

# OFFICE OF FISCAL ANALYSIS

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## State Budget Projections General Fund March 25, 2013

### Summary

We are currently projecting a \$50.7 million deficit in the General Fund on a budgetary basis. This reflects a deficit reduction of \$77.3 million since last month. 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.

FY 13 General Fund Overview (in millions)					
Estimates	Budget	February Projection	Current Projection	Difference from February	Difference from Budget
<b>Expenditures</b>	<b>19,140.1</b>	<b>19,107.5</b>	<b>19,061.2</b>	<b>(46.3)</b>	<b>(78.9)</b>
Agency Appropriations	19,256.4	19,256.4	19,256.4	-	0.0
Deficiency Requirements	0.0	363.6	348.3	(15.3)	348.3
Lapses	(116.3)	(512.5)	(543.5)	(31.0)	(427.2)
<b>Revenues</b>	<b>19,143.2</b>	<b>18,979.5</b>	<b>19,010.5</b>	<b>31.0</b>	<b>(132.7)</b>
Personal Income Tax	8,554.3	8,554.3	8,554.3	-	-
Sales and Use	4,045.9	3,886.2	3,886.2	-	(159.7)
Corporations	793.0	716.2	716.2	-	(76.8)
Federal Grants	3,629.0	3,752.9	3,752.9	-	123.9
Other Taxes and Refunds	1,014.9	949.5	986.8	37.3	(28.1)
Other Revenue Sources	1,106.0	1,120.4	1,114.1	(6.3)	8.1
<b>Operating Surplus/(Deficit)</b>	<b>3.1</b>	<b>(128.0)</b>	<b>(50.7)</b>	<b>77.3</b>	<b>(53.8)</b>
% of Expenditures	0.0%	-0.67%	-0.27%		

As noted in last month's statement, two factors may improve our FY 13 estimates in the coming months: 1) revenue from estimated and final income tax payments; and 2) savings due to hiring restrictions announced by OPM January 22, 2013. The positive effects, if any, of these two factors has not yet been determined. In contrast to these potentially positive trends, Sales and Use Tax collections continue to show minimal growth over last year's collections.

We will continue to monitor and update our estimates as more information on these three factors and others becomes available.

<sup>1</sup> Section 46 of PA 11-48 requires that \$50.0 million be reserved toward a GAAP (Generally Accepted Accounting Principles) conversion if an unappropriated surplus exists at the end of FY 13.

## Major Expenditure Changes since February

- State Comptroller - Fringe Benefits - Retired State Employees Health Services account projection is decreased by \$21.6 million or 3.6% from last month's projection due to various factors including: 1) lower than projected claims expenditures, 2) the budget assumed a 6.5% premium increase the actual FY 13 increase is 0%, and 3) the budget assumed approximately \$30 million in savings from converting to and Employer Group Waiver Program for its prescription drug expenditures for its Medicare eligible retirees, actual savings for FY 13 are anticipated to be \$56 million.
- State Comptroller - Fringe Benefits - The Higher Education Alternative Retirement System account projection is decreased by \$4.0 million or 15.2% from last month's projection due to a lower number of employees enrolled in the retirement system than anticipated.
- State Department of Education - The agency's expenditure projections are reduced by \$2.9 million or 0.1% from last month's projection. This is due to changes in various accounts but most significantly in the following two accounts: (1) Magnet School account projected expenditures are reduced by \$2.9 million from last month (for a total estimated lapse of \$7.1 million) due to refined enrollment calculations; and (2) the Priority School District account projected expenditures are reduced by \$2.2 million due to unfilled seats during an aggressive growth year. These reduced expenditures are offset by increases in other accounts resulting in a total change of \$2.9 million from last month's estimated agency expenditures (and a total of \$8.4 million projected lapse for SDE.)
- Department of Children and Families - The current expenditure projection for the Board and Care for Children - Residential account of \$141.4 million is reduced from last month's projection by \$1.7 million, or 1.2% of the February projection of \$143.1 million, due to a forecasted reduction in account caseloads.

## Deficient Agencies

Given the reduction in available funding that occurs due to budgeted lapses (holdbacks), we currently identify seven agencies that would require \$348.3 million in additional expenditure requirements. However, if available funding were to be released, this would reduce the need for deficiency funding to \$343.7 million.

FY 13 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 \$
Department of Social Services	5,812,216,680	5,653,086,772	5,951,941,759	(298,854,987)	(297,011,107)
Department of Correction	618,949,296	611,255,837	631,896,600	(20,640,763)	(20,591,375)
Department of Emergency Services and Public Protection	151,569,768	153,179,717	166,224,304	(13,044,587)	(13,044,587)
Department of Mental Health and Addiction Services	693,499,397	682,316,584	694,816,583	(12,499,999)	(9,894,735)
State Comptroller - Miscellaneous	4,000,000	4,000,000	5,500,000	(1,500,000)	(1,500,000)
State Comptroller	25,028,592	24,155,905	25,655,905	(1,500,000)	(1,500,000)
Department of Consumer Protection	14,621,623	14,601,075	14,838,075	(237,000)	(112,106)
			<b>Total</b>	<b>(348,277,335)</b>	<b>(343,653,909)</b>
[1] Appropriation less budgeted lapses, rescissions, and DMP					

## Major Revenue Changes since February

- Inheritance & Estate Tax - The projection for the Inheritance & Estate Tax includes an increase of \$40 million, or 20.4%, due to an extraordinarily high collection day in March.
- Insurance Companies Tax - The projection for the Insurance Companies Tax includes an increase of \$6 million, or 2.4%, to reflect current trends.

- Cigarettes Tax - The projection for the Cigarettes Tax includes a decrease of \$7 million, or 1.7%, to reflect the carry-forward of negative growth for the remainder of the year.
- Admissions & Dues Tax - The projection for the Admissions & Dues Tax includes a decrease of \$2 million, or 5.1%, to reflect weak collections since January.
- Indian Gaming Payments - The projection for Indian Gaming Payments includes a decrease of \$7.8 million, or 2.6%, to reflect particularly poor collections in February, and the expectation of negative growth for the remainder of the year.
- Sales of Commodities - The projection for Sales of Commodities includes an increase of \$2.0 million, or 5.6%, to reflect current trends.
- Investment Income - The projection for Investment Income includes a decrease of \$0.5 million, or 50%, to reflect weak collections in the current low-interest rate environment.
- R & D Credit Exchange - The projection for the R & D Credit Exchange includes a decrease of \$1 million, or 20.4%, to reflect current trends.

### **Further Information**

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

[Expenditures XLS PDF](#)

[Revenues XLS PDF](#)