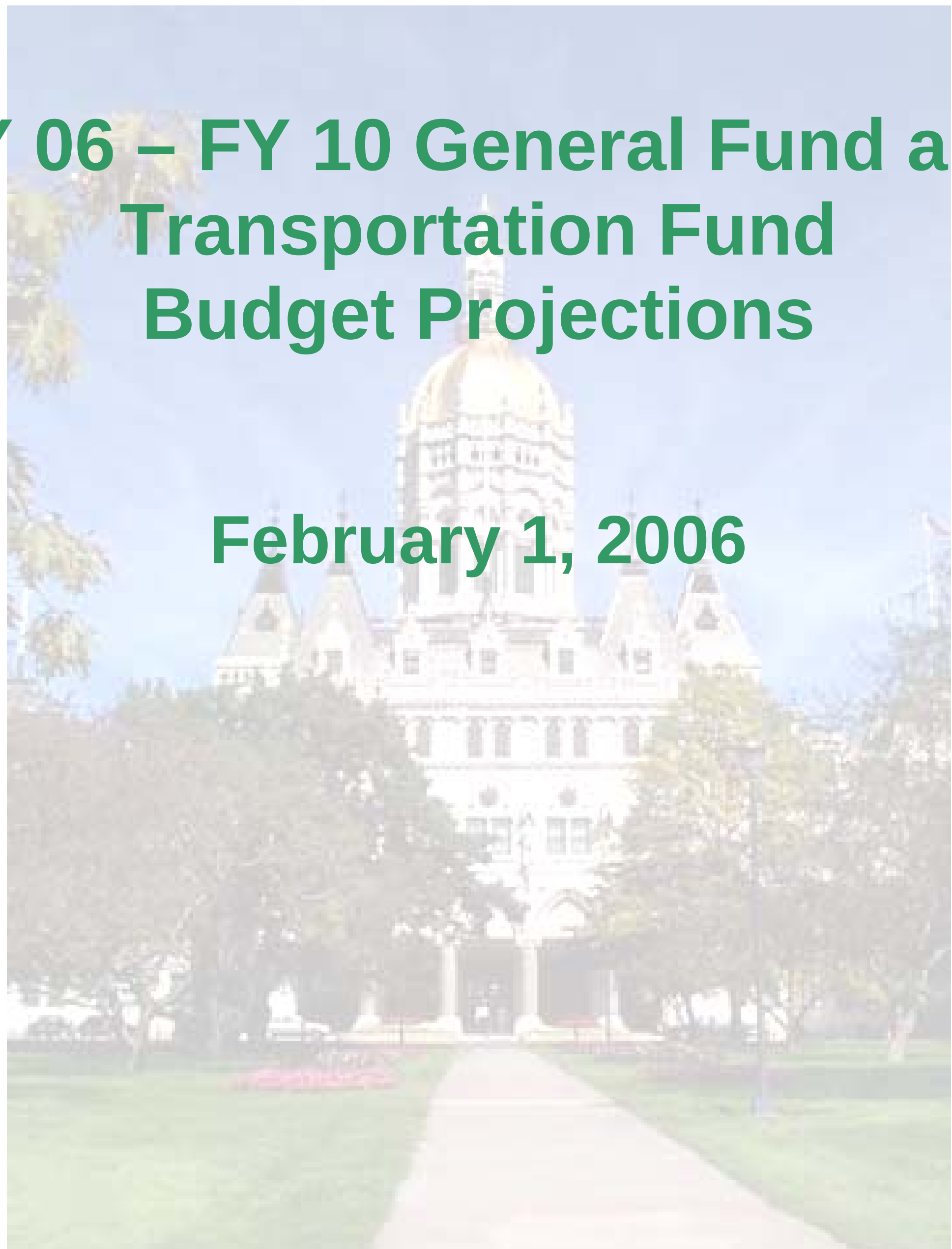
Connecticut General Assembly

OFFICE OF FISCAL ANALYSIS



FY 06 – FY 10 General Fund and Transportation Fund Budget Projections

February 1, 2006

Report Highlights

- **FY 06 General Fund surplus** is projected at **$661.5 million**. See pages 1 – 10 for details.

- **FY 07 General Fund surplus** is projected at **$489.3 million,** pending further review of revenues and technical current services expenditure changes including potential cost/caseload adjustments, costs associated with collective bargaining contracts which may be approved and the need to increase FY 07 appropriations to reflect FY 06 deficiency needs rolled forward into FY 07.

- **General Fund current services shortfalls are projected for FY 08 ($224.4 million), FY 09 ($307.7 million) and FY 10 ($412.5 million).** See pages 17 - 18 for details.

- **FY 06 Transportation Fund operating surplus** is projected at $0.4 million ($3.2 million lower than budgeted), which increases the cumulative surplus to $131.9 million. The surplus projection reflects revenue and lapse adjustments and deficiency requirements. See pages 19 - 21 for details.

- **Out year projections indicate that the Transportation Fund will continue to experience surpluses each year, which will increase the cumulative balance in the fund to $183.0 million in FY 10.** This is attributable to the combined effects of growth rates in revenues accelerating slightly faster than the anticipated growth in expenditures.

Preliminary General Fund Budget Projections
FY 06 through FY 10
as of February 1, 2006

	FY 04	FY 05	FY 06		FY 07		FY 08	FY 09	FY 10
Budget Overview:	**Surplus Estimate FY 04**	**Surplus Estimate FY 05**	**OFA Estimate as of Budget Passage 6/7/05 FY 06**	**OFA Revised Estimate 2/1/06 FY 06**	**OFA Estimate as of Budget Passage 6/7/05 FY 07**	**OFA Revised Estimate 2/1/06 FY 07**	**OFA Current Services Estimate 2/1/06 FY 08**	**OFA Current Services Estimate 2/1/06 FY 09**	**OFA Current Services Estimate 2/1/06 FY 10**
Revenues	-	-	14,133.7	14,740.0	14,748.5	15,245.2	15,670.8	16,197.1	16,767.0
Expenditures	-	-	14,131.7	14,078.5	14,745.2	14,755.9	15,895.2	16,504.8	17,179.5
Balance	**302.2**	**303.4**	**2.0**	**661.5**	**3.3**	**489.3**	**(224.4)**	**(307.7)**	**(412.5)**
Maximum Allowable in Budget Reserve (Rainy Day) Fund	10.0% maximum	1,413.2							
Potential BRF Deposit	4.3% funded	605.6							
Extent to Which BRF Not Fully Funded	**5.7% unfunded**	**807.6**							
Spending Cap Comparisons (All Funds):									
Amount Total Appropriations (Under) Over Cap (assuming that the legislature will appropriate up to the allowed expenditure limit in FY 06 and FY 07 and that the appropriation will not exceed allowed expenditures in FY 08 and FY 09)			(24.4)	(21.4)	(10.4)	(28.5)	297.6	164.5	44.3

Reasons for FY 08, FY 09 & FY 10 Shortfalls:	FY 08	FY 09	FY 10
FY 08 - Unavailable One-Time Revenues (General Fund)	53.0	-	-
General Fund Growth Rates (Adjusted):			
Revenue	3.7%	3.6%	3.2%
Expenditures	5.9%	3.8%	4.1%

Summary of Changes to November 15, 2005 General Fund Surplus/Deficit Projections
as of February 1, 2006
(figures in millions)

