OFFICE OF FISCAL ANALYSIS

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State Budget Projections
General Fund
March 25, 2015

Summary

We are currently projecting a $191.0 million deficit in the General Fund.[1] This reflects an increase in the projected deficit of $40.5 million since our February statement. Savings initiatives in the Department of Social Services (DSS) are anticipated to reduce spending by $33 million relative to our last projection. However, these additional savings are more than offset by increased cost projections in the Other Expense account of DSS and significant downward adjustments to our projections of the Federal Grants and Health Provider Tax revenue accounts. These adjustments and others are described in more detail in the following pages.

FY 15 General Fund Overview (in millions) [1]

Estimates	Budget	February Projection	March Projection	Difference from February	Difference from Budget
Expenditures					
Agency Appropriations	17,589.8	17,589.8	17,589.8	-	-
Deficiency Requirements	-	168.1	146.7	(21.4)	146.7
Lapses	(132.1)	(227.6)	(229.8)	(2.2)	(97.7)
Total Expenditures	**17,457.7**	**17,530.2**	**17,506.7**	**(23.5)**	**49.0**
Revenues					
Personal Income Tax	9,264.5	9,264.5	9,264.5	-	-
Sales and Use	4,167.4	4,226.2	4,226.2	-	58.8
Corporations	704.3	734.3	734.3	-	30.0
Federal Grants	1,299.6	1,236.1	1,191.1	(45.0)	(108.5)
Other Taxes and Refunds	778.4	669.6	641.6	(28.0)	(136.8)
Other Revenue Sources	1,243.8	1,262.6	1,271.6	9.0	27.8
Total Revenues	**17,458.0**	**17,393.3**	**17,329.3**	**(64.0)**	**(128.7)**
Operating Surplus/(Deficit)	**0.3**	**(136.9)**	**(177.4)**	**(40.5)**	**(177.7)**
% of Expenditures	0.0%	-0.8%	-1.01%	-0.2%	-1.0%
Carry Forward of Lapse	-	(13.6)	(13.6)	-	(13.6)
Adjusted Surplus/(Deficit)	**0.3**	**(150.6)**	**(191.0)**	**(40.5)**	**(191.3)**

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

[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 $174.6 million.

Major Expenditure Changes since the February Statement

Department of Social Services – The Department's projected spending was reduced by $18 million, or 0.6%, from our last projection. The Department has undertaken several savings initiatives under the Medicaid program to reduce the projected General Fund deficit. The largest of these was eliminating a $29 million hospital payment from the federal portion of Medicaid funds, thereby making these resources available to pay Medicaid claims that would have otherwise been covered by state funds. In addition, various other savings initiatives have yielded a $4 million savings in the Medicaid account relative to our last projection. The $33 million reduced Medicaid expenditure is partially offset by a projected increase in spending in the Other Expenses account of $15 million. This projection reflects higher than anticipated IT related expenses for the Xerox Medicaid support program and DSS's share of IT costs for the Access Health insurance exchange. These higher IT costs are directly related to the continued growth in Medicaid enrollment, which has increased 21.6% in the last 12 months.

Office of the State Comptroller – Fringe Benefits – Alternative Retirement System (ARP) – The Higher Education Alternative Retirement System account projection was reduced by $5.3 million or 47.2% from our last projection due to additional expenditure information. The projected lapse in the ARP is predominately due to the distribution of General Fund funded employees and expenditures being less than was anticipated, likely due to a shift to funding SERS higher education employees versus ARP employees out of the General Fund.

Office of the State Comptroller – Fringe Benefits – Employers' Social Security Tax – The Employers' Social Security Tax account projection was increased by $2.6 million or 1.2% from our last projection due to additional payroll information reflecting increases in payroll due to inclement weather and other personnel costs across state agencies.

Major Revenue Changes since the February Statement

Federal grants – The account projection was reduced by $45 million or 3.7% from our last projection. The reduction reflects 50% reimbursement, rather than 100% reimbursement, for HUSKY D individuals (the Medicaid expansion population) who received services prior to January 1, 2014, but whose claims were paid by the Department of Social Services after such date. This change is the result of the Centers for Medicare and Medicaid Services rejecting how claims for this population are submitted. They are now requiring claims for the HUSKY D population be submitted on a date of service basis as opposed to a date of payment basis. The $45 million is associated with claims paid in the last two quarters of FY 14.

Health Provider Tax - The account projection was reduced by $18 million or 3.8% from our last projection to reflect an updated projection of tax credit utilization by hospitals.

Insurance Companies – The account projection was reduced by $10 million or 3.9% from our last projection due to weak quarterly collections through the February/March period.

Indian Gaming Payments – The account projection was reduced by $1.0 million or 0.4% from our last projection due to weak February casino activity, most likely associated with extreme winter weather.

Licenses, Permits, and Fees – The account projection was increased by $10.0 million or 3.7% from our last projection due to collections of certain application/exam fees and professional services licensing outpacing expectations.

Deficient Agencies

Given the reduction in available funding that occurs due to budgeted lapses (holdbacks), we currently identify eight agencies that would require $146.7 million in additional expenditure requirements. However, if available funding were to be released, this would reduce the need for deficiency funding to $141.9 million.

FY 15 General Fund Estimated Agency Deficiency Needs					
Agency	**Budgeted Appropriation $**	**Available [1] Appropriation $**	**Estimated Exp. $**	**Deficiency without release of holdbacks $**	**Deficiency with release of holdbacks $**
Department of Social Services	2,994,518,834	2,991,197,966	3,088,197,966	(97,000,000)	(95,407,490)
State Comptroller - Fringe Benefits	2,465,679,610	2,457,780,714	2,476,307,292	(18,526,578)	(18,526,578)
Department of Correction	675,833,632	680,589,133	693,049,030	(12,459,897)	(11,366,439)
State Comptroller - Miscellaneous	4,100,000	4,100,000	12,400,000	(8,300,000)	(8,300,000)
Public Defender Services Commission	63,616,706	62,377,370	67,900,012	(5,522,642)	(5,317,376)
Department of Emergency Services and Public Protection	170,416,519	182,705,783	185,960,547	(3,254,764)	(2,934,654)
Department of Developmental Services	1,097,901,632	1,083,382,807	1,084,517,671	(1,134,864)	-
Department of Education	3,033,327,785	3,028,754,446	3,029,278,685	(524,239)	-
			Total	(146,722,984)	(141,852,537)
[1] Appropriation less budgeted lapses					

Expenditures XLS PDF

Revenues XLS PDF