



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

July 20, 2021

The Honorable Kevin Lembo
 State Comptroller
 165 Capitol Avenue
 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 2021. An analysis of the Special Transportation Fund is also provided here due to the significance of this fund.

	FY 2021 Projection			Change in Estimate - July vs. June	July Est. Variance from Budget
	Budget (as Revised Dec. 2019)	June Estimate	July Estimate		
	(in millions)				
<u>General Fund</u>					
Revenues	\$ 20,252.5	\$ 20,268.5	\$ 20,328.1	\$ 59.6	\$ 75.6
Expenditures	<u>20,086.3</u>	<u>20,111.5</u>	<u>20,056.2</u>	(55.3)	(30.1)
Operating Results - Surplus/(Deficit)	\$ 166.2	\$ 157.0	\$ 271.9	\$ 114.9	\$ 105.7
<u>Budget Reserve Fund</u>					
Deposit / (Withdrawal)	\$ 467.7	\$ 1,300.5	\$ 1,430.4	\$ 129.9	\$ 962.7
Proj. Balance 6/30	\$ 3,542.3	\$ 4,375.0	\$ 4,505.0	\$ 129.9	\$ 962.7
<u>Special Transportation Fund</u>					
Revenues	\$ 1,880.8	\$ 1,754.8	\$ 1,753.1	\$ (1.7)	\$ (127.7)
Expenditures	<u>1,816.3</u>	<u>1,713.1</u>	<u>1,700.3</u>	(12.8)	(116.0)
Operating Results - Surplus/(Deficit)	\$ 64.5	\$ 41.7	\$ 52.8	\$ 11.1	\$ (11.7)
Proj. Fund Balance 6/30	\$ 423.4	\$ 210.1	\$ 221.2	\$ 11.1	\$ (202.2)
<u>Tourism Fund</u>					
Revenues	\$ 14.2	\$ 6.2	\$ 16.0	\$ 9.8	\$ 1.8
Expenditures	<u>13.1</u>	<u>13.1</u>	<u>13.1</u>	-	-
Operating Results - Surplus/(Deficit)	\$ 1.1	\$ (6.9)	\$ 2.9	\$ 9.8	\$ 1.8
Proj. Fund Balance 6/30	\$ (0.1)	\$ (9.8)	\$ 0.0	\$ 9.8	\$ 0.1

Notes:
 1. BRF deposit includes the transfer out of \$61.62 million pursuant to Sec. 4-30a, CGS, as the FY 2020 ending balance exceeded the statutory 15% cap. This sum was deposited as an additional contribution to the State Employees Retirement Fund.

General Fund

The adopted FY 2021 budget anticipated a \$166.2 million balance at year end. We project that the year will end with an operating surplus of \$271.9 million, a \$115.0 million increase from last month's estimate due to revisions of both revenues and expenditures. The projected surplus represents 1.4 percent of the General Fund.

Our estimates also include anticipated state costs for the state's current pandemic response. Attachments to this letter outline specific measures approved to date as part of that response.

Our forecast of the Budget Reserve Fund (BRF) balance at year end is depicted below. After transferring \$61.6 million to the State Employees' Retirement System, the state's reserves stood at \$3,012.9 million to start FY 2021. The projected Budget Reserve Fund balance at the end of the fiscal year, after transfers pursuant to the statutory volatility cap and the estimated FY 2021 operating surplus, is expected to reach \$4.5 billion, or 22.4 percent of net General Fund appropriations for the current year and 21.7 percent of FY 2022 appropriations contained in Special Act 21-15. Given that this balance exceeds the statutory 15 percent cap for the Budget Reserve Fund, additional transfers to the State Employees Retirement Fund and/or the Teachers' Retirement Fund will be made as part of the closing process for FY 2021.

