



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

April 20, 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 2016 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. Note that our projections reflect the state's estimated year-end balance from operations in accordance with Generally Accepted Accounting Principles (GAAP).

General Fund

The Office of Policy and Management is projecting a \$141.4 million General Fund shortfall for fiscal year 2016, a slight increase over last month's projection. This estimate includes the impact of Public Act 16-1 (the March deficit mitigation plan). Public Act 16-1 includes allotment reductions that exceed the value of the rescissions announced by the Governor on March 16th by \$29.3 million, as well as revenue transfers to the General Fund totaling \$69.2 million, for a net improvement of \$98.5 million relative to our March 18th projection. Almost entirely offsetting these measures is a \$95.0 million downward revision in this month's revenue estimate, discussed further below. As noted in prior months, revenue performance through the remainder of the fiscal year—particularly over the balance of the month of April—will be the most important factor in determining year-end results.

Revenues

Revenues this month have been revised downward by \$25.8 million, inclusive of the impact of Public Act 16-1. The largest revision is in the Corporation Tax, down \$85.0 million, as collections in the months of March and April fell significantly short of our targets. Licenses, Permits, and Fees continues to underperform its target and has been revised downward by \$10.0 million. Transfers to the General Fund have been increased by \$69.2 million to reflect the impact of Public Act 16-1. As in past years, we anticipate releasing an updated forecast after issuance of the consensus revenue estimate required under section 2-36c of the General Statutes.

Expenditures

In aggregate, spending is projected to be \$170.1 million below the budget plan. Net additional requirements (deficiencies) total \$66.0 million, and are offset by \$45.7 million in lapses beyond the budget plan and in addition to savings anticipated as a result of the December and March deficit mitigation plans.

Deficiencies. Shortfalls are forecast in the following agencies:

- Office of the Chief Medical Examiner. A total shortfall of \$450,000 is estimated, consisting of \$310,000 in Personal Services and \$140,000 in Other Expenses due to an increase in the number of autopsies performed by the agency.
- Office of Early Childhood. A net shortfall of \$7.0 million is projected in the Birth to Three and Care 4 Kids programs due to caseload increases and increased utilization of more costly services.
- Public Defender Services Commission. A total shortfall of \$4.5 million is projected. Personal Services is estimated to have a \$2.4 million deficiency. A \$2.0 million deficiency is forecast in the Assigned Counsel – Criminal account due to an increased number of habeas corpus petitions following passage of P.A. 12-115, which places time limitations on filing such petitions. The Expert Witnesses account will have a projected \$100,000 shortfall due both to P.A. 12-115 as well as a Connecticut Supreme Court decision requiring the agency to pay for reasonably necessary expert witnesses when requested by pro se indigent defendants in criminal cases.
- Office of the Treasurer – Debt Service. General Obligation bond sales this fiscal year have produced lower than anticipated net premiums, resulting in the need for a deficiency appropriation of \$35 million.
- State Comptroller – Miscellaneous. A \$19.0 million shortfall is projected in the Adjudicated Claims account due to several large settlements for wrongfully incarcerated persons.

Lapses. Funds projected to remain unspent at year end beyond budgeted holdbacks include the following:

- Office of Legislative Management. A total of \$4.0 million is projected to lapse, with \$3.0 million in Personal Services and \$1.0 million in Other Expenses.
- Auditors of Public Accounts. A lapse of \$200,000 is forecast in Personal Services due to vacancies.
- Comptroller's Fringe Benefits accounts. Lapses totaling \$31.9 million are forecast due to lower than anticipated spending for Retiree Healthcare, Social Security Taxes, Higher Education Alternative Retirement System, Group Life Insurance and Unemployment Compensation.
- Office of Policy and Management. The agency will lapse \$250,000 in Personal Services as a result of vacancies and \$250,000 in the Distressed Municipalities Grant account.
- Department of Administrative Services. A \$500,000 lapse in Personal Services is anticipated as a result of hiring delays.
- Office of the Attorney General. The agency is projected to lapse \$400,000 in Personal Services due to vacancies.
- DAS – Workers' Compensation Claims. A lapse of \$900,000 is projected due to lower than anticipated claims costs.
- Department of Labor. \$800,000 will lapse in the Jobs First Employment Services account due to lower than budgeted expenditures for client transportation.

