

OFFICE OF FISCAL ANALYSIS

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

State Budget Projections General Fund April 30, 2016

Summary

We are currently projecting a \$286.0 million deficit in the General Fund.¹ This reflects an increase of \$125.4 million since our March statement.

FY 16 General Fund Overview (in millions) ¹

Estimates	Budget	March Projection ³	April Projection	Difference from March	Difference from Budget
Expenditures					
Agency Appropriations ²	18,362.2	18,362.2	18,362.2	-	-
Deficit Mitigation	-	(167.8)	(275.8)	(108.0)	(275.8)
Deficiency Requirements	-	71.3	74.9	3.6	74.9
Lapses	(200.6)	(174.0)	(142.8)	31.2	57.8
Total Expenditures	18,161.6	18,091.7	18,018.4	(73.3)	(143.1)
Revenues					
Personal Income Tax	9,834.4	9,370.0	9,275.0	(95.0)	(559.4)
Sales and Use	4,121.1	4,230.3	4,220.3	(10.0)	99.2
Corporations	902.2	950.4	884.4	(66.0)	(17.8)
Federal Grants	1,265.2	1,217.0	1,185.6	(31.4)	(79.6)
Other Taxes and Refunds	853.9	847.1	863.8	16.7	9.9
Other Revenue Sources	1,185.5	1,316.3	1,303.3	(13.0)	117.8
Total Revenues	18,162.3	17,931.1	17,732.4	(198.7)	(429.9)
Operating Surplus/(Deficit)	0.7	(160.6)	(286.0)	(125.4)	(286.8)
% of Expenditures	0.0%	-0.9%	-1.6%		

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.

³ March Projection based on post DMP revenue estimates.

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 March

On March 29th the legislature passed a Deficit Mitigation Plan (DMP) totaling \$108.0 million in allotment reductions across the three branches of government. The impact of these reductions is taken into consideration in our overall deficit projection.

Office of the State Comptroller – Fringe Benefits – Retired State Employees’ Health Services – The account projection was reduced by \$5.2 million or 0.8% from our last projection due to additional paid claims information. Overall average monthly expenditure trends are 4.6% less than anticipated.

DESPP – Personal Services – The account projection was reduced by \$2 million or 1.3% from last month’s projection due to 15.5 full time equivalent positions leaving state service and the delay in filling vacant positions, as well as reduced overtime costs.

Reserve for Salary Adjustment (RSA) – The account projection was reduced by \$2 million from our last projection due to the Department of Emergency Services and Public Protection (DESPP) no longer needing a transfer.

Major Revenue Changes since March

Personal Income Tax – The projection was decreased by \$95 million or 1.0% to reflect weakness in withholding collections (\$10 million) and the failure to achieve targeted levels for April estimated and final payments (\$85 million).

Sales and Use Tax – The projection decreased by \$10 million due to lower than anticipated collections in the past three months.

Corporation Tax – The projection was decreased by \$66 million or 6.9% due to negative variance from targeted levels in the March and April payments. This is assumed to be due to an overestimation of the revenue impact of policy changes implemented in the FY 16-FY 17 biennial budget.

Health Provider – The projection increased by \$7.3 million due to higher than anticipated quarterly payments in the second quarter of this fiscal year.

Licenses, Permit, and Fees – The projection was decreased by \$20 million or 6.4% due to lagging collections since January.

Insurance Companies Tax – The projection was increased by \$15.5 million or 6.8% due to a significantly positive variance in the March payment, which is expected to continue into the June payment.

Public Services Companies Tax – The projection was decreased by \$11.6 million or 4.0% due negative trends in quarterly payments.

Casino Gaming Payments – The projection was increased by \$3.1 million or 1.2% due to year-over-year trends, including sustained positive growth in this revenue stream for the first time since FY 11.

Cigarettes Tax – The projection was increased by \$2.5 million or 0.7% due to sustained positive variance in collections trends.

Sales of Commodities and Services – The projection was increased \$2.5 million or 6.4% due to positive variance from targeted levels.

Real Estate Conveyance Tax – The projection was increased by \$2.0 million or 1.0% to reflect positive home sales volume since the winter.

Refunds of Taxes – The projection was decreased (positive revenue impact) by \$1.0 million or 0.1% due to property tax credit underpayment collections coming in earlier than anticipated.

Refunds of Payments – The projection was decreased (positive revenue impact) by \$1.0 million or 1.5% to reflect refund activity below budgeted levels.

Investment Income – The projection was increased \$400,000 or 33.3% to reflect the receipt of higher-than-anticipated interest income, which may be due to the increasing federal funds rate.

Federal Grants - Federal grants are reduced by \$31.4 million in FY 16. This change is primarily due to deferring \$41.5 million in enhanced federal reimbursement for hospital supplemental payments (for the period of 1/1/2014 through 6/30/15) to FY 17. This reduction is partially offset by increases in the Child Care Development Block Grant (\$1.3 million), Child Support Enhancement funds (\$1.1) and the Workforce Investment Act appropriation (\$2.1 million), as well as various changes resulting in additional net revenue of approximately \$5.6 million.

Deficient Agencies

Given the reduction in available funding that occurs due to budgeted lapses (holdbacks), we currently identify seven agencies that would require \$74.9 million in additional expenditure requirements. However, if available funding were to be released, this would reduce the need for deficiency funding to \$70.5 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	62,521,899	86,025,550	(23,503,651)	(22,441,257)
Office of Early Childhood	295,033,520	291,091,693	297,950,126	(6,858,433)	(6,312,076)
Public Defender Services Commission	70,272,615	66,889,836	71,341,087	(4,451,251)	(2,147,139)
Office of the Chief Medical Examiner	6,210,356	6,070,083	6,527,485	(457,402)	(320,958)
Department of Correction	693,424,375	674,855,717	675,176,784	(321,067)	-
Office of Governmental Accountability	9,813,001	9,076,152	9,134,797	(58,645)	-
General Fund Total				(74,933,507)	(70,504,488)
[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](#)