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FY 99 General Fund and Transportation Fund Budget Projections

(as of November 18, 1998)

I. General Fund

Our projections for the fiscal year ending June 30, 1999 indicate the potential net surplus has grown by $309 million from the $19.9 million originally budgeted to $328.9 million (which represents 3.3% of the original budget). The $309 million increase is based on revised estimated revenues that are $288 million above the budget act estimates and estimated expenditures that are $21 million lower than original net appropriations. As it is relatively early in the fiscal year, these estimates are preliminary in nature and are subject to revisions in the future as more data becomes available. The amount of funding (if any) that the state may receive from the pending tobacco settlement agreement in FY 99 is uncertain at this time and, therefore, has not been included in our surplus projections.

Revenues

A net increase in General Fund revenue of $288 million results primarily from increases in (1) the personal income tax, (2) sales tax, (3) corporation business tax, (4) transfers from special revenue, (5) Indian gaming payments, and a decrease in (6) the oil companies tax.

The income tax estimate is up $230 million. The following table presents the adjustments made to four components of the income tax estimate.

Component	Budget Act Estimates	November Estimates	Difference
Withholding	$ 2,445.0	$ 2,400.0	$ (45.0)
Est. Payments	503.0	700.0	197.0
Finals	388.0	426.0	38.0
Refunds	(512.0)	(472.0)	40.0
		Net Difference	$ 230.0

As seen from the table above, the largest increase is the area of estimated payments. September's estimated payments grew by 17% compared to payments for September 1997. The budget act estimate assumed negative growth in estimated payments. September's collections continued a trend of double-digit growth in revenue from estimated payments in 1998. This trend continues to be fueled by the realization of capital gains, primarily the result of the high volume of stock transactions. The drop in the stock market that occurred in July and August is thought to be a contributory factor in September's robust collections. Falling stock prices induced many investors to sell during this period and realize gains built up during the three and a half-year bull market. Based on the continued strength of capital gain income through the end of 1998 and into the first quarter of 1999, forecasts for estimated payments, finals, and related refunds have been adjusted by $275 million.

Although tax receipts from non-wage sources continue to exceed expectations, tax receipts from wages (withholding) have been sluggish during the first quarter of the fiscal year. Through the first three months of the fiscal year, collections have grown by 3.7%, which is lower than the 6% rate forecasted in the budget act estimate. Because growth has been sluggish, anticipated revenue from withholding has been reduced by $45 million.

The increase in the sales tax revenue estimate of $19.1 million is due primarily from better than anticipated collections in the last quarter of FY 98, which resulted in a larger FY 99 base.

The increase in the corporation business tax revenue of $33.6 million is due to stronger collections in the first quarter of FY 99. First quarter collections were $11 million above those from a year ago. Also, collection and refund data suggest that corporations may not be adjusting their estimated payments to reflect changes to the rate. Therefore, corporations may be over-estimating their liability, resulting in higher collections. The effect of this may be an increase in refunds in FY 00, when final 1998 returns from corporations are completed.

Transfers from special revenue have been increased by $25 million to reflect stronger than anticipated lottery sales. Sales in July and August significantly exceed forecasts due to the extraordinarily large jackpots generated by the Powerball lottery. These large jackpots drew a large number of out-of-state participants particularly from the New York corridor, which resulted in higher public safety costs to the town of Greenwich. Realizing the added burden to Greenwich, the Connecticut Lottery Corporation reimbursed the town for these costs.

Indian gaming payments have been increased by $15 million because payments are expected to exceed budget act estimates for the remainder of the fiscal year. Year-to-date payments are up by $4.3 million over estimates ($3.2 million - Mohegan Sun, and $1.1 million - Foxwoods).

