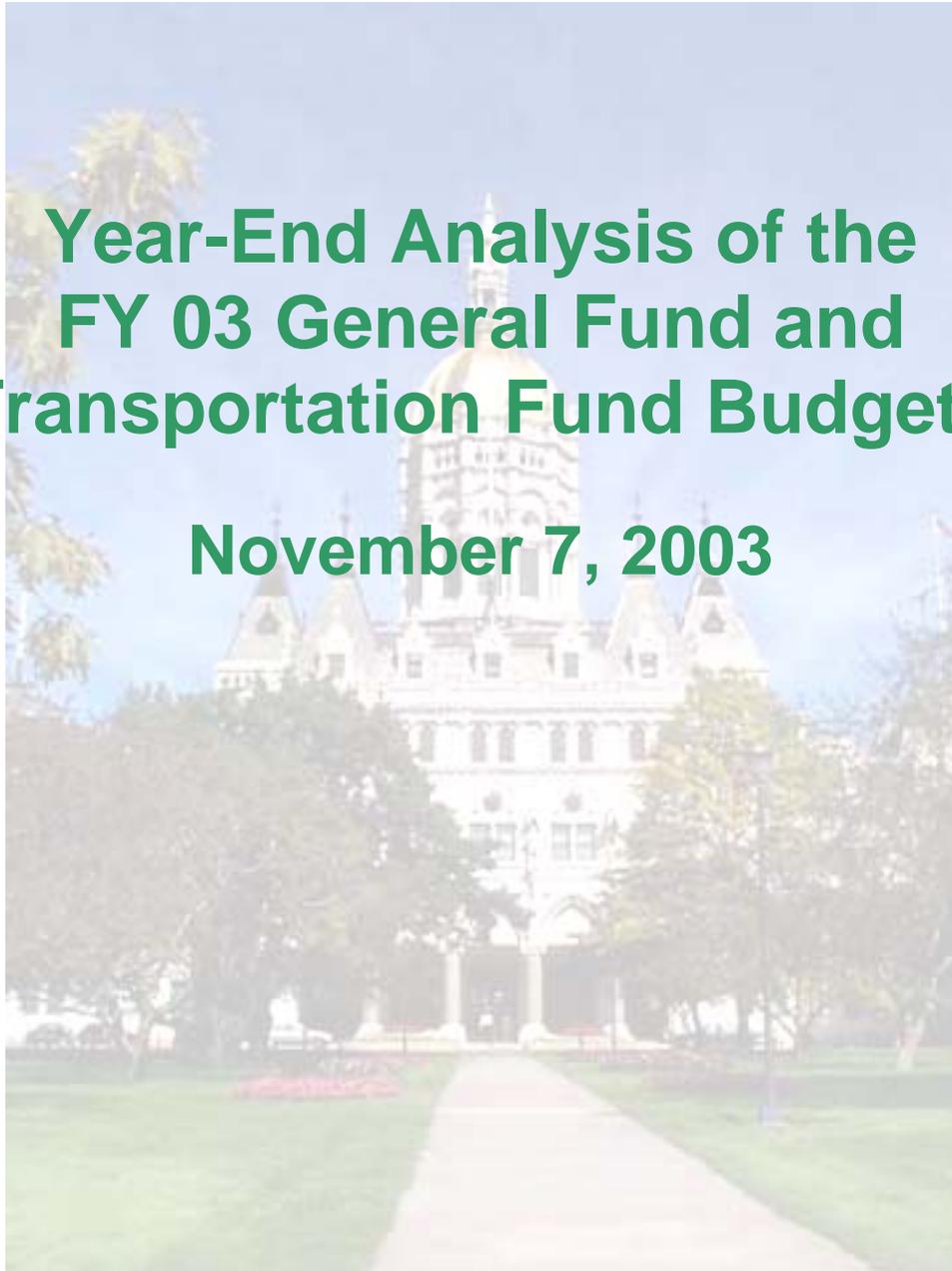


Connecticut General Assembly
OFFICE OF FISCAL ANALYSIS

**Year-End Analysis of the
FY 03 General Fund and
Transportation Fund Budgets**

November 7, 2003



YEAR-END ANALYSIS OF THE FY 03 GENERAL FUND AND TRANSPORTATION FUND BUDGETS

(This document is prepared annually by OFA after submittal of the Comptroller's tentative year-end report for the prior year.)

