

OFFICE OF FISCAL ANALYSIS

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State Budget Projections General Fund March 28, 2016

Summary

We are currently projecting a \$247.8 million deficit in the General Fund.¹ This reflects a decrease of \$18.1 million since our February statement.

FY 16 General Fund Overview (in millions) ¹

| Estimates | Budget | February Projection | March Projection | Difference from February | Difference from Budget |
|--|-----------------|---------------------|------------------|--------------------------|------------------------|
| Expenditures | | | | | |
| Agency Appropriations ² | 18,362.2 | 18,362.2 | 18,362.2 | - | - |
| Deficit Mitigation | - | (167.8) | (167.8) | - | (167.8) |
| Deficiency Requirements | - | 76.4 | 71.3 | (5.1) | 71.3 |
| Lapses | (200.6) | (148.9) | (174.0) | (25.1) | 26.6 |
| Total Expenditures | 18,161.6 | 18,121.9 | 18,091.7 | (30.1) | (69.8) |
| Revenues | | | | | |
| Personal Income Tax | 9,645.0 | 9,370.0 | 9,370.0 | - | (275.0) |
| Sales and Use | 4,121.1 | 4,230.3 | 4,230.3 | - | 109.2 |
| Corporations | 902.2 | 950.4 | 950.4 | - | 48.2 |
| Federal Grants | 1,263.1 | 1,217.0 | 1,217.0 | - | (46.1) |
| Other Taxes and Refunds | 842.2 | 859.1 | 847.1 | (12.0) | 4.9 |
| Other Revenue Sources | 1,171.3 | 1,229.1 | 1,229.1 | - | 57.8 |
| Total Revenues | 17,944.9 | 17,855.9 | 17,843.9 | (12.0) | (101.0) |
| Operating Surplus/(Deficit) | (216.7) | (266.0) | (247.8) | 18.1 | (31.2) |
| % of Expenditures | -1.2% | -1.5% | -1.4% | | |
| 1 Totals may appear to not add up due to a rounding effect | | | | | |
| 2 Projected expenditures include \$15.5 million in statutory carry forwards that are not anticipated to lapse. | | | | | |

This change does not reflect the impact of deficit mitigation in progress, including the list of \$65 million in rescissions issued by the Governor on March 16, 2016, and elimination by the Secretary of the Office of Policy and Management of an \$18 million credit from the FY 16 General Fund to FY 17 pursuant to Section 18 of PA 15-1, December Special Session. The impact of these actions, along with any other actions taken to mitigate further the projected FY 16 deficit, will be reflected in our next monthly report scheduled for April 30th.

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 \$181.6 million.

Major Expenditure Changes since February

Office of the State Comptroller - Fringe Benefits - Retired State Employees' Health Services - The account projection was reduced by \$8.4 million or 1.3% from our last projection due to additional paid claims information. Overall average monthly expenditure trends are 3.8% less than anticipated. In addition, the budget assumed a 6% increase in population, however actual growth is trending closer to 3%. Lastly, actual Medicare Part B premiums as of January are approximately 16.1% higher than anticipated versus 51.9% as previously projected.

Department of Social Services - The Temporary Assistance to Families - The account projection was reduced by \$4 million or 4.1% from last month's projection due to lower than anticipated caseload. The FY 16 budgeted average monthly caseload was approximately 16,500, while FY 16 actuals are averaging approximately 16,000 per month.

Department of Developmental Services - Personal Services - The account projection was reduced by \$3 million or 1.2% from last month's projection due to the delayed filling of vacant positions and the management of overtime.

Department of Correction - Personal Services - The account projection was reduced by \$2.0 million or 0.45% of the account's appropriation due primarily to a sustained reduction in overtime over the previous fiscal year. Through February, year to date overtime expenditures have fallen 16.7% compared to FY 15.

Office of Early Childhood - School Readiness - The account projection was reduced by \$2 million or 2.4% from last month's projection due to the slower than anticipated filling of school readiness seats.

Department of Children and Families - Personal Services - The account projection was reduced by \$1.5 million, or 0.5%, to reflect turnover and a 3% reduction in overtime expenditure estimates (\$0.56 million) based on current trends. OFA's January estimate for this account included \$19.4 million in anticipated overtime expenditures in FY 16. The February estimate reflects \$18.9 million.

Public Defender Services Commission - Assigned Counsel - The account projection was reduced \$1.4 million, or a 5.5% change from last month's projection, due to a slow-down in assigned counsel child protection and habeas corpus cases. While FY 16 will end with an increase in total cases from FY 15, the number of cases is anticipated to be lower than previously estimated. In FY 15 there were 10,307 child protection cases and 600 habeas petitions. FY 16 is projected to have approximately 12,000 child protection cases and 648 habeas petitions.

Department of Mental Health and Addiction Services - Young Adult Services (YAS) - The account projection was reduced by \$1.4 million or 1.8% from last month's projection due to a delay in providing services to new clients. The FY 16 budget provided approximately \$4.1 million to support the annualization of FY 15 expenditures and additional caseload growth.

Office of the State Comptroller – Fringe Benefits – Employers’ Social Security Tax – The account projection was reduced by approximately \$1 million or 0.4% from our last projection due to additional payroll information reflecting lower than anticipated hiring and other personnel costs across state agencies. Average General Fund Social Security trends are 4.9% less than anticipated.

Office of Early Childhood – Child Care Services- TANF/CCDBG – The account projection was increased by \$2.4 million or 2.0% from last month’s projection. This change primarily reflects the estimated impact of changing eligibility redeterminations from every eight months to every 12 months in the last quarter of the fiscal year.

Major Revenue Changes since February

Refunds of Personal Income Tax – The projection was increased (negative impact) by \$12 million or 1.1%, to reflect the estimated impact of an error in the Property Tax Credit Tables for 2015 Connecticut Resident Income Tax Returns and Instructions. This error impacted certain filers and is expected to shift some revenues from FY 16 to FY 17.

Deficient Agencies

Given the reduction in available funding that occurs due to budgeted lapses (holdbacks), we currently identify five agencies that would require \$71.3 million in additional expenditure requirements. However, if available funding were to be released, this would reduce the need for deficiency funding to \$67.3 million.

| FY 16 Estimated Agency Deficiency Needs | | | | | |
|---|---------------------------|---|-------------------|--|---|
| Agency | Budgeted Appropriation \$ | Available ^[1] Appropriation \$ | Estimated Exp. \$ | Deficiency without release of holdbacks \$ | Deficiency with release of holdbacks \$ |
| General Fund | | | | | |
| Debt Service - State Treasurer | 1,937,570,413 | 1,937,570,413 | 1,976,853,471 | (39,283,058) | (39,283,058) |
| State Comptroller - Miscellaneous | 69,584,293 | 65,521,899 | 89,025,550 | (23,503,651) | (22,441,257) |
| Office of Early Childhood | 295,033,520 | 293,806,434 | 298,358,434 | (4,552,000) | (4,005,643) |
| Public Defender Services Commission | 70,272,615 | 67,968,503 | 71,518,087 | (3,549,584) | (1,245,472) |
| Office of the Chief Medical Examiner | 6,210,356 | 6,071,666 | 6,531,666 | (460,000) | (323,556) |
| General Fund Total | | | | (71,348,293) | (67,298,986) |
| [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](#)