



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

December 20, 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 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 \$41.6 million operating deficit, an improvement of \$26.1 million from our estimate last month. Revenues remain reflective of the consensus forecast reached by OPM and the Office of Fiscal Analysis on November 10th. Estimated expenditures have decreased by \$26.1 million from last month's forecast, primarily due to savings in the Judicial Department as well as lapses in the fringe benefit accounts administered by the Office of the State Comptroller.

Revenues

Estimated revenues remain unchanged from last month's forecast, and continue to reflect the November consensus estimate by my office and the legislature's Office of Fiscal Analysis. Collections through the end of November typically represent only about thirty percent of expected total year end revenues, with the majority of the state's revenue received in the second half of the fiscal year. As always, the month of April, when final payments are received under the income tax, is the most significant collection period for the state. The next consensus revenue forecast will be released on or before January 17th, and will be incorporated into next month's budget estimate.

Expenditures

In aggregate, estimated expenditures are \$18.4 million above the budget plan. Additional requirements total \$30.6 million, and \$9.0 million in claims will be paid from the resources of the General Fund. Anticipated lapses total \$21.2 million beyond the budget plan. Lapses and deficiencies are described further below.

Deficiencies. Shortfalls are forecast in the following agencies:

- Division of Criminal Justice. A shortfall of \$1.0 million in Personal Services 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 shortfall of \$10.8 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, \$2.7 million in the Care for Kids account as a result of changes in federal regulations that resulted in increased caseloads.
- Department of Correction. A \$2.2 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 \$12.0 million is anticipated.

Also affecting balance is \$9.0 million in estimated requirements for payment of Adjudicated Claims. Existing law requires that such payments be made from the resources of the General Fund. Approximately \$6.8 million has been expended so far this fiscal year in this account.

Lapses. Lapses total \$230.5 million, including \$51.0 million in specific lapses beyond allocated holdbacks, compared to budgeted lapses of \$209.3 million. Specific lapses include:

- Office of Policy and Management. \$500,000 will remain unspent in the Distressed Municipalities account based on the level of required grant payments.
- Department of Administrative Services. A lapse of \$1.5 million in Personal Services is anticipated due to vacancies.
- Department of Consumer Protection. A lapse of \$500,000 in Personal Services is anticipated due to vacancies.
- 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 \$18.0 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 net lapse of \$28.0 million is projected. A shortfall in the Unemployment Compensation account will be more than offset by lapses projected in the appropriations for Employers Social Security Tax, Higher Education Alternative Retirement System, and Active and Retired State Employee Healthcare.
- Workers' Compensation Claims – Dept. of Administrative Services. A lapse of \$500,000 is expected due to lower than anticipated payment activity.

Special Transportation Fund

We are projecting an operating deficit of \$12.0 million in the Transportation Fund. Anticipated revenues continue to reflect the November 10th consensus forecast. On the expenditure side, a total of \$22.3 million will lapse, \$10.3 million beyond the budget plan. Lapses include \$15.3 million in Debt Service, and \$7.0 million in health care costs for active employees in the fringe benefit accounts administered by the Comptroller. We anticipate the fund balance on June 30, 2017 to be \$130.8 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 cursive script, appearing to read "Benjamin Barnes".

Benjamin Barnes
Secretary

Summary
December 20, 2016

State of Connecticut
Summary of Changes
General Fund and Special Transportation Fund
Projected to June 30, 2017
As of November 30, 2016
(In Millions)

General Fund

Balance from Operations - Prior Month		\$	(67.7)
Revenues			
All Changes (Net)	<u>0.0</u>		0.0
Expenditures			
Additional Requirements	(1.1)		
Estimated Lapses	27.2		
Miscellaneous Adjustments/Rounding	<u>0.0</u>		<u>26.1</u>
Estimated Balance from Operations - June 30, 2017		\$	<u>(41.6)</u>

Special Transportation Fund

Fund Balance as of June 30, 2016		\$	142.8
Balance from Operations - Prior Month			(14.0)
Revenues			
All Changes (Net)	<u>0.0</u>		0.0
Expenditures			
Additional Requirements	0.0		
Estimated Lapses	2.0		
Miscellaneous Adjustments/Rounding	<u>0.0</u>		<u>2.0</u>
Estimated Fund Balance - June 30, 2017		\$	<u>130.8</u>

