



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

April 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 \$121.2 million General Fund deficit for Fiscal Year 2015, an improvement of \$11.6 million from last month's estimate. This month's projection incorporates the impact of the third round of rescissions which were implemented on April 1st, and is otherwise virtually unchanged from last month's estimate. It should be noted that April income tax collection data will be finalized in the next few weeks and any significant deviations (positive or negative) will impact year-end results. Fund transfers included in House Bill 6825, the Governor's legislative proposal to address FY 2015 deficiencies, would reduce the shortfall by \$37.3 million. Administrative efforts to reduce the remaining deficit, including heightened scrutiny of position refills and contract requests, continue to be made in an effort to limit year-end expenditures to those that are critical for state operations. An updated forecast will be issued subsequent to release of the April consensus revenue estimate.

Revenues

In aggregate, this month's revenue projection remains unchanged from last month. Estimates for several individual sources have been updated but result in no net change to our forecast. On the positive side, Corporation tax revenue is being revised upward by \$20 million as the March estimated payment came in above target along with the expectation that the June estimated payment will follow a similar trend. Licenses, Permits and Fees are being revised upward by \$15 million due to higher than anticipated growth in various professional licenses. Estimated Insurance Companies revenue has been revised downward by \$30 million as this source has not met its March target, likely due to increased utilization of tax credits. Finally, Sales of Commodities is being revised downward by \$5.0 million as monthly receipts continue to fall below our targets.

As noted above, it is still too early to estimate with confidence the performance of the Personal Income Tax and related tax refunds. As noted in prior months, our estimate anticipates robust

Personal Income Tax collections this month. Federal tax policy significantly influenced taxpayer behavior in the last two years, with the volatility of collections creating uncertainty as to what constitutes a base level of income tax collections. The forecast assumes 25% growth in Personal Income Tax receipts over last year and each percentage point deviation from the forecast equates to approximately \$13 million. Also, as in past years, we anticipate releasing an updated forecast after issuance of the consensus revenue estimate required under Section 2-36c of the General Statutes.

Expenditures

Overall, expenditures are projected to be \$3.9 million below the budget plan. Net additional requirements (deficiencies) total \$149.8 million, and \$54.0 million in lapses are projected beyond the budget plan and in addition to the savings resulting from rescissions implemented in November, January and April.

Deficiencies. Shortfalls are forecast in the following agencies:

- Department of Social Services. Inclusive of administrative actions to reduce the deficiency, a net Medicaid shortfall of \$108.0 million is projected due to additional hospital cost settlements; the unlikelihood of achieving the full savings levels incorporated in the budget for the medication administration, step therapy, and fraud initiatives; 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 in Personal Services after accounting for April Finance Advisory Committee transfers to resolve shortfalls in the Other Expenses and Workers' Compensation Claims accounts.
- Department of Agriculture. A shortfall of \$380,000 is projected in Other Expenses for animal care costs due to a recent seizure of neglected animals.
- Department of Correction. A total shortfall of \$4.9 million is projected in Personal Services after accounting for April Finance Advisory Committee transfers to resolve shortfalls in the Other Expenses and Workers' Compensation Claims accounts.
- Public Defenders Services Commission. A total shortfall of \$6.0 million is projected in Personal Services, after accounting for March Finance Advisory Committee transfers to resolve shortfalls in the Assigned Counsel – Criminal and Expert Witnesses accounts.
- Comptroller – Fringe Benefits. A \$17.0 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. An \$8.5 million deficiency is anticipated in the Adjudicated Claims account, including the proposed settlement for a wrongfully convicted individual.

Lapses. Lapses beyond holdbacks and rescissions are forecast in the following agencies:

- Legislative Branch. A total of \$7.0 million in the Office of Legislative Management's Personal Services and Other Expenses accounts and \$0.5 million in the Auditors of Public Accounts' Personal Services account. These projected lapses have more than satisfied the branch's unallocated lapse target for the fiscal year.

- Treasurer – Debt Service. \$88.0 million in savings from actual and anticipated bond sales.
- Office of Policy and Management. A total of \$3.5 million in various accounts, primarily in the Tax Relief for Elderly Renters account due to fewer applications than the level assumed in the adopted budget.
- Department of Consumer Protection. \$0.5 million in Personal Services due to vacancies.
- Department of Energy and Environmental Protection. A total of \$0.5 million across several accounts due to vacancies and reduced spending.
- Department of Housing. \$2.0 million in Housing/Homeless Services due to fewer than anticipated transitions for Money Follows the Person rental assistance and delays in the utilization of project-based rental assistance certificates.
- Department of Labor. A total of \$1.0 million, with \$0.3 million in the Veterans' Opportunity Pilot account due to delays in hiring and \$0.7 million in Opportunities for the Long Term Unemployed due to startup delays.
- Department of Public Health. \$1.1 million—primarily in Personal Services—due to vacancies.
- Department of Developmental Services. \$0.7 million in Personal Services due to vacancies.
- Department of Education. A net total of \$6.2 million in a variety of accounts after transfers to resolve the Magnet Schools shortfall.
- Office of Early Childhood. \$11.9 million in various accounts due to vacancies, slower rollout of the new school readiness program than assumed in the budget, and reduced demand in the Care4Kids program.
- Teachers' Retirement Board. \$1.3 million due to lower than anticipated retiree health care costs.
- Department of Children and Families. A net \$4.5 million as a result of delays in the development of new programs and updated caseload and hiring projections.
- Budgeted lapses. We project that \$64.7 million of the \$94.7 million Unallocated Lapse target for the Legislative and Executive branches has been achieved. The budget included a \$10 million Municipal Opportunities and Regional Efficiencies lapse; the Governor's deficiency bill (HB 6825) would transfer \$12.7 million from the Municipal Revenue Sharing Account to the resources of the General Fund in satisfaction of this lapse and to help address the projected FY 2015 deficit.

