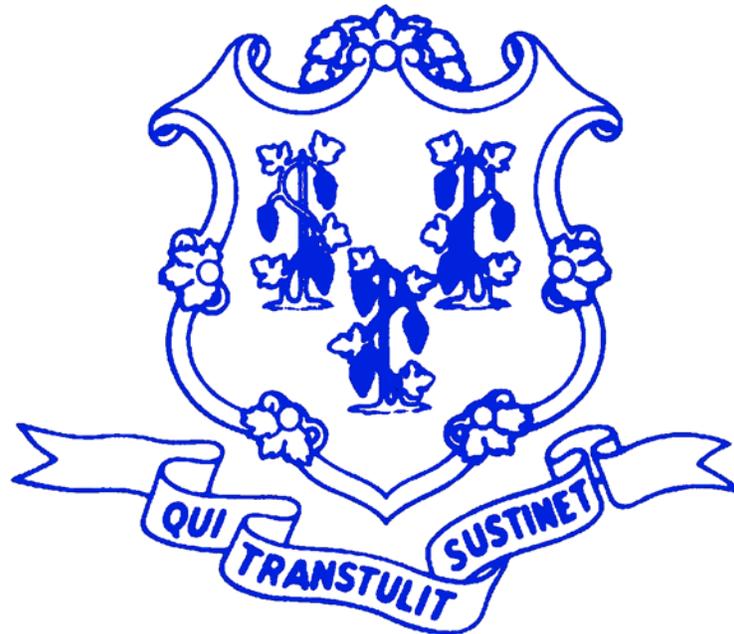


**Connecticut General Assembly**  
**OFFICE OF FISCAL ANALYSIS**

<http://www.cga.ct.gov/ofa/>



**Year-End Analysis of the  
FY 05 General Fund and  
Transportation Fund Budgets**

**January 31, 2007**

**Year-End Analysis of the FY 05  
General Fund and Transportation Fund Budgets**

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## **YEAR-END ANALYSIS OF THE FY 05 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. Section 3-115 (CGS) requires the Comptroller to submit her year-end report by September 1<sup>st</sup> after the conclusion of the fiscal year; however, her FY 05 financial statements were not finalized until October 10, 2006 due to reconciliations related to the new CORE-CT accounting system.)

### **Overview**

#### **General Fund**

The General Fund ended FY 05 with an operating surplus of \$1,003.6 million (including the budgeted surplus of \$83.7 million) or 7.6% of the budget. From this amount, \$566.8 million in additional FY 05 appropriations were made and carried forward into FY 06 and FY 07, an additional \$57.1 million was carried forward to reduce FY 06 requirements and an additional FY 05 appropriation of \$15.8 million was made for private provider increases, leaving a remaining surplus of \$363.9 million which was deposited in the Budget Reserve Fund.

The operating surplus resulted from \$903.2 million in higher revenues and \$16.7 million in lower expenditures (primarily due to additional lapse savings offset by deficiencies and other expenditure requirements) in addition to the originally budgeted surplus of \$83.7 million.

#### **Transportation Fund**

The Transportation Fund ended FY 05 with an annual operating surplus of \$3.8 million. This was \$11.5 million less than the budget plan surplus of \$15.3 million. This decrease was the result of revenues ending the year \$4.8 million less than anticipated coupled with higher net spending of \$6.7 million.

The FY 05 operating surplus of \$3.8 combined with the prior year balance of \$129.3 million results in a cumulative fund balance of \$133.1 million as of June 30, 2005.

## **I. General Fund**

### **Final Figures Compared to the Original Budget**

The FY 05 budget adopted by the General Assembly in May 2004 anticipated General Fund revenues of \$13,226.3 million and expenditures of \$13,226 million. Thus, at the time the budget was adopted, revenue estimates exceeded total net appropriations by \$.3 million. The Finance, Revenue and Bonding Committee subsequently revised its FY 05 revenue estimate in accordance with the provisions of Section 2-35 (CGS) on June 28, 2004, which increased the budgeted surplus to \$83.7 million.

The General Fund ended FY 05 with an operating surplus of \$1,003.6 million (including the budgeted surplus of \$83.7 million) or 7.6% of the budget. From this amount, \$566.8 million in additional FY 05 appropriations were made and carried forward into FY 06 and FY 07, an additional \$57.1 million was carried forward to reduce FY 06 requirements and an additional FY 05 appropriation of \$15.8 million was made for private provider increases, leaving a remaining surplus of \$363.9 million which was deposited in the Budget Reserve Fund.