The decrease in oil companies revenue of $23.8 million is due to greater transfers to the Underground Storage Tank Petroleum Clean-Up Account and lower oil prices. Transfers to the clean-up account are anticipated to be $10 million more than originally forecasted. The increased activity is the result of clearing up the backlog of claims and a push to replace older tanks that must be completed by January 1999 in order to meet federal regulations. Estimated revenue has also been lowered by $18.8 million as a result of a decline in oil and gasoline prices. Oil prices have dropped by approximately 20% to 25% compared to last year, while summer wholesale gasoline prices were 25% to 40% lower than last summer's prices. These lower prices weaken gross receipts, thus affecting tax collections.

Expenditures

Lapse/Deficiency

Expenditure requirements are estimated to be $21 million lower than budgeted due primarily to a projected lapse of $48 million in the Department of Social Services, which is partially offset by projected deficiency appropriations of $18.5 million. The additional lapse in the Department of Social Services is largely due to lower than anticipated expenditures for Medicaid and the Healthcare for Uninsured Kids and Youths (HUSKY) program. A summary of and explanations for General Fund lapsing appropriations can be found beginning on page 9. The two major areas requiring deficiency appropriations include: (1) the Department of Children and Families (DCF) ($12 million) due to hospitalization costs for DCF clients in inpatient psychiatric settings exceeding Medicaid managed care coverage limits and higher than budgeted costs of supporting children in foster care, subsidized adoption and other residential placements; and (2) State Employees Health Service Cost ($6.4 million) to maintain the current health insurance rates for active and retired employees (this deficiency may be reduced if transfers from other accounts administered by the comptroller become available later in the fiscal year). Also, projected payments for two non-budgeted accounts are factored in: Adjudicated Claims of $3.5 million and Refunds of Escheated Property at $5 million. A further explanation of deficiency requirements can be found beginning on page 6.

Agency Statewide Functional Consolidation

The 1997-99 biennial budget (passed in June 1997) assumed $50 million in annual savings beginning in FY 99 from “agency statewide functional consolidation," which is the result of privatizing or outsourcing the state’s Information Technology (IT) business to a private company. While the contractor was originally expected to assume operations by January 1998, it is now anticipated that this will not occur until April 1999 at the earliest. The budgeted savings for FY 99 was not changed by the legislature during the 1998 session and remained at $50 million, because at that time the executive branch indicated that the contract would take effect by January 1999, and that these savings could be achieved in one-half year. Due to the continued delay, it appears unlikely that the full savings will be achieved in FY 99; however, since the administration has not yet indicated that the $50 million savings will not be achieved this year, no adjustment has been made to the budgeted savings at this time.

Lapse/Reserve for Salary Adjustments

The original lapse savings of $97.5 million associated with unallocated lapses and Personal Services and Other Expenses holdbacks are anticipated to be achieved by the end of the fiscal year. It should be noted that our analysis has detected a potential lapse of $34.9 million in the Reserve for Salary Adjustments account; however, some of this amount could be needed to address unanticipated contingencies or carried forward into FY 00 through “back of the budget” language as has been the case in recent years. A possible alternative would be to use this amount to pay a portion of the $89.8 million General Fund ($96.9 million All Funds) required in FY 00 to pay an additional state employee payroll which occurs approximately every 11 years. Funding for this requirement would not be needed if Generally Accepted Accounting Principles (GAAP) were implemented in accordance with existing statute on July 1, 1999.

FY 99 General Fund Summary
as of November 18, 1998
(in millions)

	Budget Plan	Increases/ (Decreases)	Revised Estimates
Revenues			
Taxes	$ 7,236.5	$ 259.0	$ 7,495.5
Other Revenue	921.8	41.0	962.8
Other Sources	1,833.7	(12.0)	1,821.7
Total Revenue	$ 9,992.0	$ 288.0	$ 10,280.0
Appropriations			
Original Appropriations - Gross	$ 10,119.5	$ -	$ 10,119.5
Less:			
Unallocated Lapses	(74.4)	-	(74.4)
Department of Social Services Estimated Lapse	-	(48.0)	(48.0)
General PS and OE Reductions	(23.0)	-	(23.0)
Statewide Agency Functional Consolidation	(50.0)	-	(50.0)
Plus:			
Estimated Deficiency Appropriations	-	18.5	18.5
Estimated Adjudicated Claims	-	3.5	3.5
Estimated Refunds of Escheated Property	-	5.0	5.0
Total Estimated Expenditures	$ 9,972.1	$ (21.0)	$ 9,951.1
Projected Surplus from Operations for FY 99	**$ 19.9**	**$ 309.0**	**$ 328.9**

