

# STATE OF CONNECTICUT

## OFFICE OF POLICY AND MANAGEMENT

April 30, 2013

The Honorable Kevin Lembo  
State Comptroller  
55 Elm Street  
Hartford, Connecticut 06106

Dear Comptroller Lembo:

The purpose of this correspondence is to update our projections provided April 19<sup>th</sup> pursuant to C.G.S. 4-66. As noted in our April 19<sup>th</sup> letter, we did not include any revisions to our income tax estimate at that time because of the pending consensus revenue forecast and due to the volume of April income tax collection data that would be realized after publication of our letter. This update includes significant revisions in our revenue forecast.

### General Fund

As a result of today's consensus revenue forecast, we are now projecting a \$150.1 million surplus in the General Fund on a GAAP basis, and a \$197.6 million surplus on a budgetary basis, an improvement of \$194.8 million from the amount reported on April 19<sup>th</sup>. As noted in his April 25<sup>th</sup> letter to legislative leaders, it is the Governor's intention that any year end surplus be deposited into the Budget Reserve Fund.

### Revenues

Revenues in this revised letter reflect the April 30th consensus revenue forecast reached between this office and the Office of Fiscal Analysis pursuant to C.G.S. 2-36c. Based on the consensus forecast, projected revenues are revised upward by \$194.8 million, driven primarily by a \$112.4 million increase in the Inheritance & Estate Tax and a \$109.6 million increase in Personal Income Tax from our previous estimates, as April gift tax and income tax collections far exceeded expectations. OPM estimates that much of this additional revenue is due to one-time factors related to the partial expiration of the Bush tax cuts at the end of calendar year 2012. Those federal changes may be responsible for upwards of \$400 million in additional revenue in FY 2013 from the Personal Income Tax and the Inheritance and Estate Tax. Sales tax collections remain weak and thus we are revising our estimate down by \$14.6 million. All other changes net to a negative \$12.6 million.

### Expenditures

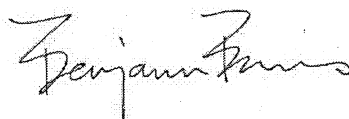
Our expenditure forecast remains unchanged from April 19<sup>th</sup>, with expenditures projected to fall below budgeted appropriations by a total of \$117.6 million, including the impact of revisions adopted as part of the December deficit mitigation plan. As detailed in our April 19<sup>th</sup> letter, 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 and which fully achieve all budgeted unallocated savings targets.

**Special Transportation Fund**

A balance from operations of \$15 million is forecast, down \$0.5 million from our April 19<sup>th</sup> letter. This change is reflective of the consensus revenue estimate reached today; no changes are being made to our expenditure forecast. With this revised revenue forecast, the fund balance on June 30, 2013 is anticipated to be \$160.8 million.

I hope this updated information is helpful.

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

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			
April 19th forecast (net)	52.3		
April 30th consensus changes (net)	<u>194.8</u>		247.1
Expenditures			
Additional Requirements	8.1		
Estimated Lapses	(24.0)		
Miscellaneous Adjustments/Rounding	<u>0.0</u>		<u>(15.9)</u>
Estimated Balance - June 30, 2013 - Budgetary Basis <sup>1</sup>		\$	197.6
Conversion to GAAP			<u>(47.5)</u>
Estimated Balance - June 30, 2013 - GAAP Basis		\$	<u>150.1</u>

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			
April 19th forecast (net)	(4.5)		
April 30th consensus changes (net)	<u>(0.5)</u>		<u>(5.0)</u>
Expenditures			
Additional Requirements	0.0		
Estimated Lapses	5.3		
Miscellaneous Adjustments/Rounding	<u>0.0</u>		<u>5.3</u>
Estimated Balance - June 30, 2013		\$	<u>160.8</u>

