



# STATE OF CONNECTICUT

## OFFICE OF POLICY AND MANAGEMENT

May 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 2015 is provided in accordance with Section 4-66 of the General Statutes. An analysis of the Special Transportation Fund is also included due to the significant nature of the 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

The Office of Policy and Management is projecting a \$164.9 million General Fund deficit for Fiscal Year 2015, an increase of \$3.2 million from our April 30<sup>th</sup> estimate. Downward revisions in anticipated revenue totaling \$24.3 million are largely offset by expenditures which improve by \$21.1 million in aggregate from last month's projections. Fund transfers included in House Bill 6825, the Governor's legislative proposal to address FY 2015 deficiencies, would reduce the shortfall by \$37.3 million. Administrative efforts to reduce the remaining deficit, including heightened scrutiny of position refills and contract requests, continue to be made in an effort to limit year-end expenditures to those that are critical for state operations.

### Revenues

This month's estimate is being revised downward by \$24.3 million from the level reported on April 30<sup>th</sup>. The largest change is in the Oil Companies Tax, down \$35 million due to very weak collections received through early May and the expectation that the final quarterly payment will also be lower than had been anticipated in the recent consensus revenue estimate. Given CGS 13b-61a(c), this revision appears in the General Fund revenue schedule as an increase in transfers to the Special Transportation Fund (STF) in order to hold the STF harmless from the declining revenue source. Inheritance and Estate collections are being revised downward by \$9.0 million as collections failed to achieve their target through early May. On the positive side, estimated Refunds of Taxes have been lowered by \$20 million due to fewer refunds being issued primarily from non-income related taxes. All other changes net to a negative \$0.3 million.

### Expenditures

Overall, expenditures are projected to be \$25.0 million below the budget plan. Net additional requirements (deficiencies) total \$125.0 million, and \$50.3 million in lapses are projected beyond the budget plan and in addition to the savings resulting from rescissions implemented in November, January and April.

*Deficiencies.* Shortfalls are forecast in the following agencies:

- Department of Social Services. A net Medicaid shortfall of \$82.0 million is projected due to additional hospital cost settlements; the unlikelihood of achieving the full savings levels incorporated in the budget for the medication administration, step therapy, and fraud initiatives; and revisions to the federal cost share.
- Department of Emergency Services and Public Protection. A total shortfall of \$4.0 million is projected in Personal Services after accounting for April Finance Advisory Committee transfers to resolve shortfalls in the Other Expenses and Workers' Compensation Claims accounts.
- Department of Agriculture. A shortfall of \$350,000 is projected in Other Expenses for animal care costs due to the seizure of neglected animals.
- Department of Correction. A total shortfall of \$4.9 million is projected in Personal Services after accounting for April Finance Advisory Committee transfers to resolve shortfalls in the Other Expenses and Workers' Compensation Claims accounts.
- Public Defenders Services Commission. A total shortfall of \$6.0 million is projected in Personal Services, after accounting for March Finance Advisory Committee transfers to resolve shortfalls in the Assigned Counsel – Criminal and Expert Witnesses accounts.
- Comptroller – Fringe Benefits. A \$17.5 million shortfall in the Retired Employee Health Service account is anticipated due to claims costs that are trending above budgeted levels. Note that this sum is net of lapses anticipated in several other fringe benefit accounts.
- Comptroller – Miscellaneous. A \$10.2 million deficiency is anticipated in the Adjudicated Claims account, including proposed settlements for wrongfully convicted individuals.

*Lapses.* Lapses beyond holdbacks and rescissions are forecast in the following agencies:

- Legislative Branch. A total of \$7.0 million in the Office of Legislative Management's Personal Services and Other Expenses accounts and \$0.5 million in the Auditors of Public Accounts' Personal Services account. These projected lapses have more than satisfied the branch's unallocated lapse target for the fiscal year.
- Treasurer – Debt Service. \$88.0 million in savings from actual and anticipated bond sales.
- Office of Policy and Management. A total of \$3.5 million in various accounts, primarily in the Tax Relief for Elderly Renters account due to fewer applications than the level assumed in the adopted budget.
- Department of Administrative Services. \$0.5 million in Other Expenses as a result of curtailing expenditures.
- Office of the Attorney General. \$0.5 million in Personal Services due to vacancies.
- Department of Consumer Protection. \$0.5 million in Personal Services due to vacancies.
- Department of Labor. A total of \$1.0 million, with \$0.3 million in the Veterans' Opportunity Pilot account due to delays in hiring and \$0.7 million in Opportunities for the Long Term Unemployed due to startup delays.
- Department of Energy and Environmental Protection. A total of \$1.0 million across several accounts due to vacancies and reduced spending.
- Department of Housing. \$2.0 million in Housing/Homeless Services due to fewer than anticipated transitions for Money Follows the Person and delays in the utilization of project-

based rental assistance certificates, and \$300,000 in Elderly Congregate Rent Subsidy due to a variety of factors leading to expenditure underruns.