FY 99 General Fund Revenue
as of November 18, 1998
(in thousands)

	Budget Plan		**OFA**	**OFA Estimate**	
	Growth Rate % [1]	**FY 99 Estimate**	**Over/(Under) Budget Plan**	**Growth Rate % [1]**	**FY 99 Estimate**
Taxes					
Personal Income	0.0	$ 3,400,200	$ 190,000	2.7	$ 3,590,200
Sales and Use	5.5	2,878,900	19,100	5.9	2,898,000
Corporations	1.9	586,400	33,600	2.1	620,000
Inheritance and Estate	(3.6)	234,000	4,000	(5.1)	238,000
Hospital Gross Receipts	(2.0)	127,600	(5,000)	(1.2)	122,600
Public Service Corporations	2.3	172,900	(6,000)	(2.0)	166,900
Insurance Companies	3.1	195,300	(5,300)	0.4	190,000
Cigarettes	(2.5)	122,900	-	(3.4)	122,900
Oil Companies	3.0	60,400	(23,800)	(2.7)	36,600
Real Estate Conveyance	0.0	88,000	8,000	2.5	96,000
Alcoholic Beverages	0.0	39,700	-	(0.2)	39,700
Miscellaneous	3.5	26,400	-	(5.7)	26,400
Admissions, Dues and Cabaret	2.0	26,400	-	5.4	26,400
Total Taxes		**$ 7,959,100**	**$ 214,600**		**$ 8,173,700**
Refunds of Taxes		(722,600)	44,400		(678,200)
Net General Fund Taxes		**$ 7,236,500**	**$ 259,000**		**$ 7,495,500**
Other Revenue					
Transfer Special Revenue		263,400	25,000		288,400
Indian Gaming Payments		256,200	15,000		271,200
Licenses, Permits and Fees		116,200	5,000		121,200
Sales of Commodities and Services		32,000	-		32,000
Rentals, Fines and Escheats		35,000	-		35,000
Investment Income		56,000	4,000		60,000
Miscellaneous		163,000			155,000
			(8,000)		
Total Other Revenue		**$ 921,800**	**$ 41,000**		**$ 962,800**
Other Sources					
Federal Grants		1,923,700	(12,000)		1,911,700
Net Statutory Transfers					
To Other Funds		(90,000)	-		(90,000)
Total Other Sources		**$ 1,833,700**	**$ (12,000)**		**$ 1,821,700**
Total Revenue		**$ 9,992,000**	**$ 288,000**		**$ 10,280,000**

[1] Tax growth rates reflect adjustments for rate and base changes.

FY 99 Projected General Fund Deficiencies

Agency/Explanation	Amount of Deficiency

State Ethics Commission **$19,000**

The State Ethics Commission will experience a $19,000 deficiency in Personal Services due to: (1) the lack of funds in FY 99 for the reclassification of the commission's clerk which occurred in FY 98 and; (2) three personnel miscalculations that occurred during the last budget cycle when such matters were handled by the former business office. (These miscalculations include failure to properly reflect reclassification of other positions in the current budget, miscalculated annual increments and underestimated longevity payments.) Funds are not available for transfer from elsewhere in the agency due to the reclassification of two additional positions, and due to costs related to the development of the Lobbyist Electronic Filing System.

Office of the Child Advocate **$50,000**

It is anticipated that the Office of the Child Advocate will experience a $50,000 deficiency in Other Expenses for costs incurred related to the Child Fatality Review Panel. Such costs include consulting costs, printing costs and subpoena fees. The panel has reviewed 20 cases and issued four formal reports and anticipates the release of an additional report soon. An appropriation of $20,000 was provided in FY 99 for costs associated with the panel, yet due to the unforeseeable number of cases before the panel, these funds will be exhausted and it is estimated that a $50,000 deficiency will occur. To date the Office of Child Advocate has spent the following amounts for costs related to the panel, and a number of bills have yet to be received for contracted services.

