



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

June 20, 2019

The Honorable Kevin Lembo
State Comptroller
55 Elm Street
Hartford, Connecticut 06106

Dear Comptroller Lembo:

Section 4-66 of the General Statutes requires that my office provide financial information on the state's General Fund for Fiscal Year 2019. An analysis of the Special Transportation Fund is also provided here due to the significance of this fund.

General Fund

The adopted budget assumed a \$10.5 million balance from operations. We estimate an operating surplus of \$700.9 million, up \$129.1 million from our May forecast due mainly to significantly improved revenue projections, explained later in this letter. The table below summarizes the projected year-end balance from operations:

	(in millions)	
	Budget Plan	OPM Est. 6/20/19
Revenue	\$ 19,008.7	\$ 19,711.6
Expenditures	<u>18,998.2</u>	<u>19,010.7</u>
Est. Balance from Operations - 6/30/19	\$10.5	\$700.9

Our forecast of the transfer to the Budget Reserve Fund pursuant to the statutory volatility cap is depicted in the following table. We estimate the deposit will be \$895.5 million in FY 2019, which, when combined with the projected surplus from FY 2019 operations, will increase the state's reserves to over \$2.2 billion by fiscal year-end, or 11.6 percent of FY 2020 net General Fund appropriations.

	(in millions)
BRF Ending Balance - FY 2018	\$ 1,185.3
Projected Operating Surplus - FY 2019 (6/20/19 Est.)	700.9
Balance adjustments (PA 19-117)	
TRS Special Capital Reserve	(380.9)
Reserve for potential hospital settlement	(160.0)
Volatility Cap Deposit - FY 2019 (6/20/19 Est.)	<u>895.5</u>
Estimated BRF Total - FY 2019	\$ 2,240.8

Revenues

Projected revenues in the General Fund have been revised upward by \$120.6 million compared to last month's estimate. Sales and Use Tax estimates have been revised upward by \$39.9 million as collections continue to exceed their target. Corporation Tax revenues are up by \$25.0 million as collections in recent

months are outperforming their targets. The Pass-Through Entity Tax continues to perform well and is being revised upward by \$110.0 million. Rents, Fines, and Escheats estimates have been revised upward by \$10.0 million due to higher escheat collections. Miscellaneous Revenue has been revised upward by \$35.0 million due to fringe benefit recoveries. The Estimates and Finals component of the Personal Income Tax has been revised downward by \$100.0 million as collections in the month of June have underperformed their target to date. Estimated Refunds of Taxes have also been revised upward by \$40 million due to larger than expected refund pay-outs primarily in non-income tax related taxes. All other revenue changes net to a positive \$50.7 million.

Expenditures

We estimate that net expenditures will, in aggregate, be above the budget plan by \$12.5 million, down \$8.5 million from last month's estimate. As a result of deficiency appropriations made in Public Act 19-117 as well as transfers approved at the June 6, 2019, meeting of the Finance Advisory Committee, no remaining shortfalls are projected. Statement 4, attached, lists estimated net lapses by agency as well as any funds held back from allotment as part of the budget plan.

Special Transportation Fund

The adopted budget anticipates a \$3.2 million balance from operations. We estimate a \$63.1 million operating surplus, and a \$308.8 million fund balance on June 30, 2019. Estimated revenues have been revised upward by \$8.8 million compared to last month's estimate. The largest change is in the Motor Fuels Tax, up \$4.0 million. Given the increased Sales and Use Tax projections in the General Fund, a corresponding increase of \$3.1 million is also being reflected in the Transportation Fund. All other revenue changes net to a positive \$1.7 million. In aggregate, spending is estimated to be \$3.8 million above the level envisioned in the budget plan. As a result of deficiency appropriations made in Public Act 19-117 as well as transfers approved at the June 6, 2019, meeting of the Finance Advisory Committee, no remaining shortfalls are projected. Statement 4T attached, lists estimated net lapses by agency as well as any funds held back from allotment as part of the budget plan.

Other Appropriated Funds

While Sec. 4-66, CGS, does not require that we provide analyses of other appropriated funds, we offer the following update to previously reported shortfalls in several industry funds. The enacted budget did not include technical adjustments to fringe benefit and indirect overhead appropriations to match the recovery rates established by your office, resulting in shortfalls in the Department of Banking and the Department of Insurance. Public Act 19-117 provides deficiency appropriations for both agencies, resolving these shortfalls.