- Department of Public Health. \$1.3 million across a variety of accounts, mostly due to vacancies.
- Department of Mental Health and Addiction Services. \$1.7 million in TBI Community Services as a result of successful transfers of clients onto the ABI waiver.
- Department of Education. A net total of \$6.5 million in a variety of accounts after transfers to resolve the Magnet Schools shortfall.
- Office of Early Childhood. \$11.7 million in various accounts due to vacancies, slower rollout of the new school readiness program than assumed in the budget, and reduced demand in the Care4Kids program.
- Teachers' Retirement Board. \$1.5 million due primarily to lower than anticipated retiree health care costs.
- Department of Children and Families. A net \$7.5 million as a result of delays in the development of new programs, contractual underruns, and updated caseload and hiring projections.
- Budgeted lapses. We project that \$74.7 million of the \$94.7 million Unallocated Lapse target for the Legislative and Executive branches has been achieved. The budget included a \$10 million Municipal Opportunities and Regional Efficiencies lapse; the Governor's deficiency bill (HB 6825) would transfer \$12.7 million from the Municipal Revenue Sharing Account to the resources of the General Fund in satisfaction of this lapse and to help address the projected FY 2015 deficit.

#### Special Transportation Fund

A \$2.2 million operating surplus is projected, an improvement from the level reported last month. Revenues are being revised upward by \$3.0 million this month due to better than anticipated collections in the Motor Fuels Tax as a result of rising consumption. As noted in our General Fund revenue narrative above, STF revenues also reflect an increased transfer from the General Fund due to declines in Oil Companies Tax receipts. Expenditures continue to reflect a net \$18.0 million shortfall in the Department of Transportation, with \$5.0 in the Rail Operations account related to operational costs associated with Metro North Railroad, and \$13.0 million in Personal Services after the March and May Finance Advisory Committee transfers to address winter-related costs. Additionally, we are projecting a \$2.4 million shortfall in active employees' health care costs. The fund balance on June 30, 2015 is estimated to be \$171.2 million.

As always, it is important to note that while this is the best forecast that can be made at this time, estimates may need to be adjusted as the year draws to a close to reflect changes in the economy, expenditure patterns, and/or other factors.

Sincerely,



Benjamin Barnes  
Secretary

Summary  
May 20, 2015

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

**General Fund**

Balance from Operations - Prior Month		\$	(161.7)
Revenues-			
Transfers to the Resources of the STF	(35.0)		
Refunds of Taxes	20.0		
Inheritance and Estate	(9.0)		
All other changes (net)	<u>(0.3)</u>		(24.3)
Expenditures			
Additional Requirements	24.8		
Estimated Lapses	(3.7)		
Miscellaneous Adjustments/Rounding	<u>0.0</u>		<u>21.1</u>
Estimated Balance from Operations - June 30, 2015		\$	<u>(164.9)</u>

**Special Transportation Fund**

Fund Balance as of June 30, 2014		\$	169.0
Balance from Operations - Prior Month			(0.8)
Revenues			
Oil Companies Tax	(35.0)		
Transfers from the General Fund	35.0		
Motor Fuels Tax	<u>3.0</u>		<u>3.0</u>
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, 2015		\$	<u>171.2</u>

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

	General Assembly Budget Plan <sup>1</sup>	Revised Estimates OPM	Over/ (Under)
<b>REVENUE</b>			
Taxes	\$ 16,147.2	\$ 15,975.8	\$ (171.4)
Less: Refunds	(1,232.6)	(1,188.4)	44.2
Taxes - Net	\$ 14,914.6	\$ 14,787.4	\$ (127.2)
Other Revenue	1,109.3	1,173.5	64.2
Other Sources	1,434.1	1,306.9	(127.2)
<b>TOTAL Revenue</b>	<b>\$ 17,458.0</b>	<b>\$ 17,267.8</b>	<b>\$ (190.3)</b>
<b>EXPENDITURES</b>			
Initial Current Year Appropriations	\$ 17,589.8	\$ 17,589.8	\$ -
Prior Year Appropriations Continued to FY 2015 <sup>2</sup>		85.9	85.9
<b>TOTAL Initial and Continued Appropriations</b>	<b>\$ 17,589.8</b>	<b>\$ 17,675.7</b>	<b>\$ 85.9</b>
Appropriation Adjustments	-	-	-
<b>TOTAL Adjusted Appropriations</b>	<b>\$ 17,589.8</b>	<b>\$ 17,675.7</b>	<b>\$ 85.9</b>
Net Additional Expenditure Requirements		125.0	125.0
Estimated Appropriations Lapsed	(132.1)	(282.1)	(150.0)
Estimated Appropriations to be Continued to FY 2016		-	-
<b>TOTAL Estimated Expenditures</b>	<b>\$ 17,457.7</b>	<b>\$ 17,518.6</b>	<b>\$ 60.9</b>
Net Change in Fund Balances - Continuing Appropriations	-	(85.9)	(85.9)
Miscellaneous Adjustments/Rounding	-	-	-
<b>Net Change in Unassigned Fund Balance - 6/30/2015</b>	<b>\$ 0.3</b>	<b>\$ (164.9)</b>	<b>\$ (165.3)</b>

