

STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

April 21, 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 \$504.9 million balance from operations, unchanged from last month's forecast. It should be noted, however, that April income tax collection data will be finalized in the coming weeks and any significant deviations (positive or negative) from projected receipts will impact this forecast. The Governor's recommended budget revisions would direct approximately \$255 million of this surplus to provide a refund of sales and motor fuels taxes and to provide an additional contribution to the State Employees Retirement System, leaving \$249.9 million to be deposited in the Budget Reserve Fund. In addition, the Governor has proposed that \$30 million of the FY 2013 surplus that was originally budgeted as revenue for FY 2015 would also be deposited in the Budget Reserve Fund, bringing the aggregate balance in the fund from its current level of \$270.7 million to a total of \$550.6 million.

Revenues

This month's forecast is unchanged from last month, but it should be noted that April is a significant month for revenue collections, and a consensus revenue forecast will be released by my office and the legislature's Office of Fiscal Analysis by April 30th. We note that several significant revenue sources are currently falling short of our targets and bear close watching heading into the peak period for tallying April collections.

Expenditures

Overall, expenditures are 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, as discussed further below.

Lapses. As noted above, this month's letter includes \$118.4 million in lapsing appropriations beyond the targets included in the adopted budget. In addition, these lapses do not rely on any amounts that would be carried forward under existing statutes or under the Governor's proposed budget for FY 2015 (H.B. 5030).

- Department of Social Services – A lapse of \$74.6 million in the Medicaid account is projected, after netting out the impact of the transfer approved in November by the Finance Advisory Committee of \$67 million from the Disproportionate Share - Hospital (DSH) account to Medicaid in order to maximize payments to hospitals for uncompensated care costs, as described in previous months.
- Treasurer – Debt Service – Favorable interest rates and bond premiums result in an expected lapse of \$47.0 million.
- Teachers' Retirement Board – A lapse of \$2.2 million is projected based on lower than budgeted rates for Retiree Healthcare. In addition, a total of \$400,000 is expected to lapse in the department's Personal Services and Other Expenses accounts.
- Department of Children and Families – A total of \$26.0 million is expected to lapse across a variety of accounts, primarily as a result of reduced out-of-home placements.
- Office of Legislative Management – A total of \$6.5 million is expected to lapse in Personal Services and Other Expenses.
- Auditors of Public Accounts – A lapse of \$500,000 is anticipated in the department's Personal Services account.
- Office of the Attorney General – A lapse of \$900,000 is anticipated in the department's Personal Services account.
- Department of Housing – A lapse of \$2.0 million is anticipated in the Housing / Homeless Services account due to slower than anticipated transitions in the Money Follows the Person (MFP) program and delays in placements related to public housing revitalization projects.
- Office of the State Comptroller – A total of \$1.0 million is expected to lapse in Personal Services and Other Expenses.
- State Comptroller – Fringe Benefits – Fringe benefit costs are expected to be below budgeted levels by a total of \$25.7 million in the Higher Education Alternative Retirement Plan, Employer's Social Security Tax, and Unemployment Compensation accounts.
- Department of Developmental Services – A lapse of \$2.4 million is anticipated in the department's Personal Services account.
- Department of Public Health – A total lapse of \$2.3 million is anticipated in the department's Personal Services and School Based Health Clinics accounts.
- Office of Policy and Management – A total lapse of \$1.5 million is forecast in the agency's Personal Services, Other Expenses, Innovation Challenge Grant and Regional Planning Agencies accounts.
- Division of Criminal Justice – A \$600,000 lapse is anticipated in Personal Services.
- Department of Consumer Protection – A \$900,000 lapse is expected in Personal Services.

- Department of Energy and Environmental Protection – A total lapse of \$1.0 million is expected in the Personal Services, Other Expenses, Emergency Spill Response, Solid Waste Management, and Environmental Quality accounts.
- Budgeted lapses – We project that \$69.7 million of the \$94.7 million Unallocated Lapse target for the Legislative and Executive branches of government has been achieved, and anticipate full achievement of this target by year end. However, we do not expect that the \$7,400,672 Unallocated Lapse target in the Judicial branch of government will be achieved.

