



Office of Fiscal Analysis

FY 20 BUDGET PROJECTIONS

April 30, 2020

TAX AND OTHER REVENUES DROP NEARLY \$700 MILLION

The Office of Fiscal Analysis projects a General Fund deficit of \$958.5 million and a Special Transportation Fund deficit of \$99.7 million in FY 20. In total across both funds, revenue projections for taxes and other revenue categories are revised downwards by \$687.9 million from our [previous estimate](#) to reflect the ongoing impact related to COVID-19.

FY 20 DEFICIT PROJECTIONS

General Fund

Revenues

A downward adjustment of \$281.9 million in Sales Tax is the largest single revision to tax projections in FY 20. The Withholding portion of the Income Tax and Corporation Tax are adjusted downwards by \$166.1 million in total.

Indian Gaming Payments revenue is revised downwards by \$51 million to \$180 million in total. In addition, a number of smaller adjustments are made to revenue streams in the "Other Revenue" category including Licenses, Permits and Fees to reflect current trends or the impact of policies implemented by the Governor in response to the COVID-19 pandemic.

Overview

In Millions of Dollars

General Fund	Budget*	April Estimate	Difference from Budget
Revenues	19,543.7	18,485.1	(1,058.6)
Expenditures	19,423.2	19,443.6	20.3
Surplus/(Deficit)	120.5	(958.5)	(1,078.9)
Budget Reserve Fund			
Budget Reserve Deposit	429.4	(640.2)	(1,069.6)
Budget Reserve Balance	2,935.0	1,865.4	(1,069.6)
Special Transportation Fund			
Revenues	1,723.4	1,565.9	(157.5)
Expenditures	1,710.3	1,665.6	(44.6)
Surplus/(Deficit)	13.1	(99.7)	(112.9)
Fund Balance	333.2	220.4	(112.9)

* Includes December Special Session Revisions

As noted in the previous estimate, actions taken by the Department of Revenue Services in response to the COVID-19 pandemic will delay certain FY 20 tax collections:

- (1) the Passthrough Entity Tax deadline is extended to July 15th;
- (2) the Personal Income Tax deadline for 2019 final payments and the first two quarterly estimated payments of 2020 are extended to July 15th;
- (3) the Corporation Tax deadline is extended to July 15th;
- (4) the Estate and Gift Tax deadline is extended to July 15th;
- (5) the monthly Sales Tax and Room Occupancy Tax is extended to May 31st; and
- (6) the quarterly Sales Tax and Room Occupancy Tax is extended to May 31st.

Due to these extensions, less information is currently available to project year-end tax revenues, and thus year-end revenue adjustments in August 2020 (which accrue back to FY 20) are likely to be much larger than typical. The net impact of any such adjustments is unknown.

Updated DSS Estimates

The Families First Coronavirus Response Act (PL 116-127) provided states with a 6.2% increase in the Medicaid federal medical assistance percentage (FMAP). While this enhanced FMAP applies to most expenditures, it does not apply to expenditures for certain populations already receiving enhanced match (e.g., the expansion population). To date, Connecticut has received two awards for the enhanced FMAP for the calendar quarters ending 3/31/20 and 6/30/20, totaling \$233.7 million. This increased revenue is reflected in changes to both General Fund expenditures and Federal Grants revenue. On the expenditure side, the state share of Medicaid is reduced by approximately \$186.9 million due to the increase in federal reimbursement on Medicaid account expenditures within DSS. Federal Grants revenue projections have also been adjusted to reflect approximately \$46.8 million in enhanced FMAP primarily for Medicaid-related expenditures that are budgeted in other agencies.

General Fund Summary

In Millions of Dollars

Summary	FY 20
Original Budgeted Surplus	141.1
+ Hospital Settlement Revenues	83.5
+ Hospital Settlement Expenditures	(104.2)
Budgeted Surplus	120.4
Revenue Changes	
+ Sales and Use	(257.1)
+ Federal Grants	(266.6)
+ Withholding	(190.3)
+ Net Revenue	(344.6)
Revenue Subtotal	(1,058.6)
Expenditure Changes	
+ Agency Deficiencies	(112.2)
+ Net Lapses	91.9
Expenditure Subtotal	(20.3)
= Surplus/(Deficit)	(958.5)
Budget Reserve Fund Starting Balance	2,505.6
+ Surplus/(Deficit)	(958.5)
+ Volatility Adjustment	318.3
= Budget Reserve Transfer Subtotal	(640.2)
= Budget Reserve Fund Balance	1,865.4

Federal Grants Revenue

The net decrease of \$258.8 million in federal grants revenue from January consensus primarily reflects the shift, from FY 20 to FY 21, of \$369.5 million in Hospital Supplemental Payment revenue under the Department of Social Services due to delays in federal approval of the state plan amendments. The decrease in FY 20 is partially offset by \$110.7 million in increased Federal Grants revenue related to the enhanced Medicaid FMAP (approximately \$46.8 million) as well as net funding and other various technical adjustments (\$63.9 million).

General Fund expenditure projections are revised downward by a (net) total of \$52.6 million with the largest single adjustment being a downward adjustment of \$45.5 million to Medicaid.

Budget Reserve Fund

At the close of FY 19, the Budget Reserve Fund balance stood at \$2,505.6 million. The projected operating deficit of \$958.5 million will reduce the Budget Reserve Fund balance to \$1,865.4 million once

the Volatility Adjustment Transfer of \$318.3 million has been taken into account. A Budget Reserve Fund balance of \$1,865.4 million is 9.6% of current year (FY 20) appropriations.

Special Transportation Fund

Projected revenues are revised downwards by \$134.4 million in total, with the largest decreases in the Oil Companies Tax, Motor Fuels Tax and Sales and Use Tax. These adjustments reflect significantly lower prices for oil, decrease in road miles travelled and an overall decrease in consumption in response to the COVID-19 pandemic and associated restrictions. Decreased revenues are partially offset by a \$58 million lapse in STF debt service, due to a delay in the expected FY 20 transportation bond issuance.

As a result of the projected FY 20 operating deficit, the cumulative balance of the STF is now projected to decrease from \$320.1 million to \$220.4 million. At \$220.4 million, the cumulative balance would be 12.9% of current year (FY 20) appropriations.

For further information, please see the links below:

- [Revenue Details Table](#)
- [Expenditure Details Table](#)
- [Budget Status Page](#)

Special Transportation Fund Summary

In Millions of Dollars

Summary	FY 20
Budgeted Surplus	13.1
Revenue Changes	
+ Oil Companies	(77.4)
+ Sales and Use Tax	(27.1)
+ Motor Fuels Tax	(24.7)
+ Net Revenue	(28.3)
Revenue Subtotal	(157.5)
Expenditures	
+ Net Lapses	47.4
+ Agency Deficiencies	(2.8)
Expenditure Subtotal	44.6
= Surplus/(Deficit)	(99.7)
STF Starting Balance	320.1
+ Surplus/(Deficit)	(99.7)
= Fund Balance	220.4

* Pursuant to PA 19-165