



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

May 1, 2023

The Honorable Sean Scanlon
 State Comptroller
 165 Capitol Avenue
 Hartford, Connecticut 06106

Dear Comptroller Scanlon:

The purpose of this correspondence is to update our April 20th projections to reflect revenue revisions resulting from today's consensus revenue forecast pursuant to CGS Sec. 2-36c.

FY 2023 Projection					
(in millions)					
		Mar.	Revised Apr. Estimate	Change in Estimate - Apr. vs. Mar.	Apr. Est. Variance from Budget
<u>General Fund</u>	<u>Budget</u>	<u>Estimate</u>	<u>Estimate</u>	<u>Mar.</u>	<u>Budget</u>
Revenues	\$ 22,388.2	\$ 23,281.5	\$ 23,444.6	\$ 163.1	\$ 1,056.4
Expenditures	<u>22,089.2</u>	<u>21,844.8</u>	<u>21,860.8</u>	<u>16.0</u>	<u>(228.4)</u>
Operating Results - Surplus/(Deficit)	\$ 299.0	\$ 1,436.7	\$ 1,583.8	\$ 147.1	\$ 1,284.8
<u>Budget Reserve Fund</u>					
Deposits		\$ 3,284.2	\$ 2,931.3	\$ (352.9)	
Withdrawals		<u>(4,107.6)</u>	<u>(4,107.6)</u> ^{1.}	<u>-</u>	
Proj. Net Deposit/(Withdrawal) 6/30		\$ (823.4)	\$ (1,176.3)	\$ (352.9)	
<u>Special Transportation Fund</u>					
Revenues	\$ 2,091.9	\$ 2,057.5	\$ 2,067.2	\$ 9.7	\$ (24.7)
Expenditures	<u>1,826.2</u>	<u>1,820.1</u>	<u>1,818.4</u>	<u>(1.7)</u>	<u>(7.8)</u>
Operating Results - Surplus/(Deficit)	\$ 265.7	\$ 237.4	\$ 248.8	\$ 11.4	\$ (16.9)
Proj. Fund Balance 6/30		\$ 635.2	\$ 646.5	\$ 11.4	

Notes:

1. BRF withdrawal includes the transfer out of \$4,107.6 million in FY 2023 pursuant to Sec. 4-30a, CGS, as the FY 2022 ending balance exceeded the statutory 15% cap. This sum is deposited as additional contributions to the State Employees Retirement Fund and the Teachers' Retirement Fund.

General Fund

As a result of the consensus revenue forecast released today, we are now projecting an operating surplus of \$1,583.8, a \$163.1 million improvement from the level reported on April 20th. The projected surplus represents 7.2 percent of the General Fund.

Budget Reserve Fund

Our forecast of the Budget Reserve Fund (BRF) balance is depicted below. We project that, after transfers out of the fund and into the State Employees and Teachers' Retirement Systems pursuant to the close-out of FY 2022 and transfers into the fund pursuant to the statutory volatility cap and the estimated FY 2023 operating surplus, the fund balance at the end of FY 2023 will be over \$6.2 billion, or 28.3 percent of net General Fund appropriations for the current year. Given that this balance is expected to exceed the statutory 15 percent cap for the Budget Reserve Fund next fiscal year, additional significant transfers to the State Employees Retirement Fund and/or the Teachers' Retirement Fund are expected during the close-out period for FY 2023.

Budget Reserve Fund	
	(in millions)
Estimated BRF Starting Balance - FY 2023 (OSC 12/5/22 Est.)	\$ 7,420.9
Deposit to SERS/TRS pursuant to Sec. 4-30a, C.G.S. (OPM 5/01/23 Est.)	\$ (4,107.6)
Projected Operating Surplus - FY 2023 (OPM 5/01/23 Est.)	\$ 1,583.8
Volatility Cap Deposit - FY 2023 (OPM 5/01/23 Est.)	<u>\$ 1,347.5</u>
Estimated BRF Ending Balance - FY 2023	\$ 6,244.7

