

# STATE OF CONNECTICUT

## OFFICE OF POLICY AND MANAGEMENT

October 21, 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 2014 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).

### General Fund

This month's estimate reflects a positive \$11.2 million balance from operations. While this represents a minor improvement from the adopted budget's \$4.4 million balance, it should be noted that this projected balance represents less than 0.07% of total General Fund spending.

We currently estimate that expenditures will fall below budgeted levels by \$73.8 million as a result of revised requirements in several agencies as detailed below. On the revenue side, we are projecting a \$67.0 million decrease in projected General Fund deposits of federal Medicaid revenue, explained further below, and that all other revenue sources will meet budgeted levels. However, while last week's agreement to finance federal government operations through January 15<sup>th</sup> and to raise the government's statutory borrowing authority through mid-February is welcome news, any impact on the state revenue collections due to the October federal shutdown will likely become evident over the next few months and is not reflected in this month's projections. In addition, we face the likelihood that the political brinksmanship that characterized the past month will play out again in January and February, when the budget and debt ceiling issues must be revisited. The uncertainty created in the national and state economies by the lack of a long-term federal fiscal plan could affect our recovery from the recession and have a material effect on state revenues.

### Expenditures

Included in this month's projection is the anticipated transfer of the Department of Social Services' Disproportionate Share - Hospital (DSH) appropriation into the Medicaid account in order to maximize payments to hospitals for uncompensated care costs. Because the adopted budget assumed that federal matching funds for the DSH program would accrue to the General Fund, while federal matching funds related to expenditures in the Medicaid account offset State costs, the transfer has the impact of creating a \$67 million lapse in the Medicaid account while reducing General Fund revenue by an equal amount. In addition, we are

projecting lapses of \$10.0 million in the Treasurer's Debt Service accounts related to lower than budgeted interest rates for UConn 2000 bonds, \$2.0 million in the Teachers' Retirement Board based on lower than budgeted rates for Retiree Healthcare, and \$14.8 million in the Department of Children and Families across a variety of accounts, primarily as a result of reduced out-of-home placements. In aggregate, we are projecting lapses in the above agencies of \$93.8 million.

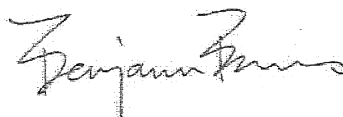
Partially offsetting these lapses are projected deficiencies totaling \$20.0 million across three agencies. The Department of Administrative Services is projecting a shortfall of \$8.0 million in its Insurance and Risk Operations account as a result of the anticipated settlement of two large claims against the state this fiscal year. In addition, we are projecting a \$3.0 million deficiency in the Department of Emergency Services and Public Protection's Personal Services account as a result of a reduction in casino reimbursements. The Department of Education is anticipated to experience a shortfall of \$9.0 million in its Magnet Schools account as a result of unbudgeted legislation requiring the state to pick up additional preschool tuition costs as well as increased supplemental transportation costs for the Sheff settlement. Finally, we continue to monitor several claims against the state that may be finalized this fiscal year and which would impact expenditure requirements in the Comptroller's Adjudicated Claims account.

#### **Special Transportation Fund**

This month, we are projecting revenue collections in the Special Transportation Fund will exceed budgeted levels by \$2.1 million, primarily as a result of an improvement in collections of Motor Fuels taxes. Estimated expenditures remain unchanged relative to the adopted budget, although we are closely monitoring the fiscal impact on the Department of Transportation of costs associated with the recent power failure on the New Haven line as well as the May 17, 2013 derailment. We currently anticipate the fund balance on June 30, 2014 to be \$167.2 million.

As always, it is important to note that while these projections are the best that can be made at this time, estimates may 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". The signature is fluid and cursive, with the first name being more prominent.