Overview

General Fund

The General Fund ended FY 03 with an operating deficit of \$96.7 million or 0.8% of the budget. (This figure excludes the amount to be certified by the Office of Policy and Management for retrospective reimbursements for the State's general assistance program for FY 04 that is currently estimated to be between \$25 million and \$30 million.)

The operating deficit resulted in part from \$28.2 million in higher expenditures (primarily due to deficiencies and the inability to achieve most of the savings anticipated in the revised FY 03 budget associated with union concessions, which were partially offset by recisions, layoffs and deficit mitigation actions). The variance from anticipated budgeted revenues is not readily discernible because revised FY 03 revenues were not adopted after FY 03 budget revision deliberations had concluded.

Transportation Fund

The Transportation Fund ended FY 03 with an annual operating deficit of \$56.8 million. This is largely attributable to the impact of PA 03-2, HB 6495 (the deficit mitigation act), which transferred \$52 million from the resources of the Transportation Fund to the General Fund and suspended the transfer of \$20 million to the Transportation Fund from the General Fund's oil companies tax. These two revenue reductions of \$72 million to the Transportation Fund were offset by \$19.4 million in lapses that were higher than originally anticipated resulting (along with other relatively minor adjustments) in the FY 03 operating deficit of \$56.8 million.

This deficit reduces the \$189.7 million fund balance at the end of the previous fiscal year to a cumulative surplus of \$132.9 million as of June 30, 2003.

I. General Fund

Final Figures Compared to the Original Budget

The revised FY 03 budget adopted by the General Assembly in May 2002 anticipated General Fund expenditures of \$12,091.8 million. Revised FY 03 revenues were not adopted after FY 03 budget revision deliberations had concluded.

The General Fund ended FY 03 with an operating deficit of \$96.7 million or 0.8% of the budget. The deficit resulted in part from \$28.2 million in higher expenditures (primarily due to deficiencies and the inability to achieve most of the savings anticipated in the revised FY 03 budget associated with union concessions, which were partially offset by recisions, layoffs and deficit mitigation actions).

In response to FY 03 deficit estimates growing to \$581.3 million during the first half of the fiscal year, the Governor implemented \$37 million in unduplicated recisions during November 2002 and January 2003 and approximately \$9.2 million in savings from 1,886 General Fund state employee layoffs commencing in December 2002 in lieu of negotiated union concessions.

FY 03 deficit estimates continued to grow to \$660.7 million in February 2003 when the legislature and the administration reached agreement on deficit mitigation legislation that included \$129.4 million in expenditure reductions (in addition to \$9.1 million in unduplicated recisions from January 2003) and \$439.8 million in revenue enhancements and continued to rely upon the assumption that \$93.1 million in union concessions would be achieved. PA 03-2, HB 6495 (the deficit mitigation act), included an Early Retirement Incentive Plan (ERIP) for state employees intended to save approximately \$36.9 million. Subsequent negotiations between the administration and the unions were not successful in terms of realizing any of the remaining \$56.2 million in savings anticipated from union concessions.

Although the deficit mitigation act contained \$129.4 million in General Fund expenditure reductions, the Office of Policy and Management (OPM) subsequently indicated that approximately \$70.7 million would be achieved. In order to further mitigate the FY 03 deficit, the Secretary of OPM removed from the Reserve for Salary Adjustments account approximately \$29.3 million in funding not immediately needed for various salary-related purposes and approximately \$18.7 million in funding throughout state agency Personal Services accounts for unsettled contracts.

PA 03-1 (September 8 Special Session) authorizes the State Treasurer to issue 5-year, tax exempt, general obligation "Economic Recovery Notes." The principal amount is the total of (1) the FY 03 General Fund deficit (totaling \$96.7 million), and (2) the amount certified by the Office of Policy and Management for retrospective reimbursements for the State's general assistance program for FY 04 (estimated to be between \$25 million and \$30 million). The interest cost to the General Fund for bonding \$122.9 million (estimated principal plus issuance costs) is \$12.9 million, assuming a 3.5% interest rate over a 5-year term of issuance with level principal payments. The act provides that no principal will be paid in fiscal year of issuance.