Revenues

Revenues in this update reflect the consensus revenue forecast reached between this office and the Office of Fiscal Analysis pursuant to CGS Sec. 2-36c. Based on that forecast, projected revenues have been revised upward by a net \$163.1 million. However, this change masks several significant underlying revisions to the revenue forecast. On the positive side, the Corporation Tax has been revised upward by \$100.0 million as April collections combined with positive variances in prior months have shown strong growth. Similarly, Pass-through Entity Tax revenue has been revised upward by \$60.0 million as collections, while down from last year, have exceeded estimates for this year. Rents, Fines, and Escheats has been revised upward by \$52.5 million as escheat revenue has out-performed targets. The Sales and Use Tax has been revised upward by \$35.0 million due to continued strong performance relative to monthly targets. Offsetting this positive news, the Estimates & Finals component of the Personal Income Tax is being revised downward by \$560.0 million based on April tax receipts. Federal Grants have also been revised downward by \$62.8 million due to the timing of receipt of expected reimbursements. Given the projected changes in Estimates & Finals and the Pass-through Entity Tax noted above, the transfer to the Budget Reserve Fund pursuant to the volatility cap will decrease by \$500.0 million to a total of \$1.348 billion in FY 2023. All other revenue changes net to a positive \$38.4 million.

Expenditures

Our expenditure forecast remains unchanged from April 20th. In aggregate, expenditures are estimated to be below the amended budget plan by \$228.4 million.

Special Transportation Fund

We project that the Special Transportation Fund will end the year with an operating surplus of \$248.8 million and a projected fund balance on June 30, 2023, of \$646.5 million, both up \$9.7 million from our April 20th estimate. Revenues in this update reflect the consensus revenue forecast reached between this office and the Office of Fiscal Analysis pursuant to CGS Sec. 2-36c. Based on that forecast, projected revenues have been revised upward by \$9.7 million. The largest positive change is in the Sales and Use Tax, up \$12.5 million, similar to the trends in the General Fund mentioned above. On the negative side, the Highway Use Tax has been revised downward by \$10.0 million as collections from the first two months of this new tax came in below expectations. All other revenue changes net to a positive \$7.2 million.

I hope this updated information is helpful.

Sincerely,

A handwritten signature in blue ink that reads "Jeffrey R. Beckham". The signature is written in a cursive style with a large initial "J".

Jeffrey R. Beckham
Secretary

Attachments:

Summary Statements, FY 2023 Revenue and Expenditures

State of Connecticut
Summary of Changes - FY 2023
General Fund and Special Transportation Fund
Projected to June 30, 2023
As of April 30, 2023
(In Millions)

General Fund

Balance from Operations - Prior Month		\$	1,436.7
Revenues			
April 20th Forecast (net)	0.0		
May 1st Forecast (net)	163.1		163.1
			<hr/>
Expenditures			
Additional Requirements	(25.4)		
Estimated Lapses	9.4		
Miscellaneous Adjustments/Rounding	0.0		(16.0)
			<hr/>
Operating Surplus - FY 2023			1,583.8

Budget Reserve Fund

Fund Balance as of June 30, 2022			7,420.9
Deposit to SERS/TRS Pursuant to Sec. 4-30a, CGS	(4,107.6)		
Volatility Cap Deposit	1,347.5		
FY 2023 Est. Balance from Operations	1,583.8		(1,176.3)
			<hr/>
Estimated Fund Balance - June 30, 2023		\$	6,244.7
Fund Balance as Percentage of FY 2023 General Fund			28.3%

Special Transportation Fund

Fund Balance as of June 30, 2022		\$	397.8
Balance from Operations - Prior Month			237.4
Revenues			
April 20th Forecast (net)	0.0		
May 1st Forecast (net)	9.7		9.7
			<hr/>
Expenditures			
Additional Requirements	0.0		
Estimated Lapses	1.7		
Miscellaneous Adjustments/Rounding	0.0		1.7
			<hr/>
Estimated Fund Balance - June 30, 2023		\$	646.5

State of Connecticut
General Fund
Statement of FY 2023 Revenues, Expenditures, and Results of Operations
Projected to June 30, 2023
As of April 30, 2023
(In Millions)