1. P.A. 14-47, as amended by P.A. 14-217.

2. P.A. 14-47, as amended by P.A. 14-217, and other statutory provisions.

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

	General Assembly Budget Plan	Revised Estimates OPM	Over/ (Under)
<b>TAXES</b>			
Personal Income	\$ 9,264.5	\$ 9,199.0	\$ (65.5)
Sales and Use	4,167.4	4,221.2	53.8
Corporation	704.3	756.0	51.7
Public Service Corporations	295.6	293.6	(2.0)
Inheritance and Estate	173.0	164.0	(9.0)
Insurance Companies	256.2	225.4	(30.8)
Cigarettes	360.9	354.4	(6.5)
Real Estate Conveyance	186.9	186.9	-
Oil Companies	34.8	-	(34.8)
Alcoholic Beverages	60.7	60.7	-
Admissions and Dues	38.3	38.3	-
Health Provider Tax	509.5	441.4	(68.1)
Miscellaneous	95.2	34.9	(60.3)
<b>TOTAL - TAXES</b>	<b>\$ 16,147.2</b>	<b>\$ 15,975.8</b>	<b>\$ (171.4)</b>
Less: Refunds of Taxes	(1,105.1)	(1,060.1)	45.0
Earned Income Tax Credit	(120.7)	(120.7)	-
R & D Credit Exchange	(6.8)	(7.6)	(0.8)
<b>TOTAL - TAXES - NET</b>	<b>\$ 14,914.6</b>	<b>\$ 14,787.4</b>	<b>\$ (127.2)</b>
<b>OTHER REVENUE</b>			
Transfers - Special Revenue	\$ 323.1	\$ 325.1	\$ 2.0
Indian Gaming Payments	278.5	265.5	(13.0)
Licenses, Permits, Fees	256.2	290.1	33.9
Sales of Commodities and Services	43.5	36.5	(7.0)
Rents, Fines, Escheats	118.4	124.4	6.0
Investment Income	0.6	1.9	1.3
Miscellaneous	161.9	202.9	41.0
Refunds of Payments	(72.9)	(72.9)	-
<b>TOTAL - OTHER REVENUE</b>	<b>\$ 1,109.3</b>	<b>\$ 1,173.5</b>	<b>\$ 64.2</b>
<b>OTHER SOURCES</b>			
Federal Grants	\$ 1,299.6	\$ 1,226.1	\$ (73.5)
Transfer from Tobacco Settlement Fund	120.0	120.0	0.0
Transfers to Other Funds	14.6	14.6	0.0
Transfers to the Resources of the Special Trans. Fund	-	(53.8)	(53.8)
<b>TOTAL - OTHER SOURCES</b>	<b>\$ 1,434.1</b>	<b>\$ 1,306.9</b>	<b>\$ (127.2)</b>
<b>TOTAL - GENERAL FUND REVENUE</b>	<b>\$ 17,458.0</b>	<b>\$ 17,267.8</b>	<b>\$ (190.3)</b>

Statement 3  
May 20, 2015

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

Department of Emergency Services and Public Protection	4,000,000
Department of Agriculture	350,000
Department of Social Services	82,000,000
Department of Correction	4,900,000
Public Defenders Services Commission	6,000,000
Comptroller – Miscellaneous	10,200,000
Comptroller - Fringe Benefits	17,500,000
Total	<u>\$ 124,950,000</u>

Statement 4  
May 20, 2015

State of Connecticut  
General Fund  
Estimated Lapses  
Projected to June 30, 2015  
As of April 30, 2015