	FY 06			FY 07	FY 08	FY 09	FY 10
Projected Surplus/(Deficit) as of 11/15/05			**$ 524.5**	**$ 497.0**	**$ (158.0)**	**$ (241.8)**	**$ (340.5)**
Expenditure Increases							
Miscellaneous expenditure increase		$ (1.0)					
Expenditure Decreases							
Increase in projected lapse savings	$ 44.6						
Decreased deficiency requirements	10.4						
		55.0					
Net Expenditure Decrease/(Increase)			**54.0**	**13.5**	**(35.2) [1]**	**(34.0) [1]**	**(36.0) [1]**
Revenue Increases							
Corporation Business Tax	$ 115.4						
Other Revenue - Miscellaneous	30.0						
Inheritance and Estate Tax	21.8						
Public Service Corporations	17.9						
Oil Companies	15.1						
R & D Credit Exchange	7.0						
Investment Income	7.0						
Total - Revenue Increases		$ 214.2					
Revenue Decreases							
Personal Income Tax	(80.0)						
Sales and Use Tax	(32.2)						
Rentals, Fines and Escheats	(17.0)						
Sales of Commodities and Services	(2.0)						
Total - Revenue Decreases		(131.2)					
Net Revenue Increase/(Decrease)			**83.0**	**(21.2)**	**(31.2) [2]**	**(31.9) [2]**	**(36.0) [2]**
Projected Surplus/(Deficit) as of 2/1/06			**$ 661.5**	**$ 489.3**	**$ (224.4)**	**$ (307.7)**	**$ (412.5)**

[1] FY 08, FY 09 and FY 10 expenditures are higher than our November 15, 2005 projections largely because of increases to more accurately reflect anticipated current services requirements in the state Department of Education's (SDE's) Excess Cost-Student Based grant which are partially offset by lower roll-outs of FY 06 deficiency needs into future fiscal years.

[2] FY 08, FY 09 and FY 10 revenues are lower than our November 15, 2005 projections due to miscellaneous revenue adjustments.

TABLE OF CONTENTS

General Fund and Transportation Fund Budget Projections
(as of February 1, 2006)

I. FY 06 General Fund

Our projections for the fiscal year ending June 30, 2006 indicate a **potential surplus of $661.5 million** (which represents 4.7% of the budget). This surplus assumes that in addition to the originally budgeted surplus of $2 million, **estimated revenues will be $606.3 higher than budgeted** and **estimated expenditures will be $53.2 million lower than net appropriations.** While the projected General Fund surplus is $661.5 million, **this estimate may change if: 1) the level of currently estimated deficiencies grows, including additional state funding for emergency heating home assistance; 2) any arbitration awards or collective bargaining agreements are submitted and approved by the legislature or become effective in the absence of legislative rejection; or 3) revenues are adversely affected by any deterioration in economic conditions.**

Revenues

The estimated $606.3 million net increase in FY 06 General Fund revenue collections is due to projected increases of $709.0 in 10 revenue sources and decreases of $102.7 million in 4 revenue sources.

The increases of $709.0 million are: (1) $344.0 million in the Personal Income Tax, (2) $123.7 million in the Corporation Tax, (3) $75.2 million in the Oil Companies Tax, (4) $32.9 million in the Public Service Companies Tax, (5) $32.5 million in the Real Estate Conveyance Tax, (6) $30 million in excess recoveries of employee pensions (Miscellaneous Revenue), (7) $21.8 million in the Inheritance and Estate Tax, (8) $17.7 million in the Insurance Companies Tax, (9) $17.0 million in Investment Income, and (10) $14.2 million in various other tax and revenue sources.

The decreases of $102.7 million are: (1) $48.4 million in the Sales and Use Tax, (2) $30 million in lower than anticipated Medicaid expenditures, which will result in lower federal reimbursements, (3) $17 million in Rentals, Fines and Escheats due to a transfer to the Citizen’s Election Fund and (4) $7.3 million from a combination of relatively minor adjustments in various General Fund revenue sources.

The projected revenue increases are as follows:

(1) **Personal Income Tax** collections are anticipated to be $344.0 million greater than originally projected due to:

a) ***Estimated Payments:*** Anticipated collections from estimated payments[1] have been increased by $144.0 million. The increase is primarily the result of stronger than anticipated revenue collections from third quarter and fourth quarter payments[1], which exceeded the original estimates by about $114.0 million. The remaining $30 million is the result actual FY 05 collections rolled forward into FY 06 and a minor adjustment to the growth rate for the payments[1] due in April and June 2006.

b) ***Final Payments:*** 2005 income year final payment[1] revenue is anticipated to be $113.0 million greater than projected. An examination of historical collections indicates that estimated payments equal about 60% of total non-wage payments and final payments make up the remaining 40%. Therefore, since estimated payments are higher than initial forecasts, final payments have been increased to maintain this historic relationship.

c) ***Withholding Payments:*** Anticipated collections from withholding on wages and salaries have been increased by $87.0 million. Since the Finance, Revenue and Bonding Committee adopted revenue estimates for FY 06 and FY 07, actual collections have performed better than anticipated. Revenue from withholding for the last nine months has grown by roughly 7.8% compared to the anticipated 5.0% growth rate. The revised estimate assumes that growth rate in collections for the remainder of the fiscal year will be 6.0%.

(2) **Corporate Income Tax** collections are anticipated to be $123.7 million greater than originally projected. The December 2005 estimated payment came in approximately $70 million above the original estimate and the revised estimate assumes that the payments due in March and June 2006 will also show this strength in collections.

(3) **Oil Companies Tax** collections are anticipated to be $75.2 million greater than projected. Third and fourth quarter collections were approximately $70.0 million per quarter, which are the largest quarterly amounts ever collected for this tax[2]. This is due to historically high crude oil prices resulting from the economic disruption caused by Hurricanes Katrina and Rita, increasing demand in China, and political and labor concerns in some oil producing countries. OFA's estimate for the remainder of the fiscal year assumes that oil and gasoline prices will be 30% higher than last year.

(4) **Public Service Companies Tax** collections are anticipated to be $32.9 million greater than originally projected. The revised estimate reflects robust collections during the past two quarters, which were about $25.0 million higher than anticipated.

---

[1] Personal Income Tax estimated and final payments are due as follows: First quarter is due April 15th, Second quarter is due June 15th, Third quarter is due September 15th, Fourth quarter is due December 15th and Final payments are due April 15th of the following year.
[2] The figures were adjusted to remove the effect of tax rate changes.

(5) **Real Estate Conveyance Tax** collections are anticipated to be $32.5 million higher than expected. The FY 06 budget estimate assumed that collections would decline by 10% as a result of higher mortgage rates coupled with a slow down in housing price growth in some areas. However, revenue collection data reflects a 21.1% increase between June and October 2005 compared to the same period in 2004. OFA's revised estimate now assumes that collections for the remainder of calendar year 2005 will match last year's total and that a real estate market slowdown will not occur until beginning of calendar year 2006.

(6) **Miscellaneous Revenue** has been increased by $30 million to reflect higher than anticipated reimbursements for employee pensions from federal and other funding sources. The cost of pensions for certain state employees whose salaries are paid by federal and other funds are recovered from those funding sources by the State Employee Retirement System (SERS). Based upon FY 06 estimated expenditures, the actual recoveries are now expected to exceed the budgeted recoveries by $30 million[1]. The federal and other funds that are overcharged will be reimbursed through a correction adjustment that is rolled forward into future years.

