



Office of Fiscal Analysis

FY 19 BUDGET PROJECTIONS

January 25, 2019

SURGE IN INCOME TAX REVENUE BOOSTS GENERAL FUND BALANCE

We project a General Fund (GF) surplus of \$487.2 million and a Special Transportation Fund (STF) surplus of \$70.5 million in FY 19. The GF surplus, combined with the updated volatility adjustment transfer of \$648 million, will result in a \$1,135.2 million deposit into the Budget Reserve Fund (BRF) at the close of FY 19. The GF surplus increased \$208.6 from our [previous estimate](#) of \$278.6 million, primarily due to an increase in revenue.

Overview

In Millions of Dollars

General Fund

The \$464.3 million revenue increase over budget is driven primarily by collections in Withholding, Sales and Use and Corporation taxes exceeding budget by \$557.1 million in total. This projection is partially offset by tax refunds, which are trending \$112.2 million greater than budget.

The remaining revenue differences from the budget sum to a (net) positive \$19.4 million including significant adjustments to casino-related revenues, interest income, and federal grants.

General Fund	Budget	January Estimate	Difference from Budget
Revenues	19,008.7	19,473.0	464.3
Expenditures	18,998.2	18,985.8	(12.3)
Surplus/(Deficit)	10.5	487.2	476.7
Budget Reserve Fund			
Budget Reserve Deposit	373.6	1,135.2	761.6
Budget Reserve Balance	1,558.9	2,320.5	761.6
Special Transportation Fund			
Revenues	1,620.5	1,687.6	67.1
Expenditures	1,617.3	1,617.1	(0.2)
Surplus/(Deficit)	3.2	70.5	67.3
Fund Balance	248.9	316.2	67.3

Estimated spending is \$12.3 million less than budget. [Agency deficiencies](#) of \$90.4 million total are estimated; however, these deficiencies are more than offset by \$102.7 million in net lapses, primarily in fringe benefits and Medicaid.

Notable Issues

- \$45 above budget in casino revenues due to a smaller than anticipated impact from the Springfield casino;
- \$30 million below budget in License revenue related to a new off-reservation commercial casino;
- \$40 million Adjudicated Claims Deficiency (\$20 million increase from November estimates);
- \$43.5 million in Budgeted Savings Targets Unachievable in 24/7 Agencies (DCF, DOC, & DESPP);
- Continued monitoring of Care4Kids subsidy payments and potential federal expenditure requirements.

Budget Reserve Fund

The Volatility Adjustment transfer was budgeted at \$363.1 million and has increased to \$648 million as projections of Estimated and Final Income Tax collections have increased by \$284.9 million.¹ Once added to the projected GF surplus of \$487.2 million, the BRF balance is projected to grow by \$1.1 billion to \$2.3 billion.

¹ See the OLR Issue Brief 2018-R-0296 [Connecticut's Volatility Cap](#) for more information on the Volatility Cap and Adjustment

The estimated FY 19 year-end balance of the BRF is 12.2% of FY 19 appropriations. This percentage is less than the 15% statutory limit on transfers into the BRF.

Special Transportation Fund

Revenues are estimated to be 4.1%, or \$67.1 million, above budget in FY 19. This includes a positive adjustment of \$32.7 million in the Oil Companies Tax from increased oil prices, as well as an additional \$20 million in Interest Income due to rising interest rates. The Sales and Use Tax transfer is trending above budget by \$9.2 million and all other revenue adjustments net to a positive \$5.2 million. The \$12 million lapse target for the fund is anticipated to be met through a combination of lapses in several line items including debt service.

The estimated \$70.5 million FY 19 operating surplus would increase the cumulative balance of the STF to \$316.2 million.

General Fund Summary

In Millions of Dollars

Summary	Change from Budget
Budgeted Surplus Revenue	10.5
+ Income Tax Withholding	330.4
+ Sales & Use Tax	137.3
+Corporation Tax	89.4
+Refund of Taxes	(112.2)
+ Net Other Revenue	19.4
Revenue Subtotal	464.3
Expenditures	
+Net Lapses	102.7
+Agency Deficiencies	(90.4)
Expenditure Subtotal	12.3
= Surplus/(Deficit)	487.2
Budget Reserve Fund Starting Balance	1,185.3
+ Surplus/(Deficit)	487.2
+ Volatility Adjustment	648.0
= Budget Reserve Transfer Subtotal	1,135.2
= Budget Reserve Fund Balance	2,320.5

Special Transportation Fund Summary

In Millions of Dollars

Summary	Change from Budget
Budgeted Surplus Revenue	3.2
+ Oil Companies	32.7
+ Interest Income	20.0
+ Sales Tax Transfer	9.2
+ Net Revenue	5.2
Revenue Subtotal	67.1
Expenditures	
+ Net Lapses	1.0
+ Agency Deficiencies	(0.7)
Expenditure Subtotal	0.2
= Surplus/(Deficit)	70.5
STF Starting Balance	245.7
+ Surplus/(Deficit)	70.5
= Fund Balance	316.2

For further information, please see the links below:

[Revenue Details Table](#)

[Expenditure Details Table](#)

[Budget Status Page](#)