



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

April 30, 2014

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 20th pursuant to C.G.S. 4-66. As noted in our April 20th 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 to our revenue forecast.

General Fund

As a result of today's consensus revenue forecast, we are now projecting a \$43.4 million surplus in the General Fund on a budgetary basis, a change of \$461.5 million from the amount reported on April 20th. As noted in my April 28th letter to the General Assembly, it is the Governor's intention that the 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 that forecast, projected revenues have been revised down by \$461.5 million, driven primarily by a \$389.1 million reduction in Personal Income Tax collections. We believe this is due to several tax law changes at the federal level at the beginning of calendar year 2013. These tax law changes made it advantageous for investors to realize capital gains in 2012, likely resulting in a significant decline in such realization in 2013. Corporation tax collections have also underperformed their target, resulting in a downward revision by \$44.2 million. Sales tax projections have been revised downward by \$22.6 million, which we believe is a result of the impact of this winter's weather and certain federal policy effects. Non-income tax refunds are exceeding projections and therefore the estimate has been revised upward by \$20.0 million. Federal Grants were revised down by \$26.0 million, primarily due to the timing of receipt of federal Medicaid reimbursements. Miscellaneous revenue is being revised upward by \$30 million to reflect a one-time adjustment to fringe benefit recoveries. All other changes net to a positive \$10.4 million.

Expenditures

Our expenditure forecast remains unchanged from April 20th, with expenditures projected to be \$79.4 million below the budget plan. Net additional requirements (deficiencies) of \$39.0 million are more than offset by projected lapsing appropriations of \$118.4 million.

Special Transportation Fund

A \$2.1 million operating deficit is forecast, an improvement of \$0.6 million from our April 20th letter. This change is reflective of the consensus revenue estimate reached today; no changes are being made to our April 20th expenditure forecast. With this revised revenue forecast, the fund balance on June 30, 2014 is anticipated to be \$162.5 million.

I hope this updated information is helpful.

Sincerely,

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

Benjamin Barnes
Secretary

Summary
April 30, 2014

State of Connecticut
Summary of Changes
General Fund and Special Transportation Fund
Projected to June 30, 2014
As of March 31, 2014
(In Millions)

General Fund

Balance from Operations - Prior Month		\$	504.9
Revenues			
April 20th forecast (net)	0.0		
April 30th consensus changes (net)	<u>(461.5)</u>		(461.5)
Expenditures			
Additional Requirements	5.1		
Estimated Lapses	(5.1)		
Miscellaneous Adjustments/Rounding	<u>0.0</u>		<u>0.0</u>
Estimated Balance from Operations - June 30, 2014		\$	<u>43.4</u>

Special Transportation Fund

Fund Balance as of June 30, 2013		\$	164.6
Balance from Operations - Prior Month			(3.7)
Revenues			
April 20th forecast (net)	(1.0)		
April 30th consensus changes (net)	<u>0.6</u>		<u>(0.4)</u>
Expenditures			
Additional Requirements	2.0		
Estimated Lapses	0.0		
Miscellaneous Adjustments/Rounding	<u>0.0</u>		<u>2.0</u>
Estimated Fund Balance - June 30, 2014		\$	<u>162.5</u>

State of Connecticut
General Fund
Statement of Revenues, Expenditures, and Results of Operations
Projected to June 30, 2014
As of March 31, 2014
(In Millions)

	General Assembly Budget Plan	Revised Estimates OPM	Over/ (Under)
REVENUE			
Taxes	\$ 15,517.5	\$ 15,459.0	\$ (58.5)
Less: Refunds	(1,183.5)	(1,174.0)	9.5
Taxes - Net	\$ 14,334.0	\$ 14,285.0	\$ (49.0)
Other Revenue	1,153.7	1,205.0	51.3
Other Sources ¹	1,705.4	1,662.8	(42.6)
TOTAL Revenue	\$ 17,193.1	\$ 17,152.8	\$ (40.3)
EXPENDITURES			
Initial Current Year Appropriations ^{1,2}	\$ 17,361.4	\$ 17,361.4	\$ -
Prior Year Appropriations Continued to FY 2014 ³		112.4	112.4
TOTAL Initial and Continued Appropriations	\$ 17,361.4	\$ 17,473.8	\$ 112.4
Appropriation Adjustments	-	-	-
TOTAL Adjusted Appropriations	\$ 17,361.4	\$ 17,473.8	\$ 112.4
Net Additional Expenditure Requirements		39.0	39.0
Estimated Appropriations Lapsed	(172.6)	(291.0)	(118.4)
Estimated Appropriations to be Continued to FY 2015		-	-
TOTAL Estimated Expenditures	\$ 17,188.7	\$ 17,221.8	\$ 33.0
Net Change in Fund Balances - Continuing Appropriations	-	(112.4)	(112.4)
Miscellaneous Adjustments/Rounding	-	-	-
Net Change in Unassigned Fund Balance - 6/30/2014	\$ 4.4	\$ 43.4	\$ 39.1

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 March 31, 2014
(In Millions)