(7) **Inheritance and Estate Tax** collections are anticipated to be $21.8 million higher than expected as a result of the settlement of a very large estate in November 2005.

(8) **Insurance Companies Tax** collections are anticipated to be $17.7 million greater than originally projected. Year-to-date collections are ahead of the target estimates by $7.0 million. This continues a trend of robust collections that began in January 2005.

(9) **Investment Income** has been increased by $17.0 million based on stronger than anticipated investment income. The increase reflects: (1) the positive cash position of the Short Term Investment Fund (STIF) due to the FY 06 projected budget surplus and (2) the continuing positive impact of the Federal Reserve Bank's interest rate increases on the rate of return for STIF.

The projected decreases are as follows:

(1) **Sales and Use Tax** collections are expected to be $48.4 million less than anticipated. Collections through November 2005 were $28 million lower than expected, which represents a 3.3% growth rate compared to the 5.5% assumed in the budget act. The $48.4 million reduction incorporates a reduction in the growth rate for the remainder of the fiscal year.

(2) **Federal Reimbursements** are projected to be reduced by $30 million due to lower than anticipated Medicaid expenditures.

(3) **Rental, Fines, and Escheats** revenue has been decreased by $17.0 million to reflect the intercept provision in Section 51 of PA 05-5 (October 25 Special Session) for the Citizen's Election Fund.

[1] The standard recoveries of employee fringe benefits are deposited into SERS and excess recoveries are deposited as revenue into the General Fund.

Expenditures

The $53.2 million reduction in expenditures is largely attributable to $109.6 million in lapse (savings) increases offset by $28.4 million in deficiency needs and $28 million in other miscellaneous expenditure requirements.

- **Budgeted Lapses**

  Lapses anticipated in the original budget plan total $105.4 million and given the amount of unallocated lapse already identified, our surplus projection assumes that these savings will be achieved and perhaps exceeded by $109.6 million. The $105.4 million budgeted savings includes: $79.4 million in unallocated budgeted lapses; $25 million in Personal Services (PS) and Other Expenses (OE) holdbacks; $1 million from centralizing business operations. The Office of Policy and Management has reduced agency allotments to reflect the imposition of PS and OE holdbacks.

- **Major Unallocated Lapses**

  So far, we have identified approximately $162.1 million in unallocated lapses or $82.7 million more than the $79.4 million unallocated lapse anticipated in the budget. Seven accounts compose $156.4 million of the $162.1 million in identified lapses, the reasons for which are described below. Given that appreciably more than the budgeted unallocated lapse has been identified, we have increased the FY 06 unallocated lapse projection by $109.6 million to a total of $189 million assuming that additional lapses will be realized through the end of the year. Our lapse estimates assume current service requirements which could be altered by subsequent transfers for expenditure purposes from Finance Advisory Committee (FAC) action or legislated carryforwards.

Unallocated Lapses for FY 06
(figures in $ millions)

Department of Social Services	65.8
Fringe Benefit Accounts (primarily in Health Service costs – includes $20 million lapse from FY 05 carryforward)	40.5
Debt Service	40.0
Office of Policy and Management	4.4
Department of Mental Retardation	2.2
Legislative Management (assumed in budget plan)	2.2
Workers' Compensation Claims – Dept. of Admin. Services	1.3
Total – Significant Identified Lapsing Appropriations	156.4
Other Identified Lapses (less than $1 million each)	5.7
Total – All Identified Lapses	162.1
Increase in Projected Lapse Above Amount Already Identified	26.9
Total – Unallocated Lapses Currently Projected	189.0
Unallocated Lapses Anticipated in the Original Budget	79.4
Increase in FY 06 Unallocated Lapse Above Original Budget	109.6

Department of Social Services – The Department of Social Services has a projected lapse of $65.8 million for FY 06, which represents 1.6% of its available funds. This lapse is primarily in five accounts. First, the Medicaid account is projected to lapse $62 million. Through the first six months it appears that the long term care portion of the Medicaid budget is under what was assumed in the FY 06 appropriation due to lower than projected nursing home bed days. There is also some volatility in pharmacy expenditures due to the January 1st implementation of Medicare Part D.

The second account experiencing a significant lapse is Temporary Family Assistance (TFA). The caseload in this program has continued to decline through the first three months of the fiscal year. The appropriation assumed an average FY 06 monthly caseload of 24,200. However, due the continued decline, the average caseload is now projected to be 23,000. This results in a projected lapse of $10.2 million.

Finally, there is a net projected lapse of $2.9 million in the Aid to the Disabled, Aid to the Blind and Old Age Assistance accounts. As with TFA, the caseload experienced over the first half of the fiscal year is less than was projected.

These lapses are partially offset by a $9.4 million deficiency projected for the ConnPACE program. This deficiency is primarily due to an expected extension of enrollment of Medicare eligible clients in the new Medicare Part D plans over the first few months of 2006. The adopted budget assumed savings based on complete enrollment of these clients on January 1, 2006.

Fringe Benefit Accounts – A total lapse of $40.5 million including a lapse of $20 million from the FY 05 carryforward for health service costs, is anticipated. The remaining net lapse of $20.5 million is due to lower than anticipated expenditures in the state employee health service cost account and the retired state employee health service cost account. The accounts were budgeted based upon enrollment figures that were higher than the actual enrollment. This portion of the lapse represents 1.35% of the total available funds in the fringe benefit accounts.

Debt Service - The projected lapse of $40 million in the General Fund debt service account is composed of: (1) $22 million in savings due to changes in the issuance schedule and lower than anticipated interest rates, (2) $14.5 million in premiums received on General Obligation (GO) bonds, (3) $3.0 million in savings from the refunding of previously issued bonds, and (3) $0.5 million in savings from a variety of other sources such as arbitrage rebate payments, rebate fees and trustee fees. (Note that bond purchasers pay a premium to receive a higher interest rate than the one at which the bonds would otherwise have sold.)

Office of Policy and Management – Beyond the $15.5 million anticipated deficiency in Energy Contingency, an estimated $4.4 million will lapse in a variety of accounts. Of the anticipated $4.4 million lapse, there will be a $2.47 million lapse in the payments-in-lieu of taxes (PILOT) for Manufacturing Machinery and Equipment because of lower than anticipated claims. All FY 06 claims were reimbursed at the statutorily required level of 80%, and payments were not subject to a prorated reduction because appropriations were more than sufficient to meet the obligations in the account, resulting in the anticipated lapse.

Department of Mental Retardation - The department has a projected lapse of $2.2 million in Personal Services for FY 06. This represents .27% of the department's FY 06 available funds. The projected lapse does not include the Personal Services holdback of $2 million, which is not anticipated to be released. The lapse is due to the delay in filling various department funded vacancies statewide.

Department of Administrative Services – Workers' Compensation Claims - The Department of Administrative Services workers' compensation claims account is projected to have a lapse of approximately $1.25 million, which represents 6.4% of its adjusted FY 06 appropriation of $19.6 million. The lapse is the result of a stabilization in claim expenditures during the first six months of FY 06 and loss-control measures. This account is responsible for the workers' compensation costs for 84 state agencies.

