



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

December 22, 2008

The Honorable Nancy Wyman
State Comptroller
55 Elm Street
Hartford, Connecticut 06106

Dear Comptroller Wyman:

The following information on the State's General Fund for fiscal year 2008-2009 is provided in accordance with Section 4-66 of the General Statutes. In addition, an analysis of the Special Transportation Fund is included due to the significant nature of this fund. Estimates are as of November 30, 2008. This letter reflects the passage of Public Acts 08-01 and 08-02 from the August Special Session, as well as P.A. 08-01 from the November Special Session.

More than seventeen months have passed since Governor Rell signed the biennial budget into law (Public Act 07-1). As you know, the 2008 legislative session ended without passage of a revised midterm budget. Due to worsening economic conditions, Governor Rell ordered a number of measures to curtail state spending. These include a ban on out-of-state travel, implementation of a hiring freeze and, most recently, the implementation of a third round of allotment rescissions in accordance with her authority under CGS 4-85. The Governor also issued a Deficit Mitigation Plan to address the \$356.3 million shortfall projected in our November 20th letter to you. Consistent with our last letter, some components of that plan, primarily items that do not require legislative action, such as the third round of rescissions, are reflected in this letter.

In the General Fund, we are estimating a deficit of \$193.0 million prior to the proposed legislative actions outlined in the December Deficit Mitigation Plan. This month's letter reflects an overall increase in projected revenue of \$115.3 million in the General Fund. On November 24, 2008 the General Assembly passed PA 08-1, An Act Concerning Deficit Mitigation, which authorized a tax amnesty program estimated to bring in \$40 million in additional revenue in FY 2009 (included in this letter under the income tax at \$20 million, the sales tax at \$10 million and the corporation tax at \$10 million), a transfer from the Citizens' Election Fund of \$5.0 million and all other revenue actions net to \$1.3 million.

This month's letter also reflects an anticipated retroactive Medicaid claim for private group homes, day programs, and community training homes funded by the Department of Developmental Services (DDS) through contracts with nonprofit providers in the amount of \$62.5 million.

We have also revised upward our estimate of Estate Tax revenue by \$20.0 million, as year to date collections for the tax have been very strong. Corporation tax estimates have been revised downward by \$15.0 million as the estimated quarterly payment was weak. All other adjustments net to a positive \$1.5 million.

This month's letter also reflects an overall decrease in our revenue projections in the Special Transportation Fund of \$7.0 million. Despite the fact that the record high motor fuels prices have moderated significantly from last year, gasoline consumption has continued to show a marked decrease over the same period a year ago and thus we are revising our motor fuels tax projection down by \$5.0 million. In addition, we are revising our projections downward for sales tax-DMV revenue by \$2.0 million.

In the General Fund, we are estimating that due to the Governor's three rescission programs and other surpluses available in select accounts, lapses are approximately \$183.3 million higher than budgeted. All told, the statewide lapses are estimated to reach \$300.8 million. These are itemized in Statement 4 of the attached report. Deficiencies totaling \$29.8 million are anticipated, including a \$10.0 million deficiency in the Department of Mental Health and Addiction Services, a deficiency of \$18.3 million in the Department of Correction and a projected deficiency of \$1.5 million in the DAS-Workers' Compensation Account, related primarily to the roll-out of last year's deficiencies in those agencies.

It should be noted that while these projections are the best that can be made at this time, estimates may have to be adjusted to reflect changes in the economy, expenditure patterns and/or other factors.

Sincerely,

A handwritten signature in black ink, appearing to read 'Robert L. Genuario', with a long horizontal flourish extending to the right.

Robert L. Genuario
Secretary

RLG:dd
Attachments

Summary
December 22, 2008

State of Connecticut
Summary of Changes
General Fund and Special Transportation Fund
Projected to June 30, 2009
As of November 30, 2008
(In Millions)

General Fund

Balance - November 20, 2008		\$ (356.3)
Revenues		
Personal Income Tax	20.0	
Sales and Use	10.0	
Corporation	(5.0)	
Inheritance & Estate	20.0	
Miscellaneous	1.5	
Federal Grants	63.2	
Transfers to the Resources of the General Fund	<u>5.6</u>	115.3
Expenditures		
P.A. 08-01, November Special Session	9.1	
Additional Requirements - No Change	0.0	
Estimated Lapses	43.3	
Miscellaneous Adjustments/Rounding	<u>(4.4)</u>	<u>48.0</u>
Balance - December 22, 2008		<u>\$ (193.0)</u>

Special Transportation Fund

Carry Forward FY 2008-09 Surplus		\$ 178.3
Balance - November 20, 2008		(61.6)
Revenues		
Motor Fuels Tax	(5.0)	
Sales Tax - DMV	<u>(2.0)</u>	(7.0)
Expenditures		
Estimated Lapses - December Rescissions	<u>1.4</u>	<u>1.4</u>
Balance - December 22, 2008		<u>\$ 111.1</u>

State of Connecticut
General Fund
Statement of Revenues, Expenditures, and Results of Operations
Projected to June 30, 2009
As of November 30, 2008
(In Millions)