Unallocated Lapse	\$ 20,000,000
Unallocated Lapse - Legislative	-
Unallocated Lapse - Judicial	7,400,672
General Lapse - Legislative	39,492
General Lapse - Executive	9,678,316
General Lapse - Judicial	282,192
Statewide Hiring Reduction - Legislative	280,000
Statewide Hiring Reduction - Executive	8,060,000
Statewide Hiring Reduction - Judicial	1,660,000
Municipal Opportunities and Regional Efficiencies Lapse	-
November 20, 2014 Rescissions	54,477,508
January 23, 2015 Rescissions	31,489,427
April 1, 2015 Rescissions	13,731,331
Office of Legislative Management	7,000,000
Auditors of Public Accounts	500,000
Office of Policy and Management	3,500,000
Department of Administrative Services	500,000
Office of the Attorney General	500,000
Department of Consumer Protection	500,000
Department of Labor	1,000,000
Department of Energy and Environmental Protection	1,000,000
Department of Housing	2,300,000
Department of Public Health	1,300,000
Department of Mental Health and Addiction Services	1,700,000
Department of Education	6,500,000
Office of Early Childhood	11,700,000
Teachers Retirement Board	1,500,000
Department of Children and Families	7,500,000
OTT - Debt Service	88,000,000
Total	<u>\$ 282,098,938</u>



State of Connecticut  
2014-15 General Fund  
Summary of Operations Per Letter to the Comptroller  
(In Millions)

	Budget Plan <sup>1</sup>	July 2014	August 2014	September 2014	October 2014	November 2014	December 2014	January 2015	February 2015	Updated March 2015	April 2015	May 2015	June 2015
REVENUE	\$ 17,458.0	\$ 17,458.0	\$ 17,458.0	\$ 17,458.0	\$ 17,398.9	\$ 17,398.9	\$ 17,359.6	\$ 17,395.6	\$ 17,332.6	\$ 17,292.1	\$ 17,267.8		
Appropriations	17,589.8	17,589.8	17,589.8	17,589.8	17,589.8	17,589.8	17,589.8	17,589.8	17,589.8	17,589.8	17,589.8		
Additional Requirements	0.0	0.0	0.0	0.0	40.7	99.7	149.7	143.8	147.6	149.8	125.0		
Less: Estimated Lapses	(132.1)	(132.1)	(132.1)	(132.1)	(106.8)	(259.0)	(259.0)	(276.8)	(272.0)	(285.8)	(282.1)		
TOTAL - Estimated Expenditures	17,457.7	17,457.7	17,457.7	17,457.7	17,443.7	17,430.5	17,480.5	17,456.8	17,465.4	17,453.8	17,432.7	0.0	0.0
Balance from Operations	0.3	0.3	0.3	0.3	(44.8)	(31.6)	(120.9)	(61.2)	(132.8)	(161.7)	(164.9)	0.0	0.0
Misc. Adjustments/Rounding	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Est. Balance from Operations - 6/30/15	\$0.3	\$0.3	\$0.3	\$0.3	(\$44.8)	(\$31.6)	(\$120.9)	(\$61.2)	(\$132.8)	(\$161.7)	(\$164.9)	\$0.0	\$0.0

1. P.A. 14-47, as amended by P.A. 14-217.

Statement 1T  
May 20, 2015

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

	General Assembly <u>Budget Plan</u> <sup>1.</sup>	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
Fund Balance as of June 30, 2014 <sup>2.</sup>	\$ 168.8	\$ 169.0	\$ 0.2
<b>REVENUE</b>			
Taxes	\$ 965.5	\$ 920.3	\$ (45.2)
Less: Refunds of Taxes	<u>(6.6)</u>	<u>(7.2)</u>	<u>(0.6)</u>
Taxes - Net	958.9	913.1	(45.8)
Other Revenue	<u>369.4</u>	<u>430.6</u>	<u>61.2</u>
TOTAL - Revenue	\$ 1,328.3	\$ 1,343.7	\$ 15.4
<b>EXPENDITURES</b>			
Appropriations	\$ 1,332.6	\$ 1,332.6	\$ -
Net Additional Requirements	-	20.4	20.4
Less: Estimated Lapses	<u>(11.0)</u>	<u>(12.7)</u>	<u>(1.7)</u>
TOTAL - Expenditures	\$ 1,321.6	\$ 1,340.3	\$ 18.7
Balance from Operations	\$ 6.7	\$ 3.4	\$ (3.3)
Miscellaneous Adjustments	<u>-</u>	<u>(1.2)</u>	<u>(1.2)</u>
Estimated Fund Balance - June 30, 2015	\$ <u>175.5</u>	\$ <u>171.2</u>	\$ <u>(4.3)</u>

1. P.A. 14-47, as amended by P.A. 14-217.

2. Budget plan as estimated by the Office of Policy and Management. Revised estimates per the Comptroller's September 30, 2014 letter.

