



# STATE OF CONNECTICUT

## OFFICE OF POLICY AND MANAGEMENT

September 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

Overall, we are projecting an anticipated year-end balance from operations of \$0.6 million. While virtually unchanged in aggregate from last month, our forecast includes revisions to both revenues and expenditures. Connecticut's revenues depend greatly on the estimates and finals component of the Personal Income Tax, with capital gains a significant source of such revenue. Largely due to recent volatility in the stock market, our revenue estimate has been revised downward by \$96.1 million, as detailed below. In order to maintain budgetary balance, rescissions announced today pursuant to Sec. 4-85, CGS, reduce spending by \$102.8 million.

### Revenues

As noted, estimated revenues have been revised downward by \$96.1 million compared to last month. The largest change is in the Personal Income Tax, down \$86.4 million. On May 21, 2015, the stock market, as measured by the S&P 500 index, reached a peak. Since that time, the index has fallen by 6.4%. Historically, such a drop has affected capital gains realizations and, by extension, revenues received under the Estimates and Finals component of the Personal Income Tax. Our projections this month reflect a revision in the growth assumption from 7.1% in the enacted budget to 4.5%, with each percentage point worth approximately \$36 million. Additionally, the Public Service Companies Tax has been revised downward by \$26 million due primarily to lower than anticipated FY 2015 receipts and the expected continuation of that trend. Transfers-Special Revenue has been revised downward by \$18.3 million due primarily to the expectation that Keno is unlikely to materially contribute to this year's operating results. On a positive note, the Inheritance and Estate Tax has been revised upward by \$40 million due to settlement of several large estates. All other changes net to a negative \$5.4 million.

### Expenditures

Overall, expenditures are \$95.9 million below the budget plan, after application of the rescissions noted earlier in this letter. Two emerging agency deficiencies have been identified this month, as detailed below.

- 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.
- Office of Early Childhood. A \$6.5 million deficiency in the Birth to Three program is forecast due to caseload increases and increased utilization of more costly services.

Additionally, our office is monitoring the achievement of significant lapses built into the adopted budget, which will present significant management challenges for agency heads. Note that our expenditure estimate reflects achievement of \$14.8 million of the budgeted MORE lapse.

### Special Transportation Fund

Transportation Fund revenues have been revised downward by \$25.2 million. The largest change is a downward revision in the Oil Companies Tax by \$32.0 million based upon the expectation that gasoline prices will remain low for the fiscal year. On a positive note, the Motor Fuels Tax has been revised upward by \$6.8 million as low gas prices and an improving economy have resulted in increased consumption. Estimated expenditures remain unchanged relative to the adopted budget. We anticipate the fund balance on June 30, 2016 to be \$242.3 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,



Benjamin Barnes  
Secretary

Summary  
September 18, 2015

State of Connecticut  
Summary of Changes  
General Fund and Special Transportation Fund  
Projected to June 30, 2016  
As of August 31, 2015  
(In Millions)

**General Fund**

Balance from Operations - Prior Month		\$	0.8
Revenues			
Personal Income Tax	(86.4)		
Public Service Companies Tax	(26.0)		
Transfers-Special Revenue	(18.3)		
Inheritance and Estate Tax	40.0		
All Other Changes (Net)	<u>(5.4)</u>		(96.1)
Expenditures			
Additional Requirements	(6.9)		
Estimated Lapses	102.8		
Miscellaneous Adjustments/Rounding	<u>0.0</u>		<u>95.9</u>
Estimated Balance from Operations - June 30, 2016		\$	<u>0.6</u>

**Special Transportation Fund**

Fund Balance as of June 30, 2015		\$	209.5
Balance from Operations - Prior Month			58.0
Revenues			
Oil Companies Tax	(32.0)		
Motor Fuels Tax	<u>6.8</u>		<u>(25.2)</u>
Expenditures			
Additional Requirements	0.0		
Estimated Lapses	0.0		
Miscellaneous Adjustments/Rounding	<u>0.0</u>		<u>0.0</u>
Estimated Fund Balance - June 30, 2016		\$	<u>242.3</u>

