



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

April 20, 2017

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

Dear Comptroller Lembo:

The following information on the state's General Fund for fiscal year 2017 is provided in accordance with Section 4-66 of the General Statutes. In addition, an analysis of the Special Transportation Fund is included due to the significant nature of this fund.

General Fund

We are projecting a \$19.7 million operating surplus, down slightly from our estimate last month. This revision is due to minor changes in both revenue and expenditure projections as detailed further below. Note that expenditures are, in aggregate, estimated to be approximately in line with the budget plan, and we are confident that all lapse targets established in the enacted budget will be achieved. As in past years, we anticipate releasing an updated forecast after issuance of the consensus revenue estimate required under section 2-36c of the General Statutes, which should contain more complete information regarding both Personal Income Tax collections and refunds.

Revenues

Revenues this month have been revised downward by \$3.8 million, excluding any changes to the Personal Income Tax or Income Tax refunds. The largest revisions are in the Sales and Use Tax, down \$21.8 million, and in Special Revenue, down \$17.0 million, as both sources have underperformed their targets. On the positive side, the Corporation Tax has been revised upward by \$20.0 million as that tax continues to outperform its target. All other revenue changes net to a positive \$15.0 million. Personal Income Tax collections are currently running within acceptable ranges relative to our target, but it should be noted that a substantial amount remains to be collected prior to release of the consensus revenue forecast.

Expenditures

In aggregate, estimated expenditures are \$10.0 million above the budget plan. Additional requirements (deficiencies) total \$20.1 million, and \$20.0 million in claims will be paid from the resources of the General Fund. Anticipated lapses total \$30.1 million beyond the budget plan. Note that only \$5.0 million of the budgeted Unallocated Lapse remains to be achieved over the remainder of this fiscal year, which is well ahead of trends experienced in recent years. More information about lapses and deficiencies is provided below.

Deficiencies. Shortfalls are forecast in the following agencies:

- Department of Emergency Services and Public Protection. A shortfall of \$500,000 in Workers' Compensation Claims is projected.
- Office of the Chief Medical Examiner. A total shortfall of \$300,000 is estimated, consisting of \$200,000 in Personal Services and \$100,000 in Other Expenses, as the adopted budget did not annualize funding provided via deficiency appropriation in FY 2016.
- Department of Developmental Services. A shortfall of \$7.6 million is anticipated, with \$5.5 million in Personal Services and \$1.0 million in Other Expenses due to delayed conversion of Community Living Arrangements from state-operated to contracted services. An offsetting lapse is anticipated in the Department of Social Services' budget. In addition, a net shortfall of \$1.1 million is projected in the Workers' Compensation Claims account.
- Office of Early Childhood. A net deficiency of \$7.4 million is projected as a result of shortfalls in the Birth to Three account due to caseload increases and increased utilization of more costly services, and in the Care for Kids account as a result of changes in federal regulations that resulted in increased caseloads.
- Public Defender Services Commission. A total deficiency of \$4.3 million is projected, with \$2.4 million in Personal Services, \$1.7 million in Assigned Counsel – Criminal, and \$200,000 in Expert Witnesses.

In addition to the above deficiencies, balance is affected by \$20.0 million in estimated requirements for Adjudicated Claims. Existing law requires that such payments be made from the resources of the General Fund. Approximately \$18.9 million has been expended year to date.

Lapses. Appropriated funds remaining unspent at year-end (lapses) total \$239.4 million, compared to budgeted amounts totaling \$209.3 million. Specific lapses beyond allocated holdbacks include:

