



# STATE OF CONNECTICUT

## OFFICE OF POLICY AND MANAGEMENT

September 20, 2011

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. It should be noted that these projections reflect the state's current modified cash basis of accounting but include an adjustment as noted below in compliance with legislation initiating the state's transition to Generally Accepted Accounting Principles (GAAP).

### General Fund

We are projecting that General Fund expenditures will exceed appropriations by \$2.0 million. If not addressed, this overexpenditure could result in exceeding the cap and impact the State's ability to remain in balance on a GAAP basis. Significantly, the adopted budget is within \$1.0 million of the expenditure cap, so spending will ultimately need to be brought in line with appropriations in order to remain within the limits of the cap. Further, the estimated deficiency will reduce the projected balance in the fund to \$78.9 million, of which \$75.0 million must be reserved by the Comptroller to be applied to the GAAP deficit per Sec. 46 of Public Act 11-48, with the remainder dedicated to redeeming Economic Recovery Notes issued to finance the FY 2009 deficit in accordance with Sec. 511 of Public Act 09-3, June Special Session.

### Revenues

Our revenue projections remain unchanged this month relative to the adopted budget. Due to the Presidential Disaster Declaration for Connecticut and filing and tax payment extensions announced by the Internal Revenue Service, the Connecticut Department of Revenue Services announced additional state extensions that mirror certain federal extensions. This will delay the receipt of revenue data for the month of September until the end of October. Furthermore, it should be noted that the economic uncertainty that has been reflected in the recent performance of the equity markets as well as other factors may lead us to change our estimates as the year progresses.

### Expenditures

Overall, expenditures are estimated at \$2.0 million above appropriated levels. A \$15.0 million shortfall is forecast in the Department of Social Services' Medicaid account due to continued growth in the Low Income Adult population. The Public Defenders Services Commission will experience a \$2.0 million deficiency in the Contracted Attorneys account in order to resolve payments for cases handled by contracted child protection attorneys. These deficiencies are mostly offset by an anticipated \$15.0 million lapse in the Treasurer's Debt Service account as a result of lower than anticipated interest costs and higher bond premiums for the May 2011 bond sale.

### **Special Transportation Fund**

In the Special Transportation Fund, estimated revenues and expenditures remain unchanged relative to the adopted budget. We anticipate the fund balance on June 30, 2012 to be \$108.0 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.

Given that the adopted budget has little room available under the expenditure cap and the need to remain balanced on a GAAP basis, we anticipate close attention to managing expenditures throughout the year.

Sincerely,

A handwritten signature in blue ink that reads "Benjamin Barnes". The signature is written in a cursive, flowing style.

Benjamin Barnes  
Secretary

State of Connecticut  
Summary of Changes  
General Fund and Special Transportation Fund  
Projected to June 30, 2012  
As of August 31, 2011  
(In Millions)

**General Fund**

Balance - Budget Plan		\$	80.9
Revenues			
No Change	0.0		0.0
Expenditures			
Additional Requirements	(17.0)		
Estimated Lapses	15.0		
Miscellaneous Adjustments/Rounding	0.0		(2.0)
Balance - September 20, 2011		\$	78.9
Reserved Balance <sup>1</sup> :			(78.9)
Estimated Balance - June 30, 2012		\$	-

1. \$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 - Budget Plan			0.6
Revenues			
No change	0.0		0.0
Expenditures			
Additional Requirements	0.0		
Estimated Lapses	0.0		
Miscellaneous Adjustments/Rounding	0.0		0.0
Estimated Balance - June 30, 2012		\$	108.0

State of Connecticut  
General Fund  
Statement of Revenues, Expenditures, and Results of Operations  
Projected to June 30, 2012  
As of August 31, 2011  
(In Millions)

	General Assembly <u>Budget Plan</u> <sup>1.</sup>	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
<b>REVENUE</b>			
Taxes	\$14,954.4	\$14,954.4	\$0.0
Less: Refunds	<u>(\$935.3)</u>	<u>(\$935.3)</u>	<u>\$0.0</u>
Taxes - Net	\$14,019.1	\$14,019.1	\$0.0
Other Revenue	\$1,226.5	\$1,226.5	\$0.0
Other Sources	<u>\$3,543.0</u>	<u>\$3,543.0</u>	<u>\$0.0</u>
TOTAL Revenue	\$18,788.6	\$18,788.6	\$0.0
<b>EXPENDITURES</b>			
Appropriations	\$19,485.6	\$19,485.6	\$0.0
Net Additional Requirements	\$0.0	\$17.0	\$17.0
Less: Estimated Lapses	<u>(\$777.9)</u>	<u>(\$792.9)</u>	<u>(\$15.0)</u>
TOTAL Expenditures	\$18,707.7	\$18,709.7	\$2.0
Balance from Operations	\$80.9	\$78.9	(\$2.0)
Miscellaneous Adjustments	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>
Balance - June 30, 2012	\$80.9	\$78.9	(\$2.0)
Reserved Balance <sup>2.</sup>	<u>(\$80.9)</u>	<u>(\$78.9)</u>	<u>\$2.0</u>
Estimated Balance - June 30, 2012	\$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. \$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 August 31, 2011  
(In Millions)

