

# OFFICE OF FISCAL ANALYSIS

Room 5200, Legislative Office Building  
 Hartford, CT 06106 - (860) 240-0200  
 E-Mail: [ofa@cga.ct.gov](mailto:ofa@cga.ct.gov)  
[www.cga.ct.gov/ofa](http://www.cga.ct.gov/ofa)

## State Budget Projections General Fund June 27, 2016

### Summary

We are currently projecting a \$322.9 million deficit in the General Fund. This reflects an increase of \$56.0 million since our statement for May 25<sup>th</sup>. It is anticipated that this deficit will be extinguished by the Budget Reserve Fund, reducing the amount of the Budget Reserve Fund from \$406.0 million to \$83.1 million. In accordance with CGS Section 4-30a(b), amounts credited to the Budget Reserve Fund shall be “deemed appropriated” for the purpose of funding any General Fund deficit in the preceding fiscal year, as determined by the State Comptroller in September.

### FY 16 General Fund Overview (in millions) <sup>1</sup>

Estimates	Budget	May Projection	June Projection	Difference from May	Difference from Budget
<b>Expenditures</b>					
Agency Appropriations <sup>2</sup>	18,362.2	18,362.2	18,362.2	-	-
Deficit Mitigation	-	(262.0)	(248.2)	13.8	(248.2)
Deficiency Requirements	-	11.8	0.1	(11.7)	0.1
Lapses	(200.6)	(112.6)	(141.4)	(28.8)	59.2
<b>Total Expenditures</b>	<b>18,161.6</b>	<b>17,999.3</b>	<b>17,972.6</b>	<b>(26.7)</b>	<b>(188.9)</b>
<b>Revenues</b>					
Personal Income Tax	9,834.4	9,275.0	9,175.0	(100.0)	(659.4)
Sales and Use	4,121.1	4,220.3	4,195.3	(25.0)	74.2
Corporations	902.2	884.4	874.4	(10.0)	(27.8)
Federal Grants	1,265.2	1,185.6	1,235.6	50.0	(29.6)
Other Taxes and Refunds	853.9	863.8	856.1	(7.7)	2.2
Other Revenue Sources	1,185.5	1,303.3	1,313.3	10.0	127.8
<b>Total Revenues</b>	<b>18,162.3</b>	<b>17,732.4</b>	<b>17,649.7</b>	<b>(82.7)</b>	<b>(512.6)</b>
<b>Operating Surplus/(Deficit)</b>	<b>0.7</b>	<b>(266.9)</b>	<b>(322.9)</b>	<b>(56.0)</b>	<b>(323.7)</b>
% of Expenditures	0.0%	-1.5%	-1.8%		

<sup>1</sup> Totals may appear to not add up due to a rounding effect

<sup>2</sup> Projected expenditures include \$15.5 million in statutory carry forwards that are not anticipated to lapse.

## Major Expenditure Changes since May

### Decreases to Projections

**Department of Correction - Personal Services** - The account projection was reduced by \$6.9 million or 1.5% of the account's appropriation due to a sustained reduction in overtime spending as well as a reduction in force. Over the previous fiscal year, overtime expenditures have fallen approximately 23%. In addition, as of June 22, 2016, the agency has laid off 247 staff.

**Office of the State Comptroller - Fringe Benefits - Retired State Employees' Health Services** - The Retired State Employees' Health Services Cost account projection was decreased by \$3 million or 0.5% from our last projection due to additional paid-claims information.

**Department of Mental Health and Addiction Services - Young Adult Services** - The account projection was decreased by \$1.9 million or 2.4% from our last projection primarily due to serving clients via a day program rather than a 24/7 program (which would have required additional staff) and a delay in the availability of beds in the community.

**Department of Mental Health and Addiction Services - Home and Community Based Services** - The account projection was decreased by \$1.3 million or 7.5% from our last projection due to fewer than anticipated clients, as well as lower than anticipated expenditures for clients transferring to the community. The program was budgeted to serve 568 clients and 466 were actually transitioned.

