



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

April 30, 2019

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

Dear Comptroller Lembo:

The purpose of this correspondence is to update our April 22nd projections to reflect revenue revisions resulting from today's consensus revenue forecast pursuant to CGS Sec. 2-36c.

General Fund

As a result of the consensus revenue forecast released today, we are now projecting an operating surplus of \$580.9 million, an increase of \$14.3 million from the level reported on April 22nd.

Our forecast of the transfer to the Budget Reserve Fund pursuant to the statutory volatility cap is depicted in the table below. We estimate the deposit will be \$885.5 million in FY 2019, which, when combined with the projected surplus from FY 2019 operations, will increase the state's reserves to more than \$2.6 billion by fiscal year-end.

	(in millions)
BRF Ending Balance - FY 2018	\$ 1,185.3
Projected Operating Surplus - FY 2019 (4/30/19 Est.)	580.9
Volatility Cap Deposit - FY 2019 (4/30/19 Est.)	<u>885.5</u>
Estimated BRF Total - FY 2019	\$ 2,651.7

Revenues

Revenues in this update reflect the consensus revenue forecast reached between this office and the Office of Fiscal Analysis pursuant to CGS 2-36c. Based on that forecast, projected revenues have been revised upward by \$14.3 million compared to our April 22nd estimates. The largest change is in the Corporation Tax which is up \$17.3 million as a result of continued revenue performance improvement. Inheritance and Estate taxes have been revised upward by \$16 million after strong April collections. Offsetting this positive news, Federal Grants were revised downward by a net \$25.9 million due to anticipated delayed timing of reimbursements. The state's new Pass-through Entity Tax has continued to perform beyond current estimates and is being revised upward by \$50 million, partially offset by a reduction in Estimates and Finals revenue of \$12.5 million. As a result of the state's volatility cap, this net additional revenue of \$37.5 million will be deposited into the Budget Reserve Fund. All other revenue changes net to a positive \$6.9 million.

Expenditures

Our expenditure forecast remains unchanged from April 22nd. In aggregate, expenditures are estimated to be above the budget plan by \$12.0 million. Additional requirements total \$54.6 million, and estimated payments

for Adjudicated Claims totaling \$60 million will be paid from the resources of the General Fund. Anticipated lapses total \$124.1 million, or \$102.6 million more than the budget plan.

Special Transportation Fund

We project that the Special Transportation Fund will end the year with an operating surplus of \$59.1 million, a downward revision of \$8.8 million from our April 22nd estimate, and reflective of the changes captured by the consensus revenue forecast released today. The largest change is in the Oil Companies Tax which has been revised downward by \$5.0 million as a result of lowered expectations for end-of-year collections. All other changes net to a negative \$3.8 million. The projected fund balance as of June 30, 2019, will be \$304.8 million.

Other Appropriated Funds

Our projections of shortfalls in the Banking and Insurance funds remain unchanged from the April 22nd forecast.

I hope this updated information is helpful.

Sincerely,

A handwritten signature in blue ink, appearing to read "Melissa McCaw".

Melissa McCaw
Secretary

Summary
April 30, 2019

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

General Fund

Balance from Operations - Prior Month		\$	496.4
Revenues			
April 22nd Forecast (Net)	103.7		
April 30th Consensus Changes (Net)	<u>14.3</u>		118.0
Expenditures			
Additional Requirements	2.7		
Estimated Lapses	(24.2)		
Miscellaneous Adjustments/Rounding	<u>(12.0)</u>		<u>(33.5)</u>
Estimated Balance from Operations - June 30, 2019		\$	<u>580.9</u>

Special Transportation Fund

Fund Balance as of June 30, 2018		\$	245.7
Balance from Operations - Prior Month			74.5
Revenues			
April 22nd Forecast (Net)	(3.4)		
April 30th Consensus Changes (Net)	<u>(8.8)</u>		<u>(12.2)</u>
Expenditures			
Additional Requirements	(0.2)		
Estimated Lapses	(3.0)		
Miscellaneous Adjustments/Rounding	<u>0.0</u>		<u>(3.2)</u>
Estimated Fund Balance - June 30, 2019		\$	<u>304.8</u>

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

	General Assembly Budget Plan ¹	Revised Estimates OPM	Over/ (Under)
REVENUE			
Taxes	\$ 17,202.1	\$ 18,392.6	\$ 1,190.5
Less: Refunds	(1,339.8)	(1,426.4)	(86.6)
Taxes - Net	\$ 15,862.3	\$ 16,966.2	\$ 1,103.9
Other Revenue	1,208.6	1,248.9	40.3
Other Sources	1,937.8	1,375.9	(561.9)
TOTAL Revenue	\$ 19,008.7	\$ 19,591.0	\$ 582.3
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		54.6	54.6
Estimated Appropriations Lapsed	(21.5)	(124.1)	(102.6)
Estimated Appropriations to be Continued to FY 2020 ²		-	-
TOTAL Estimated Expenditures	\$ 18,998.2	\$ 19,075.9	\$ 77.8
Net Change in Fund Balance - Continuing Appropriations		(125.8)	(125.8)
Miscellaneous Adjustments/Rounding		(60.0)	(60.0)
Net Change in Unassigned Fund Balance - 6/30/2019	\$ 10.5	\$ 580.9	\$ 570.3