- **Deficiencies**

The $109.6 million lapse increase is offset by $28.4 million in projected deficiencies. These net deficiencies are occurring within the Office of Policy and Management ($15.5 million); the Department of Correction ($5 million); the Department of Mental Health and Addiction Services ($3 million); the Department of Public Safety ($2.3 million); the Department of Public Health ($1.1 million); the Public Defender Services Commission ($1.1 million); the Division of Criminal Justice ($.4 million); and the Office of Chief Medical Examiner ($.1 million). Please see the explanations for all FY 06 projected deficiencies which begin on page 11.

Also, projected payments for two non-budgeted accounts are factored in: Adjudicated Claims of $5 million and Refunds of Escheated Property at $20 million. Our projection includes the additional $3 million appropriation for Emergency Heating Home Assistance in accordance with PA 05-2, October 25 Special Session.

It should be noted that PA 05-2, SB 2100, October 25 Special Session (AAC Emergency Home Heating Assistance) is estimated to cost an additional $26.8 million in FY 06. A total of $3 million is appropriated in the bill to meet a portion of these costs. The remaining cost ($23.8 million) may be offset by additional federal funds provided for energy assistance. Should federal funds not be forthcoming to cover the entire cost of the expansion, the Department of Social Services (DSS) would have three options: 1) request the transfer of funds from another departmental program subject to approval of the Finance Advisory Committee; 2) seek a deficiency appropriation through the legislature; or 3) adjust benefit levels in the program. OFA's lapse estimates assume that federal funds will cover approximately $10 million of the $23.8 million and that the remaining approximate $14 million will be transferred from other accounts within DSS to cover these costs.

OFA's lapse estimates also assume a transfer of $2.2 million from Medicaid within DSS to cover the repeal of cost sharing requirements in the HUSKY B program in accordance with PA 05-1, HB 7701, November 2 Special Session.

In addition, PA 05-2, HB 7702, November 2 Special Session, transfers $5 million from Medicaid to the newly created Medicare Part D Supplemental Needs Fund and transfers

$1 million from Medicaid to other expenses for additional resources needed to implement the Medicare Part D prescription drug program. OFA's lapse estimates assume these transfers.

- **Potential Additional Deficiency in Department of Public Works Related to Improvements at the 25 Sigourney Street Building**

On September 19, 2005 Governor Rell asked the Office of Policy and Management, the Department of Public Works (DPW) and the Department of Administrative Services to provide her with a report by January 15, 2006 that contained: (1) an environmental evaluation of the state-owned building at 25 Sigourney Street, and (2) recommendations about continued used of the building for state offices. The building, which houses about 1,400 employees in the departments of Revenue Services, Social Services and Emergency Management and Homeland Security, has a history of mold and air quality problems related to water infiltration through the roof and exterior envelope. The state has spent about $8 million on it since remediation and repair efforts began in July 2001.

On January 17, 2006 the Governor issued a statement indicating that the report deemed the building to be safe for employees. She directed DPW to implement the short term and long term recommendations listed in the report. DPW's preliminary estimate of the short term list, which includes correcting improper ventilation to areas containing high-capacity photocopy/printer machines and abating microbial growth located in sections of the air handlers and ductwork, is around $3 million. These renovations will be financed with bond funds and are expected to be completed by the middle of FY 07. DPW does not currently have estimates for the long term recommendations, which include the evaluation of various structural changes to the 25 Sigourney Street building and exploration of the feasibility of building new state office space or purchasing buildings in the Hartford area.

- **State Employee Wage Increases**

The projected surplus for FY 06 could be lower if any additional arbitration awards or collective bargaining agreements (for which funding has not been specifically provided in the budget) are approved by the legislature or become effective in the absence of legislative rejection. Of the 32 contracts, 12 (covering approximately 50% of General Fund state employees) are settled and funded through the current biennium. Currently, there are 20 unsettled contracts (one from FY 05, 8 more in FY 06 and 11 more in FY 07) that could require additional funding during the current biennium. Assuming a 1 year wage freeze for any unsettled contract which has not experienced a wage freeze in recent years, an additional approximate $4 million in FY 06 and $43 million in FY 07 may be required.

The extent to which agency budgets and the Reserve for Salary Adjustments account can absorb any of the increases which may occur during the current biennium is uncertain at this time. Some level of additional appropriation may be likely and will ultimately depend upon (1) the number of unsettled contracts or arbitration awards submitted for approval prior to the end of the current biennium and (2) whether any include wage concessions similar to those contained within agreements already approved.

- **Budget Reserve (Rainy Day) Fund Status**

It is anticipated that the State Comptroller will close the books on FY 05 by April 30, 2006 and that the combined surplus from both FY 04 and FY 05 could approximate $605.6 million. This figure would represent the amount deposited in the Budget Reserve (Rainy Day) Fund which previously contained a zero balance because the prior BRF total of $594.7 million was exhausted when it was transferred to partially cover the $817.1 million deficit in FY 02. The maximum allowable in the Budget Reserve Fund is 10% of the amount of the net General Fund appropriations for the fiscal year in progress. With net General Fund appropriations for FY 06 totaling $14,131.7 million, the maximum allowable in the Budget Reserve Fund is $1,413.2 million or $807.6 million more than potentially deposited, assuming that a full $605.6 million surplus is realized from both of the prior fiscal years.

The $594.7 million balance that remained in the Budget Reserve Fund in FY 01 was used to partially cover the $817.1 million deficit in FY 02. The remaining FY 02 deficit balance of $222.4 million was carried forward into FY 03 and financed with the issuance of Economic Recovery Notes during the fiscal year. It should be noted that PA 03-2 (the deficit mitigation act) increased the maximum allowable in the Budget Reserve Fund from 7.5% to 10% of the amount of the net General Fund appropriations for the fiscal year in progress. PA 02-118 had previously increased the maximum from 5% to 7.5%.

PA 03-1 (September 8 Special Session) authorized the State Treasurer to issue 5-year, tax exempt, general obligation Economic Recovery Notes to finance the $96.6 million General Fund deficit in FY 03. The act provided that no principal would be paid during the fiscal year of issuance.

FY 06 General Fund Summary
as of February 1, 2006
(in millions)

	Budget Plan	Increases (Decreases)	Projected
Revenues			
Taxes	$ 10,455.4	$ 610.2	$ 11,065.6
Other Revenue [1]	1,107.2	26.1	1,133.3
Other Sources	2,571.1	(30.0)	2,541.1
Total Revenue	**$ 14,133.7**	**$ 606.3**	**$ 14,740.0**
Appropriations			
Original Appropriations - Gross	$ 14,237.1	$ -	$ 14,237.1
Plus:			
Emergency Home Heating Assistance (PA 05-2 Sections 3 and 8, October 25 Special Session) [2]	-	3.0	3.0
Deficiency Requirements	-	28.4	28.4
Adjudicated Claims	-	5.0	5.0
Refunds of Escheated Property	-	20.0	20.0
Less:			
Lapses [3]	(105.4)	(109.6)	(215.0)
Total Expenditures [4]	**$ 14,131.7**	**$ (53.2)**	**$ 14,078.5**
Surplus/(Deficit) from Operations for FY 06 [5]	**$ 2.0**	**$ 659.5**	**$ 661.5**

[1] Adjustments include an additional $30 million deposited as revenue from an excess collection of State Employee Retirement System (SERS) recoveries in FY 06 partially offset by a $17 million revenue diversion from escheats to be deposited in the Citizens' Election Fund in accordance with Section 51 of PA 05-5, SB 2103, October 25 Special Session.

