

STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

February 19, 2016

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

In recognition of a sharp increase in projected expenditures in the Adjudicated Claims account, the Office of Policy and Management is projecting a \$19.9 million General Fund deficit for Fiscal Year 2016, up \$12.8 million from last month's estimate. While management actions such as heightened scrutiny of hiring and contract approvals are anticipated to help address the overall projected shortfall, revenue performance through the remainder of the fiscal year—particularly April, which represents a significant month for revenue collections—will be the most important factor in determining year-end results.

Revenues

This month's revenue projection continues to reflect the consensus revenue estimate reached by OPM and the legislature's Office of Fiscal Analysis on January 15th pursuant to Section 2-36c of the General Statutes. As is typical, more than fifty percent of income tax collections are received after January 31st; however, estimated payments to date have been disappointing and seem to indicate significant downside risk in our income tax forecast for the rest of the fiscal year, likely related to the performance of the stock market in calendar 2015.

Expenditures

In aggregate, spending is projected to be \$87.8 million below the budget plan. Net additional requirements (deficiencies) total \$62.1 million, and are offset by \$57.6 million in lapses beyond the budget plan and in addition to savings anticipated as part of the December special session.

Deficiencies. Shortfalls are forecast in the following agencies:

- Office of the Chief Medical Examiner. A total shortfall of \$450,000 is estimated, consisting of \$310,000 in Personal Services and \$140,000 in Other Expenses due to an increase in the number of autopsies performed by the agency.

- Office of Early Childhood. A \$4.7 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 \$4.0 million is projected. Personal Services is estimated to have a \$1.9 million deficiency. A \$2.0 million deficiency is forecast 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 \$100,000 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.
- Office of the Treasurer – Debt Service. The December General Obligation bond sale produced lower than anticipated net premiums, resulting in the need for a deficiency appropriation of \$35 million. The next significant bond sale is scheduled in the Spring, and market factors and administrative decisions by the Office of the Treasurer will be key determinants of any change to our projection at that time.
- State Comptroller – Miscellaneous. A \$17.9 million shortfall is projected in the Adjudicated Claims account due to several large settlements for wrongfully incarcerated persons.

Lapses. Recognized lapses beyond holdbacks included in the original budget and Public Act 15-1 (Dec. Spec. Sess.) include the following:

- Office of Legislative Management. A total of \$4.5 million is projected to lapse, with \$3.0 million in Personal Services and \$1.5 million in Other Expenses.
- Auditors of Public Accounts. A lapse of \$700,000 is forecast in Personal Services due to vacancies.
- Secretary of the State. \$200,000 will lapse in the Commercial Recording Division account.
- Office of the State Comptroller. A lapse of \$300,000 is forecast in Personal Services due to vacancies.
- Department of Revenue Services. A lapse of \$300,000 is forecast in Personal Services due to vacancies.
- Comptroller's Fringe Benefits accounts. Lapses totaling \$34.6 million are forecast due to lower than anticipated spending for Retiree Healthcare, Social Security Taxes, Higher Education Alternative Retirement System, Group Life Insurance and Unemployment Compensation.
- Office of Governmental Accountability. A total of \$200,000 is projected to lapse across a variety of accounts.
- Office of Policy and Management. A total of \$500,000 will lapse, with \$300,000 in Personal Services due to vacancies, and \$200,000 in the Distressed Municipalities account as a result of fewer eligible recipients than budgeted.
- DAS – Workers' Compensation Claims. A lapse of \$800,000 is projected due to lower than anticipated claims costs.

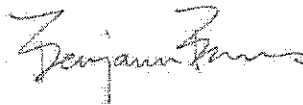
- Department of Consumer Protection. \$300,000 is projected to lapse in Personal Services due to turnover and hiring delays.
- Department of Labor. \$1.6 million will lapse, primarily in the Jobs First Employment Services account due to lower than budgeted expenditures for client transportation.
- Commission on Human Rights and Opportunities. A lapse of \$200,000 is forecast in Personal Services due to vacancies.
- Department of Economic and Community Development. \$400,000 is expected to lapse in Personal Services.
- Department of Housing. \$3.7 million is projected to lapse, primarily in the Housing/Homeless account due to a slower than budgeted pace of placements in the Money Follows the Person program.
- Agricultural Experiment Station. Personal Services will lapse \$200,000 due to vacancies.
- Department of Public Health. The agency will lapse \$2.1 million in Personal Services as a result of turnover and hiring delays.
- Department of Children and Families. Lapses totaling \$7.0 million are projected across a variety of accounts.

Special Transportation Fund

We are projecting that the Special Transportation Fund will end the year in balance. Estimated revenues continue to reflect the consensus revenue estimate reached by OPM and the legislature's Office of Fiscal Analysis on January 15th pursuant to Section 2-36c of the General Statutes. On the expenditure side, the Treasurer's Debt Service account will lapse \$3.9 million, and the Comptroller's Fringe Benefits account for active healthcare will lapse \$4.1 million. We anticipate the fund balance on June 30, 2016 to be \$180.0 million.

