



STATE OF CONNECTICUT
OFFICE OF POLICY AND MANAGEMENT

December 20, 2010

The Honorable Nancy Wyman
State Comptroller
55 Elm Street
Hartford, Connecticut 06106

Dear Comptroller Wyman:

The following information on the State's General Fund for fiscal year 2010-11 is provided in accordance with Section 466 of the General Statutes. In addition, an analysis of the Special Transportation Fund is included due to the significant nature of this fund. Estimates are as of November 30, 2010.

We are currently projecting a General Fund surplus of \$1.2 million, up \$0.9 million from last month's estimate. This month's letter reflects an overall increase in General Fund projected revenue of \$8.8 million. Projections for the Inheritance and Estate tax have been increased by \$15.0 million as year-to-date collections for the tax have been very strong. The Real Estate Conveyance tax projection is being reduced by \$11.0 million as collections continue to be significantly lower than anticipated as the result of weak demand in the housing market. Other minor miscellaneous revenue adjustments net to a positive \$4.8 million. Offsetting these revenue gains, our estimate of refunds of escheated property has increased this month by \$20 million to a total of \$60 million for the fiscal year.

For this month's forecast, we are projecting that expenditures will exceed appropriations by \$165.2 million: \$253.0 million in deficient accounts offset by \$87.8 million in projected lapses. This is an improvement of \$12.1 million over last month's estimates. As was forecast last month, a number of deficiencies are related to difficulties in fully achieving budgeted savings for contracts and Other Expenses. These include:

- The Department of Public Works, which is anticipated to experience deficiencies totaling \$6.2 million in its Other Expenses, Management Services, and Rents and Moving Expenses accounts,
- The Department of Public Safety, which is experiencing a deficiency totaling \$7.6 million in its Other Expenses and Fleet Services accounts,
- The Department of Correction, which is anticipated to experience a deficiency of \$12 million in its Other Expenses account,
- The Department of Mental Health and Addiction Services' Other Expenses account, which is forecast to experience a shortfall of \$5.3 million,
- The Department of Social Services, which is experiencing an Other Expenses deficiency of \$15 million,

- The Department of Administrative Services, which will experience a net \$0.6 million shortfall in its workers' compensation administration contract account, and
- The Department of Agriculture, which is projected to incur a \$0.28 million Other Expenses deficiency.

We continue to forecast additional requirements for the Low Income Adults (LIA) population under Medicaid. As a result of stronger than forecast caseload and utilization growth for the LIA program, we are anticipating a deficiency of \$23.1 million in DMHAS' General Assistance Managed Care account. Expansion of the LIA program, growth in other components of Medicaid caseload and overly aggressive budgeted savings targets for the Medicaid program are reflected in the projected \$175.0 million net deficiency in DSS' Medicaid account after accounting for offsetting lapses.

We also continue to forecast deficiencies in two Judicial branch agencies. The Public Defender Services Commission is anticipated to end the year with a \$2.0 million deficiency: \$0.2 million in Other Expenses, \$1.0 million in the Special Public Defenders - Noncontractual account, and \$0.8 million in the Expert Witnesses account. A \$3.0 million shortfall is estimated in the Child Protection Commission's Contracted Attorneys account. In addition, we estimate a \$1.0 million deficiency in the Department of Administrative Services' Workers Compensation Claims account, and \$1.95 million in the Teachers' Retirement Board due to payments for identity theft insurance for its members resulting from an unintentional release of pension information in November 2009.

