



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

May 19, 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 \$322.7 million operating shortfall, an improvement of \$67.1 million from our May 1st letter. This revision is due to the rescissions announced by the Governor on May 10th as well as changes in expenditure projections as detailed further below. Because the Budget Reserve Fund only contains \$235.6 million, the legislature must take immediate action to reduce appropriations and transfer revenues as recommended in the Governor's May 10th plan if the state is to avoid closing the year with a deficit. The Governor remains firmly committed to responsibly addressing the shortfall in a way that avoids deficit borrowing and minimizes the impact on the Budget Reserve Fund.

Revenues

Estimated revenues are unchanged from our May 1st letter and continue to reflect the consensus forecast reached between this office and the Office of Fiscal Analysis pursuant to CGS 2-36c.

Expenditures

In aggregate, estimated expenditures are \$57.1 million below the budget plan. Additional requirements (deficiencies) total \$19.2 million, and \$23.0 million in claims will be paid from the resources of the General Fund. Anticipated lapses, including rescissions, total \$99.3 million beyond the budget plan. Note that the budgeted Unallocated Lapse has been fully achieved. 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 \$6.8 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. Failure to adopt timely deficiency appropriations will impact the agency's ability to pay program expenses to providers and caregivers in May and June.
- Public Defender Services Commission. A total deficiency of \$4.0 million is projected, with \$2.2 million in Personal Services, \$1.6 million in Assigned Counsel – Criminal, and \$200,000 in Expert Witnesses.

In addition to the above deficiencies, balance is affected by \$23.0 million in estimated requirements for Adjudicated Claims. Existing law requires that such payments be made from the resources of the General Fund.

Lapses. Appropriated funds remaining unspent at year-end (lapses and rescissions) total \$308.6 million, compared to budgeted amounts totaling \$209.3 million. Specific lapses beyond allocated holdbacks and rescissions 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.
- Office of Policy and Management. A lapse of \$500,000 is anticipated in the Distressed Municipalities account based on the level of required grant payments.
- Department of Economic and Community Development. A lapse of \$300,000 in Personal Services is anticipated due to vacancies.
- Department of Housing. A lapse of \$200,000 in Personal Services is anticipated due to vacancies.
- Department of Social Services. A net lapse of \$31.3 million is anticipated in a variety of accounts, with \$15.0 million in Medicaid, \$6.5 million in Temporary Family Assistance, \$2.5 million in State Administered General Assistance, and \$7.3 million in the Community Residential Services account. The latter is 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 \$5.0 million is anticipated among various accounts.
- Judicial Department. A net lapse of \$20.0 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 \$55.0 million is projected in the appropriations for Unemployment Compensation, Higher Education Alternative

Retirement System, Employers Social Security Tax, and health care costs for both active and retired state employees.

Special Transportation Fund

We are projecting an operating deficit of \$36.7 million in the Special Transportation Fund. Anticipated revenues have been revised downward by \$15 million from our May 1st letter to reflect weaker than expected collections in the Oil Companies tax. Expenditures are, in aggregate, \$22.2 million below the budget plan, and projected lapses total \$34.2 million; both figures include the impact of rescissions imposed on May 10th. Specific lapses beyond allocated holdbacks and rescissions include:

- Department of Administrative Services. A lapse of \$2.0 million is forecast in the Insurance and Risk Management account.
- Department of Motor Vehicles. \$0.2 million will lapse in the Other Expenses account.
- State Comptroller – Fringe Benefits. A total lapse of \$9.5 million is expected, primarily in Employers Social Security Tax and health care costs for active state employees.
- Workers' Compensation Claims – Department of Administrative Services. A lapse of \$400,000 is anticipated.
- OTT - Debt Service. A lapse of \$15.3 million is forecast.

The fund balance on June 30, 2017 is expected to be \$106.1 million.

