

OFFICE OF FISCAL ANALYSIS

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State Budget Projections General Fund June 25, 2014

Summary

We are currently projecting a \$61.2 million surplus in the General Fund. This reflects a reduction of \$11.5 million since our last report of May 23, 2014. Note that once anticipated carry forwards are included, the projected surplus would be reduced to \$46.9 million.

FY 14 General Fund Overview (in millions) ¹

Estimates	Budget	May Projection	June Projection	Difference from May	Difference from Budget
Expenditures					
Agency Appropriations	17,361.4	17,361.4	17,361.4	-	-
Deficiency Requirements	-	-	-	-	-
Lapses	(172.7)	(288.5)	(320.9)	(32.4)	(148.2)
Total Expenditures	17,188.7	17,072.9	17,040.5	(32.4)	(148.2)
Revenues					
Personal Income Tax	8,808.8	8,632.8	8,682.8	50.0	(126.0)
Sales and Use	4,044.0	4,109.6	4,084.6	(25.0)	40.6
Corporations	723.5	766.2	779.2	13.0	55.7
Federal Grants	1,312.7	1,279.5	1,214.0	(65.5)	(98.7)
Other Taxes and Refunds	757.7	746.4	727.0	(19.4)	(30.7)
Other Revenue Sources	1,546.5	1,611.1	1,614.1	3.0	67.6
Total Revenues	17,193.2	17,145.6	17,101.7	(43.9)	(91.5)
Operating Surplus/(Deficit)	4.5	72.7	61.2	(11.5)	56.7
% of Expenditures	0.0%	0.4%	0.4%	-0.1%	0.3%
Carry Forward of Lapse	-	9.2	14.3	5.1	14.3
Adjusted Surplus/(Deficit)	4.5	63.5	46.9	(16.6)	42.4

¹ Totals may appear to not add up due to a rounding effect

Major Expenditure Changes since May 23, 2014

- Department of Developmental Services - Personal Services - The expenditure projection was reduced by \$3 million or 1.2% from last month's projection due to continued delays in refilling positions.
- Teachers' Retirement Board - Retiree Health Service Cost - The expenditure projection was reduced by \$2 million or 15% from last month's projection due primarily to higher than budgeted federal Retiree Drug Subsidy (RDS) payments used to offset the state's cost in this account. The account was budgeted based on RDS payments of \$8 million and to date the state has received RDS payments of \$9.4 million.
- Department of Children and Families - Board and Care for Children - Residential - The expenditure projection was reduced by \$2.8 million or 2.2% from last month's projection due to congregate care placements continuing to trend downward. Placements in the Board and Care for Children - Residential account have fallen from a monthly average of 1,007 placements in FY 13 to 912 placements in FY 14 through May.
- Department of Economic and Community Development - Capital Region Development Authority - The expenditure projection was increased by \$3 million or 31% from last month's projection due to the lease agreement between the state and the City of Hartford regarding the XL Center. The Capital Region Development Authority negotiated a new ten year lease agreement with the City of Hartford effective July 1, 2013. The lease provides up to \$3 million in rent payments in both FY 14 and FY 15 and up to \$2.6 million per year thereafter from net operating revenue from the facility. PA 14-47, the FY 15 Revised Budget, appropriated \$3 million in FY 14 for this purpose.
- Debt Service - Office of the State Treasurer - The expenditure projection was reduced by \$5.0 million or 0.4% from last month's estimate because actual interest rates on the state's variable rate bonds were lower than the interest rates assumed in the budget. The weighted average of the budgeted interest rate was 3.76% and the weighted average actual interest rate so far this year has been 1.09%.
- State Department of Education - Development of Mastery Exams - The expenditure projection was reduced by \$4.9 million or 27% from last month's projection due to negotiations resulting in reduced contractual obligations.
- State Department of Education - Sheff Settlement - The expenditure projection was reduced by \$1.1 million or 7.9% from last month's projection due to a delay in refilling positions, a reduction in contractual expenditures and reduced transfer obligations into the OPEN Choice account.
- Legislative Management - Personal Services reduced by \$2.8 million or 6.5% from last month's projection due to less than anticipated sick and vacation accrual payments, a delay in hiring additional staff to support the metal detectors, and lower than expected retention of sessional staff.
- Legislative Management - Other Expenses reduced by \$1.2 million or 7.8% from last month's due to a number of contracted projects previously anticipated to be completed by the end of the fiscal year are now projected to be completed in FY 15.

Major Revenue Changes since May 23, 2014

- Federal Grants - The revenue projection was reduced by \$65.5 million or 5.1% from last month's projection due to certain Medicaid claims. The Centers for Medicare and Medicaid Services (CMS) has required the state to change how it bills for targeted case management (TCM) and intermediate care facilities for individuals with intellectual disabilities (ICF/IID) services. Federal payments for such services (\$21.8 million for TCM and \$43.7 million for ICF/IID) are suspended pending approval of a new methodology. Discussions with CMS are continuing but have not been finalized.
- Personal Income Tax - The revenue projection was increased by \$50 million or 0.6% from last month's projection due to higher-than-anticipated growth in withholding payments and the attainment of targeted levels for the June estimated payment. Adjustments to FY 14 included in the April 30, 2014 Consensus Revenue report assumed annualized growth of 1.9% in withholding collections, which was consistent with the growth rate occurring through March. Subsequently, annualized year-over-year growth in the April and May collections periods totaled 9.6% and 2.4%, respectively, for a year-to-date growth rate of 3.3% in FY 14. Additionally, collections data received through June 24, 2014 indicates that June estimated payment collections will likely meet or exceed targeted levels. While Personal Income Tax accruals will continue to be tallied through early August, it is assumed that withholding collections will remain above the targeted 1.9% growth rate on an annualized basis.
- Sales & Use Tax—The revenue projection was reduced by \$25.0 million or 0.5% from last month's projection due to weakened year-to-date collections. Since January 2014, collections have been lower than anticipated which was incorporated into the April 2014 Consensus. Collections have continued to weaken since April, thus resulting in the current decrease.
- Corporation Business Tax - The revenue projection was increased by \$13 million or 1.7% from last month's projection due to strength in the June quarterly payment relative to targets. It should be noted that this adjustment more than offsets a downward adjustment made last month which was the result of an accounting discrepancy in the recording of revenue between the Corporation Business Tax and the Personal Income Tax, which has since been corrected.
- Refunds of Taxes - The revenue projection was increased by \$10.5 million or 1.0% from last month's projection primarily due to refunds under the Personal Income Tax.
- Rents, Fines, and Escheats - The revenue projection was increased by \$10 million or 8.6% from last month's projection as this revenue category has already achieved the annual target.
- Transfers- Special Revenue - The revenue projection was reduced by \$10 million or 3.0% from last month's projection due to an unanticipated drop in lottery sales in the May through June period.
- Miscellaneous Revenue - The revenue projection was increased by \$7 million or 3.5% from last month's projection due to a higher-than-anticipated settlement related to the UConn Library (\$2 million) and an anticipated additional negotiated settlement (\$5 million).
- Licenses, Permits, and Fees - The revenue projection was reduced by \$6.0 million or 1.9% from last month's projection due to collections lagging expectations in May and June.

- Oil Companies Tax – The revenue projection was increased by \$3.0 million or \$8.7% from last month’s projection due to strong May collections.
- All other adjustments to revenue projections net to a \$9.9 million decrease and are attributable to collection trends in various accounts through the June period.

Use the links below to see detailed estimates by agency/account and revenue category.

[Expenditures XLS PDF](#)

[Revenues XLS PDF](#)