Deficiencies. Partially offsetting these lapses are projected deficiencies totaling \$39.0 million across six agencies:

- Department of Administrative Services – A deficiency of \$8.0 million is projected, with \$6.5 million in Personal Services and \$1.5 million in the State Insurance and Risk Operations account. The overall shortfall is the result of a number of claims against the state, with the Personal Services component resulting from Finance Advisory Committee action to transfer funds in November to permit timely payment of claims.
- Department of Emergency Services and Public Protection – A shortfall of \$4.8 million is projected in the Personal Services, Other Expenses and Workers' Compensation accounts, due primarily to a reduction in casino reimbursements negotiated with the Pequot and Mohegan tribal governments, rising overtime costs, payment of costs for assistance from other states during the February 2013 snowstorm.
- Department of Education – A net shortfall of \$10.4 million after planned transfers is anticipated in the Magnet Schools account as a result of unbudgeted legislation requiring the state to pick up preschool tuition costs, and also due to supplemental transportation costs for the *Sheff* settlement.
- Office of the Chief Medical Examiner – A net \$100,000 shortfall is projected in Other Expenses due to laboratory testing costs.
- Public Defender Services Commission – The agency's assigned counsel and expert witness costs are anticipated to exceed budgeted levels by a combined \$6.7 million due to capital case costs, efforts to retire the habeas corpus case backlog, and one-time costs to catch up on bills from the prior year.
- Comptroller – Miscellaneous – Settlement of several claims against the state is expected this fiscal year which would result in a \$6.2 million shortfall in the Adjudicated Claims account.
- DAS – Workers' Compensation – A shortfall of \$2.8 million is projected due to rising claims costs.

Special Transportation Fund

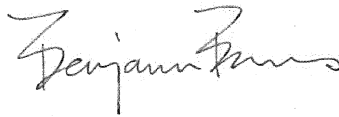
This month's projection reflects a net \$2.7 million operating deficit in the Special Transportation Fund, \$1.0 million less than we forecast in March. Overall, we are projecting \$11.3 million in deficiencies, an improvement of \$2.0 million compared to last month. The most significant

shortfall is in the Department of Transportation, which we project will be over budget by \$9 million due to winter storm costs and costs attributable to the New Haven line power failure and the May 2013 derailment. We are also projecting a shortfall of \$0.8 million in the DAS – Workers' Compensation Claims account, and \$1.5 million in the State Employee Health Care fringe benefit account administered by the Comptroller. Largely offsetting these deficiencies are lapses of \$10.1 million in the Treasurer's Debt Service account and \$2.0 million in the Department of Motor Vehicles' Personal Services and Other Expenses accounts; lapses exceed the budget plan by \$1.1 million.

Special Transportation Fund revenues are down \$1.0 million from last month's estimate due to a reduction in Motor Fuels Tax receipts. We are projecting a fund balance on June 30, 2014, of \$161.9 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 dark ink, appearing to read "Benjamin Barnes", with a stylized, cursive script.

Benjamin Barnes
Secretary

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			
No Changes	0.0		0.0
Expenditures			
Additional Requirements	5.1		
Estimated Lapses	(5.1)		
Miscellaneous Adjustments/Rounding	0.0		0.0
Estimated Balance from Operations - June 30, 2014		\$	504.9

Special Transportation Fund

Fund Balance as of June 30, 2013		\$	164.6
Balance from Operations - Prior Month			(3.7)
Revenues			
Motor Fuels Tax	(1.5)		
Motor Vehicle Receipts	0.5		(1.0)
Expenditures			
Additional Requirements	2.0		
Estimated Lapses	0.0		
Miscellaneous Adjustments/Rounding	0.0		2.0
Estimated Fund Balance - June 30, 2014		\$	161.9

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	\$ 15,920.2	\$ 402.7
Less: Refunds	(1,183.5)	(1,153.5)	30.0
Taxes - Net	\$ 14,334.0	\$ 14,766.7	\$ 432.7
Other Revenue	1,153.7	1,154.8	1.1
Other Sources ^{1.}	1,705.4	1,692.8	(12.6)
TOTAL Revenue	\$ 17,193.1	\$ 17,614.3	\$ 421.2
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	\$ 504.9	\$ 500.6

