

# STATE OF CONNECTICUT

## OFFICE OF POLICY AND MANAGEMENT

December 18, 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 2016 is provided in accordance with Section 4-66 of the General Statutes. In addition, an analysis of the Special Transportation Fund is included due to the significant nature of this 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

As a result of expenditure and revenue changes passed during the December special legislative session, we are projecting to end fiscal year 2016 with a positive balance from operations of \$0.2 million.

Public Act 15-1 of the December Special Session made approximately \$214.3 million in expenditure changes and \$135.8 million in revenue changes to address the projected deficit, as well as to replace rescissions issued in September.

### Revenues

Projected revenues have been revised upward by \$135.8 million as a result of Public Act 15-1 of the December Special Session. The largest change is in the Sales and Use Tax, up \$109.2 million as a result of delayed commencement of transfers from the Sales Tax to both the Special Transportation Fund and the Municipal Revenue Sharing Account. Transfers to the General Fund have also been revised upward by \$27.8 million as a result of the deficit mitigation bill. All other legislatively-enacted changes net to a negative \$1.2 million. Note that the next consensus revenue forecast between my office and the legislature's Office of Fiscal Analysis will be released by January 15<sup>th</sup>, prior to next month's forecast.

### Expenditures

Holdbacks in Public Act 15-1 of the December Special Session adjust funds available for expenditure and replace rescissions issued in September. With the changes from this legislation, spending is projected to be \$81.1 million below the budget plan. Note that while Public Act 15-1 restored budget balance, it did not address the specific deficiencies identified below; these will be addressed through transfers in deficiency legislation considered during the upcoming legislative session.

*Deficiencies.* The following deficiencies are forecast:

- Office of the Chief Medical Examiner. A total shortfall of \$400,000 is estimated, consisting of \$300,000 in Personal Services and \$100,000 in Other Expenses due to an increase in the number of autopsies performed by the agency.
- Office of Early Childhood. A \$6.2 million deficiency in the Birth to Three program is forecast due to caseload increases and increased utilization of more costly services.
- Public Defender Services Commission. A total shortfall of \$2.7 million is projected. Of this \$2.3 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 \$0.4 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. While the agency is projecting a much larger deficiency, information available to us does not support a change in our estimate at this time.
- Office of the Treasurer – Debt Service. The December General Obligation bond sale produced lower than anticipated net premiums, resulting in the need for a deficiency appropriation of \$35 million. The next significant bond sale is scheduled in the Spring, and market factors and administrative decisions by the Office of the Treasurer will be key determinants of any change to our projection at that time.

*Lapses.* Recognized lapses include the following:

- Comptroller's Fringe Benefits accounts. We are projecting a lapse totaling \$32.5 million based on lower than anticipated spending for Retiree Healthcare, Social Security Taxes, Higher Education Alternative Retirement System, Group Life Insurance and Unemployment Taxes.
- Department of Revenue Services. A lapse of \$600,000 is projected in Personal Services due to turnover and hiring delays.
- Office of Policy and Management. Lapses of \$300,000 in Tax Relief for Elderly Renters and \$200,000 in Distressed Municipalities reflect final payment amounts for eligible recipients.
- DAS – Workers' Compensation Claims. A lapse of \$500,000 is projected due to lower than anticipated claims costs.
- Department of Consumer Protection. \$400,000 is projected to lapse in Personal Services due to turnover and hiring delays.
- Department of Energy and Environmental Protection. Lapses totaling \$500,000 are projected in several accounts due largely to delays in hiring.
- Department of Housing. \$3.5 million is projected to lapse in the Housing/Homeless account due to a slower than budgeted pace of placements in the Money Follows the Person program.
- Department of Public Health. The agency will lapse \$2.0 million in Personal Services as a result of turnover and hiring delays.

- Department of Developmental Services. The agency will lapse \$2.7 million, largely in Personal Services as a result of turnover and hiring delays.
- Department of Children and Families. Lapses totaling \$5.0 million are projected across a variety of accounts.