Benjamin Barnes  
Secretary

Summary  
October 21, 2013

State of Connecticut  
Summary of Changes  
General Fund and Special Transportation Fund  
Projected to June 30, 2014  
As of September 30, 2013  
(In Millions)

**General Fund**

Balance from Operations - Adopted Budget		\$	4.4
Revenues			
Federal Revenue	(67.0)		(67.0)
Expenditures			
Additional Requirements	(20.0)		
Estimated Lapses	93.8		
Miscellaneous Adjustments/Rounding	0.0		73.8
Estimated Balance from Operations - June 30, 2014		\$	11.2

**Special Transportation Fund**

Fund Balance as of June 30, 2013		\$	164.6
Balance from Operations - Adopted Budget			0.5
Revenues			
Motor Fuels Tax	2.1		
Refunds of Taxes	1.0		
Federal Grants	(1.0)		2.1
Expenditures			
Additional Requirements	0.0		
Estimated Lapses	0.0		
Miscellaneous Adjustments/Rounding	0.0		0.0
Estimated Fund Balance - June 30, 2014		\$	167.2

State of Connecticut  
General Fund  
Statement of Revenues, Expenditures, and Results of Operations  
Projected to June 30, 2014  
As of September 30, 2013  
(In Millions)

	General Assembly Budget Plan	Revised Estimates OPM	Over/ (Under)
<b>REVENUE</b>			
Taxes	\$ 15,517.5	\$ 15,517.5	\$ -
Less: Refunds	(1,183.5)	(1,183.5)	-
Taxes - Net	\$ 14,334.0	\$ 14,334.0	\$ -
Other Revenue	1,153.7	1,153.7	-
Other Sources <sup>1</sup>	1,705.4	1,638.4	(67.0)
<b>TOTAL Revenue</b>	<b>\$ 17,193.1</b>	<b>\$ 17,126.1</b>	<b>\$ (67.0)</b>
<b>EXPENDITURES</b>			
Initial Current Year Appropriations <sup>1,2</sup>	\$ 17,361.4	\$ 17,361.4	\$ -
Prior Year Appropriations Continued to FY 2014 <sup>3</sup>		112.4	112.4
<b>TOTAL Initial and Continued Appropriations</b>	<b>\$ 17,361.4</b>	<b>\$ 17,473.8</b>	<b>\$ 112.4</b>
Appropriation Adjustments	-	-	-
<b>TOTAL Adjusted Appropriations</b>	<b>\$ 17,361.4</b>	<b>\$ 17,473.8</b>	<b>\$ 112.4</b>
Net Additional Expenditure Requirements		20.0	20.0
Estimated Appropriations Lapsed	(172.6)	(266.5)	(93.8)
Estimated Appropriations to be Continued to FY 2015		-	-
<b>TOTAL Estimated Expenditures</b>	<b>\$ 17,188.7</b>	<b>\$ 17,227.3</b>	<b>\$ 38.6</b>
Net Change in Fund Balances - Continuing Appropriations	-	(112.4)	(112.4)
Miscellaneous Adjustments	-	-	-
<b>Net Change in Unassigned Fund Balance - 6/30/2014</b>	<b>\$ 4.4</b>	<b>\$ 11.2</b>	<b>\$ 6.8</b>

1. Note that, in a departure from the budgets enacted in previous years, the adopted budget "net appropriates" the Medicaid account in the Department of Social Services. This change in practice makes Connecticut's budget treatment of Medicaid consistent with the budgets of other states. A total of \$2,768.7 million was removed from both budgeted revenues and appropriations to accomplish this transition.

2. P.A. 13-184, as amended by P.A. 13-247.

3. P.A. 13-184, as amended by P.A. 13-247, and other statutory provisions.

State of Connecticut  
General Fund  
Revenue Estimates  
Projected to June 30, 2014  
As of September 30, 2013  
(In Millions)