Special Transportation Fund

A \$0.9 million operating deficit is projected, a reduction from the level reported last month. Revenues in the Special Transportation Fund have been revised upward by a net \$1.5 million, as Motor Fuels Taxes have been exceeding their target, likely due increased consumption caused by lower fuel prices. Expenditures reflect a net \$18.0 million shortfall in the Department of Transportation, with \$5.0 in the Rail Operations account related to operational costs associated with Metro North Railroad, and \$13.0 million in Personal Services after the March Finance Advisory Committee transfer to address winter-related Other Expenses overruns. Additionally, we are projecting a \$2.4 million shortfall in active employees' health care costs. The fund balance on June 30, 2015 is estimated to be \$168.1 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,

A handwritten signature in cursive script, appearing to read "Benjamin Barnes".

Benjamin Barnes
Secretary

Summary
April 20, 2015

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

General Fund

Balance from Operations - Prior Month		\$	(132.8)
Revenues			
Corporation Tax	20.0		
Insurance Company Tax	(30.0)		
Licenses, Permits and Fees	15.0		
Sale of Commodities	<u>(5.0)</u>		0.0
Expenditures			
Additional Requirements	(2.2)		
Estimated Lapses	13.8		
Miscellaneous Adjustments/Rounding	<u>0.0</u>		<u>11.6</u>
Estimated Balance from Operations - June 30, 2015		\$	<u>(121.2)</u>

Special Transportation Fund

Fund Balance as of June 30, 2014		\$	169.0
Balance from Operations - Prior Month			(3.9)
Revenues			
Motor Fuels Tax	3.0		
Interest Income	<u>(1.5)</u>		1.5
Expenditures			
Additional Requirements	1.5		
Estimated Lapses	0.0		
Miscellaneous Adjustments/Rounding	<u>0.0</u>		<u>1.5</u>
Estimated Fund Balance - June 30, 2015		\$	<u>168.1</u>

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

	General Assembly Budget Plan ¹	Revised Estimates OPM	Over/ (Under)
REVENUE			
Taxes	\$ 16,147.2	\$ 16,109.2	\$ (38.0)
Less: Refunds	(1,232.6)	(1,242.6)	(10.0)
Taxes - Net	\$ 14,914.6	\$ 14,866.6	\$ (48.0)
Other Revenue	1,109.3	1,156.8	47.5
Other Sources	1,434.1	1,309.2	(124.9)
TOTAL Revenue	\$ 17,458.0	\$ 17,332.6	\$ (125.5)
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		149.8	149.8
Estimated Appropriations Lapsed	(132.1)	(285.8)	(153.7)
Estimated Appropriations to be Continued to FY 2016		-	-
TOTAL Estimated Expenditures	\$ 17,457.7	\$ 17,539.7	\$ 82.0
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	\$ (121.2)	\$ (121.6)

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 March 31, 2015
(In Millions)

	General Assembly Budget Plan	Revised Estimates OPM	Over/ (Under)
TAXES			
Personal Income	\$ 9,264.5	\$ 9,264.5	\$ -
Sales and Use	4,167.4	4,226.2	58.8
Corporation	704.3	754.3	50.0
Public Service Corporations	295.6	299.1	3.5
Inheritance and Estate	173.0	173.0	-
Insurance Companies	256.2	226.2	(30.0)
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	460.1	(49.4)
Miscellaneous	95.2	65.5	(29.7)
TOTAL - TAXES	\$ 16,147.2	\$ 16,109.2	\$ (38.0)
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	\$ 14,866.6	\$ (48.0)
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	281.7	25.5
Sales of Commodities and Services	43.5	38.5	(5.0)
Rents, Fines, Escheats	118.4	118.4	-
Investment Income	0.6	0.6	-
Miscellaneous	161.9	197.9	36.0
Refunds of Payments	(72.9)	(72.9)	-
TOTAL - OTHER REVENUE	\$ 1,109.3	\$ 1,156.8	\$ 47.5
OTHER SOURCES			
Federal Grants	\$ 1,299.6	\$ 1,193.4	\$(106.2)
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	\$ 1,309.2	\$(124.9)
TOTAL - GENERAL FUND REVENUE	\$ 17,458.0	\$ 17,332.6	\$(125.5)

