General Fund

and Transportation Fund

Budget Projections

FY 99

Connecticut General Assembly

Office of Fiscal Analysis

May 7, 1999

General Fund and Transportation Fund Budget Projections

(as of May 7, 1999)

I. FY 99 General Fund

Projected Surplus

Our projections for the fiscal year ending June 30, 1999 indicate a potential net surplus of **$551.9 million** (up $532 million from the $19.9 million originally budgeted) which represents 5.5% of the original budget. The $532 million increase is based on revised estimated revenues that are $605.2 million above the budget act estimates and estimated expenditures that are $73.2 million higher than original net appropriations. Our surplus projection does not include the $100 million deposited in the Stadium Construction account in accordance with PA 98-1 (December Special Session). Since the state is not likely to receive any funds in FY 99 from the tobacco settlement agreement, funding from this source has not been included in our surplus projections.

Utilization of Projected Surplus

Legislation being considered during the 1999 Session would reduce the $551.9 million projected surplus by $394.5 million to $157.4 million. This reduction includes $388.5 million for various proposed uses included within sHB 6762 (the Appropriations bill) and $6 million from changing the Corporation Business Tax accrual from 8/15 to 7/31 in accordance with sSB 1. In addition, the amount of $32.5 million would be required to fully fund the Budget Reserve Fund (BRF). Increasing the BRF from $498.6 million to $531.1 million would keep the fund at the statutory limit of 5% of the net General Fund appropriations for FY 00 as reflected in the budget provided by sHB 6762. The remaining $124.9 million balance of unappropriated surplus would be used for debt retirement in accordance with the constitutional amendment adopted November 25, 1992.

Revenues

A net increase in General Fund revenue of $602.5 million results primarily from increases in (1) the personal income tax, (2) sales tax, (3) corporation business tax, (4) miscellaneous taxes, (5) Indian gaming payments, (6) rents, fines, and escheats, and decreases in (7) the oil companies tax and (8) miscellaneous revenue.

The income tax estimate is up $480.8 million (including the effect of lower levels of refunds). The following table presents the adjustments made to four components of the income tax estimate.

Component	Budget Act Estimates	May Estimates	Amount of Change
Withholding	$ 2,445.0	$ 2,511.3	$ 66.3
Estimated Payments	503.0	766.0	263.0
Final Payments	388.0	479.5	91.5
Refunds	(512.0)	(452.0)	60.0
		Total Change	$ 480.8

As seen from the table above, the largest increases are in estimated and final payments. For the 1998 income year estimated payments are projected to grow by 21.3% compared to 1997. The budget act estimate assumed negative growth would occur during 1998. Revenue from estimated payments for 1998 continued a trend of double-digit growth that began in 1996. 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 1998 is thought to be a contributory factor in robust collections in the second half of 1998. 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 that occurred in the second half of the 1998 income year and the first quarter of 1999, forecasts for estimated payments, finals, and related refunds have been adjusted by $414.5 million. Although tax receipts from non-wage sources continue to fuel much of the increase in income tax collections, tax receipts from wages (withholding) have modestly increased in the first half of the fiscal year. Through the first six months of the fiscal year, collections have grown by 7.2% (adjusted for tax changes), which is higher than the 6% rate forecasted in the budget act estimate. Because growth has been better than anticipated, revenue from withholding has been increased by $66.3 million.

The increase in the sales tax revenue estimate of $39.1 million is due primarily to better than anticipated collections in the last quarter of FY 98, which resulted in a larger FY 99 base and continued strength in consumer confidence.

The increase in the corporation business tax revenue of $63.6 million is due to stronger than anticipated collections in FY 99. 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.

Indian gaming payments have been increased by $33.8 million based on year-to-date payments which are up by $20.7 million over estimates ($14.6 million - Mohegan Sun, and $6.1 million - Foxwoods).

The decrease in oil companies revenue of $40.4 million (down $16.6 million from our January estimate) 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 were to be completed by January 1999 in order to meet federal regulations. Estimated revenue has also been lowered by $30.4 million as a result of a decline in oil and gasoline prices for most of FY 99.

The increase in miscellaneous tax revenue of $11.6 million is due primarily to better than anticipated revenue from the Gift Tax. Gift Tax revenue is up $10 million over FY 98 collections (FY 98 collections were $20 million).

Rents, Fines, and Escheats has been increased by $23 million and is primarily the result of the sale of unclaimed (escheated) stock that was sold to take advantage of current stock market conditions.

