

STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

November 18, 2016

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 2017 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.

General Fund

Consistent with the information presented in our Fiscal Accountability Report on November 15th, we are projecting a \$67.7 million operating deficit, up \$62.0 million from our estimate last month. Revised revenues, reflective of the consensus forecast reached by OPM and the Office of Fiscal Analysis last week, account for \$49.3 million of the change. Our expenditure estimate has increased \$12.7 million from last month's forecast, primarily due to estimated additional debt service requirements.

Revenues

Our revenue forecast has been revised downward by \$49.3 million from the level reported last month to reflect the November 10th consensus estimate. The largest change is in Federal Grants, down \$28.6 million largely due to two factors: (1) final reconciliation of federal funds received to those earned for medical services during the last quarter of FY 2016, and (2) the anticipated increase in Medicare Part B premiums for individuals dually eligible for Medicare and Medicaid. The Personal Income Tax has been revised downward by \$13.5 million due to an adjusted outlook for the estimates and finals portion of the tax. All other changes net to a negative \$7.2 million.

Expenditures

Estimated expenditures are \$44.5 million above the budget plan: \$29.5 million in additional requirements, \$9.0 million in expenditures paid from the resources of the General Fund, and \$6.0 million in differences between estimated and budgeted lapses.

Deficiencies. Shortfalls are forecast in the following agencies:

- Office of the Chief Medical Examiner. A total shortfall of \$275,000 is estimated, consisting of \$245,000 in Personal Services and \$30,000 in Other Expenses, as the adopted budget did not annualize funding provided via deficiency appropriation in FY 2016.
- Office of Early Childhood. A total shortfall \$13.5 million is projected, with \$8.1 million of that in the Birth to Three account due to caseload increases and increased utilization of more costly services, and \$5.4 million in the Care for Kids account as a result of changes in federal regulations that lead to increased caseloads.

- Public Defender Services Commission. A total shortfall of \$3.7 million is projected, with \$2.4 million in Personal Services, \$1.0 million in Assigned Counsel – Criminal, and \$300,000 in Expert Witnesses.
- State Treasurer – Debt Service. A shortfall of \$12.0 million is anticipated. Although the Treasurer’s office recently projected a deficiency that is \$7.4 million greater than this, our estimate reflects the likely result of a scheduled refunding sale and minor differences in the assumed timing, amounts and interest rates related to debt issuance for the remainder of the fiscal year.

Also affecting balance is \$9.0 million in estimated requirements for Adjudicated Claims. Existing law requires that Adjudicated Claims payments be made from the resources of the General Fund. Settlement costs related to the SEBAC v. Rowland decision are made from the Adjudicated Claims account, but updated information regarding the exact monetary costs to be paid as part of the settlement during FY 2017 is not yet available.

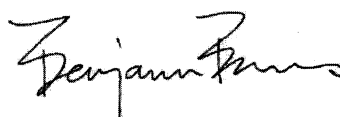
Lapses. A net total of \$16.5 million in the Fringe Benefits accounts administered by the Comptroller is projected to remain unspent at year end beyond budgeted holdbacks. We are currently projecting that a shortfall in the Unemployment Compensation account will be more than offset by lapses projected in the appropriations for Employers Social Security Tax, Higher Education Alternative Retirement System, and Active and Retired State Employee Healthcare. In addition, current expenditure trends suggest that fringe benefits expenditures will continue to trend favorably over the coming months. As noted in prior months, we continue to monitor achievement of significant lapses assumed in the adopted budget for all branches of government.

Special Transportation Fund

We are projecting an operating deficit of \$14.0 million in the Transportation Fund. Anticipated revenues have been revised downward by \$13.1 million from the level reported last month, reflective of the November 10th consensus forecast. The largest change is in the Oil Companies Tax, down \$12.7 million due to weaker than projected collections in the month of October. All other revenue changes net to a negative \$0.4 million. On the expenditure side, \$15.3 million in Debt Service will lapse, as will \$5.0 million in health care costs for active employees in the fringe benefit accounts administered by the Comptroller. We anticipate the fund balance on June 30, 2017 to be \$128.8 million.

As we note each month, the foregoing information represents the best forecast that can be made at this time, and future estimates will differ as a result of changes in the economy, expenditure patterns, and/or other factors as the year progresses.

