



STATE OF CONNECTICUT
OFFICE OF POLICY AND MANAGEMENT

February 21, 2012

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 2012 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 #1 issued January 5, 2011, these projections reflect the state's estimated year-end balance in accordance with Generally Accepted Accounting Principles (GAAP) as well as an estimated balance from operations on a budgetary basis.

General Fund

We are projecting a \$39.1 million operating deficit on a GAAP basis for fiscal year 2012, an improvement of \$34.5 million from last month's estimated \$73.6 million shortfall. On a budgetary basis, we are forecasting a balance from operations of \$35.9 million, up from last month's estimate of \$1.4 million. This change in balance is due to revised expenditure estimates primarily as a result of rescissions totaling \$78.7 million that were announced by the Governor on January 23rd.

Revenues

This month's revenue projection continues to reflect the consensus estimate reached by OPM and the legislature's Office of Fiscal Analysis on January 17th pursuant to C.G.S. 2-36c. Although unchanged at this time, certain revenue items such as refunds of taxes and inheritance taxes are underperforming their targets. As is typical, more than fifty percent of income tax collections is received after January 31st and the current forecast anticipates healthy collections during the April filing season.

Expenditures

Overall, expenditures are estimated at \$49.7 million below appropriated levels, an improvement of \$34.5 million from last month's estimate, due largely to rescissions announced by the Governor on January 23rd. As noted at that time, \$34.4 million of the announced rescissions was expected to impact budget balance. Beyond rescissions, several

changes to both anticipated deficiencies as well as expected lapses have a minor impact on overall expenditures, as detailed below.

Projected deficiencies are relatively unchanged from last month's forecast. A \$2.5 million shortfall is expected in the Public Defenders Services Commission: \$500,000 in the Special Public Defenders – Non Contractual account, and \$2.0 million in the Contracted Attorneys account resulting from a plan to resolve payments for cases handled by contracted child protection attorneys. The Teachers' Retirement Board is expected to experience a deficiency of \$2.2 million in its Retirees Health Service Cost account due to higher than anticipated membership in the plan. A deficiency of \$0.6 million is projected in the Department of Energy and Environmental Protection's Environmental Conservation account as a result of the State's share of clean-up costs for the August and October storms. The projected deficiency in the Comptroller's Adjudicated Claims account has been increased to \$2.3 million this month. We are continuing to project two significant net deficiencies totaling \$100.0 million in the Office of the State Comptroller's fringe benefits accounts. In the account that funds health care for retired state employees, costs are expected to exceed available funds. A shortfall is also expected in the account that funds pension payments due to a revised actuarial estimate of the State's required contribution to the State Employees Retirement Fund which incorporates not only the changes resulting from the State's agreement last year with SEBAC, but the impact of market changes through the end of fiscal year 2011 as well as the extraordinary level of retirements through October 2011.

In addition to budgeted bottom line lapses, this month's letter reflects \$78.7 million in rescissions announced by the Governor on January 23rd. Beyond these amounts, a number of lapses are anticipated in a variety of agencies. In the Treasurer's Debt Service account, we are projecting a lapse of \$60.5 million as a result of lower than anticipated interest costs and net premiums from bond sales. Personal Services lapses of \$3.3 million in the Office of Legislative Management, \$0.3 million at the Auditors of Public Accounts, \$1.8 million in the Department of Mental Health and Addiction Services (DMHAS), and \$0.5 million in the Department of Developmental Services are also forecast. DMHAS is also expected to lapse \$3.8 million in the GA Managed Care and Home and Community Based Waiver accounts due to lower than expected utilization and claim costs. The State Department of Education will lapse \$0.9 million due to efficiencies and cost saving measures as well as lower than anticipated attendance in certain programs. In the Department of Children and Families, \$9.3 million is anticipated to lapse across several accounts, largely due to lower-than-budgeted caseloads and delays in program implementation. In the Department of Public Health, \$1.7 million will remain unspent due to revised estimates of funding commitments for the year. In the Office of Policy and Management, \$1.2 million will lapse in the Tax Relief for Elderly Renters account due to lower-than-budgeted growth in claims volume. Finally, \$90.0 million is available in the Reserve for Salary Adjustment account due largely to wage freeze savings negotiated as part of last year's SEBAC agreement as well as funds carried-forward from previous fiscal years which will not be needed this year.

