



# STATE OF CONNECTICUT

## OFFICE OF POLICY AND MANAGEMENT

June 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 \$107.2 million operating shortfall, an improvement of \$215.5 million from our May 20<sup>th</sup> forecast. This change is due to \$93.3 million in revenue transfers authorized by Public Act 17-51, the deficit mitigation bill, \$54.3 million in other revenue improvement, and \$67.9 million in reduced expenditures. Note that our estimates include the impact of deficiency appropriations included in Special Act 17-3 as well as transfers approved by the Finance Advisory Committee on June 1<sup>st</sup>. In accordance with existing law, the projected deficit will be extinguished via transfer from the Budget Reserve Fund as part of the process of closing out the fiscal year, leaving a balance in that fund of only \$128.4 million for future contingencies.

### Revenues

Projected revenues have been revised upward by \$147.6 million compared to last month's estimate. Most of this increase is due to passage of Public Act 17-51, which transferred \$93.3 million from various funds to the General Fund to mitigate the projected deficit. Aside from these transfers, revenue estimates have been revised upward by \$54.3 million. The largest increase is in the Corporation Tax, up \$50.7 million as collections have already surpassed the May 1, 2017, consensus revenue total. Federal Grants have been revised upward by \$35.0 million to reflect the anticipated draw-down of funds this fiscal year. Rents, Fines, and Escheats have been revised upward by \$14.0 million as Escheats performed better than expected, and Inheritance & Estate taxes have been revised upward by \$13.0 million. On the negative side, the largest decrease is in the Sales and Use Tax, down \$34.1 million as the tax continues to underperform its target and is now growing at just 0.9% for the fiscal year. Refunds of Taxes have been revised upward by \$25.0 million to reflect refunds issued against various tax types. All other revenue changes net to a positive \$0.7 million.

### Expenditures

In aggregate, estimated expenditures are \$125.0 million below the budget plan. As a result of deficiency appropriations in Special Act 17-3, as well as transfers approved by the Finance Advisory Committee on June 1<sup>st</sup>, no remaining additional requirements are projected this year. Statement 4, attached, lists total projected lapses by agency, as well as any funds held back from allotment either as part of the budget plan or through the Governor's rescission authority.

### **Special Transportation Fund**

We are projecting an operating deficit of \$47.1 million in the Special Transportation Fund. Anticipated revenues have been revised downward from last month's forecast by \$13.3 million as various sources continue to underperform their target. The largest decline is in Motor Vehicle Receipts, down \$6.0 million; all other revenue changes net to a negative \$7.3 million. Expenditures are, in aggregate, \$25.1 million below the budget plan, and projected lapses total \$37.1 million; both figures include the impact of rescissions imposed on May 10<sup>th</sup>. Statement 4T, attached, lists funds projected to lapse at year end. The fund balance on June 30, 2017, is expected to be \$95.7 million. This is a 37% reduction in the fund balance since the year began, and underscores the Governor's call to provide increased stability and support for this fund in the upcoming biennium and beyond.

It is important to note that while the foregoing represents the best forecast that can be made at this time, adjustments will be needed as the fiscal year concludes and the year-end closing process commences. Our forecast next month will be the last estimate of year-end operating results before the books are officially closed for Fiscal Year 2017.

Sincerely,

A handwritten signature in blue ink that reads "Benjamin Barnes". The signature is written in a cursive style with a large initial "B".

Benjamin Barnes  
Secretary

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

**General Fund**

Balance from Operations - Prior Month		\$	(322.7)
Revenues			
Sales & Use Tax	(34.1)		
Corporation Tax	50.7		
Federal Grants	35.0		
Rents, Fines and Escheats	14.0		
Inheritance and Estate	13.0		
Refunds of Taxes	(25.0)		
Transfers in P.A. 17-51	93.3		
All Other Changes (net)	0.7		147.6
Expenditures			
Additional Requirements	19.2		
Estimated Lapses	52.7		
Miscellaneous Adjustments/Rounding	(4.0)		67.9
Estimated Balance from Operations - June 30, 2017		\$	(107.2)

