



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

February 20, 2018

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 information on the state's General Fund for Fiscal Year 2018. Information regarding the Special Transportation Fund is also presented here due to the significant nature of this fund.

General Fund

We are projecting a deficit from operations of \$194.8 million, down \$45.4 million from last month. This change is due to revisions contained in Public Act 17-1 of the January 2018 Special Session as well as updated expenditure projections, discussed further below. While the revised deficit projection remains above the threshold for presenting a mitigation plan, it should be noted that the Governor presented options for addressing the deficit to the General Assembly on December 13, 2017.

Revenues

Budgeted and estimated revenues are up by \$17.8 million from the level reported last month. This change is due to Public Act 17-1 of the January 2018 Spec. Sess., which cancelled a budgeted transfer of resources from FY 2018 into FY 2019. Revenues otherwise remain consistent with the January 16th consensus forecast. As noted last month, \$664.9 million is projected to be transferred to the Budget Reserve Fund pursuant to the revenue volatility cap enacted as part of Public Act 17-2, June Spec. Sess. The volatility cap requires that Estimates and Finals collections in excess of \$3.15 billion be transferred to the Budget Reserve Fund (BRF). While actual receipts have yet to reach the \$3.15 billion figure, the consensus forecast projects that collections will do so prior to the end of the fiscal year and that the overage will be deposited to the BRF as required by the new law. Assuming the legislature takes action to address the projected deficit without utilizing resources from BRF, the balance in the reserve would reach \$877.8 million, equivalent to 4.7% of General Fund expenditures.

Expenditures

In aggregate, expenditures are estimated to be \$18.3 million above the budget plan. Additional requirements (deficiencies) total \$37.1 million, and \$25.0 million in claims will be paid from the resources of the General Fund. Anticipated lapses are projected to exceed the revised budget plan by \$43.8 million in the aggregate.

Deficiencies. Shortfalls are forecast in the following agencies:

- Division of Criminal Justice. A \$700,000 shortfall is anticipated in Personal Services.
- Department of Emergency Services and Public Protection. A \$3.0 million shortfall is projected in Personal Services due to overtime costs.
- Department of Energy and Environmental Protection. A \$2.05 million shortfall is projected in the Environmental Conservation account for operation of state parks through June. The enacted budget

specifies that moneys in the Passport to the Parks account may be expended only pursuant to an appropriation by the General Assembly, but no appropriations were provided therefor.

- Office of the Chief Medical Examiner. A shortfall of \$170,000 is projected in Personal Services due to increased overtime costs due to higher caseloads
- Department of Developmental Services. A \$3.0 million shortfall is anticipated in Personal Services due to delays in converting community living arrangements from state to private operation, as well as overtime costs from delays in filling vacancies.
- Department of Mental Health and Addiction Services. A total shortfall of \$7.0 million is projected, with \$5.0 million in Personal Services due to overtime costs from delays in filling vacancies and revised staffing requirements in the department's forensic facility, and \$2.0 million in Other Expenses resulting from new contractual video monitoring services and safety-related facility upgrades.
- Department of Correction. A total shortfall of \$8.4 million is anticipated, with \$8.0 million in Personal Services and \$0.4 million in Other Expenses. Budgeted funds for this agency are insufficient to support current staffing and operating costs.
- Department of Children and Families. Net costs for additional social work staff and contractual services required for compliance with the recent court order related to the Juan F. consent decree will exceed available resources by approximately \$11.3 million.
- DAS – Workers' Compensation Claims. A \$1.5 million shortfall is anticipated due largely to a recent, significant claim payout.

Lapses. Our projections reflect the amounts currently withheld from agencies to achieve budgeted lapse targets. Additionally, the following amounts are estimated to remain unspent this fiscal year:

- Department of Revenue Services. A \$700,000 lapse is projected in Personal Services due to vacancies.
- Office of Policy and Management. Approximately \$5.1 million will remain unspent in the Municipal Transition account.
- Department of Administrative Services. A \$2 million lapse in the Personal Services account is projected due to reduced hiring.
- Department of Social Services. A net lapse of \$60.0 million is anticipated in the Department of Social Services. A \$65.4 million lapse in the Medicaid program is anticipated based on current expenditure trends; this figure includes delaying implementation of budgeted Medicare Savings Program changes until next fiscal year. This is partially offset by an anticipated \$5.4 million shortfall in the Temporary Family Assistance account.
- Office of Early Childhood. Due to the timing of reopening the Care 4 Kids childcare program, \$3.0 million will remain unspent in this account.
- State Comptroller – Fringe Benefits. A net total of \$22.0 million will lapse, with \$8.0 million in the Higher Education Alternative Retirement Plan account and \$14.0 million in the account for active state employee healthcare costs.

