



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

December 19, 2014

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 2015 is provided in accordance with Section 4-66 of the General Statutes. An analysis of the Special Transportation Fund is also included due to the significant nature of the 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 \$31.6 million General Fund deficit for Fiscal Year 2015, an improvement of \$13.2 million from last month. This change is due to improvements in anticipated expenditures, as discussed further below. As with last month's forecast, our projection is net of rescissions implemented in November pursuant to Sec. 4-85, CGS, in the amount of \$54.7 million. Note that agencies have also been directed to reduce expenditures and curtail hiring, and in combination with rescissions these management actions are expected to address the projected shortfall. If necessary, further management actions – potentially including additional rescissions – will be taken to ensure the year ends with a positive operating balance.

Revenues

Our revenue forecast remains unchanged from last month and continues to reflect the consensus estimate reached by OPM and the legislature's Office of Fiscal Analysis on November 10th. It is worth noting that the next consensus forecast is due January 15th and may result in changes to next month's projections. No information is available today, however, suggesting any improvement in revenues is likely. As discussed in previous forecasts, my office and the Department of Social Services are engaged with the federal government in resolving issues related to the deferral of Medicaid reimbursements; we anticipate there will be no impact on forecast revenues.

Expenditures

Overall, expenditures are projected to be \$27.2 million below the budget plan. Net additional requirements (deficiencies) totaling \$99.7 million are offset by \$72.2 million in lapses as discussed below. Note that these lapses are in addition to the impact of the November rescissions.

Deficiencies. Shortfalls are forecast in the following agencies:

- Department of Social Services. A net Medicaid shortfall of \$70.0 million is projected due to continued enrollment growth, difficulties in achieving the full savings levels incorporated in the budget for a number of initiatives, additional hospital cost settlements, and revisions to the federal cost share for a small percentage of Medicaid clients who will be reimbursed at 50 percent as opposed to the originally anticipated 100 percent level.
- Department of Emergency Services and Public Protection. A total shortfall of \$5.0 million is projected, consisting of \$4.0 million in Personal Services and \$1.0 million in Other Expenses. The revised budget for FY 2015 reduced funding in Personal Services “to reflect the implementation of overtime savings initiatives in the Division of State Police.” Overtime savings of this magnitude are unlikely to be realized. The Other Expenses shortfall is primarily due to increased fuel consumption, after factoring in recent price reductions.
- Department of Correction. A \$3.0 million deficiency is anticipated in Other Expenses as a result of increased utility, food and maintenance costs.
- Public Defenders Services Commission. A total shortfall of \$4.7 million is projected in this agency. Of this, \$3.8 million is 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 \$0.9 million 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.
- Comptroller – Fringe Benefits. A \$15.0 million shortfall in the Retired Employee Health Service account is anticipated due to claims costs that are trending above budgeted levels. Note that this sum is net of lapses anticipated in several other fringe benefit accounts.
- Comptroller – Miscellaneous. A \$2.0 million deficiency is anticipated in the Adjudicated Claims account. This account is fully expended as of November, and based on historical patterns is likely to require \$2.0 million to pay additional claims through the remainder of the year.

Lapses. This month’s forecast includes \$72.2 million in lapsing appropriations beyond the targets included in the adopted budget, and in addition to the savings resulting from rescissions implemented in November:

- Legislative Branch. A total of \$4 million in the Office of Legislative Management’s Personal Services and Other Expenses accounts and \$0.2 million in the Auditors of Public Accounts’ Personal Services account. These projected lapses will more than satisfy the branch’s unallocated lapse target for the fiscal year.
- Treasurer – Debt Service. \$65.0 million in savings from actual and anticipated bond sales.
- Office of Policy and Management. \$3.0 million in the Tax Relief for Elderly Renters account due to fewer applications than the level assumed in the adopted budget.

- Department of Public Health. \$0.5 million in Personal Services due to the hiring restrictions imposed in November.
- Department of Developmental Services. \$0.5 million in Personal Services due to the hiring restrictions imposed in November.
- Department of Children and Families. A net \$2.0 million as a result of delays in the development of new programs and updated caseload projections.

Special Transportation Fund

We are projecting an operating deficit of \$6.4 million. Revenues are unchanged this month and continue to reflect the consensus estimate reached between OPM and OFA on November 10th. Our expenditure forecast recognizes a \$20.0 million shortfall in the Department of Transportation's Rail Operations account related to operational costs associated with Metro North Railroad. The fund balance on June 30, 2015 is estimated to be \$162.6 million.

As always, it is important to note that while this is the best forecast that can be made at this time, estimates may need to be adjusted as the year progresses to reflect changes in the economy, expenditure patterns, and/or other factors.

Sincerely,

A handwritten signature in black ink, appearing to read "Benjamin Barnes". The signature is written in a cursive style with a large initial "B".