The operating surplus resulted from \$903.2 million in higher revenues and \$16.7 million in lower expenditures (primarily due to additional lapse savings offset by deficiencies and other expenditure requirements) in addition to the originally budgeted surplus of \$83.7 million.

The General Fund ended FY 04 with a surplus of \$302.2 million and ended FY 05 with a surplus of \$363.9 million for a total Budget Reserve Fund (BRF) deposit of \$666.1 million. Previously, the Budget Reserve (Rainy Day) Fund had been depleted when its previous \$594.7 million balance 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. FY 03 also ended with a deficit of \$96.6 million which was also financed with Economic Recovery Notes. 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%. 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 \$747.1 million more than currently deposited.

Please refer to Exhibit A on page 6 for a summary of total General Fund revenues and expenditures for FY 05.

### **Revenues**

Total FY 05 net General Fund revenue was \$14.21 billion, which was \$903.2 million above the original estimates adopted in support of the budget plan. After adjusting for legislative and other changes, FY 05 revenue grew by 7.9% compared to FY 04. For a comparison of actual collections and the budget plan estimates please refer to Exhibit B on page 7.

Net General Fund revenue collections finished \$903.2 million above budget plan due to increases of \$996.8 million and decreases of \$93.6 million. The seven most significant increases are: (1) \$439.7 million in the personal income tax, (2) \$177.3 million in the corporation business tax, (3) \$87.8 million in the inheritance and estate tax, (4) \$61.8 million in the real estate conveyance tax, (5) \$53.9 million in the oil companies tax, (6) \$26.2 million in rent, fines, and escheats, and (7) \$49 million in miscellaneous revenue. The most significant decreases

are \$29.9 million in the sales and use tax, \$12.2 million in Indian gaming payments, and \$40 million in transfers to the resources of the General Fund.

(1) Personal Income Tax (PIT) collections were \$439.7 million above the budget plan estimate as a result of slightly better than expected job gains and wage growth (including overtime) and strong performance of US and foreign stock markets. In addition, PA 05-145 modified the statutes regarding the accrual of withholding taxes, which resulted in a one-time shift in receipts of approximately \$20 to \$30 million from FY 06 to FY 05.

The table below presents a comparison of the budget plan estimates and actual collections.

	Budget Plan Estimate	Actual Collections	Variance
Withholding	\$3,528,000,000	\$3,625,700,000	\$97,700,000
Estimated Payments	870,000,000	1,068,000,000	198,000,000
Final & Audit Payments	733,000,000	877,000,000	144,000,000
<b>Total</b>	<b>\$5,131,000,000</b>	<b>\$5,570,700,000</b>	<b>\$439,700,000</b>

(2) Corporation Business Tax collections were \$177.3 million above the budget plan estimate. After several years of weak corporate profits, earnings in 2004 were strong in many sectors of the economy including energy, financial services, and home building. Collections were especially strong in the second half of the fiscal year (first half of 2005), despite the absence of a 25% surcharge that was in place during the previous income year, signaling that corporations are projecting much better profitability in 2005.

(3) Inheritance and Estate Tax collections were \$87.8 million above the budget plan estimate primarily due to three significant (greater than \$10 million) payments during the year.

(4) Real Estate Conveyance Tax collections were \$61.8 million above the budget plan estimate. The budget plan assumed that interest rates would rise and curb the number of real estate transactions. However, mortgage rates remained near their historic lows throughout the year, which resulted in collections growing by 17.5%.

(5) Oil Companies' Tax collections were \$53.9 million above the budget plan estimate. Collections were impacted by an increase in oil prices by about 70% during 2004 as a result of: (1) very strong demand in Asia, (2) continued concerns in Iraq and the Middle East, and (3) lingering supply concerns in Russia (Yukos Company), Nigeria, and Norway.

(6) Rents, Fines, and Escheats collections were \$26.2 million above the budget plan estimate due to higher than anticipated proceeds from the sale of unclaimed public securities in the custody of the Office of State Treasurer.

(7) Miscellaneous Revenue collections were \$49 million above the budget plan estimate primarily due to the State Comptroller recovering \$26.3 million above the budgeted State Employee Retirement System (SERS) fringe benefit recovery rate. Recoveries were higher than anticipated because the SERS salary base was higher than budgeted, which lead to over-collection. These funds were then deposited into the Miscellaneous Revenue account.

