



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

November 20, 2015

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 2016 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. Note that our projections reflect the state's estimated year-end balance from operations in accordance with Generally Accepted Accounting Principles (GAAP).

General Fund

Overall, we are projecting a year-end shortfall of \$122.4 million, up slightly by \$4.0 million from last month's estimate. This change is due to the consensus revenue forecast reached by my office and the legislature's Office of Fiscal Analysis on November 10th. Note that bipartisan efforts to address this shortfall are ongoing.

Revenues

As noted above, revenues this month have been revised downward by \$4.0 million from the level reported last month to reflect the November 10th consensus forecast. The largest change is in the Estate Tax, down \$20 million to reflect the estimate reached by OPM and the Office of Fiscal Analysis. Several other revenue sources were also revised as part of the consensus estimate and net to a positive \$16.0 million.

Expenditures

Our overall expenditure estimate is unchanged from last month. Spending remains \$94.3 million below the budget plan, after application of rescissions issued in September. The following deficiencies are forecast:

- Office of the Chief Medical Examiner. A total shortfall of \$400,000 is estimated, consisting of \$300,000 in Personal Services and \$100,000 in Other Expenses due to an increase in the number of autopsies performed by the agency.
- Office of Early Childhood. A \$6.5 million deficiency in the Birth to Three program is forecast due to caseload increases and increased utilization of more costly services.
- Public Defender Services Commission. A total shortfall of \$1.6 million is projected. Of this \$1.2 million is in the Assigned Counsel – Criminal account due to an increased number of habeas corpus petitions following passage of P.A. 12-115, which places time limitations on filing such petitions. The Expert Witnesses account will have a projected \$0.4 million shortfall due both to P.A. 12-115 as well as a Connecticut Supreme Court

decision requiring the agency to pay for reasonably necessary expert witnesses when requested by pro se indigent defendants in criminal cases. While the agency is projecting a much larger deficiency, information available to us does not support a change in our estimate at this time.

While substantial lapses were built into the adopted budget, agencies have generally been successful in managing within these resource constraints. Our expenditure estimate currently reflects achievement of \$14.8 million of the budgeted MORE lapse. In addition, this month we have identified lapses in four agencies which are anticipated to satisfy \$29.0 million of the budgeted Unallocated Lapse. These projections include anticipated Personal Services lapses in the Department of Children and Families (\$2.0 million), the Department of Public Health (\$1.0 million), and the Department of Administrative Services (\$0.5 million). In addition, we are projecting a lapse totaling \$25.5 million in the Comptroller's Fringe Benefits accounts based on lower than anticipated spending for Retiree Healthcare, Social Security Taxes, Higher Education Alternative Retirement System, Group Life Insurance and Unemployment Taxes.

We continue to project that all budgeted lapses, both allocated and unallocated, will be achieved by the end of the fiscal year. Given the significant savings expectations built into the budget, my office continues to carefully monitor agency spending to ensure fulfillment of these lapses.

Special Transportation Fund

Our estimate of Transportation Fund revenues has been revised downward by \$25.4 million from the level reported last month, reflective of the November 10th consensus forecast. The largest change is in the Oil Companies Tax, down \$26.0 million due to lower than projected gasoline prices; all other changes net to a positive \$0.6 million. Estimated expenditures remain unchanged from last month and spending is consistent with the budget plan. A projected Debt Service lapse of \$3.9 million and a \$4.0 million lapse in the Comptroller's Fringe Benefits account for active healthcare satisfies about two-thirds of the budgeted Unallocated Lapse. We anticipate the fund balance on June 30, 2016 to be \$187.4 million.

It is important to note that while this represents the best forecast that can be made at this time, estimates may need to be revised to reflect the impact of changes in the economy, expenditure patterns, and/or other factors.

Sincerely,

A handwritten signature in dark ink, appearing to read "Benjamin Barnes", written in a cursive style.

