



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

August 19, 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		
		(in millions)	
<u>General Fund</u>	<u>Budget</u>	<u>Aug. Estimate</u>	Aug. Est. Variance from Budget
Revenues	\$ 22,388.2	\$ 22,409.2	\$ 21.0
Expenditures	<u>22,089.2</u>	<u>22,110.2</u>	<u>21.0</u>
Operating Results - Surplus/(Deficit)	\$ 299.0	\$ 299.0	\$ -
 <u>Budget Reserve Fund</u>			
Deposits		\$ 2,146.5	
Withdrawals		<u>(4,167.1)</u> ^{1.}	
Proj. Net Deposit/(Withdrawal) 6/30		\$ (2,020.6)	
 <u>Special Transportation Fund</u>			
Revenues	\$ 2,091.9	\$ 2,093.2	\$ 1.3
Expenditures	<u>1,826.2</u>	<u>1,826.2</u>	<u>-</u>
Operating Results - Surplus/(Deficit)	\$ 265.7	\$ 267.0	\$ 1.3
Proj. Fund Balance 6/30		\$ 723.2	
 Notes:			
1. BRF withdrawal includes the projected transfer out of \$4,167.1 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

FY 2022 Operating Results

While final accounting adjustments remain before the close of FY 2022, we currently project a \$1,324.1 million operating surplus, an increase of \$50.4 million from our July 20th projection due to continued improvements in revenue collections during the accrual period. This amount, in addition to \$3,044.1 million in collections of the Estimates and Finals component of the Personal Income Tax and the Pass-through Entity Tax that exceeded the volatility cap, results in a Budget Reserve Fund balance of 33.9% of FY 2023 General Fund appropriations. Since any amounts in the BRF in excess of 15% of General Fund appropriations must be transferred to the State Employees or Teachers Retirement Systems, we anticipate transfers totaling \$4,167.1 million.

FY 2022 Projection (in \$ millions)			
	Adopted Budget	Est. 8/19/22	Variance
Revenue	21,021.3	21,995.8	974.5
Expenditures	20,746.4	20,671.7	(74.7)
Balance	274.9	1,324.1	1,049.2

FY 2023 Projection Summary

The adopted FY 2023 budget anticipates a \$299.0 million balance at year end – 1.3% of General Fund appropriations. While we currently project that actual results will, in aggregate, be generally in line with the adopted budget, there are several factors that will bear continued scrutiny as the year progresses:

- Public Act 22-118 includes bottom-line savings targets totaling \$140.2 million. While OPM generally would withhold allotments from agencies in order to achieve the lapse target, section 39 of the act requires that such allotment reductions may not be made as long as a projected surplus remains. Given the \$299.0 million balance in the adopted budget, OPM has not reduced agency allotments at this time. Nevertheless, several factors discussed below may offset the lost ability to ensure these budgeted savings.
- The federal government has extended the COVID-19 public health emergency, resulting in continuation of enhanced federal support for Medicaid through December 31, 2022, which is anticipated to reduce General Fund requirements by approximately \$70 million and increase federal revenue by approximately \$30 million. Offsetting this positive variance, compliance with federal requirements during the public health emergency will result in increased enrollment which, coupled with higher utilization trends, is expected to exceed budgeted levels. As projections of these offsetting costs are refined, we anticipate future projections will identify the net impact of the extension.
- On June 1st, the Comptroller’s Office announced that re-procurement of the state’s Medicare Advantage program contract will reduce annual requirements for the Retiree Healthcare plan by \$400 million over a three-year period beginning January 1, 2023 which should result in significant savings during FY 2023.

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 be \$5.46 billion, or 24.7 percent of net General Fund appropriations for the current year. Given that this balance is likely 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 Ending Balance - FY 2021 (ACFR 2/24/22)	\$ 4,730.4
Deposit to TRS pursuant to Sec. 4-30a, C.G.S. (ACFR 2/24/22)	\$ (903.6)
Deposit to SERS pursuant to Sec. 4-30a, C.G.S. (ACFR 2/24/22)	\$ (714.7)
Projected Operating Surplus - FY 2022 (OPM 8/19/22 Est.)	\$ 1,324.1
Projected Volatility Cap Deposit - FY 2022 (OPM 8/19/22 Est.)	\$ <u>3,044.1</u>
Estimated BRF Ending Balance - FY 2022	\$ 7,480.4
Estimated BRF Starting Balance - FY 2023 (OPM 8/19/22 Est.)	\$ 7,480.4
Deposit to SERS/TRS pursuant to Sec. 4-30a, C.G.S. (OPM 8/19/22 Est.)	\$ (4,167.0)
Projected Operating Surplus - FY 2023 (OPM 8/19/22 Est.)	\$ 299.0
Volatility Cap Deposit - FY 2023 (OPM 8/19/22 Est.)	\$ <u>1,847.5</u>
Estimated BRF Ending Balance - FY 2023	\$ 5,459.9