State of Connecticut  
General Fund  
Statement of Revenues, Expenditures, and Results of Operations  
Projected to June 30, 2016  
As of August 31, 2015  
(In Millions)

	General Assembly Budget Plan <sup>1</sup>	Revised Estimates OPM	Over/ (Under)
<b>REVENUE</b>			
Taxes	\$ 16,936.5	\$ 16,859.3	\$ (77.2)
Less: Refunds	(1,224.9)	(1,225.9)	(1.0)
Taxes - Net	\$ 15,711.6	\$ 15,633.4	\$ (78.2)
Other Revenue	1,174.3	1,161.0	(13.3)
Other Sources	1,276.5	1,271.9	(4.6)
<b>TOTAL Revenue</b>	<b>\$ 18,162.4</b>	<b>\$ 18,066.3</b>	<b>\$ (96.1)</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		6.9	6.9
Estimated Appropriations Lapsed	(200.6)	(303.4)	(102.8)
Estimated Appropriations to be Continued to FY 2017		-	-
<b>TOTAL Estimated Expenditures</b>	<b>\$ 18,161.6</b>	<b>\$ 18,130.6</b>	<b>\$ (31.0)</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>\$ 0.6</b>	<b>\$ (0.2)</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 August 31, 2015  
(In Millions)

	General Assembly Budget Plan <sup>1</sup>	Revised Estimates OPM	Over/ (Under)
<b>TAXES</b>			
Personal Income	\$ 9,834.4	\$ 9,748.0	\$ (86.4)
Sales and Use	4,121.1	4,121.1	-
Corporation	902.2	902.2	-
Public Service Corporations	308.0	282.0	(26.0)
Inheritance and Estate	173.4	213.4	40.0
Insurance Companies	243.8	243.8	-
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	673.2	(3.7)
Miscellaneous	20.8	19.7	(1.1)
<b>TOTAL - TAXES</b>	<b>\$ 16,936.5</b>	<b>\$ 16,859.3</b>	<b>\$ (77.2)</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>\$ 15,633.4</b>	<b>\$ (78.2)</b>
<b>OTHER REVENUE</b>			
Transfers - Special Revenue	\$ 343.4	\$ 325.1	\$ (18.3)
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	2.5	-
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>\$ 1,161.0</b>	<b>\$ (13.3)</b>
<b>OTHER SOURCES</b>			
Federal Grants	\$ 1,265.2	\$ 1,262.6	\$ (2.6)
Transfer from Tobacco Settlement Fund	106.6	106.6	-
Transfers From/(To) Other Funds	(95.3)	(97.3)	(2.0)
Transfers to the Resources of the Special Trans. Fund	-	-	-
<b>TOTAL - OTHER SOURCES</b>	<b>\$ 1,276.5</b>	<b>\$ 1,271.9</b>	<b>\$ (4.6)</b>
<b>TOTAL - GENERAL FUND REVENUE</b>	<b>\$ 18,162.4</b>	<b>\$ 18,066.3</b>	<b>\$ (96.1)</b>

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

Statement 3  
September 18, 2015

State of Connecticut - General Fund  
Appropriation Adjustments - Net Additional Requirements  
Projected to June 30, 2016  
As of August 31, 2015

Office of the Chief Medical Examiner	400,000
Office of Early Childhood	6,500,000
Total	<u>\$ 6,900,000</u>

Statement 4  
September 18, 2015

State of Connecticut  
General Fund  
Estimated Lapses  
Projected to June 30, 2016  
As of August 31, 2015

Unallocated Lapse	\$ 93,076,192
Unallocated Lapse - Legislative	5,028,105
Unallocated Lapse - Judicial	7,400,672
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	102,750,661
Total	<u>\$ 303,366,246</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										
Appropriations	18,362.2	18,362.2	18,362.2										
Additional Requirements	0.0	0.0	6.9										
Less: Estimated Lapses	(200.6)	(200.6)	(303.4)										
TOTAL - Estimated Expenditures	18,161.6	18,161.6	18,065.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance from Operations	0.8	0.8	0.6	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	0.0										
Est. Balance from Operations - 6/30/16	\$ 0.8	\$ 0.8	\$ 0.6	\$ 0.0	\$ 0.0	\$ 0.0	\$ 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.