- Office of Legislative Management. A total of \$3.5 million will lapse, with \$2.0 million in Personal Services and \$1.5 million in Other Expenses.
- Auditors of Public Accounts. A total of \$300,000 will remain unspent in Personal Services.
- Secretary of State. A total of \$200,000 will lapse, with \$50,000 in Personal Services, \$100,000 in Other Expenses, and \$50,000 in the Commercial Recording Division account.
- Department of Revenue Services. \$300,000 will lapse in Personal Services due to vacancies.
- Office of Policy and Management. A total of \$2.0 million will lapse, with \$250,000 in Personal Services, \$1.3 million in Tax Relief for Elderly Renters, \$500,000 in the Distressed Municipalities account based on the level of required grant payments, and \$50,000 in the Property Tax Relief Elderly Freeze Program.
- Department of Administrative Services. A total of \$1.9 million will lapse, with \$1.5 million in Personal Services due to vacancies, and \$400,000 in Other Expenses.
- Office of the Attorney General. \$900,000 will remain unspent in Personal Services due to vacant positions.
- Department of Consumer Protection. A lapse of \$700,000 in Personal Services is anticipated due to vacancies.
- Department of Economic and Community Development. A lapse of \$200,000 in Personal Services is anticipated due to vacancies.

- Department of Public Health. A lapse of \$600,000 in Personal Services is anticipated due to vacancies.
- Department of Social Services. A lapse of \$7.3 million is anticipated in the Community Residential Services account due to delayed conversion of Community Living Arrangements from state-operated to contracted services. A corresponding shortfall is anticipated in the Department of Developmental Services' budget.
- State Department of Education. A net lapse of \$1.0 million is anticipated among various accounts.
- Judicial Department. A net lapse of \$19.9 million is anticipated in Personal Services. The adopted budget included funding for potential salary increases but collective bargaining agreements for the agency's workforce remain unsettled.
- State Comptroller – Fringe Benefits. A total lapse of \$48.7 million is projected in the appropriations for Unemployment Compensation, Employers Social Security Tax, Higher Education Alternative Retirement System, and health care costs for both active and retired state employees.
- Workers' Compensation Claims – Dept. of Administrative Services. A lapse of \$500,000 is expected due to lower than anticipated payment activity.

Special Transportation Fund

We are projecting an operating deficit of \$29.2 million in the Special Transportation Fund. Anticipated revenues have been revised downward by \$11.9 million from last month's forecast, primarily due to the Motor Fuels Tax and the Oil Companies Tax falling short of their targets by \$3.0 million and \$5.0 million, respectively. All other revenue changes net to a negative \$3.9 million. Expenditures are, in aggregate, \$13.1 million below the budget plan. Projected lapses total \$25.3 million, with \$1.0 million in the Department of Motor Vehicles' Other Expenses account, \$8.5 million in health care costs for active employees in the fringe benefit accounts administered by the Comptroller, \$500,000 in Workers' Compensation Claims – Department of Administrative Services, and \$15.3 million in Debt Service. We anticipate the fund balance on June 30, 2017 to be \$113.6 million. Given that projected revenues are \$43.5 million – nearly 3.0% – below the level in the adopted budget, we plan to implement measures in the very near future to mitigate the projected deficit in this fund.

As we note each month, the foregoing information represents the best forecast that can be made at this time, and future estimates will differ as a result of changes in the economy, expenditure patterns, and/or other factors as the year progresses.

Sincerely,



Benjamin Barnes
Secretary

Summary
April 20, 2017

State of Connecticut
Summary of Changes
General Fund and Special Transportation Fund
Projected to June 30, 2017
As of March 31, 2017
(In Millions)

General Fund

Balance from Operations - Prior Month		\$	22.0
Revenues			
All Changes (Net)	<u>(3.8)</u>		<u>(3.8)</u>
Expenditures			
Additional Requirements	11.9		
Estimated Lapses	(7.4)		
Miscellaneous Adjustments/Rounding	<u>(3.0)</u>		<u>1.5</u>
Estimated Balance from Operations - June 30, 2017		\$	<u>19.7</u>

Special Transportation Fund

Fund Balance as of June 30, 2016		\$	142.8
Balance from Operations - Prior Month			(17.3)
Revenues			
All Changes (Net)	<u>(11.9)</u>		<u>(11.9)</u>
Expenditures			
Additional Requirements	0.0		
Estimated Lapses	0.0		
Miscellaneous Adjustments/Rounding	<u>0.0</u>		<u>0.0</u>
Estimated Fund Balance - June 30, 2017		\$	<u>113.6</u>

