

OFFICE OF FISCAL ANALYSIS

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State Budget Projections General Fund April 30, 2015

Summary

We are currently projecting a \$184.0 million deficit in the General Fund.¹ This reflects a decrease in the projected deficit of \$7.0 million since our March statement.

FY 15 General Fund Overview (in millions) ¹

Estimates	Budget	March Projection	April Projection	Difference from March	Difference from Budget
Expenditures					
Agency Appropriations	17,589.8	17,589.8	17,589.8	-	-
Deficiency Requirements	-	146.7	145.1	(1.6)	145.1
Lapses	(132.1)	(229.8)	(272.4)	(42.6)	(140.3)
Total Expenditures	17,457.7	17,506.7	17,462.5	(44.2)	4.8
Revenues					
Personal Income Tax	9,264.5	9,264.5	9,199.0	(65.5)	(65.5)
Sales and Use	4,167.4	4,226.2	4,221.2	(5.0)	53.8
Corporations	704.3	734.3	756.0	21.7	51.7
Federal Grants	1,299.6	1,191.1	1,226.1	35.0	(73.5)
Other Taxes and Refunds	778.4	641.6	606.5	(35.1)	(171.9)
Other Revenue Sources	1,243.8	1,271.6	1,283.3	11.7	39.5
Total Revenues	17,458.0	17,329.3	17,292.1	(37.2)	(165.9)
Operating Surplus/(Deficit)	0.3	(177.4)	(170.4)	7.0	(170.7)
% of Expenditures	0.0%	-1.0%	-0.98%	0.0%	-1.0%
Carry Forward of Lapse	-	(13.6)	(13.6)	-	(13.6)
Adjusted Surplus/(Deficit)	0.3	(191.0)	(184.0)	7.0	(184.3)

¹ Totals may appear to not add up due to a rounding effect

¹ Pursuant to CGS 4-85(b), if the year-end General Fund deficit projected by the State Comptroller on the first of any month exceeds 1% of the budget, the Governor is required to submit a Deficit Mitigation Plan to the General Assembly within 30 days. That threshold is \$174.6 million.

Major Expenditure Changes since the March Statement

Debt Service - Office of the State Treasurer - The projection for the General Fund debt service account was reduced by \$20.2 million or 1.4% from last month's estimate due to premiums received on the March 2015 General Obligation issuance. (Bond purchasers pay a premium to receive a higher coupon rate than the one at which the bonds would otherwise have sold.)

Department of Developmental Services - The Personal Services account expenditure projection was reduced by \$2.1 million or 1.2% from last month's projection due to the delayed filling of approximately 31 vacant positions.

Department of Correction - The Personal Services account projection was reduced by \$2.5 million, or 0.6% of the account's appropriation due primarily to a sustained reduction in overtime and sick time utilization over the previous fiscal year. On average, overtime use is 8,000 hours lower per pay period and sick time usage is 700 hours lower in FY 15 than FY 14. Additionally, the seasonal increases in prison population were lower in FY 15 than in FY 14.

Office of Early Childhood - Child Care Services expenditures were reduced by \$1,970,000 or 10.2% from last month's projection due to the under-utilization of slots in the program.

Office of Early Childhood - Child Care Services - TANF CCDF expenditures were reduced by \$5 million or 4.5% from last month's projection due to lower enrollment in the Care4Kids program. On average, caseload is tracking 2.2% lower than in FY 14 while expenditures remain flat.

Office of Early Childhood - School Readiness Quality Enhancement expenditures were reduced by \$1 million or 26.8% from last month's projection due to the delay of initiatives that will not occur this fiscal year. Such initiatives include the distribution of local planning grants, a preschool study, and the establishment of five COLLECT hubs related to background checks and other requirements for daycare providers.

Office of the State Comptroller - Fringe Benefits - Alternative Retirement System (ARP) - The Higher Education Alternative Retirement System account projection was increased by \$2 million or 33.7% from our last projection. The adjustment was made to reflect the final payment to ARP's current vendor VOYA to ensure a seamless transition to the new ARP vendor Prudential, effective July 1st. In the past, the final payment for a fiscal year has been made in July; the adjustment reflects the final payment for the fiscal year to VOYA being made in June.