Benjamin Barnes
Secretary

Summary
November 20, 2015

State of Connecticut
Summary of Changes
General Fund and Special Transportation Fund
Projected to June 30, 2016
As of October 31, 2015
(In Millions)

General Fund

Balance from Operations - Prior Month		\$	(118.4)
Revenues			
Inheritance and Estate	(20.0)		
Personal Income Tax	6.3		
Public Service	6.0		
All Other Changes (Net)	3.7		(4.0)
Expenditures			
Additional Requirements	0.0		
Estimated Lapses	0.0		
Miscellaneous Adjustments/Rounding	0.0		0.0
Estimated Balance from Operations - June 30, 2016		\$	(122.4)

Special Transportation Fund

Fund Balance as of June 30, 2015		\$	180.0
Balance from Operations - Prior Month			32.8
Revenues			
Oil Companies Tax	(26.0)		
All Changes (Net)	0.6		(25.4)
Expenditures			
Additional Requirements	0.0		
Estimated Lapses	0.0		
Miscellaneous Adjustments/Rounding	0.0		0.0
Estimated Fund Balance - June 30, 2016		\$	187.4

State of Connecticut
General Fund
Statement of Revenues, Expenditures, and Results of Operations
Projected to June 30, 2016
As of October 31, 2015
(In Millions)

	General Assembly Budget Plan ^{1.}	Revised Estimates OPM	Over/ (Under)
REVENUE			
Taxes	\$ 16,936.5	\$ 16,736.4	\$ (200.1)
Less: Refunds	(1,224.9)	(1,225.9)	(1.0)
Taxes - Net	\$ 15,711.6	\$ 15,510.5	\$ (201.1)
Other Revenue	1,174.3	1,162.0	(12.3)
Other Sources	1,276.5	1,272.4	(4.1)
TOTAL Revenue	\$ 18,162.4	\$ 17,944.9	\$ (217.5)
EXPENDITURES			
Initial Current Year Appropriations	\$ 18,362.2	\$ 18,362.2	\$ -
Prior Year Appropriations Continued to FY 2016 ^{2.}		64.9	64.9
TOTAL Initial and Continued Appropriations	\$ 18,362.2	\$ 18,427.1	\$ 64.9
Appropriation Adjustments	-	-	-
TOTAL Adjusted Appropriations	\$ 18,362.2	\$ 18,427.1	\$ 64.9
Net Additional Expenditure Requirements		8.5	8.5
Estimated Appropriations Lapsed	(200.6)	(303.4)	(102.8)
Estimated Appropriations to be Continued to FY 2017		-	-
TOTAL Estimated Expenditures	\$ 18,161.6	\$ 18,132.2	\$ (29.4)
Net Change in Fund Balances - Continuing Appropriations	-	(64.9)	(64.9)
Miscellaneous Adjustments/Rounding	-	-	-
Net Change in Unassigned Fund Balance - 6/30/2016	\$ 0.8	\$ (122.4)	\$ (123.2)

1. P.A. 15-244, as amended by P.A. 15-5, June Spec. Sess.

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

State of Connecticut
General Fund
Revenue Estimates
Projected to June 30, 2016
As of October 31, 2015
(In Millions)

	General Assembly Budget Plan ^{1.}	Revised Estimates OPM	Over/ (Under)
TAXES			
Personal Income	\$ 9,834.4	\$ 9,645.0	\$ (189.4)
Sales and Use	4,121.1	4,121.1	-
Corporation	902.2	902.2	-
Public Service Corporations	308.0	288.0	(20.0)
Inheritance and Estate	173.4	193.4	20.0
Insurance Companies	243.8	237.9	(5.9)
Cigarettes	361.2	361.2	-
Real Estate Conveyance	194.7	194.7	-
Oil Companies	-	-	-
Alcoholic Beverages	61.7	61.7	-
Admissions and Dues	38.3	38.3	-
Health Provider Tax	676.9	673.2	(3.7)
Miscellaneous	20.8	19.7	(1.1)
TOTAL - TAXES	\$ 16,936.5	\$ 16,736.4	\$ (200.1)
Less: Refunds of Taxes	(1,090.4)	(1,090.4)	-
Earned Income Tax Credit	(127.4)	(127.4)	-
R & D Credit Exchange	(7.1)	(8.1)	(1.0)
TOTAL - TAXES - NET	\$ 15,711.6	\$ 15,510.5	\$ (201.1)
OTHER REVENUE			
Transfers - Special Revenue	\$ 343.4	\$ 327.4	\$ (16.0)
Indian Gaming Payments	258.8	258.8	-
Licenses, Permits, Fees	308.5	308.5	-
Sales of Commodities and Services	38.0	38.0	-
Rents, Fines, Escheats	126.0	126.0	-
Investment Income	2.5	1.2	(1.3)
Miscellaneous	171.3	171.3	-
Refunds of Payments	(74.2)	(69.2)	5.0
TOTAL - OTHER REVENUE	\$ 1,174.3	\$ 1,162.0	\$ (12.3)
OTHER SOURCES			
Federal Grants	\$ 1,265.2	\$ 1,263.1	\$ (2.1)
Transfer from Tobacco Settlement Fund	106.6	106.6	-
Transfers From/(To) Other Funds	(95.3)	(97.3)	(2.0)
Transfers to the Resources of the Special Trans. Fund	-	-	-
TOTAL - OTHER SOURCES	\$ 1,276.5	\$ 1,272.4	\$ (4.1)
TOTAL - GENERAL FUND REVENUE	\$ 18,162.4	\$ 17,944.9	\$ (217.5)

