



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

January 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 \$120.9 million General Fund deficit for Fiscal Year 2015, an increase of \$89.3 million from last month. This change is the result of two factors: \$39.3 million in revenue revisions from the January 15, 2015 consensus revenue forecast, and a net increase in the Medicaid deficiency of \$50 million. We will announce additional rescissions in the very near future, and additional actions may be required to address the projected change in operating balance.

Revenues

This month's estimate reflects a downward revision by a net \$39.3 million from the level reported last month, reflective of the January 15th consensus forecast reached between my office and the legislature's Office of Fiscal Analysis. The largest negative revision is in the Oil Companies Tax, down \$24.8 million as collections from this revenue source are expected to fall significantly due to falling petroleum prices. Because this tax is not projected to yield the statutorily-required \$379.1 million in the Special Transportation Fund, the consensus forecast includes an \$18.8 million Transfer from the Resources of the General Fund to the Special Transportation Fund to cover this shortfall. Refunds of Taxes have also been revised upward by \$10.0 million due to a higher than expected level of income tax refunds thus far in the fiscal year. On the positive side, the Sales and Use tax has been revised upward by \$10.0 million as this revenue sources continues to show improvement. All other changes net to a positive \$4.3 million.

Expenditures

Overall, expenditures are projected to be \$22.8 million above the budget plan. Net additional requirements (deficiencies) total \$149.7 million, and \$72.2 million in lapses are projected beyond the budget plan and in addition to the impact of the November rescissions, as discussed further below.

Deficiencies. Shortfalls are forecast in the following agencies:

- Department of Social Services. A net Medicaid shortfall of \$120.0 million is projected due to increased enrollment, difficulties in achieving the full savings levels incorporated in the budget for the medication administration and step therapy initiatives, additional hospital cost settlements, and revisions to the federal cost share for a small percentage of Medicaid clients who will be reimbursed at 50 percent as opposed to the originally anticipated 100 percent level.
- Department of Emergency Services and Public Protection. A total shortfall of \$5.0 million is projected, consisting of \$4.0 million in Personal Services and \$1.0 million in Other Expenses. The revised budget for FY 2015 reduced funding in Personal Services “to reflect the implementation of overtime savings initiatives in the Division of State Police.” Overtime savings of this magnitude are unlikely to be realized. The Other Expenses shortfall is primarily due to increased fuel consumption, after factoring in recent price reductions.
- Department of Correction. A \$3.0 million deficiency is anticipated in Other Expenses as a result of increased utility, food and maintenance costs.
- Public Defenders Services Commission. A total shortfall of \$4.7 million is projected. Of this, \$3.8 million is in the Assigned Counsel – Criminal account due to an increased number of habeas corpus petitions following passage of P.A. 12-115, which places time limitations on filing such petitions. The Expert Witnesses account will have a projected \$0.9 million shortfall due both to P.A. 12-115 as well as a Connecticut Supreme Court decision requiring the agency to pay for reasonably necessary expert witnesses when requested by pro se indigent defendants in criminal cases.
- Comptroller – Fringe Benefits. A \$15.0 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 \$2.0 million deficiency is anticipated in the Adjudicated Claims account. This account is fully expended as of November, and based on historical patterns is likely to require \$2.0 million to pay additional claims through the remainder of the year.

Lapses. This month’s forecast includes \$72.2 million in lapsing appropriations beyond the targets included in the adopted budget, and in addition to the savings resulting from rescissions implemented in November:

- Legislative Branch. A total of \$4 million in the Office of Legislative Management’s Personal Services and Other Expenses accounts and \$0.4 million in the Auditors of Public Accounts’ Personal Services account. These projected lapses will more than satisfy the branch’s unallocated lapse target for the fiscal year.
- Treasurer – Debt Service. \$68.0 million in savings from actual and anticipated bond sales.
- Office the State Comptroller. \$0.3 million in Personal Services due to vacancies.
- Department of Revenue Services. \$0.2 million in Personal Services due to vacancies.

- Office of Policy and Management. \$3.0 million in the Tax Relief for Elderly Renters account due to fewer applications than the level assumed in the adopted budget.
- Department of Administrative Services – Workers’ Compensation. \$0.4 million due to lower than anticipated claims costs.
- Department of Consumer Protection. \$0.3 million in Personal Services due to vacancies.
- Department of Labor. \$0.3 million in the Veterans’ Opportunity Pilot account due to delays in hiring.
- Department of Public Health. \$0.6 million in Personal Services due to the hiring restrictions imposed in November.
- Department of Developmental Services. \$0.5 million in Personal Services due to the hiring restrictions imposed in November.
- Office of Early Childhood. \$1.8 million in various accounts due to vacancies and slower rollout of the new school readiness program than assumed in the budget.
- Teachers’ Retirement Board. \$0.4 million due to lower than anticipated retiree health care costs.
- Department of Children and Families. A net \$3.0 million as a result of delays in the development of new programs and updated caseload projections.
- Budgeted lapses. We project that \$11.0 million of the \$94.7 million Unallocated Lapse target for the Legislative and Executive branches has been achieved.