Benjamin Barnes
Secretary

Summary
December 19, 2014

State of Connecticut
Summary of Changes
General Fund and Special Transportation Fund
Projected to June 30, 2015
As of November 30, 2014
(In Millions)

General Fund

Balance from Operations - Prior Month		\$	(44.8)
Revenues			
All Changes (Net)	<u>0.0</u>		0.0
Expenditures			
Additional Requirements	(59.0)		
Estimated Lapses	72.2		
Miscellaneous Adjustments/Rounding	<u>0.0</u>		<u>13.2</u>
Estimated Balance from Operations - June 30, 2015		\$	<u>(31.6)</u>

Special Transportation Fund

Fund Balance as of June 30, 2014		\$	169.0
Balance from Operations - Prior Month			14.8
Revenues			
All Changes (Net)	<u>0.0</u>		0.0
Expenditures			
Additional Requirements	(20.0)		
Estimated Lapses	0.0		
Miscellaneous Adjustments/Rounding	<u>(1.2)</u>		<u>(21.2)</u>
Estimated Fund Balance - June 30, 2015		\$	<u>162.6</u>

State of Connecticut
General Fund
Statement of Revenues, Expenditures, and Results of Operations
Projected to June 30, 2015
As of November 30, 2014
(In Millions)

	General Assembly Budget Plan ¹	Revised Estimates OPM	Over/ (Under)
REVENUE			
Taxes	\$ 16,147.2	\$ 16,156.7	\$ 9.5
Less: Refunds	(1,232.6)	(1,232.6)	-
Taxes - Net	\$ 14,914.6	\$ 14,924.1	\$ 9.5
Other Revenue	1,109.3	1,101.8	(7.5)
Other Sources	1,434.1	1,373.0	(61.1)
TOTAL Revenue	\$ 17,458.0	\$ 17,398.9	\$ (59.2)
EXPENDITURES			
Initial Current Year Appropriations	\$ 17,589.8	\$ 17,589.8	\$ -
Prior Year Appropriations Continued to FY 2015 ²		85.9	85.9
TOTAL Initial and Continued Appropriations	\$ 17,589.8	\$ 17,675.7	\$ 85.9
Appropriation Adjustments	-	-	-
TOTAL Adjusted Appropriations	\$ 17,589.8	\$ 17,675.7	\$ 85.9
Net Additional Expenditure Requirements		99.7	99.7
Estimated Appropriations Lapsed	(132.1)	(259.0)	(126.9)
Estimated Appropriations to be Continued to FY 2016		-	-
TOTAL Estimated Expenditures	\$ 17,457.7	\$ 17,516.4	\$ 58.7
Net Change in Fund Balances - Continuing Appropriations	-	(85.9)	(85.9)
Miscellaneous Adjustments/Rounding	-	-	-
Net Change in Unassigned Fund Balance - 6/30/2015	\$ 0.3	\$ (31.6)	\$ (32.0)

1. P.A. 14-47, as amended by P.A. 14-217.

2. P.A. 14-47, as amended by P.A. 14-217, and other statutory provisions.

State of Connecticut
General Fund
Revenue Estimates
Projected to June 30, 2015
As of November 30, 2014
(In Millions)

	General Assembly <u>Budget Plan</u>	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
TAXES			
Personal Income	\$ 9,264.5	\$ 9,264.5	\$ -
Sales and Use	4,167.4	4,216.2	48.8
Corporation	704.3	734.3	30.0
Public Service Corporations	295.6	295.6	-
Inheritance and Estate	173.0	173.0	-
Insurance Companies	256.2	256.2	-
Cigarettes	360.9	359.4	(1.5)
Real Estate Conveyance	186.9	186.9	-
Oil Companies	34.8	24.8	(10.0)
Electric Generation	-	-	-
Alcoholic Beverages	60.7	60.7	-
Admissions and Dues	38.3	38.3	-
Health Provider Tax	509.5	481.3	(28.2)
Miscellaneous	95.2	65.5	(29.7)
TOTAL - TAXES	\$ 16,147.2	\$ 16,156.7	\$ 9.5
Less: Refunds of Taxes	(1,105.1)	(1,105.1)	-
Earned Income Tax Credit	(120.7)	(120.7)	-
R & D Credit Exchange	(6.8)	(6.8)	-
TOTAL - TAXES - NET	\$ 14,914.6	\$ 14,924.1	\$ 9.5
OTHER REVENUE			
Transfers - Special Revenue	\$ 323.1	\$ 323.1	\$ -
Indian Gaming Payments	278.5	267.5	(11.0)
Licenses, Permits, Fees	256.2	259.7	3.5
Sales of Commodities and Services	43.5	43.5	-
Rents, Fines, Escheats	118.4	118.4	-
Investment Income	0.6	0.6	-
Miscellaneous	161.9	161.9	-
Refunds of Payments	(72.9)	(72.9)	-
TOTAL - OTHER REVENUE	\$ 1,109.3	\$ 1,101.8	\$ (7.5)
OTHER SOURCES			
Federal Grants	\$ 1,299.6	\$ 1,238.4	\$ (61.2)
Transfer from Tobacco Settlement Fund	120.0	120.0	0.0
Transfers to Other Funds	14.6	14.6	0.0
TOTAL - OTHER SOURCES	\$ 1,434.1	\$ 1,373.0	\$ (61.1)
TOTAL - GENERAL FUND REVENUE	\$ 17,458.0	\$ 17,398.9	\$ (59.2)