While the foregoing information represents the best estimate that can be made at this time, accounting adjustments made as part of the upcoming year-end closing process will affect the results reported here. Our forecast next month will be the last estimate of operating results before the books are officially closed for FY 2019.

Sincerely,



Melissa McCaw
Secretary

State of Connecticut
Summary of Changes
General Fund and Special Transportation Fund
Projected to June 30, 2019
As of May 31, 2019
(In Millions)

General Fund

Balance from Operations - Prior Month		\$	571.8
Revenues			
Personal Income Tax - Estimates and Finals	(100.0)		
Sales and Use Tax	39.9		
Corporation Tax	25.0		
Pass-Through Entity Tax	110.0		
Rents, Fines and Escheats	10.0		
Miscellaneous Revenue	35.0		
Refunds of Taxes	(40.0)		
Transfer to BRF - Volatility	(10.0)		
All Other Changes (net)	50.7		120.6
Expenditures			
Additional Requirements	65.0		
Estimated Lapses	(54.5)		
Miscellaneous Adjustments/Rounding	(2.0)		8.5
Estimated Balance from Operations - June 30, 2019		\$	<u>700.9</u>

Special Transportation Fund

Fund Balance as of June 30, 2018		\$	245.7
Balance from Operations - Prior Month			57.3
Revenues			
Motor Fuels Tax	4.0		
Sales and Use Tax	3.1		
All Other Changes (net)	1.7		8.8
Expenditures			
Additional Requirements	2.9		
Estimated Lapses	(6.0)		
Miscellaneous Adjustments/Rounding	0.0		(3.1)
Estimated Fund Balance - June 30, 2019		\$	<u>308.8</u>

State of Connecticut
General Fund
Statement of Revenues, Expenditures, and Results of Operations
Projected to June 30, 2019
As of May 31, 2019
(In Millions)

	General Assembly Budget Plan ¹	Revised Estimates OPM	Over/ (Under)
REVENUE			
Taxes	\$ 17,202.1	\$ 18,500.9	\$ 1,298.8
Less: Refunds	(1,339.8)	(1,466.9)	(127.1)
Taxes - Net	\$ 15,862.3	\$ 17,034.0	\$ 1,171.7
Other Revenue	1,208.6	1,311.7	103.1
Other Sources	1,937.8	1,365.9	(571.9)
TOTAL Revenue	\$ 19,008.7	\$ 19,711.6	\$ 702.9
EXPENDITURES			
Initial Current Year Appropriations	\$ 19,019.7	\$ 19,019.7	\$ -
Prior Year Appropriations Continued to FY 2019 ²		125.8	125.8
TOTAL Initial and Continued Appropriations	\$ 19,019.7	\$ 19,145.5	\$ 125.8
Appropriation Adjustments	-	-	-
TOTAL Adjusted Appropriations	\$ 19,019.7	\$ 19,145.5	\$ 125.8
Net Additional Expenditure Requirements		-	-
Estimated Appropriations Lapsed	(21.5)	(74.0)	(52.5)
Estimated Appropriations to be Continued to FY 2020 ²		(146.5)	(146.5)
TOTAL Estimated Expenditures	\$ 18,998.2	\$ 18,925.0	\$ (73.2)
Net Change in Fund Balance - Continuing Appropriations		20.7	20.7
Miscellaneous Adjustments/Rounding		(65.0)	(65.0)
Net Change in Unassigned Fund Balance - 6/30/2019	\$ 10.5	\$ 700.9	\$ 690.4

1. P.A. 18-81 as amended by P.A. 18-49.

2. CGS Sec. 4-89 and other statutory provisions.

State of Connecticut
General Fund
Revenue Estimates
Projected to June 30, 2019
As of May 31, 2019
(In Millions)

