balance from Operations	\$0.6	\$3.8	\$3.2
Miscellaneous Adjustments	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Estimated Balance - June 30, 2012	<u>\$108.1</u>	<u>\$111.2</u>	<u>\$3.1</u>

1. P.A. 11-6, as amended by P.A. 11-61 and P.A. 11-1, June Spec. Sess.

2. Budget plan as estimated by the Office of Policy and Management. Revised estimates per the Comptroller's Sept. 1, 2011 letter.

Statement 2T
May 18, 2012

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

TAXES	
Motor Fuels	\$491.8
Oil Companies	226.9
Sales Tax DMV	76.0
TOTAL - TAXES	<u>794.7</u>
Less: Refunds of Taxes	<u>(7.6)</u>
TOTAL - TAXES - NET	\$787.1
OTHER REVENUE	
Motor Vehicle Receipts	\$231.0
Licenses, Permits, Fees	136.6
Interest Income	3.6
Federal Grants	13.1
Transfers (To)/From Other Funds	60.1
Refunds of Payments	<u>(3.3)</u>
TOTAL - OTHER REVENUE	\$441.1
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$1,228.2

Statement 3T
May 18, 2012

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

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

Statement 4T
May 18, 2012

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

Labor-Management Savings	\$ 34,354,017
Department of Motor Vehicles	500,000
Department of Transportation	13,600,000
OSC - Fringe Benefits	6,800,000
State Treasurer - Debt Service	35,700,000
Total	<u>\$ 90,954,017</u>

State of Connecticut
2011-12 Special Transportation Fund
Summary of Operations Per Letter to the Comptroller
(In Millions)

	Budget Plan ¹	July 2011	August 2011	September 2011	October 2011	November 2011	December 2011	January 2012	February 2012	Updated March 2012	April 2012	May 2012	June 2012
Beginning Balance ²	\$107.5	\$107.5	\$107.4	\$107.4	\$107.4	\$107.4	\$107.4	\$107.4	\$107.4	\$107.4	\$107.4		
Revenue	1,262.5	1,262.5	1,262.5	1,243.7	1,243.7	1,243.7	1,227.8	1,227.8	1,227.8	1,228.2	1,228.2		
Total Available	1,370.0	1,370.0	1,369.9	1,351.1	1,351.1	1,351.1	1,335.2	1,335.2	1,335.2	1,335.6	1,335.6	0.0	0.0
Appropriations	1,315.4	1,315.4	1,315.4	1,315.4	1,315.4	1,315.4	1,315.4	1,315.4	1,315.4	1,315.4	1,315.4		
Additional Requirements	0.0	0.0	0.0	0.0	0.0	0.0	1.8	0.0	0.0	0.0	0.0		
Less: Estimated Lapses	(53.5)	(53.5)	(53.5)	(73.5)	(73.5)	(83.5)	(91.1)	(89.1)	(89.1)	(90.4)	(91.0)		
TOTAL - Estimated Expenditures	1,261.9	1,261.9	1,261.9	1,241.9	1,241.9	1,231.9	1,226.1	1,226.3	1,226.3	1,225.0	1,224.4	0.0	0.0
Balance from Operations	0.6	0.6	0.6	1.8	1.8	11.8	1.7	1.5	1.5	3.2	3.8	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	0.0		
Estimated Balance 6/30/12	\$108.1	\$108.1	\$108.0	\$109.2	\$109.2	\$119.2	\$109.1	\$108.9	\$108.9	\$110.6	\$111.2	\$0.0	\$0.0

1. P.A. 11-6, as amended by P.A. 11-61 and P.A. 11-1, 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 1, 2011 Letter.