



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

October 20, 2022

The Honorable Natalie Braswell
 State Comptroller
 165 Capitol Avenue
 Hartford, Connecticut 06106

Dear Comptroller Braswell:

Section 4-66 of the General Statutes requires that my office provide information on the state's General Fund for Fiscal Year 2023. An analysis of the Special Transportation Fund is also provided here due to the significance of this fund.

	FY 2023 Projection			Change in Estimate - Oct. vs. Sep.	Oct. Est. Variance from Budget
	Budget	Sep. Estimate	(in millions) Oct. Estimate		
<u>General Fund</u>					
Revenues	\$ 22,388.2	\$ 22,534.4	\$ 22,534.4	\$ -	\$ 146.2
Expenditures	<u>22,089.2</u>	<u>22,089.8</u>	<u>22,040.2</u>	<u>(49.6)</u>	<u>(49.0)</u>
Operating Results - Surplus/(Deficit)	\$ 299.0	\$ 444.6	\$ 494.2	\$ 49.6	\$ 195.2
<u>Budget Reserve Fund</u>					
Deposits		\$ 2,292.1	\$ 2,341.7	\$ 49.6	
Withdrawals		<u>(4,167.1)</u>	<u>(4,107.6)</u> ¹	<u>59.5</u>	
Proj. Net Deposit/(Withdrawal) 6/30		\$ (1,875.0)	\$ (1,765.9)	\$ 109.1	
<u>Special Transportation Fund</u>					
Revenues	\$ 2,091.9	\$ 2,119.9	\$ 2,119.9	\$ -	\$ 28.0
Expenditures	<u>1,826.2</u>	<u>1,792.8</u>	<u>1,798.7</u>	<u>5.9</u>	<u>(27.5)</u>
Operating Results - Surplus/(Deficit)	\$ 265.7	\$ 327.1	\$ 321.2	\$ (5.9)	\$ 55.5
Proj. Fund Balance 6/30		\$ 783.3	\$ 718.9	\$ (64.4)	
Notes:					
1. BRF withdrawal includes the projected transfer out of \$4,107.6 million in FY 2023 pursuant to Sec. 4-30a, CGS, as the FY 2022 ending balance exceeds the statutory 15% cap. This sum will be deposited as additional contributions to the State Employees Retirement Fund and the Teachers' Retirement Fund.					

General Fund

The adopted FY 2023 budget anticipates a \$299.0 million balance at year end. We are projecting an operating surplus of \$494.2 million, a \$49.6 million increase from last month's forecast. The projected surplus represents 2.2 percent of the General Fund. The operating surplus is comprised of \$146.2 million in increased revenue and \$49.0 million in net expenditures below the amounts included in the enacted budget plan.

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 and the end of FY 2023 will exceed \$5.6 billion, or 25.6 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 9/30/22)	\$ 7,421.0
Deposit to SERS/TRS pursuant to Sec. 4-30a, C.G.S. (OPM 10/20/22 Est.)	\$ (4,107.6)
Projected Operating Surplus - FY 2023 (OPM 10/20/22 Est.)	\$ 494.2
Volatility Cap Deposit - FY 2023 (OPM 10/20/22 Est.)	<u>\$ 1,847.5</u>
Estimated BRF Ending Balance - FY 2023	\$ 5,655.1

Revenues

This month's revenue forecast is unchanged from last month. Although still early in the fiscal year, overall revenue collections continue to perform at or slightly above targeted levels.

Expenditures

We forecast that FY 2023 net expenditures will, in aggregate, be \$49.0 million below the levels anticipated in the adopted budget: an improvement of \$49.6 million from last month's forecast. A description of projected shortfalls and lapses follows.

Deficiencies: Shortfalls totaling \$24.7 million are forecast in the following agencies.

- Department of Housing. A \$1 million shortfall is anticipated in the Congregate Facilities Operation Costs account as a result of unbudgeted contractual increases.
- Department of Education. A \$700,000 shortfall is anticipated in the Adult Education account based on preliminary enrollment estimates.
- State Comptroller – Miscellaneous. We estimate \$23.0 million in expenditures for Adjudicated Claims. No appropriation was made in the enacted budget for payment of these claims.

Lapses: The following sums totaling \$196.1 million are anticipated to lapse, this amount exceeds the bottom-line lapse targets included in PA 22-118 by \$55.9 million.

- Auditors of Public Accounts. A \$500,000 Personal Services lapse is forecast due to vacancies.

