

# OFFICE OF FISCAL ANALYSIS

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## State Budget Projections General Fund June 25, 2012

### Summary

We are currently projecting a \$218.0 million deficit in the General Fund. This reflects a net improvement in the projected deficit of \$31.3 million since last month. Projected expenditures have decreased by \$21.8 million and projected revenues have increased by \$9.5 million. These figures do not include the setting aside of funds for GAAP, since the law requires this reserve only if available surplus exists.<sup>1</sup> See the table below for a summary.

However, changes contained in PA 12-104 (the FY 13 revised budget) make other funds available to further improve the FY 12 budget balance (by up to \$284.2 million). These include:

- permitting the use of up to \$222.4 million initially set aside to repay debt associated with Economic Recovery Notes issued to pay off any FY 12 deficit (Section 28);<sup>2</sup> and
- allowing for the FY 11 unexpended carry forward funding in the Reserve for Salary Adjustments account to lapse in FY 12, thereby reducing the FY 12 deficit by \$76.8 million (Section 33).

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

Estimates	Budget \$	May Projection \$	Current Projection \$	Difference from May \$	Difference from Budget \$
<b>Operating Surplus/(Deficit)</b>	80.9	(249.2)	(218.0)	31.3	(298.9)
% of Expenditures	0.4%	-1.3%	-1.2%		
<b>Expenditures</b>	<b>18,707.7</b>	<b>18,800.5</b>	<b>18,778.8</b>	<b>(21.8)</b>	<b>71.1</b>
Agency Appropriations	19,485.6	19,485.6	19,485.6	-	-
Deficiency Requirements	0.0	0.0	0.0	0.0	0.0
Lapses	(777.9)	(685.1)	(706.9)	(21.8)	71.0
<b>Revenues</b>	<b>18,788.6</b>	<b>18,551.3</b>	<b>18,560.8</b>	<b>9.5</b>	<b>(227.8)</b>
Personal Income Tax	8,550.6	8,377.7	8,389.7	12.0	(160.9)
Sales and Use	3,789.0	3,869.5	3,862.6	(6.9)	73.6
Corporations	707.7	721.9	721.9	-	14.2
Federal Grants	3,589.7	3,611.3	3,598.9	(12.4)	9.2
Other Taxes and Refunds	971.8	865.0	870.9	5.9	(100.9)
Other Revenue Sources	1,179.8	1,105.9	1,116.8	10.9	(63.0)

<sup>1</sup> Section 46 of PA 11-48 requires that \$75.0 million be reserved toward a GAAP (Generally Accepted Accounting Principles) conversion if an unappropriated surplus exists at the end of FY 12.

<sup>2</sup> However, Section 29 specifies that \$15.0 million of these diverted funds would be used in FY 13 to implement any amendments to the Indian Gaming Compacts provided that the General Fund ends the year in a surplus.

## Major Expenditure Changes

- Office of the State Comptroller - Fringe Benefits - The Employers Social Security Tax account expenditure projection was decreased by \$2.5 million or 1.2% from last month's projection due to lower than anticipated hiring of personnel.
- Office of the State Comptroller - Miscellaneous - The Adjudicated Claims account expenditure projection was decreased by \$1.5 million or 16.1% from last month's projection due to current projected settlement information.
- Department of Administrative Services - The Rents and Moving account expenditure projection was decreased by \$1.5 million or 12.9% from last month's projection due to the termination of several small leases and the deferral of consolidation-related moves and renovations until FY 13.
- Department of Social Services - Various Accounts - The expenditure estimates for various entitlement programs was reduced by \$7.5 million to reflect estimated cash account balances.
- State Department of Education - The Magnet School account expenditure projection was decreased by \$6.6 million or 3.1% from last month's projection due to lower than anticipated and final enrollment calculations.
- State Department of Education - The Sheff account expenditure projection was decreased by \$1.3 million or 17% from last month's projection due to lower than anticipated enrollment in various programs and the delay of various projects.

## Deficient Agencies

Sections 31-33 of PA 12-104 made deficiency appropriations in certain line items, and reduced appropriations in other line items with no net impact on the total FY 12 appropriations in the General Fund, and eliminated any previously identified deficiencies.

## Major Revenue Changes

- Personal Income Tax - The projection for the Personal Income Tax was increased by \$12.0 million, or 0.15%, from the May estimate. This net increase is due to: 1) an increase of \$69.0 million in Estimated and Final payments due to strong growth in June estimated payments, and 2) a decrease of \$57.0 million in Withholding due to a recent slow-down in job growth.
- Sales and Use Tax - The projection for Sales and Use Tax was decreased by \$6.9 million, or 0.2%, from the May estimate. This decrease is due to the current overall sales and use tax collection for FY 12 trending slightly lower than previous projections.
- Public Service Tax - The projection for the Public Service Tax was decreased by \$13.0 million, or 4.8%, from the May estimate. This is due to weak 4th quarter collections.
- Inheritance & Estate Tax - The projection for the Inheritance & Estate Tax was increased by \$27.0 million, or 17.0%, from the May estimate. This increase is due to a number of significant payments received in the May and June period.
- Refunds of Taxes - The projection for Refunds of Taxes was increased by \$5.0 million, or 0.5%, from the May estimate. This increase is due to a sharp increase in refunds other than Income and Corporation Business taxes.

- Transfer Special Revenue - The projection for Transfers Special Revenue was decreased by \$4.7 million, or 1.5%, from the May estimate. This decrease is due to a recent decline in the percentage of lottery revenue being transferred to the General Fund.
- Indian Gaming Payments - The projection for Indian Gaming Payments was decreased by \$3.3 million, or 0.9%, from the May estimate. This decrease is due to a recent decline in slot revenues at the Mohegan Sun and Foxwoods casinos.
- Rentals, Fines, and Escheats - The projection for Rentals, Fines, and Escheats was increased by \$10.0 million, or 9.0%, from the May estimate. This increase is due primarily to revenues from the sale of securities (\$4.0 million), as well as other fines and penalties.
- Miscellaneous Revenue - The projection for Miscellaneous Revenue was increased by \$10.1 million, or 6.4%, from the May estimate. This increase is due to an increase in recoveries of expenditures and refunds of prior years' expenditures.
- Federal Grants - The projection for Federal Grants was decreased by \$12.4 million, or 0.3%, from the May estimate. This decrease is due to a delay in receiving retroactive reimbursement for Medicaid services rendered by the Department of Developmental Disabilities.
- The remaining four minor changes net to a negative \$4.3 million adjustment, due to the continuation of trends occurring through the 4<sup>th</sup> quarter of this year.

### **Conclusion**

As we noted in previous monthly statements, the biennial budget is heavily reliant on budgeted lapses to achieve balance. The FY 12 original budget contained a total of \$777.9 million in lapses. Although all estimated lapse categories totaled \$779.6 million, \$101.1 million of these available funds were used (per PA 12-104) to cover areas of deficiencies for a net lapse of \$706.9 million.

### **Further Information**

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

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

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