



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

November 20, 2017

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 for Fiscal Year 2018. In addition, an analysis of the Special Transportation Fund is included due to the significant nature of this fund. This report reflects the result of operations relative to spending and revenues anticipated in Public Act 17-2 of the June Special Session as amended by Senate Bill 1503, the bipartisan budget for the FY 2018 – FY 2019 biennium. Note that prior months reflected results relative to anticipated revenues and spending under the resource allocation plan published pursuant to Executive Order 58.

General Fund

We are projecting a deficit from operations of \$202.8 million, slightly more than one percent of net General Fund appropriations. If confirmed by your office, this will trigger the requirement pursuant to CGS 4-85 for submission of a deficit mitigation plan.

Revenues reflect the consensus revenue forecast reached between this office and the Office of Fiscal Analysis pursuant to CGS 2-36c on November 13, 2017, plus revenue from the revised provider tax language in SB 1503 that was identified in the cover letter to the consensus forecast. These changes result in General Fund revenues being revised downward by \$227.0 million compared to the recently adopted budget for FY 2018. The largest decline was in federal grants, down \$142.1 million due largely to final reconciliation of federal funds received to those earned for medical services during the second half of FY 2017 as well as a \$48.6 million technical update to reflect the revenue impact of net (rather than gross) appropriations for Medicaid rate increases in SB 1503. The Income Tax has been revised downward by \$89.4 million, but \$55.3 million of that change is due simply to a reallocation of some of the tax changes in Public Act 17-2, June Spec. Sess., to the Refunds of Taxes line item. Therefore, the actual reduction in the Income Tax forecast was \$34.1 million. The Sales Tax has been revised downward \$69.6 million as its growth has remained below target. The largest positive change is in the Inheritance and Estate Tax, up \$30.0 million. All other changes net to a negative \$11.2 million.

It should be noted that these revenue estimates could be impacted by changes in taxpayer behavior due to any changes in federal tax law. In addition, the first three estimated payments for income year 2017 under the Income Tax have performed below target, falling by over six percent compared to prior year estimated payments. This underperformance, which could be significant, has not been reflected in the consensus revenue forecast due to the expectation that more meaningful data will be available once taxpayers make their fourth estimated payment in late December or early January. Over 80 percent, or \$2.5 billion, remains to be collected from this revenue source.

Expenditures are estimated to be largely consistent with budgeted levels, with two deviations. First, we are showing unbudgeted expenditures for adjudicated claims totaling \$15.0 million, which are the result in part of payments and attorneys' fees for the SEBAC v. Rowland settlement. Second, we project that staffing and contractual services required for compliance with the Juan F. consent decree will cause the Department of Children and Families to exceed available resources by approximately \$10.0 million.

As more information regarding the impact of the adopted budget on agency operations becomes available, further revision of these estimates is expected in the coming months. Notably, the very challenging level of lapses to be achieved in the adopted budget, along with underlying level of appropriations in several agencies, including the Comptrollers' fringe benefits accounts, may lead us to increase our deficit projection.

Special Transportation Fund

We project that the Special Transportation Fund will end the year with an operating surplus of \$43.5 million, and that the fund balance as of June 30, 2018, will be \$141.1 million. Revenues reflect the November 13, 2017, consensus revenue forecast. The consensus forecast results in Transportation Fund revenues being revised downward by \$38.2 million compared to the recently adopted budget for FY 2018. The largest change is in the Oil Companies Tax, down \$15.1 million, as fuel prices have remained below forecast. Motor Vehicle Receipts have been revised downward \$6.9 million to reflect weak year-end results for FY 2017. All other changes net to a negative \$16.2 million. Expenditures reflect the appropriations contained in Public Act 17-2, June Spec. Sess. Watch areas include the Bus and Rail accounts in the Department of Transportation and healthcare costs for active state employees.

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,

A handwritten signature in blue ink that reads "Benjamin Barnes". The signature is written in a cursive style.

Benjamin Barnes
Secretary

State of Connecticut
Summary of Changes
General Fund and Special Transportation Fund
Projected to June 30, 2018
As of October 31, 2017
(In Millions)

General Fund

Balance from Operations - Enacted Budget		\$ 49.2
Revenues		
Federal Grants	(142.1)	
Personal Income Tax	(89.4)	
Sales and Use Tax	(69.6)	
Refunds of Taxes	55.3	
Inheritance and Estate Tax	30.0	
All Other Changes (net)	(11.2)	(227.0)
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Expenditures		
Additional Requirements	(10.0)	
Estimated Lapses	0.0	
Miscellaneous Adjustments/Rounding	(15.0)	(25.0)
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Estimated Balance from Operations - June 30, 2018		\$ (202.8)

Special Transportation Fund

Fund Balance as of June 30, 2017		\$ 97.6
Balance from Operations - Enacted Budget		81.7
Revenues		
Oil Companies Tax	(15.1)	
Motor Vehicle Receipts	(6.9)	
All Other Changes (net)	(16.2)	(38.2)
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Expenditures		
Additional Requirements	0.0	
Estimated Lapses	0.0	
Miscellaneous Adjustments/Rounding	0.0	0.0
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Estimated Fund Balance - June 30, 2018		\$ 141.1