(8) Sales and Use Tax collections were \$29.9 million below the budget plan estimate. Actual collections grew by 4.5%, which was below the 5.1% assumed in the budget plan. Consumer

spending was negatively affected by rising energy costs as well as a decline in disposable income as people bought new homes and assumed larger mortgage costs.

(9) Indian Gaming Payment collections were \$12.2 million below the budget plan estimate. The budget plan estimate assumed that collections would grow by 5% but actual collections grew by 3.8%. Payments from activities at the Foxwoods Casino grew by 4.1% and from the Mohegan Sun grew by 3.4% compared to FY 04 collections.

(10) Transfers to the General Fund were \$40 million below the budget plan estimate. The original estimate included \$40 million from the sale of bonds securitizing future unclaimed property revenue. However, the bond sale was cancelled because the revenue was not required to support FY 05 expenditures.

### **Expenditures**

As originally budgeted, expenditure requirements had been estimated at \$13,226.3 million including the costs associated with budget implementers. However, actual FY 05 expenditures were \$13,209.6 million or \$16.7 million lower than originally anticipated. This figure includes the following increases and (decreases): \$78.6 million in deficiency appropriations; \$7.5 million appropriation to extend HUSKY, Part A benefits through June 30, 2005; \$20.5 million for Refunds of Escheated Property; \$7.1 million for Adjudicated Claims; (\$72.7 million) in increased lapse savings; and (\$57.7 million) in miscellaneous expenditure reductions.

In addition to the \$86.1 million in deficiency and HUSKY appropriations mentioned above, \$582.6 million in additional FY 05 appropriations were authorized from projected additional revenues largely stemming from additional personal income tax collections in April. These additional appropriations (which were carried forward into FY 06 and FY 07) include: \$137.7 million for Economic Recovery Note payments; \$100 million for Teachers' Retirement Contributions; \$65.1 million for accrued sick and vacation leave payments and other Reserve for Salary Adjustment needs; \$57.3 million for the Education Cost Sharing (ECS) grant; \$54.8 million for a Managed Care Organization (MCO) pre-payment; and \$20 million for Stem Cell Research.

The FY 05 budget was \$129.1 million under the spending cap. The \$668.7 million in total FY 05 additional appropriations mentioned above after adjusting for items excluded from the spending cap result in the revised FY 05 budget being over the spending cap by \$386.7 million.

## Deficiencies

FY 05 General Fund deficiencies totaled \$78.6 million. During the 2005 regular session, the General Assembly appropriated funds to cover these deficiencies within PA 05-251, Section 59. Of the \$78.6 million deficiency total, \$28.5 million was in the Department of Correction (DOC) and was primarily due to unanticipated higher staffing requirements; \$11.8 million was in the Department of Children and Families (DCF) and was due to deficiencies in various accounts; and \$10 million was in the Office of Policy and Management (OPM) and was due to additional statewide energy needs. It should be noted that the reason for each deficiency item is mentioned in the appropriate agency budget sheet within the OFA budget book. The following table identifies the ten agencies that experienced deficiencies along with the corresponding amounts:

<b>Agency</b>	<b>Amount of Deficiency</b>
Ethics Commission	\$22,000
Office of Policy and Management	10,000,000
Department of Veterans' Affairs	1,964,000
Department of Information Technology	1,187,000
Department of Public Works	2,500,000
Department of Public Safety	6,450,000
Office of Child Advocate	70,000
Department of Public Health	1,753,500
Department of Mental Retardation	7,600,000
Department of Mental Health and Addiction Services	5,775,000
Department of Correction	28,500,000
Department of Children and Families	11,825,000
Public Defender Services Commission	1,000,000
<b>Total</b>	<b>\$78,646,500</b>

