



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

July 19, 2019

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 financial information on the state's General Fund. An analysis of the Special Transportation Fund is also provided here due to the significance of this fund.

General Fund

We project that the General Fund will close FY 2019 with an operating surplus of \$195.9 million. This estimate includes the impact of Public Act 19-117, the budget act, which uses \$541 million of FY 2019 resources to support the Teachers' Retirement System special capital reserve and a portion of the anticipated settlement of outstanding hospital litigation. It should be noted that revenue accruals and GAAP accrual adjustments are not yet finalized and may have a material impact on this estimate as the books are closed for the fiscal year. The table below summarizes the projected year-end balance from operations:

	(in millions)	
	Budget Plan	OPM Est. 7/19/19
Revenue	\$ 19,008.7	\$ 19,535.7
Expenditures	<u>18,998.2</u>	<u>19,339.8</u>
Est. Balance from Operations - 6/30/19	\$10.5	\$195.9

Our forecast of the Budget Reserve Fund balance at year end, after transfers pursuant to the statutory volatility cap and the projected operating surplus from FY 2019, is depicted below. We estimate the state's reserves at over \$2.3 billion by fiscal year-end, or 12.0 percent of FY 2020 net General Fund appropriations.

	(in millions)
BRF Ending Balance - FY 2018	\$ 1,185.3
Projected Operating Surplus - FY 2019 (7/19/19 Est.)	195.9
Volatility Cap Deposit - FY 2019 (7/19/19 Est.)	<u>940.5</u>
Estimated BRF Ending Balance - FY 2019	\$ 2,321.7

Revenues

Projected revenues have been revised downward by \$175.9 million. The largest change was in the Transfers From/(To) Other Funds which was reduced by \$180.0 million, with \$160.0 million of this sum reflecting the state's commitment to setting aside funds for FY 2020 in anticipation of settling outstanding litigation by the

state's hospitals, in accordance with section 50 of Public Act 19-117. The Withholding component of the Personal Income Tax has been revised upward by \$20.0 million to reflect better than anticipated June collections. The Estimates and Finals component has also been revised upward by \$40.0 million, but is offset by a corresponding transfer of \$40.0 million to the Budget Reserve Fund pursuant to the volatility cap. Estimated Corporation Tax collections have been revised downward by \$12.3 million to reflect reduced growth over the last month. All other revenue changes net to a negative \$3.6 million. It should be noted that our estimate includes FY 2019 revenues that will continue to accrue through August 7th, with approximately \$900 million in revenue attributable to the General Fund still to be collected before the year closes.

Expenditures

Preliminary year-end expenditures, including outlays for Adjudicated Claims, reflect a \$51.8 million decrease from last month's estimate, notwithstanding the additional \$380.9 million debt service expenditure associated with restructuring the Teachers' Retirement Fund, in accordance with section 90 of Public Act 19-117. Estimated lapses by agency are detailed in Statement 4, attached.

Special Transportation Fund

We project that the Special Transportation Fund will end the year with an operating surplus of \$67.5 million, and that the fund balance as of June 30, 2019, will be \$313.2 million. Estimated revenues have been revised upwards by a net of \$0.4 million compared to last month's estimate, reflecting minor adjustments across several revenue sources. It should be noted that our estimate includes FY 2019 revenues that will continue to accrue through August 7th, with approximately \$210 million in revenue attributable to the Special Transportation Fund still to be collected before the year closes. Preliminary year end expenditures have improved by \$4.0 million since last month's estimate. Estimated lapses by agency are detailed in Statement 4T, attached.

This is our final estimate for FY 2019. 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

State of Connecticut
Summary of Changes
General Fund and Special Transportation Fund
Projected to June 30, 2019
As of June 30, 2019
(In Millions)

General Fund

Balance from Operations - Prior Month \$ 700.9

Revenues

Personal Income Tax - Withholding	20.0	
Personal Income Tax - Estimates and Finals	40.0	
Corporation Tax	(12.3)	
Transfers From/(To) Other Funds	(180.0)	
Transfer to BRF - Volatility	(45.0)	
All Other Changes (net)	1.4	(175.9)

Expenditures

Appropriation Adjustment (TRS restructure)	(380.9)	
Additional Requirements	0.0	
Estimated Lapses	52.3	
Miscellaneous Adjustments/Rounding	(0.5)	(329.1)