	General Assembly Budget Plan ¹	Revised Estimates OPM	Over/ (Under)
REVENUE			
Taxes	\$ 22,150.5	\$ 22,313.3	\$ 162.8
Less: Refunds	(2,103.5)	(1,978.5)	125.0
Taxes - Net	\$ 20,047.0	\$ 20,334.8	\$ 287.8
Other Revenue	1,334.6	1,609.4	274.8
Other Sources	1,006.6	1,500.4	493.8
TOTAL Revenue	\$ 22,388.2	\$ 23,444.6	\$ 1,056.4
EXPENDITURES			
Initial Current Year Appropriations	\$ 22,229.4	\$ 22,229.4	\$ -
Prior Year Appropriations Continued to FY 2023 ²		834.3	834.3
TOTAL Initial and Continued Appropriations	\$ 22,229.4	\$ 23,063.7	\$ 834.3
Appropriation Adjustments	-	-	-
TOTAL Adjusted Appropriations	\$ 22,229.4	\$ 23,063.7	\$ 834.3
Net Additional Expenditure Requirements		75.9	75.9
Estimated Appropriations Lapsed	(140.2)	(426.7)	(286.5)
Estimated Appropriations to be Continued to FY 2024 ²		-	-
TOTAL Estimated Expenditures	\$ 22,089.2	\$ 22,712.9	\$ 623.7
Net Change in Fund Balance - Continuing Appropriations		(834.3)	(834.3)
Miscellaneous Adjustments/Rounding ³		17.7	17.7
Net Change in Unassigned Fund Balance - 6/30/2023	\$ 299.0	\$ 1,583.8	\$ 1,284.8

1. P.A. 22-118. Note that CGS Sec. 2-33c limits appropriations in FY 2023 to 98.75% of General Fund revenue. As a result, the \$299.0 million budgeted surplus is comprised of \$279.9 million due to this 98.75% limitation, plus an additional \$19.1 million operating surplus.

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

3. Appropriation transfers to other funds from OPM Reserve for Salary Adjustment and Private Providers accounts.

State of Connecticut
General Fund
FY 2023 Revenue Estimates
Projected to June 30, 2023
As of April 30, 2023
(In Millions)

	General Assembly Budget Plan ^{1.}	Revised Estimates OPM	Over/ (Under)
TAXES			
Personal Income - Withholding	\$ 8,184.4	\$ 8,309.4	\$ 125.0
Personal Income - Estimates and Finals	3,522.7	2,962.7	(560.0)
Sales and Use	4,777.6	5,092.6	315.0
Corporation	1,294.2	1,481.7	187.5
Pass-through Entity Tax	1,957.3	2,017.3	60.0
Public Service Corporations	277.0	287.0	10.0
Inheritance and Estate	150.2	210.2	60.0
Insurance Companies	243.1	266.6	23.5
Cigarettes	308.1	293.1	(15.0)
Real Estate Conveyance	290.4	300.4	10.0
Alcoholic Beverages	78.0	80.0	2.0
Admissions and Dues	27.2	37.2	10.0
Health Provider Tax	973.8	955.7	(18.1)
Miscellaneous	66.5	19.4	(47.1)
TOTAL - TAXES	\$ 22,150.5	\$ 22,313.3	\$ 162.8
Less: Refunds of Taxes	(1,952.4)	(1,827.4)	125.0
Earned Income Tax Credit	(143.8)	(143.8)	-
R & D Credit Exchange	(7.3)	(7.3)	-
TOTAL - TAXES - NET	\$ 20,047.0	\$ 20,334.8	\$ 287.8
OTHER REVENUE			
Transfers - Special Revenue	\$ 402.2	\$ 398.2	\$ (4.0)
Indian Gaming Payments	251.8	279.9	28.1
Licenses, Permits, Fees	327.5	327.5	-
Sales of Commodities and Services	23.9	15.9	(8.0)
Rents, Fines, Escheats	163.3	215.8	52.5
Investment Income	4.8	190.0	185.2
Miscellaneous	224.9	248.4	23.5
Refunds of Payments	(63.8)	(66.3)	(2.5)
TOTAL - OTHER REVENUE	\$ 1,334.6	\$ 1,609.4	\$ 274.8
OTHER SOURCES			
Federal Grants	\$ 2,059.0	\$ 2,147.3	\$ 88.3
Transfer from Tobacco Settlement Fund	122.1	112.5	(9.6)
Transfers From/(To) Other Funds	673.0	588.1	(84.9)
Transfers to BRF - Volatility Adjustment ^{2.}	(1,847.5)	(1,347.5)	500.0
TOTAL - OTHER SOURCES	\$ 1,006.6	\$ 1,500.4	\$ 493.8
TOTAL - GENERAL FUND REVENUE	\$ 22,388.2	\$ 23,444.6	\$ 1,056.4