Sincerely,



Benjamin Barnes
Secretary

Summary
November 18, 2016

State of Connecticut
Summary of Changes
General Fund and Special Transportation Fund
Projected to June 30, 2017
As of October 31, 2016
(In Millions)

General Fund

Balance from Operations - Prior Month		\$	(5.7)
Revenues			
Personal Income Tax	(13.5)		
Sales and Use Tax	(4.1)		
Health Provider Tax	(3.1)		
Federal Grants	<u>(28.6)</u>		(49.3)
Expenditures			
Additional Requirements	(8.7)		
Estimated Lapses	0.0		
Miscellaneous Adjustments/Rounding	<u>(4.0)</u>		<u>(12.7)</u>
Estimated Balance from Operations - June 30, 2017		\$	<u>(67.7)</u>

Special Transportation Fund

Fund Balance as of June 30, 2016		\$	142.8
Balance from Operations - Prior Month			(0.9)
Revenues			
Oil Companies Tax	(12.7)		
Motor Vehicle Receipts	<u>(0.4)</u>		<u>(13.1)</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, 2017		\$	<u>128.8</u>

State of Connecticut
General Fund
Statement of Revenues, Expenditures, and Results of Operations
Projected to June 30, 2017
As of October 31, 2016
(In Millions)

	General Assembly Budget Plan ¹	Revised Estimates OPM	Over/ (Under)
REVENUE			
Taxes	\$ 16,768.5	\$ 16,671.2	\$ (97.3)
Less: Refunds	(1,248.6)	(1,248.6)	-
Taxes - Net	\$ 15,519.9	\$ 15,422.6	\$ (97.3)
Other Revenue	1,219.0	1,299.0	80.0
Other Sources	1,147.8	1,119.2	(28.6)
TOTAL Revenue	\$ 17,886.7	\$ 17,840.8	\$ (45.9)
EXPENDITURES			
Initial Current Year Appropriations	\$ 18,073.3	\$ 18,073.3	\$ 0.0
Prior Year Appropriations Continued to FY 2017 ²		96.5	96.5
TOTAL Initial and Continued Appropriations	\$ 18,073.3	\$ 18,169.8	\$ 96.5
Appropriation Adjustments	-	-	-
TOTAL Adjusted Appropriations	\$ 18,073.3	\$ 18,169.8	\$ 96.5
Net Additional Expenditure Requirements		29.5	29.5
Estimated Appropriations Lapsed	(209.3)	(203.3)	6.0
Estimated Appropriations to be Continued to FY 2018		-	-
TOTAL Estimated Expenditures	\$ 17,864.0	\$ 17,996.0	\$ 132.0
Net Change in Fund Balance - Continuing Appropriations		(96.5)	(96.5)
Miscellaneous Adjustments/Rounding		(9.0)	(9.0)
Net Change in Unassigned Fund Balance - 6/30/2017	\$ 22.7	\$ (67.7)	\$ (90.4)

1. P.A. 15-244, as amended by P.A. 15-5, June Spec. Sess. and P.A. 16-2, May Spec. Sess., after gubernatorial line item vetoes.

2. P.A. 15-244, as amended by P.A. 15-5, June Spec. Sess., P.A. 16-2, May Spec. Sess., and other statutory provisions.

State of Connecticut
General Fund
Revenue Estimates
Projected to June 30, 2017
As of October 31, 2016
(In Millions)

	General Assembly Budget Plan ¹	Revised Estimates OPM	Over/ (Under)
TAXES			
Personal Income	\$ 9,519.0	\$ 9,452.5	\$ (66.5)
Sales and Use	4,328.7	4,279.8	(48.9)
Corporation	839.3	839.3	-
Public Service Corporations	283.9	283.9	-
Inheritance and Estate	174.6	174.6	-
Insurance Companies	245.4	245.4	-
Cigarettes	371.1	371.1	-
Real Estate Conveyance	201.8	201.8	-
Alcoholic Beverages	62.2	62.2	-
Admissions and Dues	39.0	39.0	-
Health Provider Tax	683.4	701.5	18.1
Miscellaneous	20.1	20.1	-
TOTAL - TAXES	\$ 16,768.5	\$ 16,671.2	\$ (97.3)
Less: Refunds of Taxes	(1,106.5)	(1,106.5)	-
Earned Income Tax Credit	(133.6)	(133.6)	-
R & D Credit Exchange	(8.5)	(8.5)	-
TOTAL - TAXES - NET	\$ 15,519.9	\$ 15,422.6	\$ (97.3)
OTHER REVENUE			
Transfers - Special Revenue	\$ 355.5	\$ 355.5	\$ -
Indian Gaming Payments	267.0	267.0	-
Licenses, Permits, Fees	269.2	269.2	-
Sales of Commodities and Services	42.6	42.6	-
Rents, Fines, Escheats	128.0	128.0	-
Investment Income	3.8	3.8	-
Miscellaneous	219.0	299.0	80.0
Refunds of Payments	(66.1)	(66.1)	-
TOTAL - OTHER REVENUE	\$ 1,219.0	\$ 1,299.0	\$ 80.0
OTHER SOURCES			
Federal Grants	\$ 1,257.6	\$ 1,229.0	\$ (28.6)
Transfer from Tobacco Settlement Fund	108.5	108.5	-
Transfers From/(To) Other Funds	(218.3)	(218.3)	-
TOTAL - OTHER SOURCES	\$ 1,147.8	\$ 1,119.2	\$ (28.6)
TOTAL - GENERAL FUND REVENUE	\$ 17,886.7	\$ 17,840.8	\$ (45.9)