- Department of Housing. \$3.0 million is projected to lapse in the Housing/Homeless account due to fewer placements in the Rental Assistance Program.
- Department of Public Health. The agency will lapse \$300,000 in Personal Services as a result of turnover and hiring delays.
- Department of Children and Families. A net lapse of \$3.0 million is projected, primarily in Personal Services as a result of vacancies.

Special Transportation Fund

We are projecting that the Special Transportation Fund will end the year with an \$11.3 million deficit, an improvement of \$3.3 million relative to last month's estimate. Revenues are unchanged from last month's estimate. On the expenditure side the following lapses are projected:

- Treasurer's Office - Debt Service. \$3.9 million is projected to lapse.
- Comptroller's Fringe Benefits Accounts. A total of \$6.4 million will lapse primarily as a result of lower than anticipated expenditures for active healthcare and Social Security Taxes.
- Department of Administrative Services. The agency will lapse \$300,000 in the State Insurance and Risk Management Claims account.
- DAS – Workers' Compensation Claims. A lapse of \$700,000 is projected due to lower than anticipated claims costs.

We anticipate the fund balance on June 30, 2016 to be \$168.7 million.

It is important to note that while this represents the best forecast that can be made at this time, future estimates may need to be revised to reflect the impact of changes in the economy, expenditure patterns, and/or other factors.

Sincerely,



Benjamin Barnes
Secretary

Summary
April 20, 2016

State of Connecticut
Summary of Changes from Prior Month
General Fund and Special Transportation Fund
Projected to June 30, 2016
As of March 31, 2016
(In Millions)

General Fund

Balance from Operations - Prior Month		\$	(130.8)
Revenues			
Corporation Tax	(85.0)		
Transfers To/From Other Funds	67.2		
All other changes - net	<u>(8.0)</u>		(25.8)
Expenditures			
Additional Requirements	(2.8)		
Estimated Lapses	18.0		
Miscellaneous Adjustments/Rounding	<u>0.0</u>		15.2
Estimated Balance from Operations - June 30, 2016		\$	<u>(141.4)</u>

Special Transportation Fund

Fund Balance as of June 30, 2015		\$	180.0
Balance from Operations - Prior Month			(14.6)
Revenues			
All Changes (net)	<u>0.0</u>		0.0
Expenditures			
Additional Requirements	0.0		
Estimated Lapses	3.3		
Miscellaneous Adjustments/Rounding	<u>0.0</u>		3.3
Estimated Fund Balance - June 30, 2016		\$	<u>168.7</u>

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

	General Assembly Budget Plan ¹	Revised Estimates OPM	Over/ (Under)
REVENUE			
Taxes	\$ 16,936.5	\$ 16,566.5	\$ (370.0)
Less: Refunds	(1,224.9)	(1,234.9)	(10.0)
Taxes - Net	\$ 15,711.6	\$ 15,331.6	\$ (380.0)
Other Revenue	1,174.3	1,175.2	0.9
Other Sources	1,276.5	1,343.3	66.8
TOTAL Revenue	\$ 18,162.4	\$ 17,850.1	\$ (312.3)
EXPENDITURES			
Initial Current Year Appropriations	\$ 18,362.2	\$ 18,362.2	\$ -
Prior Year Appropriations Continued to FY 2016 ²		64.9	64.9
TOTAL Initial and Continued Appropriations	\$ 18,362.2	\$ 18,427.1	\$ 64.9
Appropriation Adjustments	-	-	-
TOTAL Adjusted Appropriations	\$ 18,362.2	\$ 18,427.1	\$ 64.9
Net Additional Expenditure Requirements		66.0	66.0
Estimated Appropriations Lapsed	(200.6)	(436.7)	(236.1)
Estimated Appropriations to be Continued to FY 2017		-	-
TOTAL Estimated Expenditures	\$ 18,161.6	\$ 18,056.4	\$ (105.2)
Net Change in Fund Balances - Continuing Appropriations	-	(64.9)	(64.9)
Miscellaneous Adjustments/Rounding	-	-	-
Net Change in Unassigned Fund Balance - 6/30/2016	\$ 0.8	\$ (141.4)	\$ (142.2)