**Exhibit A: FY 05 General Fund Summary  
(in millions)**

	<b>Budget Plan [1]</b>	<b>Increases (Decreases)</b>	<b>Actual</b>
<b>Revenues</b>			
Taxes	\$ 9,441.1	\$ 856.8	\$ 10,297.9
Other Revenue	1,151.5	58.3	1,209.8
Other Sources [2]	<u>2,717.4</u>	<u>(11.9)</u>	<u>2,705.5</u>
<b>Total Revenue</b>	<b>\$ 13,310.0</b>	<b>\$ 903.2</b>	<b>\$ 14,213.2</b>
<b>Appropriations</b>			
Original Appropriations - Gross	\$ 13,336.2	\$ 0.0	\$ 13,336.2
<b>Plus:</b>			
Deficiency Appropriations - PA 05-251, Sec. 59	0.0	78.6	78.6
Extend HUSKY Plan, Part A Benefits through June 30, 2005 (PA 05-1)	0.0	7.5	7.5
Adjudicated Claims	0.0	7.1	7.1
Refunds of Escheated Property	0.0	20.5	20.5
<b>Less:</b>			
Lapses [3]	(109.9)	(72.7)	(182.6)
Miscellaneous Adjustments	<u>0.0</u>	<u>(57.7)</u>	<u>(57.7)</u>
<b>Total Expenditures [3]</b>	<b>\$ 13,226.3</b>	<b>\$ (16.7)</b>	<b>\$ 13,209.6</b>
<b>Surplus from Operations for FY 05</b>	<b>\$ 83.7</b>	<b>\$ 919.9</b>	<b>\$ 1,003.6</b>
<b>Disposition of Anticipated FY 05 Surplus (see details on Exhibit D page 10):</b>			
Additional FY 05 Appropriations Carried Forward into FY 06 and FY 07			\$ 566.8
FY 05 Carryforwards Reducing FY 06 Requirements			57.1
Additional FY 05 Appropriation for Private Provider Increases			<u>15.8</u>
<b>Total – Disposition of Anticipated FY 05 Surplus</b>			<b>\$ 639.7</b>
<b>Remaining FY 05 Surplus Deposited in Budget Reserve Fund [4]</b>			<b>\$ 363.9</b>

[1] The budget plan revenues for FY 05 are the estimates of the Finance, Revenue and Bonding Committee and were initially adopted on April 29, 2004, but were subsequently revised for FY 05 per Section 2-35 (CGS) by the committee on June 28, 2004.

[2] The budget plan's revenue from Other Sources includes \$40 million of one-time revenue to securitize unclaimed property per the budget act, but became unnecessary given that the State Treasurer liquidated \$38 million more than the originally anticipated \$50 million from unclaimed securities alone and a surplus materialized for FY 05. The budget plan's revenue from Other Sources also includes \$150.3 million transferred to the resources of the General Fund in FY 05 from FY 04 consisting of \$125.3 million in General Fund revenue and \$25 million from securitization of the Clean Energy Fund.

[3] The breakdown for the budgeted lapse is as follows:

unallocated budgeted lapses	\$ (78.6)	\$ (79.6)	\$ (158.2)
general PS and OE reductions (holdbacks)	(25.0)	4.4	(20.6)
Fleet Reduction	(2.5)	2.5	0.0
Spend Management Lapse	<u>(3.8)</u>	<u>0.0</u>	<u>(3.8)</u>
Total - Lapses Originally Budgeted	<b>\$ (109.9)</b>	<b>\$ (72.7)</b>	<b>\$ (182.6)</b>

[3] Excludes expenditures from prior year carryforwards and appropriations from anticipated surplus.

[4] The General Fund ended FY 04 with a surplus of \$302.2 million and ended FY 05 with a surplus of \$363.9 million for a total Budget Reserve Fund (BRF) deposit of \$666.1 million. Previously, the Budget Reserve (Rainy Day) Fund had been depleted when its previous \$594.7 million balance was used 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 \$747.1 million more than currently deposited.

