



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

July 20, 2018

The Honorable Kevin Lembo
State Comptroller
55 Elm Street
Hartford, Connecticut 06106

Dear Comptroller Lembo:

Section 4-66 of the General Statutes requires that my office provide information on the state's General Fund. Information regarding the Special Transportation Fund is also presented here due to the significant nature of this fund. The information provided in this letter is for Fiscal Year 2018.

General Fund

We project the General Fund will close with a \$504.6 million deficit from operations for Fiscal Year 2018, an improvement of \$96.4 million from the estimate provided to you last month. This improvement is due to continued spending restraint combined with strong year-end performance for several revenue sources. It should be noted that remaining revenue accruals, as well as GAAP accrual adjustments, are not yet finalized and may have a material impact on this estimate.

By law, the projected deficit will be extinguished via transfer from the Budget Reserve Fund as part of the process of closing out the fiscal year. The current balance in the Budget Reserve Fund (BRF) is \$212.9 million. Net of transfers required to balance the FY 2018 budget and use of resources per Public Act 18-81, we estimate that the BRF will rise to \$1,152.2 million at year-end, or about 6.1% of General Fund appropriations. While making a sizable deposit—the largest deposit in the history of the BRF—is a welcome development in rebuilding the rainy day fund, the BRF balance will still fall short of the 15% target adopted by the legislature in Public Act 15-244.

<u>Budget Reserve Fund</u>	
(in Millions)	
	<u>Impact</u> <u>Balance</u>
FY 2017 Ending Balance	\$ 212.9
<u>FY 2018 Actions</u>	
Volatility Cap transfer (OPM July 20, 2018 proj.)	\$ 1,460.0
FY 2018 Operating Deficit (OPM July 20, 2018 proj.)	(504.6)
Transfer to Retired Teachers' Health Service Fund (PA 18-81)	<u>(16.1)</u>
Net Change in Budget Reserve Fund, FY 2018	\$ 939.3
FY 2018 Estimated Ending Balance	\$ 1,152.2

Revenues

Projected revenues have been revised upward by \$51.0 million compared to last month's estimate. The largest change is in the Personal Income Tax, up \$139.2 million as both the Withholding and the Estimates and Finals components of the Personal Income Tax have exceeded expectations. Due to the upward revision to the Estimates and Finals component of the Personal Income Tax, an offsetting transfer of \$110.0 million to the Budget Reserve Fund is projected by means of the volatility cap. The Corporation Tax has continued to perform well and is being revised upward by \$18.8 million. All other changes net to a positive \$3.0 million. It should be noted that FY 2018 revenues will continue to accrue through August 7th, with approximately \$900 million in revenue attributable to the General Fund still to be collected before the year closes. The largest component of revenues yet to be received for FY 2018 are those related to the Health Provider Tax, with approximately \$375 million expected at the end of July.

Expenditures

Preliminary year-end expenditures, including outlays for Adjudicated Claims, reflect a \$45.4 million decrease from last month's estimate. Estimated lapses by agency are detailed in Statement 4, attached.

Special Transportation Fund

We are projecting that the Special Transportation Fund will end the year with an operating surplus of \$126.4 million, and that the fund balance as of June 30, 2018, will be \$224.0 million. Anticipated revenues have been revised upward by a net \$3.8 million compared to last month's estimate, reflecting minor adjustments across a range of revenue accounts. It should be noted that FY 2018 revenues will continue to accrue through August 7th, with approximately \$170 million in revenue attributable to the Special Transportation Fund still to be collected before the year closes. Preliminary year-end expenditures have improved by \$5.3 million since last month's estimate. Estimated lapses by agency are detailed in Statement 4T, attached.

This is our final estimate for FY 2018. While the foregoing information represents the best estimate that can be made at this time, accounting adjustments will be made as part of the year-end closing process before final results are published in the Fall.

Sincerely,



Benjamin Barnes
Secretary

Summary
July 20, 2018

State of Connecticut
Summary of Changes
General Fund and Special Transportation Fund
Projected to June 30, 2018
As of June 30, 2018
(In Millions)

General Fund

Balance from Operations - Prior Month		\$	(601.0)
Revenues			
Personal Income Tax	139.2		
Corporation Tax	18.8		
Transfer to BRF - Volatility	(110.0)		
All Other Changes (Net)	<u>3.0</u>		51.0
Expenditures			
Additional Requirements	0.0		
Estimated Lapses	38.9		
Miscellaneous Adjustments/Rounding	<u>6.5</u>		<u>45.4</u>
Estimated Balance from Operations - June 30, 2018		\$	<u>(504.6)</u>