Printing	$ 4,500
Subpoena Fees	1,000
Consultants	8,000
Total	$13,500

Department of Children and Families **$12,000,000**

It is anticipated that the Department of Children and Families will experience a deficiency of approximately $12 million (or 3.2 % of the agency's $373.1 million General Fund budget) in the current fiscal year. This shortfall is primarily attributable to the following:

Inpatient Psychiatric Treatment - $4,000,000

Commencing October 1, 1997, the Department of Children and Families (DCF) became responsible for payment of hospitalization costs for DCF clients in inpatient psychiatric settings who exceed

Medicaid managed care coverage limits. This liability extends to expenses associated with hospitalized children in placement as of that date and those placed prior to September 1, 1998. (An agreement has been reached under which the Department of Social Services will share financial responsibility with managed care organizations for children initially placed after September 1, 1998.)

Clients in these placements frequently experience discharge problems that prolong the number of days of stay. Currently, approximately 40 children first admitted prior to September 1, 1998 remain in placement who have exceeded insurance coverage limits.

It is anticipated that the DCF will expend approximately $4 million in the current fiscal year for this purpose. Budgeted funds did not anticipate expenditures for this purpose.

Safety Initiative - $2,175,000

Safe Homes	$1,700,000
Training Academy	75,000
Administrative Case Review	400,000
Total	$2,175,000

The department has solicited bids for the development of Safe Homes for Children. This will allow the agency to assess children who are experiencing out-of-home placement for the first time so that permanency and treatment plans can be developed in a timely manner. Children from birth through age 12 will be served. All efforts will be made to discharge children to appropriate placements within 45 days.

This initiative was developed by the agency following the close of the 1998 legislative session. At this time, the agency has received bids from interested parties. However, recommendations have yet to be submitted for the commissioner's review. It is anticipated that a maximum of 200 beds will be approved, which will result in a maximum annualized gross cost to the state of $14-$16 million. (These costs will be partially offset by federal financial participation and reduced costs for traditional foster care or group home placements.)

The financial impact of the Safe Homes initiative in FY 99 is uncertain at this time. A figure of $1.5 million is included in the Office of Fiscal Analysis' deficiency estimate to reflect three-month support for 75 beds. Additional agency operating costs of approximately $200,000 would be associated with three-month support of 12 case management staff to oversee this new program. Actual costs will depend upon the number of beds approved, their opening date and whether the stock of existing community beds of other service types (e.g., group homes) is reduced due to conversions to the Safe Home model.

The agency is also planning on seeking approval of the Finance Advisory Committee (FAC) to increase its authorized position count to allow for the hiring of 36 unauthorized positions (26 full-time and 10 part-time). This includes the twelve Safe Home oversight staff as well as three additional DCF Training Academy staff (at a partial year cost of approximately $75,000) and 21 Administrative Case Review staff (at a partial year cost of approximately $400,000).

Workers' Compensation Claims - $400,000

Based on prior year's experience and current fiscal year costs to date, it is anticipated that a $400,000 deficiency will result in the Workers' Compensation Claims account. This is 25.2% of the $1,588,611 appropriated for FY 99. Actual expenditures in FY 98 were $1,958,948.

Office Rental Costs - $500,000

A shortfall of approximately $500,000 is anticipated associated with regional office operating costs. This is due to the need for additional space in response to staffing expansions described above, at a cost of approximately $50,000, as well as unanticipated increases in leasing costs of approximately $450,000.

Board and Care for Children - $4,925,000

Approximately $4,925,000 in higher than budgeted costs of supporting children in foster care, subsidized adoption and other residential placements is anticipated. This is 3.1% over the $156.6 million budgeted for this purpose. Of this, approximately $1,000,000 is attributable to rate increases negotiated by the department with private providers which were not reflected in the revised FY 99 budget. The remainder of the shortfall is based upon projections, which reflect monthly expenditures to date.

