



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

February 21, 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 \$22.9 million operating surplus, virtually unchanged from our estimate last month. This revision is due to minor changes in estimated expenditures 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. Revenues continue to reflect the consensus revenue forecast reached by my office and the Office of Fiscal Analysis on January 17th.

Revenues

Our estimate of General Fund revenues remains unchanged from last month and continues to reflect the January 17th consensus revenue forecast. April collections, when final income tax payments are received, will be the most significant factor in determining year-end balance.

Expenditures

In aggregate, estimated expenditures are \$10.6 million above the budget plan. Additional requirements (deficiencies) total \$28.4 million, and \$12.5 million in claims will be paid from the resources of the General Fund. Anticipated lapses total \$30.3 million beyond the budget plan. Note that only \$15.0 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 \$0.4 million in Workers' Compensation Claims is projected.

- Office of the Chief Medical Examiner. A total shortfall of \$300,000 is estimated, consisting of \$270,000 in Personal Services and \$30,000 in Other Expenses, as the adopted budget did not annualize funding provided via deficiency appropriation in FY 2016.
- Office of Early Childhood. A net deficiency of \$9.4 million is projected, with \$8.1 million of that in the Birth to Three account due to caseload increases and increased utilization of more costly services, and, after offsetting transfers, \$1.3 million in the Care for Kids account as a result of changes in federal regulations that resulted in increased caseloads.
- Department of Correction. A \$4.0 million shortfall is estimated in the Workers' Compensation account due to claims payments trending above budgeted levels.
- 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.
- State Treasurer – Debt Service. A shortfall of \$10.0 million is anticipated.

In addition to the above deficiencies, balance is affected by \$12.5 million in estimated requirements for Adjudicated Claims. Existing law requires that such payments be made from the resources of the General Fund. Approximately \$9.3 million has been expended year to date.

Lapses. Appropriated funds remaining unspent at year-end (lapses) total \$239.6 million, compared to budgeted amounts totaling \$209.3 million. Specific lapses beyond allocated holdbacks include:

- Office of Legislative Management. A total of \$5.0 million will lapse, with \$3.0 million in Personal Services and \$2.0 million in Other Expenses.
- Auditors of Public Accounts. A total of \$300,000 will remain unspent, with \$200,000 in Personal Services and \$100,000 in Other Expenses.
- 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 lapse of \$1.5 million in Personal Services is anticipated due to vacancies.
- Office of the Attorney General. \$400,000 will remain unspent in Personal Services due to vacant positions.
- Department of Consumer Protection. A lapse of \$500,000 in Personal Services is anticipated due to vacancies.
- Department of Public Health. A lapse of \$500,000 in Personal Services is anticipated due to vacancies.
- Department of Rehabilitation Services. \$600,000 is expected to lapse, with \$450,000 of that in Other Expenses resulting from delays in spending one-time funds provided for an upgrade to a case management system, and \$150,000 in Rehabilitative Services due to fewer participants requiring services.
- State Department of Education. \$2.0 million will remain unspent in the Charter Schools appropriation as fewer seats are filled than were budgeted.

- Judicial Department. A lapse of \$18.8 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 net lapse of \$43.7 million is projected. A shortfall in the Unemployment Compensation account was addressed through a transfer approved at the February 4th Finance Advisory Committee meeting, so our estimate reflects lapses in the appropriations for 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 \$700,000 is expected due to lower than anticipated payment activity.

Special Transportation Fund

We are projecting an operating deficit of \$17.5 million in the Special Transportation Fund. Anticipated revenues are unchanged and continue to reflect the January 17th consensus forecast. Expenditures are, in aggregate, \$13.1 million below the budget plan. Projected lapses total \$25.1 million, with \$1.0 million in the Department of Motor Vehicles' Other Expenses account, \$2.0 million in the Department of Transportation in Personal Services, \$6.5 million in health care costs for active employees in the fringe benefit accounts administered by the Comptroller, \$300,000 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 \$125.3 million.

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,

A handwritten signature in blue ink that reads "Benjamin Barnes". The signature is fluid and cursive, with the first name being more prominent.

Benjamin Barnes
Secretary

Summary
February 21, 2017

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

General Fund

Balance from Operations - Prior Month		\$	23.3
Revenues			
All Changes (Net)	<u>0.0</u>		0.0
Expenditures			
Additional Requirements	0.0		
Estimated Lapses	3.1		
Miscellaneous Adjustments/Rounding	<u>(3.5)</u>		<u>(0.4)</u>
Estimated Balance from Operations - June 30, 2017		\$	<u>22.9</u>

Special Transportation Fund

Fund Balance as of June 30, 2016		\$	142.8
Balance from Operations - Prior Month			(17.1)
Revenues			
All Changes (Net)	<u>0.0</u>		0.0
Expenditures			
Additional Requirements	0.0		
Estimated Lapses	(0.4)		
Miscellaneous Adjustments/Rounding	<u>0.0</u>		<u>(0.4)</u>
Estimated Fund Balance - June 30, 2017		\$	<u>125.3</u>

