

OFFICE OF FISCAL ANALYSIS

Room 5200, Legislative Office Building
 Hartford, CT 06106 - (860) 240-0200
 E-Mail: ofa@cga.ct.gov
www.cga.ct.gov/ofa

State Budget Projections General Fund April 30, 2014

Summary

We are currently projecting a \$56.3 million surplus in the General Fund. This reflects a net decrease of \$463.0 million since our last report of March 25, 2014. Note that once ongoing (statutory) carry forwards are included, the projected surplus would be reduced to \$47.1 million.

FY 14 General Fund Overview (in millions) ¹

Estimates	Budget	March Projection	April Projection	Difference from March	Difference from Budget
Expenditures					
Agency Appropriations	17,361.4	17,361.4	17,361.4	-	-
Deficiency Requirements	-	45.8	47.5	1.7	47.5
Lapses	(172.7)	(331.5)	(312.4)	19.1	(139.7)
Total Expenditures	17,188.7	17,075.7	17,096.5	20.8	(92.2)
Revenues					
Personal Income Tax	8,808.8	9,021.9	8,632.8	(389.1)	(176.0)
Sales and Use	4,044.0	4,132.2	4,109.6	(22.6)	65.6
Corporations	723.5	785.4	771.2	(14.2)	47.7
Federal Grants	1,312.7	1,305.4	1,279.5	(25.9)	(33.2)
Other Taxes and Refunds	757.7	802.0	771.4	(30.6)	13.7
Other Revenue Sources	1,546.5	1,548.1	1,588.3	40.2	41.8
Total Revenues	17,193.2	17,595.0	17,152.8	(442.2)	(40.4)
Operating Surplus/(Deficit)	4.5	519.3	56.3	(463.0)	51.8
% of Expenditures	0.0%	3.0%	0.3%	-2.7%	0.3%
Statutory Carry Forward of Lapse	-	9.2	9.2	-	9.2
Adjusted Surplus/(Deficit)	4.5	510.1	47.1	(463.0)	42.6

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

Major Expenditure Changes since March 25, 2014

- Department of Developmental Services – Community Residential Services - was increased by \$3.3 million or 0.8% to reflect that budgeted savings were not achieved in two areas and the cost associated with the personal care attendant agreement. The budget initiative that required an audit of services (\$1.1 million in budgeted savings) will not be achieved through this account but will instead be achieved as an increase in federal reimbursement under DSS Medicaid. The supportive housing model initiative (budgeted savings of \$2.1 million) will not be fully achieved through this account. The supportive housing savings was based on 15 individuals moving to less supervised settings with an anticipated full year savings of \$140,000 per individual. However, the actual savings from transitions to supportive housing are now projected to be \$200,000. Finally, the settlement for personal care attendant services contributes to the shortfall by approximately \$300,000.
- Department of Children and Families – The Personal Services account projection was reduced by \$5 million or 1.9% from last month’s projection primarily due to the net effect of the delay in filling vacant positions, resulting in an estimated \$7.8 million projection reduction from last month, and an increase in anticipated overtime costs of \$3.1 million. There are 189 vacant, full-time DCF positions as of February.
- Department of Children and Families – The Board and Care for Children - Residential account projection was reduced by \$1.7 million or 1.3% due to a reduction in out-of-home placements.
- Public Defender Services Commission – Expert Witnesses - The Expert Witness account was increased by approximately \$1.8 million due to the unexpected payment of an expert witness. The billing submitted for the expert witness was for services rendered from 2008-2013 on behalf of the *In Re Racial Disparities in Death Penalty Cases*.
- Department of Housing – Housing/Homeless Services Account - The Housing/Homeless Services account expenditure projection was reduced by \$2 million or 3.5% from last month’s projection due to the slower than anticipated transition for individuals into the Money Follows the Person program and delays in placements related to public housing revitalization.
- Office of the State Comptroller – Fringe Benefits - was reduced by approximately \$3.5 million (less than 1%), of which:
 - a decrease of \$4.3 million in the Higher Education Alternative Retirement (ARP) General Fund account occurred, predominately due to an increase in non-General Fund ARP payroll which generated a 0.5% increase in ARP recoveries; and
 - an increase of \$1.9 million in the Social Security account due to average payroll expenditures trending approximately 1.0% higher.
- Net expenditures in the Department of Social Services (DSS) are increased by \$28.6 million, or 0.9% from last month’s projection. Major changes from the March projection detailed below.
 - The Other Expenses account projection was increased by \$7.2 million, or 6.0% from last month’s projection. The majority of this shortfall is related to a new contract for investigative analytics and pattern analysis to support fraud reduction (\$4.6 million) as well as operating expenses for the ConnectCT system (\$1.5 million).