	General Assembly Budget Plan	Revised Estimates OPM	Over/ (Under)
TAXES			
Personal Income	\$ 8,808.8	\$ 8,632.8	\$ (176.0)
Sales and Use	4,044.0	4,109.6	65.6
Corporation	723.5	771.2	47.7
Public Service Corporations	279.6	292.6	13.0
Inheritance and Estate	173.2	175.1	1.9
Insurance Companies	271.2	247.1	(24.1)
Cigarettes	390.4	375.0	(15.4)
Real Estate Conveyance	143.8	179.2	35.4
Oil Companies	36.8	34.3	(2.5)
Electric Generation	17.5	15.4	(2.1)
Alcoholic Beverages	59.8	60.3	0.5
Admissions and Dues	37.0	39.5	2.5
Health Provider Tax	512.0	507.0	(5.0)
Miscellaneous	19.9	19.9	-
TOTAL - TAXES	\$ 15,517.5	\$ 15,459.0	\$ (58.5)
Less: Refunds of Taxes	(1,073.5)	(1,063.5)	10.0
Earned Income Tax Credit	(104.5)	(104.5)	-
R & D Credit Exchange	(5.5)	(6.0)	(0.5)
TOTAL - TAXES - NET	\$ 14,334.0	\$ 14,285.0	\$ (49.0)
OTHER REVENUE			
Transfers - Special Revenue	\$ 313.9	\$ 320.8	\$ 6.9
Indian Gaming Payments	285.3	281.3	(4.0)
Licenses, Permits, Fees	301.2	324.2	23.0
Sales of Commodities and Services	38.2	42.2	4.0
Rents, Fines, Escheats	114.5	116.6	2.1
Investment Income	1.3	0.1	(1.2)
Miscellaneous	169.1	190.1	21.0
Refunds of Payments	(69.8)	(70.3)	(0.5)
TOTAL - OTHER REVENUE	\$ 1,153.7	\$ 1,205.0	\$ 51.3
OTHER SOURCES			
Federal Grants	\$ 1,312.7	\$ 1,279.5	\$ (33.2)
Transfer from Tobacco Settlement Fund	107.0	107.0	-
Transfers to Other Funds	285.7	276.3	(9.4)
TOTAL - OTHER SOURCES	\$ 1,705.4	\$ 1,662.8	\$ (42.6)
TOTAL - GENERAL FUND REVENUE	\$ 17,193.1	\$ 17,152.8	\$ (40.3)

State of Connecticut - General Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2014
As of March 31, 2014

Department of Administrative Services	\$	8,000,000
Department of Education		10,400,000
Department of Emergency Services and Public Protection		4,800,000
Office of the Chief Medical Examiner		100,000
Public Defenders Services Commission		6,700,000
OSC - Miscellaneous		6,200,000
DAS - Workers Compensation Claims		2,800,000
Total	\$	<u>39,000,000</u>

State of Connecticut
General Fund
Estimated Lapses
Projected to June 30, 2014
As of March 31, 2014

Unallocated Lapse	\$ 25,000,000
Unallocated Lapse - Legislative	-
Unallocated Lapse - Judicial	-
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
Office of Legislative Management	6,500,000
Auditors of Public Accounts	500,000
Office of the Attorney General	900,000
Office of the State Comptroller	1,000,000
Office of Policy and Management	1,500,000
Division of Criminal Justice	600,000
Department of Consumer Protection	900,000
Department of Energy and Environmental Protection	1,000,000
Department of Housing	2,000,000
Department of Public Health	2,300,000
Department of Developmental Services	2,400,000
Department of Social Services	74,600,000
Teachers' Retirement Board	2,600,000
Department of Children and Families	26,000,000
OTT - Debt Service	47,000,000
OSC - Fringe Benefits	25,700,000
Total	<u>\$ 291,040,454</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	Updated March 2014	April 2014	May 2014	June 2014
REVENUE	\$ 17,193.1	\$ 17,193.1	\$ 17,193.1	\$ 17,126.1	\$ 17,249.5	\$ 17,394.8	\$ 17,614.3	\$ 17,614.3	\$ 17,614.3	\$ 17,614.3	\$ 17,614.3	\$ 17,152.8	
Appropriations	17,361.4	17,361.4	17,361.4	17,361.4	17,361.4	17,361.4	17,361.4	17,361.4	17,361.4	17,361.4	17,361.4	17,361.4	
Additional Requirements	0.0	0.0	0.0	20.0	23.2	30.7	44.3	44.9	44.1	44.1	44.1	39.0	
Less: Estimated Lapses	(172.6)	(172.6)	(172.6)	(266.4)	(270.9)	(270.5)	(297.5)	(296.4)	(296.1)	(296.1)	(296.1)	(291.0)	
TOTAL - Estimated Expenditures	17,188.7	17,188.7	17,188.7	17,114.9	17,113.6	17,121.5	17,108.2	17,109.9	17,109.4	17,109.4	17,109.4	17,109.4	0.0
Balance from Operations	4.4	4.4	4.4	11.2	135.9	273.3	506.1	504.4	504.9	504.9	504.9	43.4	
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	
Est. Balance from Operations - 6/30/14	\$4.4	\$4.4	\$4.4	\$11.2	\$135.9	\$273.3	\$506.1	\$504.4	\$504.9	\$504.9	\$504.9	\$43.4	\$0.0