- Department of Revenue Services. A lapse of \$1.5 million is forecast in the Personal Services account due to vacancies.
- Department of Veterans Affairs. A lapse of \$700,000 is forecast in the Personal Services account due to vacancies.
- Division of Criminal Justice. A lapse of \$1 million is forecast in the Personal Services account due to vacancies.
- Department of Public Health. A lapse of \$2.0 million is forecast in the Personal Services account due to vacancies.
- Department of Developmental Services. A total lapse of \$7.1 million is forecast based on \$6.5 million in the Personal Services account due to vacancies and \$600,000 in Other Expenses due to changes in the roll-out of the ARPA home and community-based services reinvestment plan.
- Department of Social Services. A net lapse of \$26.3 million is forecast across several accounts. The Medicaid account is anticipated to lapse \$60.0 million, primarily as a result of the net impact of the extension of enhanced federal funding through December 31st due to the public health emergency as well as revisions to the ARPA home and community-based services reinvestment plan, which also contributes to a projected \$900,000 lapse in the Connecticut Home Care Program. These lapses are partially offset by forecast shortfalls of \$10.0 million in the Temporary Family Assistance account and \$1.6 million in the HUSKY B Program account due to higher than budgeted costs per case, \$4.0 million in Old Age Assistance and \$8.0 million in Aid to the Disabled due to a delay in the anticipated start of billing for medical services provided by residential care homes, and \$11.0 million in the Other Expenses account due to anticipated systems and other administrative costs associated with the eventual unwinding of the public health emergency, as well as increased contractual costs associated with eligibility processing for DSS and Access Health CT.
- Teachers' Retirement Board. A \$500,000 lapse is forecast in the Retiree Health Service Cost account due to medical rates that are effective January 1st.
- Department of Children and Families. A lapse of \$2.0 million is forecast in the Personal Services account due to vacancies.
- Judicial Department. A lapse of \$1.2 million is forecast in the Personal Services account due to vacancies.
- Public Defender Services Commission. An aggregate lapse of \$833,000 is forecast across a variety of accounts as a result of staff attrition and a decrease in costly jury trials.
- State Comptroller – Fringe Benefits. A net lapse of \$152.5 million is projected: \$27.5 million in the State Employees Health Service Cost account and \$125.0 million in the Retired State Employees Health Service Cost account. Approximately one half of the forecast lapse in the retiree health account is attributable to favorable rates negotiated by the Comptroller's Office for the state Medicare Advantage program with the remainder of the lapse being attributable to a greater than anticipated number of retirees transitioning directly into Medicare upon retirement and a decrease in Medicare Part B premiums effective January 1st.

This month's forecast also reflects a net \$17.74 million reduction in expenditure requirements as a result of appropriation transfers out of the General Fund totaling \$16.97 million from OPM's Reserve for Salary Adjustment account and \$0.77 million from OPM's Private Providers account. While these funds were appropriated in the General Fund, these transfers were necessary to support contractual requirements in other funds.

Special Transportation Fund

The adopted budget anticipates a \$265.7 million balance from operations. We estimate that the Special Transportation Fund will end the year with an operating balance of \$321.2 million, a \$5.9 million decrease

from last month's projection. We project that the Transportation Fund balance on June 30, 2023, will be \$718.9 million. Projected FY 2023 revenues are unchanged from last month's estimate.

Projected expenditures are anticipated to be \$27.4 million below the enacted budget, which contained budgeted bottom-line lapse amounts totaling \$112.0 million. This month's forecast reflects a \$10.31 million increase in expenditure requirements as a result of appropriation transfers from OPM's General Fund Reserve for Salary Adjustment account, as well as lapses forecast in the following agencies:

- Department of Transportation. A total lapse of \$108.9 million is forecast based on \$100.0 million across the Bus Operations and Rail Operations accounts due to the availability of temporary federal support for transportation projects as well as a net lapse of \$8.9 million in Personal Services.
- State Treasurer - Debt Service. A \$40.3 million lapse is forecast as a result of savings from the FY 2022 bond sale which were not reflected in the FY 2023 budget as well as a revised estimate of FY 2023 borrowing.
- State Comptroller – Fringe Benefits. A net \$550,000 lapse is forecast due to lower than anticipated costs in the State Employees Health Service Cost and SERS Defined Contribution Match accounts.

As the year progresses, these estimates will continue to be revised to reflect the impact of changes in the economy, expenditure patterns, and other factors.

Sincerely,



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 September 30, 2022
(In Millions)

General Fund

Balance from Operations - Prior Month		\$	444.6
Revenues			
No Changes	0.0		0.0
Expenditures			
Additional Requirements	(3.7)		
Estimated Lapses	35.5		
Miscellaneous Adjustments/Rounding	17.7		49.6
Operating Surplus - FY 2023			494.2

Budget Reserve Fund

Fund Balance as of June 30, 2022		\$	7,421.0
Deposit to SERS/TRS Pursuant to Sec. 4-30a, CGS	(4,107.6)		
Volatility Cap Deposit	1,847.5		
FY 2023 Est. Balance from Operations	494.2		(1,765.9)
Estimated Fund Balance - June 30, 2023		\$	5,655.1
Fund Balance as Percentage of FY 2023 General Fund			25.6%