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	\$ 9,021.9	\$ 213.1
Sales and Use	4,044.0	4,132.2	88.2
Corporation	723.5	815.4	91.9
Public Service Corporations	279.6	289.6	10.0
Inheritance and Estate	173.2	185.1	11.9
Insurance Companies	271.2	256.2	(15.0)
Cigarettes	390.4	383.4	(7.0)
Real Estate Conveyance	143.8	159.4	15.6
Oil Companies	36.8	36.8	-
Electric Generation	17.5	15.5	(2.0)
Alcoholic Beverages	59.8	59.8	-
Admissions and Dues	37.0	38.0	1.0
Health Provider Tax	512.0	507.0	(5.0)
Miscellaneous	19.9	19.9	-
TOTAL - TAXES	\$ 15,517.5	\$ 15,920.2	\$ 402.7
Less: Refunds of Taxes	(1,073.5)	(1,043.5)	30.0
Earned Income Tax Credit	(104.5)	(104.5)	-
R & D Credit Exchange	(5.5)	(5.5)	-
TOTAL - TAXES - NET	\$ 14,334.0	\$ 14,766.7	\$ 432.7
OTHER REVENUE			
Transfers - Special Revenue	\$ 313.9	\$ 315.1	\$ 1.2
Indian Gaming Payments	285.3	281.3	(4.0)
Licenses, Permits, Fees	301.2	315.2	14.0
Sales of Commodities and Services	38.2	41.2	3.0
Rents, Fines, Escheats	114.5	114.6	0.1
Investment Income	1.3	0.1	(1.2)
Miscellaneous	169.1	160.1	(9.0)
Refunds of Payments	(69.8)	(72.8)	(3.0)
TOTAL - OTHER REVENUE	\$ 1,153.7	\$ 1,154.8	\$ 1.1
OTHER SOURCES			
Federal Grants	\$ 1,312.7	\$ 1,305.5	\$ (7.2)
Transfer from Tobacco Settlement Fund	107.0	107.0	-
Transfers to Other Funds	285.7	280.3	(5.4)
TOTAL - OTHER SOURCES	\$ 1,705.4	\$ 1,692.8	\$ (12.6)
TOTAL - GENERAL FUND REVENUE	\$ 17,193.1	\$ 17,614.3	\$ 421.2

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	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			
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			
Additional Requirements	0.0	0.0	0.0	20.0	23.2	30.7	44.3	44.9	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)	(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	0.0	0.0	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			
Misc. Adjustments/Rounding	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	\$0.0	\$0.0	\$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	\$ 967.5	\$ 5.5
Less: Refunds of Taxes	<u>(6.5)</u>	<u>(6.5)</u>	<u>-</u>
Taxes - Net	955.5	961.0	5.5
Other Revenue	<u>288.2</u>	<u>289.7</u>	<u>1.5</u>
TOTAL - Revenue	\$ 1,243.7	\$ 1,250.7	\$ 7.0
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	\$ (2.7)	\$ (3.2)
Miscellaneous Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
Estimated Fund Balance - June 30, 2014	<u>\$ 166.4</u>	<u>\$ 161.9</u>	<u>\$ (4.5)</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 21, 2014

State of Connecticut
Special Transportation 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			
Motor Fuels	\$ 502.9	\$ 505.2	\$ 2.3
Oil Companies	380.7	380.7	-
Sales Tax DMV	78.4	81.6	3.2
TOTAL - TAXES	962.0	967.5	5.5
Less: Refunds of Taxes	(6.5)	(6.5)	-
TOTAL - TAXES - NET	\$ 955.5	\$ 961.0	\$ 5.5
OTHER REVENUE			
Motor Vehicle Receipts	\$ 234.0	\$ 236.2	\$ 2.2
Licenses, Permits, Fees	138.5	138.3	(0.2)
Interest Income	3.8	4.3	0.5
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	\$ 288.2	\$ 289.7	\$ 1.5
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$ 1,243.7	\$ 1,250.7	\$ 7.0

Statement 3T
April 21, 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><u>\$11,300,000</u></u>

Statement 4T
April 21, 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	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	<u>1,243.7</u>	<u>1,243.7</u>	<u>1,243.7</u>	<u>1,245.8</u>	<u>1,244.5</u>	<u>1,250.6</u>	<u>1,251.7</u>	<u>1,251.7</u>	<u>1,251.7</u>	<u>1,250.7</u>			
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	1,415.3	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	<u>(11.0)</u>	<u>(11.0)</u>	<u>(11.0)</u>	<u>(11.0)</u>	<u>(11.0)</u>	<u>(11.0)</u>	<u>(11.6)</u>	<u>(11.8)</u>	<u>(12.1)</u>	<u>(12.1)</u>			
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)	(2.7)	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>	<u>0.0</u>	<u>0.0</u>			
Estimated Balance 6/30/14	\$166.4	\$166.4	\$165.1	\$167.2	\$165.9	\$172.0	\$173.1	\$166.1	\$160.9	\$161.9	\$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.