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

	General Assembly Budget Plan	Revised Estimates OPM	Over/ (Under)
<b>TAXES</b>			
Motor Fuels	\$ 503.8	\$ 511.7	\$ 7.9
Oil Companies	379.1	325.3	(53.8)
Sales Tax DMV	82.6	83.3	0.7
<b>TOTAL - TAXES</b>	<u>965.5</u>	<u>920.3</u>	<u>(45.2)</u>
Less: Refunds of Taxes	(6.6)	(7.2)	(0.6)
<b>TOTAL - TAXES - NET</b>	<u>\$ 958.9</u>	<u>\$ 913.1</u>	<u>\$ (45.8)</u>
<b>OTHER REVENUE</b>			
Motor Vehicle Receipts	\$ 238.1	\$ 244.6	\$ 6.5
Licenses, Permits, Fees	138.9	138.9	-
Interest Income	5.0	6.3	1.3
Federal Grants	12.1	12.1	-
Transfers (To)/From Other Funds	(21.5)	(21.5)	-
Transfers From the General Fund	-	53.8	53.8
Refunds of Payments	(3.2)	(3.6)	(0.4)
<b>TOTAL - OTHER REVENUE</b>	<u>\$ 369.4</u>	<u>\$ 430.6</u>	<u>\$ 61.2</u>
<b>TOTAL - SPECIAL TRANSPORTATION FUND REVENUE</b>	<b>\$ 1,328.3</b>	<b>\$ 1,343.7</b>	<b>\$ 15.4</b>

Statement 3T  
May 20, 2015

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

Department of Transportation	18,000,000
OSC - Fringe Benefits	2,400,000
Total	<u>\$20,400,000</u>

Statement 4T  
May 20, 2015

State of Connecticut  
Special Transportation Fund  
Estimated Lapses  
Projected to June 30, 2015  
As of April 30, 2015

OTT - Debt Service	\$ 12,700,000
Total	<u>\$ 12,700,000</u>

State of Connecticut  
2014-15 Special Transportation Fund  
Summary of Operations Per Letter to the Comptroller  
(in Millions)

	Budget Plan 1.	July 2014	August 2014	September 2014	October 2014	November 2014	December 2014	January 2015	February 2015	Updated March 2015	April 2015	May 2015	June 2015
Beginning Balance <sup>2</sup>	\$ 168.8	\$ 168.8	\$ 173.5	\$ 169.0	\$ 169.0	\$ 169.0	\$ 169.0	\$ 169.0	\$ 169.0	\$ 169.0	\$ 169.0	\$ 169.0	\$ 169.0
Revenue	1,328.3	1,328.3	1,330.5	1,330.5	1,335.4	1,335.4	1,339.1	1,339.1	1,339.1	1,340.7	1,343.7		
Total Available	1,497.1	1,497.1	1,504.0	1,499.5	1,504.4	1,504.4	1,508.1	1,508.1	1,508.1	1,509.7	1,512.7	0.0	0.0
Appropriations	1,332.6	1,332.6	1,332.6	1,332.6	1,332.6	1,332.6	1,332.6	1,332.6	1,332.6	1,332.6	1,332.6		
Additional Requirements	0.0	0.0	0.0	0.0	0.0	20.0	20.0	23.0	21.9	20.4	20.4		
Less: Estimated Lapses	(11.0)	(11.0)	(11.0)	(12.0)	(12.0)	(12.0)	(12.0)	(12.0)	(12.7)	(12.7)	(12.7)		
TOTAL - Estimated Expenditures	1,321.6	1,321.6	1,321.6	1,320.6	1,320.6	1,340.6	1,340.6	1,343.6	1,341.8	1,340.3	1,340.3	0.0	0.0
Balance from Operations	6.7	6.7	8.9	9.9	14.8	(5.2)	(1.5)	(4.5)	(2.7)	0.4	3.4	0.0	0.0
Misc. Adjustments/Rounding	0.0	0.0	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	0.0	0.0
Estimated Balance 6/30/15	\$175.5	\$175.5	\$181.2	\$177.7	\$182.6	\$162.6	\$166.3	\$163.3	\$165.1	\$168.2	\$171.2	\$0.0	\$0.0

1. P.A. 14-47, as amended by P.A. 14-217.

2. Budget Plan and the month of July as estimated by the Office of Policy and Management. August per the Comptroller's September 2, 2014 letter. September and thereafter per the Comptroller's September 30, 2014 letter.