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 <sup>1</sup>	Revised Estimates OPM	Over/ (Under)
<b>REVENUE</b>			
Taxes	\$ 15,483.8	\$ 15,565.0	\$ 81.2
Less: Refunds	(1,075.6)	(1,170.5)	(94.9)
Taxes - Net	\$ 14,408.2	\$ 14,394.5	\$ (13.7)
Other Revenue	1,158.3	1,121.4	(36.9)
Other Sources	3,576.7	3,704.2	127.5
<b>TOTAL Revenue</b>	<b>\$ 19,143.2</b>	<b>\$ 19,220.1</b>	<b>\$ 76.9</b>
<b>OTHER FINANCING SOURCES</b>			
Prior Year Appropriations Continued to FY 2013		\$ 130.4	\$ 130.4
Current Year Appropriations Continued to FY 2014		-	-
<b>TOTAL Revenue and Other Financing Sources</b>	<b>\$ 19,143.2</b>	<b>\$ 19,350.5</b>	<b>\$ 207.2</b>
<b>EXPENDITURES</b>			
Current Year Appropriations <sup>1</sup>	\$ 19,256.4	\$ 19,256.4	\$ -
Appropriation Revisions		-	-
Prior Year Appropriations Continued to FY 2013		130.4	130.4
<b>TOTAL Initial and Continued Appropriations</b>	<b>\$ 19,256.4</b>	<b>\$ 19,386.8</b>	<b>\$ 130.4</b>
Net Additional Expenditure Requirements		306.3	306.3
Estimated Lapses	(116.3)	(540.2)	(423.9)
Current Year Appropriations Continued to FY 2014		-	-
<b>TOTAL Estimated Expenditures</b>	<b>\$ 19,140.1</b>	<b>\$ 19,152.9</b>	<b>\$ 12.8</b>
<b>Estimated Balance - Budgetary Basis - 6/30/2013 <sup>2</sup></b>	<b>\$ 3.1</b>	<b>\$ 197.6</b>	<b>\$ 194.5</b>
<b>CONVERSION TO GAAP</b>			
Changes in Revenue Accruals		\$ (6.8)	\$ (6.8)
Changes in Expenditure Accruals		(40.7)	(40.7)
Changes in Continuing Appropriations		-	-
<b>Net Change in General Fund Balance - GAAP Basis - 6/30/2013</b>		<b>\$ 150.1</b>	<b>\$ 147.0</b>

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)

	<u>General Assembly Budget Plan</u>	<u>Revised Estimates OPM</u>	<u>Over/ (Under)</u>
<b>TAXES</b>			
Personal Income	\$ 8,554.3	\$ 8,663.9	\$ 109.6
Sales and Use	4,046.0	3,856.6	(189.4)
Corporation	793.0	716.2	(76.8)
Public Service Corporations	275.2	278.7	3.5
Inheritance and Estate	166.2	428.6	262.4
Insurance Companies	234.4	254.8	20.4
Cigarettes	411.1	402.1	(9.0)
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	36.6	(3.0)
Health Provider Tax	530.7	509.5	(21.2)
Miscellaneous	20.1	20.0	(0.1)
<b>TOTAL - TAXES</b>	<b>\$ 15,483.8</b>	<b>\$ 15,565.0</b>	<b>\$ 81.2</b>
Less: Refunds of Taxes	(950.6)	(1,050.6)	(100.0)
Earned Income Tax Credit	(116.5)	(115.5)	1.0
R & D Credit Exchange	(8.5)	(4.4)	4.1
<b>TOTAL - TAXES - NET</b>	<b>\$ 14,408.2</b>	<b>\$ 14,394.5</b>	<b>\$ (13.7)</b>
<b>OTHER REVENUE</b>			
Transfers - Special Revenue	\$ 305.1	\$ 301.2	\$ (3.9)
Indian Gaming Payments	336.2	292.7	(43.5)
Licenses, Permits, Fees	258.8	267.8	9.0
Sales of Commodities and Services	34.8	36.8	2.0
Rents, Fines, Escheats	107.7	136.5	28.8
Investment Income	2.8	0.5	(2.3)
Miscellaneous	162.9	170.4	7.5
Refunds of Payments	(50.0)	(84.5)	(34.5)
<b>TOTAL - OTHER REVENUE</b>	<b>\$ 1,158.3</b>	<b>\$ 1,121.4</b>	<b>\$ (36.9)</b>
<b>OTHER SOURCES</b>			
Federal Grants	\$ 3,629.0	\$ 3,729.2	\$ 100.2
Transfer from Tobacco Settlement Fund	93.1	93.1	-
Transfers to Other Funds <sup>1</sup>	(145.5)	(118.1)	27.4
<b>TOTAL - OTHER SOURCES</b>	<b>\$ 3,576.7</b>	<b>\$ 3,704.2</b>	<b>\$ 127.5</b>
<b>TOTAL - GENERAL FUND REVENUE</b>	<b>\$ 19,143.2</b>	<b>\$ 19,220.1</b>	<b>\$ 76.9</b>

