



# STATE OF CONNECTICUT

## OFFICE OF POLICY AND MANAGEMENT

December 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. Information regarding the Special Transportation Fund is also presented here due to the significant nature of this fund.

### General Fund

We are projecting a deficit from operations of \$222.5 million, slightly more than one percent of net General Fund appropriations, and enough to require submission of a deficit mitigation plan pursuant to CGS 4-85. The Governor presented a deficit mitigation plan to the General Assembly on December 13<sup>th</sup>, and has urged the legislature to take prompt action to ensure the state ends the year in balance. If a special legislative session occurs in the near future, it is our hope that the legislature will exercise its fiduciary responsibility to address the deficit at that time.

### Revenues

Estimated revenue from Federal Grants has been revised downward by \$16.7 million to reflect a delay in the implementation of Medicare Savings Program changes until April. All other revenue estimates remain unchanged from last month and continue to reflect the November consensus revenue forecast, as modified by provider tax provisions included in Public Act 17-4, June Spec. Sess. The next consensus revenue forecast is due January 16<sup>th</sup>, and several factors could lead to revisions in estimated revenue. As noted last month, we are monitoring underperformance of the Income Tax as estimated payments for income year 2017 have performed below target, falling by over six percent compared to prior year estimated payments. The January consensus forecast is expected to benefit from more complete data as taxpayers make their fourth estimated payment for income year 2017 in late December or early January. Almost 80 percent, or \$2.5 billion, remains to be collected from this revenue source. Additionally, we are uncertain of the revenue impact of taxpayer behavioral responses to pending modifications of federal tax law, which could have a material effect on the timing and amounts collected this fiscal year.

### Expenditures

In aggregate, expenditures are estimated to be \$28.0 million above the budget plan. Additional requirements (deficiencies) total \$33.2 million, and \$20.0 million in claims will be paid from the resources of the General Fund. Anticipated lapses total \$25.3 million beyond the budget plan.

*Deficiencies.* Shortfalls are forecast in the following agencies:

- Department of Public Health. A net \$260,000 shortfall is anticipated in the Local and District Departments of Health account due to inadequate appropriations to support statutorily defined per capita payments to eligible local health authorities.

- Department of Correction. A \$10.0 million shortfall is anticipated in Personal Services.
- Department of Children and Families. Net costs for additional social work staff and contractual services required for compliance with the recent court order related to the Juan F. consent decree will exceed available resources by approximately \$13.0 million.
- State Comptroller – Fringe Benefits. A net \$10.0 million shortfall is anticipated due to cost trends in healthcare costs for retired state employees.

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

- Office of Policy and Management. Approximately \$5.1 million will remain unspent in the Municipal Transition account.
- Department of Social Services. A net lapse of \$35 million is anticipated in the Medicaid program based on current expenditure trends. This figure reflects delaying implementation of budgeted Medicare Savings Program changes until April.
- Teachers' Retirement Board. \$19.4 million will lapse due to the revised valuation of the Teachers' Retirement Fund adopted pursuant to sections 559 and 587 of Public Act 17-2, June Spec. Sess.

Balance is also impacted by \$20.0 million in estimated requirements for Adjudicated Claims, largely related to payments and attorneys' fees for the SEBAC v. Rowland settlement. Approximately \$13.3 million has been expended year-to-date. Existing law requires that such payments be made from the resources of the General Fund.

In addition to these known shortfalls, achievement of the significant level of lapses included in the adopted budget has proven challenging and will likely lead to Finance Advisory Committee transfers and potentially a need for deficiency appropriations before the end of the fiscal year.

We also note that the federal government has so far failed to agree to continue funding the Children's Health Insurance Program (CHIP), known in Connecticut as HUSKY B. If this program is not reauthorized before the end of January, not only will more than 17,000 children and youths lose health insurance coverage, but services currently reimbursed by the federal government at the enhanced CHIP matching rate will be reduced to the regular Medicaid matching rate, resulting in additional state costs of \$20 million.

### **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. Estimated revenues are unchanged and continue to reflect the November consensus revenue forecast. Expenditures reflect the appropriations contained in Public Act 17-2, June Spec. Sess. We are watching healthcare cost trends 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,



Benjamin Barnes  
Secretary

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

**General Fund**

Balance from Operations - Prior Month		\$	(202.8)
Revenues			
Federal Grant Revenue	<u>(16.7)</u>		(16.7)
Expenditures			
Additional Requirements	(23.3)		
Estimated Lapses	25.3		
Miscellaneous Adjustments/Rounding	<u>(5.0)</u>		(3.0)
Estimated Balance from Operations - June 30, 2018		\$	<u>(222.5)</u>

