

STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

June 20, 2014

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. In compliance 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 \$33.2 million balance from operations, a minor reduction from our May forecast. This surplus will, by operation of law, be deposited to the Budget Reserve Fund at year end.

Revenues

Estimated revenues this month are being revised downward by \$75.5 million compared to last month's estimate. The largest change is in the Federal Grants category, down \$77.5 million from last month. Of this sum, \$65.5 million is based on a projected decrease in current-year federal reimbursements for long-standing programs and services provided by the departments of Developmental Services and Mental Health and Addiction Services. OPM and the agencies remain actively engaged with the federal government in resolving issues relating to claiming methodology and allowable costs. While we remain hopeful for resolution before the fiscal year ends, we have assumed for forecasting purposes that this revenue will be delayed until FY 2015 or, worst-case, not reimbursed by the federal government. An update on this issue will be provided in next month's forecast. A further \$12.0 million reduction is also included in Federal Grants, but this change is related to and offset by a corresponding reduction in expenditures discussed below. The Corporation Tax, which had previously fallen short of its target, is being revised upward by \$10.0 million due to robust second quarter payments which were due on June 15th. Various other minor revisions, both positive and negative, net to a negative \$8.0 million. It should be noted that OPM has not revised its current forecast for the Personal Income Tax, as receipts that were due on June 15th are still being tallied.

Expenditures

Overall, expenditures are projected to be \$144.8 million below the budget plan, a significant improvement over last month's forecast. The biggest change is a \$36.1 million improvement in expenditures at the Department of Social Services, of which \$12.0 million is related to a more accurate reflection of the federal vs. state share of Medicaid spending. It should be noted that our projections include the impact of transfers approved at the June 5th meeting of the Finance Advisory Committee.

Lapses. Statement 4, attached, lists total projected lapses by agency, inclusive of any funds held back from allotment in accordance with the original budget plan. We are projecting full achievement of budgeted lapse targets by year end.

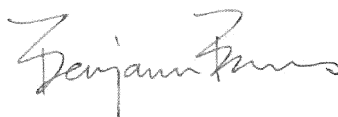
Deficiencies. As a result of deficiency appropriations included in Public Act 14-47, no remaining additional requirements are projected this fiscal year.

Special Transportation Fund

This month's projection reflects a net \$2.5 million operating surplus in the Special Transportation Fund, an improvement of \$4.9 million from last month's forecast. Revenues are being revised upward by \$0.7 million due to various minor changes, and expenditures improved by \$4.2 million, primarily from a \$3.5 million reduction in projected Debt Service expenses. As a result of deficiency appropriations included in Public Act 14-47, no remaining additional requirements are projected this fiscal year. As noted last month, our projections include a \$3.5 million expenditure adjustment recorded by the Comptroller's office to reflect a transfer of insurance recovery proceeds from the resources of the Special Transportation Fund to the Connecticut Airport Authority. Our expenditure estimates also reflect sums projected to carry forward from FY 2014 into FY 2015 in accordance with statutory provisions. The fund balance is projected to be \$167.0 million on June 30, 2014.

As always, it is important to note that while these projections are the best that can be made at this time, adjustments may be needed as the fiscal year concludes and the year end closing process commences.

Sincerely,



Benjamin Barnes
Secretary

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

General Fund

Balance from Operations - Prior Month		\$	43.4
Revenues			
Corporation Tax	10.0		
Insurance Companies	(6.1)		
Health Provider Tax	(6.0)		
Federal Revenue	(77.5)		
All Other Changes (Net)	4.1		(75.5)
Expenditures			
Additional Requirements	0.0		
Estimated Lapses	65.1		
Miscellaneous Adjustments/Rounding	0.2		65.3
Estimated Balance from Operations - June 30, 2014		\$	33.2

Special Transportation Fund

Fund Balance as of June 30, 2013		\$	164.6
Balance from Operations - Prior Month			(2.5)
Revenues			
All Changes (net)	0.7		0.7
Expenditures			
Additional Requirements	0.0		
Estimated Lapses	4.2		
Miscellaneous Adjustments/Rounding	0.0		4.2
Estimated Fund Balance - June 30, 2014		\$	167.0

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

	General Assembly Budget Plan	Revised Estimates OPM	Over/ (Under)
REVENUE			
Taxes	\$ 15,517.5	\$ 15,440.6	\$ (76.9)
Less: Refunds	(1,183.5)	(1,179.3)	4.2
Taxes - Net	\$ 14,334.0	\$ 14,261.3	\$ (72.7)
Other Revenue	1,153.7	1,230.5	76.8
Other Sources ¹	1,705.4	1,585.3	(120.1)
TOTAL Revenue	\$ 17,193.1	\$ 17,077.1	\$ (116.0)
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 ⁴	-	(15.2)	(15.2)
TOTAL Adjusted Appropriations	\$ 17,361.4	\$ 17,458.6	\$ 97.2
Net Additional Expenditure Requirements		-	-
Estimated Appropriations Lapsed	(172.6)	(302.3)	(129.7)
Estimated Appropriations to be Continued to FY 2015		-	-
TOTAL Estimated Expenditures	\$ 17,188.7	\$ 17,156.3	\$ (32.4)
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	\$ 33.2	\$ 28.8

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.