**Exhibit B: FY 05 General Fund Revenue**  
(in thousands)

	<b>Budgeted Revenue [1]</b>	<b>Over (Under) Budgeted</b>	<b>Realized Revenue</b>
<b>Taxes</b>			
Personal Income	\$ 5,131,000,000	\$ 439,724,296	\$ 5,570,724,296
Sales and Use	3,320,300,000	(29,933,721)	3,290,366,279
Corporations	501,700,000	177,268,999	678,968,999
Cigarettes and Tobacco	266,000,000	7,978,748	273,978,748
Insurance Companies	234,800,000	22,352,170	257,152,170
Public Service Corporations	189,400,000	7,418,820	196,818,820
Inheritance and Estate	166,100,000	87,807,073	253,907,073
Real Estate Conveyance	145,800,000	61,831,113	207,631,113
Oil Companies	89,600,000	53,947,882	143,547,882
Alcoholic Beverages	43,500,000	735,608	44,235,608
Admissions, Dues and Cabaret	33,100,000	(1,401,095)	31,698,905
Miscellaneous	33,800,000	5,227,985	39,027,985
<b>Total Taxes</b>	<b>10,155,100,000</b>	<b>832,957,878</b>	<b>10,988,057,878</b>
Refunds of Taxes	(700,000,000)	18,721,238	(681,278,762)
R & D Credit Exchange	(14,000,000)	5,149,894	(8,850,106)
<b>Taxes Less Refunds</b>	<b>9,441,100,000</b>	<b>856,829,010</b>	<b>10,297,929,010</b>
<b>Other Revenue</b>			
Indian Gaming Payments	430,000,000	(12,162,230)	417,837,770
Transfers - Special Revenue	283,100,000	(9,205,518)	273,894,482
Licenses, Permits and Fees	138,100,000	5,150,110	143,250,110
Rents, Fines and Escheats	144,500,000	26,232,443	170,732,443
Sales of Commodities and Services	36,000,000	(852,402)	35,147,598
Investment Income	15,300,000	(6,527)	15,293,473
Miscellaneous	105,000,000	48,981,955	153,981,955
<b>Total Other Revenue</b>	<b>1,152,000,000</b>	<b>58,137,831</b>	<b>1,210,137,831</b>
Refunds of Payments	(500,000)	125,839	(374,161)
<b>Net Other Revenue</b>	<b>1,151,500,000</b>	<b>58,263,670</b>	<b>1,209,763,670</b>
<b>Other Sources</b>			
Federal Grants	2,469,600,000	28,070,071	2,497,670,071
Transfer to the Resources of the General Fund [2]	219,800,000	(40,000,000)	179,800,000
Transfer from the Tobacco Settlement Fund	113,000,000	0	113,000,000
Transfers to the Pequot/Mohegan Fund	(85,000,000)	0	(85,000,000)
<b>Total Other Sources</b>	<b>2,717,400,000</b>	<b>(11,929,929)</b>	<b>2,705,470,071</b>
<b>Total Revenue</b>	<b>\$ 13,310,000,000</b>	<b>\$ 903,162,751</b>	<b>\$ 14,213,162,751</b>

[1] The budget plan revenues for FY 05 are the estimates of the Finance, Revenue and Bonding Committee and were initially adopted on April 29, 2004, but were subsequently revised for FY 05 per Section 2-35 (CGS) by the committee on June 28, 2004.

[2] The budget plan's revenue from Other Sources includes \$40 million of one-time revenue to securitize unclaimed property per the budget act which became unnecessary given that the State Treasurer liquidated more than the originally anticipated \$50 million from unclaimed securities alone and a surplus materialized for FY 05. The budget plan's revenue from Other Sources also includes \$150.3 million transferred to the resources of the General Fund in FY 05 from FY 04 consisting of \$125.3 million in General Fund revenue and \$25 million from securitization of the Clean Energy Fund.

## Lapses

The General Fund's year-end lapse (savings) was \$182.6 million or \$72.7 million higher than the original estimated lapse of \$109.9 million. This amount results from a \$79.6 million increase in the unallocated lapse which was partially offset by a \$4.4 million reduction in savings associated with Personal Services and Other Expenses holdbacks and a \$2.5 million reduction in savings associated with the Fleet Reduction lapse.

The largest lapses occurred in the following agency and account (please see Exhibit C for a full listing of major lapses): \$77.9 million in the Department of Social Services and \$52 million in Debt Service.

The \$77.9 million lapse in the Department of Social Services is primarily attributable to four accounts: Medicaid (\$45.8 million), Child Care Subsidies (\$9 million), ConnPACE (\$7 million), and Temporary Family Assistance (\$4.9 million). Caseload growth in all programs was significantly below what was originally projected in the FY 05 budget. Additionally, lower than anticipated pharmaceutical costs tempered expenditures under both the Medicaid and ConnPACE programs.

The \$52 million lapse in the General Fund debt service account is a combination of: (1) \$30.9 million in savings due to changes in the issuance schedule and lower than anticipated interest rates, (2) \$18.0 million in premiums received on General Obligation (GO) bonds issued in May 2004 and December 2004, (3) \$1.7 million in arbitrage rebate fees and payments, and trustee fees, and (4) \$1.4 million from a variety of other sources, including refunding savings and lower than expected debt service on CHEFA daycare bonds.