Estimated Balance from Operations - June 30, 2019 \$ 195.9

Special Transportation Fund

Fund Balance as of June 30, 2018 \$ 245.7

Balance from Operations - Prior Month 63.1

Revenues

All Changes (Net)	0.4	0.4
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Expenditures

Additional Requirements	0.0	
Estimated Lapses	4.0	
Miscellaneous Adjustments/Rounding	0.0	4.0

Estimated Fund Balance - June 30, 2019 \$ 313.2

State of Connecticut
General Fund
Statement of Revenues, Expenditures, and Results of Operations
Projected to June 30, 2019
As of June 30, 2019
(In Millions)

	General Assembly Budget Plan ¹	Revised Estimates OPM	Over/ (Under)
REVENUE			
Taxes	\$ 17,202.1	\$ 18,540.3	\$ 1,338.2
Less: Refunds	(1,339.8)	(1,470.8)	(131.0)
Taxes - Net	<u>\$ 15,862.3</u>	<u>\$ 17,069.5</u>	<u>\$ 1,207.2</u>
Other Revenue	1,208.6	1,314.4	105.8
Other Sources	1,937.8	1,151.8	(786.0)
TOTAL Revenue	<u>\$ 19,008.7</u>	<u>\$ 19,535.7</u>	<u>\$ 527.0</u>
EXPENDITURES			
Initial Current Year Appropriations	\$ 19,019.7	\$ 19,400.6 ³	\$ 380.9
Prior Year Appropriations Continued to FY 2019 ²		134.3	134.3
TOTAL Initial and Continued Appropriations	<u>\$ 19,019.7</u>	<u>\$ 19,534.9</u>	<u>\$ 515.2</u>
Appropriation Adjustments	-	-	-
TOTAL Adjusted Appropriations	<u>\$ 19,019.7</u>	<u>\$ 19,534.9</u>	<u>\$ 515.2</u>
Net Additional Expenditure Requirements		-	-
Estimated Appropriations Lapsed	(21.5)	(126.3)	(104.8)
Estimated Appropriations to be Continued to FY 2020 ²		(165.0)	(165.0)
TOTAL Estimated Expenditures	<u>\$ 18,998.2</u>	<u>\$ 19,243.6</u>	<u>\$ 245.4</u>
Net Change in Fund Balance - Continuing Appropriations		30.7	30.7
Miscellaneous Adjustments/Rounding		(65.5)	(65.5)
Net Change in Unassigned Fund Balance - 6/30/2019	\$ 10.5	\$ 195.9	\$ 185.4

1. P.A. 18-81 as amended by P.A. 18-49.

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

3. Sec. 90 of P.A. 19-117 adjusts appropriations by \$380.9 million for purposes of funding the Teachers' Retirement bond fund special capital reserve.

State of Connecticut
General Fund
Revenue Estimates
Projected to June 30, 2019
As of June 30, 2019
(In Millions)

	General Assembly Budget Plan ¹	Revised Estimates OPM	Over/ (Under)
TAXES			
Personal Income - Withholding	\$ 6,147.7	\$ 6,598.1	\$ 450.4
Personal Income - Estimates and Finals	2,959.9	2,972.3	12.4
Sales and Use	4,153.6	4,330.8	177.2
Corporation	920.2	1,060.0	139.8
Pass-through Entity Tax	600.0	1,165.0	565.0
Public Service Corporations	243.8	248.3	4.5
Inheritance and Estate	176.2	225.2	49.0
Insurance Companies	234.3	193.8	(40.5)
Cigarettes	381.0	358.5	(22.5)
Real Estate Conveyance	209.4	209.4	-
Alcoholic Beverages	63.0	65.0	2.0
Admissions and Dues	41.8	46.7	4.9
Health Provider Tax	1,049.2	1,049.2	-
Miscellaneous	22.0	18.0	(4.0)
TOTAL - TAXES	\$ 17,202.1	\$ 18,540.3	\$ 1,338.2
Less: Refunds of Taxes	(1,215.1)	(1,373.9)	(158.8)
Earned Income Tax Credit	(118.3)	(91.5)	26.8
R & D Credit Exchange	(6.4)	(5.4)	1.0
TOTAL - TAXES - NET	\$ 15,862.3	\$ 17,069.5	\$ 1,207.2
OTHER REVENUE			
Transfers - Special Revenue	\$ 352.7	\$ 364.1	\$ 11.4
Indian Gaming Payments	203.6	255.2	51.6
Licenses, Permits, Fees	322.6	297.1	(25.5)
Sales of Commodities and Services	37.7	27.1	(10.6)
Rents, Fines, Escheats	147.2	166.1	18.9
Investment Income	14.5	49.8	35.3
Miscellaneous	189.1	214.1	25.0
Refunds of Payments	(58.8)	(59.1)	(0.3)
TOTAL - OTHER REVENUE	\$ 1,208.6	\$ 1,314.4	\$ 105.8
OTHER SOURCES			
Federal Grants	\$ 2,112.4	\$ 2,083.8	\$ (28.6)
Transfer from Tobacco Settlement Fund	110.2	110.2	-
Transfers From/(To) Other Funds	78.3	(101.7)	(180.0)
Transfers to BRF - Volatility Adjustment ²	(363.1)	(940.5)	(577.4)
TOTAL - OTHER SOURCES	\$ 1,937.8	\$ 1,151.8	\$ (786.0)
TOTAL - GENERAL FUND REVENUE	\$ 19,008.7	\$ 19,535.7	\$ 527.0