State of Connecticut
General Fund
Statement of Revenues, Expenditures, and Results of Operations
Projected to June 30, 2017
As of March 31, 2017
(In Millions)

	General Assembly Budget Plan ¹	Revised Estimates OPM	Over/ (Under)
REVENUE			
Taxes	\$ 16,768.5	\$ 16,702.0	\$ (66.5)
Less: Refunds	(1,248.6)	(1,246.6)	2.0
Taxes - Net	\$ 15,519.9	\$ 15,455.4	\$ (64.5)
Other Revenue	1,219.0	1,323.5	104.5
Other Sources	1,147.8	1,114.8	(33.0)
TOTAL Revenue	\$ 17,886.7	\$ 17,893.7	\$ 7.0
EXPENDITURES			
Initial Current Year Appropriations	\$ 18,073.3	\$ 18,073.3	\$ 0.0
Prior Year Appropriations Continued to FY 2017 ²		96.5	96.5
TOTAL Initial and Continued Appropriations	\$ 18,073.3	\$ 18,169.8	\$ 96.5
Appropriation Adjustments	-	-	-
TOTAL Adjusted Appropriations	\$ 18,073.3	\$ 18,169.8	\$ 96.5
Net Additional Expenditure Requirements		20.1	20.1
Estimated Appropriations Lapsed	(209.3)	(239.4)	(30.1)
Estimated Appropriations to be Continued to FY 2018		-	-
TOTAL Estimated Expenditures	\$ 17,864.0	\$ 17,950.5	\$ 86.5
Net Change in Fund Balance - Continuing Appropriations		(96.5)	(96.5)
Miscellaneous Adjustments/Rounding		(20.0)	(20.0)
Net Change in Unassigned Fund Balance - 6/30/2017	\$ 22.7	\$ 19.7	\$ (3.0)

1. P.A. 15-244, as amended by P.A. 15-5, June Spec. Sess. and P.A. 16-2, May Spec. Sess., after gubernatorial line item vetoes.

2. P.A. 15-244, as amended by P.A. 15-5, June Spec. Sess., P.A. 16-2, May Spec. Sess., and other statutory provisions.

State of Connecticut
General Fund
Revenue Estimates
Projected to June 30, 2017
As of March 31, 2017
(In Millions)

	General Assembly Budget Plan ¹	Revised Estimates OPM	Over/ (Under)
TAXES			
Personal Income	\$ 9,519.0	\$ 9,437.5	\$ (81.5)
Sales and Use	4,328.7	4,227.6	(101.1)
Corporation	839.3	939.3	100.0
Public Service Corporations	283.9	288.9	5.0
Inheritance and Estate	174.6	174.6	-
Insurance Companies	245.4	230.4	(15.0)
Cigarettes	371.1	374.1	3.0
Real Estate Conveyance	201.8	206.8	5.0
Alcoholic Beverages	62.2	62.2	-
Admissions and Dues	39.0	39.0	-
Health Provider Tax	683.4	701.5	18.1
Miscellaneous	20.1	20.1	-
TOTAL - TAXES	\$ 16,768.5	\$ 16,702.0	\$ (66.5)
Less: Refunds of Taxes	(1,106.5)	(1,106.5)	-
Earned Income Tax Credit	(133.6)	(133.6)	-
R & D Credit Exchange	(8.5)	(6.5)	2.0
TOTAL - TAXES - NET	\$ 15,519.9	\$ 15,455.4	\$ (64.5)
OTHER REVENUE			
Transfers - Special Revenue	\$ 355.5	\$ 328.5	\$ (27.0)
Indian Gaming Payments	267.0	267.0	-
Licenses, Permits, Fees	269.2	269.2	-
Sales of Commodities and Services	42.6	42.6	-
Rents, Fines, Escheats	128.0	138.0	10.0
Investment Income	3.8	3.8	-
Miscellaneous	219.0	330.5	111.5
Refunds of Payments	(66.1)	(56.1)	10.0
TOTAL - OTHER REVENUE	\$ 1,219.0	\$ 1,323.5	\$ 104.5
OTHER SOURCES			
Federal Grants	\$ 1,257.6	\$ 1,224.6	\$ (33.0)
Transfer from Tobacco Settlement Fund	108.5	108.5	-
Transfers From/(To) Other Funds	(218.3)	(218.3)	-
TOTAL - OTHER SOURCES	\$ 1,147.8	\$ 1,114.8	\$ (33.0)
TOTAL - GENERAL FUND REVENUE	\$ 17,886.7	\$ 17,893.7	\$ 7.0