1. Sec. 474 of P.A. 22-118.

2. The volatility cap for FY 2023 is \$3,632.5 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
FY 2023 Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2023
As of April 30, 2023

State Comptroller	\$	2,750,000
Department of Economic and Community Development		2,472,100
Office of the Chief Medical Examiner		320,000
Technical Education and Career System		2,000,000
Office of Higher Education		100,000
Department of Correction		18,750,000
OSC - Miscellaneous		45,000,000
DAS - Workers' Compensation Claims		4,460,000
Total	\$	<u>75,852,100</u>

State of Connecticut
 General Fund
 Estimated FY 2023 Lapses
 Projected to June 30, 2023
 As of April 30, 2023

Unallocated Lapse	\$ -
Unallocated Lapse - Judicial	-
SEBAC Specialty Drug Savings	-
CREATES Savings Initiative Lapse	-
Office of Legislative Management	7,000,000
Auditors of Public Accounts	550,000
Secretary of the State	250,000
Elections Enforcement Commission	600,000
Department of Revenue Services	11,000,000
Office of Governmental Accountability	550,000
Department of Veterans Affairs	750,000
Department of Administrative Services	9,000,000
Attorney General	3,000,000
Division of Criminal Justice	6,500,000
Department of Consumer Protection	600,000
Commission on Human Rights and Opportunities	250,000
Department of Housing	925,000
Agricultural Experiment Station	900,000
Department of Public Health	3,765,005
Office of Health Strategy	900,000
Department of Developmental Services	44,048,400
Department of Mental Health and Addiction Services	7,800,000
Department of Social Services	131,787,000
Department of Aging and Disability Services	1,200,000
Department of Education	7,700,000
Office of Early Childhood	9,975,000
Teachers' Retirement Board	1,000,000
Department of Children and Families	63,650,000
Judicial Department	4,424,000
Public Defender Services Commission	2,718,000
Debt Service - State Treasurer	4,202,591
State Comptroller - Fringe Benefits	101,630,000
Total	<u>\$ 426,674,996</u>

State of Connecticut
FY 2023 General Fund
Monthly Summary of Operations
(In Millions)

	Budget Plan ¹	July 2022	August 2022	September 2022	October 2022	November 2022	December 2022	January 2023	February 2023	Revised March 2023	April 2023	May 2023	June 2023
REVENUE	\$22,388.2	\$ 22,409.2	\$ 22,534.4	\$ 22,534.4	\$ 22,959.2	\$ 22,959.2	\$ 23,224.5	\$ 23,224.5	\$ 23,281.5	\$ 23,444.6			
Appropriations	22,229.4	22,229.4	22,229.4	22,229.4	22,229.4	22,229.4	22,229.4	22,229.4	22,229.4	22,229.4			
Additional Requirements	0.0	21.0	21.0	24.7	33.7	35.8	41.4	47.5	50.5	75.9			
Less: Estimated Lapses	(140.2)	(140.2)	(160.6)	(196.1)	(291.4)	(306.2)	(371.3)	(387.8)	(417.2)	(426.7)			
TOTAL - Estimated Expenditures	22,089.2	22,110.2	22,089.8	22,057.9	21,971.6	21,959.0	21,899.5	21,889.0	21,862.6	21,878.5	0.0	0.0	0.0
Operating Balance	299.0	299.0	444.6	476.5	987.6	1,000.2	1,325.0	1,335.5	1,418.9	1,566.1	0.0	0.0	0.0
Misc. Adjustments/Rounding	0.0	0.0	0.0	17.7	17.7	17.7	17.7	17.7	17.7	17.7			
Est. Operating Balance - 6/30/23	\$299.0	\$299.0	\$444.6	\$494.2	\$1,005.3	\$1,018.0	\$1,342.7	\$1,353.2	\$1,436.7	\$1,583.8	\$0.0	\$0.0	\$0.0