The Budget Reserve (Rainy Day) Fund currently contains no funding to cover any of the FY 03 deficit. The \$594.7 million balance that remained in the Budget Reserve Fund million 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%.

Please refer to [Exhibit A on page 5](#) for a summary of total General Fund revenues and expenditures for FY 03.

Revenues

Total FY 03 General Fund revenue, net of refunds and statutory transfers, was \$12.02 billion. After adjusting for legislative and other revenue changes, this represented minimal growth of 0.3% compared to FY 02 revenue.

A sluggish economy as well as concerns over Iraq affected employment and business activity, which was reflected in negative growth for the state's two largest revenue sources: the personal income tax and the sales and use tax. After adjusting for legislative and other revenue changes, personal income tax collections declined by 5.4% and sales and use tax collections declined by 2.4%. The poor performance of these two taxes was partially mitigated by strong collections from three taxes: 1) public service companies' tax, 2) oil companies' tax and 3) insurance premiums tax. The positive growth in the first two taxes (9.8% and 32.8% respectively) was due to higher than anticipated energy prices caused by concerns over Iraq and the Middle East, while the growth in the third tax (10.1%) was due to higher insurance premiums resulting from the terrorist attacks of September 11, 2001 and health care costs.

In February 2003, the legislature enacted a deficit mitigation plan (PA 03-2, HB 6495) in response to a projected FY 03 deficit of \$660.7 million. This bill enhanced FY 03 revenue by \$439.8 million, as highlighted below:

- Personal income tax rate increase on the upper income bracket from 4.5% to 5.0% (FY 03 revenue increase of \$207.4 million);
- Sales and use tax imposed on: 1) the development of media and advertising, 2) health and athletic clubs, and 3) newspapers and magazines, (FY 03 revenue increase of \$10.4 million);
- Cigarette tax rate increase from \$1.11 to \$1.51 per pack, (FY 03 revenue increase of \$27.5 million);
- Corporation tax surcharge of 20% imposed for the 2003 tax year, (FY 03 revenue increase of \$32.4 million);
- Various one-time revenue enhancements (FY 03 revenue increase of \$70 million.)

Expenditures

As originally budgeted, expenditure requirements had been estimated at \$12,091.8 million. However, actual FY 03 expenditures were \$12,120 million or \$28.2 million higher than originally anticipated. This figure includes the following increases and (decreases): \$99.3 million in lapses not fully achieved due to the need to cover deficiencies and the inability to fully achieve the union concessions savings anticipated in the revised budget, which were partially offset by other miscellaneous adjustments; \$75.7 million in deficiency transfers; \$9.4 million for Refunds of Escheated Property; \$8.7 million for Adjudicated Claims; (\$70.7 million) in deficit mitigation expenditure reductions; (\$37 million) in November 2002 and January 2003 unduplicated rescissions; (\$29.3 million) reduction in the Reserve for Salary Adjustments account due to funding not immediately needed; (\$18.7 million) removal from agency Personal Services accounts for unsettled contracts; and (\$9.2 million) in layoffs.

These expenditure adjustments did not affect appropriations and therefore did not affect the degree to which the budget was under the Spending Cap. The FY 03 budget continued to be \$363 million under the Spending Cap.

Deficiencies

FY 03 General Fund net deficiencies totaled \$75.7 million. During the 2003 regular session, the General Assembly provided funds to cover these deficiencies through PA 03-3 (HB 6674) and SA 03-15 (HB 6589) by transferring funds from various state agencies and accounts. Of the \$75.7 million net deficiency total, \$67.7 million was in the Department of Social Services (DSS) and was primarily due to increased costs in Medicaid, ConnPACE and State-Administered General Assistance. It should be noted that each deficiency item is explained in the appropriate agency budget sheet within the OFA budget book. The following table identifies the three agencies and one account that experienced net deficiencies along with the corresponding amounts:

Agency	Amount of Deficiency
State Insurance and Risk Management Board	\$1,300,000
Military Department	150,000
Department of Social Services	67,700,000
DAS - Workers' Compensation Claims	6,500,000
Total	\$75,650,000

