

OFFICE OF FISCAL ANALYSIS

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State Budget Projections General Fund March 26, 2012

Summary

We are currently projecting a \$124.4 million deficit in the General Fund. This reflects a net decrease in the projected deficit of \$36.6 million since last month. Projected expenditures have decreased by \$40.9 million, which was partially offset by a projected decline in revenue of \$4.3 million. These figures include the impact of the Governor's anticipated rescissions totaling \$78.8 million, but 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.

Please note, however, that OPM has indicated that it intends to use the balance of available FY 11 carry forward funding in the Reserve for Salary Adjustment line item² toward the FY 12 estimated deficit. Assuming this occurs, the projected deficit would be reduced to \$40.7 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 \$	February Projection \$	Current Projection \$	Difference from February \$	Difference from Budget \$
Operating Surplus/(Deficit)	80.9	(161.0)	(124.4)	36.6	(205.3)
% of Expenditures	0.4%	-0.9%	-0.7%		
Expenditures	18,707.7	18,823.4	18,782.5	(40.9)	74.8
Agency Appropriations	19,485.6	19,485.6	19,485.6	-	-
Deficiency Requirements	0.0	4.5	5.4	0.9	5.4
Lapses	(777.9)	(666.8)	(708.6)	(41.8)	69.3
Revenues	18,788.6	18,662.4	18,658.1	(4.3)	(130.5)
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	3,568.7	3,568.7	-	(21.0)
Other Taxes and Refunds	971.8	918.7	918.5	(0.2)	(53.3)
Other Revenue Sources	1,179.8	1,112.1	1,108.0	(4.1)	(71.8)

¹ 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.

² See HB 5015, the Governor's deficiency bill.

Major Expenditure Changes

Projected net expenditures declined by \$40.9 million since last month. Some notable changes include:

- The Personal Services account in the Department of Emergency Services and Public Protection current projection was increased to \$126.7 million, which represents a \$1.6 million increase from last month. The increase is primarily driven by higher than historical overtime spending. In addition, the Other Expense account increased to \$28.5 million, which represents an increase of \$1.5 million from the previous month. The increase is driven by spending on fuel and expected fuel price increases.
- The Contracted Attorneys account in the Public Defender Services Commission current projection is 15.8% lower than the prior month's projection. This \$2,000,000 decrease in the projection reflects an updated assessment of the settlements with Child Protection Commission contracted attorneys for previously billed services.
- The Other Expenses account in the Judicial Department current projection is an increase of approximately \$2.6 million from February. This change is due to an inability to fully achieve the application of a rescission of \$3.3 million to the account, which represents approximately 4.8% of the FY 12 appropriation. The agency's FY 11 expenditures in this account totaled approximately \$70.2 million.
- Estimates for the Connecticut Home Care Program for Elders increased by \$4.0 million based on recent expenditure trends, resulting in a projected end of year lapse of approximately \$14.8 million.
- The Other Expenses account projection for the Department of Public Health was reduced \$1.7 million or 26.0% from last month's projection to this month's to reflect the delayed opening of the new state laboratory in Rocky Hill, now anticipated to open in June 2012.
- The Personal Services account projection for the Department of Children and Families (DCF) was reduced \$1.3 million or 0.5% from last month's projection to this month's to reflect updated anticipated expenditures in salaries and wages for full-time employees.
- The Board and Care for Children - Foster Care account projection for DCF was reduced by \$1.0 million or 1.0% to reflect delayed implementation of a new therapeutic foster care model.
- The Board and Care for Children - Residential account projection for DCF was increased by \$1.0 million or 0.6% from last month's projection to this month's to reflect updated caseload calculations.
- The Employers Social Security Tax account in the Office of the State Comptroller's Fringe Benefits current projection is \$218.6 million, which represents a \$15.4 million reduction from the previous month. This reduction is due to not refilling vacancies as previously anticipated following the significant number of state employee this fiscal year.

Deficient Agencies

Given the reduction in available funding that occurs due to budgeted lapses (holdbacks), we currently identify nine agencies that would incur \$104.9 million in additional expenditures beyond available funding. However, if holdbacks (lapse reductions) were to be released by OPM, this would reduce to two agencies that would require deficiency funding totaling \$5.4 million.

FY 12 General Fund Estimated Agency Deficiency Needs

Agency	Budgeted Appropriation \$	Available ^[1] 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	2,001,859,384	(91,683,146)	-
Judicial Department	511,419,613	480,856,837	484,383,264	(3,526,427)	-
State Comptroller - Miscellaneous (Adjudicated Claims)	4,000,000	4,000,000	7,500,000	(3,500,000)	(3,500,000)
Teachers' Retirement Board	792,027,161	791,745,682	793,945,110	(2,199,428)	(1,917,949)
Public Defender Services Commission	64,655,475	61,810,370	63,475,591	(1,665,221)	-
Department of Emergency Services and Public Protection	172,588,839	164,792,289	166,058,289	(1,266,000)	-
Department of Energy and Environmental Protection	78,295,740	72,554,750	73,354,750	(800,000)	-
Division of Criminal Justice	52,399,228	49,348,979	49,540,380	(191,401)	-
Office of the Chief Medical Examiner	6,199,848	5,203,098	5,304,120	(101,022)	-
			Total	(104,932,645)	(5,417,949)
[1] Appropriation less budgeted lapses					

Major Revenue Changes

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

- An increase in the Oil Companies Tax by \$12.8 million due to strong FY 12 collections-to-date, and the anticipation of high oil prices through the summer;
- The Inheritance and Estate Tax is reduced further by \$13.0 million due to continued weak collections;
- An increase in Special Revenue transfers due to 4.3% growth in lottery sales year-over-year; and
- Lastly, a reduction of \$12.0 million in Rentals, Fines, and Escheats due to weak collections in significant revenue components of the account (including Civil Penalties and "Bottle Bill" Escheats).

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 \$708.6 million in lapses.³

Further Information

Use the links below to see estimates in more detail.

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

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

³ OFA analyzes each expenditure line item in the budget and compares the total of these estimated expenditures to the available funding.