State of Connecticut
General Fund
Statement of Revenues, Expenditures, and Results of Operations
Projected to June 30, 2017
As of November 30, 2016
(In Millions)

	General Assembly Budget Plan ¹	Revised Estimates OPM	Over/ (Under)
REVENUE			
Taxes	\$ 16,768.5	\$ 16,671.2	\$ (97.3)
Less: Refunds	(1,248.6)	(1,248.6)	-
Taxes - Net	\$ 15,519.9	\$ 15,422.6	\$ (97.3)
Other Revenue	1,219.0	1,299.0	80.0
Other Sources	1,147.8	1,119.2	(28.6)
TOTAL Revenue	\$ 17,886.7	\$ 17,840.8	\$ (45.9)
 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		30.6	30.6
Estimated Appropriations Lapsed	(209.3)	(230.5)	(21.2)
Estimated Appropriations to be Continued to FY 2018		-	-
TOTAL Estimated Expenditures	\$ 17,864.0	\$ 17,969.9	\$ 105.9
 Net Change in Fund Balance - Continuing Appropriations		(96.5)	(96.5)
Miscellaneous Adjustments/Rounding		(9.0)	(9.0)
 Net Change in Unassigned Fund Balance - 6/30/2017	\$ 22.7	\$ (41.6)	\$ (64.3)

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 November 30, 2016
(In Millions)

	General Assembly Budget Plan ¹	Revised Estimates OPM	Over/ (Under)
TAXES			
Personal Income	\$ 9,519.0	\$ 9,452.5	\$ (66.5)
Sales and Use	4,328.7	4,279.8	(48.9)
Corporation	839.3	839.3	-
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	201.8	-
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	\$ 16,671.2	\$ (97.3)
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	\$ 15,422.6	\$ (97.3)
OTHER REVENUE			
Transfers - Special Revenue	\$ 355.5	\$ 355.5	\$ -
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	128.0	-
Investment Income	3.8	3.8	-
Miscellaneous	219.0	299.0	80.0
Refunds of Payments	(66.1)	(66.1)	-
TOTAL - OTHER REVENUE	\$ 1,219.0	\$ 1,299.0	\$ 80.0
OTHER SOURCES			
Federal Grants	\$ 1,257.6	\$ 1,229.0	\$ (28.6)
Transfer from Tobacco Settlement Fund	108.5	108.5	-
Transfers From/(To) Other Funds	(218.3)	(218.3)	-
TOTAL - OTHER SOURCES	\$ 1,147.8	\$ 1,119.2	\$ (28.6)
TOTAL - GENERAL FUND REVENUE	\$ 17,886.7	\$ 17,840.8	\$ (45.9)

1. P.A. 16-2, May Special Session, and P.A. 16-3, May Special Session.

Statement 3
December 20, 2016

State of Connecticut - General Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2017
As of November 30, 2016

Division of Criminal Justice	\$ 1,000,000
Office of the Chief Medical Examiner	300,000
Office of Early Childhood	10,800,000
Department of Correction	2,200,000
Public Defenders Services Commission	4,300,000
OTT - Debt Service	12,000,000
Total	<u>\$ 30,600,000</u>

Statement 4
December 20, 2016

State of Connecticut
General Fund
Estimated Lapses
Projected to June 30, 2017
As of November 30, 2016

Unallocated Lapse - Amount Allocated ¹ .	\$ 41,856,186
Unallocated Lapse - Remaining	30,000,000
Unallocated Lapse - Legislative ¹ .	3,028,105
Unallocated Lapse - Judicial ¹ .	7,400,672
General Lapse - Judicial	15,075,000
Targeted Savings - Amount Allocated	61,664,472
Targeted Savings - Remaining	-
Arts and Tourism Lapse	500,000
Municipal Opportunities and Regional Efficiencies Lapse	20,000,000
Office of Policy and Management	500,000
Department of Administrative Services	1,500,000
Department of Consumer Protection	500,000
Department of Education	2,000,000
Judicial Department	18,000,000
OSC - Fringe Benefits	28,000,000
DAS- Workers' Compensation Claims	500,000
Total	<u>\$ 230,524,435</u>