Balance is also impacted by \$25.0 million in estimated requirements for Adjudicated Claims, largely related to payments and attorneys' fees for the SEBAC v. Rowland settlement. To date this fiscal year, \$20.2 million has been expended. Existing law identifies the resources of the General Fund as the source for payments.

It should be noted that achievement of the significant level of lapses included in the adopted budget and resolution of the shortfalls noted above will require Finance Advisory Committee transfers as well as appropriation transfers via the FY 2018 deficiency appropriations bill.

Special Transportation Fund

We project that the Special Transportation Fund will end the year with an operating surplus of \$51.6 million, and that the fund balance as of June 30, 2018, will be \$149.2 million. Transportation Fund revenues are

unchanged from the level reported last month and continue to reflect the January 16th consensus forecast. Expenditure trends have deteriorated by \$5.3 million from the level reported last month. In addition to \$22.3 million withheld from fringe benefits and agency Personal Services accounts as a result of savings attributable to the 2017 labor agreement, a \$31.4 million debt service lapse is anticipated as a result of deferral of the bond sale until February of this fiscal year, and \$1.5 million will remain unspent in the Department of Motor Vehicles' Personal Services account due to vacancies. These lapses will more than fulfill the \$12 million unallocated lapse budgeted for the Transportation Fund. Additional requirements total \$34.9 million. In the Department of Transportation, a \$33.9 million shortfall is anticipated in the Rail Operations account after deficit mitigation actions undertaken by the agency. Additionally, a \$3.0 million shortfall is projected in the fringe benefit accounts administered by the Comptroller due to healthcare cost trends for active state employees.

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,



Benjamin Barnes
Secretary

State of Connecticut
Summary of Changes
General Fund and Special Transportation Fund
Projected to June 30, 2018
As of January 31, 2018
(In Millions)

General Fund

Balance from Operations - Prior Month		\$ (240.2)
Revenues		
Transfers From/(To) Other Funds	<u>17.8</u>	17.8
Expenditures		
Change in Appropriations (PA 17-1, Jan. 2018 Spec. Sess.)	(1.1)	
Additional Requirements	(0.1)	
Estimated Lapses	31.8	
Miscellaneous Adjustments/Rounding	<u>(3.0)</u>	<u>27.6</u>
Estimated Balance from Operations - June 30, 2018		<u>\$ (194.8)</u>

Special Transportation Fund

Fund Balance as of June 30, 2017		\$ 97.6
Balance from Operations - Prior Month		56.9
Revenues		
No Changes	<u>0.0</u>	0.0
Expenditures		
Additional Requirements	(6.8)	
Estimated Lapses	1.5	
Miscellaneous Adjustments/Rounding	<u>0.0</u>	<u>(5.3)</u>
Estimated Fund Balance - June 30, 2018		<u>\$ 149.2</u>

State of Connecticut
General Fund
Statement of Revenues, Expenditures, and Results of Operations
Projected to June 30, 2018
As of January 31, 2018
(In Millions)

	General Assembly Budget Plan ¹	Revised Estimates OPM	Over/ (Under)
REVENUE			
Taxes	\$ 16,818.5	\$ 17,355.9	\$ 537.4
Less: Refunds	(1,269.1)	(1,213.2)	55.9
Taxes - Net	<u>\$ 15,549.4</u>	<u>\$ 16,142.7</u>	<u>\$ 593.3</u>
Other Revenue	1,253.8	1,258.6	4.8
Other Sources	1,953.9	1,096.1	(857.8)
TOTAL Revenue	<u>\$ 18,757.1</u>	<u>\$ 18,497.4</u>	<u>\$ (259.7)</u>
EXPENDITURES			
Initial Current Year Appropriations	\$ 19,572.8	\$ 19,572.8	\$ -
Prior Year Appropriations Continued to FY 2018 ²		60.2	60.2
TOTAL Initial and Continued Appropriations	<u>\$ 19,572.8</u>	<u>\$ 19,633.0</u>	<u>\$ 60.2</u>
Appropriation Adjustments	-	-	-
TOTAL Adjusted Appropriations	<u>\$ 19,572.8</u>	<u>\$ 19,633.0</u>	<u>\$ 60.2</u>
Net Additional Expenditure Requirements		37.1	37.1
Estimated Appropriations Lapsed	(898.9)	(942.7)	(43.8)
Estimated Appropriations to be Continued to FY 2019 ²		-	-
TOTAL Estimated Expenditures	<u>\$ 18,673.9</u>	<u>\$ 18,727.4</u>	<u>\$ 53.5</u>
Net Change in Fund Balance - Continuing Appropriations		(60.2)	(60.2)
Miscellaneous Adjustments/Rounding		(25.0)	(25.0)
Net Change in Unassigned Fund Balance - 6/30/2018	\$ 83.2	\$ (194.8)	\$ (278.0)

1. P.A. 17-2, June Special Session, as amended by P.A. 17-4, June Special Session and P.A. 17-1, January 2018 Special Session.