Revenues

Projected FY 2023 revenues have been revised upward by \$21.0 million to reflect legislative and administrative changes that occurred subsequent to the adoption of the General Fund revenue schedule contained in Public Act 22-118. This includes a \$12.0 million transfer from the General Fund to the Tobacco and Health Trust Fund and a net increase of \$33.0 million as a result of a reduction in Refunds of Taxes by \$125.0 million combined with an increase in Transfers out of the General Fund of \$92.0 million to accommodate the payment of up to \$250 for Child Tax Rebates.

Expenditures

We forecast that FY 2023 net expenditures will be \$21 million above budgeted levels due to expenditure requirements in the adjudicated claims account, which is paid from the unappropriated resources of the General Fund and has already been tapped to support several large claims.

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 \$267.0 million. Projected expenditures are anticipated to be consistent with the adopted budget. Projected FY 2023 revenues have been revised upward by \$1.3 million to reflect legislative changes that occurred subsequent to the adoption of the Transportation Fund revenue schedule contained in Public Act 22-118. This change increases projected Motor Vehicle Receipts by \$1.3 million due to the change in registration fees for electric vehicles contained in P.A. 22-25. We project that the Transportation Fund balance on June 30, 2023, will be \$723.2 million.

It is important to note that this represents the first projection of the state's budget outlook for FY 2023. As the year progresses, these estimates will undoubtedly be revised to reflect the impact of changes in the economy, expenditure patterns, and/or 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 July 31, 2022
(In Millions)

General Fund

Balance from Operations - Adopted Budget		\$	299.0
Revenues			
Transfer to THTF per PA 22-118 § 196	(12.0)		
Child Tax Rebate	33.0		21.0
			<hr/>
Expenditures			
Additional Requirements	(21.0)		
Estimated Lapses	0.0		
Miscellaneous Adjustments/Rounding	0.0		(21.0)
			<hr/>
Operating Surplus - FY 2023			299.0

Budget Reserve Fund

Fund Balance as of June 30, 2022		\$	7,480.4
Deposit to SERS/TRS Pursuant to Sec. 4-30a, CGS	(4,167.0)		
Volatility Cap Deposit	1,847.5		
FY 2023 Est. Balance from Operations	299.0		(2,020.5)
			<hr/>
Estimated Fund Balance - June 30, 2023		\$	5,459.9
Fund Balance as Percentage of FY 2023 General Fund			24.7%

Special Transportation Fund

Fund Balance as of June 30, 2022		\$	456.2
Balance from Operations - Adopted Budget			265.7
Revenues			
Motor Vehicle Receipts	1.3		1.3
			<hr/>
Expenditures			
Additional Requirements	0.0		
Estimated Lapses	0.0		
Miscellaneous Adjustments/Rounding	0.0		0.0
			<hr/>
Estimated Fund Balance - June 30, 2023		\$	723.2

State of Connecticut
General Fund
Statement of FY 2023 Revenues, Expenditures, and Results of Operations
Projected to June 30, 2023
As of July 31, 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	1,334.6	-
Other Sources	1,006.6	902.6	(104.0)
TOTAL Revenue	\$ 22,388.2	\$ 22,409.2	\$ 21.0
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		21.0	21.0
Estimated Appropriations Lapsed	(140.2)	(140.2)	-
Estimated Appropriations to be Continued to FY 2024 ²		-	-
TOTAL Estimated Expenditures	\$ 22,089.2	\$ 22,944.5	\$ 855.3
Net Change in Fund Balance - Continuing Appropriations		(834.3)	(834.3)
Miscellaneous Adjustments/Rounding		-	-
Net Change in Unassigned Fund Balance - 6/30/2023	\$ 299.0	\$ 299.0	\$ 0.0

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.

