OFFICE OF FISCAL ANALYSIS

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State Budget Projections
General Fund
January 27, 2014

Summary

We are currently projecting a $513.4 million surplus in the General Fund. This reflects an improvement of $396.3 million since our last report of November 15, 2013. Most of the improvement relates to improved revenue projections of $364.6 million (which is consistent with the consensus revenues agreed to by OFA and the Office of Policy and Management on January 15, 2014). In addition, a decrease in net expenditures of $31.7 million is projected.

FY 14 General Fund Overview (in millions)

Estimates	Budget	Nov Projection	Current Projection	Difference from Nov	Difference from Budget
Expenditures					
Agency Appropriations	17,361.4	17,361.4	17,361.4	-	-
Deficiency Requirements	-	24.6	34.5	9.9	34.5
Lapses	(172.7)	(253.5)	(295.2)	(41.7)	(122.5)
Total Expenditures	**17,188.7**	**17,132.5**	**17,100.8**	**(31.7)**	**(87.9)**
Revenues					
Personal Income Tax	8,808.8	8,808.8	9,021.9	213.1	213.1
Sales and Use	4,044.0	4,074.0	4,132.2	58.1	88.1
Corporations	723.5	753.5	815.4	61.9	91.9
Federal Grants	1,312.7	1,310.5	1,305.4	(5.1)	(7.3)
Other Taxes and Refunds	757.7	771.3	802.2	30.9	44.5
Other Revenue Sources	1,546.5	1,531.5	1,537.1	5.6	(9.4)
Total Revenues	**17,193.2**	**17,249.6**	**17,614.2**	**364.6**	**421.0**
Operating Surplus/(Deficit)	**4.5**	**117.1**	**513.4**	**396.3**	**508.9**
% of Expenditures	0.0%	0.7%	3.0%	2.3%	3.0%

Major Expenditure Changes since November 15, 2013

- Department of Social Services – Various Accounts – was reduced by a net $40.6 million, of which:

- a decrease of $34.7 million is attributed to expenditure trends in the Medicaid account due to: (1) a reduction of $25.8 million in Medicaid expenditures, of which, $13.0 million (50%) is related to pharmacy expenditures which, net of rebates, are lower than budgeted by approximately 3.9%; and (2) a reduction of $8.9 million is attributed to continued refinement of the net budgeting process implemented in the biennial budget;
- a decrease of $5.2 million in the Temporary Family Assistance account related to current caseload trends being lower than budgeted by approximately 3.7%;
- a decrease of $1.5 million in the Aid to the Disabled account related to current caseload trends being lower than budgeted by approximately 2.2%;
- a decrease of $1.0 million in the Old Age Assistance account due to current caseload trends being lower than budgeted by approximately 1.3%; and
- a deficiency is currently being projected for the agency's Personal Services account of $1.8 million. The expenditure projection for this account was increased by $1.8 million or 1.6% compared to November; average monthly expenditures in this account are approximately 2.3% higher than in FY 13. Increased Personal Services expenditures are primarily due to additional hiring and overtime.

- Office of the State Comptroller – Fringe Benefits - was reduced by approximately $4.0 million (less than 1%), of which:
  - a decrease of $1.1 million in the Higher Education Alternative Retirement (ARP) account occurred. Average payroll expenditures are 1.0% less than they were in November and 49.3% less than budgeted. The ARP account lapsed $16.7 million in FY 13, including $2.5 million in FY 13 carry forward funding; reflecting over 53% of available funding in the account. The FY 14 budget reflected a $2.6 million or 8.6% reduction over the FY 13 budgeted level; and
  - a decrease of $2.9 million in the Social Security account - average payroll expenditures are 2.7% lower.

- Department of Administrative Services - Workers' Compensation Claims – was increased by $1.9 million or 7.0% resulting in a projected deficiency in the account. Increased expenditures are primarily due to the following factors: (1) increased utilization of services, (2) employees remaining on workers' compensation longer, and (3) increasing medical expenditures. Specifically, medical related expenditures for this account are 5.0% higher than the same six month period (July through December) in FY 13, while indemnity related expenditures are 17.6% higher than FY 13. The FY 14 budget for this account is 1.0% higher than FY 13 actual expenditures.

- Department of Correction – Personal Services - was increased by $8.0 million, or 1.8%. This increase is attributed to a higher than expected number of retirements, and a resulting increase in overtime spending. Over the first five months of FY 13, retirements increased approximately 70% over the same period in the previous fiscal year. Currently, overtime is projected to total $83.6 million.