**Office of the State Comptroller - Fringe Benefits - Employers' Social Security Tax** - The account projection was decreased by approximately \$1.5 million or 0.7% from our last projection due to additional payroll information.

**Department of Emergency Services and Public Protection - Personal Services** - The account projection was decreased by \$1.3 million or .9% from our last projection due to reimbursements for resident state troopers and highway construction projects, as well as reduced overtime costs.

**Department of Mental Health and Addiction Services - Discharge and Diversion** - The account projection was decreased by \$1.2 million or 5% from our last projection due to serving fewer people in the community than originally anticipated, primarily due to a delay in the availability of congregate site beds.

### Increases to Projections

**Office of the State Comptroller - Fringe Benefits - State Employees' Health Service Cost** - The State Employees' Health Service Cost account projection was increased by \$1.5 million or 0.2% from our last projection due to additional paid claims information.

**Department of Emergency Services and Public - Fleet Purchase** - The Department of Administrative Services (DAS) procures the vehicles for the State. This account reimburses

DAS on a monthly basis for the State Police vehicles. The account projection was increased by \$1.2 million due to the release of funds held back as a result of deficit mitigation plans.

## Major Revenue Changes since May

### Negative Adjustments

**Personal Income Tax** - The projection was decreased by \$100 million, or 1.1%, to reflect weakness in withholding collections (\$20 million) and a decrease over last year in estimated and final payments (\$80 million). May and June estimated and final payments are down approximately 11% from last year.

**Sales and Use Tax** - The projection was decreased by \$25.0 million, or 0.5%, from the April 2016 Consensus to account for a continued weakening of monthly collections since April.

**Public Service Companies Tax** - The projection was decreased by \$15 million or 5.4% due to continued deterioration in the rate of growth of quarterly payments on a year-over-year basis.

**Corporation Tax** - The projection was decreased by \$10 million or 1.1% due to underperformance of the June payment relative to targeted levels.

**Miscellaneous Revenue** - The projection was decreased by \$6 million or 3.4% to reflect below-target collections trends.

**Insurance Companies Tax** - The projection was decreased by \$3 million or 1.2% to reflect actual collections through the end of the fiscal year, as this revenue source does not accrue back.

**Miscellaneous Taxes** - The projection was decreased by \$2.3 million or 11.7% due to significant weakness in collections under the Attorney Occupational Tax.

**R & D Credit Exchange** - The projection was increased (negative revenue impact) by \$0.4 million or 5.6% to reflect actual payments through the end of the fiscal year, as this revenue category does not accrue back.

### Positive Adjustments

**Federal Grants** - The projection was increased by \$50 million to reflect the receipt of federal revenue for FY 16 expenditures, which will now occur in FY 17.

**Refunds of Payments** - The projection was decreased (positive revenue impact) by \$6 million or 9.2% to reflect actual payments through the end of the fiscal year, as this revenue category does not accrue back.

**Rentals, Fines & Escheats** - The projection was increased by \$6 million or 4.8% to reflect higher-than-anticipated revenue from escheated property

**Refunds of Taxes** - The projection was decreased (positive revenue impact) by \$4 million or 0.4% to reflect actual refunds through the end of the fiscal year, as this revenue category does not accrue back.

**Transfers - Special Revenue** - The projection was increased by \$4 million or 1.2% to reflect the expiration of a Powerball ticket (\$1 million) and strength in overall lottery sales.

**Cigarettes Tax** - The projection was increased by \$3.0 million or 0.8% to reflect above-target receipts since the April estimate.

**Health Provider Tax** - The projection was increased by \$3.0 million, or 0.5%, from the April 2016 Consensus due to a continuation of higher than anticipated payments in the 3rd quarter amongst all the health taxes. This includes an increase in the second payment of the Ambulatory Surgical Centers tax collected in April over the first payment collected in January.

**Inheritance & Estate Tax** - The projection was increased by \$2 million or 0.9% due to a significant payment received late in the month.

**Admissions & Dues Tax** - The projection was increased by \$1 million or 2.6% to reflect above-target trends in May and June collections.

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

[Expenditures XLS PDF](#)

[Revenues XLS PDF](#)