1. P.A. 15-244, as amended by P.A. 15-5, June Spec. Sess.

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

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

	General Assembly Budget Plan ¹	Revised Estimates OPM	Over/ Under)
TAXES			
Personal Income	\$ 9,834.4	\$ 9,395.0	\$ (439.4)
Sales and Use	4,121.1	4,210.3	89.2
Corporation	902.2	865.4	(36.8)
Public Service Corporations	308.0	279.2	(28.8)
Inheritance and Estate	173.4	217.4	44.0
Insurance Companies	243.8	236.5	(7.3)
Cigarettes	361.2	365.9	4.7
Real Estate Conveyance	194.7	194.7	-
Oil Companies	-	-	-
Alcoholic Beverages	61.7	61.7	-
Admissions and Dues	38.3	38.3	-
Health Provider Tax	676.9	682.4	5.5
Miscellaneous	20.8	19.7	(1.1)
TOTAL - TAXES	\$ 16,936.5	\$ 16,566.5	\$ (370.0)
Less: Refunds of Taxes	(1,090.4)	(1,100.4)	(10.0)
Earned Income Tax Credit	(127.4)	(127.4)	-
R & D Credit Exchange	(7.1)	(7.1)	-
TOTAL - TAXES - NET	\$ 15,711.6	\$ 15,331.6	\$ (380.0)
OTHER REVENUE			
Transfers - Special Revenue	\$ 343.4	\$ 336.4	\$ (7.0)
Indian Gaming Payments	258.8	267.0	8.2
Licenses, Permits, Fees	308.5	292.9	(15.6)
Sales of Commodities and Services	38.0	41.1	3.1
Rents, Fines, Escheats	126.0	126.0	-
Investment Income	2.5	1.2	(1.3)
Miscellaneous	171.3	176.8	5.5
Refunds of Payments	(74.2)	(66.2)	8.0
TOTAL - OTHER REVENUE	\$ 1,174.3	\$ 1,175.2	\$ 0.9
OTHER SOURCES			
Federal Grants	\$ 1,265.2	\$ 1,217.0	\$ (48.2)
Transfer from Tobacco Settlement Fund	106.6	110.6	4.0
Transfers From/(To) Other Funds	(95.3)	15.7	111.0
Transfers to the Resources of the Special Trans. Fund	-	-	-
TOTAL - OTHER SOURCES	\$ 1,276.5	\$ 1,343.3	\$ 66.8
TOTAL - GENERAL FUND REVENUE	\$ 18,162.4	\$ 17,850.1	\$ (312.3)

1. P.A. 15-5, June Special Session, section 496

Statement 3
April 20, 2016

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

Office of the Chief Medical Examiner	\$	450,000
Office of Early Childhood		7,000,000
Public Defender Services Commission		4,500,000
OTT - Debt Service		35,000,000
OSC - Miscellaneous		19,000,000
Total	\$	<u>65,950,000</u>

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

Unallocated Lapse	\$ 20,000,000
Unallocated Lapse - Legislative	-
Unallocated Lapse - Judicial	-
General Employee Lapse	7,110,616
General Lapse - Legislative	39,492
General Lapse - Executive	9,678,316
General Lapse - Judicial	282,192
Statewide Hiring Reduction - Legislative	770,000
Statewide Hiring Reduction - Executive	30,920,000
Statewide Hiring Reduction - Judicial	3,310,000
Targeted Savings	12,500,000
Overtime Savings	10,500,000
MORE Lapse	20,000,000
Allotment Reductions - PA 15-1 (DSS)	85,752,529
Executive Branch Reductions - PA 15-1 (DSS) §3(a)	65,057,153
Legislative Branch Reductions - PA 15-1 (DSS) §3(b)	2,000,000
Judicial Branch Reductions - PA 15-1 (DSS) §3(c)	15,000,000
Allotment Reductions - PA 16-1	108,035,563
Office of Legislative Management	4,000,000
Auditors of Public Accounts	200,000
Office of Policy and Management	500,000
Department of Administrative Services	500,000
Office of the Attorney General	400,000
Department of Labor	800,000
Department of Economic and Community Development	200,000
Department of Housing	3,000,000
Department of Public Health	300,000
Department of Children and Families	3,000,000
OSC - Fringe Benefits	31,900,000
DAS - Workers' Compensation Claims	900,000
Total	<u>\$ 436,655,861</u>