State Employees Health Service Cost $6,415,809

The payments of $5.5 million to MD Health Plan and $915,809 to Kaiser Permanente are required to maintain for FY 99 the current health insurance rates for active and retired state employees. The FY 99 General Fund appropriation for active and retired state employees' health insurance totals $309.9 million. The State Employees Health Service Cost account was budgeted based upon the rates contained in the SEBAC IV and SEBAC V collective bargaining agreements. However, these rates are unable to support the continued coverage of the health insurance benefits.

These payment agreements were arranged by the labor/management Health Care Cost Containment Committee and the health insurance vendors. The funds for Kaiser Permanente, which reflect a 5.76% rate increase for FY 99, were paid in August 1998. The MD Health Plan payment for FY 99 was committed in a May 1998 letter and has not yet been made. It should be noted that this deficiency may be reduced or eliminated by FAC transfers of excess funds from other Miscellaneous Accounts Administered by the Comptroller. While the magnitude of any lapses in the other Miscellaneous Accounts is not yet available, historically such lapses have occurred.

Summary of FY 99 General Fund Lapsing Appropriations

Agency		Amount (in millions)
Status of Unallocated Lapses:		
Office of Policy and Management	$ 3.4	
Department of Labor	9.7	
Department of Public Health	1.1	
Department of Correction	2.7	
Debt Service - State Treasurer	14.0	
Total - Significant Identified Lapsing Appropriations	$ 30.9	
Other Identified Lapses (less than $1 million each)	4.7	
Unidentified Lapses	38.8	
Subtotal		$ 74.4
Additional Identified Lapse:		
Department of Social Services (DSS)		48.0
General Personal Services and Other Expenses Reductions:		
Personal Services Holdbacks	$ 11.0	
Other Expenses Holdbacks	12.0	
Subtotal		$ 23.0
Agency Statewide Functional Consolidation*		50.0
Total Projected Lapse		**$ 195.4**

Note: only change from the budget level is the addition of the DSS estimated lapse of $48 million.

*The 1997-99 biennial budget (passed in June 1997) assumed $50 million in annual savings beginning in FY 99 from “agency statewide functional consolidation," which is the result of privatizing or outsourcing the state’s Information Technology (IT) business to a private company. While the contractor was originally expected to assume operations by January 1998, it is now anticipated that this will not occur until April 1999 at the earliest. The budgeted savings for FY 99 was not changed by the legislature during the 1998 session and remained at $50 million, because at that time the executive branch indicated that the contract would take effect by January 1999, and that these savings could be achieved in one-half year. Due to the continued delay, it appears unlikely that the full savings will be achieved in FY 99; however, since the administration has not yet indicated that the $50 million savings will not be achieved this year, no adjustment has been made to the budgeted savings at this time.

FY 99 Potential Significant General Fund Lapsing Appropriations

Agency/Explanation	Lapsing Amount

Office of Policy and Management **$ 3,400,000**

The Office of Policy and Management, with a total available appropriation of $197 million, is anticipating a lapse of $3.4 million (1.7% of its budget) based on current estimated expenditures for FY 99. This is largely attributable to surpluses in the following property tax relief programs: Elderly Freeze ($682,500), Veterans Additional Exemption ($850,000) and PILOT- New Manufacturing Machinery and Equipment ($400,000). These lapses are due to slightly lower than anticipated participation and the stabilization of mill rates statewide.

Department of Labor **$9,700,000**

The projected lapse of $9.7 million for the Department of Labor includes $3.5 million for the One-Stop Employment Services program and $5.5 million for the Welfare to Work program. The One-Stop Employment Services program has a total appropriation of $24,353,553 for FY 99. The Welfare to Work program has a total appropriation of $12,005,951 for FY 99.

The lapse in the One-Stop Employment Services program is composed of two parts. Due to the transition of the program from the Department of Social Services to the Department of Labor, the process of administering job-training services has been slower than anticipated. Since employment performance benchmarks are measured over 13-week periods, and contract payment is based upon performance, there tends to be a lag between the signing of a contract and payment for services. An estimated $500,000 may lapse as a result.