State of Connecticut
General Fund
FY 2023 Revenue Estimates
Projected to June 30, 2023
As of July 31, 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	4.8	-
Miscellaneous	224.9	224.9	-
Refunds of Payments	(63.8)	(63.8)	-
TOTAL - OTHER REVENUE	\$ 1,334.6	\$ 1,334.6	\$ -
OTHER SOURCES			
Federal Grants	\$ 2,059.0	\$ 2,059.0	\$ -
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	\$ 902.6	\$ (104.0)
TOTAL - GENERAL FUND REVENUE	\$ 22,388.2	\$ 22,409.2	\$ 21.0

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 July 31, 2022

OSC - Miscellaneous	\$ 21,000,000
Total	<u>\$ 21,000,000</u>

Statement 4
August 19, 2022

State of Connecticut
General Fund
Estimated FY 2023 Lapses
Projected to June 30, 2023
As of July 31, 2022

Unallocated Lapse	\$ 48,715,570
Unallocated Lapse - Judicial	5,000,000
SEBAC Specialty Drug Savings	13,000,000
CREATES Savings Initiative Lapse	73,487,242
Total	<u>\$ 140,202,812</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											
Appropriations	22,229.4	22,229.4											
Additional Requirements	0.0	21.0											
Less: Estimated Lapses	(140.2)	(140.2)											
TOTAL - Estimated Expenditures	22,089.2	22,110.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating Balance	299.0	299.0	0.0	0.0	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											
Est. Operating Balance - 6/30/23	\$299.0	\$299.0	\$0.0	\$0.0	\$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 July 31, 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	\$ 456.2	\$ -
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>417.2</u>	<u>1.3</u>
TOTAL - Revenue	\$ 2,091.9	\$ 2,093.2	\$ 1.3
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>	<u>-</u>
TOTAL Adjusted Appropriations	\$ 1,938.2	\$ 2,094.5	\$ 156.3
Net Additional Expenditure Requirements		-	-
Estimated Appropriations Lapsed	(112.0)	(112.0)	-
Estimated Appropriations to be Continued to FY 2024 ^{2.}		<u>-</u>	<u>-</u>
TOTAL Estimated Expenditures	\$ 1,826.2	\$ 1,982.5	\$ 156.3
Net Change in Fund Balance - Continuing Appropriations		(156.3)	(156.3)
Miscellaneous Adjustments/Rounding		-	-
Net Change in Unassigned Fund Balance - FY 2023	\$ 265.7	\$ 267.0	\$ 1.3
Estimated Fund Balance - June 30, 2023	<u>\$ 721.9</u>	<u>\$ 723.2</u>	<u>\$ 1.3</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.

State of Connecticut
Special Transportation Fund
FY 2023 Revenue Estimates
Projected to June 30, 2023
As of July 31, 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>	<u>-</u>
Less: Refunds of Taxes	(16.2)	(16.2)	-
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	3.3	-
Federal Grants	10.1	10.1	-
Transfers (To)/From Other Funds	(5.5)	(5.5)	-
Refunds of Payments	(3.1)	(3.1)	-
TOTAL - OTHER REVENUE	<u>\$ 415.9</u>	<u>\$ 417.2</u>	<u>\$ 1.3</u>
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	<u>\$ 2,091.9</u>	<u>\$ 2,093.2</u>	<u>\$ 1.3</u>

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

Statement 3T
August 19, 2022

State of Connecticut
Special Transportation Fund
FY 2023 Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2023
As of July 31, 2022

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

Statement 4T
August 19, 2022

State of Connecticut
Special Transportation Fund
FY 2023 Estimated Lapses
Projected to June 30, 2023
As of July 31, 2022

Unallocated Lapse	\$ 12,000,000
Temporary Federal Support for Transportation Operations	\$ 100,000,000
Total	<u><u>\$ 112,000,000</u></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											
Revenue	<u>2,091.9</u>	<u>2,093.2</u>											
Total Available	2,548.1	2,549.4	0.0	0.0	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											
Additional Requirements	0.0	0.0											
Less: Estimated Lapses	<u>(112.0)</u>	<u>(112.0)</u>											
TOTAL - Estimated Expenditures	1,826.2	1,826.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating Balance	265.7	267.0	0.0	0.0	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>											
Estimated Operating Balance 6/30/23	\$721.9	\$723.2	\$0.0	\$0.0	\$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 and July as estimated by the Office of Policy and Management.