State of Connecticut
2015-16 General Fund
Summary of Operations Per Letter to the Comptroller
(In Millions)

	Budget Plan 1	July 2015	August 2015	September 2015	October 2015	November 2015	December 2015	January 2016	February 2016	March 2016	April 2016	May 2016	June 2016
REVENUE	\$ 18,162.4	\$ 18,162.4	\$ 18,066.3	\$ 17,948.9	\$ 17,944.9	\$ 18,080.7	\$ 18,053.9	\$ 18,053.9	\$ 17,875.9	\$ 17,850.1			
Appropriations	18,362.2	18,362.2	18,362.2	18,362.2	18,362.2	18,362.2	18,362.2	18,362.2	18,362.2	18,362.2			
Additional Requirements	0.0	0.0	6.9	8.5	8.5	44.3	45.5	62.1	63.2	66.0			
Less: Estimated Lapses	(200.6)	(200.6)	(303.4)	(303.4)	(303.4)	(326.0)	(346.7)	(350.5)	(418.7)	(436.7)			
TOTAL - Estimated Expenditures	18,161.6	18,161.6	18,065.7	18,067.3	18,067.3	18,080.5	18,061.0	18,073.8	18,006.7	17,991.5	0.0	0.0	0.0
Balance from Operations	0.8	0.8	0.6	(118.4)	(122.4)	0.2	(7.1)	(19.9)	(130.8)	(141.4)	0.0	0.0	0.0
Misc. Adjustments/Rounding	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			
Est. Balance from Operations - 6/30/16	\$0.8	\$0.8	\$0.6	(\$118.4)	(\$122.4)	\$0.2	(\$7.1)	(\$19.9)	(\$130.8)	(\$141.4)	\$0.0	\$0.0	\$0.0

1. P.A. 15-244, as amended by P.A. 15-5, June Spec. Sess.

Statement 1T
April 20, 2016

State of Connecticut
Special Transportation Fund
Analysis of Budget Plan
Projected to June 30, 2016
As of March 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, 2015 ²	\$ 195.5	\$ 180.0	\$ (15.5)
REVENUE			
Taxes	\$ 1,080.7	\$ 988.9	\$ (91.8)
Less: Refunds of Taxes	(7.3)	(17.3)	(10.0)
Taxes - Net	<u>1,073.4</u>	<u>971.6</u>	<u>(101.8)</u>
Other Revenue	394.7	408.2	13.5
TOTAL - Revenue	<u>\$ 1,468.1</u>	<u>\$ 1,379.8</u>	<u>\$ (88.3)</u>
EXPENDITURES			
Appropriations	\$ 1,428.1	\$ 1,428.1	\$ -
Net Additional Requirements	-	-	-
Less: Estimated Lapses	<u>(12.0)</u>	<u>(37.0)</u>	<u>(25.0)</u>
TOTAL - Expenditures	<u>\$ 1,416.1</u>	<u>\$ 1,391.1</u>	<u>\$ (25.0)</u>
Balance from Operations	\$ 52.0	\$ (11.3)	\$ (63.3)
Miscellaneous Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
Estimated Fund Balance - June 30, 2016	<u>\$ 247.5</u>	<u>\$ 168.7</u>	<u>\$ (78.8)</u>

1. P.A. 15-244, as amended by P.A. 15-5, June Spec. Sess.

2. Budget plan as estimated by the Office of Policy and Management. Revised estimates per the Comptroller's September 30, 2015 letter.