1. P.A. 16-2, May Special Session, and P.A. 16-3, May Special Session.

State of Connecticut - General Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2017
As of March 31, 2017

Department of Emergency Services and Public Protection	\$	500,000
Office of the Chief Medical Examiner		300,000
Department of Developmental Services		7,600,000
Office of Early Childhood		7,400,000
Public Defenders Services Commission		4,300,000
Total	<u>\$</u>	<u>20,100,000</u>

State of Connecticut
General Fund
Estimated Lapses
Projected to June 30, 2017
As of March 31, 2017

Unallocated Lapse - Amount Allocated ¹ .	\$ 41,856,186
Unallocated Lapse - Remaining	5,000,000
Unallocated Lapse - Legislative ¹ .	3,028,105
Unallocated Lapse - Judicial ¹ .	7,400,672
General Lapse - Judicial	15,075,000
Targeted Savings - Amount Allocated	58,766,684
Targeted Savings - Remaining	-
Arts and Tourism Lapse	500,000
Municipal Opportunities and Regional Efficiencies Lapse	19,770,932
Office of Legislative Management	3,500,000
Auditors of Public Accounts	300,000
Secretary of State	200,000
Department of Revenue Services	300,000
Office of Policy and Management	2,000,000
Department of Administrative Services	1,900,000
Attorney General's Office	900,000
Department of Consumer Protection	700,000
Department of Economic and Community Development	200,000
Department fo Public Health	600,000
Department of Social Services	7,300,000
Department of Education	1,000,000
Judicial Department	19,900,000
OSC - Fringe Benefits	48,700,000
DAS- Workers' Compensation Claims	500,000
Total	<u><u>\$ 239,397,579</u></u>

1. Allocable pursuant to Public Act 16-2, May Spec. Sess., Section 35.

State of Connecticut
2016-17 General Fund
Monthly Summary of Operations
(In Millions)

	Budget Plan ¹	July 2016	August 2016	September 2016	October 2016	November 2016	December 2016	January 2017	February 2017	March 2017	April 2017	May 2017	June 2017
REVENUE	\$ 17,886.7	\$ 17,886.7	\$ 17,886.7	\$ 17,890.1	\$ 17,840.8	\$ 17,840.8	\$ 17,897.5	\$ 17,897.5	\$ 17,897.5	\$ 17,893.7			
Appropriations	18,073.3	18,073.3	18,073.3	18,073.3	18,073.3	18,073.3	18,073.3	18,073.3	18,073.3	18,073.3			
Additional Requirements	0.0	0.0	4.0	20.8	29.5	30.6	28.4	28.4	32.0	20.1			
Less: Estimated Lapses	<u>(209.3)</u>	<u>(186.8)</u>	<u>(190.8)</u>	<u>(203.3)</u>	<u>(203.3)</u>	<u>(230.5)</u>	<u>(236.5)</u>	<u>(239.6)</u>	<u>(246.8)</u>	<u>(239.4)</u>			
TOTAL - Estimated Expenditures	17,864.0	17,886.5	17,886.5	17,890.8	17,899.5	17,873.4	17,865.2	17,862.1	17,858.5	17,854.0	0.0	0.0	0.0
Balance from Operations	22.7	0.2	0.2	(0.7)	(58.7)	(32.6)	32.3	35.4	39.0	39.7	0.0	0.0	0.0
Misc. Adjustments/Rounding	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>(5.0)</u>	<u>(9.0)</u>	<u>(9.0)</u>	<u>(9.0)</u>	<u>(12.5)</u>	<u>(17.0)</u>	<u>(20.0)</u>			
Est. Balance from Operations - 6/30/17	\$22.7	\$0.2	\$0.2	(\$5.7)	(\$67.7)	(\$41.6)	\$23.3	\$22.9	\$22.0	\$19.7	\$0.0	\$0.0	\$0.0