Special Transportation Fund

This month, a balance from operations of \$1.5 million is forecast. Revenues continue to reflect the consensus estimate reached January 17th. On the expenditure side, we are no longer forecasting any deficiencies. The Department of Motor Vehicles is anticipated to lapse \$0.65 million in its Equipment and Personal Services accounts. The Department of Transportation is expected to lapse \$12.9 million, primarily in the accounts that fund bus and rail operations due to fare increases that reduce required operating subsidies. Additionally, \$30.0 million is projected to lapse in the Treasurer's Debt Service account in part as a result of refunded bond premium and lower than anticipated interest rates for the December bond sale. The fund balance on June 30, 2012 is anticipated to be \$108.9 million.

Given the concerns noted above, we continue to monitor revenue trends as well as expenditure patterns and will take appropriate action as necessary to ensure we fulfill the Governor's expectation that the state's General Fund end the year in balance on a GAAP basis. As always, 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 blue ink that reads "Benjamin Barnes". The signature is fluid and cursive, with the first name being more prominent.

Benjamin Barnes
Secretary

State of Connecticut
Summary of Changes
General Fund and Special Transportation Fund
Projected to June 30, 2012
As of January 30, 2012
(In Millions)

General Fund

Balance - projected as of Jan. 20, 2012		\$	1.4
Revenues			
No Change	0.0		0.0
Expenditures			
Additional Requirements	0.0		
Estimated Lapses	34.5		
Miscellaneous Adjustments/Rounding	0.0		34.5
Balance - projected as of Feb. 17, 2012		\$	35.9
Reserved Balance ¹ :			(75.0)
Estimated Balance - June 30, 2012 - GAAP Basis		\$	(39.1)

1. Up to \$75,000,000 is reserved for GAAP per Sec. 46 of P.A. 11-48, with the balance applied to Economic Recovery Notes per Sec. 511, P.A. 09-3, June Spec. Sess.

Special Transportation Fund

Carry Forward FY 2010-11 Surplus		\$	107.4
Balance - projected as of Jan. 20, 2012			1.7
Revenues			
No Change	0.0		0.0
Expenditures			
Additional Requirements	1.8		
Estimated Lapses	(2.0)		
Miscellaneous Adjustments/Rounding	0.0		(0.2)
Estimated Balance - June 30, 2012		\$	108.9

State of Connecticut
General Fund
Statement of Revenues, Expenditures, and Results of Operations
Projected to June 30, 2012
As of January 30, 2012
(In Millions)

	General Assembly <u>Budget Plan</u> ^{1.}	Revised Estimates <u>OPM</u> ^{2.}	Over/ <u>(Under)</u>
REVENUE			
Taxes	\$14,954.4	\$15,001.8	\$47.4
Less: Refunds	<u>(\$935.3)</u>	<u>(\$992.8)</u>	<u>(\$57.5)</u>
Taxes - Net	\$14,019.1	\$14,009.0	(\$10.1)
Other Revenue	\$1,226.5	\$1,158.8	(\$67.7)
Other Sources	<u>\$3,543.0</u>	<u>\$3,526.1</u>	<u>(\$16.9)</u>
TOTAL Revenue	\$18,788.6	\$18,693.9	(\$94.7)
EXPENDITURES			
Appropriations	\$19,485.6	\$19,485.6	\$0.0
Net Additional Requirements	\$0.0	\$107.6	\$107.6
Less: Estimated Lapses	<u>(\$777.9)</u>	<u>(\$935.2)</u>	<u>(\$157.3)</u>
TOTAL Expenditures	\$18,707.7	\$18,658.0	(\$49.7)
Balance from Operations	\$80.9	\$35.9	(\$45.0)
Miscellaneous Adjustments	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>
Estimated Balance - Budgetary Basis	\$80.9	\$35.9	(\$45.0)
Reserved Balance - GAAP ³	<u>(\$75.0)</u>	<u>(\$75.0)</u>	<u>\$0.0</u>
Estimated Balance - GAAP Basis	\$5.9	(\$39.1)	(\$45.0)
Reserved Balance -Other ³	<u>(\$5.9)</u>	<u>\$0.0</u>	<u>\$0.0</u>
Remaining Balance - 6/30/2012	\$0.0	(\$39.1)	(\$45.0)