**Exhibit A: FY 03 General Fund Summary
for the Fiscal Year Ending June 30, 2003
(in millions)**

	Actual
Revenues	
Taxes	\$ 8,229.8
Other Revenue	1,078.6
Other Sources	2,714.9
Total Revenue	\$ 12,023.3
Appropriations	
Original Appropriations - Gross	\$ 12,343.7
Plus:	
Deficiency Requirements [1]	75.7
Adjudicated Claims	8.7
Refunds of Escheated Property	9.4
Less (amounts are approximate):	
Lapses [2]	(103.8)
Governor's Actions:	
Governor's November 2002 Recisions	(27.9)
Governor's January 2003 Recisions	(9.1)
Layoffs	(9.2)
Remove Funding Not Immediately Needed from Reserve for Salary Adjustments Account [3]	(29.3)
Remove Funding from Personal Services for Unsettled Contracts	(18.7)
Deficit Mitigation (PA 03-2, HB 6495):	
Expenditure Reductions [4]	(70.7)
Union Concessions / Early Retirement Incentive Program (ERIP) [2]	(36.9)
Miscellaneous Adjustments	(11.9)
Total Expenditures [5]	\$ 12,120.0
Surplus/(Deficit) from Operations for FY 03 [6]	\$ (96.7)
Transfer from Budget Reserve (Rainy Day) Fund [7]	-
Remaining Deficit [8]	\$ (96.7)

[1] Deficiency requirements were covered through transfers from programs with anticipated lapses of \$1.3 million in PA 03-3 (HB 6674) and \$74.4 million in SA 03-15 (SHB 6589).

[2] Lapses originally budgeted include:

unallocated budgeted lapses	\$ (80.4)
general PS and OE reductions (holdbacks)	(24.5)
hard (hiring) freeze in executive and judicial branches (holdback)	(7.0)
executive and judicial branch managerial and confidential wage freeze (holdback)	(11.0)
extraordinary governor's recision authority	<u>(35.0)</u>
Total - Lapses Originally Budgeted	\$ (157.9)

The \$174.4 million unallocated lapse (the \$80.4 million unallocated lapse plus the \$94 million unspecified lapse) anticipated in the budget included an unspecified increase of \$94 million above the lapse included in the original FY 03 budget. Approximately \$36.9 million of this savings is anticipated to be achieved as a result of passage of the Early Retirement Incentive Plan in PA 03-2, HB 6495 (the deficit mitigation act). Negotiations between the administration and the unions were not successful in terms of saving the remaining amount in FY 03. The governor implemented the holdbacks and \$35 million in extraordinary recisions of which approximately \$28.3 million is in the General Fund and \$6.7 million is in the Mashantucket Pequot and Mohegan Fund. The \$6.7 million recision lowers the transfer of funding that otherwise would have been required from the General Fund and this is reflected in our Other Sources revenue estimate.

[3] This figure is net of the \$3 million provided for 6 month extended health care coverage for laid off workers and a \$1.3 million deficiency transfer for the State Insurance and Risk Management Board in accordance with the provisions of PA 03-3, HB 6674.

[4] PA 03-2, HB 6495 (the deficit mitigation act) contained \$129.4 million in reductions to General Fund allotments and items funded from the previously anticipated FY 01 surplus of which the Office of Policy and Management subsequently indicated that approximately \$70.7 million would be achieved.

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

[6] Excludes the amount that the Secretary of the Office of Policy and Management is authorized and directed to certify to the Treasurer to pay the retrospective reimbursements for the state's General Assistance program for FY 04 (estimated to be between \$25 million and \$30 million).

[7] The Budget Reserve (Rainy Day) Fund currently contains no funding to cover any of the FY 03 deficit. The \$594.7 million balance that remained in the Budget Reserve Fund million 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, HB 6495 (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%.

[8] PA 03-1, SB 2051 (September 8 Special Session) authorizes the State Treasurer to issue 5-year, tax exempt, general obligation "Economic Recovery Notes." The principal amount is the total of (1) the FY 03 General Fund deficit (totaling \$96.7 million), and (2) the amount certified by the Office of Policy and Management for retrospective reimbursements for the State's general assistance program for FY 04 (estimated to be between \$25 million and \$30 million). The interest cost to the General Fund for bonding \$122.9 million (estimated principal plus issuance costs) is \$12.9 million, assuming a 3.5% interest rate over a 5-year term of issuance with level principal payments. The act provides that no principal will be paid in fiscal year of issuance.