Partially offsetting these deficiencies are a number of forecast lapses. The Office of the Treasurer's Debt Service accounts will lapse \$38.3 million, up \$14.7 million from last month. The Department of Children and Families is expected to lapse \$10.0 million in its Personal Services account, and \$2.0 million in its Board & Care – Foster account. An additional \$60 million is available in OPM's Reserve for Salary Adjustment account, primarily as a result of funds for FY 2010 non-bargaining unit salary increases which were not implemented and that carried-forward into FY 2011 pursuant to Sec. 32 of Public Act 09-3, June Special Session, and similar increases budgeted for FY 2011 that are not expected to take place. A number of lapses have been identified this month which partially fulfill the requirement to achieve \$92.21 million in budgeted "unallocated lapses." A number of these are the result of Personal Services funding that will go unspent due to efforts to control hiring, including \$0.5 million in the Auditors of Public Accounts, \$0.25 million in the Office of the State Treasurer, \$1.0 million in the Department of Revenue Services, \$0.2 million in the Department of Veterans' Affairs, \$0.25 million in the Office of the Attorney General, \$0.25 million in the Department of Consumer Protection, and \$0.3 million in the Commission on Human Rights and Opportunities. In addition, \$0.3 million is expected to lapse in the Elections Enforcement Commission due to expenditure requirements that are below budgeted levels. Lapses totaling \$1.7 million are forecast in the Department of Environmental Protection as a result of reduced expenditure demands in the Emergency Spill Response and Clean Air accounts. The Department of Developmental Services will lapse a net of \$1.0 million in the Community Residential Services account due to somewhat slower transitions under the Money Follows the Person initiative compared to budgeted levels. The fringe benefit accounts budgeted under the Office of the State Comptroller are anticipated to lapse \$1.8 million due to lower-than-budgeted employer Social Security tax requirements. We remain confident that the overall budgeted lapse target will be met this fiscal year.

Finally, we continue to believe that achievement of \$50 million in savings for Enhancing Agency Outcomes is unrealistic. The Commission's report, which was issued on December 15, includes savings for some initiatives that were already budgeted and are accounted for in our estimates. We believe that it is unlikely that any of the new proposals contained in the Commission's report can be implemented and yield \$50 million in additional savings with only six months remaining in the fiscal year.

It should be noted that our projections for the General Fund continue to assume no state resources will be provided to continue benefits under the Connecticut Energy Assistance Program should federal funding be exhausted. As you know, on September 22, 2010, the legislature modified the LIHEAP block grant allocation plan to reflect continuation of last year's benefit levels. Because the federal government has not adopted a budget and continues to operate under a continuing resolution, the amount of federal LIHEAP funding for the year is not settled. Also, while we project that the FY 2011 General Fund budget is essentially in balance, we note that this balance relies on significant sources of revenue that will not be available in FY 2012, including the planned issuance of Economic Recovery Revenue Bonds, utilization of the FY 2010 surplus, utilization of the remainder of the Budget Reserve Fund, and the final year of enhanced federal stimulus funding.

In the Special Transportation Fund, we have revised our revenue projections downward by \$3.5 million to reflect the variances in year to date collections through the end of the fiscal year. Expenditure projections remain unchanged from last month. An annual operating surplus of \$1.9 million is projected, and we anticipate the fund balance on June 30, 2011 to be \$107.3 million.

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 as the year progresses.

Sincerely,

A handwritten signature in cursive script that reads "Brenda L. Sisco".

Brenda L. Sisco
Acting Secretary

Summary
December 20, 2010

State of Connecticut
Summary of Changes
General Fund and Special Transportation Fund
Projected to June 30, 2011
As of November 30, 2010
(In Millions)

General Fund

Balance - November 19, 2010		\$ 0.3
Revenues		
Inheritance & Estate	15.0	
Real Estate Conveyance	(11.0)	
All Other	4.8	8.8
Expenditures		
Additional Requirements	(19.9)	
Estimated Lapses	32.0	
Miscellaneous Adjustments/Rounding	(20.0)	(7.9)
Balance - December 20, 2010		\$ 1.2

Special Transportation Fund

Carry Forward FY 2009-10 Surplus		\$ 105.4
Balance - November 19, 2010		5.4
Revenues		0.0
Interest Income	(7.5)	
All Other	4.0	(3.5)
Expenditures - No Change		0.0
Balance - December 20, 2010		\$ 107.3

State of Connecticut
General Fund
Statement of Revenues, Expenditures, and Results of Operations
Projected to June 30, 2011
As of November 30, 2010
(In Millions)