Special Transportation Fund

We are projecting an operating deficit of \$2.7 million. Revenues are revised slightly upward by \$3.7 million, reflective of the consensus estimate reached between OPM and OFA on January 15th. The largest positive change is in the Motor Vehicle Receipts category, up \$2.5 million. As mentioned above, because the Oil Companies tax is not projected to yield the statutorily-required \$379.1 million in the Special Transportation Fund, the consensus forecast includes an \$18.8 million Transfer from the Resources of the General Fund to make-up this shortfall. Our expenditure forecast recognizes a \$20.0 million shortfall in the Department of Transportation’s Rail Operations account related to operational costs associated with Metro North Railroad. The fund balance on June 30, 2015 is estimated to be \$166.3 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 progresses to reflect changes in the economy, expenditure patterns, and/or other factors.

Sincerely,



Benjamin Barnes
Secretary

Summary
January 20, 2015

State of Connecticut
Summary of Changes
General Fund and Special Transportation Fund
Projected to June 30, 2015
As of December 31, 2014
(In Millions)

General Fund

Balance from Operations - Prior Month		\$	(31.6)
Revenues			
January 15, 2015 Consensus Forecast (Net)	<u>(39.3)</u>		(39.3)
Expenditures			
Additional Requirements	(50.0)		
Estimated Lapses	0.0		
Miscellaneous Adjustments/Rounding	<u>0.0</u>		<u>(50.0)</u>
Estimated Balance from Operations - June 30, 2015		\$	<u>(120.9)</u>

Special Transportation Fund

Fund Balance as of June 30, 2014		\$	169.0
Balance from Operations - Prior Month			(5.2)
Revenues			
January 15, 2015 Consensus Forecast (Net)	<u>3.7</u>		3.7
Expenditures			
Additional Requirements	0.0		
Estimated Lapses	0.0		
Miscellaneous Adjustments/Rounding	<u>(1.2)</u>		<u>(1.2)</u>
Estimated Fund Balance - June 30, 2015		\$	<u>166.3</u>

State of Connecticut
General Fund
Statement of Revenues, Expenditures, and Results of Operations
Projected to June 30, 2015
As of December 31, 2014
(In Millions)

	General Assembly Budget Plan ¹	Revised Estimates OPM	Over/ (Under)
REVENUE			
Taxes	\$ 16,147.2	\$ 16,137.2	\$ (10.0)
Less: Refunds	(1,232.6)	(1,242.6)	(10.0)
Taxes - Net	\$ 14,914.6	\$ 14,894.6	\$ (20.0)
Other Revenue	1,109.3	1,110.8	1.5
Other Sources	1,434.1	1,354.2	(79.9)
TOTAL Revenue	\$ 17,458.0	\$ 17,359.6	\$ (98.5)
EXPENDITURES			
Initial Current Year Appropriations	\$ 17,589.8	\$ 17,589.8	\$ -
Prior Year Appropriations Continued to FY 2015 ²		85.9	85.9
TOTAL Initial and Continued Appropriations	\$ 17,589.8	\$ 17,675.7	\$ 85.9
Appropriation Adjustments	-	-	-
TOTAL Adjusted Appropriations	\$ 17,589.8	\$ 17,675.7	\$ 85.9
Net Additional Expenditure Requirements		149.7	149.7
Estimated Appropriations Lapsed	(132.1)	(259.0)	(126.9)
Estimated Appropriations to be Continued to FY 2016		-	-
TOTAL Estimated Expenditures	\$ 17,457.7	\$ 17,566.4	\$ 108.7
Net Change in Fund Balances - Continuing Appropriations	-	(85.9)	(85.9)
Miscellaneous Adjustments/Rounding	-	-	-
Net Change in Unassigned Fund Balance - 6/30/2015	\$ 0.3	\$ (120.9)	\$ (121.3)

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 December 31, 2014
(In Millions)