Exhibit B: FY 03 General Fund Revenue
(in thousands)

	Actual FY 02	Growth Rate % [1]	Actual FY 03
Taxes			
Personal Income	\$4,265,900	(5.4)	\$4,263,100
Sales and Use	2,997,700	(2.4)	3,025,700
Corporations	381,000	1.1	508,000
Public Service Corporations	166,600	9.8	198,000
Inheritance and Estate	153,100	23.6	184,300
Insurance Companies	217,400	10.1	239,400
Cigarettes	160,900	(5.8)	256,000
Real Estate Conveyance	120,700	9.0	149,300
Alcoholic Beverages	41,700	1.8	42,500
Oil Companies	24,300	32.8	117,400
Admissions, Dues and Cabaret	26,900	18.0	31,700
Miscellaneous	26,300	21.4	33,700
Total Taxes	\$8,582,500		\$9,049,100
Refunds of Taxes	(829,600)		(808,200)
R & D Credit Exchange	(21,900)		(11,200)
Taxes Less Refunds	\$7,731,000		\$8,229,700
Other Revenue			
Transfer Special Revenue	\$277,600		\$262,800
Indian Gaming Payments	369,000		387,300
Licenses, Permits and Fees	137,500		125,200
Sales of Commodities and Services	30,500		32,900
Rentals, Fines and Escheats	47,600		81,500
Investment Income	23,800		7,100
Miscellaneous	114,300		182,300
Total Other Revenue	\$1,000,300		\$1,079,100
Refunds of Payments	(400)		(400)
Net Other Revenue	\$999,900		\$1,078,700
Other Sources			
Federal Grants	\$2,142,300		\$2,318,400
Transfer to Resources of the General Fund	0		351,500
Transfer from Tobacco Settlement Fund	120,000		138,000
Transfer to Other Funds	(147,700)		(93,000)
Total Other Sources	\$2,114,600		\$2,714,900
Total Revenue	\$10,845,500		\$12,023,300

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

Lapses

The General Fund's year-end lapse was \$111.2 million lower than the original estimated lapse of \$251.9 million. This was primarily due to lapses not fully achieved as a result of the need to cover deficiencies and the inability to fully achieve the union concessions savings anticipated in the revised budget. The \$174.4 million unallocated lapse (the \$80.4 million unallocated lapse plus the \$94 million unspecified lapse) anticipated in the budget included an unspecified increase of \$94 million above the lapse included in the original FY 03 budget. Approximately \$36.9 million of this savings results from passage of the Early Retirement Incentive Plan in PA 03-2, HB 6495 (the deficit mitigation act). Subsequent negotiations between the administration and the unions were not successful in terms of saving the remaining amount in FY 03.

The largest lapses occurred in the following agencies and account ([please see Exhibit C for a full listing of major lapses](#)): \$34.7 million in Debt Service; \$32.3 million in the Department of Social Services; \$29.3 million in the Reserve for Salary Adjustments account; \$23.1 million in the Judicial Department and \$15.9 million in the Office of Policy and Management.

The three largest lapses occurred in Debt Service, the Department of Social Services and the Reserve for Salary Adjustments account.

The lapse of \$34.7 million in the General Fund debt service account is a combination of \$38.5 million in savings and \$3.8 million in increased expenditures. The savings are: (1) \$23.3 million in premiums received on General Obligation (GO) bonds issued between June and November 2002, (2) \$11.6 million in savings due to changes in the issuance schedule and lower than anticipated interest rates, (3) a \$2.8 million decrease in arbitrage rebate expenses for FY 03, and (4) \$0.8 million in savings from refunding issues in June and August 2002. (Note that bond purchasers pay a premium to receive a higher interest rate than the one at which the bonds would otherwise have sold.)

The increase of \$3.8 million is due to changes made by acts passed after the budget was adopted: (1) PA 02-5 of the May 9 Special Session increased bonding for school construction grants-in-aid by an additional \$50 million, which required \$1.4 million in debt service payments, and (2) SA 02-1 of the May 9 Special Session authorized the issuance of Economic Recovery Notes (ERNs), which required \$2.4 million in interest payments in FY 03. (A total of \$219.2 million in ERNs were issued in December 2002 at a fixed interest rate of 1.9%.)

