

STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

April 30, 2012

The Honorable Kevin Lembo
State Comptroller
55 Elm Street
Hartford, Connecticut 06106

Dear Comptroller Lembo:

The purpose of this correspondence is to update our projections provided April 20th pursuant to C.G.S. 4-66. As noted in our April 20th letter, we did not include any revisions to our income tax estimate at that time because of the pending consensus revenue forecast and due to the volume of April income tax collection data that would be realized after publication of our letter. This update includes significant revisions in our revenue forecast and a minor change in estimated expenditures.

General Fund

As a result of the April 30th consensus revenue forecast, we are now projecting a \$274.8 million operating deficit on a GAAP basis for fiscal year 2012, an increase of \$132.9 million from the April 20th estimate. On a budgetary basis, we are forecasting an operating deficit of \$199.8 million.

Revenues

Revenues in this revised letter reflect the April 30th consensus revenue forecast reached between this office and the Office of Fiscal Analysis pursuant to C.G.S. 2-36c. Based on the consensus forecast, projected revenues are revised downward by \$136.0 million, driven primarily by a \$147.0 million reduction in the Personal Income Tax from our March estimate, as April tax collections fell short of their target.

Expenditures

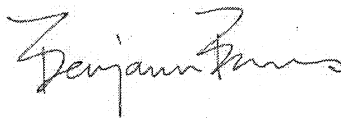
Our updated forecast reflects minor changes from the expenditure levels reported in our April 20th letter. Overall, expenditures are estimated at \$37.4 million above appropriated levels, with shortfalls totaling \$102.6 million largely offset by lapses of \$65.2 million beyond savings programmed in the adopted budget. Our revised estimate reflects the release of holdbacks totaling \$122.3 million in the Comptroller's Employee Retirement Contribution and Retired Employees Health Services accounts. After release of these holdbacks, the fringe benefits accounts are anticipated to lapse a total of \$29.9 million, primarily in the Employers Social Security Tax, Unemployment Compensation, and Higher Education Alternative Retirement System accounts. In aggregate, these adjustments are a net improvement of \$3.1 million over our April 20th estimate which reflected a deficit of \$95 million in the fringe benefit accounts prior to the release of holdbacks.

Special Transportation Fund

A balance from operations of \$3.2 million is forecast, up \$0.4 million from our April 20th letter. This change is reflective of the consensus revenue estimate reached today; no changes are being made to our expenditure forecast. With this revised revenue forecast, the fund balance on June 30, 2012 is anticipated to be \$110.6 million.

I hope this updated information is helpful. Based on this updated forecast, the Governor intends to present a plan to the Legislature that will mitigate the projected deficit in the General Fund for fiscal year 2012.

Sincerely,

A handwritten signature in black ink, appearing to read "Benjamin Barnes". The signature is written in a cursive style with a large initial "B".

Benjamin Barnes
Secretary

Summary
April 30, 2012

State of Connecticut
Summary of Changes
General Fund and Special Transportation Fund
Projected to June 30, 2012
As of March 31, 2012
(In Millions)

General Fund

Balance - projected as of Mar. 20, 2012		\$	12.4
Revenues			
Personal Income Tax	(147.0)		
All Other Changes (Net)	<u>21.9</u>		(125.1)
Expenditures			
Additional Requirements	6.7		
Estimated Lapses	(93.8)		
Miscellaneous Adjustments/Rounding	<u>0.0</u>		(87.1)
Balance - projected as of Apr. 30, 2012		\$	(199.8)
Reserved Balance ¹ :			<u>(75.0)</u>
Estimated Balance - June 30, 2012 - GAAP Basis		\$	<u>(274.8)</u>

1. Up to \$75,000,000 is reserved for GAAP per Sec. 46 of P.A. 11-48, with the balance applied to Economic Recovery Notes per Sec. 511, P.A. 09-3, June Spec. Sess.

Special Transportation Fund

Carry Forward FY 2010-11 Surplus		\$	107.4
Balance - projected as of Mar. 20, 2012			1.5
Revenues			
April 30, 2012 Consensus Changes	<u>0.4</u>		0.4
Expenditures			
Additional Requirements	0.0		
Estimated Lapses	1.3		
Miscellaneous Adjustments/Rounding	<u>0.0</u>		1.3
Estimated Balance - June 30, 2012		\$	<u>110.6</u>

State of Connecticut
General Fund
Statement of Revenues, Expenditures, and Results of Operations
Projected to June 30, 2012
As of March 31, 2012
(In Millions)