1. Sec. 27 of P.A. 18-81 as amended by P.A. 18-49. For clarity, OPM has modified this exhibit to separate revenue from the new Pass-through Entity Tax from the Corporation Tax, as the former is a component of the volatility cap.

2. The volatility cap for FY 2019 is \$3,196.8 million. Total revenue from the Estimates and Finals portion of the Personal Income Tax and the Pass-through Entity Tax that exceeds the volatility cap will be deposited into the Budget Reserve Fund.

State of Connecticut - General Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2019
As of June 30, 2019

No Additional Requirements

Total

\$ -

State of Connecticut
General Fund
Estimated Lapses
Projected to June 30, 2019
As of June 30, 2019

Legislative Management	\$ 1,003,558
Auditors of Public Accounts	159,155
Commission on Women, Children and Seniors	222,935
Commission on Equity and Opportunity	102,919
Governor's Office	180,904
Secretary of the State	227,070
Lieutenant Governor's Office	59,798
Elections Enforcement Commission	11,040
Office of State Ethics	40,298
Freedom of Information Commission	34,879
State Treasurer	16,136
State Comptroller	417,918
Department of Revenue Services	1,225,438
Office of Governmental Accountability	111,812
Office of Policy and Management	4,564,135
Department of Veterans Affairs	699,767
Department of Administrative Services	467,019
Attorney General	1,684,738
Division of Criminal Justice	807,973
Department of Emergency Services and Public Protection	2,770,983
Military Department	106,100
Department of Consumer Protection	306,970
Labor Department	2,055,240
Commission on Human Rights and Opportunities	48,427
Department of Agriculture	486,613
Department of Energy and Environmental Protection	691,086
Department of Economic and Community Development	42,080
Department of Housing	4,245,557
Agricultural Experiment Station	30
Department of Public Health	1,435,619
Office of Health Strategy	140,146
Office of the Chief Medical Examiner	13,313
Department of Developmental Services	12,292,835
Department of Mental Health and Addiction Services	3,527,492
Psychiatric Security Review Board	3,757
Department of Social Services	10,796,385
Department of Aging and Disability Services	2,707,389
Department of Education	13,052,198
Office of Early Childhood	2,121,048
State Library	8,742
Office of Higher Education	169,322

State of Connecticut
General Fund
Estimated Lapses
Projected to June 30, 2019
As of June 30, 2019

University of Connecticut	704,255
University of Connecticut Health Center	640,805
Teachers' Retirement Board	68,600
Connecticut State Colleges and Universities	461,019
Department of Correction	128,851
Department of Children and Families	1,390,423
Judicial Department	9,351,618
Public Defender Services Commission	241,279
OTT - Debt Service	18,759,251
OSC - Fringe Benefits	25,430,631
DAS - Workers' Compensation Claims	49,015
Total	<u>\$ 126,284,573</u>

State of Connecticut
FY 2019 General Fund
Monthly Summary of Operations
(In Millions)