1. P.A. 15-5, June Special Session, section 496

Statement 3
November 20, 2015

State of Connecticut - General Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2016
As of October 31, 2015

Office of the Chief Medical Examiner	400,000
Office of Early Childhood	6,500,000
Public Defender Services Commission	1,600,000
Total	<u>\$ 8,500,000</u>

State of Connecticut
General Fund
Estimated Lapses
Projected to June 30, 2016
As of October 31, 2015

Unallocated Lapse	\$ 64,076,192
Unallocated Lapse - Legislative	5,028,105
Unallocated Lapse - Judicial	7,400,672
General Employee Lapse	7,110,616
General Lapse - Legislative	39,492
General Lapse - Executive	9,678,316
General Lapse - Judicial	282,192
Statewide Hiring Reduction - Legislative	770,000
Statewide Hiring Reduction - Executive	30,920,000
Statewide Hiring Reduction - Judicial	3,310,000
Targeted Savings	12,500,000
Overtime Savings	10,500,000
MORE Lapse - September 18, 2015	14,797,244
MORE Lapse - Remaining Amount	5,202,756
September 18, 2015 Rescissions	102,750,661
Comptroller - Fringe Benefits	25,500,000
Department of Administrative Services	500,000
Department of Public Health	1,000,000
Department of Children and Families	2,000,000
Total	<u>\$303,366,246</u>

State of Connecticut
2015-16 General Fund
Summary of Operations Per Letter to the Comptroller
(In Millions)

	Budget Plan ¹	July 2015	August 2015	September 2015	October 2015	November 2015	December 2015	January 2016	February 2016	March 2016	April 2016	May 2016	June 2016
REVENUE	\$ 18,162.4	\$ 18,162.4	\$ 18,066.3	\$ 17,948.9	\$ 17,944.9								
Appropriations	18,362.2	18,362.2	18,362.2	18,362.2	18,362.2								
Additional Requirements	0.0	0.0	6.9	8.5	8.5								
Less: Estimated Lapses	(200.6)	(200.6)	(303.4)	(303.4)	(303.4)								
TOTAL - Estimated Expenditures	18,161.6	18,161.6	18,065.7	18,067.3	18,067.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance from Operations	0.8	0.8	0.6	(118.4)	(122.4)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Misc. Adjustments/Rounding	0.0	0.0	0.0	0.0	0.0								
Est. Balance from Operations - 6/30/16	\$ 0.8	\$ 0.8	\$ 0.6	(\$ 118.4)	(\$ 122.4)	\$ 0.0	\$ 0.0	\$ 0.0	\$ 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.

State of Connecticut
Special Transportation Fund
Analysis of Budget Plan
Projected to June 30, 2016
As of October 31, 2015
(In Millions)

	General Assembly <u>Budget Plan</u> ^{1.}	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
Fund Balance as of June 30, 2015 ^{2.}	\$ 195.5	\$ 180.0	\$ (15.5)
REVENUE			
Taxes	\$ 1,080.7	\$ 1,035.2	\$ (45.5)
Less: Refunds of Taxes	<u>(7.3)</u>	<u>(7.3)</u>	<u>-</u>
Taxes - Net	1,073.4	1,027.9	(45.5)
Other Revenue	<u>394.7</u>	<u>395.6</u>	<u>0.9</u>
TOTAL - Revenue	\$ 1,468.1	\$ 1,423.5	\$ (44.6)
EXPENDITURES			
Appropriations	\$ 1,428.1	\$ 1,428.1	\$ -
Net Additional Requirements	-	-	-
Less: Estimated Lapses	<u>(12.0)</u>	<u>(12.0)</u>	<u>-</u>
TOTAL - Expenditures	\$ 1,416.1	\$ 1,416.1	\$ -
Balance from Operations	\$ 52.0	\$ 7.4	\$ (44.6)
Miscellaneous Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
Estimated Fund Balance - June 30, 2016	<u>\$ 247.5</u>	<u>\$ 187.4</u>	<u>\$ (60.1)</u>