Budget Reserve Fund	
	(in millions)
Estimated BRF Ending Balance - FY 2020 (CAFR 2/19/21)	\$ 3,074.6
Deposit to SERS pursuant to Sec. 4-30a, C.G.S. (CAFR 2/19/21)	\$ (61.6)
Projected Operating Surplus - FY 2021 (OPM 7/20/21 Est.)	\$ 271.9
Volatility Cap Deposit - FY 2021 (OPM 7/20/21 Est.)	<u>\$ 1,220.1</u>
Estimated BRF Ending Balance - FY 2021	\$ 4,504.9

Revenues

Projected revenues have been revised upward by \$59.6 million compared to last month's estimate. Corporation Tax revenue has been revised upward by \$50 million and Estimate and Finals revenue under the Personal Income Tax has been revised upward by \$40 million, as payments due June 15th for both taxes exceeded their targets. Miscellaneous revenue has been revised upward by \$20.0 million, primarily as a result of over-recoveries of employee fringe benefit costs from non-General Fund sources. Pass-Through Entity Tax revenue fell slightly short of the estimated June payment and have been revised downward by \$25.0 million. Due to the updated projections for Estimates and Finals and the Pass-Through Entity Tax, transfers from the General Fund to the Budget Reserve Fund by operation of the volatility cap will increase by \$15.0 million. All other changes net to a negative \$10.4 million. It should be noted that our estimates include FY 2021 revenues that will continue to accrue through August 6th, with approximately \$1.0 billion in General Fund revenue still to be collected before the fiscal year closes.

Expenditures

Preliminary year-end expenditures, including outlays for Adjudicated Claims, reflect a \$55.4 million decrease from last month's estimate. Statement 4, attached, lists estimated lapses by agency net of funds projected to be carried forward into the FY 2022 – FY 2023 biennium.

Special Transportation Fund

The adopted budget anticipated a \$64.5 million balance from operations. We project that the Special Transportation Fund will end the year with a \$52.8 million operating surplus, and that the Transportation Fund balance on June 30, 2021, will be \$221.2 million. It is important to note that this fund balance would have been exhausted if not for the considerable federal assistance received over the past year to address the effects of the pandemic.

Revenues

Estimated revenue has been revised downward by \$1.7 million compared to last month's estimate, reflecting minor adjustments across several revenue sources. It should be noted that our estimates include FY 2021 revenues that will continue to accrue through August 6th, with approximately \$210.0 million in Special Transportation Fund revenue still to be collected before the year closes.

Expenditures

Preliminary year-end expenditures have improved by \$12.8 million since last month's forecast. Statement 4T, attached, lists projected net lapses by agency.

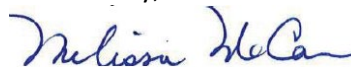
Other Appropriated Funds

While Sec. 4-66, CGS, does not require that we provide analyses of other appropriated funds, we offer the following information about the status of the Regional Market Operation Fund and the Tourism Fund.

- **Regional Market Operation Fund.** Pursuant to Section 10 of Public Act 18-154, the Hartford Regional Market was conveyed to the Capital Region Development Authority and CRDA has assumed operation of that market. As a result, appropriations totaling \$1.1 million were unspent.
- **Tourism Fund.** The fund's revenue source is the Hotel Occupancy Tax, which has underperformed as a result of the pandemic's impact on the hospitality industry. As a result, expenditures from the fund are estimated to exceed available revenues by approximately \$6.9 million. When added to the negative fund balance of \$2.9 million carried over from FY 2020, we anticipate the Tourism Fund would have ended FY 2021 with a \$9.8 million negative fund balance. However, section 451 of Public Act 21-1, June Special Session, transfers sufficient resources from the General Fund to eliminate this negative fund balance before the fiscal year closes.

This is our final estimate for FY 2021. While the foregoing information represents the best estimate that can be made at this time, accounting adjustments made as part of the year-end closing process will affect final results.

Sincerely,



Melissa McCaw
Secretary

Attachments:

COVID Responses – Budget Impact
Summary Statements, FY 2021 Revenue and Expenditures