Office of the State Comptroller - Fringe Benefits - State Employees' Health Services - The State Employees' Health Services Cost account projection was decreased by \$1.5 million or 0.2% from our last projection due to an additional month of paid claims information. The adjustment eliminates the deficiency previously projected in the account. Average monthly carrier payments are approximately \$78.2 million; the adjustment reflects less than 2% of average monthly carrier payments.

Major Revenue Changes since the March Statement

Personal Income Tax - was reduced by \$65.5 million or 0.7% from our last projection consisting of an increase to Withholding of \$114.1 million, which is more than offset by a negative adjustment of \$179.6 million to Estimates and Finals due to weakness in the April payment.

Sales and Use Tax - was reduced by \$5 million or 0.01% from our last projection to account for slightly weakened collections over the last few months.

Corporation Business Tax - was increased by \$21.7 million or 3.0% from our last projection due to above-target collections for the March payment, which is the most significant payment annually.

Insurance Companies - was reduced by \$20.8 million or 8.4% from our last projection which is assumed to be due to the use of tax credits as a result of the 1/1/15 expiration of the cap on credit usage.

Health Provider Tax - was reduced by \$18.7 million or 4.1% from our last projection to reflect an updated projection of tax credit utilization by hospitals.

Miscellaneous Tax - was decreased by \$30.6 million or 46.7% to account for the distribution of the DRS Tax Gap Initiative amongst other tax types.

Refunds of Taxes - was decreased by \$35 million or 3.1% to reflect positive trends in non-Income Tax refunds through April.

Indian Gaming Payments - was reduced by \$1.0 million or 0.4% from our last projection due to weak casino activity throughout the winter, most likely associated with extreme weather.

Licenses, Permits, and Fees - was increased by \$7.4 million or 2.7% from our last projection due to collections of certain application/exam fees and professional services licensing outpacing expectations.

Sales of Commodities and Services - was decreased by \$7 million or 16.1% due to billing issues within the Department of Mental Health and Addictions Services related to hospitals.

Rentals, Fines and Escheats - was increased by \$6.0 million or 5.1% from our last projection due to significant escheat activity in the months of March and April.

Investment Income - was increased by \$1.3 million or 216.7% from our last projection due to the deposit of interest related to CHEFA bonds.

Miscellaneous Revenue - was increased by \$5.0 million or 2.5% from our last projection due to positive collections trends relative to target.

Deficient Agencies

Given the reduction in available funding that occurs due to budgeted lapses (holdbacks), we currently identify eight agencies that would require \$145.1 million in additional expenditure requirements. However, if available funding were to be released, this would reduce the need for deficiency funding to \$141.3 million.

FY 15 Estimated Agency Deficiency Needs					
Agency	Budgeted Appropriation \$	Available ^[1] Appropriation \$	Estimated Exp. \$	Deficiency without release of holdbacks \$	Deficiency with release of holdbacks \$
General Fund					
Department of Social Services	2,994,518,834	2,990,897,966	3,087,897,966	(97,000,000)	(95,407,490)
State Comptroller - Fringe Benefits	2,465,679,610	2,457,780,714	2,476,780,431	(18,999,717)	(18,999,717)
Department of Correction	675,833,632	680,589,133	690,192,578	(9,603,445)	(8,509,987)
State Comptroller - Miscellaneous	4,100,000	4,100,000	12,400,000	(8,300,000)	(8,300,000)
Public Defender Services Commission	63,616,706	62,377,370	68,677,370	(6,300,000)	(6,094,734)
Department of Emergency Services and Public Protection	170,416,519	182,705,783	186,705,783	(4,000,000)	(3,679,890)
Department of Education	3,033,327,785	3,028,754,446	3,029,278,685	(524,239)	-
Department of Agriculture	5,007,960	5,060,502	5,427,123	(366,621)	(357,512)
General Fund Total				(145,094,022)	(141,349,330)
[1] Appropriation less budgeted lapses					

Use the links below to see detailed estimates by agency/account and revenue category.

[Expenditures XLS PDF](#)

[Revenues XLS PDF](#)