As we note each month, the foregoing information represents the best forecast that can be made at this time, and future estimates may need to be adjusted as the fiscal year draws to a close to reflect changes in the economy, expenditure patterns, and/or other factors.

Sincerely,

A handwritten signature in blue ink, appearing to read "Benjamin Barnes".

Benjamin Barnes
Secretary

Summary
May 19, 2017

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

General Fund

Balance from Operations - Prior Month		\$	(389.8)
Revenues			
No Changes	<u>0.0</u>		0.0
Expenditures			
Additional Requirements	0.9		
Estimated Lapses	69.2		
Miscellaneous Adjustments/Rounding	<u>(3.0)</u>		<u>67.1</u>
Estimated Balance from Operations - June 30, 2017		\$	<u>(322.7)</u>

Special Transportation Fund

Fund Balance as of June 30, 2016		\$	142.8
Balance from Operations - Prior Month			(30.6)
Revenues			
Oil Companies Tax	<u>(15.0)</u>		(15.0)
Expenditures			
Additional Requirements	0.0		
Estimated Lapses	8.9		
Miscellaneous Adjustments/Rounding	<u>0.0</u>		<u>8.9</u>
Estimated Fund Balance - June 30, 2017		\$	<u>106.1</u>

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

	General Assembly Budget Plan ¹	Revised Estimates OPM	Over/ (Under)
REVENUE			
Taxes	\$ 16,768.5	\$ 16,264.7	\$ (503.8)
Less: Refunds	(1,248.6)	(1,246.6)	2.0
Taxes - Net	\$ 15,519.9	\$ 15,018.1	\$ (501.8)
Other Revenue	1,219.0	1,323.0	104.0
Other Sources	1,147.8	1,143.1	(4.7)
TOTAL Revenue	\$ 17,886.7	\$ 17,484.2	\$ (402.5)
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		19.2	19.2
Estimated Appropriations Lapsed	(209.3)	(308.6)	(99.3)
Estimated Appropriations to be Continued to FY 2018		-	-
TOTAL Estimated Expenditures	\$ 17,864.0	\$ 17,880.4	\$ 16.4
Net Change in Fund Balance - Continuing Appropriations		(96.5)	(96.5)
Miscellaneous Adjustments/Rounding		(23.0)	(23.0)
Net Change in Unassigned Fund Balance - 6/30/2017	\$ 22.7	\$ (322.7)	\$ (345.4)

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 April 30, 2017
(In Millions)

	General Assembly Budget Plan ^{1.}	Revised Estimates OPM	Over/ (Under)
TAXES			
Personal Income	\$ 9,519.0	\$ 8,986.8	\$(532.2)
Sales and Use	4,328.7	4,226.0	(102.7)
Corporation	839.3	939.3	100.0
Public Service Corporations	283.9	288.9	5.0
Inheritance and Estate	174.6	185.6	11.0
Insurance Companies	245.4	230.4	(15.0)
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	701.5	18.1
Miscellaneous	20.1	20.1	-
TOTAL - TAXES	\$ 16,768.5	\$ 16,264.7	\$(503.8)
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	\$ 15,018.1	\$(501.8)
OTHER REVENUE			
Transfers - Special Revenue	\$ 355.5	\$ 327.0	\$(28.5)
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	139.0	11.0
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	\$ 1,323.0	\$ 104.0
OTHER SOURCES			
Federal Grants	\$ 1,257.6	\$ 1,252.9	\$(4.7)
Transfer from Tobacco Settlement Fund	108.5	108.5	-
Transfers From/(To) Other Funds	(218.3)	(218.3)	-
TOTAL - OTHER SOURCES	\$ 1,147.8	\$ 1,143.1	\$(4.7)
TOTAL - GENERAL FUND REVENUE	\$ 17,886.7	\$ 17,484.2	\$(402.5)

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 April 30, 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		6,800,000
Public Defenders Services Commission		4,000,000
Total	\$	<u>19,200,000</u>