Statement 1T  
September 18, 2015

State of Connecticut  
Special Transportation Fund  
Analysis of Budget Plan  
Projected to June 30, 2016  
As of August 31, 2015  
(In Millions)

	General Assembly <u>Budget Plan</u> <sup>1</sup>	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
Fund Balance as of June 30, 2015 <sup>2</sup>	\$ 195.5	\$ 209.5	\$ 14.0
<b>REVENUE</b>			
Taxes	\$ 1,080.7	\$ 1,061.5	\$ (19.2)
Less: Refunds of Taxes	<u>(7.3)</u>	<u>(7.3)</u>	<u>-</u>
Taxes - Net	1,073.4	1,054.2	(19.2)
Other Revenue	<u>394.7</u>	<u>394.7</u>	<u>-</u>
TOTAL - Revenue	\$ 1,468.1	\$ 1,448.9	\$ (19.2)
<b>EXPENDITURES</b>			
Appropriations	\$ 1,428.1	\$ 1,428.1	\$ -
Net Additional Requirements	-	-	-
Less: Estimated Lapses	<u>(12.0)</u>	<u>(12.0)</u>	<u>-</u>
TOTAL - Expenditures	\$ 1,416.1	\$ 1,416.1	\$ -
Balance from Operations	\$ 52.0	\$ 32.8	\$ (19.2)
Miscellaneous Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
Estimated Fund Balance - June 30, 2016	<u>\$ 247.5</u>	<u>\$ 242.3</u>	<u>\$ (5.2)</u>

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 1, 2015 letter.

State of Connecticut  
Special Transportation Fund  
Revenue Estimates  
Projected to June 30, 2016  
As of August 31, 2015  
(In Millions)

	General Assembly Budget Plan <sup>1</sup>	Revised Estimates OPM	Over/ (Under)
TAXES			
Motor Fuels	\$ 499.0	\$ 511.8	\$ 12.8
Oil Companies	339.1	307.1	(32.0)
Sales & Use Tax	158.6	158.6	
Sales Tax DMV	84.0	84.0	-
TOTAL - TAXES	<u>1,080.7</u>	<u>1,061.5</u>	<u>(19.2)</u>
Less: Refunds of Taxes	(7.3)	(7.3)	-
TOTAL - TAXES - NET	<u>\$ 1,073.4</u>	<u>\$ 1,054.2</u>	<u>\$ (19.2)</u>
OTHER REVENUE			
Motor Vehicle Receipts	\$ 245.8	\$ 245.8	\$ -
Licenses, Permits, Fees	139.3	139.3	-
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	<u>\$ 394.7</u>	<u>\$ 394.7</u>	<u>\$ -</u>
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	<u>\$ 1,468.1</u>	<u>\$ 1,448.9</u>	<u>\$ (19.2)</u>

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

Statement 3T  
September 18, 2015

State of Connecticut  
Special Transportation Fund  
Appropriation Adjustments - Net Additional Requirements  
Projected to June 30, 2016  
As of August 31, 2015

No Additional Requirements

0

Total

\$ -

Statement 4T  
September 18, 2015

State of Connecticut  
Special Transportation Fund  
Estimated Lapses  
Projected to June 30, 2016  
As of August 31, 2015

Unallocated Lapse	\$ 12,000,000
Total	<u>\$ 12,000,000</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										
Revenue	1,468.1	1,474.1	1,448.9										
Total Available	1,663.6	1,669.6	1,658.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Appropriations	1,428.1	1,428.1	1,428.1										
Additional Requirements	0.0	0.0	0.0										
Less: Estimated Lapses	(12.0)	(12.0)	(12.0)										
TOTAL - Estimated Expenditures	1,416.1	1,416.1	1,416.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance from Operations	52.0	58.0	32.8	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	0.0										
Estimated Balance 6/30/16	\$247.5	\$253.5	\$242.3	\$0.0	\$0.0	\$0.0	\$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.