State of Connecticut - General Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2015
As of November 30, 2014

Department of Emergency Services and Public Protection	5,000,000
Department of Social Services	70,000,000
Department of Correction	3,000,000
Public Defenders Services Commission	4,700,000
Comptroller – Miscellaneous	2,000,000
Comptroller - Fringe Benefits	15,000,000
No Additional Requirements	<u>\$ 99,700,000</u>

Statement 4
December 19, 2014

State of Connecticut
General Fund
Estimated Lapses
Projected to June 30, 2015
As of November 30, 2014

Unallocated Lapse	\$ 91,676,192
Unallocated Lapse - Legislative	-
Unallocated Lapse - Judicial	7,400,672
General Lapse - Legislative	39,492
General Lapse - Executive	9,678,316
General Lapse - Judicial	282,192
Statewide Hiring Reduction - Legislative	280,000
Statewide Hiring Reduction - Executive	8,060,000
Statewide Hiring Reduction - Judicial	1,660,000
Municipal Opportunities and Regional Efficiencies Lapse	10,000,000
November 20, 2014 Rescissions	54,717,508
Office of Legislative Management	4,000,000
Auditors of Public Accounts	200,000
Office of Policy and Management	3,000,000
Department of Public Health	500,000
Department of Developmental Services	500,000
Department of Children and Families	2,000,000
OTT - Debt Service	65,000,000
Total	<u>\$ 258,994,372</u>

State of Connecticut
2014-15 General Fund
Summary of Operations Per Letter to the Comptroller
(In Millions)

	Budget Plan ¹	July 2014	August 2014	September 2014	October 2014	November 2014	December 2014	January 2015	February 2015	March 2015	April 2015	May 2015	June 2015
REVENUE	\$ 17,458.0	\$ 17,458.0	\$ 17,458.0	\$ 17,458.0	\$ 17,458.0	\$ 17,398.9	\$ 17,398.9						
Appropriations	17,589.8	17,589.8	17,589.8	17,589.8	17,589.8	17,589.8	17,589.8						
Additional Requirements	0.0	0.0	0.0	0.0	0.0	40.7	99.7						
Less: Estimated Lapses	(132.1)	(132.1)	(132.1)	(132.1)	(132.1)	(186.8)	(259.0)						
TOTAL - Estimated Expenditures	17,457.7	17,457.7	17,457.7	17,457.7	17,457.7	17,443.7	17,430.5	0.0	0.0	0.0	0.0	0.0	0.0
Balance from Operations	0.3	0.3	0.3	0.3	0.3	(44.8)	(31.6)	0.0	0.0	0.0	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	0.0	0.0	0.0
Est. Balance from Operations - 6/30/15	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	(\$44.8)	(\$31.6)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

1. P. A. 14-47, as amended by P. A. 14-217.

Statement 1T
December 19, 2014

State of Connecticut
Special Transportation Fund
Analysis of Budget Plan
Projected to June 30, 2015
As of November 30, 2014
(In Millions)

	<u>General Assembly Budget Plan</u> ^{1.}	<u>Revised Estimates OPM</u>	<u>Over/ (Under)</u>
Fund Balance as of June 30, 2014 ^{2.}	\$ 168.8	\$ 169.0	\$ 0.2
REVENUE			
Taxes	\$ 965.5	\$ 967.0	\$ 1.5
Less: Refunds of Taxes	<u>(6.6)</u>	<u>(7.1)</u>	<u>(0.5)</u>
Taxes - Net	958.9	959.9	1.0
Other Revenue	<u>369.4</u>	<u>375.5</u>	<u>6.1</u>
TOTAL - Revenue	<u>\$ 1,328.3</u>	<u>\$ 1,335.4</u>	<u>\$ 7.1</u>
EXPENDITURES			
Appropriations	\$ 1,332.6	\$ 1,332.6	\$ -
Net Additional Requirements	-	20.0	20.0
Less: Estimated Lapses	<u>(11.0)</u>	<u>(12.0)</u>	<u>(1.0)</u>
TOTAL - Expenditures	<u>\$ 1,321.6</u>	<u>\$ 1,340.6</u>	<u>\$ 19.0</u>
Balance from Operations	\$ 6.7	\$ (5.2)	\$ (11.9)
Miscellaneous Adjustments	<u>-</u>	<u>(1.2)</u>	<u>(1.2)</u>
Estimated Fund Balance - June 30, 2015	<u>\$ 175.5</u>	<u>\$ 162.6</u>	<u>\$ (12.9)</u>

1. P.A. 14-47, as amended by P.A. 14-217.

2. Budget plan as estimated by the Office of Policy and Management. Revised estimates per the Comptroller's September 30, 2014 letter.