- The Personal Services account projection was increased by \$3.0 million, or 2.6% from last month's projection. This shortfall is related to hiring efforts necessary to meet the increasing demand for DSS services. In addition, 35 new positions are requested over the budgeted amount of 1,846 to support the processing of long term care Medicaid applications. This support the timely processing settlement agreement under Shafer v. Bremby.
- The Child Care Services account projection was increased by \$3.0 million, or 3.0% from last month's projection. The shortfall is due to the settlement of the contract with Family Child Care Providers. This settlement provided a 3% increase, retroactive to January 1, 2014.
- The State Administered General Assistance (SAGA) account projection was increased by \$2.2 million, or 12.7% from last month's projection. Enrollment in this program is 11% higher than was assumed when the budget was adopted.
- The Medicaid program projection was increased by \$15 million or 0.6% from last month's projection. This is a result of higher than projected third quarter expenditure for hospital care (\$6.3 million), pharmacy (\$5.3 million), and professional services (\$3.4 million), which reduced the overall lapse from \$101 million to \$86 million. This lapse represents 3.3% of available Medicaid funds and is largely due to one-time adjustments in the recently adopted net budgeting process.
- The Temporary Assistance to Families program was reduced by \$5.2 million or 4.6% from last month's projection. The average caseload of 18,136 through the first nine months of the fiscal year is 4.3% below the budgeted caseload.
- The Aid to the Disabled program was reduced by \$1.7 million or 2.7% from last month's projection. The average cost per case of \$649 per month through the first nine months of the fiscal year is 3.9% below the budgeted amount.
- Old Age Assistance program was reduced by \$1.0 million or 2.7% from last month's projection. The average cost per case of \$466 per month through the first nine months of the fiscal year is 5.5% below the budgeted amount.

Major Revenue Changes since March 25, 2014

- Personal Income Tax - was decreased by a net \$389.1 million, or 4.3%, due to an approximately 24% year-over-year drop in final payments collected in April which was not anticipated in the January consensus figures, resulting in a \$400.1 million downward adjustment. This is partially offset by marginal growth in withholding collections relative to targets, resulting in an \$11.0 million upward adjustment.
- Sales and Use Tax - decreased by \$22.6 million, or 0.5%, since the January 2014 Consensus due to lower than anticipated collections in the past three months. This downturn may be partially attributable to inclement winter weather.
- Corporation Business Tax - was decreased by \$14.2 million, or 1.8%, due to a projected decline in June collections following lower-than-budgeted quarterly collections in March.