State of Connecticut
General Fund
Statement of Revenues, Expenditures, and Results of Operations
Projected to June 30, 2018
As of October 31, 2017
(In Millions)

	General Assembly Budget Plan ¹	Revised Estimates OPM	Over/ (Under)
REVENUE			
Taxes	\$ 16,818.5	\$ 16,670.9	\$ (147.6)
Less: Refunds	(1,269.1)	(1,213.2)	55.9
Taxes - Net	\$ 15,549.4	\$ 15,457.7	\$ (91.7)
Other Revenue	1,253.8	1,255.0	1.2
Other Sources	1,936.1	1,799.6	(136.5)
TOTAL Revenue	\$ 18,739.3	\$ 18,512.3	\$ (227.0)
EXPENDITURES			
Initial Current Year Appropriations	\$ 19,571.7	\$ 19,571.7	\$ -
Prior Year Appropriations Continued to FY 2018 ²		60.2	60.2
TOTAL Initial and Continued Appropriations	\$ 19,571.7	\$ 19,631.9	\$ 60.2
Appropriation Adjustments	-	-	-
TOTAL Adjusted Appropriations	\$ 19,571.7	\$ 19,631.9	\$ 60.2
Net Additional Expenditure Requirements		10.0	10.0
Estimated Appropriations Lapsed	(881.6)	(881.6)	-
Estimated Appropriations to be Continued to FY 2019		-	-
TOTAL Estimated Expenditures	\$ 18,690.1	\$ 18,760.3	\$ 70.2
Net Change in Fund Balance - Continuing Appropriations		(60.2)	(60.2)
Miscellaneous Adjustments/Rounding		(15.0)	(15.0)
Net Change in Unassigned Fund Balance - 6/30/2018	\$ 49.2	\$ (202.8)	\$ (252.0)

1. P.A. 17-2, June Special Session, as amended by SB 1503.

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

State of Connecticut
General Fund
Revenue Estimates
Projected to June 30, 2018
As of October 31, 2017
(In Millions)

	General Assembly Budget Plan ^{1.}	Revised Estimates OPM	Over/ (Under)
TAXES			
Personal Income	\$ 9,182.5	\$ 9,093.1	\$ (89.4)
Sales and Use Corporation	4,220.5	4,150.9	(69.6)
Public Service Corporations	933.3	933.3	-
Inheritance and Estate	284.9	266.9	(18.0)
Insurance Companies	180.1	210.1	30.0
Cigarettes	230.6	230.6	-
Real Estate Conveyance	394.2	394.2	-
Alcoholic Beverages	215.6	213.1	(2.5)
Admissions and Dues	62.6	62.6	-
Health Provider Tax	41.5	40.6	(0.9)
Miscellaneous	1,045.0	1,047.8	2.8
TOTAL - TAXES	27.7	27.7	-
Less: Refunds of Taxes	\$ 16,818.5	\$ 16,670.9	\$ (147.6)
Earned Income Tax Credit	(1,146.8)	(1,091.5)	55.3
R & D Credit Exchange	(115.0)	(115.0)	-
TOTAL - TAXES - NET	(7.3)	(6.7)	0.6
	\$ 15,549.4	\$ 15,457.7	\$ (91.7)
OTHER REVENUE			
Transfers - Special Revenue	\$ 339.3	\$ 339.3	\$ -
Indian Gaming Payments	267.3	267.3	-
Licenses, Permits, Fees	309.6	308.3	(1.3)
Sales of Commodities and Services	43.8	41.3	(2.5)
Rents, Fines, Escheats	143.0	143.0	-
Investment Income	5.9	5.9	-
Miscellaneous	207.4	207.4	-
Refunds of Payments	(62.5)	(57.5)	5.0
TOTAL - OTHER REVENUE	\$ 1,253.8	\$ 1,255.0	\$ 1.2
OTHER SOURCES			
Federal Grants	\$ 1,766.3	\$ 1,624.2	\$ (142.1)
Transfer from Tobacco Settlement Fund	109.7	109.7	-
Transfers From/(To) Other Funds	60.1	65.7	5.6
Transfers to BRF - Volatility Adjustment	-	-	-
TOTAL - OTHER SOURCES	\$ 1,936.1	\$ 1,799.6	\$ (136.5)
TOTAL - GENERAL FUND REVENUE	\$ 18,739.3	\$ 18,512.3	\$ (227.0)

1. Secs. 696 and 717 of P.A. 17-2, June Special Session, as amended by SB 1503.

State of Connecticut - General Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2018
As of October 31, 2017

Department of Children and Families	\$ 10,000,000
Total	<u>\$ 10,000,000</u>

State of Connecticut
General Fund
Estimated Lapses
Projected to June 30, 2018
As of October 31, 2017

