

# OFFICE OF FISCAL ANALYSIS

Room 5200, Legislative Office Building

Hartford, CT 06106 - (860) 240-0200

E-Mail: [ofa@cga.ct.gov](mailto:ofa@cga.ct.gov)

[www.cga.ct.gov/ofa](http://www.cga.ct.gov/ofa)

## State Budget Projections General Fund February 24, 2012

### Summary

We are currently projecting a \$161.0 million deficit in the General Fund. This reflects a net increase in the projected deficit of \$16.5 million since last month. Although projected expenditures have decreased by \$15.0 million, this was more than offset by a projected decline in revenue of \$31.5 million. These figures include the impact of the Governor's anticipated rescissions totaling \$80.6 million<sup>1</sup>, but do not include the setting aside of funds for GAAP, since the law requires this reserve only if available surplus exists.<sup>2</sup> See the table below for a summary.

Please note, however, that OPM has indicated that it intends to use \$90.0 million of available FY 11 carry forward funding<sup>3</sup> toward the FY 12 estimated deficit. Assuming this occurs, the projected deficit is reduced to \$71.0 million. In addition, our projections do not include any of the \$27.0 million related to the national mortgage foreclosure settlement since the decision on how these funds will be used has not been made.

### FY 12 General Fund Overview (in millions)

| Estimates                          | Budget \$       | January Projection \$ | Current Projection \$ | Difference from January \$ | Difference from Budget \$ |
|------------------------------------|-----------------|-----------------------|-----------------------|----------------------------|---------------------------|
| <b>Operating Surplus/(Deficit)</b> | 80.9            | (144.5)               | (161.0)               | (16.5)                     | (241.9)                   |
| % of Expenditures                  | 0.4%            | -0.8%                 | -0.9%                 |                            |                           |
| <b>Expenditures</b>                | <b>18,707.7</b> | <b>18,838.4</b>       | <b>18,823.4</b>       | <b>(15.0)</b>              | <b>115.7</b>              |
| Agency Appropriations              | 19,485.6        | 19,485.6              | 19,485.6              | -                          | -                         |
| Deficiency Requirements            | 0.0             | 4.1                   | 4.5                   | 0.4                        | 4.5                       |
| Lapses                             | (777.9)         | (651.4)               | (666.8)               | (15.4)                     | 111.1                     |
| <b>Revenues</b>                    | <b>18,788.6</b> | <b>18,693.9</b>       | <b>18,662.4</b>       | <b>(31.5)</b>              | <b>(126.2)</b>            |
| Personal Income Tax                | 8,550.6         | 8,474.7               | 8,474.7               | -                          | (75.9)                    |
| Sales and Use                      | 3,789.0         | 3,880.5               | 3,880.5               | -                          | 91.5                      |
| Corporations                       | 707.7           | 707.7                 | 707.7                 | -                          | -                         |
| Federal Grants                     | 3,589.7         | 3,572.8               | 3,568.7               | (4.1)                      | (21.0)                    |
| Other Taxes and Refunds            | 971.8           | 946.1                 | 918.7                 | (27.4)                     | (53.1)                    |
| Other Revenue Sources              | 1,179.8         | 1,112.1               | 1,112.1               | -                          | (67.7)                    |

<sup>1</sup> Of this amount, \$44.6 million had already been counted in previous lapses and therefore did not affect the balance.

<sup>2</sup> Section 46 of PA 11-48 requires that \$75.0 million be reserved toward GAAP if an unappropriated surplus exists at the end of FY 12.

<sup>3</sup> See HB 5015, the Governor's deficiency bill.