	General Assembly <u>Budget Plan</u> ¹ :	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
REVENUE			
Taxes	\$11,941.5	\$12,267.5	\$326.0
Less: Refunds	<u>(1,019.8)</u>	<u>(979.6)</u>	<u>40.2</u>
Taxes - Net	10,921.7	\$11,287.9	366.2
Other Revenue	1,202.7	1,207.8	5.1
Other Sources	<u>5,543.0</u>	<u>5,447.9</u>	<u>(95.1)</u>
TOTAL Revenue	\$17,667.4	\$17,943.6	\$276.2
EXPENDITURES			
Appropriations	\$17,963.5	\$17,963.5	\$0.0
Net Additional Requirements	0.0	253.0	253.0
Less: Estimated Lapses	<u>(296.3)</u>	<u>(334.2)</u>	<u>(37.8)</u>
TOTAL Expenditures	\$17,667.2	\$17,882.4	\$215.2
Balance from Operations	\$0.2	\$61.2	\$61.0
Miscellaneous Adjustments	<u>0.0</u>	<u>(60.0)</u>	<u>(60.0)</u>
Estimated Balance 6/30/11	<u>\$0.2</u>	<u>\$1.2</u>	<u>\$1.0</u>

1. P.A. 10-179 as amended by P.A. 10-1, JSS and P.A. 10-2, JSS

State of Connecticut
General Fund
Revenue Estimates
Projected to June 30, 2011
As of November 30, 2010
(In Millions)

TAXES	
Personal Income	\$6,810.0
Sales and Use	3,314.4
Corporation	660.5
Public Service Corporations	273.3
Inheritance and Estate	154.0
Insurance Companies	227.9
Cigarettes	402.5
Real Estate Conveyance	90.0
Oil Companies	109.7
Alcoholic Beverages	48.7
Admissions and Dues	35.1
Miscellaneous	141.4
TOTAL - TAXES	<u>\$12,267.5</u>
Less: Refunds of Taxes	(970.0)
R & D Credit Exchange	<u>(9.6)</u>
TOTAL - TAXES - NET	<u>\$11,287.9</u>
OTHER REVENUE	
Transfers - Special Revenue	\$291.0
Indian Gaming Payments	366.8
Licenses, Permits, Fees	241.5
Sales of Commodities and Services	35.8
Rents, Fines, Escheats	111.2
Investment Income	1.5
Miscellaneous	161.3
Refunds of Payments	<u>(1.3)</u>
TOTAL - OTHER REVENUE	<u>\$1,207.8</u>
OTHER SOURCES	
Federal Grants	\$4,160.3
Transfers to the Resources of the General Fund	1,354.1
Transfer from Tobacco Settlement Fund	102.9
Transfers to Other Funds	<u>(169.4)</u>
TOTAL - OTHER SOURCES	<u>\$5,447.9</u>
TOTAL - GENERAL FUND REVENUE	\$17,943.6

State of Connecticut - General Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2011
As of November 30, 2010

Department of Administrative Services	\$600,000
Department of Public Works	6,200,000
Department of Agriculture	280,000
Department of Public Safety	7,600,000
Department of Mental Health & Addiction Services	28,400,000
Department of Social Services	190,000,000
Teachers' Retirement Board	1,950,000
Department of Correction	12,000,000
Public Defender Services Commission	2,000,000
Commission on Child Protection	3,000,000
DAS-Worker's Compensation Claims	1,000,000
Total	<u>\$253,030,000</u>

State of Connecticut
General Fund
Estimated Lapses
Projected to June 30, 2011
As of November 30, 2010

Reduce Outside Consultant Contracts-Legislative	\$ 492,305
General Personal Services Reduction-Legislative	476,000
General Other Expenses Reduction-Legislative	374,000
Legislative Unallocated Lapse	2,200,000
Auditors of Public Accounts	500,000
Reduce OE to FY 2007 Levels-Legislative	1,111,306
Personal Services Reductions-Legislative	1,205,311
DOIT Lapse-Legislative	25,175
Management Lapse- Legislative	903,521
Reduce Outside Consultant Contracts-Executive	91,874,920
General Personal Services Reduction-Executive	11,538,800
General Other Expenses Reduction-Executive	9,066,200
Reduce OE to FY 2007 Levels-Executive	30,888,694
General Personal Services Reduction-Judicial	1,985,200
General Other Expenses Reduction-Judicial	1,559,800
Reduce Outside Consultant Contracts-Judicial	2,632,775
Enhance Agency Outcomes	0
Estimated Unallocated Lapses	60,000,000
Elections Enforcement Commission	300,000
Office of the State Treasurer	250,000
Department of Revenue Services	1,000,000
Department of Veterans' Affairs	200,000
Office of the Attorney General	250,000
Department of Consumer Protection	250,000
Commission on Human Rights and Opportunities	300,000
Department of Environmental Protection	1,700,000
Department of Develomental Services	1,000,000
Department of Children and Families	12,000,000
Office of the State Treasurer - Debt Service	38,280,000
OSC - Fringe Benefits	1,800,000
OPM - Reserve for Salary Adjustment	60,000,000
Total	<u><u>\$334,164,007</u></u>

