



STATE OF CONNECTICUT
OFFICE OF POLICY AND MANAGEMENT

May 21, 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 are projecting a deficit from operations of \$717.5 million, an increase of \$335.7 million from the level reported last month. The change in our deficit projection is largely due to the impact of Senate Bill 543, *An Act Concerning Revisions to the State Budget for Fiscal Year 2019 and Deficiency Appropriations for Fiscal Year 2018*, which the Governor signed into law on May 15th. Senate Bill 543 carries forward \$341.7 million in resources from FY 2018 into FY 2019, thereby impacting year-end results and affecting the projected deposit to the Budget Reserve Fund (BRF).

The current balance in the Budget Reserve Fund (BRF) is \$212.9 million. As a result of transfers required by the volatility cap as well as actions taken in Senate Bill 543 to carry forward resources from FY 2018 into FY 2019, we estimate that \$556.4 million will be transferred to the BRF, raising the projected BRF balance at year-end to \$769.3 million. The table below shows the various actions affecting the BRF.

<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 (April consensus)	\$ 1,290.0	
FY 2018 Operating Deficit (OPM 4/30/18 Forecast)	(381.8)	
Improved Spending Projection (OPM 5/21/18 Forecast)	6.0	
Carryforward of Hospital Supplemental Payments	(299.2)	
Carryforward of Medicaid Funding	(21.0)	
Carryforward of Retired State Employees Healthcare Funding	(21.5)	
FY 2018 Year-end Deficit (per OPM 5/21/18 and SB 543)	\$ (717.5)	
Transfer to Retired Teachers' Health Service Fund	(16.1)	
Net Change in Budget Reserve Fund, FY 2018	\$ 556.4	
FY 2018 Estimated Ending Balance		\$ 769.3

Revenues

Projected revenues are unchanged from our April 30th forecast update and continue to reflect the consensus forecast.

Expenditures

Additional requirements total \$62.5 million, including deficiencies in appropriated accounts totalling \$24.5 million and an additional \$38.0 million in claims that will be paid from the resources of the General Fund. Anticipated lapses are projected to fall short of the revised budget plan by \$32.7 million as a result of resources in the Department of Social Services and in the Comptroller's fringe benefits accounts that were carried forward from FY 2018 into FY 2019 as part of Senate Bill 543. Additionally, the bill makes deficiency appropriations that resolve most of the shortfalls identified in our previous forecasts. Resolution of remaining shortfalls discussed below will require additional funding transfers in June via the Finance Advisory Committee process as well as releases of holdbacks and other administrative actions.

Deficiencies. Shortfalls are forecast in the following agencies:

- Auditors of Public Accounts. A \$335,000 shortfall is forecast in Personal Services.
- Division of Criminal Justice. A \$215,000 shortfall is anticipated in Personal Services.
- Department of Emergency Services and Public Protection. A \$2.2 million shortfall is projected in Personal Services due to overtime costs.
- Department of Mental Health and Addiction Services. A shortfall of \$5.0 million is projected in Personal Services due to overtime costs from delays in filling vacancies and revised staffing requirements in the department's forensic facility.
- Department of Correction. A shortfall of \$16.7 million is anticipated in Personal Services. Budgeted funds for this agency are insufficient to support current staffing costs.

Lapses. Our projections reflect the amounts currently withheld from agencies to achieve budgeted lapse targets. Additionally, the following amounts are estimated to remain unspent this fiscal year:

- Office of the State Comptroller. A \$400,000 lapse is projected in Personal Services due to vacancies.
- Department of Revenue Services. A \$4.5 million lapse is projected in Personal Services due to vacancies and lower overtime costs during the tax season than anticipated.
- Office of Policy and Management. A \$350,000 lapse will occur in the Tax Relief for Elderly Renters account due to fewer claims than anticipated.
- Department of Veterans' Affairs. \$200,000 will lapse in Personal Services due to vacancies.
- Department of Administrative Services. A total of \$1.2 million will lapse, with \$600,000 in Personal Services due to vacancies and \$600,000 in Rents and Moving due to cancelled leases.
- Office of the Attorney General. \$750,000 will lapse in Personal Services due to vacancies.
- Department of Labor. \$200,000 will lapse in Personal Services due to vacancies.
- Department of Public Health. \$400,000 will lapse in Personal Services due to vacancies.
- Department of Social Services. A net lapse of \$15.0 million is anticipated in the Department of Social Services. A \$9.7 million lapse in the Medicaid program is anticipated based on current expenditure trends. Additionally, a \$5.3 million lapse is forecast in the Community Residential Services account due to delays in converting community living arrangements from state to private operation.
- Department of Rehabilitation Services. A net total of \$900,000 will lapse across a variety of accounts. It should be noted that the agency has indicated that some of this funding may be needed to meet federal grant maintenance of effort requirements, which could reduce our estimate of unspent funds before the year ends.
- Department of Education. A total of \$6.7 million will remain unspent across a variety of accounts.
- Office of Early Childhood. A total of \$12.35 million will lapse. \$500,000 will lapse in Personal Services due to vacancies, and \$240,000 will remain unspent in the 2Gen – TANF account. Due to the timing

of reopening the Care 4 Kids childcare program, \$8.6 million will remain unspent in this account. \$3.0 million will lapse in the Early Care and Education account.

- Office of Higher Education. \$250,000 will lapse in Personal Services due to vacancies.
- Department of Children and Families. A net total of \$3.85 million will lapse across a variety of accounts.
- State Comptroller – Fringe Benefits. A total of \$19.0 million will lapse across a variety of accounts.

Balance is also impacted by \$38.0 million in estimated requirements for Adjudicated Claims. To date this fiscal year, \$31.1 million has been expended, \$21.0 million of which is related to payments and attorneys' fees for the SEBAC v. Rowland settlement. In addition, a \$6.25 million settlement payout is expected in the near future. Existing law identifies the resources of the General Fund as the source for payments.

Special Transportation Fund

We estimate that the Special Transportation Fund will end the year with an operating surplus of \$58.2 million, an improvement of \$2.5 million from last month. The projected fund balance as of June 30, 2018, will be \$155.8 million. Transportation Fund revenues remain unchanged and continue to reflect the April 30th consensus forecast. Passage of deficiency appropriations in Senate Bill 543 resolves shortfalls in the Department of Transportation's Rail Operations account and the active state employee fringe benefit account.

The information presented here represents the best forecast that can be made at this time. Note that future estimates will differ as a result of changes in the economy, expenditure patterns, and/or other factors that arise during the final weeks of the fiscal year.

Sincerely,



Benjamin Barnes
Secretary

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

General Fund

Balance from Operations - Prior Month		\$	(381.8)
Revenues			
No Chnages			
All Changes (Net)	0.0		0.0
Expenditures			
Additional Requirements	18.5		
Estimated Lapses	(351.1)		
Miscellaneous Adjustments/Rounding	(3.0)		(335.7)
Estimated Balance from Operations - June 30, 2018		\$	<u>(717.5)</u>

Special Transportation Fund

Fund Balance as of June 30, 2017		\$	97.6
Balance from Operations - Prior Month			55.7
Revenues			
No Chnages	0.0		
All Changes (Net)	0.0		0.0
Expenditures			
Additional Requirements	(32.0)		
Estimated Lapses	34.5		
Miscellaneous Adjustments/Rounding	0.0		2.5
Estimated Fund Balance - June 30, 2018		\$	<u>155.8</u>