	Budget Plan ¹	July 2018	August 2018	September 2018	October 2018	November 2018	December 2018	January 2019	February 2019	Updated March 2019	April 2019	May 2019	June 2019
REVENUE	\$ 19,008.7	\$ 19,171.6	\$ 19,179.2	\$ 19,182.4	\$ 19,269.4	\$ 19,275.9	\$ 19,473.0	\$ 19,473.0	\$ 19,473.0	\$ 19,591.0	\$ 19,591.0	\$ 19,711.6	\$ 19,535.7
Appropriations	19,019.7	19,019.7	19,019.7	19,019.7	19,019.7	19,019.7	19,019.7	19,019.7	19,019.7	19,019.7	19,019.7	19,019.7	19,400.6
Additional Requirements	0.0	31.5	35.5	54.6	54.6	58.0	61.9	45.3	57.3	54.6	65.0	0.0	0.0
Less: Estimated Lapses	<u>(21.5)</u>	<u>(27.5)</u>	<u>(60.7)</u>	<u>(76.8)</u>	<u>(79.8)</u>	<u>(84.2)</u>	<u>(110.5)</u>	<u>(148.0)</u>	<u>(148.3)</u>	<u>(124.1)</u>	<u>(128.5)</u>	<u>(74.0)</u>	<u>(126.3)</u>
TOTAL - Estimated Expenditures	18,998.2	19,023.7	18,994.5	18,997.5	18,994.5	18,993.5	18,971.1	18,917.0	18,928.7	18,950.2	18,956.2	18,945.7	19,274.3
Balance from Operations	10.5	147.9	184.7	184.9	274.9	282.4	501.9	556.0	544.3	640.8	634.8	765.9	261.4
Misc. Adjustments/Rounding	<u>0.0</u>	<u>(10.0)</u>	<u>(15.0)</u>	<u>(15.0)</u>	<u>(20.0)</u>	<u>(40.0)</u>	<u>(40.0)</u>	<u>(39.9)</u>	<u>(47.9)</u>	<u>(59.9)</u>	<u>(63.0)</u>	<u>(65.0)</u>	<u>(65.5)</u>
Est. Balance from Operations - 6/30/19	\$10.5	\$137.9	\$169.7	\$169.9	\$254.9	\$242.4	\$461.9	\$516.1	\$496.4	\$580.9	\$571.8	\$700.9	\$195.9

1. P.A. 18-81 as amended by P.A. 18-49

State of Connecticut
Special Transportation Fund
Analysis of Budget Plan
Projected to June 30, 2019
As of June 30, 2019
(In Millions)

	General Assembly <u>Budget Plan</u> ^{1.}	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
Fund Balance as of June 30, 2018	\$ 224.0	\$ 245.7	\$ 21.7
REVENUE			
Taxes	\$ 1,227.3	\$ 1,276.6	\$ 49.3
Less: Refunds of Taxes	<u>(14.6)</u>	<u>(32.1)</u>	<u>(17.5)</u>
Taxes - Net	1,212.7	1,244.5	31.8
Other Revenue	<u>407.8</u>	<u>440.1</u>	<u>32.3</u>
TOTAL - Revenue	\$ 1,620.5	\$ 1,684.6	\$ 64.1
EXPENDITURES			
Appropriations	\$ 1,629.3	\$ 1,629.3	\$ -
Prior Year Appropriations Continued to FY 2019 ^{2.}		<u>28.5</u>	<u>28.5</u>
TOTAL Initial and Continued Appropriations	\$ 1,629.3	\$ 1,657.8	\$ 28.5
Appropriation Adjustments	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL Adjusted Appropriations	\$ 1,629.3	\$ 1,657.8	\$ 28.5
Net Additional Expenditure Requirements		-	-
Estimated Appropriations Lapsed	(12.0)	(12.2)	(0.2)
Estimated Appropriations to be Continued to FY 2020 ^{2.}		<u>(29.3)</u>	<u>(29.3)</u>
TOTAL Estimated Expenditures	\$ 1,617.3	\$ 1,616.3	\$ (1.0)
Net Change in Fund Balance - Continuing Appropriations		0.8	0.8
Miscellaneous Adjustments/Rounding		-	-
Net Change in Unassigned Fund Balance - FY 2019	\$ 3.2	\$ 67.5	\$ 64.3
Estimated Fund Balance - June 30, 2019	<u>\$ 227.2</u>	<u>\$ 313.2</u>	<u>\$ 86.0</u>

1. P.A. 18-81 as amended by P.A. 18-49.

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

State of Connecticut
Special Transportation Fund
Revenue Estimates
Projected to June 30, 2019
As of June 30, 2019
(In Millions)