Miscellaneous revenue has been decreased by $ 53 million. The decrease is mainly the result of the removal of $50 million in one-time revenue anticipated from the sale of home mortgage loans to the Connecticut Housing Finance Authority (CHFA). Since General Fund revenue is far exceeding the budget act estimates, the administration has decided that the sale of mortgages to CHFA will not take place in FY 99.

Expenditures

Lapse/Deficiency

Expenditure requirements are estimated to be $73.2 million higher than budgeted due primarily to the following: 1) $80 million appropriation to the Stadium Construction account in accordance with the provisions of PA 98-1 (December Special Session); 2) the elimination of the $50 million budgeted savings associated with Agency Statewide Functional Consolidation; 3) a reduction of $13.6 million from the budgeted savings of $23 million associated with the Personal Services and Other Expenses holdbacks; 4) offset by a projected lapse of $82.9 million in the Department of Social Services which is net of $12.5 million in costs associated with the Nursing Home agreement and $27.7 million in transfers to cover deficiency appropriations. The additional lapse in the Department of Social Services is largely due to lower than anticipated expenditures for Medicaid, Child Care Services and the Healthcare for Uninsured Kids and Youths (HUSKY) program. A summary of and explanations for the major General Fund lapsing appropriations can be found beginning on page 8.

The agencies with deficiency requirements which have been met by transferring excess funds within the Medicaid account are listed below. (Details of the deficiencies may be found in the fiscal note to sHB 6759, File 391.) Also, projected payments for two non-budgeted accounts are factored into our projections: Adjudicated Claims of $5 million and Refunds of Escheated Property at $7.5 million.

FY 99 Deficiency Requirements

Agency	Amount
Ethics Commission	$19,000
Judicial Selection Commission	25,000
Insurance and Risk Mgmt. Board	697,000
Office of the Child Advocate	30,000
Dept. of Mental Retardation	5,200,000
Dept. of Mental Health and Addiction Services	1,700,000
Teachers' Retirement Board	1,000,000
Dept. of Children and Families	19,000,000
Total FY 99 Deficiency Requirements	**$27,671,000**

Agency Statewide Functional Consolidation

The 1997-1999 biennial budget (passed in June 1997) included $50 million in annual savings beginning in FY 99 from “Agency Statewide Functional Consolidation," which are savings claimed primarily as the result of privatizing or outsourcing the state’s information technology business to a private company. The contractor was originally expected to assume operations by January 1998. The budgeted savings for FY 99 was not changed by the legislature during the 1998 session and remained at $50 million, because the administration indicated that the contract would take effect by January 1999, and that $50 million in savings could be achieved in one-half year. On December 30, 1998, the administration announced that it has selected Electronic Data Systems (EDS) as the private computer firm, and is negotiating the final aspects of the contract. The administration’s current target contract effective date is September 1, 1999. Therefore, none of the $50 million in budgeted savings will be realized for FY 99.

FY 99 General Fund Summary
(as of May 7, 1999)
(in millions)

	Budget Plan	Increases (Decreases)	Revised Estimates
Revenues			
Taxes	$ 7,236.5	$ 570.4	$ 7,806.9
Other Revenue	921.8	26.4	948.2
Other Sources	1,833.7	8.4	1,842.1
Total Revenue	**$ 9,992.0**	**$ 605.2**	**$ 10,597.2**
Appropriations			
Original Appropriations - Gross	$ 10,119.5	$ -	$ 10,119.5
Less:			
Unallocated Lapses (see p. 7 for details)	(74.4)	-	(74.4)
Dept. of Social Services Estimated Lapse (net of Nursing Home costs and deficiency transfers)	-	(82.9)	(82.9)
General PS and OE Reductions	(23.0)	13.6	(9.4)
Statewide Agency Functional Consolidation	(50.0)	50.0	-
Plus:			
Stadium Construction (PA 98-1 Dec. Sp. Ses.) [1]	-	80.0	80.0
Estimated Adjudicated Claims	-	5.0	5.0
Estimated Refunds of Escheated Property	-	7.5	7.5
Total Estimated Expenditures	**$ 9,972.1**	**$ 73.2**	**$ 10,045.3**
Projected Surplus from Operations for FY 99	**$ 19.9**	**$ 532.0**	**$ 551.9**
Less Proposed Uses:			
Change Corporations Business Tax accrual from 8/15 to 7/31 per sSB 1			(6.0)
Various Uses included within sHB 6762 (the Appropriations bill)			(388.5)
Amount Required to Fully Fund the Budget Reserve Fund [2]			(32.5)
Remaining Balance (Unappropriated Surplus) to Debt Retirement [3]			**$ 124.9**

[1] An additional $20 million has been deposited in the Stadium Construction account, but is not shown here because it does not impact the surplus, having been provided from the Reserve for Salary Adjustments account from which any balances typically carryforward rather than lapse. While the $80 million is not expected to be spent in FY 99, it is included here since current law allows the balance to be carried forward for expenditure in future years; as such, it is charged against FY 99 revenues.