1. P.A. 22-118.

State of Connecticut
Special Transportation Fund
Analysis of FY 2023 Budget Plan
Projected to June 30, 2023
As of April 30, 2023
(In Millions)

	General Assembly <u>Budget Plan</u> ^{1.}	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
Fund Balance as of June 30, 2022	\$ 456.2	\$ 397.8	\$ (58.4)
REVENUE			
Taxes	\$ 1,692.2	\$ 1,645.3	\$ (46.9)
Less: Refunds of Taxes	<u>(16.2)</u>	<u>(10.7)</u>	<u>5.5</u>
Taxes - Net	\$ 1,676.0	\$ 1,634.6	\$ (41.4)
Other Revenue	<u>415.9</u>	<u>432.6</u>	<u>16.7</u>
TOTAL - Revenue	\$ 2,091.9	\$ 2,067.2	\$ (24.7)
EXPENDITURES			
Appropriations	\$ 1,938.2	\$ 1,938.2	\$ -
Prior Year Appropriations Continued to FY 2023 ^{2.}		<u>156.3</u>	<u>156.3</u>
TOTAL Initial and Continued Appropriations	\$ 1,938.2	\$ 2,094.5	\$ 156.3
Appropriation Adjustments		<u>-</u>	<u>-</u>
TOTAL Adjusted Appropriations	\$ 1,938.2	\$ 2,094.5	\$ 156.3
Net Additional Expenditure Requirements		5.0	5.0
Estimated Appropriations Lapsed	(112.0)	(135.1)	(23.1)
Estimated Appropriations to be Continued to FY 2024 ^{2.}		<u>-</u>	<u>-</u>
TOTAL Estimated Expenditures	\$ 1,826.2	\$ 1,964.4	\$ 138.3
Net Change in Fund Balance - Continuing Appropriations		(156.3)	(156.3)
Miscellaneous Adjustments/Rounding ^{3.}		(10.3)	-
Net Change in Unassigned Fund Balance - FY 2023	\$ 265.7	\$ 248.8	\$ (6.7)
Estimated Fund Balance - June 30, 2023	<u>\$ 721.9</u>	<u>\$ 646.5</u>	<u>\$ (65.1)</u>

1. P.A. 22-118. Note that CGS Sec. 2-33c limits appropriations in FY 2023 to 98.75% of Special Transportation Fund revenue. As a result, the \$265.7 million budgeted surplus is comprised of \$26.1 million due to this 99.0% limitation, plus an additional \$239.6 million operating surplus.

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

3. Appropriation transfers from OPM General Fund Reserve for Salary Adjustment account.

State of Connecticut
Special Transportation Fund
FY 2023 Revenue Estimates
Projected to June 30, 2023
As of April 30, 2023
(In Millions)

	General Assembly Budget Plan ¹	Revised Estimates OPM	Over/ (Under)
TAXES			
Motor Fuels	\$ 344.4	\$ 256.5	\$ (87.9)
Oil Companies	402.4	403.9	1.5
Sales & Use Tax	794.1	832.6	38.5
Sales Tax DMV	106.3	117.3	11.0
Highway Use	45.0	35.0	
TOTAL - TAXES	\$ 1,692.2	\$ 1,645.3	\$ (36.9)
Less: Refunds of Taxes	(16.2)	(10.7)	5.5
TOTAL - TAXES - NET	\$ 1,676.0	\$ 1,634.6	\$ (31.4)
OTHER REVENUE			
Motor Vehicle Receipts	\$ 269.0	\$ 252.8	\$ (16.2)
Licenses, Permits, Fees	142.1	122.1	(20.0)
Interest Income	3.3	61.6	58.3
Federal Grants	10.1	10.1	-
Transfers (To)/From Other Funds	(5.5)	(5.5)	-
Refunds of Payments	(3.1)	(8.5)	(5.4)
TOTAL - OTHER REVENUE	\$ 415.9	\$ 432.6	\$ 16.7
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$ 2,091.9	\$ 2,067.2	\$ (14.7)