4. P.A. 14-47 sections 34, 35, 41 & 42, and Reserve for Salary Adjustment transfers to other funds.

State of Connecticut
General Fund
Revenue Estimates
Projected to June 30, 2014
As of May 31, 2014
(In Millions)

	General Assembly <u>Budget Plan</u>	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
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	776.0	52.5
Public Service Corporations	279.6	292.6	13.0
Inheritance and Estate	173.2	170.1	(3.1)
Insurance Companies	271.2	241.0	(30.2)
Cigarettes	390.4	374.0	(16.4)
Real Estate Conveyance	143.8	179.2	35.4
Oil Companies	36.8	39.3	2.5
Electric Generation	17.5	15.3	(2.2)
Alcoholic Beverages	59.8	59.3	(0.5)
Admissions and Dues	37.0	39.5	2.5
Health Provider Tax	512.0	492.0	(20.0)
Miscellaneous	19.9	19.9	-
TOTAL - TAXES	<u>\$ 15,517.5</u>	<u>\$ 15,440.6</u>	<u>\$ (76.9)</u>
Less: Refunds of Taxes	(1,073.5)	(1,069.5)	4.0
Earned Income Tax Credit	(104.5)	(104.5)	-
R & D Credit Exchange	(5.5)	(5.3)	0.2
TOTAL - TAXES - NET	<u>\$ 14,334.0</u>	<u>\$ 14,261.3</u>	<u>\$ (72.7)</u>
OTHER REVENUE			
Transfers - Special Revenue	\$ 313.9	\$ 321.3	\$ 7.4
Indian Gaming Payments	285.3	281.3	(4.0)
Licenses, Permits, Fees	301.2	322.2	21.0
Sales of Commodities and Services	38.2	42.2	4.0
Rents, Fines, Escheats	114.5	122.6	8.1
Investment Income	1.3	0.1	(1.2)
Miscellaneous	169.1	206.1	37.0
Refunds of Payments	(69.8)	(65.3)	4.5
TOTAL - OTHER REVENUE	<u>\$ 1,153.7</u>	<u>\$ 1,230.5</u>	<u>\$ 76.8</u>
OTHER SOURCES			
Federal Grants	\$ 1,312.7	\$ 1,202.0	\$(110.7)
Transfer from Tobacco Settlement Fund	107.0	107.0	-
Transfers to Other Funds	285.7	276.3	(9.4)
TOTAL - OTHER SOURCES	<u>\$ 1,705.4</u>	<u>\$ 1,585.3</u>	<u>\$(120.1)</u>
TOTAL - GENERAL FUND REVENUE	<u>\$ 17,193.1</u>	<u>\$ 17,077.1</u>	<u>\$(116.0)</u>

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

No Additional Requirements

\$ -

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

Unallocated Lapse	\$	-
Unallocated Lapse - Legislative		-
Unallocated Lapse - Judicial		-
General Other Expenses Reductions - Legislative		140,000
General Other Expenses Reductions - Executive		2,457,453
General Other Expenses Reductions - Judicial		548,000
General Lapse - Legislative		56,251
General Lapse - Executive		10,879,880
General Lapse - Judicial		401,946
GAAP Lapse		-
Transfer GAAP Funding		26,044,055
Statewide Hiring Reduction - Legislative		190,309
Statewide Hiring Reduction - Executive		3,825,213
Statewide Hiring Reduction - Judicial		1,128,261
Office of Legislative Management		9,500,000
Auditors of Public Accounts		600,000
Office of the Attorney General		2,000,000
Office of the State Comptroller		1,000,000
Office of Policy and Management		2,400,000
Department of Administrative Services		2,400,000
Department of Revenue Services		3,000,000
Division of Criminal Justice		500,000
Department of Consumer Protection		1,100,000
Department of Energy and Environmental Protection		1,600,000
Department of Housing		5,900,000
Department of Public Health		3,000,000
Department of Mental Health and Addiction Services		1,000,000
Department of Developmental Services		6,200,000
Department of Social Services		69,100,000
Department of Education		11,200,000
Office of Early Childhood		2,800,000
Office of Higher Education		800,000
Teachers' Retirement Board		5,800,000
Department of Children and Families		33,600,000
OTT - Debt Service		63,800,000
OSC - Fringe Benefits		29,300,000
Total		<u>\$ 302,271,368</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	\$17,152.8	\$17,152.6	\$17,077.1	
Appropriations ²	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	17,346.4	17,346.2	
Additional Requirements	0.0	0.0	0.0	20.0	23.2	30.7	44.3	44.9	44.1	39.0	0.0	0.0	
Less: Estimated Lapses	(172.6)	(172.6)	(172.6)	(266.4)	(270.9)	(270.5)	(297.5)	(296.4)	(296.1)	(291.0)	(237.2)	(302.3)	
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	17,109.2	17,043.9	0.0
Balance from Operations	4.4	4.4	4.4	11.2	135.9	273.3	506.1	504.4	504.9	43.4	43.4	33.2	
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	\$43.4	\$43.4	\$33.2	\$0.0