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

Sincerely,



Benjamin Barnes
Secretary

Summary
February 19, 2016

State of Connecticut
Summary of Changes from Prior Month
General Fund and Special Transportation Fund
Projected to June 30, 2016
As of January 31, 2016
(In Millions)

General Fund

Balance from Operations - Prior Month		\$	(7.1)
Revenues			
All changes - net	<u>0.0</u>		0.0
Expenditures			
Additional Requirements	(16.6)		
Estimated Lapses	3.8		
Miscellaneous Adjustments/Rounding	<u>0.0</u>		<u>(12.8)</u>
Estimated Balance from Operations - June 30, 2016		\$	<u>(19.9)</u>

Special Transportation Fund

Fund Balance as of June 30, 2015		\$	180.0
Balance from Operations - Prior Month			0.0
Revenues			
All changes - net	<u>0.0</u>		0.0
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, 2016		\$	<u>180.0</u>

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

	General Assembly Budget Plan ¹	Revised Estimates OPM	Over/ (Under)
REVENUE			
Taxes	\$ 16,936.5	\$ 16,834.7	\$ (101.8)
Less: Refunds	(1,224.9)	(1,224.9)	-
Taxes - Net	\$ 15,711.6	\$ 15,609.8	\$ (101.8)
Other Revenue	1,174.3	1,188.0	13.7
Other Sources	1,276.5	1,256.1	(20.4)
TOTAL Revenue	\$ 18,162.4	\$ 18,053.9	\$ (108.5)
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		62.1	62.1
Estimated Appropriations Lapsed	(200.6)	(350.5)	(149.9)
Estimated Appropriations to be Continued to FY 2017		-	-
TOTAL Estimated Expenditures	\$ 18,161.6	\$ 18,138.7	\$ (22.9)
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	\$ (19.9)	\$ (20.7)

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 January 31, 2016
(In Millions)

	General Assembly Budget Plan ¹	Revised Estimates OPM	Over/ (Under)
TAXES			
Personal Income	\$ 9,834.4	\$ 9,570.0	\$ (264.4)
Sales and Use	4,121.1	4,230.3	109.2
Corporation	902.2	950.4	48.2
Public Service Corporations	308.0	287.4	(20.6)
Inheritance and Estate	173.4	217.4	44.0
Insurance Companies	243.8	226.5	(17.3)
Cigarettes	361.2	365.9	4.7
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	672.4	(4.5)
Miscellaneous	20.8	19.7	(1.1)
TOTAL - TAXES	\$ 16,936.5	\$ 16,834.7	\$ (101.8)
Less: Refunds of Taxes	(1,090.4)	(1,090.4)	-
Earned Income Tax Credit	(127.4)	(127.4)	-
R & D Credit Exchange	(7.1)	(7.1)	-
TOTAL - TAXES - NET	\$ 15,711.6	\$ 15,609.8	\$ (101.8)
OTHER REVENUE			
Transfers - Special Revenue	\$ 343.4	\$ 336.4	\$ (7.0)
Indian Gaming Payments	258.8	261.8	3.0
Licenses, Permits, Fees	308.5	312.9	4.4
Sales of Commodities and Services	38.0	39.1	1.1
Rents, Fines, Escheats	126.0	126.0	-
Investment Income	2.5	1.2	(1.3)
Miscellaneous	171.3	176.8	5.5
Refunds of Payments	(74.2)	(66.2)	8.0
TOTAL - OTHER REVENUE	\$ 1,174.3	\$ 1,188.0	\$ 13.7
OTHER SOURCES			
Federal Grants	\$ 1,265.2	\$ 1,217.0	\$ (48.2)
Transfer from Tobacco Settlement Fund	106.6	108.6	2.0
Transfers From/(To) Other Funds	(95.3)	(69.5)	25.8
Transfers to the Resources of the Special Trans. Fund	-	-	-
TOTAL - OTHER SOURCES	\$ 1,276.5	\$ 1,256.1	\$ (20.4)
TOTAL - GENERAL FUND REVENUE	\$ 18,162.4	\$ 18,053.9	\$ (108.5)

Statement 3
February 19, 2016

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

Office of the Chief Medical Examiner	\$ 450,000
Office of Early Childhood	4,700,000
Public Defender Services Commission	4,000,000
OTT - Debt Service	35,000,000
OSC - Miscellaneous	17,900,000
Total	<u>\$ 62,050,000</u>