**Special Transportation Fund**

Fund Balance as of June 30, 2016		\$	142.8
Balance from Operations - Prior Month			(36.7)
Revenues			
Motor Fuels Tax	(3.5)		
Sales & Use Tax	(1.8)		
Sales Tax - DMV	(2.0)		
Motor Vehicle Receipts	(6.0)		(13.3)
Expenditures			
Additional Requirements	0.0		
Estimated Lapses	2.9		
Miscellaneous Adjustments/Rounding	0.0		2.9
Estimated Fund Balance - June 30, 2017		\$	95.7

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

	General Assembly Budget Plan <sup>1</sup>	Revised Estimates OPM	Over/ (Under)
<b>REVENUE</b>			
Taxes	\$ 16,768.5	\$ 16,284.9	\$ (483.6)
Less: Refunds	(1,248.6)	(1,270.7)	(22.1)
Taxes - Net	\$ 15,519.9	\$ 15,014.2	\$ (505.7)
Other Revenue	1,219.0	1,346.2	127.2
Other Sources	1,147.8	1,271.4	123.6
<b>TOTAL Revenue</b>	<b>\$ 17,886.7</b>	<b>\$ 17,631.8</b>	<b>\$ (254.9)</b>
<b>EXPENDITURES</b>			
Initial Current Year Appropriations	\$ 18,073.3	\$ 18,073.3	\$ 0.0
Prior Year Appropriations Continued to FY 2017 <sup>2</sup>		96.5	96.5
<b>TOTAL Initial and Continued Appropriations</b>	<b>\$ 18,073.3</b>	<b>\$ 18,169.8</b>	<b>\$ 96.5</b>
Appropriation Adjustments	-	-	-
<b>TOTAL Adjusted Appropriations</b>	<b>\$ 18,073.3</b>	<b>\$ 18,169.8</b>	<b>\$ 96.5</b>
Net Additional Expenditure Requirements		-	-
Estimated Appropriations Lapsed	(209.3)	(361.3)	(152.0)
Estimated Appropriations to be Continued to FY 2018		-	-
<b>TOTAL Estimated Expenditures</b>	<b>\$ 17,864.0</b>	<b>\$ 17,808.5</b>	<b>\$ (55.5)</b>
Net Change in Fund Balance - Continuing Appropriations		(96.5)	(96.5)
Miscellaneous Adjustments/Rounding		(27.0)	(27.0)
<b>Net Change in Unassigned Fund Balance - 6/30/2017</b>	<b>\$ 22.7</b>	<b>\$ (107.2)</b>	<b>\$ (129.9)</b>

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 May 31, 2017  
(In Millions)

	General Assembly Budget Plan <sup>1</sup>	Revised Estimates OPM	Over/ (Under)
<b>TAXES</b>			
Personal Income	\$ 9,519.0	\$ 8,986.8	\$ (532.2)
Sales and Use	4,328.7	4,191.9	(136.8)
Corporation	839.3	990.0	150.7
Public Service Corporations	283.9	288.9	5.0
Inheritance and Estate	174.6	198.6	24.0
Insurance Companies	245.4	226.0	(19.4)
Cigarettes	371.1	376.1	5.0
Real Estate Conveyance	201.8	208.8	7.0
Alcoholic Beverages	62.2	62.2	-
Admissions and Dues	39.0	39.0	-
Health Provider Tax	683.4	696.5	13.1
Miscellaneous	20.1	20.1	-
<b>TOTAL - TAXES</b>	<b>\$ 16,768.5</b>	<b>\$ 16,284.9</b>	<b>\$ (483.6)</b>
Less: Refunds of Taxes	(1,106.5)	(1,131.5)	(25.0)
Earned Income Tax Credit	(133.6)	(133.6)	-
R & D Credit Exchange	(8.5)	(5.6)	2.9
<b>TOTAL - TAXES - NET</b>	<b>\$ 15,519.9</b>	<b>\$ 15,014.2</b>	<b>\$ (505.7)</b>
<b>OTHER REVENUE</b>			
Transfers - Special Revenue	\$ 355.5	\$ 327.0	\$ (28.5)
Indian Gaming Payments	267.0	268.2	1.2
Licenses, Permits, Fees	269.2	269.2	-
Sales of Commodities and Services	42.6	40.6	(2.0)
Rents, Fines, Escheats	128.0	153.0	25.0
Investment Income	3.8	3.8	-
Miscellaneous	219.0	330.5	111.5
Refunds of Payments	(66.1)	(46.1)	20.0
<b>TOTAL - OTHER REVENUE</b>	<b>\$ 1,219.0</b>	<b>\$ 1,346.2</b>	<b>\$ 127.2</b>
<b>OTHER SOURCES</b>			
Federal Grants	\$ 1,257.6	\$ 1,287.9	\$ 30.3
Transfer from Tobacco Settlement Fund	108.5	118.3	9.8
Transfers From/(To) Other Funds	(218.3)	(134.8)	83.5
<b>TOTAL - OTHER SOURCES</b>	<b>\$ 1,147.8</b>	<b>\$ 1,271.4</b>	<b>\$ 123.6</b>
<b>TOTAL - GENERAL FUND REVENUE</b>	<b>\$ 17,886.7</b>	<b>\$ 17,631.8</b>	<b>\$ (254.9)</b>