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

Department of Emergency Services and Public Protection	5,000,000
Department of Agriculture	380,000
Department of Social Services	108,000,000
Department of Correction	4,900,000
Public Defenders Services Commission	6,000,000
Comptroller - Miscellaneous	8,500,000
Comptroller - Fringe Benefits	17,000,000
Total	<u>\$ 149,780,000</u>

Statement 4
April 20, 2015

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

Unallocated Lapse	\$ 30,000,000
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	-
November 20, 2014 Rescissions	54,477,508
January 23, 2015 Rescissions	31,489,427
April 1, 2015 Rescissions	13,731,331
Office of Legislative Management	7,000,000
Auditors of Public Accounts	500,000
Office of Policy and Management	3,500,000
Department of Consumer Protection	500,000
Department of Labor	1,000,000
Department of Energy and Environmental Protection	500,000
Department of Housing	2,000,000
Department of Public Health	1,100,000
Department of Developmental Services	700,000
Department of Education	6,200,000
Office of Early Childhood	11,900,000
Teachers Retirement Board	1,300,000
Department of Children and Families	4,500,000
OTT - Debt Service	88,000,000
Total	<u>\$ 285,798,938</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	\$17,386.9	\$17,359.6	\$17,395.6	\$17,332.6	\$17,332.6		
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	17,589.8	17,589.8	17,589.8		
Additional Requirements	0.0	0.0	0.0	0.0	0.0	0.7	99.7	149.7	143.8	147.6	149.8		
Less: Estimated Lapses	(132.1)	(132.1)	(132.1)	(132.1)	(132.1)	(136.8)	(259.0)	(259.0)	(276.8)	(272.0)	(285.8)		
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	17,456.8	17,465.4	17,453.8	0.0	0.0
Balance from Operations	0.3	0.3	0.3	0.3	0.3	(44.8)	(31.6)	(120.9)	(61.2)	(132.8)	(121.2)	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)	(\$61.2)	(\$132.8)	(\$121.2)	\$0.0	\$0.0

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

State of Connecticut
Special Transportation Fund
Analysis of Budget Plan
Projected to June 30, 2015
As of March 31, 2015
(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	\$ 952.7	\$ (12.8)
Less: Refunds of Taxes	<u>(6.6)</u>	<u>(7.1)</u>	<u>(0.5)</u>
Taxes - Net	958.9	945.6	(13.3)
Other Revenue	<u>369.4</u>	<u>395.0</u>	<u>25.6</u>
TOTAL - Revenue	<u>\$ 1,328.3</u>	<u>\$ 1,340.6</u>	<u>\$ 12.3</u>
EXPENDITURES			
Appropriations	\$ 1,332.6	\$ 1,332.6	\$ -
Net Additional Requirements	-	20.4	20.4
Less: Estimated Lapses	<u>(11.0)</u>	<u>(12.7)</u>	<u>(1.7)</u>
TOTAL - Expenditures	<u>\$ 1,321.6</u>	<u>\$ 1,340.3</u>	<u>\$ 18.7</u>
Balance from Operations	\$ 6.7	\$ 0.3	\$ (6.4)
Miscellaneous Adjustments	<u>-</u>	<u>(1.2)</u>	<u>(1.2)</u>
Estimated Fund Balance - June 30, 2015	<u>\$ 175.5</u>	<u>\$ 168.1</u>	<u>\$ (7.4)</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
 April 20, 2015

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

	<u>General Assembly Budget Plan</u>	<u>Revised Estimates OPM</u>	<u>Over/ (Under)</u>
TAXES			
Motor Fuels	\$ 503.8	\$ 509.3	\$ 5.5
Oil Companies	379.1	360.3	(18.8)
Sales Tax DMV	82.6	83.1	0.5
TOTAL - TAXES	<u>965.5</u>	<u>952.7</u>	<u>(12.8)</u>
Less: Refunds of Taxes	(6.6)	(7.1)	(0.5)
TOTAL - TAXES - NET	<u>\$ 958.9</u>	<u>\$ 945.6</u>	<u>\$ (13.3)</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	5.8	0.8
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>\$ 395.0</u>	<u>\$ 25.6</u>
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$1,328.3	\$1,340.6	\$ 12.3

Statement 3T
April 20, 2015

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

Department of Transportation	18,000,000
OSC - Fringe Benefits	2,400,000
Total	<u><u>\$20,400,000</u></u>

Statement 4T
April 20, 2015

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

OTT - Debt Service	\$ 12,700,000
Total	<u>\$ 12,700,000</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	\$ 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	1,339.1	1,339.1	1,340.6		
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	1,508.1	1,508.1	1,509.6	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	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	23.0	21.9	20.4		
Less: Estimated Lapses	(11.0)	(11.0)	(11.0)	(11.0)	(12.0)	(12.0)	(12.0)	(12.0)	(12.0)	(12.7)	(12.7)		
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	1,343.6	1,341.8	1,340.3	0.0	0.0
Balance from Operations	6.7	6.7	8.9	8.9	9.9	14.8	(5.2)	(1.5)	(4.5)	(2.7)	0.3	0.0	0.0
Misc. Adjustments/Rounding	0.0	0.0	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	(1.2)	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	\$163.3	\$165.1	\$168.1	\$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.