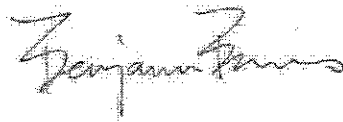
Our expenditure estimate anticipates full achievement of the budgeted MORE lapse as well as all of the allocable lapses included in the budget as revised by Public Act 15-1 of the December Special Session.

### **Special Transportation Fund**

Public Act 15-1 of the December Special Session included revenue reductions totaling \$35.3 million, largely due to the two month delayed start-up of Sales Tax revenue transfers to the Transportation Fund. Estimated expenditures remain unchanged from last month and spending is consistent with the budget plan. Lapses are projected in the Treasurer's Debt Service account (\$3.9 million) and in the Comptroller's Fringe Benefits account for active healthcare (\$4.0 million). We anticipate the fund balance on June 30, 2016 to be \$180.0 million.

It is important to note that while this represents the best forecast that can be made at this time, estimates may need to be revised to reflect the impact of 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  
December 18, 2015

State of Connecticut  
Summary of Changes  
General Fund and Special Transportation Fund  
Projected to June 30, 2016  
As of November 30, 2015  
(In Millions)

**General Fund**

Balance from Operations - Prior Month		\$	(122.4)
Revenues			
Sales and Use Tax	109.2		
Transfers from Other Funds	27.8		
All Other Changes (Net)	<u>(1.2)</u>		135.8
Expenditures			
Additional Requirements	(35.8)		
Estimated Lapses	22.6		
Miscellaneous Adjustments/Rounding	<u>0.0</u>		(13.2)
Estimated Balance from Operations - June 30, 2016		\$	<u>0.2</u>

**Special Transportation Fund**

Fund Balance as of June 30, 2015		\$	180.0
Balance from Operations - Prior Month			7.4
Revenues			
Sales and Use Tax	(35.2)		
Oil Companies Tax	(0.1)		
All Changes (Net)	<u>0.0</u>		(35.3)
Expenditures			
Additional Requirements	0.0		
Estimated Lapses	27.9		
Miscellaneous Adjustments/Rounding	<u>0.0</u>		27.9
Estimated Fund Balance - June 30, 2016		\$	<u>180.0</u>

State of Connecticut  
General Fund  
Statement of Revenues, Expenditures, and Results of Operations  
Projected to June 30, 2016  
As of November 30, 2015  
(In Millions)

	General Assembly Budget Plan <sup>1</sup>	Revised Estimates OPM	Over/ (Under)
<b>REVENUE</b>			
Taxes	\$ 16,936.5	\$ 16,842.4	\$ (94.1)
Less: Refunds	(1,224.9)	(1,225.9)	(1.0)
Taxes - Net	\$ 15,711.6	\$ 15,616.5	\$ (95.1)
Other Revenue	1,174.3	1,162.0	(12.3)
Other Sources	1,276.5	1,302.2	25.7
<b>TOTAL Revenue</b>	<b>\$ 18,162.4</b>	<b>\$ 18,080.7</b>	<b>\$ (81.7)</b>
<b>EXPENDITURES</b>			
Initial Current Year Appropriations	\$ 18,362.2	\$ 18,362.2	\$ -
Prior Year Appropriations Continued to FY 2016 <sup>2</sup>		64.9	64.9
<b>TOTAL Initial and Continued Appropriations</b>	<b>\$ 18,362.2</b>	<b>\$ 18,427.1</b>	<b>\$ 64.9</b>
Appropriation Adjustments	-	-	-
<b>TOTAL Adjusted Appropriations</b>	<b>\$ 18,362.2</b>	<b>\$ 18,427.1</b>	<b>\$ 64.9</b>
Net Additional Expenditure Requirements		44.3	44.3
Estimated Appropriations Lapsed	(200.6)	(326.0)	(125.4)
Estimated Appropriations to be Continued to FY 2017		-	-
<b>TOTAL Estimated Expenditures</b>	<b>\$ 18,161.6</b>	<b>\$ 18,145.4</b>	<b>\$ (16.2)</b>
Net Change in Fund Balances - Continuing Appropriations	-	(64.9)	(64.9)
Miscellaneous Adjustments/Rounding	-	-	-
<b>Net Change in Unassigned Fund Balance - 6/30/2016</b>	<b>\$ 0.8</b>	<b>\$ 0.2</b>	<b>\$ (0.6)</b>