1. Sec. 475 of P.A. 22-118.

Statement 3T
May 1, 2023

State of Connecticut
Special Transportation Fund
FY 2023 Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2023
As of April 30, 2023

Department of Administrative Services	\$ 5,000,000
Total	<u>\$ 5,000,000</u>

Statement 4T
May 1, 2023

State of Connecticut
Special Transportation Fund
FY 2023 Estimated Lapses
Projected to June 30, 2023
As of April 30, 2023

Unallocated Lapse	\$	-
Temporary Federal Support for Transportation Operations		-
Department of Transportation		100,000,000
OTT - Debt Service		31,400,000
OSC - Fringe Benefits		2,500,000
DAS - Workers' Compensation Claims		1,150,000
Total		<u>\$ 135,050,000</u>

State of Connecticut
FY 2023 Special Transportation Fund
Monthly Summary of Operations
(In Millions)

	Budget Plan ¹ .	July 2022	August 2022	September 2022	October 2022	November 2022	December 2022	January 2023	February 2023	Revised March 2023	April 2023	May 2023	June 2023
Beginning Balance ² .	\$ 456.2	\$ 456.2	\$ 456.2	\$ 397.8	\$ 397.8	\$ 397.8	\$ 397.8	\$ 397.8	\$ 397.8	\$ 397.8			
Revenue	<u>2,091.9</u>	<u>2,093.2</u>	<u>2,119.9</u>	<u>2,119.9</u>	<u>2,132.6</u>	<u>2,042.6</u>	<u>2,052.5</u>	<u>2,052.5</u>	<u>2,057.5</u>	<u>2,067.2</u>			
Total Available	2,548.1	2,549.4	2,576.1	2,517.7	2,530.4	2,440.4	2,450.3	2,450.3	2,455.3	2,465.0	0.0	0.0	0.0
Appropriations	1,938.2	1,938.2	1,938.2	1,938.2	1,938.2	1,938.2	1,938.2	1,938.2	1,938.2	1,938.2			
Additional Requirements	0.0	0.0	0.0	0.0	0.0	2.0	2.0	5.0	5.0	5.0			
Less: Estimated Lapses	<u>(112.0)</u>	<u>(112.0)</u>	<u>(145.4)</u>	<u>(149.8)</u>	<u>(132.7)</u>	<u>(134.5)</u>	<u>(135.8)</u>	<u>(135.3)</u>	<u>(133.4)</u>	<u>(135.1)</u>			
TOTAL - Estimated Expenditures	1,826.2	1,826.2	1,792.8	1,788.5	1,805.5	1,805.7	1,804.5	1,808.0	1,809.8	1,808.2	0.0	0.0	0.0
Operating Balance	265.7	267.0	327.1	331.5	327.1	236.9	248.1	244.6	247.7	259.1	0.0	0.0	0.0
Misc. Adjustments/Rounding	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>(10.3)</u>	<u>(10.3)</u>	<u>(10.3)</u>	<u>(10.3)</u>	<u>(10.3)</u>	<u>(10.3)</u>	<u>(10.3)</u>			
Estimated Operating Balance 6/30/23	\$721.9	\$723.2	\$783.3	\$718.9	\$714.6	\$624.4	\$635.5	\$632.0	\$635.2	\$646.5	\$0.0	\$0.0	\$0.0

1. P.A. 22-118.

2. Budget plan, July and August as estimated by the Office of Policy and Management, September and later based on OSC preliminary closing balance for FY 2022.