[2] This $32.5 million addition would result in increasing the amount in the Budget Reserve Fund (BRF) from $498.6 million to $531.1 million. This would keep the BRF at the statutory limit of 5% of the net General Fund appropriations for FY 00 as reflected in the budget provided by sHB 6762.

[3] The remaining balance (unappropriated surplus) would be used for debt retirement in accordance with the constitutional amendment adopted November 25, 1992.

FY 99 General Fund Revenue
as of May 6, 1999
(in thousands)

	Budget Plan Growth Rate % [1]	Budget Plan FY 99 Estimate	OFA Over/(Under) Budget Plan	OFA Estimate Growth Rate % [1]	OFA Estimate FY 99 Estimate
Taxes					
Personal Income	0.0	$ 3,400,200	$ 420,800	8.8	$ 3,821,000
Sales and Use	5.5	2,878,900	39,100	6.7	2,918,000
Corporations	1.9	586,400	63,600	2.6	650,000
Inheritance and Estate	(3.6)	234,000	4,000	(5.1)	238,000
Hospital Gross Receipts	(2.0)	127,600	(1,600)	0.6	126,000
Public Service Corporations	2.3	172,900	(6,000)	(2.0)	166,900
Insurance Companies	3.1	195,300	(2,500)	1.8	192,800
Cigarettes	(2.5)	122,900	2,100	(1.7)	125,000
Oil Companies	3.0	60,400	(40,400)	(2.7)	20,000
Real Estate Conveyance	0.0	88,000	15,000	10.0	103,000
Alcoholic Beverages	0.0	39,700	300	0.4	40,000
Miscellaneous	3.5	26,400	11,600	35.7	38,000
Admissions, Dues and Cabaret	2.0	26,400	-	5.4	26,400
Total Taxes		**$ 7,959,100**	**$ 506,000**		**$ 8,465,100**
Refunds of Taxes		(722,600)	64,400		(658,200)
Net General Fund Taxes		**$ 7,236,500**	**$ 570,400**		**$ 7,806,900**
Other Revenue					
Transfer Special Revenue		$ 263,400	$ 6,600		$ 270,000
Indian Gaming Payments		256,200	33,800		290,000
Licenses, Permits and Fees		116,200	5,000		121,200
Sales of Commodities and Services		32,000	(1,000)		31,000
Rentals, Fines and Escheats		35,000	23,000		58,000
Investment Income		56,000	12,000		68,000
Miscellaneous [2]		163,000	(53,000)		110,000
Total Other Revenue		**$ 921,800**	**$ 26,400**		**$ 948,200**
Other Sources					
Federal Grants		$ 1,923,700	$ 8,400		$ 1,932,100
Net Statutory Transfers From Other Funds		(90,000)	0		(90,000)
Total Other Sources		**$ 1,833,700**	**$ 8,400**		**$ 1,842,100**
Total Revenue		**$ 9,992,000**	**$ 605,200**		**$ 10,597,200**

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

[2] Reflects the removal of $50 million in one-time revenue anticipated from the sale of loans to CHFA.

Summary of General Fund Lapsing Appropriations for FY 99

Agency	Amount (in millions)	
Status of Budgeted Lapses:		
Legislative Management	$ 1.2	
Division of Special Revenue	1.5	
Office of Policy and Management	3.7	
Department of Administrative Services	1.5	
Department of Public Safety	1.4	
Department of Public Health	3.3	
Department of Mental Retardation	2.6	
Department of Mental Health and Addiction Services	1.5	
Department of Education	3.8	
Department of Correction	1.6	
Judicial Department	3.3	
Debt Service - State Treasurer	20.7	
Unemployment Compensation	1.6	
Total - Significant Identified Lapsing Appropriations	$ 47.7	
Other Identified Lapses (less than $1 million each)	5.2	
Unidentified Lapses	21.5	
Subtotal		$ 74.4
Additional Identified Lapse:		
Department of Social Services (DSS)		82.9
General Personal Services and Other Expenses Reductions:		
Personal Services Holdbacks	$ 4.5	
Other Expenses Holdbacks	4.9	
Subtotal		$ 9.4
Agency Statewide Functional Consolidation*		-
Total Projected Lapse		**$ 166.7**

Note: only changes from the budget level are the addition of the DSS estimated lapse of $82.9 million; the reduction in Personal Services and Other Expenses holdbacks of $13.6 million from the budgeted level of $23 million to $9.4 million; and the elimination of the $50 million budgeted savings associated with Agency Statewide Functional Consolidation.