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

	General Assembly Budget Plan ¹ .	Revised Estimates OPM	Over/ (Under)
REVENUE			
Taxes	\$ 16,818.5	\$ 18,031.4	\$ 1,212.9
Less: Refunds	(1,269.1)	(1,302.7)	(33.6)
Taxes - Net	\$ 15,549.4	\$ 16,728.7	\$ 1,179.3
Other Revenue	1,253.8	1,275.4	21.6
Other Sources	1,953.9	47.5	(1,906.4)
TOTAL Revenue	\$ 18,757.1	\$ 18,051.6	\$ (705.5)
EXPENDITURES			
Initial Current Year Appropriations	\$ 19,572.8	\$ 19,572.8	\$ -
Prior Year Appropriations Continued to FY 2018 ² .		60.2	60.2
TOTAL Initial and Continued Appropriations	\$ 19,572.8	\$ 19,633.0	\$ 60.2
Appropriation Adjustments	-	-	-
TOTAL Adjusted Appropriations	\$ 19,572.8	\$ 19,633.0	\$ 60.2
Net Additional Expenditure Requirements		24.5	24.5
Estimated Appropriations Lapsed	(898.9)	(866.2)	32.7
Estimated Appropriations to be Continued to FY 2019 ² .		(341.7)	(341.7)
TOTAL Estimated Expenditures	\$ 18,673.9	\$ 18,449.6	\$ (224.3)
Net Change in Fund Balance - Continuing Appropriations		281.5	(401.9)
Miscellaneous Adjustments/Rounding		(38.0)	(38.0)
Net Change in Unassigned Fund Balance - 6/30/2018	\$ 83.2	\$ (717.5)	\$ (117.3)

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 April 30, 2018
(In Millions)

	General Assembly Budget Plan ^{1.}	Revised Estimates OPM	Over/ (Under)
TAXES			
Personal Income	\$ 9,182.5	\$ 10,525.8	\$ 1,343.3
Sales and Use	4,220.5	4,150.9	(69.6)
Corporation	933.3	868.2	(65.1)
Public Service Corporations	284.9	266.9	(18.0)
Inheritance and Estate	180.1	230.1	50.0
Insurance Companies	230.6	230.6	-
Cigarettes	394.2	384.2	(10.0)
Real Estate Conveyance	215.6	203.1	(12.5)
Alcoholic Beverages	62.6	62.6	-
Admissions and Dues	41.5	40.6	(0.9)
Health Provider Tax	1,045.0	1,047.8	2.8
Miscellaneous	27.7	20.6	(7.1)
TOTAL - TAXES	\$ 16,818.5	\$ 18,031.4	\$ 1,212.9
Less: Refunds of Taxes	(1,146.8)	(1,181.5)	(34.7)
Earned Income Tax Credit	(115.0)	(115.0)	-
R & D Credit Exchange	(7.3)	(6.2)	1.1
TOTAL - TAXES - NET	\$ 15,549.4	\$ 16,728.7	\$ 1,179.3
OTHER REVENUE			
Transfers - Special Revenue	\$ 339.3	\$ 345.3	\$ 6.0
Indian Gaming Payments	267.3	273.6	6.3
Licenses, Permits, Fees	309.6	311.3	1.7
Sales of Commodities and Services	43.8	36.8	(7.0)
Rents, Fines, Escheats	143.0	160.1	17.1
Investment Income	5.9	12.5	6.6
Miscellaneous	207.4	193.3	(14.1)
Refunds of Payments	(62.5)	(57.5)	5.0
TOTAL - OTHER REVENUE	\$ 1,253.8	\$ 1,275.4	\$ 21.6
OTHER SOURCES			
Federal Grants	\$ 1,766.3	\$ 1,144.3	\$ (622.0)
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	-	(1,290.0)	(1,290.0)
TOTAL - OTHER SOURCES	\$ 1,953.9	\$ 47.5	\$(1,906.4)
TOTAL - GENERAL FUND REVENUE	\$ 18,757.1	\$ 18,051.6	\$ (705.5)

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 April 30, 2018

Auditors of Public Accounts	\$	335,000
Division of Criminal Justice		215,000
Department of Emergency Management and Public Protection		2,200,000
Department of Mental Health & Addiction Services		5,000,000
Department of Correction		16,700,000
Total	\$	<u>24,450,000</u>

