

OFFICE OF FISCAL ANALYSIS

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State Budget Projections General Fund May 25, 2012

Summary

We are currently projecting a \$249.2 million deficit in the General Fund. This reflects a net improvement in the projected deficit of \$35.4 million since last month. Projected expenditures have decreased by \$29.4 million and projected revenues have increased by \$6.0 million. These figures do not include the setting aside of funds for GAAP, since the law requires this reserve only if available surplus exists.¹ See the table below for a summary.

However, changes contained in PA 12-104 (the FY 13 revised budget) make other funds available to further improve the FY 12 budget balance (by up to \$285.5 million). These include:

- permitting the use of up to \$222.4 million initially set aside to repay debt associated with Economic Recovery Notes issued to pay off any FY 12 deficit (Section 28);² and
- allowing for the FY 11 unexpended carry forward funding in the Reserve for Salary Adjustments account to lapse in FY 12, thereby reducing the FY 12 deficit by \$78.1 million (Section 33).

FY 12 General Fund Overview (in millions)

Estimates	Budget \$	April Projection \$	Current Projection \$	Difference from April \$	Difference from Budget \$
Operating Surplus/(Deficit)	80.9	(284.6)	(249.2)	35.4	(330.1)
% of Expenditures	0.4%	-1.5%	-1.3%		
Expenditures	18,707.7	18,829.9	18,800.5	(29.4)	92.8
Agency Appropriations	19,485.6	19,485.6	19,485.6	-	-
Deficiency Requirements	0.0	59.7	0.0	(59.7)	0.0
Lapses	(777.9)	(715.5)	(685.1)	30.3	92.8
Revenues	18,788.6	18,545.3	18,551.3	6.0	(237.3)
Personal Income Tax	8,550.6	8,377.7	8,377.7	-	(172.9)
Sales and Use	3,789.0	3,869.5	3,869.5	-	80.5
Corporations	707.7	721.9	721.9	-	14.2
Federal Grants	3,589.7	3,611.3	3,611.3	-	21.6
Other Taxes and Refunds	971.8	859.0	865.0	6.0	(106.8)
Other Revenue Sources	1,179.8	1,105.9	1,105.9	-	(73.9)

¹ Section 46 of PA 11-48 requires that \$75.0 million be reserved toward a GAAP (Generally Accepted Accounting Principles) conversion if an unappropriated surplus exists at the end of FY 12.

² However, Section 29 specifies that \$15.0 million of these diverted funds would be used in FY 13 to implement any amendments to the Indian Gaming Compacts provided that the General Fund ends the year in a surplus.

Major Expenditure Changes

- Office of the State Comptroller- Fringe Benefits - The Retiree Health account expenditure projection was increased by \$8.9 million or 1.6% from last month's projection due to additional claims information. The projected deficiency in the Retiree Health Account will be covered through the release of \$95.0 million of the \$111.1 million FY 12 holdback (this reflects a release of approximately 85% of the FY 12 holdback). The Active Health account projection was reduced by \$1.75 million or 0.34% from last month's projection due to additional claims information.
- Department of Developmental Services - The current expenditure projection for DDS's Personal Services account was reduced by \$1.3 million or .5% from last month's projection due to delays in rehiring vacancies.
- Department of Developmental Services - The projection for the DDS's Employment and Day Services account was reduced by \$2.5 million or 1.36% due to reductions in payments resulting from cost settlement and the transition of the payment cycle from payments made in advance to payments made in arrears.
- Office of the State Treasurer - The General Fund debt service account was decreased by \$3.8 million or 0.2% primarily because a portion of the funds received by the state from Mortgage Foreclosure Settlement Agreement³ is being used for debt service associated with the Emergency Mortgage Assistance Program (EMAP), which increased the amount of lapse in the account.

Deficient Agencies

Sections 31-33 of PA 12-104 made deficiency appropriations in certain line items, and reduced appropriations in other line items with no net impact on the total FY 12 appropriations in the General Fund, and eliminated any previously identified deficiencies.

Major Revenue Changes

The projection for the Estate and Inheritance Tax was increased by \$6.0 million or 3.8% over last month's projection due to higher than anticipated collections.

Conclusion

As we noted in previous monthly statements, the biennial budget is heavily reliant on budgeted lapses to achieve balance. The FY 12 original budget contained a total of \$777.9 million in lapses. Although all estimated lapse categories totaled \$786.2 million, \$101.1 million of these available funds were used (per PA 12-104) to cover areas of deficiencies for a net lapse of \$685.1 million.

Further Information

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

[Expenditures \(XLS\) \(PDF\)](#)

[Revenue\(XLS\) \(PDF\)](#)

³ Connecticut is receiving \$28.1 million as the state's share of the \$25 billion settlement with five mortgage servicers. Of the \$28.1 million total, \$2.85 million will be used for FY 12 debt service associated with General Obligation bonds previously issued to support EMAP.