*The 1997-99 biennial budget (passed in June 1997) included $50 million in annual savings beginning in FY 99 from “Agency Statewide Functional Consolidation," which are savings claimed as the result of privatizing or outsourcing the state’s information technology business to a private company. The contractor was originally expected to assume operations by January 1998. The budgeted savings for FY 99 was not changed by the legislature during the 1998 session and remained at $50 million, because the administration indicated that the contract would take effect by January 1999, and that $50 million in savings could be achieved in one-half year. On December 30, 1998, the administration announced that it has selected Electronic Data Systems (EDS) as the private computer firm, and is negotiating the final aspects of the contract. The administration’s current target contract effective date is September 1, 1999. Therefore, none of the $50 million in budgeted savings will be realized for FY 99.

FY 99 Potential Significant General Fund Lapsing Appropriations

Agency/Explanation	Lapsing Amount
Department of Social Services	**$82,851,368**

The Department of Social Services, with a total available appropriation of $3,341 million, is estimated to lapse $82.9 million at the end of FY 99. This lapse represents 2.5% of its total budget. The most substantial portion of the lapse, $31.8 million, results from an unanticipated decline in Medicaid expenditures. A second significant area of potential surplus occurs in welfare expenditures. Spending for TFA cash assistance and childcare expenditures are less than budgeted amounts. Childcare has an estimated $21.9 million surplus, while cash assistance is $6.2 million below expected expenditures. Finally, enrollment in the state's health insurance program for children, HUSKY, has been less than projected, resulting in an estimated lapse of $9.8 million in the $22 million program.

The agency is projecting substantial shortfalls in two accounts -- Other Expenses and Data Processing -- though current spending trends indicate both will end the year within appropriated amounts. Current estimates, based upon nine months of actual data and three months of forecasted data, do not warrant recognizing any shortfalls in these two accounts without further information.

The department's total available appropriation has been reduced by $27.7 million as a result of a transfer of funds from the Medicaid account to cover deficiencies in other agencies.

Medicaid - $31,823,080

The Medicaid program, budgeted at $2,037.7 million, is estimated to lapse $31.8 million (1.6% of the total available appropriation). The Medicaid program covers a broad range of services including nursing home care, Medicare and managed care premiums, hospital services, home care, pharmacy, and physicians. The potential surplus in funds can be attributed to three areas: (1) fee-for service hospital expenditures; (2) managed care costs; (3) and long-term care costs. These three areas account for a surplus totaling $45 million. This surplus is offset by greater than expected pharmacy spending, estimated at $11 million more than was initially appropriated. The net surplus for all categories of services is $31.8 million. Another significant expenditure affecting the surplus results from increased costs due to the nursing home wage and staff enhancement initiative. The department will incur $12.5 million in additional costs for nursing homes due to this initiative. These payments will be covered by surplus Medicaid funds.

The primary factor affecting spending in these three areas – hospital care, managed care, and long term care – is that the level of clients being served has either declined or not risen as forecasted. The monthly average number of clients served by nursing homes has dropped by 826 from FY 98 (20,869) to 20,043 for the first nine months of FY 99. Expenditure forecasts held the client population level from FY 98 to FY 99. Both inpatient and outpatient fee-for-service clients have dropped significantly (down 5.4%) during the same period and the cost per patient has remained steady. The last area, managed care, was forecasted to increase as a result of expanded outreach associated with the HUSKY program. Though there has been some growth in the client population served by managed care, it has not been as great as had been expected. While the average monthly population is up by nearly 18,000 clients from FY 98 to FY 99, the projected expansion of the program was budgeted at a greater client level resulting in an estimated $17 million surplus in the $411 million managed care program.

Overall, the growth of Medicaid spending has declined significantly over the past seven years, from 13.1% in FY 93 to 1.1% for FY 99. The rate of decline is the result of a number of factors, including both a leveling off of clients served and a reduction in medical price inflation.