1. P.A. 13-184, as amended by P.A. 13-247.
2. P.A. 13-184, as amended by P.A. 13-247 and P.A. 14-47 and RSA transfers to other funds.

State of Connecticut
Special Transportation Fund
Analysis of Budget Plan
Projected to June 30, 2014
As of May 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	\$ 969.1	\$ 7.1
Less: Refunds of Taxes	<u>(6.5)</u>	<u>(6.5)</u>	<u>-</u>
Taxes - Net	955.5	962.6	7.1
Other Revenue	<u>288.2</u>	<u>292.4</u>	<u>4.2</u>
TOTAL - Revenue	\$ <u>1,243.7</u>	\$ <u>1,255.0</u>	\$ <u>11.3</u>
EXPENDITURES			
Appropriations ³	\$ 1,254.2	\$ 1,255.2	\$ 1.0
Net Additional Requirements	-	-	-
Less: Estimated Lapses	<u>(11.0)</u>	<u>(6.1)</u>	<u>4.9</u>
TOTAL - Expenditures	\$ <u>1,243.2</u>	\$ <u>1,249.1</u>	\$ <u>5.9</u>
Balance from Operations	\$ 0.5	\$ 5.9	\$ 5.4
Miscellaneous Adjustments	<u>-</u>	<u>(3.5)</u>	<u>(3.5)</u>
Estimated Fund Balance - June 30, 2014	\$ <u>166.4</u>	\$ <u>167.0</u>	\$ <u>0.6</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.

3. OPM estimate reflects P.A. 13-184 as amended by P.A. 14-47.

Statement 2T
June 20, 2014

State of Connecticut
Special Transportation Fund
Revenue Estimates
Projected to June 30, 2014
As of May 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	82.6	4.2
TOTAL - TAXES	<u>962.0</u>	<u>969.1</u>	<u>7.1</u>
Less: Refunds of Taxes	(6.5)	(6.5)	-
TOTAL - TAXES - NET	<u>\$ 955.5</u>	<u>\$ 962.6</u>	<u>\$ 7.1</u>
OTHER REVENUE			
Motor Vehicle Receipts	\$ 234.0	\$ 239.8	\$ 5.8
Licenses, Permits, Fees	138.5	136.3	(2.2)
Interest Income	3.8	5.5	1.7
Federal Grants	13.1	12.1	(1.0)
Transfers (To)/From Other Funds	(98.0)	(98.0)	-
Refunds of Payments	(3.2)	(3.3)	(0.1)
TOTAL - OTHER REVENUE	<u>\$ 288.2</u>	<u>\$ 292.4</u>	<u>\$ 4.2</u>
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$ 1,243.7	\$ 1,255.0	\$ 11.3

Statement 3T
June 20, 2014

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

No Additional Requirements

\$ -

Statement 4T
June 20, 2014

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

Department of Motor Vehicles	\$	500,000
OSC - Fringe Benefits	\$	1,000,000
OTT - Debt Service		4,600,000
Total	\$	<u>6,100,000</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	\$ 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	1,254.3	1,255.0	
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	1,418.9	1,419.6	0.0
Appropriations ³	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	1,255.2	1,255.2	
Additional Requirements	0.0	0.0	0.0	0.0	0.0	0.0	0.6	7.8	13.3	11.3	0.0	0.0	
Less: Estimated Lapses	(11.0)	(11.0)	(11.0)	(11.0)	(11.0)	(11.0)	(11.6)	(11.8)	(12.1)	(12.1)	(1.9)	(6.1)	
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	1,253.3	1,249.1	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)	1.0	5.9	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	(3.5)	(3.5)	
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	\$162.1	\$167.0	\$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.
3. P.A. 13-184 as amended by P.A. 14-47.