Special Transportation Fund

Fund Balance as of June 30, 2017		\$	97.6
Balance from Operations - Prior Month			117.3
Revenues			
Motor Vehicle Receipts	1.9		
All Other Changes (Net)	<u>1.9</u>		3.8
Expenditures			
Additional Requirements	0.0		
Estimated Lapses	5.3		
Miscellaneous Adjustments/Rounding	<u>0.0</u>		<u>5.3</u>
Estimated Fund Balance - June 30, 2018		\$	<u>224.0</u>

State of Connecticut
General Fund
Statement of Revenues, Expenditures, and Results of Operations
Projected to June 30, 2018
As of June 30, 2018
(In Millions)

	General Assembly Budget Plan ¹	Revised Estimates OPM	Over/ (Under)
REVENUE			
Taxes	\$ 16,818.5	\$ 18,259.4	\$ 1,440.9
Less: Refunds	(1,269.1)	(1,275.4)	(6.3)
Taxes - Net	\$ 15,549.4	\$ 16,984.0	\$ 1,434.6
Other Revenue	1,253.8	1,271.0	17.2
Other Sources	1,953.9	(123.7)	(2,077.6)
TOTAL Revenue	\$ 18,757.1	\$ 18,131.3	\$ (625.8)
EXPENDITURES			
Initial Current Year Appropriations	\$ 19,572.8	\$ 19,572.8	\$ -
Prior Year Appropriations Continued to FY 2018 ²		62.2	62.2
TOTAL Initial and Continued Appropriations	\$ 19,572.8	\$ 19,635.0	\$ 62.2
Appropriation Adjustments	-	-	-
TOTAL Adjusted Appropriations	\$ 19,572.8	\$ 19,635.0	\$ 62.2
Net Additional Expenditure Requirements		-	-
Estimated Appropriations Lapsed	(898.9)	(972.4)	(73.5)
Estimated Appropriations to be Continued to FY 2019 ²		(125.8)	(125.8)
TOTAL Estimated Expenditures	\$ 18,673.9	\$ 18,536.8	\$ (137.1)
Net Change in Fund Balance - Continuing Appropriations		63.6	63.6
Miscellaneous Adjustments/Rounding		(35.5)	(35.5)
Net Change in Unassigned Fund Balance - 6/30/2018	\$ 83.2	\$ (504.6)	\$ (587.8)

1. P.A. 17-2, June Special Session, as amended by P.A. 17-4, June Special Session and P.A. 17-1, January 2018 Special Session.

2. CGS Sec. 4-89 and other statutory provisions.

State of Connecticut
General Fund
Revenue Estimates
Projected to June 30, 2018
As of June 30, 2018
(In Millions)

	General Assembly Budget Plan ^{1.}	Revised Estimates OPM	Over/ (Under)
TAXES			
Personal Income	\$ 9,182.5	\$ 10,725.0	\$ 1,542.5
Sales and Use	4,220.5	4,159.2	(61.3)
Corporation	933.3	912.0	(21.3)
Public Service Corporations	284.9	256.9	(28.0)
Inheritance and Estate	180.1	223.8	43.7
Insurance Companies	230.6	230.6	-
Cigarettes	394.2	379.2	(15.0)
Real Estate Conveyance	215.6	203.1	(12.5)
Alcoholic Beverages	62.6	62.6	-
Admissions and Dues	41.5	40.3	(1.2)
Health Provider Tax	1,045.0	1,047.8	2.8
Miscellaneous	27.7	18.9	(8.8)
TOTAL - TAXES	\$ 16,818.5	\$ 18,259.4	\$ 1,440.9
Less: Refunds of Taxes	(1,146.8)	(1,154.7)	(7.9)
Earned Income Tax Credit	(115.0)	(115.0)	-
R & D Credit Exchange	(7.3)	(5.7)	1.6
TOTAL - TAXES - NET	\$ 15,549.4	\$ 16,984.0	\$ 1,434.6
OTHER REVENUE			
Transfers - Special Revenue	\$ 339.3	\$ 339.5	\$ 0.2
Indian Gaming Payments	267.3	273.0	5.7
Licenses, Permits, Fees	309.6	306.3	(3.3)
Sales of Commodities and Services	43.8	33.2	(10.6)
Rents, Fines, Escheats	143.0	187.1	44.1
Investment Income	5.9	15.0	9.1
Miscellaneous	207.4	178.0	(29.4)
Refunds of Payments	(62.5)	(61.1)	1.4
TOTAL - OTHER REVENUE	\$ 1,253.8	\$ 1,271.0	\$ 17.2
OTHER SOURCES			
Federal Grants	\$ 1,766.3	\$ 1,143.1	\$ (623.2)
Transfer from Tobacco Settlement Fund	109.7	109.7	-
Transfers From/(To) Other Funds	77.9	83.5	5.6
Transfers to BRF - Volatility Adjustment	-	(1,460.0)	(1,460.0)
TOTAL - OTHER SOURCES	\$ 1,953.9	\$ (123.7)	\$(2,077.6)
TOTAL - GENERAL FUND REVENUE	\$ 18,757.1	\$ 18,131.3	\$ (625.8)