Statement 4
February 19, 2016

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

Unallocated Lapse	\$ 30,000,000
Unallocated Lapse - Legislative	-
Unallocated Lapse - Judicial	-
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	20,000,000
Allotment Reductions - PA 15-1 (DSS) §1	85,752,529
Executive Branch Reductions - PA 15-1 (DSS) §3(a)	65,057,153
Legislative Branch Reductions - PA 15-1 (DSS) §3(b)	2,000,000
Judicial Branch Reductions - PA 15-1 (DSS) §3(c)	15,000,000
Office of Legislative Management	4,500,000
Auditors of Public Accounts	700,000
Secretary of the State	200,000
Office of the State Comptroller	300,000
Department of Revenue Services	300,000
Office of Governmental Accountability	200,000
Office of Policy and Management	500,000
Department of Consumer Protection	300,000
Department of Labor	1,600,000
Commission on Human Rights and Opportunities	200,000
Department of Economic and Community Development	400,000
Department of Housing	3,700,000
Agricultural Experiment Station	200,000
Department of Public Health	2,100,000
Department of Children and Families	7,000,000
OSC - Fringe Benefits	34,600,000
DAS - Workers' Compensation Claims	800,000
Total	<u>\$ 350,520,298</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	\$ 18,080.7	\$ 18,053.9	\$ 18,053.9					
Appropriations	18,362.2	18,362.2	18,362.2	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	44.3	45.5	62.1					
Less: Estimated Lapses	(200.6)	(200.6)	(303.4)	(303.4)	(303.4)	(326.0)	(346.7)	(350.5)					
TOTAL - Estimated Expenditures	18,161.6	18,161.6	18,065.7	18,067.3	18,067.3	18,080.5	18,061.0	18,073.8	0.0	0.0	0.0	0.0	0.0
Balance from Operations	0.8	0.8	0.6	(118.4)	(122.4)	0.2	(7.1)	(19.9)	0.0	0.0	0.0	0.0	0.0
Misc. Adjustments/Rounding	0.0	0.0	0.0	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)	\$0.2	(\$7.1)	(\$19.9)	\$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.

Statement 1T
February 19, 2016

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

	General Assembly <u>Budget Plan</u> ¹	Revised Estimates <u>OPM</u>	Over/ (Under)
Fund Balance as of June 30, 2015 ²	\$ 195.5	\$ 180.0	\$ (15.5)
REVENUE			
Taxes	\$ 1,080.7	\$ 993.9	\$ (86.8)
Less: Refunds of Taxes	<u>(7.3)</u>	<u>(7.3)</u>	<u>-</u>
Taxes - Net	1,073.4	986.6	(86.8)
Other Revenue	<u>394.7</u>	<u>402.2</u>	<u>7.5</u>
TOTAL - Revenue	\$ 1,468.1	\$ 1,388.8	\$ (79.3)
EXPENDITURES			
Appropriations	\$ 1,428.1	\$ 1,428.1	\$ -
Net Additional Requirements	-	-	-
Less: Estimated Lapses	<u>(12.0)</u>	<u>(39.3)</u>	<u>(27.3)</u>
TOTAL - Expenditures	\$ 1,416.1	\$ 1,388.8	\$ (27.3)
Balance from Operations	\$ 52.0	\$ (0.0)	\$ (52.0)
Miscellaneous Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
Estimated Fund Balance - June 30, 2016	<u>\$ 247.5</u>	<u>\$ 180.0</u>	<u>\$ (67.5)</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.

Statement 2T
February 19, 2016

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

	General Assembly Budget Plan ¹	Revised Estimates OPM	Over/ (Under)
TAXES			
Motor Fuels	\$ 499.0	\$ 516.8	\$ 17.8
Oil Companies	339.1	264.0	(75.1)
Sales & Use Tax	158.6	123.4	(35.2)
Sales Tax DMV	84.0	89.7	5.7
TOTAL - TAXES	1,080.7	993.9	(86.8)
Less: Refunds of Taxes	(7.3)	(7.3)	-
TOTAL - TAXES - NET	\$ 1,073.4	\$ 986.6	\$ (86.8)
OTHER REVENUE			
Motor Vehicle Receipts	\$ 245.8	\$ 252.4	\$ 6.6
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	(3.7)	(3.7)	-
TOTAL - OTHER REVENUE	\$ 394.7	\$ 402.2	\$ 7.5
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$ 1,468.1	\$ 1,388.8	\$ (79.3)

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

Statement 3T
February 19, 2016

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

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

Statement 4T
February 19, 2016

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

Allocated Lapse - PA 15-1 (DSS) §2	\$ 25,696,429
PA 15-1 (DSS) §2 - Amount to be allocated	\$ 5,600,000
OTT - Debt Service	3,900,000
Comptroller - Fringe Benefits	4,100,000
Total	<u>\$ 39,296,429</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	\$ 180.0	\$ 180.0	\$ 180.0					
Revenue	<u>1,468.1</u>	<u>1,474.1</u>	<u>1,448.9</u>	<u>1,448.9</u>	<u>1,423.5</u>	<u>1,388.2</u>	<u>1,388.8</u>	<u>1,388.8</u>					
Total Available	1,663.6	1,669.6	1,658.4	1,628.9	1,603.5	1,568.2	1,568.8	1,568.8	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	1,428.1	1,428.1	1,428.1					
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>(12.0)</u>	<u>(12.0)</u>	<u>(12.0)</u>	<u>(39.9)</u>	<u>(39.3)</u>	<u>(39.3)</u>					
TOTAL - Estimated Expenditures	1,416.1	1,416.1	1,416.1	1,416.1	1,416.1	1,388.2	1,388.8	1,388.8	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	<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	\$247.5	\$253.5	\$242.3	\$212.8	\$187.4	\$180.0	\$180.0	\$180.0	\$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.