1. P.A. 11-6, as amended by P.A. 11-61 and P.A. 11-1, June Spec. Sess.

2. As amended by P.A. 11-1, October Spec. Sess.

3. Up to \$75,000,000 is reserved for GAAP per Sec. 46 of P.A. 11-48, with the balance applied to Economic Recovery Notes per Sec. 511, P.A. 09-3, June Spec. Sess.

State of Connecticut
General Fund
Revenue Estimates
Projected to June 30, 2012
As of January 30, 2012
(In Millions)

TAXES	
Personal Income	\$8,381.0
Sales and Use	3,880.5
Corporation	707.7
Public Service Corporations	268.7
Inheritance and Estate	158.0
Insurance Companies	228.8
Cigarettes	443.8
Real Estate Conveyance	92.1
Oil Companies	136.6
Electric Generation	71.0
Alcoholic Beverages	54.9
Admissions and Dues	36.5
Health Provider Tax	525.9
Miscellaneous	16.3
TOTAL - TAXES	<u>\$15,001.8</u>
Less: Refunds of Taxes	(873.6)
Earned Income Tax Credit	(110.2)
R & D Credit Exchange	(9.0)
TOTAL - TAXES - NET	<u>\$14,009.0</u>
OTHER REVENUE	
Transfers - Special Revenue	\$297.8
Indian Gaming Payments	342.4
Licenses, Permits, Fees	269.9
Sales of Commodities and Services	36.4
Rents, Fines, Escheats	123.7
Investment Income	2.0
Miscellaneous	168.0
Refunds of Payments	(81.4)
TOTAL - OTHER REVENUE	<u>\$1,158.8</u>
OTHER SOURCES	
Federal Grants	\$3,572.8
Transfer from Tobacco Settlement Fund	96.1
Transfers to Other Funds	(142.8)
TOTAL - OTHER SOURCES	<u>\$3,526.1</u>
TOTAL - GENERAL FUND REVENUE	\$18,693.9

State of Connecticut - General Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2012
As of January 30, 2012

Department of Energy and Environmental Protection	\$	600,000
Teachers' Retirement Board		2,200,000
Public Defender Services Commission		2,500,000
OSC-Fringe Benefits		100,000,000
OSC-Miscellaneous - Adjudicated Claims		2,300,000
Total	\$	<u>107,600,000</u>

State of Connecticut
General Fund
Estimated Lapses
Projected to June 30, 2012
As of January 30, 2012

Unallocated Lapse	\$	-
Unallocated Lapse - Legislative		-
Unallocated Lapse - Judicial		3,545,000
General Personal Services Reduction - Legislative		476,000
General Personal Services Reduction - Executive		11,538,800
General Other Expenses Reduction - Legislative		374,000
General Other Expenses Reduction - Executive		9,066,200
Labor-Management Savings - Legislative		4,586,734
Labor-Management Savings - Executive		625,947,354
Labor-Management Savings - Judicial		27,670,929
January 23, 2012 Rescissions		78,690,872
Office of Legislative Management		3,300,000
Auditors of Public Accounts		300,000
Office of Policy and Management		1,200,000
OPM - Reserve for Salary Adjustment		90,000,000
Department of Public Health		1,700,000
Department of Developmental Services		500,000
Department of Mental Health and Addiction Services		5,600,000
State Department of Education		900,000
Department of Children and Families		9,300,000
State Treasurer - Debt Service		60,500,000
Total		<u><u>\$935,195,889</u></u>