HUSKY Program - $9,822,353

The HUSKY program (Part B – Non-Medicaid) is experiencing a significant surplus in its budget of $22 million. The surplus of $9.8 million is directly related to the level of enrollment being much less than originally anticipated based upon the estimated number of uninsured children in Connecticut. The program was initially budgeted to begin the fiscal year with 4,738 clients, with an additional 1,180 clients added each month. Actual data for the first six months indicates a level of enrollment far below the forecast. The fiscal year began with only 306 clients with approximately 330 being added each month. The current paid enrollment is 2,692 children, about a quarter of the expected enrollment of 10,000.

State Food Stamp Supplement - $3,499,000

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 $3.5 million in this account for FY 99. The appropriation for FY 99 was $3.95 million.

Old Age Assistance - $1,300,000 / Aid to the Disabled - $4,500,000

There is an anticipated surplus in each of these entitlement accounts due to slower than anticipated caseload growth during the first nine 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 nine months of data, the caseload is now projected to average approximately 7,500 cases per month. This change, coupled with a lower cost per case, results in the projected $1.3 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 19,500 clients per month. Again, this change, coupled with a lower cost per case, results in the projected $4.5 million surplus.

Temporary Family Assistance - $6,200,000

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, plus a growing economy, have resulted in a steadily declining caseload. The caseload has gone from more than 60,000 paid cases in 1996 to less than 36,500 currently. A projected surplus of $6.2 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.

Child Care Services - $21,966,482

In FY 99 the department is projected to lapse $21.9 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 40% lower than expected at an average of 308 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 half of the fiscal year, yet is 20% lower at an average of 6,108 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.

Debt Service **$20,700,000**

The estimated $20.7 million lapse for debt service is due to savings of $18.1 million for regular debt service and $2.6 million for UConn 2000 debt service.

Approximately $9.5 million of the $18.1 million regular debt service lapse 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: (1) an unscheduled General Obligation (GO) bond refunding in July 1998, and (2) elimination of the October 1998 issue for $100 million. The actual amount issued in October 1998 was $224.5 million at an interest rate of 5.25%, rather than the estimated $220 million at 6%.

An additional $5 million is due to a reduction in arbitrage rebate payments. Arbitrage rebate is the penalty paid by the state to the federal government for borrowing bond funds at a lower rate and investing them at a higher rate. The reduction reflects lower differences between the interest rate at which bonds were issued and the rate at which they were invested.

The remaining lapse is primarily due to elimination of the debt service reserve for the Nursing Home Loan Program. The reserve was eliminated because the outstanding revenue bonds for two nursing homes secured by special capital reserve funds, were cash defeased with FY 98 budget surplus.

The savings of $2.6 million for UConn 2000 debt service is due to two factors. First, the April 1998 GO issue, which was postponed until June 1998, was reduced from an estimated $115 million to an actual amount of $99.5 million and second, the actual interest rate for the issue was 5.39% rather than the estimated 5.5%.

II. FY 99 Transportation Fund

The Office of Fiscal Analysis (OFA) projects an annual operational surplus of $45.2 million, and a cumulative surplus of $48.4 million by June 30, 1999. This is primarily due to revenues that are $32.4 million higher and expenditures that are $15.7 million lower than originally anticipated. In accordance with PA 97-309, a fund balance of $20 million from the cumulative surplus must be maintained. The difference is used for debt retirement. The cumulative surplus is realized as follows:

Annual Surplus from FY 99 Operations	$45.2	million
DOT Building Settlement (to settle a pending claim concerning cost overruns for the DOT office building)	(3.9)	"
DMV Reflectorized Marker Plate Program	(12.9)	"
Net Operational Surplus	$28.4	"
Required Fund Balance (per Section 3, PA 97-309)	20.0	"
Cumulative Surplus, 6/30/99	$48.4	"

Please refer to the FY 99 Transportation Fund Summary on page 13 for further details.

Revenues

Transportation Fund revenue is estimated at $841.1 million, which is an increase of $32.4 million over budget act estimates. The motor fuel tax estimate has been increased by $19 million. Year-to-date collections are up by 3.6% over last year, and are higher than the budget act estimate of 1%. The strength in collections can be attributed to an increase in demand resulting from a drop in gasoline prices compared to last year.

The increase in revenue from Motor Vehicle Receipts of $7 million is due to higher than anticipated volume in vehicle registrations.

The increase in revenue from licenses, permits and fees of $6 million is primarily due to an increase in court fees/fines over last year. (Please refer to the Transportation Fund Revenue Schedule on page 14).