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

Unallocated Lapse ¹ .	\$ 42,250,000
Unallocated Lapse - Legislative ¹ .	1,000,000
Unallocated Lapse - Judicial ¹ .	3,000,000
Statewide Hiring Reduction	6,462,152
Targeted Savings	109,438,054
Reflect Delay	7,849,878
Achieve Labor Concessions	621,840,809
Municipal Contribution to Renters' Rebate Program	8,285,113
Reductions to Other Expenses	-
Reductions to State Managers and Consultants	-
Reductions to Reflect Savings Associated with Consolidation of Human Resources Functions into the Department of Administrative Services	-
Office of the State Comptroller	400,000
Department of Revenue Services	4,500,000
Office of Policy and Management	350,000
Department of Veterans' Affairs	200,000
Department of Administrative Services	1,200,000
Office of The Attorney General	750,000
Department of Labor	200,000
Department of Public Health	400,000
Department of Social Services	15,000,000
Department of Rehabilitation Services	900,000
State Department of Education	6,700,000
Office of Early Childhood	12,350,000
Office of Higher Education	250,000
Department of Children and Families	3,850,000
OSC - Fringe Benefits	19,000,000
Total	<u><u>\$ 866,176,006</u></u>

1. Allocable pursuant to Public Act 17-2, June Special Session, Section 13.

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		
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		
Additional Requirements	0.0	0.0	0.0	0.0	10.0	33.3	37.0	37.1	41.9	42.9	24.5		
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>		
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	0.0	0.0
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)	0.0	0.0
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>		
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)	\$0.0	\$0.0

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 April 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	\$ 1,167.5	\$ (25.4)
Less: Refunds of Taxes	<u>(12.6)</u>	<u>(10.9)</u>	<u>1.7</u>
Taxes - Net	1,180.3	1,156.6	(23.7)
Other Revenue	<u>412.3</u>	<u>403.3</u>	<u>(9.0)</u>
TOTAL - Revenue	\$ 1,592.6	\$ 1,559.9	\$ (32.7)
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)	(21.2)	(9.2)
Estimated Appropriations to be Continued to FY 2019		<u>-</u>	<u>-</u>
TOTAL Estimated Expenditures	\$ 1,510.9	\$ 1,532.1	\$ 21.2
Net Change in Fund Balance - Continuing Appropriations		(30.4)	(30.4)
Miscellaneous Adjustments/Rounding		-	-
Net Change in Unassigned Fund Balance - FY 2018	\$ 81.7	\$ 58.2	\$ (23.5)
Estimated Fund Balance - June 30, 2018	<u>\$ 179.3</u>	<u>\$ 155.8</u>	<u>\$ (23.5)</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 April 30, 2018
(In Millions)

	General Assembly Budget Plan ¹	Revised Estimates OPM	Over/ (Under)
TAXES			
Motor Fuels	\$ 505.3	\$ 501.4	\$ (3.9)
Oil Companies	271.8	256.7	(15.1)
Sales & Use Tax	327.8	323.4	(4.4)
Sales Tax DMV	88.0	86.0	(2.0)
TOTAL - TAXES	<u>1,192.9</u>	<u>1,167.5</u>	<u>(25.4)</u>
Less: Refunds of Taxes	(12.6)	(10.9)	1.7
TOTAL - TAXES - NET	<u>\$ 1,180.3</u>	<u>\$ 1,156.6</u>	<u>\$ (23.7)</u>
OTHER REVENUE			
Motor Vehicle Receipts	\$ 251.8	\$ 248.7	\$ (3.1)
Licenses, Permits, Fees	144.4	141.0	(3.4)
Interest Income	9.5	11.5	2.0
Federal Grants	12.1	12.1	-
Transfers (To)/From Other Funds	(5.5)	(5.5)	-
Refunds of Payments	-	(4.5)	(4.5)
TOTAL - OTHER REVENUE	<u>\$ 412.3</u>	<u>\$ 403.3</u>	<u>\$ (9.0)</u>
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	<u>\$ 1,592.6</u>	<u>\$ 1,559.9</u>	<u>\$ (32.7)</u>

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

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

No Additional Requirements

Total

\$ -

Statement 4T
May 21, 2018

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

Achieve Labor Concessions	\$ 18,456,912
Department of Motor Vehicles	1,500,000
DAS - Workers' Compensation Claims	1,000,000
OSC - Fringe Benefits	200,000
Total	<u>\$ 21,156,912</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		
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>		
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	0.0	0.0
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		
Additional Requirements	0.0	0.0	0.0	0.0	0.0	0.0	28.1	34.9	35.7	37.0	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>		
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	0.0	0.0
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	0.0	0.0
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>		
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	\$0.0	\$0.0

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.