	General Assembly Budget Plan ¹ .	Revised Estimates OPM	Over/ (Under)
TAXES			
Motor Fuels	\$ 502.3	\$ 511.1	\$ 8.8
Oil Companies	279.8	307.5	27.7
Sales & Use Tax	358.4	370.7	12.3
Sales Tax DMV	86.8	87.3	0.5
TOTAL - TAXES	<u>1,227.3</u>	<u>1,276.6</u>	<u>49.3</u>
Less: Refunds of Taxes	<u>(14.6)</u>	<u>(32.1)</u>	<u>(17.5)</u>
TOTAL - TAXES - NET	\$ 1,212.7	\$ 1,244.5	\$ 31.8
OTHER REVENUE			
Motor Vehicle Receipts	\$ 250.6	\$ 250.4	\$ (0.2)
Licenses, Permits, Fees	142.8	151.6	8.8
Interest Income	12.4	36.2	23.8
Federal Grants	12.1	12.3	0.2
Transfers (To)/From Other Funds	(5.5)	(5.5)	-
Refunds of Payments	<u>(4.6)</u>	<u>(4.9)</u>	<u>(0.3)</u>
TOTAL - OTHER REVENUE	\$ 407.8	\$ 440.1	\$ 32.3
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$ 1,620.5	\$ 1,684.6	\$ 64.1

1. Sec. 28 of P.A. 18-81 as amended by P.A. 18-49.

State of Connecticut
Special Transportation Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2019
As of June 30, 2019

No additional requirements

Total

\$ -

Statement 4T
July 19, 2019

State of Connecticut
Special Transportation Fund
Estimated Lapses
Projected to June 30, 2019
As of June 30, 2019

Department of Environmental Protection	\$	25,576
Department of Motor Vehicles		211,476
Department of Transportation		911,793
OTT - Debt Service		9,009,144
DAS - Workers' Compensation Claims		1,668,466
OSC - Fringe Benefits		350,122
Total		<u>\$ 12,176,577</u>

State of Connecticut
FY 2019 Special Transportation Fund
Monthly Summary of Operations
(In Millions)

	Budget Plan ¹ .	July 2018 ¹ .	August 2018	September 2018	October 2018	November 2018	December 2018	January 2019	February 2019	Updated March 2019	April 2019	May 2019	June 2019
Beginning Balance ² .	\$ 224.0	\$ 224.0	\$ 245.7	\$ 245.7	\$ 245.7	\$ 245.7	\$ 245.7	\$ 245.7	\$ 245.7	\$ 245.7	\$ 245.7	\$ 245.7	\$ 245.7
Revenue	<u>1,620.5</u>	<u>1,677.3</u>	<u>1,677.3</u>	<u>1,677.3</u>	<u>1,684.6</u>	<u>1,684.6</u>	<u>1,687.6</u>	<u>1,687.6</u>	<u>1,687.6</u>	<u>1,675.4</u>	<u>1,675.4</u>	<u>1,684.2</u>	<u>1,684.6</u>
Total Available	1,844.5	1,901.3	1,923.0	1,923.0	1,930.3	1,930.3	1,933.3	1,933.3	1,933.3	1,921.1	1,921.1	1,929.9	1,930.3
Appropriations	1,629.3	1,629.3	1,629.3	1,629.3	1,629.3	1,629.3	1,629.3	1,629.3	1,629.3	1,629.3	1,629.3	1,629.3	1,629.3
Additional Requirements	0.0	0.0	0.0	0.0	0.0	1.0	0.7	1.0	1.0	1.2	2.9	0.0	0.0
Less: Estimated Lapses	<u>(12.0)</u>	<u>(12.0)</u>	<u>(12.0)</u>	<u>(12.0)</u>	<u>(12.0)</u>	<u>(12.0)</u>	<u>(12.0)</u>	<u>(15.7)</u>	<u>(17.2)</u>	<u>(14.2)</u>	<u>(14.1)</u>	<u>(8.2)</u>	<u>(12.2)</u>
TOTAL - Estimated Expenditures	1,617.3	1,617.3	1,617.3	1,617.3	1,617.3	1,618.3	1,618.0	1,614.6	1,613.1	1,616.3	1,618.1	1,621.2	1,617.1
Balance from Operations	3.2	60.0	60.0	60.0	67.3	66.3	69.6	73.0	74.5	59.1	57.3	63.1	67.5
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>	<u>0.0</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 6/30/19	\$227.2	\$284.0	\$305.7	\$305.7	\$313.0	\$312.0	\$315.3	\$318.7	\$320.2	\$304.8	\$303.0	\$308.8	\$313.2

1. P.A. 18-81 as amended by P.A. 18-49.

2. Budget plan and July as estimated by the Office of Policy and Management based on the Comptroller's August 1, 2018 letter. August per communications with the Office of the State Comptroller.