Unallocated Lapse	\$ 42,250,000
Unallocated Lapse - Legislative	1,000,000
Unallocated Lapse - Judicial	3,000,000
Statewide Hiring Reduction	6,500,000
Targeted Savings	111,814,090
Reflect Delay	8,500,000
Achieve Labor Concessions	700,000,000
Municipal Contribution to Renters' Rebate Program	8,500,000
Total	<u>\$ 881,564,090</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	March 2018	April 2018	May 2018	June 2018
REVENUE	\$ 18,739.3	\$ 17,160.0	\$ 17,160.0	\$ 17,160.0	\$ 18,512.3								
Appropriations	19,571.7	17,253.9	17,253.9	17,253.9	19,571.7								
Additional Requirements	0.0	0.0	0.0	0.0	10.0								
Less: Estimated Lapses	<u>(881.6)</u>	<u>(6.9)</u>	<u>(6.9)</u>	<u>(6.9)</u>	<u>(881.6)</u>								
TOTAL - Estimated Expenditures	18,690.1	17,247.0	17,247.0	17,247.0	18,700.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance from Operations	49.2	(87.0)	(87.0)	(87.0)	(187.8)	0.0	0.0	0.0	0.0	0.0	0.0	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>								
Est. Balance from Operations - 6/30/18	\$49.2	(\$93.9)	(\$93.9)	(\$93.9)	(\$202.8)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

1. P.A. 17-2, June Special Session, as amended by SB 1503.

State of Connecticut
Special Transportation Fund
Analysis of Budget Plan
Projected to June 30, 2018
As of October 31, 2017
(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>(13.9)</u>	<u>(1.3)</u>
Taxes - Net	1,180.3	1,153.6	(26.7)
Other Revenue	<u>412.3</u>	<u>400.8</u>	<u>(11.5)</u>
TOTAL - Revenue	\$ 1,592.6	\$ 1,554.4	\$ (38.2)
EXPENDITURES			
Appropriations	\$ 1,522.9	\$ 1,522.9	\$ -
Prior Year Appropriations Continued to FY 2018 ^{2.}		30.4	30.4
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)	(12.0)	-
Estimated Appropriations to be Continued to FY 2019		<u>-</u>	<u>-</u>
TOTAL Estimated Expenditures	\$ 1,510.9	\$ 1,541.3	\$ 30.4
Net Change in Fund Balance - Continuing Appropriations		(30.4)	(30.4)
Miscellaneous Adjustments/Rounding		-	-
Net Change in Unassigned Fund Balance - FY 2018	\$ 81.7	\$ 43.5	\$ (38.2)
Estimated Fund Balance - June 30, 2018	<u>\$ 179.3</u>	<u>\$ 141.1</u>	<u>\$ (38.2)</u>

1. P.A. 17-2, June Special Session, as amended by SB 1503.

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

State of Connecticut
Special Transportation Fund
Revenue Estimates
Projected to June 30, 2018
As of October 31, 2017
(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	<u>(12.6)</u>	<u>(13.9)</u>	<u>(1.3)</u>
TOTAL - TAXES - NET	<u>\$ 1,180.3</u>	<u>\$ 1,153.6</u>	<u>\$ (26.7)</u>
OTHER REVENUE			
Motor Vehicle Receipts	\$ 251.8	\$ 244.9	\$ (6.9)
Licenses, Permits, Fees	144.4	144.0	(0.4)
Interest Income	9.5	9.5	-
Federal Grants	12.1	12.1	-
Transfers (To)/From Other Funds	(5.5)	(5.5)	-
Refunds of Payments	-	(4.2)	(4.2)
TOTAL - OTHER REVENUE	<u>\$ 412.3</u>	<u>\$ 400.8</u>	<u>\$ (11.5)</u>
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	<u>\$ 1,592.6</u>	<u>\$ 1,554.4</u>	<u>\$ (38.2)</u>

1. Sec. 718 of P.A. 17-2, June Special Session, as amended by SB 1503.

Statement 3T
November 20, 2017

State of Connecticut
Special Transportation Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2018
As of October 31, 2017

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

Statement 4T
November 20, 2017

State of Connecticut
Special Transportation Fund
Estimated Lapses
Projected to June 30, 2018
As of October 31, 2017

Unallocated Lapse	\$ 12,000,000
Total	<u>\$ 12,000,000</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	March 2018	April 2018	May 2018	June 2018
Beginning Balance ^{2.}	\$ 97.6	\$ 102.9	\$ 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>								
Total Available	1,690.2	1,667.3	1,662.0	1,662.0	1,652.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Appropriations	1,522.9	1,532.0	1,532.0	1,532.0	1,522.9								
Additional Requirements	0.0	0.0	0.0	0.0	0.0								
Less: Estimated Lapses	<u>(12.0)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12.0)</u>								
TOTAL - Estimated Expenditures	1,510.9	1,532.0	1,532.0	1,532.0	1,510.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance from Operations	81.7	32.4	32.4	32.4	43.5	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>0.0</u>	<u>0.0</u>								
Estimated Balance 6/30/18	\$179.3	\$135.3	\$130.0	\$130.0	\$141.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

1. P.A. 17-2, June Special Session, as amended by SB 1503.

2. Months of July and August as estimated by the Office of Policy and Management. Budget 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 2-36c, as modified by P.A. 17-51 and Executive Order 58.