[2] It should be noted that PA 05-2, SB 2100, October 25 Special Session (AAC Emergency Home Heating Assistance) is estimated to cost an additional $26.8 million in FY 06. A total of $3 million is appropriated in the act to meet a portion of these costs. The remaining cost ($23.8 million) may be offset by additional federal funds provided for energy assistance. Should federal funds not be forthcoming to cover the entire cost of the expansion, the Department of Social Services (DSS) would have three options: 1) request the transfer of funds from another departmental program subject to approval of the Finance Advisory Committee; 2) seek a deficiency appropriation through the legislature; or 3) adjust benefit levels in the program. OFA's lapse estimates assume that federal funds will cover approximately $10 million of the $23.8 million and that the remaining approximate $14 million will be transferred from other accounts within DSS to cover these costs.

OFA's lapse estimates also assume a transfer of $2.2 million from Medicaid within DSS to cover the repeal of cost sharing requirements in the HUSKY B program in accordance with PA 05-1, HB 7701, November 2 Special Session.

In addition, PA 05-2, HB 7702, November 2 Special Session, transfers $5 million from Medicaid to the newly created Medicare Part D Supplemental Needs Fund and transfers $1 million from Medicaid to other expenses for additional resources needed to implement the Medicare Part D prescription drug program. OFA's lapse estimates assume these transfers.

[3] The breakdown for budgeted lapses is as follows:

unallocated budgeted lapses	$ (79.4)	$ (109.6)	$ (189.0)
general PS and OE reductions (holdbacks)	(25.0)	-	(25.0)
Centralize Business Operations	(1.0)	-	(1.0)
Total – Lapses Originally Budgeted	$ (105.4)	$ (109.6)	$ (215.0)

[4] Excludes expenditures from prior year carryforwards and appropriations from projected surplus.

[5] The projected surplus for FY 06 could be lower if any additional arbitration awards or collective bargaining agreements (for which funding has not been specifically provided in the budget) are approved by the legislature or become effective in the absence of legislative rejection. Of the 32 contracts, 12 (covering approximately 50% of General Fund state employees) are settled and funded through the current biennium. Currently, there are 20 unsettled contracts (one from FY 05, 8 more in FY 06 and 11 more in FY 07) that could require additional funding during the current biennium. Assuming a 1 year wage freeze for any unsettled contract which has not experienced a wage freeze in recent years, an additional approximate $4 million in FY 06 and $43 million in FY 07 may be required.

The extent to which agency budgets and the Reserve for Salary Adjustments account can absorb any of the increases which may occur during the current biennium is uncertain at this time. Some level of additional appropriation may be likely and will ultimately depend upon (1) the number of unsettled contracts or arbitration awards submitted for approval prior to the end of the current biennium and (2) whether any include wage concessions similar to those contained within agreements already approved.

Note: It is anticipated that the State Comptroller will close the books on FY 05 by April 30, 2006 and that the combined surplus from both FY 04 and FY 05 could approximate $605.6 million. This figure would represent the amount deposited in the Budget Reserve (Rainy Day) Fund which previously contained a zero balance because the prior BRF total of $594.7 million was exhausted when it was transferred to partially cover the $817.1 million deficit in FY 02. The maximum allowable in the Budget Reserve Fund is 10% of the amount of the net General Fund appropriations for the fiscal year in progress. With net General Fund appropriations for FY 06 totaling $14,131.7 million, the maximum allowable in the Budget Reserve Fund is $1,413.2 million or $807.6 million more than potentially deposited, assuming that a full $605.6 million surplus is realized from both of the prior fiscal years.

FY 06 General Fund Revenue Estimates
as of February 1, 2006
(in $ thousands)

	Budget Plan		OFA	OFA Estimates	
	Growth Rate [1]	FY 06 Estimate	Over(Under) Plan	Growth Rate [1]	FY 06 Estimate
Taxes					
Personal Income	5.2	5,786,000	344,000	12.0	6,130,000
Sales and Use	5.1	3,432,200	(48,400)	3.1	3,383,800
Corporations	(5.0)	646,300	123,700	12.0	770,000
Public Service Corporations	0.0	197,100	32,900	16.7	230,000
Inheritance and Estate	0.0	133,200	21,800	0.0	155,000
Insurance Companies	3.0	247,200	17,700	3.0	264,900
Cigarettes	(1.5)	266,000	3,900	(1.5)	269,900
Real Estate Conveyance	(10.0)	175,500	32,500	0.0	208,000
Oil Companies	(9.1)	132,300	75,200	33.6	207,500
Alcoholic Beverages	0.0	44,000	200	0.0	44,200
Admissions, Dues and Cabaret	2.0	32,600	(300)	2.0	32,300
Miscellaneous	0.0	144,000	-	(13.7)	144,000
Total Taxes		**11,236,400**	**603,200**		**11,839,600**
Refunds of Taxes		(766,000)	-		(766,000)
R & D Credit Exchange		(15,000)	7,000		(8,000)
Taxes Less Refunds		**10,455,400**	**610,200**		**11,065,600**
Other Revenue					
Transfer Special Revenue		277,500	-		277,500
Indian Gaming Payments		430,000	(5,000)		425,000
Licenses, Permits and Fees		147,300	3,100		150,400
Sales of Commodities and Services		35,000	(2,000)		33,000
Rentals, Fines and Escheats		70,000	(17,000)		53,000
Investment Income		23,000	17,000		40,000
Miscellaneous		125,000	30,000		155,000
Refunds of Payments		(600)	-		(600)
Total Other Revenue		**1,107,200**	**26,100**		**1,133,300**
Other Sources					
Federal Grants		2,601,400	(30,000)		2,571,400
Transfer to the Resources of the General Fund		(41,000)	-		(41,000)
Transfer from Tobacco Settlement Fund		97,000	-		97,000
Transfer to Other Funds		(86,300)	-		(86,300)
Total Other Sources		**2,571,100**	**(30,000)**		**2,541,100**
Total Revenue		**14,133,700**	**606,300**		**14,740,000**

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

Projected FY 06 General Fund Deficiencies
as of February 1, 2006

Note: The projected OPM deficiencies indicated in the first block of each table below were reported on January 20, 2006.

Office of Policy and Management – Energy Contingency

OPM Net Deficiency	OFA Net Deficiency	Less: Available Funds	OFA Remaining Deficiency
$(21,638,000)	$(15,500,000)	$4,524,222	$(10,975,778)

The Office of Policy and Management projects a General Fund and Transportation Fund deficiency of $21.6 million in the Energy Contingency account, whereas OFA projects a net deficiency of $15.5 million. In FY 05, General Fund and Transportation expenditures for all energy related costs (electricity, natural gas, motor vehicle fuel oil) were $75.49 million, which was above budgeted levels and necessitated an FY 05 deficiency appropriation of $10 million. In anticipation of continued volatility of energy prices in FY 06, an $8 million appropriation was made to the Energy Contingency account. OFA assumes that the additional $8 million appropriation will mitigate the OPM anticipated deficiency. The actual level of deficiency is contingent on the rate of increase of these costs, particularly among natural gas and district heating which is anticipated to increase between 30.4% and 76.5%.