	General Assembly <u>Budget Plan</u> ^{1.}	Revised Estimates <u>OPM</u> ^{2.}	Over/ <u>(Under)</u>
REVENUE			
Taxes	\$14,954.4	\$14,927.9	(\$26.5)
Less: Refunds	<u>(\$935.3)</u>	<u>(\$1,099.8)</u>	<u>(\$164.5)</u>
Taxes - Net	\$14,019.1	\$13,828.1	(\$191.0)
Other Revenue	\$1,226.5	\$1,152.6	(\$73.9)
Other Sources	<u>\$3,543.0</u>	<u>\$3,564.6</u>	<u>\$21.6</u>
TOTAL Revenue	\$18,788.6	\$18,545.3	(\$243.3)
EXPENDITURES			
Appropriations	\$19,485.6	\$19,485.6	\$0.0
Net Additional Requirements	\$0.0	\$102.6	\$102.6
Less: Estimated Lapses	<u>(\$777.9)</u>	<u>(\$843.1)</u>	<u>(\$65.2)</u>
TOTAL Expenditures	\$18,707.7	\$18,745.1	\$37.4
Balance from Operations	\$80.9	(\$199.8)	(\$280.7)
Miscellaneous Adjustments	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>
Estimated Balance - Budgetary Basis	\$80.9	(\$199.8)	(\$280.7)
Reserved Balance - GAAP ³	<u>(\$75.0)</u>	<u>(\$75.0)</u>	<u>\$0.0</u>
Estimated Balance - GAAP Basis	\$5.9	(\$274.8)	(\$280.7)
Reserved Balance -Other ³	<u>(\$5.9)</u>	<u>\$0.0</u>	<u>\$5.9</u>
Remaining Balance - 6/30/2012	\$0.0	(\$274.8)	(\$274.8)

1. P.A. 11-6, as amended by P.A. 11-61 and P.A. 11-1, June Spec. Sess.

2. As amended by P.A. 11-1, October Spec. Sess.

3. Up to \$75,000,000 is reserved for GAAP per Sec. 46 of P.A. 11-48, with the balance applied to Economic Recovery Notes per Sec. 511, P.A. 09-3, June Spec. Sess.

State of Connecticut
General Fund
Revenue Estimates
Projected to June 30, 2012
As of March 31, 2012
(In Millions)

TAXES	
Personal Income	\$8,284.0
Sales and Use	3,869.5
Corporation	721.9
Public Service Corporations	268.7
Inheritance and Estate	159.0
Insurance Companies	234.8
Cigarettes	426.5
Real Estate Conveyance	97.0
Oil Companies	155.2
Electric Generation	71.0
Alcoholic Beverages	58.9
Admissions and Dues	35.4
Health Provider Tax	525.9
Miscellaneous	20.1
TOTAL - TAXES	<u>\$14,927.9</u>
Less: Refunds of Taxes	(993.6)
Earned Income Tax Credit	(101.2)
R & D Credit Exchange	(5.0)
TOTAL - TAXES - NET	<u>\$13,828.1</u>
OTHER REVENUE	
Transfers - Special Revenue	\$313.3
Indian Gaming Payments	347.8
Licenses, Permits, Fees	269.9
Sales of Commodities and Services	33.9
Rents, Fines, Escheats	111.2
Investment Income	2.4
Miscellaneous	157.3
Refunds of Payments	(83.2)
TOTAL - OTHER REVENUE	<u>\$1,152.6</u>
OTHER SOURCES	
Federal Grants	\$3,611.3
Transfer from Tobacco Settlement Fund	96.1
Transfers to Other Funds	(142.8)
TOTAL - OTHER SOURCES	<u>\$3,564.6</u>
TOTAL - GENERAL FUND REVENUE	\$18,545.3

State of Connecticut - General Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2012
As of March 31, 2012

Department of Emergency Services and Public Protection	\$	1,800,000
Office of the Chief Medical Examiner		200,000
Department of Social Services		93,200,000
Teachers' Retirement Board		2,600,000
Public Defender Services Commission		1,320,000
OSC-Fringe Benefits		0
OSC-Miscellaneous - Adjudicated Claims		3,500,000
Total	\$	<u>102,620,000</u>

State of Connecticut
 General Fund
 Estimated Lapses
 Projected to June 30, 2012
 As of March 31, 2012