1. Allocable pursuant to Public Act 16-2, May Spec. Sess., Section 35.

State of Connecticut
2016-17 General Fund
Summary of Operations Per Letter to the Comptroller
(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							
Appropriations	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							
Less: Estimated Lapses	(209.3)	(186.8)	(190.8)	(203.3)	(203.3)	(230.5)							
TOTAL - Estimated Expenditures	17,864.0	17,886.5	17,886.5	17,890.8	17,899.5	17,873.4	0.0	0.0	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)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Misc. Adjustments/Rounding	0.0	0.0	0.0	(5.0)	(9.0)	(9.0)							
Est. Balance from Operations - 6/30/17	\$22.7	\$0.2	\$0.2	(\$5.7)	(\$67.7)	(\$41.6)	\$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. and P.A. 16-2, May Spec. Sess.

Statement 1T
December 20, 2016

State of Connecticut
Special Transportation Fund
Analysis of Budget Plan
Projected to June 30, 2017
As of November 30, 2016
(In Millions)

	General Assembly Budget Plan ^{1.}	Revised Estimates OPM	Over/ (Under)
Fund Balance as of June 30, 2016 ^{2.}	\$ 150.4	\$ 142.8	\$ (7.6)
REVENUE			
Taxes	\$ 1,065.3	\$ 1,047.4	\$ (17.9)
Less: Refunds of Taxes	(14.5)	(14.5)	-
Taxes - Net	1,050.8	1,032.9	(17.9)
Other Revenue	413.6	408.2	(5.4)
TOTAL - Revenue	\$ 1,464.4	\$ 1,441.1	\$ (23.3)
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)	(22.3)	(10.3)
Estimated Appropriations to be Continued to FY 2017		-	-
TOTAL Estimated Expenditures	\$ 1,463.4	\$ 1,475.7	\$ 12.3
Net Change in Fund Balance - Continuing Appropriations		(22.6)	(22.6)
Miscellaneous Adjustments/Rounding		-	-
Net Change in Unassigned Fund Balance - FY 2017	\$ 1.0	\$ (12.0)	\$ (13.0)
Estimated Fund Balance - June 30, 2017	<u>\$ 151.4</u>	<u>\$ 130.8</u>	<u>\$ (20.6)</u>

1. P.A. 15-244, as amended by P.A. 15-5, June Spec. Sess. and P.A. 16-2, May Spec. Sess.

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 November 30, 2016
(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	197.7	(5.2)
Sales Tax DMV	90.3	90.3	-
TOTAL - TAXES	1,065.3	1,047.4	(17.9)
Less: Refunds of Taxes	(14.5)	(14.5)	-
TOTAL - TAXES - NET	\$ 1,050.8	\$ 1,032.9	\$ (17.9)
OTHER REVENUE			
Motor Vehicle Receipts	\$ 261.8	\$ 256.4	\$ (5.4)
Licenses, Permits, Fees	141.5	141.5	-
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	\$ 413.6	\$ 408.2	\$ (5.4)
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$ 1,464.4	\$ 1,441.1	\$ (23.3)

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
December 20, 2016

State of Connecticut
Special Transportation Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2017
As of November 30, 2016

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

Statement 4T
December 20, 2016

State of Connecticut
Special Transportation Fund
Estimated Lapses
Projected to June 30, 2017
As of November 30, 2016

Unallocated Lapse	\$ -
OSC - Fringe Benefits	7,000,000
OTT - Debt Service	15,300,000
Total	<u>\$ 22,300,000</u>

State of Connecticut
2016-17 Special Transportation Fund
Summary of Operations Per Letter to the Comptroller
(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							
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>							
Total Available	1,614.8	1,614.8	1,607.2	1,597.0	1,583.9	1,583.9	0.0	0.0	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							
Additional Requirements	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>							
TOTAL - Estimated Expenditures	1,463.4	1,463.4	1,460.1	1,455.1	1,455.1	1,453.1	0.0	0.0	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)	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>							
Estimated Balance 6/30/16	\$151.4	\$151.4	\$147.1	\$141.9	\$128.8	\$130.8	\$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. 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.