

OFFICE OF FISCAL ANALYSIS

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State Budget Projections General Fund June 25, 2015

Summary

We are currently projecting a \$116.4 million deficit in the General Fund. This reflects a decrease in the projected deficit of \$73.1 million since our May statement.

Please note that the estimates in this statement does not include the impact of HB 7061, the FY 16 - FY 17 Biennial Budget (which has not yet been signed by the Governor or otherwise become law) which: 1) transfers \$8.5 million from various non-appropriated funds to the General Fund to help mitigate the projected FY 15 General Fund deficit; 2) authorizes up to \$11.5 million in carry forwards (into FY 16) of unspent FY 15 funds¹; and 3) transfers appropriated funds between agencies to eliminate deficiencies in certain agencies.²

FY 15 General Fund Overview (in millions) ¹

Estimates	Budget	May Projection	June Projection	Difference from May	Difference from Budget
Expenditures					
Agency Appropriations	17,589.8	17,589.8	17,589.8	-	-
Deficiency Requirements	-	144.4	113.5	(30.9)	113.5
Lapses	(132.1)	(277.2)	(274.9)	2.3	(142.8)
Total Expenditures	17,457.7	17,457.0	17,428.4	(28.6)	(29.3)
Revenues					
Personal Income Tax	9,264.5	9,199.0	9,172.0	(27.0)	(92.5)
Sales and Use	4,167.4	4,221.2	4,221.2	-	53.8
Corporations	704.3	756.0	804.5	48.5	100.2
Federal Grants	1,299.6	1,226.1	1,226.1	-	(73.5)
Other Taxes and Refunds	778.4	625.5	612.7	(12.8)	(165.7)
Other Revenue Sources	1,243.8	1,253.3	1,289.1	35.8	45.3
Total Revenues	17,458.0	17,281.1	17,325.6	44.5	(132.4)
Operating Surplus/(Deficit)	0.3	(175.9)	(102.8)	73.1	(103.1)
% of Expenditures	0.0%	-1.01%	-0.59%	0.4%	-0.6%
Carry Forward of Lapse	-	(13.6)	(13.6)	-	(13.6)
Adjusted Surplus/(Deficit)	0.3	(189.5)	(116.4)	73.1	(116.7)

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

¹ In addition to the \$13.6 million statutory carry forward already recognized in the summary table.

Major Expenditure Changes since the May Statement

Department of Social Services – Other Expenses – The account projection was reduced by \$15 million or 11.4% from last month’s projection. The previous deficiency estimate was largely due to higher than budgeted information technology costs related to shared services with Access Health CT. Medicaid eligible clients are identified as they work with Access Health CT to secure health insurance via the Exchange. There is a reconciliation of expenses (for example, those related to assisting clients via call centers), which are then charged or credited to the appropriate party. The original budget anticipated a DSS administrative share of approximately 56% and an Exchange share of 44%, however expenditure estimates were adjusted due to a higher DSS share throughout the year. The final reconciliation of shared costs between the department and Access Health CT actually lowered anticipated information technology related costs by \$11.6 million. The original FY 15 budget for OE was \$128.4 million, which includes IT related costs of about \$26 million. The final estimated expenditures are \$131.3 million reflecting a 2.3% change to OE. FAC 2015-23 transferred \$3.4 million into this account on June 11, 2015 to meet the remaining expenditure requirements.

Department of Housing – Housing/Homeless Services – The account projection was reduced by \$2 million or 3.2% from last month’s projection due to fewer than anticipated transitions through the Money Follows the Person program. The federal Money Follows the Person (MFP) Rebalancing Demonstration Grant encourages states to reduce their reliance on institutional care for Medicaid recipients by transitioning individuals out of institutional settings and into community settings with appropriate supports. Participants in MFP receive state rental assistance program certificates for housing. There are approximately 1,050 units for MFP in the state rental assistance program at an annual cost of up to \$12,000 per unit. Approximately \$10.5 million from the state rental assistance program budget of \$52.4 million is dedicated to the MFP program in FY 15.

Major Revenue Changes since the May Statement

Corporation Business Tax – The projection was increased by \$48.5 million or 6.4% from last month’s projection due to a higher-than-anticipated June payment (\$156.7 million anticipated vs. \$192 million projected). This positive variance significantly exceeds the positive variance from the March payment (\$175.4 million anticipated vs. \$187.1 million actual). Historically, the March and June estimated payments represent the most significant proportion of Corporation Business Tax collections (22% and 20%, respectively).

Rentals, Fines, and Escheats – The projection was increased by \$36 million or 28.9% from last month’s projection due to significant sales activity related to escheated mutual funds and securities in May, as well as escheated property from the insurance industry. This increase is one-time in nature and thus does not impact revenue projections going forward.

Inheritance & Estate Tax – The projection was increased by \$6 million or 3.7% from last month’s projection due to significant payments received in June.

Refunds of Payments – The projection was reduced (positive revenue impact) by \$5.8 million or 8.0% from last month’s projection due to a significant reduction in refunds of escheated properties.

Refunds of Taxes – The projection was reduced (positive revenue impact) by \$5 million or 0.5% from last month’s projection, primarily due to lower-than-anticipated non-Income Tax refunds.

Personal Income Tax – The projection was reduced by \$27 million or 0.3% from last month’s projection due to weakness in the May-June withholding collections. However, June estimated payments are currently on track to meet targets.

Miscellaneous Tax – The projection was reduced by \$14.7 million or 42.1% from last month’s projection to reflect the receipt of revenue associated with the Tax Gap Initiative within other revenue categories, and therefore already accounted within those figures.

Oil Companies Tax – The projection was reduced by \$5.4 million or 11.1% from last month’s projection to reflect the revenue impact of the latest oil price information from the Energy Information Administration released on June 9, 2015.

Public Service Companies Tax – The projection was reduced by \$5 million or 1.7% from last month’s projection as collections from electric and power companies have not been meeting targeted levels.

Insurance Companies Tax – The projection was reduced by \$3.0 million or 1.3% from last month’s projection to reflect the most updated collections data, as this revenue stream is not accrued past June 30.

Deficient Agencies

Given the reduction in available funding that occurs due to budgeted lapses (holdbacks), we currently identify eight agencies that would require \$113.5 million in additional expenditure requirements. However, if available funding were to be released, this would reduce the need for deficiency funding to \$110.3 million. The deficiencies indicated below do not reflect the impact of HB 7061, as amended, which made deficiency appropriations to various agencies in the total amount of \$121.7 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	2,992,897,966	3,072,897,966	(80,000,000)	(78,407,490)
State Comptroller - Fringe Benefits	2,465,679,610	2,462,050,714	2,474,521,994	(12,471,280)	(12,471,280)
State Comptroller - Miscellaneous	4,100,000	4,100,000	14,300,000	(10,200,000)	(10,200,000)
Public Defender Services Commission	63,616,706	63,951,116	68,377,370	(4,426,254)	(4,220,988)
Department of Emergency Services and Public Protection	170,416,519	183,345,783	186,705,783	(3,360,000)	(3,039,890)
Department of Correction	675,833,632	682,729,133	685,489,133	(2,760,000)	(1,666,542)
Department of Agriculture	5,007,960	5,078,502	5,397,123	(318,621)	(309,512)
General Fund Total				(113,536,155)	(110,315,702)
[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](#)