The anticipated deficiency could be partially offset by $.1 million in holdbacks in Personal Services and Other Expenses and by an estimated $4.4 million in lapsing funds in a variety of accounts. Of the anticipated $4.4 million lapse, there will be a $2.47 million lapse in the payments-in-lieu of taxes (PILOT) for Manufacturing Machinery and Equipment because of lower than anticipated claims. All FY 06 claims were reimbursed at the statutorily required level of 80%, and payments were not subject to a prorated reduction because appropriations were more than sufficient to meet the obligations in the account, resulting in the anticipated lapse.

Division of Criminal Justice

OPM Net Deficiency	OFA Net Deficiency	Less: Available Funds	OFA Remaining Deficiency
$(610,000)	$(400,000)	$339,894	$(60,106)

The Division of Criminal Justice has a projected, net deficiency of approximately $400,000, which represents one per cent of its total FY 06 General Fund appropriation of $41 million. This assumes that a Personal Services holdback of $274,875 and an Other Expenses holdback of $65,019 are not released. If the holdbacks are released, an estimated deficiency of $60,106 would result.

The $400,000 net deficiency results from an anticipated shortfall in the Forensic Sex Evidence Exams account, which is used to reimburse victims of sexual assault for the costs of certain medical examinations or treatments performed concurrent with the gathering of evidence for prosecution. The number of reimbursements and their average cost are both projected to exceed budgeted assumptions in the current fiscal year.

Note that as of January 19th the agency had spent approximately $540,000, or eighty four per cent, of its $640,000 appropriation to this account. In response to the anticipated deficit, the reimbursement level has been capped at $900 for any adult or child. During the current fiscal year adult reimbursement requests are $1,200 on average and $680 for children. The agency is on track to exceed the total number of reimbursements in any prior fiscal year for which information is available. Approximately 560 new cases were reimbursed during the first six months of the current fiscal year: if this rate were to continue, then the agency would expect to reimburse 1,120 cases in FY 06. This number is well in excess of the average annual reimbursement number of 829 over the last five fiscal years.

Department of Public Safety

OPM Net Deficiency	OFA Net Deficiency	Less: Available Funds	OFA Remaining Deficiency
$(4,418,000)	$(2,306,943)	$1,373,475	$(933,468)

The Department of Public Safety is projecting a net deficiency of $2.3 million, which represents 1.7% of its FY 06 appropriation of $137.8 million. This assumes that a Personal Services holdback of $730,030 and an Other Expenses holdback of $643,445 are not released. If the holdbacks are released, an estimated remaining deficiency of $.9 million would result.

The $2.3 million net deficiency occurs in two areas: Other Expenses ($2.8 million) and Workers' Compensation ($.67 million). These deficiencies are partially offset by an anticipated remaining lapse (surplus) of $1.2 million in Personal Services.

According to previous DPS information, the $2.8 million OE deficiency is attributable to two main areas: operating and maintaining databases related to CJIS (Criminal Justice Information System) and property management costs. Approximately $1.0 million of the OE deficiency is related to operational costs associated with the AFIS and COLLECT database systems. It should be noted that it is anticipated $1.3 million shortfall in fuel costs will be funded through the OPM – Energy Contingency Account.

The deficiency in Workers' Compensation Claims relates to higher than budgeted expenditures in claims and payouts related to agency staff.

Department of Public Health

OPM Net Deficiency	OFA Net Deficiency	Less: Available Funds	OFA Remaining Deficiency
$(1,500,000)	$(1,069,021)	$352,300	$(716,721)

The Department of Public Health has a projected net deficiency of $1.1 million, which represents 1.5% of its FY 06 appropriation of $72 million. This assumes that a Personal Services holdback of $204,930 and an Other Expenses holdback of $147,370 are not released, but that $646,000 in lapsing funds under the AIDS Services account are utilized to offset the impending overruns. If the holdbacks are released, an estimated remaining deficiency of $0.7 million would result.

A $0.3 million Personal Services shortfall is attributable to the unbudgeted pickup with state funding of the salaries of five staff formerly funded from federal Centers for Disease Control and Prevention (CDC) Bioterrorism Preparedness grant dollars. These staff were transitioned onto the General Fund as of 9/1/05.

An aggregate $1.4 million deficiency under various accounts is attributable to bills incurred in FY 05 being paid in FY 06 due to an inability to process payments through the CORE-CT accounting system before the close of the fiscal year. An equivalent amount lapsed under these same accounts on June 30, 2005.

The AIDS Services lapse results from the identification of additional federal HIV Care Formula Grant funds that have allowed the DPH to support HIV/AIDS Medication Adherence Programs from federal dollars in the current fiscal year.

Office of the Chief Medical Examiner

OPM Net Deficiency	OFA Net Deficiency	Less: Available Funds	OFA Remaining Deficiency
$(100,000)	$(100,000)	$47,594	$(52,406)

The Office of the Chief Medical Examiner has a projected net deficiency of $100,000, which represents 2% of its FY 06 appropriation of $4.95 million. This assumes that a Personal Services holdback of $30,831 and an Other Expenses holdback of $16,763 are not released. If the holdbacks were released, an estimated remaining deficiency of $52,406 would result.

The $100,000 shortfall in the Other Expenses account is due to increased costs in body transport services and equipment maintenance/repair.

Department of Mental Health and Addiction Services

OPM Net Deficiency	OFA Net Deficiency	Less: Available Funds	OFA Remaining Lapse
$(3,500,000)	$(2,960,000)	$2,550,268	$(409,732)

The Department of Mental Health and Addiction Services has a projected net deficiency of $2.96 million, which represents 0.6% of its FY 06 appropriation of $478 million. This assumes that a Personal Services holdback of $1,732,153 and an Other Expenses holdback of $818,115 are not released. If the holdbacks were released, an estimated remaining deficiency of $410,000 would result.

The DMHAS projected deficiency is primarily in four accounts. The Personal Services account has a projected deficiency of $300,000 due to increased nursing costs. The Other Expenses account has a deficiency of $1.6 million due to repair and maintenance expenses, increased vehicle rental fees, and costs related to the Waterbury move. (It should be noted that $1.1 million in increased fuel costs at state facilities is anticipated to be funded through the OPM – Energy Contingency account.) The Professional Services account has a projected deficiency of $0.3 million due to the utilization of temporary agency nurses. The Behavioral Health Medications account has a projected deficiency of $1.1 million due to the continued increasing cost and utilization of drugs. These deficiencies are partially offset by a projected lapse of $460,000 in the General Assistance Managed Care account.

Department of Correction

OPM Net Deficiency	OFA Net Deficiency	Less: Available Funds	OFA Remaining Deficiency
$(5,000,000)	$(5,000,000)	$4,661,411	$(338,589)

The Department of Correction has a projected net deficiency of $5 million, which represents 0.9% of its FY 06 appropriation of $577.8 million. This assumes that a Personal Services holdback of $2,840,452 and an Other Expenses holdback of $1,820,959 are not released. If the holdbacks were released, an estimated remaining deficiency of $338,589 would result.

The $5 million deficiency occurs in two areas: Personal Services ($3.4 million), Other Expenses ($1.6 million).

The majority of the PS deficiency is due to overtime expenses. Overtime costs in FY 06 are projected at $53 million, which although less than the $55 million spent in FY 05 are less than budgeted and significantly higher than the FY 04 amount of $43 million.

The shortfall in Other Expenses is largely attributable to the reduction in available United States Department of Agriculture (USDA) supplemental food commodities ($1.0 million). It should be noted that it is anticipated that shortfalls in electricity ($1.7 million), natural gas and propane ($3.2 million), oil ($540,000) and motor vehicle fuel ($360,000) will be funded through the OPM – Energy Contingency Account.