Please refer to Exhibit C for a listing of all General Fund lapsing appropriations of \$1 million or more

### Exhibit C: FY 05 General Fund Lapsing Appropriations of \$1 Million or More

<b>Agency</b>	<b>Adjusted Appropriation (in millions)</b>	<b>Lapse Amount (in millions)</b>	<b>% of Adjusted Appropriation</b>
Legislative Management	\$ 57.7	\$ 4.2	7.3%
Auditors of Public Accounts	10.3	2.1	20.4%
State Comptroller	22.5	1.6	7.1%
State Insurance and Risk Management Board	16.3	5.1	31.3%
Department of Public Works	45.4	1.6	3.5%
Attorney General	28.2	1.0	3.5%
Department of Public Health	74.8	2.6	3.5%
Department of Mental Retardation	756.9	1.6	0.2%
Department of Mental Health and Addiction Services	464.3	4.5	1.0%
Department of Social Services	4,063.0	77.9	1.9%
Department of Education	2,190.6	2.5	0.1%
Board of Education and Services for the Blind	14.9	1.3	8.7%
Teachers' Retirement Board	301.7	1.5	0.5%
Department of Correction	587.6	2.4	0.4%
Department of Children and Families	675.1	4.1	0.6%
Judicial Department	376.2	1.2	0.3%
<b>Non-Functional</b>			
Debt Service	1,448.9	52.0	3.6%
Higher Education Alternative Retirement System	20.3	1.3	6.4%
State Employees Health Service Cost	381.0	1.6	0.4%
All Others	2,675.0	12.5	0.5%
<b>Total General Fund</b>	<b>\$ 14,210.7</b>	<b>\$ 182.6</b>	<b>1.3%</b>

**Exhibit D: FY 05 General Fund Surplus Utilization  
(figures in \$)**

**Total FY 05 Surplus**

**1,003,625,437**

**FY 05 Appropriations (PA 05-251, Section 49 and PA 05-149, Section 6):**

	<b>Final Budget</b>	
Economic Recovery Note Payments	137,700,000	
TRB - Teachers' Retirement Contributions	100,000,000	
SDE - ECS	57,298,548	
DSS - Managed Care Organization (MCO) Pre-Payment	54,800,000	
RSA - GF Accrued ERIP Sick and Vacation Leave Payments	42,400,000	
RSA - TF Accrued ERIP Sick and Vacation Leave Payments	5,150,000	
RSA - GF Accrued non-ERIP Sick and Vacation Leave Payments	14,650,000	
RSA - TF Accrued non-ERIP Sick and Vacation Leave Payments	1,000,000	
RSA - TF Other Needs	1,869,278	
DPH - Stem Cell Research	20,000,000	
OPM - Contingency Needs	18,000,000	
DOT - Town Aid Road Grants	16,000,000	
SDE - Priority School Districts	13,951,452	
PILOT - State Property	10,704,000	
PILOT - Private Property	10,600,000	
OPM - PILOT New Manufacturing	10,232,446	
SDE - Special Education Excess Cost	8,750,000	
OPM - Energy Contingency	8,000,000	
Mashantucket Pequot & Mohegan Fund	4,800,000	
DOT - Transportation Strategy Board Projects	4,600,000	
DECD - Housing PILOT	4,408,000	
DSS - Medicaid	4,200,000	
DHE - Matching Grant	4,000,000	
DECD - Tax Abatement	3,409,780	
DSS - Nursing Home Rates	2,000,000	
SDE - Magnet Schools	2,000,000	
DMHAS - Extend COLA to Federal Contracts	1,654,406	
OPM - OE - research & investigate federal base closures in CT	1,500,000	
SDE - OE - RVTSS school construction energy & off-site transportation costs	1,000,000	
DHE - WCSU Greek Chair	500,000	
State Comptroller - PS - reduce retirement backlog	420,000	
DoIT - PS - CORE overtime	250,000	
SDE - Bridgeport School Audit	250,000	
DoIT - OE - CORE-related	150,000	
State Comptroller - OE - analyze GASB 45	100,000	
State Comptroller - OE - analyze Medicare Act	100,000	
OPM - Plans of Conservation and Development	100,000	
SDE - Parish Hill	100,000	
TRB - OE - analyze Medicare Part D	80,000	
TRB - OE - analyze GASB 45	50,000	
Subtotal		566,777,910

**FY 05 Carryforwards Reducing FY 06 Requirements (PA 05-251, Section 58):**

Various Agencies - Personal Services and Other Expenses	25,890,936	
State Employee Health Service Costs	20,000,000	
SDE - Charter Schools	1,900,000	
DAS - Workers' Compensation Claims	1,600,000	
DOC - Workers' Compensation Claims	1,600,000	
DOC - Community Support Services	1,500,000	
Higher Education Alternative Retirement System contribution	1,500,000	
SDE - Priority School Districts	1,000,000	
SDE - OPEN Choice program	1,000,000	
DECD - Subsidized Assisted Living Demonstration	348,300	
DMHAS - Special Populations	300,000	
Medical Examiner - Medicolegal Investigations	200,000	
SDE - Omnibus Education Grants State Supported Schools	200,000	
Pensions and Retirement - Other Statutory	50,000	
DHE - Minority Teacher Incentive Program	31,374	
DHE - Connecticut Aid to Charter Oak	12,180	
Subtotal		57,132,790