Unallocated Lapse	\$ -
Unallocated Lapse - Legislative	-
Unallocated Lapse - Judicial	2,545,000
General Personal Services Reduction - Legislative	476,000
General Personal Services Reduction - Executive	11,538,800
General Other Expenses Reduction - Legislative	374,000
General Other Expenses Reduction - Executive	9,066,200
Labor-Management Savings - Legislative	4,586,734
Labor-Management Savings - Executive	468,837,156
Labor-Management Savings - Judicial	27,670,929
February 28, 2012 Rescissions	78,690,872
Office of Legislative Management	4,500,000
Auditors of Public Accounts	650,000
Secretary of the State	110,000
Office of the State Treasurer	170,000
Department of Revenue Services	800,000
Office of Government Accountability	340,000
Office of Policy and Management	1,800,000
OPM - Reserve for Salary Adjustment	85,000,000
Department of Administrative Services	950,000
DAS - Workers' Compensation Claims	250,000
Department of Construction Services	320,000
Office of the Attorney General	350,000
Department of Energy and Environmental Protection	990,000
Department of Public Health	3,450,000
Department of Developmental Services	3,800,000
Department of Mental Health and Addiction Services	5,800,000
State Department of Education	10,750,000
Office of Financial and Academic Affairs for Higher Education	620,000
Department of Children and Families	13,800,000
OSC-Fringe Benefits	29,900,000
State Treasurer - Debt Service	75,000,000
Total	\$ 843,135,691

State of Connecticut
2011-12 General Fund
Summary of Operations Per Letter to the Comptroller
(In Millions)

	Budget Plan ¹	July 2011	August 2011	September 2011	October 2011 ²	November 2011	December 2011	January 2012	February 2012	Updated March 2012	April 2012	May 2012	June 2012
REVENUE	\$18,788.6	\$18,788.6	\$18,788.6	\$18,786.0	\$18,777.5	\$18,777.0	\$18,693.9	\$18,693.9	\$18,670.4	\$18,545.3			
Appropriations	19,485.6	19,485.6	19,485.6	19,485.6	19,485.6	19,485.6	19,485.6	19,485.6	19,485.6	19,485.6			
Additional Requirements	0.0	0.0	17.0	33.0	12.0	7.2	107.6	107.6	109.3	102.6			
Less: Estimated Lapses	(777.9)	(777.9)	(792.9)	(808.2)	(799.2)	(799.5)	(900.7)	(935.2)	(936.9)	(843.1)			
TOTAL - Estimated Expenditures	18,707.7	18,707.7	18,709.7	18,710.4	18,698.4	18,693.3	18,692.5	18,658.0	18,658.0	18,745.1	0.0	0.0	0.0
Balance from Operations	80.9	80.9	78.9	75.6	79.1	83.7	1.4	35.9	12.4	(199.8)	0.0	0.0	0.0
Misc. Adjustments/Rounding	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			
Est. Balance 6/30/12 - Budgetary Basis	\$80.9	\$80.9	\$78.9	\$75.6	\$79.1	\$83.7	\$1.4	\$35.9	\$12.4	(\$199.8)	\$0.0	\$0.0	\$0.0
Reserved Balance - GAAP ³	(75.0)	(75.0)	(75.0)	(75.0)	(75.0)	(75.0)	(75.0)	(75.0)	(75.0)	(\$75.0)			
Est. Balance 6/30/12 - GAAP Basis	\$5.9	\$5.9	\$3.9	\$0.6	\$4.1	\$8.7	(\$73.6)	(\$39.1)	(\$62.6)	(\$274.8)	\$0.0	\$0.0	\$0.0

1. P.A. 11-6, as amended by P.A. 11-61 and P.A. 11-1, June Spec. Sess.

2. As amended by P.A. 11-1, October Spec. Sess.

3. Up to \$75,000,000 is reserved for GAAP per Sec. 46 of P.A. 11-48, with the balance applied to Economic Recovery Notes per Sec. 511, P.A. 09-3, June Spec. Sess.

Statement 1T
April 30, 2012

State of Connecticut
Special Transportation Fund
Analysis of Budget Plan
Projected to June 30, 2012
As of March 31, 2012
(In Millions)

	General Assembly <u>Budget Plan</u> ^{1.}	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
Surplus Carried Forward from 2010-11 ^{2.}	\$107.5	\$107.4	(\$0.1)
REVENUE			
Taxes	\$805.8	\$794.7	(\$11.1)
Less: Refunds of Taxes	<u>(7.2)</u>	<u>(7.6)</u>	<u>(0.4)</u>
Taxes - Net	798.6	787.1	(11.5)
Other Revenue	<u>463.9</u>	<u>441.1</u>	<u>(22.8)</u>
TOTAL - Revenue	\$1,262.5	\$1,228.2	(\$34.3)
EXPENDITURES			
Appropriations	\$1,315.4	\$1,315.4	\$0.0
Net Additional Requirements	0.0	0.0	0.0
Less: Estimated Lapses	<u>(53.5)</u>	<u>(90.4)</u>	<u>(36.9)</u>
TOTAL - Expenditures	\$1,261.9	\$1,225.0	(\$36.9)
Balance from Operations	\$0.6	\$3.2	\$2.6
Miscellaneous Adjustments	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Estimated Balance - June 30, 2012	<u>\$108.1</u>	<u>\$110.6</u>	<u>\$2.5</u>

1. P.A. 11-6, as amended by P.A. 11-61 and P.A. 11-1, June Spec. Sess.

2. Budget plan as estimated by the Office of Policy and Management. Revised estimates per the Comptroller's Sept. 1, 2011 letter.