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

Unallocated Lapse - Amount Allocated ¹ .	\$ 41,856,186
Unallocated Lapse - Remaining	-
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
Governor's May 10, 2017 Executive Branch Rescissions	46,068,931
Office of Legislative Management	3,500,000
Auditors of Public Accounts	300,000
Office of Policy and Management	500,000
Department of Economic and Community Development	300,000
Department of Housing	200,000
Department of Social Services	31,300,000
Department of Education	5,000,000
Judicial Department	20,000,000
OSC - Fringe Benefits	55,000,000
Total	<u>\$ 308,566,510</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	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		
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		
Additional Requirements	0.0	0.0	4.0	20.8	29.5	30.6	28.4	28.4	32.0	20.1	19.2		
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>		
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	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	(369.8)	(299.7)	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>	<u>(23.0)</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)	\$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 April 30, 2017
(In Millions)

	General Assembly <u>Budget Plan</u> ^{1.}	Revised Estimates <u>OPM</u>	Over/ (Under)
Fund Balance as of June 30, 2016 ^{2.}	\$ 150.4	\$ 142.8	\$ (7.6)
REVENUE			
Taxes	\$ 1,065.3	\$ 1,015.5	\$ (49.8)
Less: Refunds of Taxes	(14.5)	(14.5)	-
Taxes - Net	1,050.8	1,001.0	(49.8)
Other Revenue	413.6	403.5	(10.1)
TOTAL - Revenue	\$ 1,464.4	\$ 1,404.5	\$ (59.9)
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	-	-	-
TOTAL Adjusted Appropriations	\$ 1,475.4	\$ 1,498.0	\$ 22.6
Net Additional Expenditure Requirements		-	-
Estimated Appropriations Lapsed	(12.0)	(34.2)	(22.2)
Estimated Appropriations to be Continued to FY 2017		-	-
TOTAL Estimated Expenditures	\$ 1,463.4	\$ 1,463.8	\$ 0.4
Net Change in Fund Balance - Continuing Appropriations		(22.6)	(22.6)
Miscellaneous Adjustments/Rounding		-	-
Net Change in Unassigned Fund Balance - FY 2017	\$ 1.0	\$ (36.7)	\$ (37.7)
Estimated Fund Balance - June 30, 2017	<u>\$ 151.4</u>	<u>\$ 106.1</u>	<u>\$ (45.3)</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 April 30, 2017
(In Millions)

	General Assembly Budget Plan ^{1.}	Revised Estimates OPM	Over/ (Under)
TAXES			
Motor Fuels	\$ 503.7	\$ 501.7	\$ (2.0)
Oil Companies	268.4	236.7	(31.7)
Sales & Use Tax	202.9	190.0	(12.9)
Sales Tax DMV	90.3	87.1	(3.2)
TOTAL - TAXES	1,065.3	1,015.5	(49.8)
Less: Refunds of Taxes	(14.5)	(14.5)	-
TOTAL - TAXES - NET	\$ 1,050.8	\$1,001.0	\$ (49.8)
OTHER REVENUE			
Motor Vehicle Receipts	\$ 261.8	\$ 250.0	\$ (11.8)
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	(3.8)	(4.0)	(0.2)
TOTAL - OTHER REVENUE	\$ 413.6	\$ 403.5	\$ (10.1)
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$ 1,464.4	\$1,404.5	\$ (59.9)

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
May 19, 2017

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

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

Statement 4T
May 19, 2017

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

Unallocated Lapse	\$	-
Governor's May 10, 2017 Rescissions		6,778,803
Department of Administrative Services		2,000,000
Department of Motor Vehicles		200,000
DAS- Workers' Compensation Claims		400,000
OSC - Fringe Benefits		9,500,000
OTT - Debt Service		15,300,000
Total	\$	<u>34,178,803</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	Revised 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	\$ 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>		
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	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	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		
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>		
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	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)	(30.6)	(36.7)	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>	<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	\$112.2	\$106.1	\$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.