An additional amount of approximately $3 million is also projected to lapse from this account. These are funds earmarked for the Information Processing System within the Department of Labor to be used to track the progress of individuals receiving employment services. The department has indicated that they are still in the process of defining the contract objectives and do not anticipate finalizing an information system contract until the end of the current fiscal year. These funds were appropriated in FY 98 and carried forward into FY 99.

The amount to be lapsed for this fiscal year for Employment Services could even be higher since expenditures for the first four months are only $2.6 million out of a $24 million appropriation.

For the Welfare to Work program, a lapse of $5.5 million is anticipated out of an appropriation of $12 million. Eight contracts are still under review and have not been signed by the commissioner. This figure could go higher as only an amount of $775,000 was spent during the first four months of FY 99. The agency may request several amounts to be carried forward into FY 00, which if approved, will reduce the potential lapse for FY 99.

Department of Public Health **$1,100,000**

It is anticipated that the Department of Public Health will end the current fiscal year with lapsing funds of approximately $1.1 million. This is primarily attributable to savings of $525,000 under the Personal Services account due to delays in refilling staff; $250,000 under Other Expenses due to efficiencies in agency operation; $150,000 to reflect historical under-utilization of funding under the state loan repayment program; and $150,000 in lapses under various other accounts due to delays in new program development.

Department of Social Services **$47,700,000**

The Department of Social Services (DSS), with a total available appropriation of $3,367,134,184, is estimated to lapse $47,700,000 (1.4% of its budget) based upon current estimated expenditures for FY 99. These estimates are composed of four months of actual data and eight months of forecasted data. A significant portion of this lapse ($32 million) can be attributed to Medicaid and HUSKY program expenditures coming in less than the appropriated level. The details of account lapses and shortfalls are as follows.

Medicaid - $24,000,000

Medicaid was budgeted at $2,064,584,600 for FY 99. A significant portion of the $24 million lapse is the result of the state receiving approximately $13 million for unanticipated retroactive hospital claim settlements. In addition, expenditures for nursing homes, and inpatient and outpatient hospital care are slightly less than expected. However, pharmacy expenditures continue to rise at a rate in excess of that budgeted but the deficiency in this account is being offset by surpluses in other medical areas. It should also be noted that DSS requested an FAC transfer of $14 million in FY 98 over what OFA estimated was needed to cover expenditures. Payments made for medical services in FY 98 may have had to be paid for in FY 99 if these funds were not made available. However, this was not anticipated during the appropriations process that occurred prior to the legislature adjourning in May. A portion of these funds were used to pay for Medicaid services that were expected to come from the account designated for the Connecticut Children's Medical Center, as subsequently noted.

HUSKY Program - $8,182,000

The lapse in the Husky Program is due to the fact that the level of clients being served is much lower than originally forecasted. Initial budget forecasts had the program beginning the fiscal year with 4,700 clients and ending with 15,400 clients for a total estimated expenditure for medical services of $11.4 million. With four months of actual data, the program began the year with 662 clients and is estimated to end the year with 8,200 requiring $5.8 million in health care funds. In addition to this estimated expenditure reduction, the department carried forward nearly $3 million more than expected. Combining both the higher than expected carry-forward and the reduction in caseload accounts for the $8.2 million potential surplus.

Connecticut Children's Medical Center - $1,400,000

As noted above, the department used funds made available from an FAC transfer in FY 98 to pay a portion of this account related to Medicaid, prior to end of the fiscal year, thus alleviating the need to make a payment during FY 99.

State Food Stamp Supplement - $4,150,000

The state established a Food Assistance Program for Legal Immigrants during the past legislative session. This program was intended to provide food stamp benefits for those immigrants who had been cut off from receiving federal benefits under the Personal Responsibility and Work Reconciliation Act (P.L. 104-193). The program established by the state estimated that approximately 4,500 individuals in Connecticut would be eligible for the new state benefit.