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

	General Assembly Budget Plan ¹	Revised Estimates OPM	Over/ (Under)
REVENUE			
Taxes	\$ 16,768.5	\$ 16,710.8	\$ (57.7)
Less: Refunds	(1,248.6)	(1,248.6)	-
Taxes - Net	\$ 15,519.9	\$ 15,462.2	\$ (57.7)
Other Revenue	1,219.0	1,320.5	101.5
Other Sources	1,147.8	1,114.8	(33.0)
TOTAL Revenue	\$ 17,886.7	\$ 17,897.5	\$ 10.8
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		28.4	28.4
Estimated Appropriations Lapsed	(209.3)	(239.6)	(30.3)
Estimated Appropriations to be Continued to FY 2018		-	-
TOTAL Estimated Expenditures	\$ 17,864.0	\$ 17,958.6	\$ 94.6
Net Change in Fund Balance - Continuing Appropriations		(96.5)	(96.5)
Miscellaneous Adjustments/Rounding		(12.5)	(12.5)
Net Change in Unassigned Fund Balance - 6/30/2017	\$ 22.7	\$ 22.9	\$ 0.2

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 January 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	4,249.4	(79.3)
Corporation	839.3	919.3	80.0
Public Service Corporations	283.9	283.9	-
Inheritance and Estate	174.6	174.6	-
Insurance Companies	245.4	245.4	-
Cigarettes	371.1	371.1	-
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	\$ 16,710.8	\$ (57.7)
Less: Refunds of Taxes	(1,106.5)	(1,106.5)	-
Earned Income Tax Credit	(133.6)	(133.6)	-
R & D Credit Exchange	(8.5)	(8.5)	-
TOTAL - TAXES - NET	\$ 15,519.9	\$ 15,462.2	\$ (57.7)
OTHER REVENUE			
Transfers - Special Revenue	\$ 355.5	\$ 345.5	\$ (10.0)
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	128.0	-
Investment Income	3.8	3.8	-
Miscellaneous	219.0	330.5	111.5
Refunds of Payments	(66.1)	(66.1)	-
TOTAL - OTHER REVENUE	\$ 1,219.0	\$ 1,320.5	\$ 101.5
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	\$ 17,897.5	\$ 10.8

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 January 31, 2017

Department of Emergency Services and Public Protection	\$	400,000
Office of the Chief Medical Examiner		300,000
Office of Early Childhood		9,400,000
Department of Correction		4,000,000
Public Defenders Services Commission		4,300,000
OTT - Debt Service		10,000,000
Total	\$	<u>28,400,000</u>

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

Unallocated Lapse - Amount Allocated ¹ .	\$ 41,856,186
Unallocated Lapse - Remaining	15,000,000
Unallocated Lapse - Legislative ¹ .	3,028,105
Unallocated Lapse - Judicial ¹ .	7,400,672
General Lapse - Judicial	15,075,000
Targeted Savings - Amount Allocated	60,664,472
Targeted Savings - Remaining	-
Arts and Tourism Lapse	500,000
Municipal Opportunities and Regional Efficiencies Lapse	19,770,932
Office of Legislative Management	5,000,000
Auditors of Public Accounts	300,000
Department of Revenue Services	300,000
Office of Policy and Management	2,000,000
Department of Administrative Services	1,500,000
Attorney General's Office	400,000
Department of Consumer Protection	500,000
Department fo Public Health	500,000
Department of Rehabilitation Services	600,000
Department of Education	2,000,000
Judicial Department	18,800,000
OSC - Fringe Benefits	43,700,000
DAS- Workers' Compensation Claims	700,000
Total	<u><u>\$ 239,595,367</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					
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					
Additional Requirements	0.0	0.0	4.0	20.8	29.5	30.6	28.4	28.4					
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>					
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	0.0	0.0	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	0.0	0.0	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>					
Est. Balance from Operations - 6/30/17	\$22.7	\$0.2	\$0.2	(\$5.7)	(\$67.7)	(\$41.6)	\$23.3	\$22.9	\$0.0	\$0.0	\$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 January 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)	(25.1)	(13.1)
Estimated Appropriations to be Continued to FY 2017		<u>-</u>	<u>-</u>
TOTAL Estimated Expenditures	\$ 1,463.4	\$ 1,472.9	\$ 9.5
Net Change in Fund Balance - Continuing Appropriations		(22.6)	(22.6)
Miscellaneous Adjustments/Rounding		-	-
Net Change in Unassigned Fund Balance - FY 2017	\$ 1.0	\$ (17.5)	\$ (18.5)
Estimated Fund Balance - June 30, 2017	<u>\$ 151.4</u>	<u>\$ 125.3</u>	<u>\$ (26.1)</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
February 21, 2017

State of Connecticut
Special Transportation Fund
Revenue Estimates
Projected to June 30, 2017
As of January 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.

Statement 3T
February 21, 2017

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

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

Statement 4T
February 21, 2017

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

Unallocated Lapse	\$	-
Department of Motor Vehicles		1,000,000
Department of Transportation		2,000,000
DAS- Workers' Compensation Claims	\$	300,000
OSC - Fringe Benefits		6,500,000
OTT - Debt Service		15,300,000
Total		<u>\$ 25,100,000</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					
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>					
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	0.0	0.0	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					
Additional Requirements	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>					
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	0.0	0.0	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)	0.0	0.0	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>					
Estimated Balance 6/30/16	\$151.4	\$151.4	\$147.1	\$141.9	\$128.8	\$130.8	\$125.7	\$125.3	\$0.0	\$0.0	\$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.