Public Defender Services Commission

OPM Net Deficiency	OFA Net Deficiency	Less: Available Funds	OFA Remaining Deficiency
$(1,303,000)	**$(1,050,000)**	**$241,736**	**$(808,264)**

The Public Defender Services Commission has a projected, net deficiency of approximately $1.05 million, which represents about 3% of its FY 06 General Fund appropriation of $37.1 million. This assumes that a Personal Services holdback of $207,475 and an Other Expenses holdback of $34,261 are not released. If the holdbacks are released, an estimated deficiency of $808,264 would result.

The $1.05 million net deficiency results from anticipated shortfalls in the Special Public Defenders – Non-Contractual ($850,000) and Expert Witness ($200,000) accounts. Approximately one-half of each deficiency is attributable to obligations incurred in FY 05 and carried forward into FY 06.

The deficiency in the Special Public Defenders – Non-Contractual account is due to greater-than-budgeted case assignments and billed hours. These Special Public Defenders represent clients in about 2,000 new felony, habeas and appellate matters each year. They are typically assigned to these cases when it is determined that a conflict of interest prohibits representation by an Assistant Public Defender employed by the state.

The deficiency in the Expert Witness account is due to increases in the rates that experts charge to provide testimony and the frequency of their use by public defenders. In particular, the agency notes the increasing volume of requests for experts from Special Public Defenders involved in Habeas and Capital cases.

Summary of General Fund Lapsing Appropriations and Other Reductions for FY 06 as of February 1, 2006 (figures in millions)

Status of Budgeted Lapses:

Department of Social Services	$	65.8		
Fringe Benefit Accounts (primarily in Health Service costs – includes $20 million lapse from FY 05 carryforward)		40.5		
Debt Service		40.0		
Office of Policy and Management		4.4		
Department of Mental Retardation		2.2		
Legislative Management (assumed in budget plan)		2.2		
Workers' Compensation Claims – Dept. of Admin. Services		1.3		
Total - Significant Identified Lapsing Appropriations	$	156.4		
Other Identified Lapses (less than $1 million each)		5.7		
Total – All Identified Lapses		162.1		
Increase in Projected Lapse Given Amount Already Identified		26.9		
Subtotal			$	189.0

Other Reductions:

Personal Services Reduction (holdback)		14.0		
Other Expenses Reduction (holdback)		11.0		
Centralize Business Operations		1.0		
Subtotal			$	26.0

Total Lapses Currently Projected	**$**	***215.0***
Total Lapses Anticipated in the Original Budget		***105.4***
Increase in FY 06 Lapse Above Original Budget Estimates	**$**	***109.6***

II. FY 07 through FY 10 General Fund Budget Projections

Our current services analysis indicates a potential General Fund surplus in FY 07 of $489.3 million and shortfalls of $224.4 million in FY 08, $307.7 million in FY 09, $412.5 million in FY 10. Current services expenditures would be below the spending cap by $28.5 million in FY 07, but would exceed the spending cap in the remaining three years by $297.6 million in FY 08, $164.5 million in FY 09 and $44.3 million in FY 10. These estimates assume that the legislature will appropriate up to the allowed expenditure limit in FY 06 and FY 07 and that the appropriation will not exceed allowed expenditures in FY 08 and FY 09.

The FY 07 surplus assumes continued revenue growth offset by modest additional current services expenditure requirements. The FY 08 through FY 10 shortfalls are attributable to: 1) unavailable one-time revenues amounting to $53 million in FY 08; and 2) expenditure growth which is anticipated to exceed revenue growth.

The projections in this report are based on present law, existing policy commitments, estimated caseload and workload requirements. The FY 07 through FY 10 figures are also based on using FY 06 as the baseline for revenue and expenditure projections and assume modest growth in the state and national economy. These estimates show the direction of revenues and spending if current laws and policies remain unchanged. They are not forecasts of what will actually occur, since policymakers will likely seek to alter current priorities.

FY 07 through FY 10 Revenues

The FY 07 revised revenue projection of $15,245.2 million reflects an increase of $496.7 million from the original budget projections. The revised FY 07 estimates largely incorporate the changes made to the FY 06 estimates and assume that the economy will continue to remain strong throughout FY 07.

The projections for FY 08 though FY 10 were developed using the revised FY 07 estimates adjusted for one-time revenue changes. They assume that annual revenue collections will grow between 3.5% and 4.0% and that the state will experience modest economic growth throughout this period.

FY 07 through FY 10 Expenditures

The FY 07 General Fund expenditure projection of $14,755.9 million represents a $677.4 million or 3.7% (adjusted) increase over FY 06, the FY 08 projection of $15,895.2 million represents a $1,139.3 million or 5.9% (adjusted) increase over FY 07, the FY 09 projection of $16,504.8 million represents a $609.6 million or 3.8% increase over FY 08 and the FY 10 projection of $17,179.5 million represents a $674.7 million or 4.1% increase over FY 09.

These projections assume technical current services changes including potential cost/caseload adjustments, costs associated with collective bargaining contracts which may be approved and the need to increase future year appropriations to reflect FY 06 deficiency needs rolled forward into the out-years.

These projections have been developed by applying inflationary guidelines and other specific growth factors to the FY 06 and each subsequent year's estimated expenditure level. The guidelines utilized assume a one year wage freeze for unsettled contracts and reflect 4.5% salary increases for state employees in subsequent years (which includes 3% for cost of living adjustments and 1.5% for Annual Increments) and 2% in each year for other accounts; however, each major appropriated account has been examined individually and adjusted as necessary to reflect amounts anticipated to be required based on present law and caseload projections.

Several accounts with major FY 07 through FY 10 increases include:

Major General Fund Increases for FY 07 through FY 10
as of February 1, 2006
(figures in $ millions)

	FY 07	**FY 08**	**FY 09**	**FY 10**
DSS – Medicaid	97.3	211.4	225.1	239.7
Debt Service	114.9	175.6	53.5	76.2
State Employee Health Service Cost	94.1	18.9	19.6	20.3
Teachers' Retirement Contributions	10.5	196.1	21.6	22.8
Ongoing Items Funded through FY 05 Anticipated Surplus	-	165.5	(66.8)	(17.6)
SDE – Excess Cost-Student Based	6.5	61.7	1.8	1.8
Generally Accepted Accounting Principles (GAAP)	-	39.0	60.0	-
Total – Major General Fund Increases	323.3	868.2	314.8	343.2

The increases for Teachers' Retirement Contributions indicated above allow 100% funding of normal cost plus 40-year amortization of unfunded liabilities in accordance with current law.

Implementation of Generally Accepted Accounting Principles (GAAP) is scheduled to begin on July 1, 2007 under current law. Our projections include the impact of the conversion to GAAP in FY 08, which adds approximately $39 million to the budget on a net expenditure basis in that year and annualizes to approximately $99 million including amortization of the GAAP deficit in each of the following 15 fiscal years. The Comptroller's monthly report dated January 3, 2006 indicates that the unaudited cumulative General Fund GAAP deficit as of June 30, 2004 was $900.6 million and that the figure is anticipated to increase in FY 05.