State of Connecticut
2011-12 General Fund
Summary of Operations Per Letter to the Comptroller
(In Millions)

	Budget Plan ¹	July 2011	August 2011	September 2011	October 2011 ²	November 2011	December 2011	January 2012	February 2012	March 2012	April 2012	May 2012	June 2012
REVENUE	\$18,788.6	\$18,788.6	\$18,788.6	\$18,786.0	\$18,777.5	\$18,777.0	\$18,693.9	\$18,693.9					
Appropriations	19,485.6	19,485.6	19,485.6	19,485.6	19,485.6	19,485.6	19,485.6	19,485.6					
Additional Requirements	0.0	0.0	17.0	33.0	12.0	7.2	107.6	107.6					
Less: Estimated Lapses	<u>(777.9)</u>	<u>(777.9)</u>	<u>(792.9)</u>	<u>(808.2)</u>	<u>(799.2)</u>	<u>(799.5)</u>	<u>(900.7)</u>	<u>(935.2)</u>					
TOTAL - Estimated Expenditures	18,707.7	18,707.7	18,709.7	18,710.4	18,698.4	18,693.3	18,692.5	18,658.0	0.0	0.0	0.0	0.0	0.0
Balance from Operations	80.9	80.9	78.9	75.6	79.1	83.7	1.4	35.9	0.0	0.0	0.0	0.0	0.0
Misc. Adjustments/Rounding	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>					
Est. Balance 6/30/12 - Budgetary Basis	\$80.9	\$80.9	\$78.9	\$75.6	\$79.1	\$83.7	\$1.4	\$35.9	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Reserved Balance - GAAP ³	<u>(75.0)</u>	<u>(75.0)</u>	<u>(75.0)</u>	<u>(75.0)</u>	<u>(75.0)</u>	<u>(75.0)</u>	<u>(75.0)</u>	<u>(75.0)</u>					
Est. Balance 6/30/12 - GAAP Basis	\$5.9	\$5.9	\$3.9	\$0.6	\$4.1	\$8.7	(\$73.6)	(\$39.1)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

1. P.A. 11-6, as amended by P.A. 11-61 and P.A. 11-1, June Spec. Sess.

2. As amended by P.A. 11-1, October Spec. Sess.

3. Up to \$75,000,000 is reserved for GAAP per Sec. 46 of P.A. 11-48, with the balance applied to Economic Recovery Notes per Sec. 511, P.A. 09-3, June Spec. Sess.

State of Connecticut
Special Transportation Fund
Analysis of Budget Plan
Projected to June 30, 2012
As of January 30, 2012
(In Millions)

	General Assembly <u>Budget Plan</u> ^{1.}	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
Surplus Carried Forward from 2010-11 ^{2.}	\$107.5	\$107.4	(\$0.1)
REVENUE			
Taxes	\$805.8	\$793.0	(\$12.8)
Less: Refunds of Taxes	<u>(7.2)</u>	<u>(7.4)</u>	<u>(0.2)</u>
Taxes - Net	798.6	785.6	(13.0)
Other Revenue	<u>463.9</u>	<u>442.2</u>	<u>(21.7)</u>
TOTAL - Revenue	\$1,262.5	\$1,227.8	(\$34.7)
EXPENDITURES			
Appropriations	\$1,315.4	\$1,315.4	\$0.0
Net Additional Requirements	0.0	0.0	0.0
Less: Estimated Lapses	<u>(53.5)</u>	<u>(89.1)</u>	<u>(35.6)</u>
TOTAL - Expenditures	\$1,261.9	\$1,226.3	(\$35.6)
Balance from Operations	\$0.6	\$1.5	\$0.9
Miscellaneous Adjustments	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Estimated Balance - June 30, 2012	<u>\$108.1</u>	<u>\$108.9</u>	<u>\$0.8</u>

1. P.A. 11-6, as amended by P.A. 11-61 and P.A. 11-1, June Spec. Sess.

2. Budget plan as estimated by the Office of Policy and Management. Revised estimates per the Comptroller's Sept. 1, 2011 letter.