TAXES	
Personal Income	\$8,456.9
Sales and Use	3,789.0
Corporation	707.7
Public Service Corporations	268.7
Inheritance and Estate	158.0
Insurance Companies	237.2
Cigarettes	443.8
Real Estate Conveyance	90.3
Oil Companies	93.1
Electric Generation	71.0
Alcoholic Beverages	56.9
Admissions and Dues	39.6
Health Provider Tax	526.3
Miscellaneous	15.9
TOTAL - TAXES	<u>\$14,954.4</u>
Less: Refunds of Taxes	(816.1)
Earned Income Tax Credit	(110.2)
R & D Credit Exchange	(9.0)
TOTAL - TAXES - NET	<u>\$14,019.1</u>
OTHER REVENUE	
Transfers - Special Revenue	\$288.4
Indian Gaming Payments	375.5
Licenses, Permits, Fees	271.2
Sales of Commodities and Services	36.4
Rents, Fines, Escheats	127.4
Investment Income	2.9
Miscellaneous	163.0
Refunds of Payments	(38.3)
TOTAL - OTHER REVENUE	<u>\$1,226.5</u>
OTHER SOURCES	
Federal Grants	\$3,589.7
Transfer from Tobacco Settlement Fund	96.1
Transfers to Other Funds	(142.8)
TOTAL - OTHER SOURCES	<u>\$3,543.0</u>
TOTAL - GENERAL FUND REVENUE	\$18,788.6

State of Connecticut - General Fund  
Appropriation Adjustments - Net Additional Requirements  
Projected to June 30, 2012  
As of August 31, 2011

Department of Social Services	15,000,000
Public Defender Services Commission	<u>2,000,000</u>
Total	<u>\$17,000,000</u>

State of Connecticut  
General Fund  
Estimated Lapses  
Projected to June 30, 2012  
As of August 31, 2011

Unallocated Lapse	\$ 92,006,562
Unallocated Lapse - Legislative	2,700,000
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
State Treasurer - Debt Service	15,000,000
Total	<u><u>\$792,911,579</u></u>

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

	Budget Plan <sup>1</sup>	July 2011	August 2011	September 2011	October 2011	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										
Appropriations	19,485.6	19,485.6	19,485.6										
Additional Requirements	0.0	0.0	17.0										
Less: Estimated Lapses	(777.9)	(777.9)	(792.9)										
TOTAL - Estimated Expenditures	18,707.7	18,707.7	18,709.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance from Operations	80.9	80.9	78.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Compt.'s Misc. Adjustments/Rounding	0.0	0.0	0.0										
Estimated Balance 6/30/12 <sup>2</sup>	\$80.9	\$80.9	\$78.9	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$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. \$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.



Statement 1T  
September 20, 2011

State of Connecticut  
Special Transportation Fund  
Analysis of Budget Plan  
Projected to June 30, 2012  
As of August 31, 2011  
(In Millions)

	General Assembly <u>Budget Plan</u> <sup>1.</sup>	Revised Estimates <u>OPM</u>	Over/ (Under)
Surplus Carried Forward from 2010-11 <sup>2.</sup>	\$107.5	\$107.4	(\$0.1)
<b>REVENUE</b>			
Taxes	\$805.8	\$805.8	\$0.0
Less: Refunds of Taxes	<u>(7.2)</u>	<u>(7.2)</u>	<u>0.0</u>
Taxes - Net	798.6	798.6	0.0
Other Revenue	<u>463.9</u>	<u>463.9</u>	<u>0.0</u>
TOTAL - Revenue	\$1,262.5	\$1,262.5	\$0.0
<b>EXPENDITURES</b>			
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>(53.5)</u>	<u>(0.0)</u>
TOTAL - Expenditures	\$1,261.9	\$1,261.9	(\$0.0)
Balance from Operations	\$0.6	\$0.6	\$0.0
Miscellaneous Adjustments	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Estimated Balance - June 30, 2012	<u>\$108.1</u>	<u>\$108.0</u>	<u>(\$0.1)</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  
September 20, 2011

State of Connecticut  
Special Transportation Fund  
Revenue Estimates  
Projected to June 30, 2012  
As of August 31, 2011  
(In Millions)

TAXES	
Motor Fuels	\$507.3
Oil Companies	226.9
Sales Tax DMV	71.6
TOTAL - TAXES	<u>805.8</u>
Less: Refunds of Taxes	<u>(7.2)</u>
TOTAL - TAXES - NET	\$798.6
OTHER REVENUE	
Motor Vehicle Receipts	\$237.5
Licenses, Permits, Fees	143.8
Interest Income	12.5
Federal Grants	13.1
Transfers (To)/From Other Funds	60.1
Refunds of Payments	<u>(3.1)</u>
TOTAL - OTHER REVENUE	\$463.9
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$1,262.5

Statement 3T  
September 20, 2011

State of Connecticut  
Special Transportation Fund  
Appropriation Adjustments - Net Additional Requirements  
Projected to June 30, 2012  
As of August 31, 2011

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

Statement 4T  
September 20, 2011

State of Connecticut  
Special Transportation Fund  
Estimated Lapses  
Projected to June 30, 2012  
As of August 31, 2011

Unallocated Lapse	\$ 11,000,000
Labor-Management Savings	42,536,383
Total	<hr/> 53,536,383

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

	Budget Plan <sup>1</sup>	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 <sup>2</sup>	\$107.5	\$107.5	\$107.4										
Revenue	<u>1,262.5</u>	<u>1,262.5</u>	<u>1,262.5</u>										
Total Available	1,370.0	1,370.0	1,369.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Appropriations	1,315.4	1,315.4	1,315.4										
Additional Requirements	0.0	0.0	0.0										
Less: Estimated Lapses	<u>(53.5)</u>	<u>(53.5)</u>	<u>(53.5)</u>										
TOTAL - Estimated Expenditures	1,261.9	1,261.9	1,261.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance from Operations	0.6	0.6	0.6	0.0	0.0	0.0	0.0	0.0	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>										
Estimated Balance 6/30/12	\$108.1	\$108.1	\$108.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$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 estimated by the Office of Policy and Management.