III. Transportation Fund

FY 06

The FY 06 Special Transportation Fund (STF) operating surplus is projected to decrease from $3.6 million anticipated in the budget plan to $0.4 million. This $3.2 million reduction results from anticipated deficiencies of $7.2 million, partially offset by increased lapses of $4.0 million. No significant differences in revenues are projected. Exhibits I and II show that the revised un-audited cumulative surplus for the STF at the end of FY 06 will be $131.9 million.

The $7.2 million increase in expenditures is due to projected deficiencies in the snow and ice removal account and Workers' Compensation Claims. A shortfall of $6.8 million in snow and ice account is expected to result from: (1) higher than anticipated prices for materials such as sand and salt, and (2) for replenishment of DOT's reserves of these materials, which were depleted by the severity of last winter. The Workers' Compensation Claims account is projected to have a shortfall of approximately $0.4 million. This is 10% above the FY 06 appropriation of $4.1 million. The deficiency is the result of an increase in lost-time claims and rising medical costs.

FY 07 through FY 10

The FY 07 STF operating surplus is projected to decrease from $8.1 million anticipated in the budget to $7.5 million. This $0.6 million reduction results from lower revenue estimates partially offset by additional savings from Debt Service.

The STF out-year projections (FY 08 through FY 10) show that the fund will experience annual operating surpluses, with annual revenues growing by about 3.2% and expenditures growing by about 3.1% (see schedule on page 22.) The estimates reflect additional costs of $1.1 million per year beginning in FY 08 for DMV to implement the vision screening program. It is anticipated that the STF cumulative balance will increase to $183.0 million in FY 10.

FY 06 Transportation Fund Summary
as of February 1, 2006
(in $ millions)

	Budget Plan	Increase/ (Decrease)	Revised Estimates
Revenues			
Taxes	595.9	(3.8)	592.1
Other Revenues [1]	390.3	3.8	394.1
Total Revenue	986.2	0.0	986.2
Appropriations			
Original Appropriations - Gross	993.6	0.0	993.6
Plus:			
Deficiency requirements	0.0	7.2	7.2
Less:			
Lapses:			
Debt Service	0.0	(6.1)	(6.1)
Unallocated	(11.0)	2.1	(8.9)
Total Lapses	(11.0)	(4.0)	(15.0)
Total Expenditures	982.6	3.2	985.8
Surplus/(Deficit) from Operations FY 06	**3.6**	(3.2)	**0.4**
Plus: Cumulative Surplus as of June 30, 2005	**126.1**	5.4	**131.5**
Projected Fund Balance as of June 30, 2006	**129.7**	2.2	**131.9**

[1] Figures are adjusted for Refunds of Payments and Transfers to the Transportation Strategy Board Account

FY 06 Transportation Fund Revenue Estimates
as of February 1, 2006
(in $ millions)

	FY 06 Budget Plan	OFA Over/(Under) Budget Plan	FY 06 OFA Estimates
Taxes			
Motor Fuels	500.0	(15.0)	485.0
Petroleum Products Tax	28.5	15.0	43.5
Sales Tax - DMV	76.0	(4.0)	72.0
Refunds of Taxes	(8.6)	0.2	(8.4)
Total Taxes Less Refunds	**595.9**	**(3.8)**	**592.1**
Other Sources			
Motor Vehicles Receipts	230.0	6.0	236.0
License, Permits, and Fees	163.0	(6.0)	157.0
Interest Income	29.0	5.0	34.0
Transfers to Conservation Fund	(2.0)	(1.0)	(3.0)
Refunds of Payments	(2.8)	(0.2)	(3.0)
Transfers to Emissions fund	(1.6)	0.0	(1.6)
Transfers to TSB Account [1]	(25.3)	0.0	(25.3)
Total - Other Sources	**390.3**	**3.8**	**394.1**
Total Revenue	**986.2**	**0.0**	**986.2**

[1] Incremental revenue from the various DMV fee changes allocated to the Transportation Strategy Board (TSB) and deposited in the TSB projects account.

Transportation Fund Projections for FY 05--FY 10
as of February 1, 2006
(in Millions)

Transportation Fund	FY 05 Tentative Final	FY 06 OFA Estimates	FY 07 OFA Estimates	FY 08	FY 09	FY 10
Beginning Balance as of July 1st	**$132.1**	**$131.5**	**$131.9**	**$139.4**	**$152.5**	**$173.6**
REVENUES						
Taxes						
Motor Fuels Tax	481.8	485.0	492.0	499.1	506.3	513.6
Petroleum Products Tax	13.0	43.5	61.0	84.0	101.0	101.0
Sales Tax - DMV	69.7	72.0	74.0	76.0	78.0	79.0
Refund of Taxes	(8.3)	(8.4)	(8.6)	(8.7)	(8.9)	(9.0)
Total - Taxes less Refunds	**$556.2**	**$592.1**	**$618.4**	**$650.4**	**$676.4**	**$684.6**
Other Revenue Sources						
Motor Vehicle Receipts	233.9	236.0	243.0	250.3	257.8	265.5
License, Permits and Fees	155.0	157.0	159.0	161.0	163.0	165.0
Interest Income	32.7	34.0	35.0	36.0	36.0	36.0
Federal Grants (FTA)	0.0	0.0	0.0	0.0	0.0	0.0
Transfers to Other Funds	(8.5)	(4.6)	(9.5)	(9.5)	(9.5)	(9.5)
Release from Debt Service Reserves	0.0	0.0	0.0	0.0	0.0	0.0
Total - Other Sources	**$413.1**	**$422.4**	**$427.5**	**$437.8**	**$447.3**	**$457.0**
Less Refunds of Payments	(2.8)	(3.0)	(3.2)	(3.3)	(3.4)	(3.5)
Less Transfers to TSB Account [1]	(31.0)	(25.3)	(20.3)	(15.3)	(15.3)	(15.3)
TOTAL REVENUE	**$935.5**	**$986.2**	**$1,022.4**	**$1,069.6**	**$1,105.0**	**$1,122.8**
EXPENDITURES						
Debt Service	422.9	424.9	434.7	448.1	459.2	471.2
DOT Budgeted Expenses	380.1	405.5	412.9	430.2	443.3	455.0
DMV Budgeted Expenses	52.1	54.6	56.7	58.6	60.7	62.8
Other Budgeted Expenses	94.9	109.7	117.8	126.7	127.8	131.5
Subtotal - Expenditures	**$950.0**	**$994.7**	**$1,022.1**	**$1,063.6**	**$1,091.0**	**$1,120.5**
Less Unallocated Lapses	(13.9)	(8.9)	(7.2)	(7.1)	(7.1)	(7.1)
TOTAL EXPENDITURES	**$936.1**	**$985.8**	**$1,014.9**	**$1,056.5**	**$1,083.9**	**$1,113.4**
OPERATING SURPLUS/(DEFICIT)	**($0.6)**	**$0.4**	**$7.5**	**$13.1**	**$21.1**	**$9.4**
Ending Balance as of June 30th	**$131.5**	**$131.9**	**$139.4**	**$152.5**	**$173.6**	**$183.0**
DEBT SERVICE RATIO [2]	**2.3**	**2.4**	**2.4**	**2.4**	**2.4**	**2.4**

[1] Incremental revenue from the various DMV fee changes allocated to the Transportation Strategy Board (TSB) and deposited in the TSB projects account.

[2] Pledged revenues for reserves required under the Indentures in an amount at least two (2) times the aggregate Principal and Interest Requirements on all outstanding Bonds and Notes.