Statement 2T
April 20, 2016

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

	General Assembly Budget Plan ¹	Revised Estimates OPM	Over/ (Under)
TAXES			
Motor Fuels	\$ 499.0	\$ 516.8	\$ 17.8
Oil Companies	339.1	264.0	(75.1)
Sales & Use Tax	158.6	118.4	(40.2)
Sales Tax DMV	84.0	89.7	5.7
TOTAL - TAXES	<u>1,080.7</u>	<u>988.9</u>	<u>(91.8)</u>
Less: Refunds of Taxes	(7.3)	(17.3)	(10.0)
TOTAL - TAXES - NET	<u>\$ 1,073.4</u>	<u>\$ 971.6</u>	<u>\$ (101.8)</u>
OTHER REVENUE			
Motor Vehicle Receipts	\$ 245.8	\$ 258.4	\$ 12.6
Licenses, Permits, Fees	139.3	140.2	0.9
Interest Income	7.7	7.7	-
Federal Grants	12.1	12.1	-
Transfers (To)/From Other Funds	(6.5)	(6.5)	-
Transfers From the General Fund	-	-	-
Refunds of Payments	(3.7)	(3.7)	-
TOTAL - OTHER REVENUE	<u>\$ 394.7</u>	<u>\$ 408.2</u>	<u>\$ 13.5</u>
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	<u>\$ 1,468.1</u>	<u>\$ 1,379.8</u>	<u>\$ (88.3)</u>

1. P.A. 15-5, June Special Session, section 497

Statement 3T
April 20, 2016

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

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

Statement 4T
April 20, 2016

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

Allocated Lapse - PA 15-1 (DSS) §2	\$ 25,696,429
Department of Administrative Services	300,000
DAS - Workers' Compensation Claims	700,000
OTT - Debt Service	3,900,000
Comptroller - Fringe Benefits	6,400,000
Total	<u>\$ 36,996,429</u>

State of Connecticut
2015-16 Special Transportation Fund
Summary of Operations Per Letter to the Comptroller
(In Millions)

	Budget Plan ¹	July 2015	August 2015	September 2015	October 2015	November 2015	December 2015	January 2016	February 2016	March 2016	April 2016	May 2016	June 2016
Beginning Balance ²	\$ 195.5	\$ 195.5	\$ 209.5	\$ 180.0	\$ 180.0	\$ 180.0	\$ 180.0	\$ 180.0	\$ 180.0	\$ 180.0			
Revenue	1,468.1	1,474.1	1,448.9	1,448.9	1,423.5	1,388.2	1,388.8	1,388.8	1,379.8	1,379.8			
Total Available	1,663.6	1,669.6	1,658.4	1,628.9	1,603.5	1,568.2	1,568.8	1,568.8	1,559.8	1,559.8	0.0	0.0	0.0
Appropriations	1,428.1	1,428.1	1,428.1	1,428.1	1,428.1	1,428.1	1,428.1	1,428.1	1,428.1	1,428.1			
Additional Requirements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			
Less: Estimated Lapses	(12.0)	(12.0)	(12.0)	(12.0)	(12.0)	(39.9)	(39.3)	(39.3)	(33.7)	(37.0)			
TOTAL - Estimated Expenditures	1,416.1	1,416.1	1,416.1	1,416.1	1,416.1	1,388.2	1,388.8	1,388.8	1,394.4	1,391.1	0.0	0.0	0.0
Balance from Operations	52.0	58.0	32.8	32.8	7.4	0.0	0.0	0.0	(14.6)	(11.3)	0.0	0.0	0.0
Misc. Adjustments/Rounding	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0			
Estimated Balance 6/30/16	\$247.5	\$253.5	\$242.3	\$212.8	\$187.4	\$180.0	\$180.0	\$180.0	\$165.4	\$168.7	\$0.0	\$0.0	\$0.0

1. P. A. 15-244, as amended by P. A. 15-5, June Spec. Sess.

2. Budget Plan and the months of July and August as estimated by the Office of Policy and Management. September and thereafter per the Comptroller's September 30, 2015 letter.