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

State of Connecticut
General Fund
Revenue Estimates
Projected to June 30, 2018
As of January 31, 2018
(In Millions)

	General Assembly Budget Plan ^{1.}	Revised Estimates OPM	Over/ (Under)
TAXES			
Personal Income	\$ 9,182.5	\$ 9,768.1	\$ 585.6
Sales and Use	4,220.5	4,150.9	(69.6)
Corporation	933.3	933.3	-
Public Service Corporations	284.9	266.9	(18.0)
Inheritance and Estate	180.1	230.1	50.0
Insurance Companies	230.6	230.6	-
Cigarettes	394.2	394.2	-
Real Estate Conveyance	215.6	203.1	(12.5)
Alcoholic Beverages	62.6	62.6	-
Admissions and Dues	41.5	40.6	(0.9)
Health Provider Tax	1,045.0	1,047.8	2.8
Miscellaneous	27.7	27.7	-
TOTAL - TAXES	\$ 16,818.5	\$ 17,355.9	\$ 537.4
Less: Refunds of Taxes	(1,146.8)	(1,091.5)	55.3
Earned Income Tax Credit	(115.0)	(115.0)	-
R & D Credit Exchange	(7.3)	(6.7)	0.6
TOTAL - TAXES - NET	\$ 15,549.4	\$ 16,142.7	\$ 593.3
OTHER REVENUE			
Transfers - Special Revenue	\$ 339.3	\$ 339.3	\$ -
Indian Gaming Payments	267.3	272.3	5.0
Licenses, Permits, Fees	309.6	308.3	(1.3)
Sales of Commodities and Services	43.8	37.8	(6.0)
Rents, Fines, Escheats	143.0	157.1	14.1
Investment Income	5.9	8.0	2.1
Miscellaneous	207.4	193.3	(14.1)
Refunds of Payments	(62.5)	(57.5)	5.0
TOTAL - OTHER REVENUE	\$ 1,253.8	\$ 1,258.6	\$ 4.8
OTHER SOURCES			
Federal Grants	\$ 1,766.3	\$ 1,567.8	\$ (198.5)
Transfer from Tobacco Settlement Fund	109.7	109.7	-
Transfers From/(To) Other Funds	77.9	83.5	5.6
Transfers to BRF - Volatility Adjustment	-	(664.9)	(664.9)
TOTAL - OTHER SOURCES	\$ 1,953.9	\$ 1,096.1	\$ (857.8)
TOTAL - GENERAL FUND REVENUE	\$ 18,757.1	\$ 18,497.4	\$ (259.7)

1. Secs. 696 and 717 of P.A. 17-2, June Special Session, as amended by P.A. 17-4, June Special Session, and P.A. 17-1, January 2018 Special Session.

State of Connecticut - General Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2018
As of January 31, 2018

Division of Criminal Justice	\$	700,000
Department of Emergency Management and Public Protection		3,000,000
Department of Energy and Environmental Protection		2,050,000
Office of the Chief Medical Examiner		170,000
Department of Developmental Services		3,000,000
Department of Mental Health & Addiction Services		7,000,000
Department of Correction		8,400,000
Department of Children and Families		11,300,000
DAS - Workers' Compensation Claims		1,500,000
Total	\$	<u>37,120,000</u>

State of Connecticut
General Fund
Estimated Lapses
Projected to June 30, 2018
As of January 31, 2018

Unallocated Lapse ¹ .	\$ 42,250,000
Unallocated Lapse - Legislative ¹ .	1,000,000
Unallocated Lapse - Judicial ¹ .	3,000,000
Statewide Hiring Reduction	6,487,714
Targeted Savings	111,201,810
Reflect Delay	8,200,000
Achieve Labor Concessions	669,537,104
Municipal Contribution to Renters' Rebate Program	8,285,113
Reductions to Other Expenses	-
Reductions to State Managers and Consultants	-
Reductions to Reflect Savings Associated with Consolidation of Human Resources Functions into the Department of Administrative Services	-
Department of Revenue Services	700,000
Office of Policy and Management	5,055,686
Department of Administrative Services	2,000,000
Department of Social Services	60,000,000
Office of Early Education	3,000,000
OSC - Fringe Benefits	22,000,000
Total	<u>\$ 942,717,427</u>