1. Secs. 696 and 717 of P.A. 17-2, June Special Session, as amended by P.A. 17-4, June Special Session, and P.A. 17-1, January 2018 Special Session.

State of Connecticut - General Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2018
As of June 30, 2018

No Additional Requirements

Total

\$ -

State of Connecticut
 General Fund
 Estimated Lapses
 Projected to June 30, 2018
 As of June 30, 2018

Legislative Management	\$ 5,120,784
Auditors of Public Accounts	395,018
Commission on Women, Children and Seniors	81,562
Commission on Equity and Opportunity	18,055
Governor's Office	148,066
Secretary of the State	872,987
Lieutenant Governor's Office	56,528
Elections Enforcement Commission	151,587
Office of State Ethics	18,176
Freedom of Information Commission	34,686
State Treasurer	150,034
State Comptroller	1,754,423
Department of Revenue Services	7,154,388
Office of Governmental Accountability	148,280
Office of Policy and Management	7,736,387
Department of Veterans Affairs	1,479,996
Department of Administrative Services	6,760,930
Attorney General	2,437,746
Division of Criminal Justice	2,566,299
Department of Emergency Services and Public Protection	8,882,286
Military Department	658,773
Department of Consumer Protection	653,006
Labor Department	5,069,829
Commission on Human Rights and Opportunities	396,294
Office of Protection and Advocacy	86,315
Department of Agriculture	668,046
Department of Energy and Environmental Protection	1,943,429
Council on Environmental Quality	1,261
Department of Economic and Community Development	3,138,090
Department of Housing	3,842,776
Agricultural Experiment Station	472,927
Department of Public Health	2,848,449
Office of the Chief Medical Examiner	330,450
Department of Developmental Services	20,049,449
Department of Mental Health and Addiction Services	17,739,017
Psychiatric Security Review Board	5,711
Department of Social Services	101,319,630
Department of Rehabilitation Services	837,080
Department of Education	107,170,520
Office of Early Childhood	25,043,530

State of Connecticut
General Fund
Estimated Lapses
Projected to June 30, 2018
As of June 30, 2018

State Library	714,789
Office of Higher Education	1,148,845
University of Connecticut	7,929,799
University of Connecticut Health Center	4,829,104
Teachers' Retirement Board	93,852
Connecticut State Colleges and Universities	14,771,271
Department of Correction	546,299
Department of Children and Families	17,156,245
Judicial Department	29,459,819
Public Defender Services Commission	3,115,048
Debt Service - State Treasurer	6,356,488
State Comptroller - Fringe Benefits	246,379,313
OPM - Reserve For Salary Adjustment	300,600,000
Workers' Compensation Claims - DAS	1,012,748
Total	<u>\$ 972,356,420</u>

State of Connecticut
FY 2018 General Fund
Monthly Summary of Operations
(In Millions)