1. P.A. 15-244, as amended by P.A. 15-5, June Spec. Sess. and P.A. 16-2, May Spec. Sess.

State of Connecticut
Special Transportation Fund
Analysis of Budget Plan
Projected to June 30, 2017
As of March 31, 2017
(In Millions)

	<u>General Assembly Budget Plan</u> ^{1.}	<u>Revised Estimates OPM</u>	<u>Over/ (Under)</u>
Fund Balance as of June 30, 2016 ^{2.}	\$ 150.4	\$ 142.8	\$ (7.6)
REVENUE			
Taxes	\$ 1,065.3	\$ 1,042.2	\$ (23.1)
Less: Refunds of Taxes	<u>(14.5)</u>	<u>(14.5)</u>	<u>-</u>
Taxes - Net	1,050.8	1,027.7	(23.1)
Other Revenue	<u>413.6</u>	<u>405.1</u>	<u>(8.5)</u>
TOTAL - Revenue	\$ 1,464.4	\$ 1,432.8	\$ (31.6)
EXPENDITURES			
Appropriations	\$ 1,475.4	\$ 1,475.4	\$ -
Prior Year Appropriations Continued to FY 2016 ^{2.}		22.6	22.6
TOTAL Initial and Continued Appropriations	\$ 1,475.4	\$ 1,498.0	\$ 22.6
Appropriation Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL Adjusted Appropriations	\$ 1,475.4	\$ 1,498.0	\$ 22.6
Net Additional Expenditure Requirements		-	-
Estimated Appropriations Lapsed	(12.0)	(25.3)	(13.3)
Estimated Appropriations to be Continued to FY 2017		<u>-</u>	<u>-</u>
TOTAL Estimated Expenditures	\$ 1,463.4	\$ 1,472.7	\$ 9.3
Net Change in Fund Balance - Continuing Appropriations		(22.6)	(22.6)
Miscellaneous Adjustments/Rounding		-	-
Net Change in Unassigned Fund Balance - FY 2017	\$ 1.0	\$ (17.3)	\$ (18.3)
Estimated Fund Balance - June 30, 2017	<u>\$ 151.4</u>	<u>\$ 125.5</u>	<u>\$ (25.9)</u>

1. P.A. 15-244, as amended by P.A. 15-5, June Spec. Sess. and P.A. 16-2, May Spec. Sess.

2. Budget plan as estimated by the Office of Policy and Management.

Statement 2T
April 20, 2017

State of Connecticut
Special Transportation Fund
Revenue Estimates
Projected to June 30, 2017
As of March 31, 2017
(In Millions)