**FY 05 Appropriation for Private Provider Increases (PA 05-251, Section 50)**

15,851,490

**Total FY 05 Surplus Disposition**

**639,762,190**

**Total FY 05 Surplus**

**1,003,625,437**

**Transfer to Budget Reserve (Rainy Day) Fund**

**363,863,247**

## II. Transportation Fund

The Transportation Fund ended FY 05 with an annual operating surplus of \$3.8 million. This was \$11.5 million less than the budget plan surplus of \$15.3 million. This decrease was the result of revenues ending the year \$3.8 million less than anticipated coupled with higher net spending of \$6.7 million.

The FY 05 operating surplus of \$3.8 combined with the prior year balance of \$129.3 million results in a cumulative fund balance of \$133.1 million as of June 30, 2005.

### Revenues

Total FY 05 revenue was \$4.8 million lower than the budget plan. This takes into account a change in the way the transfer of revenue to the TSB account is realized (when the budget estimates were formulated only \$5 million was recognized as a transfer of revenue while the remainder would be transferred from the resources of the Transportation Fund). Factoring out this \$23.7 million change, revenues were \$18.9 million greater than budget plan estimates, primarily from better than anticipated Motor Fuels tax revenues. The budget plan assumed motor fuels taxes would grow by 1% but actually grew by 3.8% as a result of an improving economy.

### Expenditures

FY 05 actual expenditures ended the year \$6.7 million higher than the budget plan. Expenditures were \$9.5 million higher than anticipated due to deficiency appropriations partially offset by an increase in the overall lapse of \$2.8 million.

Of the \$9.5 million, \$8.8 million was appropriated to the DOT as follows:

- \$5 million (Rail Operations) to reimburse funds transferred by an emergency FAC (FAC 2005-34) from the Rail account to the Handicapped Access account (\$2 million) and to Other Expenses (\$3 million);
- \$2.4 million (Personal Services) for overtime costs related to the March 2005 snowstorm;
- \$800,000 (Other Expenses); and
- \$600,000 (Handicapped Access Program) for increased costs associated with the program.

The remaining \$700,000 deficiency appropriation to the State Employees Health Service Cost account is attributable to increased fringe benefits costs for health services.

Note that the emergency FAC (FAC 2005-34) transferred \$5 million from Rail Operations to Handicapped Access Program (\$2 million) and Other Expenses (\$3 million) budget to meet the FY 05 obligations of the Transportation Fund in lieu appropriating these funds through the Deficiency Bill.

**Exhibit E: FY 05 Transportation Fund Summary**  
(in millions)

	<b>Budget Increases</b>		
	<b><u>Plan [1]</u></b>	<b><u>(Decreases)</u></b>	<b><u>Actual</u></b>
<b>Revenues</b>			
Taxes	\$545.3	\$12.9	\$558.2
Other Revenue (incl. Transfers and Refunds of Payments)	399.3	(17.7)	381.6
<b>Total Revenue</b>	<b>\$944.6</b>	<b>(\$4.8)</b>	<b>\$939.8</b>
 <b>Appropriations</b>			
Original Appropriations - Gross	\$940.3	--	\$940.3
Plus: Deficiency Appropriations (PA 05-251, Section 59)	0.0	9.5	9.5
Less: Lapse	(11.0)	(2.8)	(13.8) [1]
<b>Total Expenditures</b>	<b>\$929.3</b>	<b>\$6.7</b>	<b>\$936.0</b>
 <b>Surplus/(Deficit) from Operations for FY 05</b>	 <b>\$15.3</b>	 <b>(\$11.5)</b>	 <b>\$3.8</b>
 <b>Plus: Cumulative Surplus as of June 30, 2004</b>			 <b>129.3</b>
 <b>Fund Balance as of June 30, 2005</b>			 <b>\$133.1</b>

[1] The budget plan revenues for FY 05 are the estimates of the Finance, Revenue and Bonding Committee and were initially adopted on April 29, 2004, but were subsequently revised for FY 05 per Section 2-35 (CGS) by the committee on June 28, 2004.