	General Assembly <u>Budget Plan</u>	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
TAXES			
Personal Income	\$ 9,264.5	\$ 9,264.5	\$ -
Sales and Use	4,167.4	4,226.2	58.8
Corporation	704.3	734.3	30.0
Public Service Corporations	295.6	299.1	3.5
Inheritance and Estate	173.0	173.0	-
Insurance Companies	256.2	256.2	-
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	478.1	(31.4)
Miscellaneous	95.2	65.5	(29.7)
TOTAL - TAXES	\$ 16,147.2	\$ 16,137.2	\$ (10.0)
Less: Refunds of Taxes	(1,105.1)	(1,115.1)	(10.0)
Earned Income Tax Credit	(120.7)	(120.7)	-
R & D Credit Exchange	(6.8)	(6.8)	-
TOTAL - TAXES - NET	\$ 14,914.6	\$ 14,894.6	\$ (20.0)
OTHER REVENUE			
Transfers - Special Revenue	\$ 323.1	\$ 325.1	\$ 2.0
Indian Gaming Payments	278.5	267.5	(11.0)
Licenses, Permits, Fees	256.2	266.7	10.5
Sales of Commodities and Services	43.5	43.5	-
Rents, Fines, Escheats	118.4	118.4	-
Investment Income	0.6	0.6	-
Miscellaneous	161.9	161.9	-
Refunds of Payments	(72.9)	(72.9)	-
TOTAL - OTHER REVENUE	\$ 1,109.3	\$ 1,110.8	\$ 1.5
OTHER SOURCES			
Federal Grants	\$ 1,299.6	\$ 1,238.4	\$ (61.2)
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	-	(18.8)	(18.8)
TOTAL - OTHER SOURCES	\$ 1,434.1	\$ 1,354.2	\$ (61.1)
TOTAL - GENERAL FUND REVENUE	\$ 17,458.0	\$ 17,359.6	\$ (79.7)

Statement 3
January 20, 2015

State of Connecticut - General Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2015
As of December 31, 2014

Department of Emergency Services and Public Protection	5,000,000
Department of Social Services	120,000,000
Department of Correction	3,000,000
Public Defenders Services Commission	4,700,000
Comptroller – Miscellaneous	2,000,000
Comptroller - Fringe Benefits	15,000,000
Total	<u>\$ 149,700,000</u>

Statement 4
January 20, 2015

State of Connecticut
General Fund
Estimated Lapses
Projected to June 30, 2015
As of December 31, 2014

Unallocated Lapse	\$ 83,676,192
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	10,000,000
November 20, 2014 Rescissions	54,717,508
Office of Legislative Management	4,000,000
Auditors of Public Accounts	400,000
Office of the State Comptroller	300,000
Office of Policy and Management	3,000,000
Department of Revenue Services	200,000
Department of Consumer Protection	300,000
Department of Labor	300,000
Department of Public Health	600,000
Department of Developmental Services	500,000
Office of Early Childhood	1,800,000
Teachers Retirement Board	400,000
Department of Children and Families	3,000,000
DAS - Workers' Compensation Claims	400,000
OTT - Debt Service	68,000,000
Total	<u>\$ 258,994,372</u>

State of Connecticut
2014-15 General 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	March 2015	April 2015	May 2015	June 2015
REVENUE	\$ 17,458.0	\$ 17,458.0	\$ 17,458.0	\$ 17,458.0	\$ 17,458.0	\$ 17,398.9	\$ 17,398.9	\$ 17,359.6					
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					
Additional Requirements	0.0	0.0	0.0	0.0	0.0	40.7	99.7	149.7					
Less: Estimated Lapses	(132.1)	(132.1)	(132.1)	(132.1)	(132.1)	(186.8)	(259.0)	(259.0)					
TOTAL - Estimated Expenditures	17,457.7	17,457.7	17,457.7	17,457.7	17,457.7	17,443.7	17,430.5	17,480.5	0.0	0.0	0.0	0.0	0.0
Balance from Operations	0.3	0.3	0.3	0.3	0.3	(44.8)	(31.6)	(120.9)	0.0	0.0	0.0	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	\$0.3	(\$44.8)	(\$31.6)	(\$120.9)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

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

Statement 1T
January 20, 2015

State of Connecticut
Special Transportation Fund
Analysis of Budget Plan
Projected to June 30, 2015
As of December 31, 2014
(In Millions)