State of Connecticut
2010-11 General Fund
Summary of Operations Per Letter to the Comptroller
(In Millions)

	Budget Plan ¹	July 2010	August 2010	September 2010	October 2010	November 2010	December 2010	January 2011	February 2011	March 2011	April 2011	May 2011	June 2011
REVENUE	\$17,667.4	\$17,865.5	\$17,865.5	\$17,934.8	\$17,934.8	\$17,943.6							
Appropriations	17,963.5	17,963.5	17,963.5	17,963.5	17,963.5	17,963.5							
Additional Requirements	0.0	171.7	171.2	233.4	233.4	253.3							
Less: Estimated Lapses	(296.3)	(246.3)	(263.8)	(302.4)	(302.4)	(334.4)							
TOTAL - Estimated Expenditures	17,667.2	17,888.9	17,870.8	17,894.5	17,894.5	17,882.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance from Operations	0.2	(23.4)	(5.3)	40.3	40.3	61.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Compt.'s Misc. Adjustments/Rounding	0.0	(40.0)	(40.0)	(40.0)	(40.0)	(60.0)							
Estimated Balance 6/30/11	\$0.2	(\$63.4)	(\$45.3)	\$0.3	\$0.3	\$1.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

1. P.A. 10-179 as amended by P.A. 10-1, JSS and P.A. 10-2, JSS

State of Connecticut
Special Transportation Fund
Analysis of Budget Plan
Projected to June 30, 2011
As of November 30, 2010
(In Millions)

	General Assembly <u>Budget Plan</u> ^{1.}	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
Surplus Carried Forward from 2009-10 ^{2.}	\$101.2	\$105.4	\$4.2
REVENUE			
Taxes	\$720.3	\$723.8	\$3.5
Less: Refunds of Taxes	<u>(6.9)</u>	<u>(7.2)</u>	<u>(0.3)</u>
Taxes - Net	713.4	716.6	3.2
Other Revenue	<u>466.6</u>	<u>462.2</u>	<u>(4.4)</u>
TOTAL - Revenue	\$1,180.0	\$1,178.8	(\$1.2)
EXPENDITURES			
Appropriations	\$1,187.9	\$1,187.9	\$0.0
Additional Appropriations	0.0	0.0	0.0
Less: Estimated Lapses	<u>(11.0)</u>	<u>(11.0)</u>	<u>0.0</u>
TOTAL - Expenditures	\$1,176.9	\$1,176.9	\$0.0
Balance from Operations	\$3.1	\$1.9	(\$1.2)
Miscellaneous Adjustments	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Estimated Balance 6/30/11	<u>\$104.3</u>	<u>\$107.3</u>	<u>\$3.0</u>

1. P.A. 10-179 as amended by P.A. 10-1, JSS and P.A. 10-2, JSS

2. Budget Plan as estimated by the Office of Policy and Management. Revised Estimates per the Comptroller's September 1, 2010 Letter.

Statement 2T
December 20, 2010

State of Connecticut
Special Transportation Fund
Revenue Estimates
Projected to June 30, 2011
As of November 30, 2010
(In Millions)

TAXES	
Motor Fuels	\$490.7
Oil Companies	165.3
Sales Tax DMV	67.8
TOTAL - TAXES	<u>723.8</u>
Less: Refunds of Taxes	<u>(7.2)</u>
TOTAL - TAXES - NET	\$716.6
OTHER REVENUE	
Motor Vehicle Receipts	\$223.7
Licenses, Permits, Fees	138.6
Interest Income	7.5
Federal Grants	9.3
Transfers (To)/From Other Funds	85.8
Refunds of Payments	<u>(2.7)</u>
TOTAL - OTHER REVENUE	<u>\$462.2</u>
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$1,178.8

Statement 3T
December 20, 2010

State of Connecticut
Special Transportation Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2011
As of November 30, 2010

No Additional Requirements	<u>\$0</u>
Total	\$0

Statement 4T
December 20, 2010

State of Connecticut
Special Transportation Fund
Estimated Lapses
Projected to June 30, 2011
As of November 30, 2010

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