- Public Service Companies Tax - was increased by \$3.0 million, or 1.0%, due to higher-than-projected collections from electric and natural gas companies.
- Inheritance & Estate Tax - was decreased by \$20.0 million, or 10.3%, due to weak collections in March and April, which are historically the most significant months for collections under this revenue source.
- Insurance Companies Tax - was decreased by \$10.9 million, or 4.2%, due to weak collections from Health Maintenance Organizations (HMOs).
- Cigarettes Tax - was decreased by \$8.4 million, or 2.2%, due to lower-than-budgeted growth in collections.
- Real Estate Conveyance Tax - was increased by \$19.8 million, or 12.4%, due to recent strength in the housing market.
- Oil Companies Tax - was decreased by \$2.5 million, or 0.6%, due to collection trends.
- Health Provider Tax - was increased by \$7.0 million, or 1.4%, due to positive trends in Intermediate Care Facility Fee collections relative to the prior year.
- Refunds of Taxes - was increased by \$20.0 million, or 1.9%, due to April Income Tax refunds in excess of projected figures.
- Transfers- Special Revenue - was increased by \$5.7 million, or 1.8%, due to strength in Lottery transfers to the General Fund.
- Indian Gaming Payments - was decreased by \$4.0 million, or 1.4%, due to weak gaming payments in February and March.
- Licenses, Permits, and Fees - was increased by \$9.0 million, or 2.9%, due to higher-than-anticipated Vaccine Assessment Fee collections.
- Miscellaneous Revenue - was increased by \$28.0 million, or 17.3%, due to the one-time impact of fringe benefit cost recoveries.
- Transfers (To)/From Other Funds - was decreased by \$4.0 million, or 1.4%, due to a lower-than-budgeted transfer of revenue from the Connecticut Resources Recovery Authority.
- All other adjustments net to a \$7.0 million increase and are attributable to collections outpacing expectations.
- Federal Grants revenue is \$26 million lower than January 2014 consensus estimates for FY 14. The major revenue changes are attributable to a net Medicaid related reduction of approximately \$35 million and minor increases in the trending of Supplemental Nutrition Assistance Program, Child Support, TANF funds, Title IV-E, and WIA funds totaling \$9 million. Various increases in Medicaid revenue totaling \$68 million are offset by revenue reductions totaling approximately \$103, for a net Medicaid reduction of approximately \$35 million. Medicaid increases include higher reimbursable claims for Medicaid administrative costs (\$20 million), school based child health (\$18 million), and Department of Developmental Services (DDS) and Department of Children and Families (DCF) expenditures (\$30 million). Reductions are associated with a delay of claims into FY 15 (\$34 million), as well as a reduction due to federal restrictions on reimbursements for the ordering, prescribing and

referring of services by non-Medicaid physicians (\$19 million), and additional technical and net funding adjustments (\$50 million).

Deficient Agencies

Given the reduction in available funding that occurs due to budgeted lapses (holdbacks), we currently identify eight agencies that would require \$45.8 million in additional expenditure requirements. However, if available funding were to be released, this would reduce the need for deficiency funding to \$38.6 million.

FY 14 General Fund Estimated Agency Deficiency Needs					
Agency	Budgeted Appropriation \$	Available ^[1] Appropriation \$	Estimated Exp. \$	Deficiency without release of holdbacks \$	Deficiency with release of holdbacks \$
Department of Correction	670,461,667	668,776,128	681,782,353	(13,006,225)	(9,014,825)
Department of Education	2,917,583,769	2,917,748,019	2,925,007,419	(7,259,400)	(6,325,327)
State Comptroller - Miscellaneous	4,100,000	4,100,000	11,170,100	(7,070,100)	(7,070,100)
Department of Administrative Services	138,621,319	138,223,274	145,093,505	(6,870,231)	(6,078,921)
Public Defender Services Commission	61,371,589	61,384,748	67,684,707	(6,299,959)	(6,078,934)
Department of Emergency Services and Public Protection	173,324,812	173,919,376	178,719,376	(4,800,000)	(3,495,883)
Workers' Compensation Claims - Administrative Services	27,187,707	27,187,707	29,309,827	(2,122,120)	(2,122,120)
Office of the Chief Medical Examiner	5,399,803	5,431,023	5,521,789	(90,766)	(48,203)
			Total	(47,518,801)	(40,234,313)
[1] Appropriation less budgeted lapses					

Further Information

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

[Expenditures XLS PDF](#)

[Revenues XLS PDF](#)