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 May 31, 2017

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

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

Unallocated Lapse - Amount Allocated <sup>1</sup> .	\$ 38,672,734
Unallocated Lapse - Remaining	-
Unallocated Lapse - Legislative <sup>1</sup> .	3,028,105
Unallocated Lapse - Judicial <sup>1</sup> .	7,400,672
General Lapse - Judicial	15,075,000
Targeted Savings - Amount Allocated	59,325,333
Targeted Savings - Remaining	-
Arts and Tourism Lapse	500,000
Municipal Opportunities and Regional Efficiencies Lapse	19,770,932
Governor's May 10, 2017 Executive Branch Rescissions	44,649,130
Office of Legislative Management	3,000,000
Auditors of Public Accounts	300,000
Secretary of the State	400,000
Office of Policy and Management	800,000
Department of Administrative Services	1,100,000
Department of Emergency Services and Public Protection	1,500,000
Department of Energy and Environmental Protection	300,000
Department of Economic and Community Development	400,000
Department of Housing	200,000
Department of Developmental Services	1,300,000
Department of Mental Health and Addiction Services	1,300,000
Department of Social Services	79,800,000
Department of Education	10,100,000
Office of Higher Education	200,000
University of Connecticut	1,400,000
Department of Correction	1,200,000
Department of Children and Families	2,000,000
Judicial Department	22,400,000
OSC - Fringe Benefits	45,200,000
Total	<u>\$ 361,321,906</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 <sup>1</sup>	July 2016	August 2016	September 2016	October 2016	November 2016	December 2016	January 2017	February 2017	Revised 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	\$ 17,484.2	\$ 17,484.2	\$ 17,631.8	
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	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	19.2	0.0	
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>	<u>(308.6)</u>	<u>(361.3)</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	17,783.9	17,712.0	0.0
Balance from Operations	22.7	0.2	0.2	(0.7)	(58.7)	(32.6)	32.3	35.4	39.0	(369.8)	(299.7)	(80.2)	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>	<u>(23.0)</u>	<u>(27.0)</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	(\$389.8)	(\$322.7)	(\$107.2)	\$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 May 31, 2017  
(In Millions)

	General Assembly <u>Budget Plan</u> <sup>1.</sup>	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
Fund Balance as of June 30, 2016 <sup>2.</sup>	\$ 150.4	\$ 142.8	\$ (7.6)
<b>REVENUE</b>			
Taxes	\$ 1,065.3	\$ 1,008.2	\$ (57.1)
Less: Refunds of Taxes	<u>(14.5)</u>	<u>(14.5)</u>	<u>-</u>
Taxes - Net	1,050.8	993.7	(57.1)
Other Revenue	<u>413.6</u>	<u>397.5</u>	<u>(16.1)</u>
<b>TOTAL - Revenue</b>	<b>\$ 1,464.4</b>	<b>\$ 1,391.2</b>	<b>\$ (73.2)</b>
<b>EXPENDITURES</b>			
Appropriations	\$ 1,475.4	\$ 1,475.4	\$ -
Prior Year Appropriations Continued to FY 2016 <sup>2.</sup>		22.6	22.6
<b>TOTAL Initial and Continued Appropriations</b>	<b>\$ 1,475.4</b>	<b>\$ 1,498.0</b>	<b>\$ 22.6</b>
Appropriation Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL Adjusted Appropriations</b>	<b>\$ 1,475.4</b>	<b>\$ 1,498.0</b>	<b>\$ 22.6</b>
Net Additional Expenditure Requirements		-	-
Estimated Appropriations Lapsed	(12.0)	(37.1)	(25.1)
Estimated Appropriations to be Continued to FY 2017		<u>-</u>	<u>-</u>
<b>TOTAL Estimated Expenditures</b>	<b>\$ 1,463.4</b>	<b>\$ 1,460.9</b>	<b>\$ (2.5)</b>
Net Change in Fund Balance - Continuing Appropriations		(22.6)	(22.6)
Miscellaneous Adjustments/Rounding		-	-
<b>Net Change in Unassigned Fund Balance - FY 2017</b>	<b>\$ 1.0</b>	<b>\$ (47.1)</b>	<b>\$ (48.1)</b>
Estimated Fund Balance - June 30, 2017	<u>\$ 151.4</u>	<u>\$ 95.7</u>	<u>\$ (55.7)</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.