1. P.A. 16-2, May Special Session, and P.A. 16-3, May Special Session.

State of Connecticut - General Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2017
As of October 31, 2016

Office of the Chief Medical Examiner	\$	275,000
Office of Early Childhood		13,500,000
Public Defenders Services Commission		3,700,000
OTT - Debt Service		12,000,000
Total	\$	<u>29,475,000</u>

State of Connecticut
General Fund
Estimated Lapses
Projected to June 30, 2017
As of October 31, 2016

Unallocated Lapse - Amount Allocated ¹ .	\$ 41,879,699
Unallocated Lapse - Remaining	30,096,493
Unallocated Lapse - Legislative ¹ .	3,028,105
Unallocated Lapse - Judicial ¹ .	7,400,672
General Lapse - Judicial	15,075,000
Targeted Savings - Amount Allocated	61,801,472
Targeted Savings - Remaining	7,047,496
Arts and Tourism Lapse	500,000
Municipal Opportunities and Regional Efficiencies Lapse	20,000,000
OSC - Fringe Benefits	16,500,000
Total	<u>\$ 203,328,937</u>

1. Allocable pursuant to Public Act 16-2, May Spec. Sess., Section 35.

State of Connecticut
2016-17 General Fund
Summary of Operations Per Letter to the Comptroller
(In Millions)

	Budget Plan ¹	July 2016	August 2016	September 2016	October 2016	November 2016	December 2016	January 2017	February 2017	March 2017	April 2017	May 2017	June 2017
REVENUE	\$ 17,886.7	\$ 17,886.7	\$ 17,886.7	\$ 17,890.1	\$ 17,840.8								
Appropriations	18,073.3	18,073.3	18,073.3	18,073.3	18,073.3								
Additional Requirements	0.0	0.0	4.0	20.8	29.5								
Less: Estimated Lapses	<u>(209.3)</u>	<u>(186.8)</u>	<u>(190.8)</u>	<u>(203.3)</u>	<u>(203.3)</u>								
TOTAL - Estimated Expenditures	17,864.0	17,886.5	17,886.5	17,890.8	17,899.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance from Operations	22.7	0.2	0.2	(0.7)	(58.7)	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>(5.0)</u>	<u>(9.0)</u>								
Est. Balance from Operations - 6/30/17	\$22.7	\$0.2	\$0.2	(\$5.7)	(\$67.7)	\$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. and P.A. 16-2, May Spec. Sess.

State of Connecticut
Special Transportation Fund
Analysis of Budget Plan
Projected to June 30, 2017
As of October 31, 2016
(In Millions)

	General Assembly <u>Budget Plan</u> ¹	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
Fund Balance as of June 30, 2016 ²	\$ 150.4	\$ 142.8	\$ (7.6)
REVENUE			
Taxes	\$ 1,065.3	\$ 1,047.4	\$ (17.9)
Less: Refunds of Taxes	<u>(14.5)</u>	<u>(14.5)</u>	<u>-</u>
Taxes - Net	1,050.8	1,032.9	(17.9)
Other Revenue	<u>413.6</u>	<u>408.2</u>	<u>(5.4)</u>
TOTAL - Revenue	\$ 1,464.4	\$ 1,441.1	\$ (23.3)
EXPENDITURES			
Appropriations	\$ 1,475.4	\$ 1,475.4	\$ -
Prior Year Appropriations Continued to FY 2016 ²		<u>22.6</u>	<u>22.6</u>
TOTAL Initial and Continued Appropriations	\$ 1,475.4	\$ 1,498.0	\$ 22.6
Appropriation Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL Adjusted Appropriations	\$ 1,475.4	\$ 1,498.0	\$ 22.6
Net Additional Expenditure Requirements		-	-
Estimated Appropriations Lapsed	(12.0)	(20.3)	(8.3)
Estimated Appropriations to be Continued to FY 2017		<u>-</u>	<u>-</u>
TOTAL Estimated Expenditures	\$ 1,463.4	\$ 1,477.7	\$ 14.3
Net Change in Fund Balance - Continuing Appropriations		(22.6)	(22.6)
Miscellaneous Adjustments/Rounding		-	-
Net Change in Unassigned Fund Balance - FY 2017	\$ 1.0	\$ (14.0)	\$ (15.0)
Estimated Fund Balance - June 30, 2017	<u>\$ 151.4</u>	<u>\$ 128.8</u>	<u>\$ (22.6)</u>