Statement 2T
April 30, 2012

State of Connecticut
Special Transportation Fund
Revenue Estimates
Projected to June 30, 2012
As of March 31, 2012
(In Millions)

TAXES	
Motor Fuels	\$491.8
Oil Companies	226.9
Sales Tax DMV	76.0
TOTAL - TAXES	<u>794.7</u>
Less: Refunds of Taxes	<u>(7.6)</u>
TOTAL - TAXES - NET	\$787.1
OTHER REVENUE	
Motor Vehicle Receipts	\$231.0
Licenses, Permits, Fees	136.6
Interest Income	3.6
Federal Grants	13.1
Transfers (To)/From Other Funds	60.1
Refunds of Payments	<u>(3.3)</u>
TOTAL - OTHER REVENUE	\$441.1
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$1,228.2

Statement 3T
April 30, 2012

State of Connecticut
Special Transportation Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2012
As of March 31, 2012

No Additional Requirements	\$	-
Total	\$	-

Statement 4T
April 30, 2012

State of Connecticut
Special Transportation Fund
Estimated Lapses
Projected to June 30, 2012
As of March 31, 2012

Labor-Management Savings	\$ 42,536,383
Department of Motor Vehicles	650,000
Department of Transportation	12,900,000
OSC - Fringe Benefits	4,300,000
State Treasurer - Debt Service	30,000,000
Total	<u>\$ 90,386,383</u>

State of Connecticut
2011-12 Special Transportation Fund
Summary of Operations Per Letter to the Comptroller
(In Millions)

	Budget Plan ¹ :	July 2011	August 2011	September 2011	October 2011	November 2011	December 2011	January 2012	February 2012	Updated March 2012	April 2012	May 2012	June 2012
Beginning Balance ² :	\$107.5	\$107.5	\$107.4	\$107.4	\$107.4	\$107.4	\$107.4	\$107.4	\$107.4	\$107.4			
Revenue	<u>1,262.5</u>	<u>1,262.5</u>	<u>1,262.5</u>	<u>1,243.7</u>	<u>1,243.7</u>	<u>1,243.7</u>	<u>1,227.8</u>	<u>1,227.8</u>	<u>1,227.8</u>	<u>1,228.2</u>			
Total Available	1,370.0	1,370.0	1,369.9	1,351.1	1,351.1	1,351.1	1,335.2	1,335.2	1,335.2	1,335.6	0.0	0.0	0.0
Appropriations	1,315.4	1,315.4	1,315.4	1,315.4	1,315.4	1,315.4	1,315.4	1,315.4	1,315.4	1,315.4			
Additional Requirements	0.0	0.0	0.0	0.0	0.0	0.0	1.8	0.0	0.0	0.0			
Less: Estimated Lapses	<u>(53.5)</u>	<u>(53.5)</u>	<u>(53.5)</u>	<u>(73.5)</u>	<u>(73.5)</u>	<u>(83.5)</u>	<u>(91.1)</u>	<u>(89.1)</u>	<u>(89.1)</u>	<u>(90.4)</u>			
TOTAL - Estimated Expenditures	1,261.9	1,261.9	1,261.9	1,241.9	1,241.9	1,231.9	1,226.1	1,226.3	1,226.3	1,225.0	0.0	0.0	0.0
Balance from Operations	0.6	0.6	0.6	1.8	1.8	11.8	1.7	1.5	1.5	3.2	0.0	0.0	0.0
Compt's Misc. Adjustments/Rounding	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			
Estimated Balance 6/30/12	\$108.1	\$108.1	\$108.0	\$109.2	\$109.2	\$119.2	\$109.1	\$108.9	\$108.9	\$110.6	\$0.0	\$0.0	\$0.0

1. P.A. 11-6, as amended by P.A. 11-61 and P.A. 11-1, June Spec. Sess.

2. Budget Plan and the month of July as estimated by the Office of Policy and Management. August and thereafter per the Comptroller's September 1, 2011 Letter.