	General Assembly Budget Plan ¹	Revised Estimates OPM	Over/ (Under)
TAXES			
Personal Income - Withholding	\$ 6,147.7	\$ 6,578.1	\$ 430.4
Personal Income - Estimates and Finals	2,959.9	2,932.3	(27.6)
Sales and Use	4,153.6	4,330.8	177.2
Corporation	920.2	1,072.3	152.1
Pass-through Entity Tax	600.0	1,160.0	560.0
Public Service Corporations	243.8	248.3	4.5
Inheritance and Estate	176.2	228.7	52.5
Insurance Companies	234.3	195.0	(39.3)
Cigarettes	381.0	365.5	(15.5)
Real Estate Conveyance	209.4	209.4	-
Alcoholic Beverages	63.0	65.0	2.0
Admissions and Dues	41.8	46.8	5.0
Health Provider Tax	1,049.2	1,049.2	-
Miscellaneous	22.0	19.5	(2.5)
TOTAL - TAXES	\$ 17,202.1	\$ 18,500.9	\$ 1,298.8
Less: Refunds of Taxes	(1,215.1)	(1,367.3)	(152.2)
Earned Income Tax Credit	(118.3)	(94.2)	24.1
R & D Credit Exchange	(6.4)	(5.4)	1.0
TOTAL - TAXES - NET	\$ 15,862.3	\$ 17,034.0	\$ 1,171.7
OTHER REVENUE			
Transfers - Special Revenue	\$ 352.7	\$ 366.5	\$ 13.8
Indian Gaming Payments	203.6	254.6	51.0
Licenses, Permits, Fees	322.6	297.6	(25.0)
Sales of Commodities and Services	37.7	28.1	(9.6)
Rents, Fines, Escheats	147.2	166.1	18.9
Investment Income	14.5	49.8	35.3
Miscellaneous	189.1	209.1	20.0
Refunds of Payments	(58.8)	(60.1)	(1.3)
TOTAL - OTHER REVENUE	\$ 1,208.6	\$ 1,311.7	\$ 103.1
OTHER SOURCES			
Federal Grants	\$ 2,112.4	\$ 2,072.9	\$ (39.5)
Transfer from Tobacco Settlement Fund	110.2	110.2	-
Transfers From/(To) Other Funds	78.3	78.3	-
Transfers to BRF - Volatility Adjustment ²	(363.1)	(895.5)	(532.4)
TOTAL - OTHER SOURCES	\$ 1,937.8	\$ 1,365.9	\$ (571.9)
TOTAL - GENERAL FUND REVENUE	\$ 19,008.7	\$ 19,711.6	\$ 702.9

1. Sec. 27 of P.A. 18-81 as amended by P.A. 18-49. For clarity, OPM has modified this exhibit to separate revenue from the new Pass-through Entity Tax from the Corporation Tax, as the former is a component of the volatility cap.

2. The volatility cap for FY 2019 is \$3,196.8 million. Total revenue from the Estimates and Finals portion of the Personal Income Tax and the Pass-through Entity Tax that exceeds the volatility cap will be deposited into the Budget Reserve Fund.

State of Connecticut - General Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2019
As of May 31, 2019

No Additional Requirements

Total

\$ -

State of Connecticut
General Fund
Estimated Lapses
Projected to June 30, 2019
As of May 31, 2019

Unallocated Lapse	\$ 6,391,080
Unallocated Lapse - Judicial	4,426,037
Statewide Hiring Reduction - Executive	6,100,405
Department of Revenue Services	400,000
Office of Policy and Management	3,250,000
Department of Administrative Services	400,000
Office fo the Attorney General	1,300,000
Department of Labor	550,000
Division of Criminal Justice	300,000
Department of Agriculture	250,000
Department of Energy and Environmental Protection	400,000
Department of Housing	4,500,000
Department of Public Health	600,000
Office of Health Strategy	100,000
Department of Developmental Services	5,950,000
Department of Mental Health and Addiction Services	1,600,000
Department of Social Services	3,450,000
Department of Rehabilitation Services	350,000
Department of Education	5,050,000
Office of Early Childhood Education	2,000,000
Department of Correction	600,000
Department of Children and Families	1,050,000
Judicial Department	2,650,000
Public Defender Services Commission	200,000
OTT - Debt Service	11,150,000
OSC - Fringe Benefits	11,000,000
Total	<u>\$ 74,017,522</u>

State of Connecticut
FY 2019 General Fund
Monthly Summary of Operations
(In Millions)