**Special Transportation Fund**

Fund Balance as of June 30, 2017		\$	97.6
Balance from Operations - Prior Month			43.5
Revenues			
All Changes (Net)	<u>0.0</u>		0.0
Expenditures			
Additional Requirements	0.0		
Estimated Lapses	0.0		
Miscellaneous Adjustments/Rounding	<u>0.0</u>		0.0
Estimated Fund Balance - June 30, 2018		\$	<u>141.1</u>

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

	General Assembly Budget Plan <sup>1</sup>	Revised Estimates OPM	Over/ (Under)
<b>REVENUE</b>			
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	1,782.9	(153.2)
<b>TOTAL Revenue</b>	<b>\$ 18,739.3</b>	<b>\$ 18,495.6</b>	<b>\$ (243.7)</b>
<b>EXPENDITURES</b>			
Initial Current Year Appropriations	\$ 19,571.7	\$ 19,571.7	\$ -
Prior Year Appropriations Continued to FY 2018 <sup>2</sup>		60.2	60.2
<b>TOTAL Initial and Continued Appropriations</b>	<b>\$ 19,571.7</b>	<b>\$ 19,631.9</b>	<b>\$ 60.2</b>
Appropriation Adjustments	-	-	-
<b>TOTAL Adjusted Appropriations</b>	<b>\$ 19,571.7</b>	<b>\$ 19,631.9</b>	<b>\$ 60.2</b>
Net Additional Expenditure Requirements		33.3	33.3
Estimated Appropriations Lapsed	(881.6)	(906.9)	(25.3)
Estimated Appropriations to be Continued to FY 2019		-	-
<b>TOTAL Estimated Expenditures</b>	<b>\$ 18,690.1</b>	<b>\$ 18,758.3</b>	<b>\$ 68.2</b>
Net Change in Fund Balance - Continuing Appropriations		(60.2)	(60.2)
Miscellaneous Adjustments/Rounding		(20.0)	(20.0)
<b>Net Change in Unassigned Fund Balance - 6/30/2018</b>	<b>\$ 49.2</b>	<b>\$ (222.5)</b>	<b>\$ (271.7)</b>

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  
General Fund  
Revenue Estimates  
Projected to June 30, 2018  
As of November 30, 2017  
(In Millions)

	General Assembly Budget Plan <sup>1.</sup>	Revised Estimates OPM	Over/ (Under)
<b>TAXES</b>			
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
<b>TOTAL - TAXES</b>	<u>\$ 16,818.5</u>	<u>\$ 16,670.9</u>	<u>\$ (147.6)</u>
Less: Refunds of Taxes	(1,146.8)	(1,091.5)	55.3
Earned Income Tax Credit	(115.0)	(115.0)	-
R & D Credit Exchange	(7.3)	(6.7)	0.6
<b>TOTAL - TAXES - NET</b>	<u>\$ 15,549.4</u>	<u>\$ 15,457.7</u>	<u>\$ (91.7)</u>
<b>OTHER REVENUE</b>			
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
<b>TOTAL - OTHER REVENUE</b>	<u>\$ 1,253.8</u>	<u>\$ 1,255.0</u>	<u>\$ 1.2</u>
<b>OTHER SOURCES</b>			
Federal Grants	\$ 1,766.3	\$ 1,607.5	\$ (158.8)
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	-	-	-
<b>TOTAL - OTHER SOURCES</b>	<u>\$ 1,936.1</u>	<u>\$ 1,782.9</u>	<u>\$ (153.2)</u>
<b>TOTAL - GENERAL FUND REVENUE</b>	<u>\$ 18,739.3</u>	<u>\$ 18,495.6</u>	<u>\$ (243.7)</u>

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

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

Department of Public Health	\$ 260,000
Department of Children and Families	13,000,000
Department of Correction	10,000,000
OSC - Fringe Benefits	10,000,000
Total	<u>\$ 33,260,000</u>