	General Assembly Budget Plan ^{1.}	Revised Estimates OPM	Over/ (Under)
TAXES			
Motor Fuels	\$ 503.7	\$ 503.7	\$ -
Oil Companies	268.4	255.7	(12.7)
Sales & Use Tax	202.9	194.5	(8.4)
Sales Tax DMV	90.3	88.3	(2.0)
TOTAL - TAXES	<u>1,065.3</u>	<u>1,042.2</u>	<u>(23.1)</u>
Less: Refunds of Taxes	(14.5)	(14.5)	-
TOTAL - TAXES - NET	<u>\$ 1,050.8</u>	<u>\$ 1,027.7</u>	<u>\$ (23.1)</u>
OTHER REVENUE			
Motor Vehicle Receipts	\$ 261.8	\$ 252.0	\$ (9.8)
Licenses, Permits, Fees	141.5	142.8	1.3
Interest Income	8.5	8.5	-
Federal Grants	12.1	12.1	-
Transfers (To)/From Other Funds	(6.5)	(6.5)	-
Refunds of Payments	(3.8)	(3.8)	-
TOTAL - OTHER REVENUE	<u>\$ 413.6</u>	<u>\$ 405.1</u>	<u>\$ (8.5)</u>
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	<u>\$ 1,464.4</u>	<u>\$ 1,432.8</u>	<u>\$ (31.6)</u>

1. P.A. 15-244, as amended by P.A. 15-5, June Spec. Sess. and P.A. 16-2, May Spec. Sess.

State of Connecticut
Special Transportation Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2017
As of March 31, 2017

No Additional Requirements	\$ -
Total	<u><u>\$ -</u></u>

Statement 4T
April 20, 2017

State of Connecticut
Special Transportation Fund
Estimated Lapses
Projected to June 30, 2017
As of March 31, 2017

Unallocated Lapse	\$	-
Department of Motor Vehicles		1,000,000
DAS- Workers' Compensation Claims		500,000
OSC - Fringe Benefits		8,500,000
OTT - Debt Service		15,300,000
Total		<u>\$ 25,300,000</u>

State of Connecticut
2016-17 Special Transportation Fund
Monthly Summary of Operations
(In Millions)

	Budget Plan ¹	July 2016	August 2016	September 2016	October 2016	November 2016	December 2016	January 2017	February 2017	March 2017	April 2017	May 2017	June 2017
Beginning Balance ²	\$ 150.4	\$ 150.4	\$ 142.8	\$ 142.8	\$ 142.8	\$ 142.8	\$ 142.8	\$ 142.8	\$ 142.8	\$ 142.8			
Revenue	<u>1,464.4</u>	<u>1,464.4</u>	<u>1,464.4</u>	<u>1,454.2</u>	<u>1,441.1</u>	<u>1,441.1</u>	<u>1,432.8</u>	<u>1,432.8</u>	<u>1,432.8</u>	<u>1,420.9</u>			
Total Available	1,614.8	1,614.8	1,607.2	1,597.0	1,583.9	1,583.9	1,575.6	1,575.6	1,575.6	1,563.7	0.0	0.0	0.0
Appropriations	1,475.4	1,475.4	1,475.4	1,475.4	1,475.4	1,475.4	1,475.4	1,475.4	1,475.4	1,475.4			
Additional Requirements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			
Less: Estimated Lapses	<u>(12.0)</u>	<u>(12.0)</u>	<u>(15.3)</u>	<u>(20.3)</u>	<u>(20.3)</u>	<u>(22.3)</u>	<u>(25.5)</u>	<u>(25.1)</u>	<u>(25.3)</u>	<u>(25.3)</u>			
TOTAL - Estimated Expenditures	1,463.4	1,463.4	1,460.1	1,455.1	1,455.1	1,453.1	1,449.9	1,450.3	1,450.1	1,450.1	0.0	0.0	0.0
Balance from Operations	1.0	1.0	4.3	(0.9)	(14.0)	(12.0)	(17.1)	(17.5)	(17.3)	(29.2)	0.0	0.0	0.0
Misc. Adjustments/Rounding	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>			
Estimated Balance 6/30/17	\$151.4	\$151.4	\$147.1	\$141.9	\$128.8	\$130.8	\$125.7	\$125.3	\$125.5	\$113.6	\$0.0	\$0.0	\$0.0

1. P.A. 15-244, as amended by P.A. 15-5, June Spec. Sess. and P.A. 16-2, May Spec. Sess.
2. Budget Plan and the months of July and August as estimated by the Office of Policy and Management.