## Major Expenditure Changes

Projected net expenditures did not change significantly since last month. Some notable changes include:

- The Retiree Health account projection increased by \$11.2 million, or 2.1% higher than last month. The increase is attributable to higher than anticipated number of retirees, the majority of whom are currently non-Medicare eligible retirees for which the state is the primary insurer. Based on the monthly claims experience to date, the FY 12 average monthly claims expenditures are 23% higher than FY 11. The current projection reflects the incorporation of an additional month of claims information for the retiree health population.
- The Personal Services account in the Department of Emergency Services and Public Protection is \$125.1 million, or 2.9% lower than the projection for January. The change reflects a reduction in the projected overtime spending for the agency based on recent data.
- The Inmate Medical Services account for the Department of Correction is \$92.5 million, or 4.6% lower than the projection for January. This change reflects an updated projection for the Correctional Managed Healthcare Program. The savings are primarily related to salary savings from unfilled vacancies, as well as changes based on moving medical costs to Medicaid.

## Deficient Agencies

Given the reduction in available funding that occurs due to budgeted lapses (holdbacks), we currently identify ten agencies that would require \$136.9 million in additional expenditure requirements. However, if available funding were to be released, this would be reduced to three agencies that would require deficiency funding totaling \$4.5 million.

| FY 12 General Fund Estimated Agency Deficiency Needs   |                           |   |                   |  |   |
|--|---------------------------|---|-------------------|--|---|
| Agency   | Budgeted Appropriation \$ | Available <sup>[1]</sup> Appropriation \$ | Estimated Exp. \$ | Deficiency without release of holdbacks \$ | Deficiency with release of holdbacks \$ |
| State Comptroller - Fringe Benefits                    | 2,213,861,926             | 1,910,176,238                             | 2,013,084,481     | (102,908,243)                              | -                                       |
| Department of Correction                               | 695,185,070               | 656,320,625                               | 671,797,764       | (15,477,139)                               | -                                       |
| Department of Emergency Services and Public Protection | 172,588,839               | 156,840,619                               | 164,400,974       | (7,560,355)                                | -                                       |
| Public Defender Services Commission                    | 64,655,475                | 61,810,370                                | 64,936,083        | (3,125,713)                                | (280,608)                               |
| State Comptroller - Miscellaneous (Adjudicated Claims) | 4,000,000                 | 4,000,000                                 | 6,300,000         | (2,300,000)                                | (2,300,000)                             |
| Teachers' Retirement Board                             | 792,027,161               | 791,745,682                               | 793,945,110       | (2,199,428)                                | (1,917,949)                             |
| Judicial Department                                    | 511,419,613               | 480,856,837                               | 482,377,398       | (1,520,561)                                | -                                       |
| Department of Energy and Environmental Protection      | 78,295,740                | 72,554,750                                | 73,354,750        | (800,000)                                  | -                                       |
| Department of Veterans' Affairs                        | 31,809,493                | 28,366,182                                | 28,938,067        | (571,885)                                  | -                                       |
| Division of Criminal Justice                           | 52,399,228                | 47,931,770                                | 48,333,671        | (401,901)                                  | -                                       |
|  |                           |   | <b>Total</b>      | (136,865,225)                              | (4,498,557)                             |

[1] Appropriation less budgeted lapses

## Major Revenue Changes

There are four areas for which estimated revenue changed. They are:

- A decline in Personal Income Tax associated with the new Earned Income Tax Credit. This is anticipated to be \$22.0 million higher than budgeted as a result of greater-than-anticipated growth in the number of EITC recipients and a higher than anticipated average refund.
- An increase in the Oil Companies Tax by \$9.3 million due to strong 1<sup>st</sup> and 2<sup>nd</sup> quarter earnings, and the anticipation of high oil prices through summer.
- The Inheritance and Estate Tax estimate is reduced by \$14.7 million due to weaker-than-anticipated collections year to date.
- Lastly, the estimate of Federal reimbursements is reduced by \$4.7 million due to slowed growth in spending in the Low Income Adults line item in DMHAS.

### **Conclusion**

As we noted last month, the biennial budget is heavily reliant on budgeted lapses to achieve balance. So far, of the \$777.9 million budgeted, we have been able to identify \$666.8 million in lapses.<sup>4</sup>

### **Further Information**

Use the links below to see estimates in more detail.

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

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

---

<sup>4</sup> OFA analyzes each expenditure line item in the budget and compares the total of these estimated expenditures to the available funding.