1. P.A. 15-244, as amended by P.A. 15-5, June Spec. Sess.

2. Budget plan as estimated by the Office of Policy and Management. Revised estimates per the Comptroller's September 30, 2015 letter.

State of Connecticut
Special Transportation Fund
Revenue Estimates
Projected to June 30, 2016
As of October 31, 2015
(In Millions)

	General Assembly Budget Plan ^{1.}	Revised Estimates OPM	Over/ (Under)
TAXES			
Motor Fuels	\$ 499.0	\$ 511.5	\$ 12.5
Oil Companies	339.1	281.1	(58.0)
Sales & Use Tax	158.6	158.6	
Sales Tax DMV	84.0	84.0	-
TOTAL - TAXES	<u>1,080.7</u>	<u>1,035.2</u>	<u>(45.5)</u>
Less: Refunds of Taxes	<u>(7.3)</u>	<u>(7.3)</u>	<u>-</u>
TOTAL - TAXES - NET	\$ 1,073.4	\$ 1,027.9	\$ (45.5)
OTHER REVENUE			
Motor Vehicle Receipts	\$ 245.8	\$ 245.8	\$ -
Licenses, Permits, Fees	139.3	140.2	0.9
Interest Income	7.7	7.7	-
Federal Grants	12.1	12.1	-
Transfers (To)/From Other Funds	(6.5)	(6.5)	-
Transfers From the General Fund	-	-	-
Refunds of Payments	<u>(3.7)</u>	<u>(3.7)</u>	<u>-</u>
TOTAL - OTHER REVENUE	\$ 394.7	\$ 395.6	\$ 0.9
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$ 1,468.1	\$ 1,423.5	\$ (44.6)

1. P.A. 15-5, June Special Session, section 497

Statement 3T
November 20, 2015

State of Connecticut
Special Transportation Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2016
As of October 31, 2015

No Additional Requirements

0

Total

\$	-
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Statement 4T
November 20, 2015

State of Connecticut
Special Transportation Fund
Estimated Lapses
Projected to June 30, 2016
As of October 31, 2015

Unallocated Lapse	\$ 4,100,000
OTT - Debt Service	3,900,000
Comptroller - Fringe Benefits	4,000,000
Total	<u>\$ 12,000,000</u>

State of Connecticut
2015-16 Special Transportation Fund
Summary of Operations Per Letter to the Comptroller
(In Millions)

	Budget Plan ¹	July 2015	August 2015	September 2015	October 2015	November 2015	December 2015	January 2016	February 2016	March 2016	April 2016	May 2016	June 2016
Beginning Balance ²	\$ 195.5	\$ 195.5	\$ 209.5	\$ 180.0	\$ 180.0								
Revenue	1,468.1	1,474.1	1,448.9	1,448.9	1,423.5								
Total Available	1,663.6	1,669.6	1,658.4	1,628.9	1,603.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Appropriations	1,428.1	1,428.1	1,428.1	1,428.1	1,428.1								
Additional Requirements	0.0	0.0	0.0	0.0	0.0								
Less: Estimated Lapses	(12.0)	(12.0)	(12.0)	(12.0)	(12.0)								
TOTAL - Estimated Expenditures	1,416.1	1,416.1	1,416.1	1,416.1	1,416.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance from Operations	52.0	58.0	32.8	32.8	7.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Misc. Adjustments/Rounding	0.0	0.0	0.0	0.0	0.0								
Estimated Balance 6/30/16	\$247.5	\$253.5	\$242.3	\$212.8	\$187.4	\$0.0	\$0.0	\$0.0	\$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.

2. Budget Plan and the months of July and August as estimated by the Office of Policy and Management. September and thereafter per the Comptroller's September 30, 2015 letter.