In June 1998, Congress acted to restore food stamp benefits to many of the legal immigrants who were excluded under P.L. 104-193. This restoration of federal benefits has resulted in the anticipated surplus of approximately $4.2 million in this account for FY 99.

Old Age Assistance - $1,100,000

Aid to the Disabled - $3,000,000

There is an anticipated surplus in each of these entitlement accounts due to slower than anticipated caseload growth during the first four months of the current fiscal year. In the Old Age Assistance program, the caseload was projected to average 7,681 cases per month in FY 99. However, based on the first four months of data, the caseload is now projected to average approximately 7,500 cases per month. This change, coupled with a slightly lower cost per case, results in the projected $1 million surplus.

Similarly, the Aid to the Disabled account was anticipated to average 19,915 clients per month. This caseload is now projected to be 19,400 clients per month. Again, this change, coupled with a slightly lower cost per case, results in the projected $3 million surplus.

Temporary Family Assistance - $3,500,000

The Temporary Family Assistance Program (TFA), (formerly Aid to Families with Dependent Children), has seen numerous changes in the past several years. Welfare reform efforts, at both the federal and the state levels, have resulted in a steadily declining caseload. The caseload has gone from more than 60,000 paid cases in 1996 to less than 40,000 currently. A projected surplus of $3.5 million is anticipated in the account in FY 99 due to a continued caseload decline that has, so far this year, been faster than anticipated in the budget.

State Administered General Assistance - ($5,800,000)

The State Administered General Assistance (SAGA) program is projected to have a shortfall of approximately $5.8 million in FY 99. This is primarily due to higher than anticipated costs for medical claims. The program was originally budgeted for $54.5 million in medical costs for FY 99. Year-to-date information indicates that a total of $61 million in medical expenditures will be incurred.

Child Care Services - $7,826,000

In FY 99 the department is projected to lapse $7.8 million of $151.5 million appropriated in the Child Care Services account due to lower than anticipated caseloads. The caseload for Job Connection Child Care, which serves those engaged in approved job training or job search activities, was projected at a monthly average of 561 cases for the period, yet is 48% lower than expected at an average of 286 cases. The largest segment of Child Care Services - Work Related Child Care - which serves those working while on time-limited assistance, is significantly below expected levels. Work Related Child Care was originally budgeted at a monthly average of 7,800 cases for the first four months of the fiscal year, yet is 21% lower at an average of 6,162 cases for the period. However, the caseload for those who need child care after TANF expires and receive Transitional Child Care or Child Care Certificates is at projected levels. The lapse would be larger if it were not for slightly higher than budgeted costs per case in all areas of Child Care Services.

Department of Correction $2,700,000

It is anticipated that the department will lapse approximately $2.7 million in FY 99 due to personal services savings related to early retirement, decreasing overtime and vacant positions.

Debt Service $14,000,000

The estimated $14 million lapse for total General Fund debt service is due to savings of $11.5 million for General Fund debt service and $2.5 million for UConn 2000 debt service.

The $11.5 million saving for General Fund debt service is mainly due to differences between assumed and actual dates of bond issuance and the interest rates at which bonds were issued. The differences in dates of issuance include: (1) an unscheduled General Obligation (GO) bond refunding in July 1998, (2) postponement of the August 1998 GO issue until October 1998, and (3) elimination of issues in October 1998 for $100 million and December 1998 for $75 million. The actual amount issued in October 1998 was $230 million at an interest rate of 5.25%, rather than the estimated $220 million at 6.00%.

The saving of $2.5 million for UConn 2000 debt service is due to two factors. First the April 1998 GO issue was postponed until June 1998 and second, the actual interest rate for the issue was 5.39% rather than the estimated 5.50%.