1. Allocable pursuant to Public Act 17-2, June Special Session, Section 13.

State of Connecticut
FY 2018 General Fund
Monthly Summary of Operations
(In Millions)

	Budget Plan ¹ .	July 2017 ² .	August 2017 ² .	September 2017 ² .	October 2017	November 2017	December 2017	January 2018	February 2018	March 2018	April 2018	May 2018	June 2018
REVENUE	\$ 18,757.1	\$ 17,160.0	\$ 17,160.0	\$ 17,160.0	\$ 18,512.3	\$ 18,495.6	\$ 18,479.6	\$ 18,497.4					
Appropriations	19,572.8	17,253.9	17,253.9	17,253.9	19,571.7	19,571.7	19,571.7	19,572.8					
Additional Requirements	0.0	0.0	0.0	0.0	10.0	33.3	37.0	37.1					
Less: Estimated Lapses	<u>(898.9)</u>	<u>(6.9)</u>	<u>(6.9)</u>	<u>(6.9)</u>	<u>(881.6)</u>	<u>(906.9)</u>	<u>(910.9)</u>	<u>(942.7)</u>					
TOTAL - Estimated Expenditures	18,673.9	17,247.0	17,247.0	17,247.0	18,700.1	18,698.1	18,697.8	18,667.2	0.0	0.0	0.0	0.0	0.0
Balance from Operations	83.2	(87.0)	(87.0)	(87.0)	(187.8)	(202.5)	(218.2)	(169.8)	0.0	0.0	0.0	0.0	0.0
Misc. Adjustments/Rounding	<u>0.0</u>	<u>(6.9)</u>	<u>(6.9)</u>	<u>(6.9)</u>	<u>(15.0)</u>	<u>(20.0)</u>	<u>(22.0)</u>	<u>(25.0)</u>					
Est. Balance from Operations - 6/30/18	\$83.2	(\$93.9)	(\$93.9)	(\$93.9)	(\$202.8)	(\$222.5)	(\$240.2)	(\$194.8)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

1. P.A. 17-2, June Special Session, as amended by P.A. 17-4, June Special Session and P.A. 17-1, January 2018 Special Session.

State of Connecticut
Special Transportation Fund
Analysis of Budget Plan
Projected to June 30, 2018
As of January 31, 2018
(In Millions)

	General Assembly <u>Budget Plan</u> ^{1.}	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
Fund Balance as of June 30, 2017	\$ 97.6	\$ 97.6	\$ -
REVENUE			
Taxes	\$ 1,192.9	\$ 1,167.5	\$ (25.4)
Less: Refunds of Taxes	<u>(12.6)</u>	<u>(13.9)</u>	<u>(1.3)</u>
Taxes - Net	1,180.3	1,153.6	(26.7)
Other Revenue	<u>412.3</u>	<u>400.6</u>	<u>(11.7)</u>
TOTAL - Revenue	\$ 1,592.6	\$ 1,554.2	\$ (38.4)
EXPENDITURES			
Appropriations	\$ 1,522.9	\$ 1,522.9	\$ -
Prior Year Appropriations Continued to FY 2018 ^{2.}		<u>30.4</u>	<u>30.4</u>
TOTAL Initial and Continued Appropriations	\$ 1,522.9	\$ 1,553.3	\$ 30.4
Appropriation Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL Adjusted Appropriations	\$ 1,522.9	\$ 1,553.3	\$ 30.4
Net Additional Expenditure Requirements		34.9	34.9
Estimated Appropriations Lapsed	(12.0)	(55.2)	(43.2)
Estimated Appropriations to be Continued to FY 2019		<u>-</u>	<u>-</u>
TOTAL Estimated Expenditures	\$ 1,510.9	\$ 1,533.0	\$ 22.1
Net Change in Fund Balance - Continuing Appropriations		(30.4)	(30.4)
Miscellaneous Adjustments/Rounding		-	-
Net Change in Unassigned Fund Balance - FY 2018	\$ 81.7	\$ 51.6	\$ (30.1)
Estimated Fund Balance - June 30, 2018	<u>\$ 179.3</u>	<u>\$ 149.2</u>	<u>\$ (30.1)</u>

1. P.A. 17-2, June Special Session, as amended by P.A. 17-4, June Special Session.

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

State of Connecticut
Special Transportation Fund
Revenue Estimates
Projected to June 30, 2018
As of January 31, 2018
(In Millions)