1. P.A. 15-244, as amended by P.A. 15-5, June Spec. Sess. and P.A. 16-2, May Spec. Sess.

2. Budget plan as estimated by the Office of Policy and Management.

State of Connecticut
Special Transportation Fund
Revenue Estimates
Projected to June 30, 2017
As of October 31, 2016
(In Millions)

	<u>General Assembly Budget Plan ¹</u>	<u>Revised Estimates OPM</u>	<u>Over/ (Under)</u>
TAXES			
Motor Fuels	\$ 503.7	\$ 503.7	\$ -
Oil Companies	268.4	255.7	(12.7)
Sales & Use Tax	202.9	197.7	(5.2)
Sales Tax DMV	90.3	90.3	-
TOTAL - TAXES	<u>1,065.3</u>	<u>1,047.4</u>	<u>(17.9)</u>
Less: Refunds of Taxes	(14.5)	(14.5)	-
TOTAL - TAXES - NET	<u>\$ 1,050.8</u>	<u>\$ 1,032.9</u>	<u>\$ (17.9)</u>
OTHER REVENUE			
Motor Vehicle Receipts	\$ 261.8	\$ 256.4	\$ (5.4)
Licenses, Permits, Fees	141.5	141.5	-
Interest Income	8.5	8.5	-
Federal Grants	12.1	12.1	-
Transfers (To)/From Other Funds	(6.5)	(6.5)	-
Refunds of Payments	(3.8)	(3.8)	-
TOTAL - OTHER REVENUE	<u>\$ 413.6</u>	<u>\$ 408.2</u>	<u>\$ (5.4)</u>
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	<u>\$ 1,464.4</u>	<u>\$ 1,441.1</u>	<u>\$ (23.3)</u>

1. P.A. 15-244, as amended by P.A. 15-5, June Spec. Sess. and P.A. 16-2, May Spec. Sess.

Statement 3T
November 18, 2016

State of Connecticut
Special Transportation Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2017
As of October 31, 2016

No Additional Requirements	\$ -
Total	<u>\$ -</u>

Statement 4T
November 18, 2016

State of Connecticut
Special Transportation Fund
Estimated Lapses
Projected to June 30, 2017
As of October 31, 2016

Unallocated Lapse	\$	-
OSC - Fringe Benefits		5,000,000
OTT - Debt Service		15,300,000
Total	\$	<u>20,300,000</u>

State of Connecticut
2016-17 Special Transportation Fund
Summary of Operations Per Letter to the Comptroller
(In Millions)

	Budget Plan ¹	July 2016	August 2016	September 2016	October 2016	November 2016	December 2016	January 2017	February 2017	March 2017	April 2017	May 2017	June 2017
Beginning Balance ²	\$ 150.4	\$ 150.4	\$ 142.8	\$ 142.8	\$ 142.8								
Revenue	1,464.4	1,464.4	1,464.4	1,454.2	1,441.1								
Total Available	1,614.8	1,614.8	1,607.2	1,597.0	1,583.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Appropriations	1,475.4	1,475.4	1,475.4	1,475.4	1,475.4								
Additional Requirements	0.0	0.0	0.0	0.0	0.0								
Less: Estimated Lapses	(12.0)	(12.0)	(15.3)	(20.3)	(20.3)								
TOTAL - Estimated Expenditures	1,463.4	1,463.4	1,460.1	1,455.1	1,455.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance from Operations	1.0	1.0	4.3	(0.9)	(14.0)	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	0.0	0.0								
Estimated Balance 6/30/16	\$151.4	\$151.4	\$147.1	\$141.9	\$128.8	\$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. and P.A. 16-2, May Spec. Sess.

2. Budget Plan and the months of July and August as estimated by the Office of Policy and Management.