	Budget Plan ¹	July 2018	August 2018	September 2018	October 2018	November 2018	December 2018	January 2019	February 2019	Updated March 2019	April 2019	May 2019	June 2019
REVENUE	\$ 19,008.7	\$ 19,171.6	\$ 19,179.2	\$ 19,182.4	\$ 19,269.4	\$ 19,275.9	\$ 19,473.0	\$ 19,473.0	\$ 19,473.0	\$ 19,591.0	\$ 19,591.0	\$ 19,711.6	
Appropriations	19,019.7	19,019.7	19,019.7	19,019.7	19,019.7	19,019.7	19,019.7	19,019.7	19,019.7	19,019.7	19,019.7	19,019.7	
Additional Requirements	0.0	31.5	35.5	54.6	54.6	58.0	61.9	45.3	57.3	54.6	65.0	0.0	
Less: Estimated Lapses	<u>(21.5)</u>	<u>(27.5)</u>	<u>(60.7)</u>	<u>(76.8)</u>	<u>(79.8)</u>	<u>(84.2)</u>	<u>(110.5)</u>	<u>(148.0)</u>	<u>(148.3)</u>	<u>(124.1)</u>	<u>(128.5)</u>	<u>(74.0)</u>	
TOTAL - Estimated Expenditures	18,998.2	19,023.7	18,994.5	18,997.5	18,994.5	18,993.5	18,971.1	18,917.0	18,928.7	18,950.2	18,956.2	18,945.7	0.0
Balance from Operations	10.5	147.9	184.7	184.9	274.9	282.4	501.9	556.0	544.3	640.8	634.8	765.9	0.0
Misc. Adjustments/Rounding	<u>0.0</u>	<u>(10.0)</u>	<u>(15.0)</u>	<u>(15.0)</u>	<u>(20.0)</u>	<u>(40.0)</u>	<u>(40.0)</u>	<u>(39.9)</u>	<u>(47.9)</u>	<u>(59.9)</u>	<u>(63.0)</u>	<u>(65.0)</u>	
Est. Balance from Operations - 6/30/19	\$10.5	\$137.9	\$169.7	\$169.9	\$254.9	\$242.4	\$461.9	\$516.1	\$496.4	\$580.9	\$571.8	\$700.9	\$0.0

1. P.A. 18-81 as amended by P.A. 18-49

State of Connecticut
Special Transportation Fund
Analysis of Budget Plan
Projected to June 30, 2019
As of May 31, 2019
(In Millions)

	General Assembly <u>Budget Plan</u> ^{1.}	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
Fund Balance as of June 30, 2018	\$ 224.0	\$ 245.7	\$ 21.7
REVENUE			
Taxes	\$ 1,227.3	\$ 1,276.0	\$ 48.7
Less: Refunds of Taxes	<u>(14.6)</u>	<u>(33.0)</u>	<u>(18.4)</u>
Taxes - Net	1,212.7	1,243.0	30.3
Other Revenue	<u>407.8</u>	<u>441.2</u>	<u>33.4</u>
TOTAL - Revenue	\$ 1,620.5	\$ 1,684.2	\$ 63.7
EXPENDITURES			
Appropriations	\$ 1,629.3	\$ 1,629.3	\$ -
Prior Year Appropriations Continued to FY 2019 ^{2.}		<u>28.5</u>	<u>28.5</u>
TOTAL Initial and Continued Appropriations	\$ 1,629.3	\$ 1,657.8	\$ 28.5
Appropriation Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL Adjusted Appropriations	\$ 1,629.3	\$ 1,657.8	\$ 28.5
Net Additional Expenditure Requirements		-	-
Estimated Appropriations Lapsed	(12.0)	(8.2)	3.9
Estimated Appropriations to be Continued to FY 2020 ^{2.}		<u>(29.3)</u>	<u>(29.3)</u>
TOTAL Estimated Expenditures	\$ 1,617.3	\$ 1,620.4	\$ 3.1
Net Change in Fund Balance - Continuing Appropriations		0.8	0.8
Miscellaneous Adjustments/Rounding		-	-
Net Change in Unassigned Fund Balance - FY 2019	\$ 3.2	\$ 63.1	\$ 59.9
Estimated Fund Balance - June 30, 2019	<u>\$ 227.2</u>	<u>\$ 308.8</u>	<u>\$ 81.6</u>

1. P.A. 18-81 as amended by P.A. 18-49.

2. CGS Sec. 4-89 and other statutory provisions.

State of Connecticut
Special Transportation Fund
Revenue Estimates
Projected to June 30, 2019
As of May 31, 2019
(In Millions)