Special Transportation Fund

Fund Balance as of June 30, 2022		\$	397.8
Balance from Operations - Prior Month			327.1
Revenues			
No Changes	0.0		0.0
Expenditures			
Additional Requirements	0.0		
Estimated Lapses	4.4		
Miscellaneous Adjustments/Rounding	(10.3)		(6.0)
Estimated Fund Balance - June 30, 2023		\$	718.9

State of Connecticut
General Fund
Statement of FY 2023 Revenues, Expenditures, and Results of Operations
Projected to June 30, 2023
As of September 30, 2022
(In Millions)

	General Assembly Budget Plan ¹	Revised Estimates OPM	Over/ (Under)
REVENUE			
Taxes	\$ 22,150.5	\$ 22,150.5	\$ -
Less: Refunds	(2,103.5)	(1,978.5)	125.0
Taxes - Net	\$ 20,047.0	\$ 20,172.0	\$ 125.0
Other Revenue	1,334.6	1,429.8	95.2
Other Sources	1,006.6	932.6	(74.0)
TOTAL Revenue	\$ 22,388.2	\$ 22,534.4	\$ 146.2
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		24.7	24.7
Estimated Appropriations Lapsed	(140.2)	(196.1)	(55.9)
Estimated Appropriations to be Continued to FY 2024 ²		-	-
TOTAL Estimated Expenditures	\$ 22,089.2	\$ 22,892.3	\$ 803.1
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	\$ 494.2	\$ 195.2

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 September 30, 2022
(In Millions)

	General Assembly Budget Plan ^{1.}	Revised Estimates OPM	Over/ (Under)
TAXES			
Personal Income - Withholding	\$ 8,184.4	\$ 8,184.4	\$ -
Personal Income - Estimates and Finals	3,522.7	3,522.7	-
Sales and Use	4,777.6	4,777.6	-
Corporation	1,294.2	1,294.2	-
Pass-through Entity Tax	1,957.3	1,957.3	-
Public Service Corporations	277.0	277.0	-
Inheritance and Estate	150.2	150.2	-
Insurance Companies	243.1	243.1	-
Cigarettes	308.1	308.1	-
Real Estate Conveyance	290.4	290.4	-
Alcoholic Beverages	78.0	78.0	-
Admissions and Dues	27.2	27.2	-
Health Provider Tax	973.8	973.8	-
Miscellaneous	66.5	66.5	-
TOTAL - TAXES	\$ 22,150.5	\$ 22,150.5	\$ -
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	\$ 20,172.0	\$ 125.0
OTHER REVENUE			
Transfers - Special Revenue	\$ 402.2	\$ 402.2	\$ -
Indian Gaming Payments	251.8	251.8	-
Licenses, Permits, Fees	327.5	327.5	-
Sales of Commodities and Services	23.9	23.9	-
Rents, Fines, Escheats	163.3	163.3	-
Investment Income	4.8	100.0	95.2
Miscellaneous	224.9	224.9	-
Refunds of Payments	(63.8)	(63.8)	-
TOTAL - OTHER REVENUE	\$ 1,334.6	\$ 1,429.8	\$ 95.2
OTHER SOURCES			
Federal Grants	\$ 2,059.0	\$ 2,089.0	\$ 30.0
Transfer from Tobacco Settlement Fund	122.1	110.1	(12.0)
Transfers From/(To) Other Funds	673.0	581.0	(92.0)
Transfers to BRF - Volatility Adjustment ^{2.}	(1,847.5)	(1,847.5)	-
TOTAL - OTHER SOURCES	\$ 1,006.6	\$ 932.6	\$ (74.0)
TOTAL - GENERAL FUND REVENUE	\$ 22,388.2	\$ 22,534.4	\$ 146.2

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 September 30, 2022

Department of Housing	\$	1,000,000
Department of Education	\$	700,000
OSC - Miscellaneous		23,000,000
Total	\$	<u>24,700,000</u>

State of Connecticut
General Fund
Estimated FY 2023 Lapses
Projected to June 30, 2023
As of September 30, 2022