	General Assembly Budget Plan	Revised Estimates OPM	Over/ (Under)
<b>TAXES</b>			
Personal Income	\$ 8,808.8	\$ 8,808.8	\$ -
Sales and Use	4,044.0	4,044.0	-
Corporation	723.5	723.5	-
Public Service Corporations	279.6	279.6	-
Inheritance and Estate	173.2	173.2	-
Insurance Companies	271.2	271.2	-
Cigarettes	390.4	390.4	-
Real Estate Conveyance	143.8	143.8	-
Oil Companies	36.8	36.8	-
Electric Generation	17.5	17.5	-
Alcoholic Beverages	59.8	59.8	-
Admissions and Dues	37.0	37.0	-
Health Provider Tax	512.0	512.0	-
Miscellaneous	19.9	19.9	-
<b>TOTAL - TAXES</b>	<b>\$ 15,517.5</b>	<b>\$ 15,517.5</b>	<b>\$ -</b>
Less: Refunds of Taxes	(1,073.5)	(1,073.5)	-
Earned Income Tax Credit	(104.5)	(104.5)	-
R & D Credit Exchange	(5.5)	(5.5)	-
<b>TOTAL - TAXES - NET</b>	<b>\$ 14,334.0</b>	<b>\$ 14,334.0</b>	<b>\$ -</b>
<b>OTHER REVENUE</b>			
Transfers - Special Revenue	\$ 313.9	\$ 313.9	\$ -
Indian Gaming Payments	285.3	285.3	-
Licenses, Permits, Fees	301.2	301.2	-
Sales of Commodities and Services	38.2	38.2	-
Rents, Fines, Escheats	114.5	114.5	-
Investment Income	1.3	1.3	-
Miscellaneous	169.1	169.1	-
Refunds of Payments	(69.8)	(69.8)	-
<b>TOTAL - OTHER REVENUE</b>	<b>\$ 1,153.7</b>	<b>\$ 1,153.7</b>	<b>\$ -</b>
<b>OTHER SOURCES</b>			
Federal Grants	\$ 1,312.7	\$ 1,245.7	\$ (67.0)
Transfer from Tobacco Settlement Fund	107.0	107.0	-
Transfers to Other Funds	285.7	285.7	-
<b>TOTAL - OTHER SOURCES</b>	<b>\$ 1,705.4</b>	<b>\$ 1,638.4</b>	<b>\$ (67.0)</b>
<b>TOTAL - GENERAL FUND REVENUE</b>	<b>\$ 17,193.1</b>	<b>\$ 17,126.1</b>	<b>\$ (67.0)</b>

State of Connecticut - General Fund  
Appropriation Adjustments - Net Additional Requirements  
Projected to June 30, 2014  
As of September 30, 2013

Department of Administrative Services	\$	8,000,000
Department of Education	\$	9,000,000
Department of Emergency Services and Public Protection	\$	3,000,000
Total	\$	<u>20,000,000</u>

Statement 4  
October 21, 2013

State of Connecticut  
General Fund  
Estimated Lapses  
Projected to June 30, 2014  
As of September 30, 2013

Unallocated Lapse	\$ 91,676,192
Unallocated Lapse - Legislative	3,028,105
Unallocated Lapse - Judicial	7,400,672
General Other Expenses Reductions - Legislative	140,000
General Other Expenses Reductions - Executive	3,312,000
General Other Expenses Reductions - Judicial	548,000
General Lapse - Legislative	56,251
General Lapse - Executive	13,785,503
General Lapse - Judicial	401,946
GAAP Lapse	5,500,000
Transfer GAAP Funding	40,000,000
Statewide Hiring Reduction - Legislative	190,309
Statewide Hiring Reduction - Executive	5,478,184
Statewide Hiring Reduction - Judicial	1,128,261
Department of Social Services	67,000,000
Teachers' Retirement Board	2,000,000
Department of Children and Families	14,800,000
OTT - Debt Service	10,000,000
Total	<u>\$ 266,445,423</u>

State of Connecticut  
2013-14 General Fund  
Summary of Operations Per Letter to the Comptroller  
(In Millions)

	Budget Plan 1	July 2013	August 2013	September 2013	October 2013	November 2013	December 2013	January 2014	February 2014	March 2014	April 2014	May 2014	June 2014
REVENUE	\$ 17,193.1	\$ 17,193.1	\$ 17,193.1	\$ 17,126.1									
Appropriations	17,361.4	17,361.4	17,361.4	17,361.4									
Additional Requirements	0.0	0.0	0.0	20.0									
Less: Estimated Lapses	(172.6)	(172.6)	(172.6)	(266.4)									
TOTAL - Estimated Expenditures	17,188.7	17,188.7	17,188.7	17,114.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance from Operations	4.4	4.4	4.4	11.2									
Misc. Adjustments/Rounding	0.0	0.0	0.0	0.0									
Est. Balance from Operations - 6/30/14	\$4.4	\$4.4	\$4.4	\$11.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

1. P.A. 13-184, as amended by P.A. 13-247.



Statement 1T  
October 21, 2013

State of Connecticut  
Special Transportation Fund  
Analysis of Budget Plan  
Projected to June 30, 2014  
As of September 30, 2013  
(In Millions)