A lapse of \$32.3 million in the Department of Social Services is primarily due to four accounts: Medicaid (\$18.5 million), ConnPACE (\$3.4 million), Personal Services (\$3.4 million), and Other Expenses (\$1.7 million). The Medicaid surplus is the result of a June deficiency appropriation that totaled \$67 million. This was the estimate of the funds necessary to meet the year end expenses for this entitlement program. However, final costs came in below this deficiency estimate. It should be noted that the \$18 million represents just .7% of the Medicaid expenditures. The ConnPACE surplus is likewise the result of funds transferred into the program in June. Again, the final costs came in below the deficiency estimate. The lapses in Personal Services and Other Expenses are the result of holdbacks programmed by the Office of Policy and Management.

A lapse of \$29.3 million in the Reserve for Salary Adjustments account reflects the removal of funding not immediately needed for various salary-related purposes by the Secretary of the Office of Policy and Management.

Exhibit C: FY 03 General Fund Lapsing Appropriations of \$1 Million or More

Agency	Adjusted Appropriation (in millions)	Lapse Amount (in millions)	% of Adjusted Appropriation
Legislative Management	\$ 49.4	\$ 1.5	3.0%
Department of Revenue Services	61.4	2.4	3.9%
Office of Policy and Management	172.6	15.9	9.2%
Department of Veterans Affairs	28.2	1.0	3.5%
Department of Administrative Services	30.8	1.9	6.2%
Division of Criminal Justice	39.8	1.3	3.3%
Department of Public Safety	134.5	6.2	4.6%
Department of Environmental Protection	45.5	1.6	3.5%
Department of Economic and Community Development	23.3	1.9	8.2%
Department of Public Health	76.1	2.7	3.5%
Department of Mental Retardation	724.8	4.8	0.7%
Department of Mental Health and Addiction Services	436.8	13.0	3.0%
Department of Social Services	3,769.6	32.3	0.9%
Department of Education	2,002.0	6.7	0.3%
University of Connecticut	194.0	1.8	0.9%
Connecticut State University	139.4	1.3	0.9%
Department of Correction	541.0	9.4	1.7%
Department of Children and Families	573.3	8.0	1.4%
Judicial Department	358.8	23.1	6.4%
Non-Functional			
Debt Service	955.8	34.7	3.6%
Reserve for Salary Adjustment	51.2	29.3	57.2%
Higher Education Alternative Retirement System	16.3	1.0	6.1%
Tuition Reimbursement - Training and Travel	7.5	3.4	45.3%
Employers Social Security Tax	177.3	2.4	1.4%
State Employees Health Service Cost	293.3	5.5	1.9%
Retired Employees Health Service Cost	241.5	1.9	0.8%
All Others	1,382.8	14.8	1.1%
Total General Fund	\$ 12,527.0	\$ 229.8	1.8%

II. Transportation Fund

The Transportation Fund ended FY 03 with an annual operating deficit of \$56.8 million. This is largely attributable to the impact of PA 03-2, HB 6495 (the deficit mitigation act), which transferred \$52 million from the resources of the Transportation Fund to the General Fund and suspended the transfer of \$20 million to the Transportation Fund from the General Fund's oil companies tax. These two revenue reductions of \$72 million to the Transportation Fund were offset by \$19.4 million in lapses that were higher than originally anticipated resulting (along with other relatively minor adjustments) in the FY 03 operating deficit of \$56.8 million.

Lapses were originally budgeted at \$15 million but grew to \$34.4 million. The \$19.4 million increase in the lapse reduction was primarily attributable to: PA 03-2, HB 6495 (the deficit mitigation act) which reduced Town Aid Road grants by \$9 million from \$25 million to \$16 million; and a \$7.6 million Debt Service lapse which was largely due to the refunding and issuance of Special Tax Obligation (STO) bonds at lower interest rates. The remainder of the \$34.4 million lapse occurred as a result of layoffs and early retirement (ERIP).

The FY 03 operating deficit of \$56.8 million reduces the \$189.7 million fund balance at the end of the previous fiscal year to a cumulative surplus of \$132.9 million as of June 30, 2003.