	Budget Plan ¹ .	July 2017 ² .	August 2017 ² .	September 2017 ² .	October 2017	November 2017	December 2017	January 2018	February 2018	Updated March 2018	April 2018	May 2018	June 2018
REVENUE	\$ 18,757.1	\$ 17,160.0	\$ 17,160.0	\$ 17,160.0	\$ 18,512.3	\$ 18,495.6	\$ 18,479.6	\$ 18,497.4	\$ 18,497.4	\$ 18,051.6	\$ 18,051.6	\$ 18,080.3	\$ 18,131.3
Appropriations	19,572.8	17,253.9	17,253.9	17,253.9	19,571.7	19,571.7	19,571.7	19,572.8	19,572.8	19,572.8	19,572.8	19,572.8	19,572.8
Additional Requirements	0.0	0.0	0.0	0.0	10.0	33.3	37.0	37.1	41.9	42.9	24.5	0.0	0.0
Less: Estimated Lapses	<u>(898.9)</u>	<u>(6.9)</u>	<u>(6.9)</u>	<u>(6.9)</u>	<u>(881.6)</u>	<u>(906.9)</u>	<u>(910.9)</u>	<u>(942.7)</u>	<u>(954.6)</u>	<u>(1,217.3)</u>	<u>(866.2)</u>	<u>(933.5)</u>	<u>(972.4)</u>
TOTAL - Estimated Expenditures	18,673.9	17,247.0	17,247.0	17,247.0	18,700.1	18,698.1	18,697.8	18,667.2	18,660.1	18,398.4	18,731.1	18,639.3	18,600.4
Balance from Operations	83.2	(87.0)	(87.0)	(87.0)	(187.8)	(202.5)	(218.2)	(169.8)	(162.7)	(346.8)	(679.5)	(559.0)	(469.1)
Misc. Adjustments/Rounding	<u>0.0</u>	<u>(6.9)</u>	<u>(6.9)</u>	<u>(6.9)</u>	<u>(15.0)</u>	<u>(20.0)</u>	<u>(22.0)</u>	<u>(25.0)</u>	<u>(30.0)</u>	<u>(35.0)</u>	<u>(38.0)</u>	<u>(42.0)</u>	<u>(35.5)</u>
Est. Balance from Operations - 6/30/18	\$83.2	(\$93.9)	(\$93.9)	(\$93.9)	(\$202.8)	(\$222.5)	(\$240.2)	(\$194.8)	(\$192.7)	(\$381.8)	(\$717.5)	(\$601.0)	(\$504.6)

1. P.A. 17-2, June Special Session, as amended by P.A. 17-4, June Special Session and P.A. 17-1, January 2018 Special Session.

State of Connecticut
Special Transportation Fund
Analysis of Budget Plan
Projected to June 30, 2018
As of June 30, 2018
(In Millions)

	General Assembly <u>Budget Plan</u> ^{1.}	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
Fund Balance as of June 30, 2017	\$ 97.6	\$ 97.6	\$ -
REVENUE			
Taxes	\$ 1,192.9	\$ 1,215.2	\$ 22.3
Less: Refunds of Taxes	<u>(12.6)</u>	<u>(10.0)</u>	<u>2.6</u>
Taxes - Net	1,180.3	1,205.2	24.9
Other Revenue	<u>412.3</u>	<u>411.9</u>	<u>(0.4)</u>
TOTAL - Revenue	\$ 1,592.6	\$ 1,617.1	\$ 24.5
EXPENDITURES			
Appropriations	\$ 1,522.9	\$ 1,522.9	\$ -
Prior Year Appropriations Continued to FY 2018 ^{2.}		<u>30.4</u>	<u>30.4</u>
TOTAL Initial and Continued Appropriations	\$ 1,522.9	\$ 1,553.3	\$ 30.4
Appropriation Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL Adjusted Appropriations	\$ 1,522.9	\$ 1,553.3	\$ 30.4
Net Additional Expenditure Requirements		-	-
Estimated Appropriations Lapsed	(12.0)	(32.2)	(20.2)
Estimated Appropriations to be Continued to FY 2019		<u>(29.7)</u>	<u>(29.7)</u>
TOTAL Estimated Expenditures	\$ 1,510.9	\$ 1,491.4	\$ (19.5)
Net Change in Fund Balance - Continuing Appropriations		(0.7)	(0.7)
Miscellaneous Adjustments/Rounding		-	-
Net Change in Unassigned Fund Balance - FY 2018	\$ 81.7	\$ 126.4	\$ 44.7
Estimated Fund Balance - June 30, 2018	<u>\$ 179.3</u>	<u>\$ 224.0</u>	<u>\$ 44.7</u>

1. P.A. 17-2, June Special Session, as amended by P.A. 17-4, June Special Session.

2. CGS Sec. 4-89 and other statutory provisions.

State of Connecticut
Special Transportation Fund
Revenue Estimates
Projected to June 30, 2018
As of June 30, 2018
(In Millions)

	<u>General Assembly Budget Plan ¹.</u>	<u>Revised Estimates OPM</u>	<u>Over/ (Under)</u>
TAXES			
Motor Fuels	\$ 505.3	\$ 501.4	\$ (3.9)
Oil Companies	271.8	300.0	28.2
Sales & Use Tax	327.8	327.9	0.1
Sales Tax DMV	88.0	85.9	(2.1)
TOTAL - TAXES	<u>1,192.9</u>	<u>1,215.2</u>	<u>22.3</u>
Less: Refunds of Taxes	<u>(12.6)</u>	<u>(10.0)</u>	<u>2.6</u>
TOTAL - TAXES - NET	<u>\$ 1,180.3</u>	<u>\$ 1,205.2</u>	<u>\$ 24.9</u>
OTHER REVENUE			
Motor Vehicle Receipts	\$ 251.8	\$ 253.1	\$ 1.3
Licenses, Permits, Fees	144.4	141.0	(3.4)
Interest Income	9.5	16.0	6.5
Federal Grants	12.1	12.2	0.1
Transfers (To)/From Other Funds	(5.5)	(5.5)	-
Refunds of Payments	<u>-</u>	<u>(4.9)</u>	<u>(4.9)</u>
TOTAL - OTHER REVENUE	<u>\$ 412.3</u>	<u>\$ 411.9</u>	<u>\$ (0.4)</u>
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	<u>\$ 1,592.6</u>	<u>\$ 1,617.1</u>	<u>\$ 24.5</u>