	<u>General Assembly Budget Plan ¹.</u>	<u>Revised Estimates OPM</u>	<u>Over/ (Under)</u>
TAXES			
Motor Fuels	\$ 502.3	\$ 511.1	\$ 8.8
Oil Companies	279.8	307.5	27.7
Sales & Use Tax	358.4	370.7	12.3
Sales Tax DMV	86.8	86.7	(0.1)
TOTAL - TAXES	<u>1,227.3</u>	<u>1,276.0</u>	<u>48.7</u>
Less: Refunds of Taxes	<u>(14.6)</u>	<u>(33.0)</u>	<u>(18.4)</u>
TOTAL - TAXES - NET	<u>\$ 1,212.7</u>	<u>\$ 1,243.0</u>	<u>\$ 30.3</u>
OTHER REVENUE			
Motor Vehicle Receipts	\$ 250.6	\$ 252.5	\$ 1.9
Licenses, Permits, Fees	142.8	151.6	8.8
Interest Income	12.4	35.2	22.8
Federal Grants	12.1	12.3	0.2
Transfers (To)/From Other Funds	(5.5)	(5.5)	-
Refunds of Payments	<u>(4.6)</u>	<u>(4.9)</u>	<u>(0.3)</u>
TOTAL - OTHER REVENUE	<u>\$ 407.8</u>	<u>\$ 441.2</u>	<u>\$ 33.4</u>
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	<u>\$ 1,620.5</u>	<u>\$ 1,684.2</u>	<u>\$ 63.7</u>

1. Sec. 28 of P.A. 18-81 as amended by P.A. 18-49.

Statement 3T
June 20, 2019

State of Connecticut
Special Transportation Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2019
As of May 31, 2019

No additional requirements

Total

\$ -

Statement 4T
June 20, 2019

State of Connecticut
Special Transportation Fund
Estimated Lapses
Projected to June 30, 2019
As of May 31, 2019

Unallocated Lapse	\$	-
Department of Motor Vehicles		250,000
Department of Transportation		750,000
OTT - Debt Service		5,500,000
DAS - Workers' Compensation Claims		1,250,000
OSC - Fringe Benefits		400,000
Total	<u>\$</u>	<u>8,150,000</u>

State of Connecticut
FY 2019 Special Transportation Fund
Monthly Summary of Operations
(In Millions)

	Budget Plan ¹	July 2018 ¹	August 2018	September 2018	October 2018	November 2018	December 2018	January 2019	February 2019	Updated March 2019	April 2019	May 2019	June 2019
Beginning Balance ²	\$ 224.0	\$ 224.0	\$ 245.7	\$ 245.7	\$ 245.7	\$ 245.7	\$ 245.7	\$ 245.7	\$ 245.7	\$ 245.7	\$ 245.7	\$ 245.7	
Revenue	<u>1,620.5</u>	<u>1,677.3</u>	<u>1,677.3</u>	<u>1,677.3</u>	<u>1,684.6</u>	<u>1,684.6</u>	<u>1,687.6</u>	<u>1,687.6</u>	<u>1,687.6</u>	<u>1,675.4</u>	<u>1,675.4</u>	<u>1,684.2</u>	
Total Available	1,844.5	1,901.3	1,923.0	1,923.0	1,930.3	1,930.3	1,933.3	1,933.3	1,933.3	1,921.1	1,921.1	1,929.9	0.0
Appropriations	1,629.3	1,629.3	1,629.3	1,629.3	1,629.3	1,629.3	1,629.3	1,629.3	1,629.3	1,629.3	1,629.3	1,629.3	
Additional Requirements	0.0	0.0	0.0	0.0	0.0	1.0	0.7	1.0	1.0	1.2	2.9	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>(12.0)</u>	<u>(12.0)</u>	<u>(15.7)</u>	<u>(17.2)</u>	<u>(14.2)</u>	<u>(14.1)</u>	<u>(8.2)</u>	
TOTAL - Estimated Expenditures	1,617.3	1,617.3	1,617.3	1,617.3	1,617.3	1,618.3	1,618.0	1,614.6	1,613.1	1,616.3	1,618.1	1,621.2	0.0
Balance from Operations	3.2	60.0	60.0	60.0	67.3	66.3	69.6	73.0	74.5	59.1	57.3	63.1	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>	
Estimated Balance 6/30/19	\$227.2	\$284.0	\$305.7	\$305.7	\$313.0	\$312.0	\$315.3	\$318.7	\$320.2	\$304.8	\$303.0	\$308.8	\$0.0

1. P.A. 18-81 as amended by P.A. 18-49.

2. Budget plan and July as estimated by the Office of Policy and Management based on the Comptroller's August 1, 2018 letter. August per communications with the Office of the State Comptroller.