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

State of Connecticut
Special Transportation Fund
Analysis of Budget Plan
Projected to June 30, 2014
As of March 31, 2014
(In Millions)

	General Assembly <u>Budget Plan</u> ^{1.}	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
Fund Balance as of June 30, 2013 ^{2.}	\$ 165.9	\$ 164.6	\$ (1.3)
REVENUE			
Taxes	\$ 962.0	\$ 968.1	\$ 6.1
Less: Refunds of Taxes	<u>(6.5)</u>	<u>(6.5)</u>	<u>-</u>
Taxes - Net	955.5	961.6	6.1
Other Revenue	<u>288.2</u>	<u>289.7</u>	<u>1.5</u>
TOTAL - Revenue	\$ 1,243.7	\$ 1,251.3	\$ 7.6
EXPENDITURES			
Appropriations	\$ 1,254.2	\$ 1,254.2	\$ -
Net Additional Requirements	-	11.3	11.3
Less: Estimated Lapses	<u>(11.0)</u>	<u>(12.1)</u>	<u>(1.1)</u>
TOTAL - Expenditures	\$ 1,243.2	\$ 1,253.4	\$ 10.2
Balance from Operations	\$ 0.5	\$ (2.1)	\$ (2.6)
Miscellaneous Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
Estimated Fund Balance - June 30, 2014	\$ <u>166.4</u>	\$ <u>162.5</u>	\$ <u>(3.9)</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
April 30, 2014

State of Connecticut
Special Transportation Fund
Revenue Estimates
Projected to June 30, 2014
As of March 31, 2014
(In Millions)

	<u>General Assembly Budget Plan</u>	<u>Revised Estimates OPM</u>	<u>Over/ (Under)</u>
TAXES			
Motor Fuels	\$ 502.9	\$ 505.8	\$ 2.9
Oil Companies	380.7	380.7	-
Sales Tax DMV	78.4	81.6	3.2
TOTAL - TAXES	<u>962.0</u>	<u>968.1</u>	<u>6.1</u>
Less: Refunds of Taxes	(6.5)	(6.5)	-
TOTAL - TAXES - NET	<u>\$ 955.5</u>	<u>\$ 961.6</u>	<u>\$ 6.1</u>
OTHER REVENUE			
Motor Vehicle Receipts	\$ 234.0	\$ 235.8	\$ 1.8
Licenses, Permits, Fees	138.5	138.3	(0.2)
Interest Income	3.8	4.7	0.9
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>\$ 289.7</u>	<u>\$ 1.5</u>
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$ 1,243.7	\$ 1,251.3	\$ 7.6

Statement 3T
April 30, 2014

State of Connecticut
Special Transportation Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2014
As of March 31, 2014

Department of Transportation	\$ 9,000,000
OSC - Fringe Benefits	1,500,000
DAS - Workers' Compensation Claims	<u>800,000</u>
Total	<u>\$11,300,000</u>

Statement 4T
April 30, 2014

State of Connecticut
Special Transportation Fund
Estimated Lapses
Projected to June 30, 2014
As of March 31, 2014

Department of Motor Vehicles	\$ 2,000,000
OTT - Debt Service	10,100,000
Total	<u>\$ 12,100,000</u>

State of Connecticut
2013-14 Special Transportation 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	Updated March 2014	April 2014	May 2014	June 2014
Beginning Balance ²	\$ 165.9	\$ 165.9	\$ 164.6	\$ 164.6	\$ 164.6	\$ 164.6	\$ 164.6	\$ 164.6	\$ 164.6	\$ 164.6			
Revenue	1,243.7	1,243.7	1,243.7	1,245.8	1,244.5	1,250.6	1,251.7	1,251.7	1,251.7	1,251.3			
Total Available	1,409.6	1,409.6	1,408.3	1,410.4	1,409.1	1,415.2	1,416.3	1,416.3	1,416.3	1,415.9	0.0	0.0	0.0
Appropriations	1,254.2	1,254.2	1,254.2	1,254.2	1,254.2	1,254.2	1,254.2	1,254.2	1,254.2	1,254.2			
Additional Requirements	0.0	0.0	0.0	0.0	0.0	0.0	0.6	7.8	13.3	11.3			
Less: Estimated Lapses	(11.0)	(11.0)	(11.0)	(11.0)	(11.0)	(11.0)	(11.6)	(11.8)	(12.1)	(12.1)			
TOTAL - Estimated Expenditures	1,243.2	1,243.2	1,243.2	1,243.2	1,243.2	1,243.2	1,243.2	1,250.2	1,255.4	1,253.4	0.0	0.0	0.0
Balance from Operations	0.5	0.5	0.5	2.6	1.3	7.4	8.5	1.5	(3.7)	(2.1)	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 6/30/14	\$166.4	\$166.4	\$165.1	\$167.2	\$165.9	\$172.0	\$173.1	\$166.1	\$160.9	\$162.5	\$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.