II. Transportation Fund

The Office of Fiscal Analysis projects an operational surplus of $27.1 million for the Transportation Fund by June 30, 1999. This is primarily due to revenues that are $14.4 million higher and expenditures that are $15.6 million lower than originally anticipated. In accordance with PA 97-309, the surplus would be used for debt retirement. It should be noted that in addition to the operating surplus, there is fund balance of $20 million that is maintained per PA 97-309. Since it is still relatively early in the fiscal year, these estimates are preliminary and could change due to many factors such as the effect that the winter condition will have on the Snow and Ice Removal budget. (Please refer to the FY 99 Transportation Fund Summary for further details).

Revenues

Transportation Fund revenue is estimated at $823.1 million, which in an increase of $14.4 million over budget act estimates. The motor fuel tax estimate has been increased by $9 million. First quarter collections grew by 2.8% over last year, and are higher than the budget act estimate of 1.0%. The strength in collections can be attributed to an increase in demand resulting from a drop in summertime gasoline prices compared to last summer's.

The increase in revenue from licenses, permits and fees of $6 million is primarily due to an increase in court fees over last year.

Expenditures

Estimated expenditures for the Transportation Fund are $796 million or $15.6 million lower than the originally budgeted amount of $811.6 million.

Debt Service is expected to lapse $15.6 million. The lapse has two components. First, the Treasurer's Office used $9.7 million of the FY 97 Transportation Fund surplus to pay debt service due in FY 99. This action permitted $9.7 million to become part of the FY 99 estimated lapse. Second, the remaining $5.9 million is due to differences between assumed and actual dates of bond issuance and the interest rates at which bonds were issued. The differences in dates of issuance include postponement of the $100 million spring 1998 Special Tax Obligation (STO) issue until the fall of 1998, issuance of the planned $125 million fall 1998 STO bonds one month early, and the elimination of the $100 million spring 1999 issue. The actual interest rate for the $225 million issued in the fall of 1998 was 4.67% rather than the 6.25% estimated for the spring and fall 1998 issues.

The appropriations for the two new programs in the Department of Transportation, that is, Tweed-New Haven Airport Improvements, ($600,000) and Dial-A-Ride, ($2.5 million), are expected to be committed and expended by the end of the fiscal year.

The budget act savings of $10 million associated with estimated unallocated lapses are anticipated to be achieved by June 30, 1999.

FY 99 Transportation Fund Summary
as of November 18, 1998
(in millions)

	Budget Plan	Increases/ (Decreases)	Revised Estimates
Revenues			
Taxes	$ 490.4	$ 8.4	$ 498.8
Other Revenue	318.3	6.0	324.3
Total Revenue	$ 808.7	$ 14.4	$ 823.1
Appropriations			
Original Appropriations - Gross	$ 821.6	$ -	$ 821.6
Less:			
Unallocated Lapses	(10.0)	-	(10.0)
Debt Service Estimated Lapse	-	(15.6)	(15.6)
Total Estimated Expenditures	$ 811.6	(15.6)	$ 796.0
Projected Surplus from Operations for FY 99	**$ (2.9)**	**$ 30.0**	**$ 27.1**
Required Fund Balance (per Section 3, PA 97-309)	**20.0**	**-**	**20.0**
Cumulative Surplus as of June 30, 1999	**$ 17.1**	**$ 30.0**	**$ 47.1**

FY 99 Transportation Fund Revenue
as of November 18, 1998
(in thousands)

	FY 99 Budget Plan	OFA Over/(Under) Budget Plan	FY 99 OFA Estimate
Taxes			
Motor Fuels	$ 476,000	$ 9,000	$ 485,000
Oil Companies	20,000	-	20,000
Refunds of Taxes	(5,600)	(600)	(6,200)
Total Taxes Less Refunds	**$ 490,400**	**$ 8,400**	**$ 498,800**
Other Sources			
Motor Vehicle Receipts	177,000	-	177,000
Licenses, Permits and Fees	104,000	6,000	110,000
Interest Income	35,000	-	35,000
Federal Grants	2,800	-	2,800
Transfer-Other Funds	(500)	-	(500)
Total Other Sources	**$ 318,300**	**$ 6,000**	**$ 324,300**
Total Revenue	**$ 808,700**	**$ 14,400**	**$ 823,100**