Statement 2T
December 19, 2014

State of Connecticut
Special Transportation Fund
Revenue Estimates
Projected to June 30, 2015
As of November 30, 2014
(In Millions)

	<u>General Assembly Budget Plan</u>	<u>Revised Estimates OPM</u>	<u>Over/ (Under)</u>
TAXES			
Motor Fuels	\$ 503.8	\$ 504.8	\$ 1.0
Oil Companies	379.1	379.1	-
Sales Tax DMV	82.6	83.1	0.5
TOTAL - TAXES	<u>965.5</u>	<u>967.0</u>	<u>1.5</u>
Less: Refunds of Taxes	(6.6)	(7.1)	(0.5)
TOTAL - TAXES - NET	<u>\$ 958.9</u>	<u>\$ 959.9</u>	<u>\$ 1.0</u>
OTHER REVENUE			
Motor Vehicle Receipts	\$ 238.1	\$ 242.1	\$ 4.0
Licenses, Permits, Fees	138.9	139.1	0.2
Interest Income	5.0	7.3	2.3
Federal Grants	12.1	12.1	-
Transfers (To)/From Other Funds	(21.5)	(21.5)	-
Refunds of Payments	(3.2)	(3.6)	(0.4)
TOTAL - OTHER REVENUE	<u>\$ 369.4</u>	<u>\$ 375.5</u>	<u>\$ 6.1</u>
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$ 1,328.3	\$ 1,335.4	\$ 7.1

Statement 3T
December 19, 2014

State of Connecticut
Special Transportation Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2015
As of November 30, 2014

Department of Transportation	20,000,000
No Additional Requirements	<u><u>\$20,000,000</u></u>

Statement 4T
December 19, 2014

State of Connecticut
Special Transportation Fund
Estimated Lapses
Projected to June 30, 2015
As of November 30, 2014

OTT - Debt Service	\$ 12,000,000
Total	<u>\$ 12,000,000</u>

State of Connecticut
2014-15 Special Transportation Fund
Summary of Operations Per Letter to the Comptroller
(In Millions)

	Budget Plan ¹	July 2014	August 2014	September 2014	October 2014	November 2014	December 2014	January 2015	February 2015	March 2015	April 2015	May 2015	June 2015
Beginning Balance ²	\$ 168.8	\$ 168.8	\$ 173.5	\$ 169.0	\$ 169.0	\$ 169.0	\$ 169.0						
Revenue	<u>1,328.3</u>	<u>1,328.3</u>	<u>1,330.5</u>	<u>1,330.5</u>	<u>1,330.5</u>	<u>1,335.4</u>	<u>1,335.4</u>						
Total Available	1,497.1	1,497.1	1,504.0	1,499.5	1,499.5	1,504.4	1,504.4	0.0	0.0	0.0	0.0	0.0	0.0
Appropriations	1,332.6	1,332.6	1,332.6	1,332.6	1,332.6	1,332.6	1,332.6						
Additional Requirements	0.0	0.0	0.0	0.0	0.0	0.0	20.0						
Less: Estimated Lapses	<u>(11.0)</u>	<u>(11.0)</u>	<u>(11.0)</u>	<u>(11.0)</u>	<u>(12.0)</u>	<u>(12.0)</u>	<u>(12.0)</u>						
TOTAL - Estimated Expenditures	1,321.6	1,321.6	1,321.6	1,321.6	1,320.6	1,320.6	1,340.6	0.0	0.0	0.0	0.0	0.0	0.0
Balance from Operations	6.7	6.7	8.9	8.9	9.9	14.8	(5.2)	0.0	0.0	0.0	0.0	0.0	0.0
Misc. Adjustments/Rounding	<u>0.0</u>	<u>0.0</u>	<u>(1.2)</u>	<u>(1.2)</u>	<u>(1.2)</u>	<u>(1.2)</u>	<u>(1.2)</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 6/30/15	\$175.5	\$175.5	\$181.2	\$176.7	\$177.7	\$182.6	\$162.6	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

1. P.A. 14-47, as amended by P.A. 14-217.

2. Budget Plan and the month of July as estimated by the Office of Policy and Management. August per the Comptroller's September 2, 2014 letter. September and thereafter per the Comptroller's September 30, 2014 letter.