**Exhibit D: FY 03 Transportation Fund Summary
for the Fiscal Year Ending June 30, 2003
(in millions)**

	<u>FY 03 Actual</u>
Revenues	
Taxes	\$515.0
Other Revenue (incl. Refunds of Payments)	312.1
Total Revenue	\$827.1 (1)
 Appropriations	
Appropriations - Gross	\$918.3
Less: Lapse	-34.4 (2)
Total Expenditures	\$883.9
 Surplus/(Deficit) from Operations as of June 30th	 -56.8 (1)
Plus: Cumulative Surplus as of June 30th (prior year)	\$189.7
 Projected Fund Balance as of June 30th	 \$132.9

Footnotes

(1) PA 03-2 transferred \$52 million from the Transportation Fund to the General Fund as part of the deficit mitigation to balance the General Fund. Had this not been enacted, the deficit to the Transportation Fund would have been \$4.8 million instead of \$56.8 million.

(2) Includes \$9.0 million allotment holdback of Town Aid Road Grant as result of deficit mitigation act PA 03-2 and \$7.6 million Debt Service lapse. The remainder of the lapse occurred as result of layoffs and early retirement (ERIP).

**Exhibit E: FY 03 Transportation Fund Revenue
(in millions)**

	FY 03 <u>Actual</u>
TAXES	
Motor Fuels Tax	\$458.0
Petroleum Products Tax	0
Sales Tax - DMV	65.5
Refund of Taxes	-8.5
Total - Taxes less Refunds	\$515.0
 OTHER SOURCES	
Motor Vehicle Receipts	\$204.9
License, Permits and Fees	136.6
Interest Income	27.4
Federal Grants (FTA)	3.3
Transfers to Other Funds	-60.5
Release from Debt Service Reserves	2.6
Total - Other Sources	\$314.3
Less Refunds of Payments	-2.2
TOTAL REVENUE	\$827.1

FY 03 Transportation Fund Lapsing Appropriations

The agencies and accounts financed by the Transportation Fund lapsed a total of \$34.4 million. Please refer to Exhibit F for a listing of agency lapses and the percentages relative to the adjusted appropriations for the various components of the Transportation Fund.

Below are brief descriptions, by account, of significant lapses (\$1.0 million or more).

Agency/Description	Lapsing Amount
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Department of Transportation (DOT)	\$20,135,354
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The DOT lapsed a total of \$20.1 million primarily in Personal Services, Other Expenses and Town Aid Road Grants. The Personal Services lapse of \$8,362,065 occurred as a result of layoffs and early retirement (ERIP). The Other Expenses lapse of \$2,360,029 resulted from a holdback and recision and outstanding expenses that have not been billed by vendors or contractors. The \$25 million originally funded for the Town Aid Road grant for FY 03 was reduced by \$9.0 million.

Department of Motor Vehicle (DMV)	\$4,975,756
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The DMV lapsed a total of \$5 million primarily in Personal Services (\$4,407,478) attributable to layoffs and early retirement. Other Expenses lapsed \$507,505 as a result of holdback and recision and outstanding expenses.

Non Functional Accounts

Debt Service	\$7,625,345
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The \$7.6 million lapse in the Transportation Fund debt service is attributable to three factors. First, \$4.5 million in debt service savings resulted from the January 2003 refunding of \$422 million in Special Tax Obligation (STO) bonds. These bonds had originally been issued between 1993 and 2001 with fixed interest rates ranging between 4.5% and 6%. The refunding bonds were issued as variable rate bonds with an average interest rate of 3.6%. Second, \$2.8 million in savings resulted from the difference between the budgeted (3.5%) and actual average interest rate (1.2%) for variable rate bonds issued in September 2000. And third, \$0.3 million was due to the difference between the budgeted (5.75%) and actual interest rate (4.23%) for fixed rate STO bonds issued in November 2002.

State Employees Health Services Cost	\$1,123,498
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The state employee health service cost account lapse a total of \$1.1 attributable to layoffs and early retirement.

**Exhibit F: FY 03 Transportation Fund Lapsing Appropriations
of \$1 Million or More
(in millions)**

Agency	<u>Adjusted Appropriations</u>	<u>Lapse Amount</u>	<u>Percent of Adjusted Apparitions</u>
Department of Motor Vehicles	\$62.0	\$5.0	8.1%
Department of Transportation	378.5	20.1	5.3%
Non Functional Accounts			
Debt Service	\$414.6	\$7.6	1.9%
State Employees Health Service Cost	22.1	1.1	5.0%
All Other	69.1	0.6	0.7%
Total Transportation Fund	\$946.3	\$34.4	3.6%