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

	<u>General Assembly Budget Plan <sup>1</sup>.</u>	<u>Revised Estimates OPM</u>	<u>Over/ (Under)</u>
TAXES			
Motor Fuels	\$ 503.7	\$ 498.2	\$ (5.5)
Oil Companies	268.4	236.7	(31.7)
Sales & Use Tax	202.9	188.2	(14.7)
Sales Tax DMV	90.3	85.1	(5.2)
TOTAL - TAXES	<u>1,065.3</u>	<u>1,008.2</u>	<u>(57.1)</u>
Less: Refunds of Taxes	<u>(14.5)</u>	<u>(14.5)</u>	<u>-</u>
TOTAL - TAXES - NET	<u>\$ 1,050.8</u>	<u>\$ 993.7</u>	<u>\$ (57.1)</u>
OTHER REVENUE			
Motor Vehicle Receipts	\$ 261.8	\$ 244.0	\$ (17.8)
Licenses, Permits, Fees	141.5	143.4	1.9
Interest Income	8.5	8.5	-
Federal Grants	12.1	12.1	-
Transfers (To)/From Other Funds	(6.5)	(6.5)	-
Refunds of Payments	<u>(3.8)</u>	<u>(4.0)</u>	<u>(0.2)</u>
TOTAL - OTHER REVENUE	<u>\$ 413.6</u>	<u>\$ 397.5</u>	<u>\$ (16.1)</u>
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	<u>\$ 1,464.4</u>	<u>\$ 1,391.2</u>	<u>\$ (73.2)</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  
June 20, 2017

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

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

Statement 4T  
June 20, 2017

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

Unallocated Lapse	\$	-
Governor's May 10, 2017 Rescissions		6,778,803
Department of Administrative Services		2,200,000
Department of Motor Vehicles		900,000
Department of Transportation		1,500,000
DAS- Workers' Compensation Claims		300,000
OSC - Fringe Benefits		10,100,000
OTT - Debt Service		15,300,000
Total		<u>\$ 37,078,803</u>

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

	Budget Plan <sup>1</sup>	July 2016	August 2016	September 2016	October 2016	November 2016	December 2016	January 2017	February 2017	Revised March 2017	April 2017	May 2017	June 2017
Beginning Balance <sup>2</sup>	\$ 150.4	\$ 150.4	\$ 142.8	\$ 142.8	\$ 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>1,419.5</u>	<u>1,404.5</u>	<u>1,391.2</u>	<u></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	1,562.3	1,547.3	1,534.0	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	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	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>	<u>(34.2)</u>	<u>(37.1)</u>	<u></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	1,441.2	1,438.3	0.0
Balance from Operations	1.0	1.0	4.3	(0.9)	(14.0)	(12.0)	(17.1)	(17.5)	(17.3)	(30.6)	(36.7)	(47.1)	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>	<u>0.0</u>	<u>0.0</u>	<u></u>
Estimated Balance 6/30/17	\$151.4	\$151.4	\$147.1	\$141.9	\$128.8	\$130.8	\$125.7	\$125.3	\$125.5	\$112.2	\$106.1	\$95.7	\$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.