1. Sec. 718 of P.A. 17-2, June Special Session, as amended by P.A. 17-4, June Special Session.

Statement 3T
July 20, 2018

State of Connecticut
Special Transportation Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2018
As of June 30, 2018

No Additional Requirements

Total

\$ -

Statement 4T
July 20, 2018

State of Connecticut
Special Transportation Fund
Estimated Lapses
Projected to June 30, 2018
As of June 30, 2018

Department of Administrative Services	\$	1,007
Department of Motor Vehicles		3,416,118
Department of Energy and Environmental Protection		70,489
Department of Transportation		2,284,687
DAS - Workers' Compensation Claims		1,905,486
OTT - Debt Service		8,411,235
OSC - Fringe Benefits		16,153,770
Total		<u>\$ 32,242,792</u>

State of Connecticut
FY 2018 Special Transportation Fund
Monthly Summary of Operations
(In Millions)

	Budget Plan ^{1.}	July 2017 ^{3.}	August 2017 ^{3.}	September 2017 ^{3.}	October 2017	November 2017	December 2017	January 2018	February 2018	Updated March 2018	April 2018	May 2018	June 2018
Beginning Balance ^{2.}	\$ 97.6	\$ 102.9	\$ 97.6	\$ 97.6	\$ 97.6	\$ 97.6	\$ 97.6	\$ 97.6	\$ 97.6	\$ 97.6	\$ 97.6	\$ 97.6	\$ 97.6
Revenue	<u>1,592.6</u>	<u>1,564.4</u>	<u>1,564.4</u>	<u>1,564.4</u>	<u>1,554.4</u>	<u>1,554.4</u>	<u>1,554.2</u>	<u>1,554.2</u>	<u>1,554.2</u>	<u>1,559.9</u>	<u>1,559.9</u>	<u>1,613.3</u>	<u>1,617.1</u>
Total Available	1,690.2	1,667.3	1,662.0	1,662.0	1,652.0	1,652.0	1,651.8	1,651.8	1,651.8	1,657.5	1,657.5	1,710.9	1,714.7
Appropriations	1,522.9	1,532.0	1,532.0	1,532.0	1,522.9	1,522.9	1,522.9	1,522.9	1,522.9	1,522.9	1,522.9	1,522.9	1,522.9
Additional Requirements	0.0	0.0	0.0	0.0	0.0	0.0	28.1	34.9	35.7	37.0	0.0	0.0	0.0
Less: Estimated Lapses	<u>(12.0)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12.0)</u>	<u>(12.0)</u>	<u>(53.7)</u>	<u>(55.2)</u>	<u>(55.2)</u>	<u>(55.7)</u>	<u>(21.2)</u>	<u>(26.9)</u>	<u>(32.2)</u>
TOTAL - Estimated Expenditures	1,510.9	1,532.0	1,532.0	1,532.0	1,510.9	1,510.9	1,497.3	1,502.6	1,503.4	1,504.2	1,501.7	1,496.0	1,490.7
Balance from Operations	81.7	32.4	32.4	32.4	43.5	43.5	56.9	51.6	50.8	55.7	58.2	117.3	126.4
Misc. Adjustments/Rounding	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Estimated Balance 6/30/18	\$179.3	\$135.3	\$130.0	\$130.0	\$141.1	\$141.1	\$154.5	\$149.2	\$148.4	\$153.3	\$155.8	\$214.9	\$224.0

1. P.A. 17-2, June Special Session, as amended by P.A. 17-4, June Special Session.

2. Months of July and August as estimated by the Office of Policy and Management. Budget plan and September and thereafter per the Comptroller's September 29, 2017, letter.

3. July, August and September represent results as compared to the Governor's Executive Order Resource Allocation Plan, August 18, 2017; revenues are consistent with the May 1, 2017, consensus revenue forecast issued pursuant to CGS Sec. 2-36c, as modified by P.A. 17-51 and Executive Order 58.