Expenditures

A lapse of $10 million was originally anticipated in the Transportation Fund budget for FY 99. Instead, a lapse of $25.7 million is anticipated to be achieved due to an estimated Debt Service lapse of $19.9 million and other miscellaneous lapses totaling $5.8 million. As a result, estimated expenditures for the Transportation Fund are $795.9 million or $15.7 million lower than the originally budgeted amount of $811.6 million.

The Debt Service lapse has three 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, $4 million is due to a reduction in arbitrage rebate payments. Arbitrage rebate is the penalty paid by the state to the federal government for borrowing bond funds at a lower rate and investing them at a higher rate. The reduction reflects lower differences between the interest rate at which bonds were issued and the rate at which they were invested. And finally, the remaining $6.2 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 pertain to the postponement of the $100 million spring 1998 Special Tax Obligation (STO) issue until the fall of 1998. 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.

Among the miscellaneous lapse category of $5.8 million, the Department of Transportation (DOT) is expected to lapse $5.1 million. The more significant lapses are expected to be in the following accounts:

Account	Amount
Other Expenses	$1,400,000
Handicapped Access Program	1,000,000
Rail Operations	600,000
Bus Operations	1,600,000
Total	**$4,600,000**

Two factors have reduced the total lapse figure to $25.7 million. First, due to the mild winter season, the DOT had excess funds in the Snow and Ice Removal budget and requested the transfer of $6.3 million to the Highway and Bridge Renewal Equipment account for the replacement of 68 trucks and 12 articulating payloaders. The action was approved by the Finance Advisory Committee (FAC) on May 6, 1999. Second, in accordance with sHB 6762, (the Appropriations bill), the FY 99 lapse of up to $2 million in Rail Operations will be carried forward into FY 00 to cover the costs of the anticipated settlement of a Metro North personal injury claim. Thus, the estimated lapse figure of $25.7 million would have been $34 million prior to these reductions totalling $8.3 million.

Also to be noted are two factors which have contributed toward the lowering of the end-of-year cumulative fund surplus. First, to settle a pending claim from the Saturn Construction Company concerning cost overruns for the Department of Transportation's (DOT) office building, $3.9 million will be carried forward from the FY 99 Transportation Fund surplus. Second, also to be carried forward from the FY 99 Transportation Fund surplus will be $12.9 million to implement the conversion to fully reflectorized license plates. The funds will be available during fiscal years 2000 and 2001 to coincide with one registration renewal cycle.

FY 99 Transportation Fund Summary
as of May 7, 1999
(in millions)

	Budget Plan	Increases (Decreases)	Revised Estimates
Revenues			
Taxes	$ 490.4	$ 19.2	$ 509.6
Other Revenue	318.3	13.2	331.5
Total Revenue	**$ 808.7**	**$ 32.4**	**$ 841.1**
Appropriations			
Original Appropriations - Gross	$ 821.6	$ ---	$ 821.6
Less:			
Unallocated Lapses	(10.0)	---	(10.0)
Debt Service Estimated Lapse	---	(15.7)	(15.7)
Total Estimated Expenditures	**$ 811.6**	**(15.7)**	**$ 795.9**
Projected Surplus from Operations for FY 99	**$ (2.9)**	**$48.1**	**$ 45.2**
Appropriations from FY 99 Transportation Fund Surplus			
DOT Building Settlement	---	(3.9)	(3.9)
Reflectorized Marker Plate Program	---	(12.9)	(12.9)
Required Fund Balance (per Section 3, PA 97-309)	**20.0**	**---**	**20.0**
Cumulative Surplus as of June 30, 1999	**$ 17.1**	**$ 31.3**	**$ 48.4**

FY 99 Transportation Fund Revenues
as of May 6, 1999
(in thousands)

	FY 99 Budget Plan	OFA Over/(Under) Budget Plan	FY 99 OFA Estimate
TAXES			
Motor Fuels Tax	$476,000	$19,000	$495,000
Petroleum Products Tax	20,000	0	20,000
Refunds of Taxes	(5,600)	200	(5,400)
Total - Taxes Less Refunds	**$490,400**	**$19,200**	**$509,600**
OTHER SOURCES			
Motor Vehicle Receipts	177,000	7,000	184,000
Licences, Permits, and Fees	104,000	6,000	110,000
Interest Income	35,000	0	35,000
Federal Grants (FTA)	2,800	200	3,000
Transfer to Conservation Fund	(500)	0	(500)
Total -Other Sources	**318,300**	**13,200**	**331,500**
Total Revenue	**$808,700**	**$32,400**	**$841,100**