Unallocated Lapse	\$ -
Unallocated Lapse - Judicial	-
SEBAC Specialty Drug Savings	-
CREATES Savings Initiative Lapse	-
Auditors of Public Accounts	500,000
Department of Revenue Services	1,500,000
Department of Veterans Affairs	700,000
Division of Criminal Justice	1,000,000
Department of Public Health	2,000,000
Department of Developmental Services	7,100,000
Department of Social Services	26,300,000
Teachers' Retirement Board	500,000
Department of Children and Families	2,000,000
Judicial Department	1,200,000
Public Defender Services Commission	833,000
OSC - Fringe Benefits	152,500,000
Total	<u>\$ 196,133,000</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	March 2023	April 2023	May 2023	June 2023
REVENUE	\$22,388.2	\$ 22,409.2	\$22,534.4	\$22,534.4									
Appropriations	22,229.4	22,229.4	22,229.4	22,229.4									
Additional Requirements	0.0	21.0	21.0	24.7									
Less: Estimated Lapses	(140.2)	(140.2)	(160.6)	(196.1)									
TOTAL - Estimated Expenditures	22,089.2	22,110.2	22,089.8	22,057.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating Balance	299.0	299.0	444.6	476.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Misc. Adjustments/Rounding	0.0	0.0	0.0	17.7									
Est. Operating Balance - 6/30/23	\$299.0	\$299.0	\$444.6	\$494.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$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 September 30, 2022
(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	\$ 1,692.2	\$ -
Less: Refunds of Taxes	<u>(16.2)</u>	<u>(16.2)</u>	<u>-</u>
Taxes - Net	1,676.0	1,676.0	-
Other Revenue	<u>415.9</u>	<u>443.9</u>	<u>28.0</u>
TOTAL - Revenue	\$ 2,091.9	\$ 2,119.9	\$ 28.0
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		-	-
Estimated Appropriations Lapsed	(112.0)	(149.8)	(37.8)
Estimated Appropriations to be Continued to FY 2024 ^{2.}		<u>-</u>	<u>-</u>
TOTAL Estimated Expenditures	\$ 1,826.2	\$ 1,944.7	\$ 118.6
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	\$ 321.2	\$ 65.8
Estimated Fund Balance - June 30, 2023	<u>\$ 721.9</u>	<u>\$ 718.9</u>	<u>\$ 7.3</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 September 30, 2022
(In Millions)

	General Assembly Budget Plan ¹	Revised Estimates OPM	Over/ (Under)
TAXES			
Motor Fuels	\$ 344.4	\$ 344.4	\$ -
Oil Companies	402.4	402.4	-
Sales & Use Tax	794.1	794.1	-
Sales Tax DMV	106.3	106.3	-
Highway Use	45.0	45.0	-
TOTAL - TAXES	<u>1,692.2</u>	<u>1,692.2</u>	-
Less: Refunds of Taxes	<u>(16.2)</u>	<u>(16.2)</u>	-
TOTAL - TAXES - NET	<u>\$ 1,676.0</u>	<u>\$ 1,676.0</u>	<u>\$ -</u>
OTHER REVENUE			
Motor Vehicle Receipts	\$ 269.0	\$ 270.3	\$ 1.3
Licenses, Permits, Fees	142.1	142.1	-
Interest Income	3.3	30.0	26.7
Federal Grants	10.1	10.1	-
Transfers (To)/From Other Funds	(5.5)	(5.5)	-
Refunds of Payments	<u>(3.1)</u>	<u>(3.1)</u>	-
TOTAL - OTHER REVENUE	<u>\$ 415.9</u>	<u>\$ 443.9</u>	<u>\$ 28.0</u>
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	<u>\$ 2,091.9</u>	<u>\$ 2,119.9</u>	<u>\$ 28.0</u>

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

State of Connecticut
Special Transportation Fund
FY 2023 Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2023
As of September 30, 2022

No additional requirements	\$	-
Total	<u>\$</u>	<u>-</u>

Statement 4T
October 20, 2022

State of Connecticut
Special Transportation Fund
FY 2023 Estimated Lapses
Projected to June 30, 2023
As of September 30, 2022

Unallocated Lapse	\$	-
Temporary Federal Support for Transportation Operations		-
Department of Transportation		108,900,000
OTT - Debt Service		40,300,000
OSC - Fringe Benefits		550,000
Total		<u>\$ 149,750,000</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	March 2023	April 2023	May 2023	June 2023
Beginning Balance ²	\$ 456.2	\$ 456.2	\$ 456.2	\$ 397.8									
Revenue	<u>2,091.9</u>	<u>2,093.2</u>	<u>2,119.9</u>	<u>2,119.9</u>									
Total Available	2,548.1	2,549.4	2,576.1	2,517.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Appropriations	1,938.2	1,938.2	1,938.2	1,938.2									
Additional Requirements	0.0	0.0	0.0	0.0									
Less: Estimated Lapses	<u>(112.0)</u>	<u>(112.0)</u>	<u>(145.4)</u>	<u>(149.8)</u>									
TOTAL - Estimated Expenditures	1,826.2	1,826.2	1,792.8	1,788.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating Balance	265.7	267.0	327.1	331.5	0.0	0.0	0.0	0.0	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>(10.3)</u>									
Estimated Operating Balance 6/30/23	\$721.9	\$723.2	\$783.3	\$718.9	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$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 based on OSC preliminary closing balance for FY 2022.