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State Budget Projections
General Fund
January 25, 2013

Summary

We are currently projecting a $138.6 million deficit in the General Fund on a budgetary basis. This reflects a deterioration of $139.2 million since deficit mitigation actions were taken in December 2012 which effectively eliminated a projected deficit of $251.7 million and left a balance of $0.6 million.

Since December, 2012 (i.e. post deficit mitigation), projected expenditures have increased by $82.0 million and projected revenues have decreased by $57.2 million. These figures 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.

FY 13 General Fund Overview (in millions)

Estimates	Budget $	November Projection $	Current Projection $	Difference from November $	Difference from Budget $
Expenditures	**19,140.1**	**19,335.8**	**19,118.1**	**(217.7)**	**(22.0)**
Agency Appropriations	19,256.4	19,256.4	19,256.4	0.0	0.0
Deficiency Requirements	0.0	220.5	362.0	141.5	362.0
Lapses	(116.3)	(141.1)	(500.3)	(359.2)	(384.0)
Revenues	**19,143.2**	**19,015.1**	**18,979.5**	**(35.6)**	**(163.7)**
Personal Income Tax	8,554.3	8,554.3	8,554.3	-	-
Sales and Use	4,045.9	4,002.3	3,886.2	(116.1)	(159.7)
Corporations	793.0	726.2	716.2	(10.0)	(76.8)
Federal Grants	3,629.0	3,762.9	3,752.9	(10.0)	123.9
Other Taxes and Refunds	1,014.9	894.9	949.5	54.6	(65.4)
Other Revenue Sources	1,106.0	1,074.5	1,120.4	45.9	14.4
Operating Surplus/(Deficit)	**3.1**	**(320.7)**	**(138.6)**	**182.1**	**(141.7)**
% of Expenditures	0.0%	-1.7%	-0.7%		

Although our projected deficit has increased since deficit mitigation, two factors may improve our FY 13 estimates in the coming months. First, the revenue figures in this statement represent the January 15, 2013 consensus projections arrived at jointly with OFA and OPM, which are based on

[1] 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.

data available through that date. Since that time, we have seen signs of improvement relating to our targets for estimated and final income tax payments, although the full impact in this category of revenue will not be known until after April 15, 2013. Secondly, the expenditure figures in this statement do not include the impact of the hiring restrictions announced by OPM dated January 22, 2013.

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

Major Expenditure Changes since Deficit Mitigation

- Department of Social Services - The estimates for expenditures under the Medicaid accounts have increased by $88 million since deficit mitigation. There are three major components of this change. First, the caseload and expenditure trends (particularly in the Medicaid Low Income Adults population) have continued to grow, resulting in an additional $60 million in projected expenditures. Second, several major budgeted savings are unlikely to occur at this point in the fiscal year, resulting in a scaling back of savings expectations and an additional $48 million in projected expenditures. Lastly, these increased costs are offset by a one-time delay in payment increases for Primary Care Providers that total $20 million since this increase is not expected to be finalized before the end of the fiscal year.
- Department of Mental Health and Addiction Services - The projected expenditures have increased by $12.9 million due to continued cost and caseload growth in the Medicaid for Low Income Adults (LIA) population.
- Office of the State Comptroller - Fringe Benefits - The Employers Social Security Tax account expenditure projection was decreased by $11.4 million, or 5.3%, and the Higher Education Alternative Retirement System account projection was decreased by $3 million, or 10.2%, due to lower than anticipated hiring of personnel. The Retiree Health account projection was reduced by $12 million, or 2%, due to additional claims information.

Deficient Agencies

Given the reduction in available funding that occurs due to budgeted lapses (holdbacks), we currently identify seven agencies that would require $361.9 million in additional expenditure requirements. However, if available funding were to be released, this would reduce the need for deficiency funding to $357.0 million.

FY 13 General Fund Estimated Deficiency Needs					
Agency	**Budgeted Appropriation $**	**Available [1] Appropriation $**	**Estimated Expenditure $**	**Deficiency without release of holdbacks $**	**Deficiency with release of holdbacks $**
DSS	5,812,216,680	5,653,086,772	5,966,097,833	(313,011,061)	(311,167,181)
DOC	618,949,296	611,255,837	631,300,018	(20,044,181)	(20,044,181)
DMHAS	693,499,397	682,316,572	695,184,074	(12,867,502)	(10,262,238)
DESPP	151,569,768	153,179,717	165,319,044	(12,139,327)	(12,139,327)
JUD	482,675,333	474,154,334	476,325,679	(2,171,345)	(1,814,205)
DCP	14,621,623	14,601,075	15,601,075	(1,000,000)	(875,106)
OSC	25,028,592	24,155,905	24,856,714	(700,809)	(700,809)
			Total	(361,934,224)	(357,003,046)
[1] Appropriation less budgeted lapses, rescissions, and DMP adjustments					

Major Revenue Changes

- Sales and Use Tax - The projection for Sales and Use Tax includes a decrease of $116.1 million, or 2.9%, since the deficit mitigation in December. This decrease is the result of a nearly stagnant growth in collections over the prior year.
- Inheritance and Estate Tax - The projection for the Inheritance and Estate Tax includes an increase of $30.0 million, or 18.1%, due to a series of extraordinarily high collections received recently.
- Indian Gaming Payments - The projection for Indian Gaming Payments includes a decrease of $11.5 million, or 3.7%, to reflect current trends.
- Transfers / Special Revenue - The projection for Special Revenue Transfers includes an increase of $10.0 million, or 3.3%, due in part to the impact of an unusually high Powerball jackpot.
- Corporation Tax - The projection for the Corporation Business Tax includes a decrease of $10.0 million, or 1.4%, to reflect current trends.
- Insurance Companies Tax - The projection for the Insurance Companies Tax includes an increase of $1.9 million, or 0.7%, to reflect current trends.
- Cigarettes Tax - The projection for the Cigarette Tax includes a decrease of $1.0 million, or 0.2%, to reflect current trends.

Summary of Changes to Revenue and expenditures since Budget Adoption

Since the budget was adopted, revenues have declined by a net $163.7 million while expenditures have also declined by a net $22.0 million. The following table illustrates the various impacts and the points in times that OFA estimates have changed.

Summary of Changes to Estimates ($ - millions)			
	Expenditures	**Revenues**	**Operating Balance**
Budget	**19,140.1**	**19,143.2**	**3.1**
Changes to Estimates			
November 15 Fiscal Accountability Report	195.7	(128.0)	(323.7)
November 28 Rescissions	(114.0)	(13.2)	100.8
Pre-Deficit Mitigation Update	35.8	4.0	(31.8)
Deficit Mitigation Act	(221.5)	30.8	252.3
January Update	82.0	(57.2)	(139.2)
January 25 Statement	**19,118.1**	**18,979.5**	**(138.6)**

Further Information

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

Expenditures XLS PDF

Revenues XLS PDF