1. General Assembly Budget Plan 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 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 <sup>1</sup>	July 2012	August 2012	September 2012	October 2012	November 2012	December 2012	January 2013	February 2013	Updated 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	\$19,220.1			
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)	197.6	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 <sup>2</sup>	\$3.1	\$3.1	(\$26.9)	(\$60.1)	(\$365.0)	(\$252.0)	(\$64.4)	(\$55.7)	(\$33.6)	\$197.6	\$0.0	\$0.0	\$0.0
Conversion to GAAP	(50.0)	(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)	(\$46.9)	(\$74.4)	(\$107.6)	(\$412.5)	(\$299.5)	(\$111.9)	(\$103.2)	(\$81.1)	\$150.1	\$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 30, 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 Budget Plan <sup>1</sup>	Revised Estimates OPM	Over/ (Under)
Surplus Carried Forward from FY 2012 <sup>2</sup>	\$ 145.3	\$ 145.8	\$ 0.5
<b>REVENUE</b>			
Taxes	\$ 773.3	\$ 772.4	\$ (0.9)
Less: Refunds of Taxes	(7.8)	(5.9)	1.9
Taxes - Net	<u>765.5</u>	<u>766.5</u>	<u>1.0</u>
Other Revenue	468.2	456.2	(12.0)
TOTAL - Revenue	<u>\$ 1,233.7</u>	<u>\$ 1,222.7</u>	<u>\$ (11.0)</u>
<b>EXPENDITURES</b>			
Appropriations	\$ 1,243.7	\$ 1,243.7	\$ -
Net Additional Requirements	-	-	-
Less: Estimated Lapses	(11.0)	(36.0)	(25.0)
TOTAL - Expenditures	<u>\$ 1,232.7</u>	<u>\$ 1,207.7</u>	<u>\$ (25.0)</u>
Balance from Operations	\$ 1.0	\$ 15.0	\$ 14.0
Miscellaneous Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
Estimated Balance - June 30, 2013	<u>\$ 146.3</u>	<u>\$ 160.8</u>	<u>\$ 14.5</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  
April 30, 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>
<b>TAXES</b>			
Motor Fuels	\$ 497.5	\$ 495.8	\$ (1.7)
Oil Companies	199.4	199.4	-
Sales Tax DMV	76.4	77.2	0.8
<b>TOTAL - TAXES</b>	<u>773.3</u>	<u>772.4</u>	<u>(0.9)</u>
Less: Refunds of Taxes	(7.8)	(5.9)	1.9
<b>TOTAL - TAXES - NET</b>	<u>\$ 765.5</u>	<u>\$ 766.5</u>	<u>\$ 1.0</u>
<b>OTHER REVENUE</b>			
Motor Vehicle Receipts	\$ 233.4	\$ 232.1	\$ (1.3)
Licenses, Permits, Fees	137.9	138.0	0.1
Interest Income	6.0	3.0	(3.0)
Federal Grants	13.1	12.5	(0.6)
Transfers (To)/From Other Funds	81.2	73.7	(7.5)
Refunds of Payments	(3.4)	(3.1)	0.3
<b>TOTAL - OTHER REVENUE</b>	<u>\$ 468.2</u>	<u>\$ 456.2</u>	<u>\$ (12.0)</u>
<b>TOTAL - SPECIAL TRANSPORTATION FUND REVENUE</b>	<b>\$1,233.7</b>	<b>\$1,222.7</b>	<b>\$ (11.0)</b>

Statement 3T  
April 30, 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 30, 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 <sup>1</sup>	July 2012	August 2012	September 2012	October 2012	November 2012	December 2012	January 2013	February 2013	Updated March 2013	April 2013	May 2013	June 2013
Beginning Balance <sup>2</sup>	\$ 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	1,222.7			
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	1,368.5	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	15.0	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	\$160.8	\$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.