1. P.A. 15-244, as amended by P.A. 15-5, June Spec. Sess.

2. P.A. 15-244, as amended by P.A. 15-5, June Spec. Sess., and other statutory provisions.

State of Connecticut  
General Fund  
Revenue Estimates  
Projected to June 30, 2016  
As of November 30, 2015  
(In Millions)

	General Assembly Budget Plan <sup>1</sup>	Revised Estimates OPM	Over/ (Under)
<b>TAXES</b>			
Personal Income	\$ 9,834.4	\$ 9,645.0	\$ (189.4)
Sales and Use	4,121.1	4,230.3	109.2
Corporation	902.2	900.4	(1.8)
Public Service Corporations	308.0	287.4	(20.6)
Inheritance and Estate	173.4	193.4	20.0
Insurance Companies	243.8	237.9	(5.9)
Cigarettes	361.2	361.2	-
Real Estate Conveyance	194.7	194.7	-
Oil Companies	-	-	-
Alcoholic Beverages	61.7	61.7	-
Admissions and Dues	38.3	38.3	-
Health Provider Tax	676.9	672.4	(4.5)
Miscellaneous	20.8	19.7	(1.1)
<b>TOTAL - TAXES</b>	<b>\$ 16,936.5</b>	<b>\$ 16,842.4</b>	<b>\$ (94.1)</b>
Less: Refunds of Taxes	(1,090.4)	(1,090.4)	-
Earned Income Tax Credit	(127.4)	(127.4)	-
R & D Credit Exchange	(7.1)	(8.1)	(1.0)
<b>TOTAL - TAXES - NET</b>	<b>\$ 15,711.6</b>	<b>\$ 15,616.5</b>	<b>\$ (95.1)</b>
<b>OTHER REVENUE</b>			
Transfers - Special Revenue	\$ 343.4	\$ 327.4	\$ (16.0)
Indian Gaming Payments	258.8	258.8	-
Licenses, Permits, Fees	308.5	308.5	-
Sales of Commodities and Services	38.0	38.0	-
Rents, Fines, Escheats	126.0	126.0	-
Investment Income	2.5	1.2	(1.3)
Miscellaneous	171.3	171.3	-
Refunds of Payments	(74.2)	(69.2)	5.0
<b>TOTAL - OTHER REVENUE</b>	<b>\$ 1,174.3</b>	<b>\$ 1,162.0</b>	<b>\$ (12.3)</b>
<b>OTHER SOURCES</b>			
Federal Grants	\$ 1,265.2	\$ 1,263.1	\$ (2.1)
Transfer from Tobacco Settlement Fund	106.6	108.6	2.0
Transfers From/(To) Other Funds	(95.3)	(69.5)	25.8
Transfers to the Resources of the Special Trans. Fund	-	-	-
<b>TOTAL - OTHER SOURCES</b>	<b>\$ 1,276.5</b>	<b>\$ 1,302.2</b>	<b>\$ 25.7</b>
<b>TOTAL - GENERAL FUND REVENUE</b>	<b>\$ 18,162.4</b>	<b>\$ 18,080.7</b>	<b>\$ (81.7)</b>

1. P.A. 15-5, June Special Session, section 496

State of Connecticut - General Fund  
Appropriation Adjustments - Net Additional Requirements  
Projected to June 30, 2016  
As of November 30, 2015

Office of the Chief Medical Examiner	\$ 400,000
Office of Early Childhood	6,200,000
Public Defender Services Commission	2,700,000
OTT - Debt Service	35,000,000
Total	<u>\$ 44,300,000</u>

State of Connecticut  
General Fund  
Estimated Lapses  
Projected to June 30, 2016  
As of November 30, 2015