Statement 2T
February 21, 2012

State of Connecticut
Special Transportation Fund
Revenue Estimates
Projected to June 30, 2012
As of January 30, 2012
(In Millions)

TAXES	
Motor Fuels	\$491.8
Oil Companies	226.9
Sales Tax DMV	74.3
TOTAL - TAXES	<u>793.0</u>
Less: Refunds of Taxes	(7.4)
TOTAL - TAXES - NET	<u>\$785.6</u>
OTHER REVENUE	
Motor Vehicle Receipts	\$230.0
Licenses, Permits, Fees	137.5
Interest Income	5.0
Federal Grants	13.1
Transfers (To)/From Other Funds	60.1
Refunds of Payments	(3.5)
TOTAL - OTHER REVENUE	<u>\$442.2</u>
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$1,227.8

Statement 3T
February 21, 2012

State of Connecticut
Special Transportation Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2012
As of January 30, 2012

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

Statement 4T
February 21, 2012

State of Connecticut
Special Transportation Fund
Estimated Lapses
Projected to June 30, 2012
As of January 30, 2012

Unallocated Lapse	\$ 3,000,000
Labor-Management Savings	42,536,383
Department of Motor Vehicles	650,000
Department of Transportation	12,900,000
State Treasurer - Debt Service	30,000,000
Total	<u>\$ 89,086,383</u>

State of Connecticut
2011-12 Special Transportation Fund
Summary of Operations Per Letter to the Comptroller
(In Millions)

	Budget Plan ¹	July 2011	August 2011	September 2011	October 2011	November 2011	December 2011	January 2012	February 2012	March 2012	April 2012	May 2012	June 2012
Beginning Balance ²	\$107.5	\$107.5	\$107.4	\$107.4	\$107.4	\$107.4	\$107.4	\$107.4					
Revenue	<u>1,262.5</u>	<u>1,262.5</u>	<u>1,262.5</u>	<u>1,243.7</u>	<u>1,243.7</u>	<u>1,243.7</u>	<u>1,227.8</u>	<u>1,227.8</u>					
Total Available	1,370.0	1,370.0	1,369.9	1,351.1	1,351.1	1,351.1	1,335.2	1,335.2	0.0	0.0	0.0	0.0	0.0
Appropriations	1,315.4	1,315.4	1,315.4	1,315.4	1,315.4	1,315.4	1,315.4	1,315.4					
Additional Requirements	0.0	0.0	0.0	0.0	0.0	0.0	1.8	0.0					
Less: Estimated Lapses	<u>(53.5)</u>	<u>(53.5)</u>	<u>(53.5)</u>	<u>(73.5)</u>	<u>(73.5)</u>	<u>(83.5)</u>	<u>(91.1)</u>	<u>(89.1)</u>					
TOTAL - Estimated Expenditures	1,261.9	1,261.9	1,261.9	1,241.9	1,241.9	1,231.9	1,226.1	1,226.3	0.0	0.0	0.0	0.0	0.0
Balance from Operations	0.6	0.6	0.6	1.8	1.8	11.8	1.7	1.5	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>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>					
Estimated Balance 6/30/12	\$108.1	\$108.1	\$108.0	\$109.2	\$109.2	\$119.2	\$109.1	\$108.9	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

1. P.A. 11-6, as amended by P.A. 11-61 and P.A. 11-1, 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 1, 2011 Letter.