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

Unallocated Lapse <sup>1</sup> .	\$ 42,250,000
Unallocated Lapse - Legislative <sup>1</sup> .	1,000,000
Unallocated Lapse - Judicial <sup>1</sup> .	358,533
Statewide Hiring Reduction	6,487,714
Targeted Savings	111,299,810
Reflect Delay	8,200,000
Achieve Labor Concessions	669,537,104
Municipal Contribution to Renters' Rebate Program	8,285,113
Teachers' Retirement Board - Pension Contributions	19,396,000
Office of Policy and Management	5,055,686
Department of Social Services	35,000,000
Total	<u>\$ 906,869,960</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 <sup>1</sup> .	July 2017 <sup>2</sup> .	August 2017 <sup>2</sup> .	September 2017 <sup>2</sup> .	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	\$ 18,495.6							
Appropriations	19,571.7	17,253.9	17,253.9	17,253.9	19,571.7	19,571.7							
Additional Requirements	0.0	0.0	0.0	0.0	10.0	33.3							
Less: Estimated Lapses	<u>(881.6)</u>	<u>(6.9)</u>	<u>(6.9)</u>	<u>(6.9)</u>	<u>(881.6)</u>	<u>(906.9)</u>							
TOTAL - Estimated Expenditures	18,690.1	17,247.0	17,247.0	17,247.0	18,700.1	18,698.1	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)	(202.5)	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>	<u>(20.0)</u>							
Est. Balance from Operations - 6/30/18	\$49.2	(\$93.9)	(\$93.9)	(\$93.9)	(\$202.8)	(\$222.5)	\$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 P.A. 17-4, June Special Session.



State of Connecticut  
Special Transportation Fund  
Analysis of Budget Plan  
Projected to June 30, 2018  
As of November 30, 2017  
(In Millions)

	General Assembly <u>Budget Plan</u> <sup>1.</sup>	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
Fund Balance as of June 30, 2017	\$ 97.6	\$ 97.6	\$ -
<b>REVENUE</b>			
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>
<b>TOTAL - Revenue</b>	<b>\$ 1,592.6</b>	<b>\$ 1,554.4</b>	<b>\$ (38.2)</b>
<b>EXPENDITURES</b>			
Appropriations	\$ 1,522.9	\$ 1,522.9	\$ -
Prior Year Appropriations Continued to FY 2018 <sup>2.</sup>		30.4	30.4
<b>TOTAL Initial and Continued Appropriations</b>	<b>\$ 1,522.9</b>	<b>\$ 1,553.3</b>	<b>\$ 30.4</b>
Appropriation Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL Adjusted Appropriations</b>	<b>\$ 1,522.9</b>	<b>\$ 1,553.3</b>	<b>\$ 30.4</b>
Net Additional Expenditure Requirements		-	-
Estimated Appropriations Lapsed	(12.0)	(12.0)	-
Estimated Appropriations to be Continued to FY 2019		<u>-</u>	<u>-</u>
<b>TOTAL Estimated Expenditures</b>	<b>\$ 1,510.9</b>	<b>\$ 1,541.3</b>	<b>\$ 30.4</b>
Net Change in Fund Balance - Continuing Appropriations		(30.4)	(30.4)
Miscellaneous Adjustments/Rounding		-	-
<b>Net Change in Unassigned Fund Balance - FY 2018</b>	<b>\$ 81.7</b>	<b>\$ 43.5</b>	<b>\$ (38.2)</b>
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 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 November 30, 2017  
(In Millions)

	<u>General Assembly Budget Plan <sup>1</sup>.</u>	<u>Revised Estimates OPM</u>	<u>Over/ (Under)</u>
<b>TAXES</b>			
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)
<b>TOTAL - TAXES</b>	<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>
<b>TOTAL - TAXES - NET</b>	<u>\$ 1,180.3</u>	<u>\$ 1,153.6</u>	<u>\$ (26.7)</u>
<b>OTHER REVENUE</b>			
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	<u>-</u>	<u>(4.2)</u>	<u>(4.2)</u>
<b>TOTAL - OTHER REVENUE</b>	<u>\$ 412.3</u>	<u>\$ 400.8</u>	<u>\$ (11.5)</u>
<b>TOTAL - SPECIAL TRANSPORTATION FUND REVENUE</b>	<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 P.A. 17-4, June Special Session.

Statement 3T  
December 20, 2017

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

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

Statement 4T  
December 20, 2017

State of Connecticut  
Special Transportation Fund  
Estimated Lapses  
Projected to June 30, 2018  
As of November 30, 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 <sup>1.</sup>	July 2017 <sup>3.</sup>	August 2017 <sup>3.</sup>	September 2017 <sup>3.</sup>	October 2017	November 2017	December 2017	January 2018	February 2018	March 2018	April 2018	May 2018	June 2018
Beginning Balance <sup>2.</sup>	\$ 97.6	\$ 102.9	\$ 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>							
Total Available	1,690.2	1,667.3	1,662.0	1,662.0	1,652.0	1,652.0	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	1,522.9							
Additional Requirements	0.0	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>	<u>(12.0)</u>							
TOTAL - Estimated Expenditures	1,510.9	1,532.0	1,532.0	1,532.0	1,510.9	1,510.9	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	43.5	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>	<u>0.0</u>							
Estimated Balance 6/30/18	\$179.3	\$135.3	\$130.0	\$130.0	\$141.1	\$141.1	\$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 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 2-36c, as modified by P.A. 17-51 and Executive Order 58.