**Exhibit F: FY 05 Transportation Fund Revenue  
(in millions)**

	<b><u>Budget Plan [1]</u></b>	<b><u>Over/(Under) Budget Plan</u></b>	<b><u>Realized Revenue</u></b>
<b>TAXES</b>			
Motor Fuels Tax	\$471.0	\$12.8	\$483.8
Petroleum Products Tax	13.0	0.0	13.0
Sales Tax - DMV	70.0	(0.3)	69.7
Refunds of Taxes	(8.7)	0.4	(8.3)
<b>Total - Taxes less Refunds</b>	<b>\$545.3</b>	<b>\$12.9</b>	<b>\$558.2</b>
<b>OTHER REVENUE</b>			
Motor Vehicle Receipts	\$226.2	\$7.6	\$233.8
License, Permits and Fees	159.1	(4.0)	155.1
Interest Income	27.0	5.7	32.7
Federal Grants	3.3	(3.3)	0.0
Transfer to Conservation Fund	(2.0)	0.0	(2.0)
Transfer to Emissions Fund	(6.5)	0.0	(6.5)
Transfers to TSB Account [2]	(5.0)	(23.7)	(28.7)
Refunds of Payments	(2.8)	0.0	(2.8)
<b>Total – Other Rev. less Transfers &amp; Refunds</b>	<b>\$399.3</b>	<b>(\$17.7)</b>	<b>\$381.6</b>
<b>TOTAL REVENUE</b>	<b>\$944.6</b>	<b>(\$4.8)</b>	<b>\$939.8</b>

[1] The budget plan revenues for FY 05 are the estimates of the Finance, Revenue and Bonding Committee and were initially adopted on April 29, 2004, but were subsequently revised for FY 05 per Section 2-35 (CGS) by the committee on June 28, 2004.

[2] PA 03-1 JSS required that \$5 million be transferred from the Transportation Fund to the Transportation Strategy Board (TSB) projects account to fund TSB projects.

PA 03-4 JSS earmarked the incremental revenue from various DMV fee changes enacted by PA 03-1 JSS enacted by PA 03-1 JSS to be allocated to the TSB and deposited in the TSB projects account.

## FY 05 Transportation Fund Lapsing Appropriations

The agencies and accounts funded within the Transportation Fund lapsed a total of \$13.8 million. Please refer to Exhibit G for a listing of all Transportation Fund lapsing appropriations of \$1 million or more and the percentages relative to the adjusted appropriations for each agency/account.

Below is brief description of significant (greater than \$1 million) Transportation Fund lapses.

<b>Agency/Description</b>	<b>Lapsing Amount</b>
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<b>State Insurance Risk and Management Board</b>	<b>\$1,561,090</b>
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The State Insurance Risk and Management Board account lapsed a total of \$1.6 million attributable to fewer paid claims regarding highway liability as a result of both favorable weather conditions as well as an aggressive investigation and defense of all highway liability claims.

<b>Department of Motor Vehicles (DMV)</b>	<b>\$1,718,974</b>
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The DMV lapsed a total of \$1.7 million primarily in Personal Services. The Personal Services lapse of \$1.5 million occurred as a result of the Governor's Hiring Freeze savings.

<b>Department of Transportation (DOT)</b>	<b>\$2,808,632</b>
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The DOT lapsed a total of \$2.8 million primarily in Rail Operations attributable to less than anticipated subsidy requirements to augment ticket fares due to greater than expected ridership.

### **Non Functional Accounts**

<b>Debt Service</b>	<b>\$6,576,168</b>
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The Debt Service account lapsed a total of \$6.6 million attributable to changes in issuance and lower anticipated interest rates that reduced debt service costs.

**Exhibit G: FY 05 Transportation Fund Lapsing Appropriations  
of \$1 Million or More  
(in millions)**

<b>Agency</b>	<b><u>Adjusted Appropriations</u></b>	<b><u>Lapse Amount</u></b>	<b><u>Percent of Adjusted Appropriations</u></b>
State Insurance and Risk Management Board	\$2.5	\$1.6	64.0%
Department of Motor Vehicles	71.8	1.7	2.4%
Department of Transportation	389.6	2.8	0.7%
<b>Non Functional Accounts</b>			
Debt Service	422.9	6.6	1.6%
All Other	97.2	1.2	1.2%
<b>Total Transportation Fund</b>	<b>\$984.0</b>	<b>\$13.9</b>	<b>1.4%</b>