	General Assembly <u>Budget Plan</u> ^{1.}	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
Fund Balance as of June 30, 2014 ^{2.}	\$ 168.8	\$ 169.0	\$ 0.2
REVENUE			
Taxes	\$ 965.5	\$ 949.7	\$ (15.8)
Less: Refunds of Taxes	<u>(6.6)</u>	<u>(7.1)</u>	<u>(0.5)</u>
Taxes - Net	958.9	942.6	(16.3)
Other Revenue	<u>369.4</u>	<u>396.5</u>	<u>27.1</u>
TOTAL - Revenue	<u>\$ 1,328.3</u>	<u>\$ 1,339.1</u>	<u>\$ 10.8</u>
EXPENDITURES			
Appropriations	\$ 1,332.6	\$ 1,332.6	\$ -
Net Additional Requirements	-	20.0	20.0
Less: Estimated Lapses	<u>(11.0)</u>	<u>(12.0)</u>	<u>(1.0)</u>
TOTAL - Expenditures	<u>\$ 1,321.6</u>	<u>\$ 1,340.6</u>	<u>\$ 19.0</u>
Balance from Operations	\$ 6.7	\$ (1.5)	\$ (8.2)
Miscellaneous Adjustments	<u>-</u>	<u>(1.2)</u>	<u>(1.2)</u>
Estimated Fund Balance - June 30, 2015	<u>\$ 175.5</u>	<u>\$ 166.3</u>	<u>\$ (9.2)</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.

Statement 2T
January 20, 2015

State of Connecticut
Special Transportation Fund
Revenue Estimates
Projected to June 30, 2015
As of December 31, 2014
(In Millions)

	<u>General Assembly Budget Plan</u>	<u>Revised Estimates OPM</u>	<u>Over/ (Under)</u>
TAXES			
Motor Fuels	\$ 503.8	\$ 506.3	\$ 2.5
Oil Companies	379.1	360.3	(18.8)
Sales Tax DMV	82.6	83.1	0.5
TOTAL - TAXES	<u>965.5</u>	<u>949.7</u>	<u>(15.8)</u>
Less: Refunds of Taxes	(6.6)	(7.1)	(0.5)
TOTAL - TAXES - NET	<u>\$ 958.9</u>	<u>\$ 942.6</u>	<u>\$ (16.3)</u>
OTHER REVENUE			
Motor Vehicle Receipts	\$ 238.1	\$ 244.6	\$ 6.5
Licenses, Permits, Fees	138.9	138.8	(0.1)
Interest Income	5.0	7.3	2.3
Federal Grants	12.1	12.1	-
Transfers (To)/From Other Funds	(21.5)	(21.5)	-
Transfers From the General Fund	-	18.8	18.8
Refunds of Payments	(3.2)	(3.6)	(0.4)
TOTAL - OTHER REVENUE	<u>\$ 369.4</u>	<u>\$ 396.5</u>	<u>\$ 27.1</u>
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$ 1,328.3	\$ 1,339.1	\$ 10.8

Statement 3T
January 20, 2015

State of Connecticut
Special Transportation Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2015
As of December 31, 2014

Department of Transportation	20,000,000
Total	<u><u>\$20,000,000</u></u>

Statement 4T
January 20, 2015

State of Connecticut
Special Transportation Fund
Estimated Lapses
Projected to June 30, 2015
As of December 31, 2014

OTT - Debt Service	\$ 12,000,000
Total	<u><u>\$ 12,000,000</u></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	March 2015	April 2015	May 2015	June 2015
Beginning Balance ²	\$ 168.8	\$ 168.8	\$ 173.5	\$ 169.0	\$ 169.0	\$ 169.0	\$ 169.0	\$ 169.0					
Revenue	1,328.3	1,328.3	1,330.5	1,330.5	1,330.5	1,335.4	1,335.4	1,339.1					
Total Available	1,497.1	1,497.1	1,504.0	1,499.5	1,499.5	1,504.4	1,504.4	1,508.1	0.0	0.0	0.0	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					
Additional Requirements	0.0	0.0	0.0	0.0	0.0	0.0	20.0	20.0					
Less: Estimated Lapses	(11.0)	(11.0)	(11.0)	(11.0)	(12.0)	(12.0)	(12.0)	(12.0)					
TOTAL - Estimated Expenditures	1,321.6	1,321.6	1,321.6	1,321.6	1,320.6	1,320.6	1,340.6	1,340.6	0.0	0.0	0.0	0.0	0.0
Balance from Operations	6.7	6.7	8.9	8.9	9.9	14.8	(5.2)	(1.5)	0.0	0.0	0.0	0.0	0.0
Misc. Adjustments/Rounding	0.0	0.0	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	0.0	0.0	0.0	0.0	0.0
Estimated Balance 6/30/15	\$175.5	\$175.5	\$181.2	\$176.7	\$177.7	\$182.6	\$162.6	\$166.3	\$0.0	\$0.0	\$0.0	\$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.