Allocable Lapse - PA 15-1 (DSS) §3(a)	\$ 79,900,000
Unallocated Lapse - Legislative	-
Unallocated Lapse - Judicial	-
General Employee Lapse	7,110,616
General Lapse - Legislative	39,492
General Lapse - Executive	9,678,316
General Lapse - Judicial	282,192
Statewide Hiring Reduction - Legislative	770,000
Statewide Hiring Reduction - Executive	30,920,000
Statewide Hiring Reduction - Judicial	3,310,000
Targeted Savings	12,500,000
Overtime Savings	10,500,000
MORE Lapse - September 18, 2015	14,797,244
MORE Lapse - Remaining Amount	5,202,756
September 18, 2015 Rescissions	-
Allotment Reductions - PA 15-1 (DSS) §1	85,752,529
Legislative Branch Reductions - PA 15-1 (DSS) §3(b)	2,000,000
Judicial Branch Reductions - PA 15-1 (DSS) §3(c)	15,000,000
Comptroller - Fringe Benefits	32,500,000
Office of Policy and Management	500,000
Department of Revenue Services	600,000
Department of Energy and Environmental Protection	500,000
Department of Consumer Protection	400,000
Department of Housing	3,500,000
Department of Public Health	2,000,000
Department of Developmental Services	2,700,000
Department of Children and Families	5,000,000
DAS - Workers' Compensation Claims	500,000
Total	<u>\$ 325,963,145</u>



State of Connecticut  
2015-16 General Fund  
Summary of Operations Per Letter to the Comptroller  
(In Millions)

	Budget Plan 1	July 2015	August 2015	September 2015	October 2015	November 2015	December 2015	January 2016	February 2016	March 2016	April 2016	May 2016	June 2016
REVENUE	\$ 18,162.4	\$ 18,162.4	\$ 18,066.3	\$ 17,948.9	\$ 17,944.9	\$ 18,080.7							
Appropriations	18,362.2	18,362.2	18,362.2	18,362.2	18,362.2	18,362.2							
Additional Requirements	0.0	0.0	6.9	8.5	8.5	44.3							
Less: Estimated Lapses	(200.6)	(200.6)	(303.4)	(303.4)	(303.4)	(326.0)							
TOTAL - Estimated Expenditures	18,161.6	18,161.6	18,065.7	18,067.3	18,067.3	18,080.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance from Operations	0.8	0.8	0.6	(118.4)	(122.4)	0.2	0.0	0.0	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							
Est. Balance from Operations - 6/30/16	\$0.8	\$0.8	\$0.6	(\$118.4)	(\$122.4)	\$0.2	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

1. P.A. 15-244, as amended by P.A. 15-5, June Spec. Sess.

Statement 1T  
December 18, 2015

State of Connecticut  
Special Transportation Fund  
Analysis of Budget Plan  
Projected to June 30, 2016  
As of November 30, 2015  
(In Millions)

	General Assembly Budget Plan <sup>1</sup>	Revised Estimates OPM	Over/ (Under)
Fund Balance as of June 30, 2015 <sup>2</sup>	\$ 195.5	\$ 180.0	\$ (15.5)
<b>REVENUE</b>			
Taxes	\$ 1,080.7	\$ 999.9	\$ (80.8)
Less: Refunds of Taxes	(7.3)	(7.3)	-
Taxes - Net	1,073.4	992.6	(80.8)
Other Revenue	394.7	395.6	0.9
TOTAL - Revenue	\$ 1,468.1	\$ 1,388.2	\$ (79.9)
<b>EXPENDITURES</b>			
Appropriations	\$ 1,428.1	\$ 1,428.1	\$ -
Net Additional Requirements	-	-	-
Less: Estimated Lapses	(12.0)	(39.9)	(27.9)
TOTAL - Expenditures	\$ 1,416.1	\$ 1,388.2	\$ (27.9)
Balance from Operations	\$ 52.0	\$ -	\$ (52.0)
Miscellaneous Adjustments	-	-	-
Estimated Fund Balance - June 30, 2016	\$ 247.5	\$ 180.0	\$ (67.5)

1. P.A. 15-244, as amended by P.A. 15-5, June Spec. Sess.

2. Budget plan as estimated by the Office of Policy and Management. Revised estimates per the Comptroller's September 30, 2015 letter.