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 March 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	3,032.3	72.4
Sales and Use	4,153.6	4,290.9	137.3
Corporation	920.2	1,047.3	127.1
Pass-through Entity Tax	600.0	1,050.0	450.0
Public Service Corporations	243.8	230.8	(13.0)
Inheritance and Estate	176.2	212.2	36.0
Insurance Companies	234.3	200.4	(33.9)
Cigarettes	381.0	365.5	(15.5)
Real Estate Conveyance	209.4	209.4	-
Alcoholic Beverages	63.0	64.0	1.0
Admissions and Dues	41.8	42.3	0.5
Health Provider Tax	1,049.2	1,049.2	-
Miscellaneous	22.0	20.2	(1.8)
TOTAL - TAXES	\$ 17,202.1	\$ 18,392.6	\$ 1,190.5
Less: Refunds of Taxes	(1,215.1)	(1,327.3)	(112.2)
Earned Income Tax Credit	(118.3)	(94.2)	24.1
R & D Credit Exchange	(6.4)	(4.9)	1.5
TOTAL - TAXES - NET	\$ 15,862.3	\$ 16,966.2	\$ 1,103.9
OTHER REVENUE			
Transfers - Special Revenue	\$ 352.7	\$ 357.7	\$ 5.0
Indian Gaming Payments	203.6	254.6	51.0
Licenses, Permits, Fees	322.6	292.6	(30.0)
Sales of Commodities and Services	37.7	29.1	(8.6)
Rents, Fines, Escheats	147.2	156.1	8.9
Investment Income	14.5	49.8	35.3
Miscellaneous	189.1	174.1	(15.0)
Refunds of Payments	(58.8)	(65.1)	(6.3)
TOTAL - OTHER REVENUE	\$ 1,208.6	\$ 1,248.9	\$ 40.3
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)	(885.5)	(522.4)
TOTAL - OTHER SOURCES	\$ 1,937.8	\$ 1,375.9	\$ (561.9)
TOTAL - GENERAL FUND REVENUE	\$ 19,008.7	\$ 19,591.0	\$ 582.3

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 March 31, 2019

Department of Administrative Services	\$	900,000
Department of Mental Health and Addiction Services		3,900,000
Office of Early Childhood		9,300,000
Department of Correction		36,000,000
Department of Children and Families		4,500,000
Total	<u>\$</u>	<u>54,600,000</u>

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

Unallocated Lapse	\$ 6,391,080
Unallocated Lapse - Judicial	5,000,000
Statewide Hiring Reduction - Executive	7,000,000
Office of the State Comptroller	400,000
Department of Revenue Services	1,100,000
Office of Policy and Management	3,300,000
Department of Veterans' Affairs	300,000
Office fo the Attorney General	500,000
Department of Consumer Protection	450,000
Department of Energy and Environmental Protection	400,000
Department of Housing	2,500,000
Department of Public Health	600,000
Office of Health Strategy	100,000
Department of Developmental Services	3,000,000
Department of Social Services	64,000,000
Department of Education	3,700,000
Office of Higher Education	400,000
OSC - Fringe Benefits	25,000,000
Total	<u>\$ 124,141,080</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	Revised 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			
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			
Additional Requirements	0.0	31.5	35.5	54.6	54.6	58.0	61.9	45.3	57.3	54.6			
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>			
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	0.0	0.0	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	0.0	0.0	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>			
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	\$0.0	\$0.0	\$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 March 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	\$ 1,267.4	\$ 40.1
Less: Refunds of Taxes	<u>(14.6)</u>	<u>(33.0)</u>	<u>(18.4)</u>
Taxes - Net	1,212.7	1,234.4	21.7
Other Revenue	<u>407.8</u>	<u>441.0</u>	<u>33.2</u>
TOTAL - Revenue	\$ 1,620.5	\$ 1,675.4	\$ 54.9
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		1.2	1.2
Estimated Appropriations Lapsed	(12.0)	(14.2)	(2.2)
Estimated Appropriations to be Continued to FY 2020 ^{2.}		<u>-</u>	<u>-</u>
TOTAL Estimated Expenditures	\$ 1,617.3	\$ 1,644.8	\$ 27.5
Net Change in Fund Balance - Continuing Appropriations		(28.5)	(28.5)
Miscellaneous Adjustments/Rounding		-	-
Net Change in Unassigned Fund Balance - FY 2019	\$ 3.2	\$ 59.1	\$ 55.9
Estimated Fund Balance - June 30, 2019	<u>\$ 227.2</u>	<u>\$ 304.8</u>	<u>\$ 77.6</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 March 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	\$ 507.1	\$ 4.8
Oil Companies	279.8	307.5	27.7
Sales & Use Tax	358.4	367.6	9.2
Sales Tax DMV	86.8	85.2	(1.6)
TOTAL - TAXES	<u>1,227.3</u>	<u>1,267.4</u>	<u>40.1</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>\$ 1,234.4</u>	<u>\$ 21.7</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	12.1	-
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>\$ 441.0</u>	<u>\$ 33.2</u>
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	<u>\$ 1,620.5</u>	<u>\$ 1,675.4</u>	<u>\$ 54.9</u>

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

Statement 3T
April 30, 2019

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

OSC - Fringe Benefits	\$ 1,200,000
Total	<u>\$ 1,200,000</u>

Statement 4T
April 30, 2019

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

Unallocated Lapse	\$	-
Department of Motor Vehicles		3,500,000
Department of Transportation		4,000,000
OTT - Debt Service		5,500,000
DAS - Workers' Compensation Claims		1,200,000
Total		<u>\$ 14,200,000</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	Revised 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			
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>			
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	0.0	0.0	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			
Additional Requirements	0.0	0.0	0.0	0.0	0.0	1.0	0.7	1.0	1.0	1.2			
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>			
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	0.0	0.0	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	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>	<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	\$0.0	\$0.0	\$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.