	General Assembly Budget Plan ^{1.}	Revised Estimates OPM	Over/ (Under)
TAXES			
Motor Fuels	\$ 505.3	\$ 501.4	\$ (3.9)
Oil Companies	271.8	256.7	(15.1)
Sales & Use Tax	327.8	323.4	(4.4)
Sales Tax DMV	88.0	86.0	(2.0)
TOTAL - TAXES	<u>1,192.9</u>	<u>1,167.5</u>	<u>(25.4)</u>
Less: Refunds of Taxes	<u>(12.6)</u>	<u>(13.9)</u>	<u>(1.3)</u>
TOTAL - TAXES - NET	<u>\$ 1,180.3</u>	<u>\$ 1,153.6</u>	<u>\$ (26.7)</u>
OTHER REVENUE			
Motor Vehicle Receipts	\$ 251.8	\$ 247.2	\$ (4.6)
Licenses, Permits, Fees	144.4	141.5	(2.9)
Interest Income	9.5	9.5	-
Federal Grants	12.1	12.1	-
Transfers (To)/From Other Funds	(5.5)	(5.5)	-
Refunds of Payments	-	(4.2)	(4.2)
TOTAL - OTHER REVENUE	<u>\$ 412.3</u>	<u>\$ 400.6</u>	<u>\$ (11.7)</u>
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	<u>\$ 1,592.6</u>	<u>\$ 1,554.2</u>	<u>\$ (38.4)</u>

1. Sec. 718 of P.A. 17-2, June Special Session, as amended by P.A. 17-4, June Special Session.

Statement 3T
February 20, 2018

State of Connecticut
Special Transportation Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2018
As of January 31, 2018

Department of Transportation	\$ 31,900,000
OSC - Fringe Benefits	3,000,000
Total	<u>\$ 34,900,000</u>

Statement 4T
February 20, 2018

State of Connecticut
Special Transportation Fund
Estimated Lapses
Projected to June 30, 2018
As of January 31, 2018

Achieve Labor Concessions	\$ 22,256,912
Department of Motor Vehicles	1,500,000
OTT - Debt Service	31,400,000
Total	<u>\$ 55,156,912</u>

State of Connecticut
FY 2018 Special Transportation Fund
Monthly Summary of Operations
(In Millions)

	Budget Plan ^{1.}	July 2017 ^{3.}	August 2017 ^{3.}	September 2017 ^{3.}	October 2017	November 2017	December 2017	January 2018	February 2018	March 2018	April 2018	May 2018	June 2018
Beginning Balance ^{2.}	\$ 97.6	\$ 102.9	\$ 97.6	\$ 97.6	\$ 97.6	\$ 97.6	\$ 97.6	\$ 97.6					
Revenue	<u>1,592.6</u>	<u>1,564.4</u>	<u>1,564.4</u>	<u>1,564.4</u>	<u>1,554.4</u>	<u>1,554.4</u>	<u>1,554.2</u>	<u>1,554.2</u>					
Total Available	1,690.2	1,667.3	1,662.0	1,662.0	1,652.0	1,652.0	1,651.8	1,651.8	0.0	0.0	0.0	0.0	0.0
Appropriations	1,522.9	1,532.0	1,532.0	1,532.0	1,522.9	1,522.9	1,522.9	1,522.9					
Additional Requirements	0.0	0.0	0.0	0.0	0.0	0.0	28.1	34.9					
Less: Estimated Lapses	<u>(12.0)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12.0)</u>	<u>(12.0)</u>	<u>(53.7)</u>	<u>(55.2)</u>					
TOTAL - Estimated Expenditures	1,510.9	1,532.0	1,532.0	1,532.0	1,510.9	1,510.9	1,497.3	1,502.6	0.0	0.0	0.0	0.0	0.0
Balance from Operations	81.7	32.4	32.4	32.4	43.5	43.5	56.9	51.6	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 6/30/18	\$179.3	\$135.3	\$130.0	\$130.0	\$141.1	\$141.1	\$154.5	\$149.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

1. P.A. 17-2, June Special Session, as amended by P.A. 17-4, June Special Session.

2. Months of July and August as estimated by the Office of Policy and Management. Budget plan and September and thereafter per the Comptroller's September 29, 2017, letter.

3. July, August and September represent results as compared to the Governor's Executive Order Resource Allocation Plan, August 18, 2017; revenues are consistent with the May 1, 2017, consensus revenue forecast issued pursuant to CGS Sec. 2-36c, as modified by P.A. 17-51 and Executive Order 58.