- Department of Developmental Services – Various Accounts - was increased by a net $1.9 million or 0.2%. The Personal Services account was reduced by $1.8 million or 0.7% due to the delayed filling of vacant positions. The Early Intervention account was increased by $1.7 million or 4.5% due to lower than anticipated commercial insurance receipts and higher than anticipated costs for supplemental services. The Community Residential Services account was increased by $2.0 million or 0.5% due to the fact that budgeted savings for the audit of services will not be achieved through this account but will instead be achieved as increased federal reimbursement under DSS Medicaid.

- Department of Housing – Tax Relief for Elderly Renters – was decreased by $3.1 million or 12.5%. The account is now projected at $21.7 million. The account has experienced greater than anticipated savings associated with legislative changes under PA 13-234. The Act limits the Renters' Rebate program eligibility by specifying that an individual who did not receive a rebate for calendar year 2011 or any subsequent year is not eligible to apply for another rebate.

- Department of Emergency Services and Public Protection – Personal Services – was increased by $1.0 million or .75% from due to increased overtime spending. Total overtime spending is now projected at $31 million. Overall, the deficiency is anticipated to increase by $1.6 million to $4.6 million.

Major Revenue Changes since November 15, 2013

- Sales and Use Tax – increased by $58.2 million or 1.4%. This adjustment is largely attributable to the final results of the tax amnesty program which were nearly $50 million greater than budgeted for sales and use tax. The FY 14 growth rate is estimated to be approximately 2.4% and remains unchanged.

- Personal Income Tax - was increased by a net $213.1 million, or 2.4% due to a combination of higher-than-budgeted Tax Amnesty collections ($19.3 million over the budget of $11.9 million), above-target estimated and final payments ($334.8 million) likely due to strong performance in equity markets, and a reduction in the anticipated withholding growth rate over FY 13 from 4.4% to 1.7% (-$141.0 million).

- Corporation Business Tax - was increased by $61.9 million, or 8.2%, due to higher-than-budgeted Tax Amnesty collections.

- Refunds of Taxes - was decreased by $30.0 million, or 2.8%, due to business tax refunds trending below targets through the end of the calendar year.

- Licenses, Permits, & Fees - was increased by $12.5 million, or 4.1% due to collections trending above year-to-date targets.

- Inheritance & Estate Tax - was increased by $11.9 million, or 6.9% due to higher-than-budgeted Tax Amnesty collections ($1.9 million) and above-target collections ($10.0 million).

- Cigarettes Tax - was decreased by $7.0 million, or 1.8% due to lower-than-budgeted monthly growth rates in collections, which have ranged from -5% to -13%. Annualized growth was budgeted at -2.9% for this category.

- Health Provider Tax - was decreased by $5.0 million, or 1.0% due to below-target collections through December 2013.

- Transfers - Special Revenue - was decreased by $3.8 million, or 1.2% due to a later-than-anticipated roll-out of Keno gambling. The budget included $3.8 million from Keno.

- All other revenue changes net to a positive $3.3 million adjustment due to collections trends through December 2013.

Deficient Agencies

Given the reduction in available funding that occurs due to budgeted lapses (holdbacks), we currently identify nine agencies that would require $34.5 million in additional expenditure requirements. However, if available funding were to be released, this would reduce the need for deficiency funding to $27.1 million.

FY 14 General Fund Estimated Agency Deficiency Needs					
Agency	**Budgeted Appropriation $**	**Available [1] Appropriation $**	**Estimated Exp. $**	**Deficiency without release of holdbacks $**	**Deficiency with release of holdbacks $**
Department of Correction	670,461,667	668,776,128	678,162,087	(9,385,959)	(5,394,559)
Department of Education	2,917,583,769	2,917,748,019	2,924,778,020	(7,030,001)	(6,095,928)
Department of Administrative Services	138,621,319	138,223,274	144,375,814	(6,152,540)	(5,361,230)
Department of Emergency Services and Public Protection	173,324,812	173,919,376	178,576,835	(4,657,459)	(3,353,342)
Public Defender Services Commission	61,371,589	61,384,748	65,865,576	(4,480,828)	(4,259,803)
Workers' Compensation Claims - Administrative Services	27,187,707	27,187,707	29,097,565	(1,909,858)	(1,909,858)
State Comptroller - Miscellaneous	4,100,000	4,100,000	4,650,099	(550,099)	(550,099)
Judicial Department	515,680,696	515,204,879	515,394,422	(189,543)	-
Military Department	6,594,242	6,544,965	6,732,707	(187,742)	(129,764)
			Total	(34,544,027)	(27,054,581)
[1] Appropriation less budgeted lapses					

Further Information

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

Expenditures XLS PDF

Revenues XLS PDF