	General Assembly <u>Budget Plan</u> <sup>1</sup> .	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
Fund Balance as of June 30, 2013 <sup>2</sup> .	\$ 165.9	\$ 164.6	\$ (1.3)
<b>REVENUE</b>			
Taxes	\$ 962.0	\$ 965.1	\$ 3.1
Less: Refunds of Taxes	<u>(6.5)</u>	<u>(6.5)</u>	<u>-</u>
Taxes - Net	955.5	958.6	3.1
Other Revenue	<u>288.2</u>	<u>287.2</u>	<u>(1.0)</u>
TOTAL - Revenue	\$ 1,243.7	\$ 1,245.8	\$ 2.1
<b>EXPENDITURES</b>			
Appropriations	\$ 1,254.2	\$ 1,254.2	\$ -
Net Additional Requirements	-	-	-
Less: Estimated Lapses	<u>(11.0)</u>	<u>(11.0)</u>	<u>-</u>
TOTAL - Expenditures	\$ 1,243.2	\$ 1,243.2	\$ -
Balance from Operations	\$ 0.5	\$ 2.6	\$ 2.1
Miscellaneous Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
Estimated Fund Balance - June 30, 2014	<u>\$ 166.4</u>	<u>\$ 167.2</u>	<u>\$ 0.8</u>

1. P.A. 13-184.

2. Budget plan as estimated by the Office of Policy and Management. Revised estimates per the Comptroller's September 3, 2013 letter.

Statement 2T  
 October 21, 2013

State of Connecticut  
 Special Transportation Fund  
 Revenue Estimates  
 Projected to June 30, 2014  
 As of September 30, 2013  
 (In Millions)

	<u>General Assembly Budget Plan</u>	<u>Revised Estimates OPM</u>	<u>Over/ (Under)</u>
TAXES			
Motor Fuels	\$ 502.9	\$ 505.0	\$ 2.1
Oil Companies	380.7	380.7	-
Sales Tax DMV	78.4	79.4	1.0
TOTAL - TAXES	<u>962.0</u>	<u>965.1</u>	<u>3.1</u>
Less: Refunds of Taxes	(6.5)	(6.5)	-
TOTAL - TAXES - NET	<u>\$ 955.5</u>	<u>\$ 958.6</u>	<u>\$ 3.1</u>
OTHER REVENUE			
Motor Vehicle Receipts	\$ 234.0	\$ 234.0	\$ -
Licenses, Permits, Fees	138.5	138.5	-
Interest Income	3.8	3.8	-
Federal Grants	13.1	12.1	(1.0)
Transfers (To)/From Other Funds	(98.0)	(98.0)	-
Refunds of Payments	(3.2)	(3.2)	-
TOTAL - OTHER REVENUE	<u>\$ 288.2</u>	<u>\$ 287.2</u>	<u>\$ (1.0)</u>
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$ 1,243.7	\$ 1,245.8	\$ 2.1

Statement 3T  
October 21, 2013

State of Connecticut  
Special Transportation Fund  
Appropriation Adjustments - Net Additional Requirements  
Projected to June 30, 2014  
As of September 30, 2013

No Additional Requirements  
Total

\$	-
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\$	-
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Statement 4T  
October 21, 2013

State of Connecticut  
Special Transportation Fund  
Estimated Lapses  
Projected to June 30, 2014  
As of September 30, 2013

Unallocated Lapse	\$ 11,000,000
Total	<u>\$ 11,000,000</u>

State of Connecticut  
2013-14 Special Transportation Fund  
Summary of Operations Per Letter to the Comptroller  
(In Millions)

	Budget Plan <sup>1</sup>	July 2013	August 2013	September 2013	October 2013	November 2013	December 2013	January 2014	February 2014	March 2014	April 2014	May 2014	June 2014
Beginning Balance <sup>2</sup>	\$ 165.9	\$ 165.9	\$ 164.6	\$ 164.6									
Revenue	<u>1,243.7</u>	<u>1,243.7</u>	<u>1,243.7</u>	<u>1,245.8</u>									
Total Available	1,409.6	1,409.6	1,408.3	1,410.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Appropriations	1,254.2	1,254.2	1,254.2	1,254.2									
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>(11.0)</u>									
TOTAL - Estimated Expenditures	1,243.2	1,243.2	1,243.2	1,243.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance from Operations	0.5	0.5	0.5	2.6	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 6/30/14	\$166.4	\$166.4	\$165.1	\$167.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

1. P. A. 13-184.

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 3, 2013 letter.