Statement 2T  
December 18, 2015

State of Connecticut  
Special Transportation Fund  
Revenue Estimates  
Projected to June 30, 2016  
As of November 30, 2015  
(In Millions)

	General Assembly Budget Plan <sup>1</sup>	Revised Estimates OPM	Over/ (Under)
TAXES			
Motor Fuels	\$ 499.0	\$ 511.5	\$ 12.5
Oil Companies	339.1	281.0	(58.1)
Sales & Use Tax	158.6	123.4	(35.2)
Sales Tax DMV	84.0	84.0	-
TOTAL - TAXES	1,080.7	999.9	(80.8)
Less: Refunds of Taxes	(7.3)	(7.3)	-
TOTAL - TAXES - NET	\$ 1,073.4	\$ 992.6	\$ (80.8)
OTHER REVENUE			
Motor Vehicle Receipts	\$ 245.8	\$ 245.8	\$ -
Licenses, Permits, Fees	139.3	140.2	0.9
Interest Income	7.7	7.7	-
Federal Grants	12.1	12.1	-
Transfers (To)/From Other Funds	(6.5)	(6.5)	-
Transfers From the General Fund	-	-	-
Refunds of Payments	(3.7)	(3.7)	-
TOTAL - OTHER REVENUE	\$ 394.7	\$ 395.6	\$ 0.9
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$ 1,468.1	\$ 1,388.2	\$ (79.9)

1. P.A. 15-5, June Special Session, section 497

Statement 3T  
December 18, 2015

State of Connecticut  
Special Transportation Fund  
Appropriation Adjustments - Net Additional Requirements  
Projected to June 30, 2016  
As of November 30, 2015

No Additional Requirements

0

Total

\$ -

Statement 4T  
December 18, 2015

State of Connecticut  
Special Transportation Fund  
Estimated Lapses  
Projected to June 30, 2016  
As of November 30, 2015

Allocable Lapse - PA 15-1 (DSS) §2	\$ 32,000,000
OTT - Debt Service	3,900,000
Comptroller - Fringe Benefits	4,000,000
Total	<u>\$ 39,900,000</u>

State of Connecticut  
2015-16 Special Transportation Fund  
Summary of Operations Per Letter to the Comptroller  
(In Millions)

	Budget Plan <sup>1</sup>	July 2015	August 2015	September 2015	October 2015	November 2015	December 2015	January 2016	February 2016	March 2016	April 2016	May 2016	June 2016
Beginning Balance <sup>2</sup>	\$ 195.5	\$ 195.5	\$ 209.5	\$ 180.0	\$ 180.0	\$ 180.0							
Revenue	1,468.1	1,474.1	1,448.9	1,448.9	1,423.5	1,388.2							
Total Available	1,663.6	1,669.6	1,658.4	1,628.9	1,603.5	1,568.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Appropriations	1,428.1	1,428.1	1,428.1	1,428.1	1,428.1	1,428.1							
Additional Requirements	0.0	0.0	0.0	0.0	0.0	0.0							
Less: Estimated Lapses	(12.0)	(12.0)	(12.0)	(12.0)	(12.0)	(39.9)							
TOTAL - Estimated Expenditures	1,416.1	1,416.1	1,416.1	1,416.1	1,416.1	1,388.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance from Operations	52.0	58.0	32.8	32.8	7.4	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	0.0	0.0	0.0							
Estimated Balance 6/30/16	\$247.5	\$253.5	\$242.3	\$212.8	\$187.4	\$180.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

1. P.A. 15-244, as amended by P.A. 15-5, June Spec. Sess.

2. Budget Plan and the months of July and August as estimated by the Office of Policy and Management. September and thereafter per the Comptroller's September 30, 2015 letter.