	General Assembly <u>Budget Plan</u> ^{1.}	Revised Estimates <u>OPM</u> ^{2., 3.}	Over/ (Under)
REVENUE			
Taxes	\$13,851.7	\$13,350.9	(\$500.8)
Less: Refunds	<u>(880.6)</u>	<u>(931.9)</u>	<u>(51.3)</u>
Taxes - Net	12,971.1	12,419.0	(552.1)
Other Revenue	1,208.4	1,105.8	(102.6)
Other Sources	<u>2,898.0</u>	<u>3,300.1</u>	<u>402.1</u>
TOTAL Revenue	\$17,077.5	\$16,824.9	(\$252.6)
EXPENDITURES			
Appropriations	\$17,200.5	\$17,270.4	\$69.9
Net Additional Requirements	0.0	29.8	29.8
Less: Estimated Lapses	<u>(117.5)</u>	<u>(300.8)</u>	<u>(183.3)</u>
TOTAL Expenditures	\$17,083.0	\$16,999.4	(\$83.6)
Balance from Operations	(\$5.5)	(\$174.5)	(\$169.0)
Miscellaneous Adjustments	<u>0.0</u>	<u>(18.5)</u>	<u>(18.5)</u>
Estimated Balance 6/30/09	<u>(\$5.5)</u>	<u>(\$193.0)</u>	<u>(\$187.5)</u>

1. PA 07-1, June Special Session, PA 07-1, September Special Session, PA 08-02, June 11 Special Session and PA 08-51.

2. PA 08-01 and PA 08-02, August Special Session.

3. PA 08-01, November Special Session.

State of Connecticut
General Fund
Revenue Estimates
Projected to June 30, 2009
As of November 30, 2008
(In Millions)

TAXES	
Personal Income	\$7,565.0
Sales and Use	3,550.6
Corporation	707.6
Public Service Corporations	247.3
Inheritance and Estate	255.1
Insurance Companies	217.2
Cigarettes	325.0
Real Estate Conveyance	124.1
Oil Companies	133.0
Alcoholic Beverages	47.5
Admissions and Dues	37.5
Miscellaneous	141.0
TOTAL - TAXES	<u>\$13,350.9</u>
Less: Refunds of Taxes	(920.0)
R & D Credit Exchange	(11.9)
TOTAL - TAXES - NET	<u>\$12,419.0</u>
OTHER REVENUE	
Transfers - Special Revenue	\$289.0
Indian Gaming Payments	375.0
Licenses, Permits, Fees	156.7
Sales of Commodities and Services	31.5
Rents, Fines, Escheats	81.7
Investment Income	30.0
Miscellaneous	142.5
Refunds of Payments	(0.6)
TOTAL - OTHER REVENUE	<u>\$1,105.8</u>
OTHER SOURCES	
Federal Grants	\$3,085.6
Transfers to the Resources of the General Fund	185.0
Transfer from Tobacco Settlement Fund	115.8
Transfers to Other Funds	(86.3)
TOTAL - OTHER SOURCES	<u>\$3,300.1</u>
TOTAL - GENERAL FUND REVENUE	\$16,824.9

Statement 3
December 22, 2008

State of Connecticut - General Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2009
As of November 30, 2008

DAS-Workers' Compensation Claims	\$1,500,000
Department of Mental Health & Addiction Services	10,000,000
Department of Correction	<u>18,320,000</u>
Total	<u>\$29,820,000</u>

State of Connecticut
General Fund
Estimated Lapses
Projected to June 30, 2009
As of November 30, 2008

General Personal Services Reduction	\$14,000,000
General Other Expenses Reductions	11,000,000
Allotment Rescissions - July	115,800,000
Allotment Rescissions - September	34,400,000
Allotment Rescissions - December	7,200,000
Department of Children & Families - Board and Care Foster Care	2,000,000
Unallocated Lapses	8,300,000
Contingency Needs	2,000,000
Reserve for Salary Adjustment	3,100,000
Debt Service	34,600,000
DHE - CT Independent College Student Grant	500,000
Lapse of FY 07 Surplus Appropriation as per P.A. 08-01, NSS	14,500,000
OSC-Employer's Social Security Tax	1,000,000
OSC-Retired State Employees Health Insurance	5,000,000
OPM - PILOT Manufacturing & Equipment	47,400,000
Total	<u><u>\$300,800,000</u></u>

State of Connecticut
2008-09 General Fund
Summary of Operations Per Letter to the Comptroller
(In Millions)

	Budget Plan ^{1.}	July 2008	August ^{2.} 2008	September 2008	October 2008	November ^{3.} 2008	December 2008	January 2009	February 2009	March 2009	April 2009	May 2009	June 2009
REVENUE	\$17,077.5	\$16,858.4	\$16,785.6	\$16,949.1	\$16,709.6	\$16,824.9							
Appropriations	17,200.5	17,200.5	17,270.4	17,279.5	17,279.5	17,270.4							
Additional Requirements	0.0	18.3	19.8	19.8	29.8	29.8							
Less: Estimated Lapses	(117.5)	(217.5)	(217.5)	(251.9)	(257.5)	(300.8)							
TOTAL - Estimated Expenditures	17,083.0	17,001.3	17,072.7	17,047.4	17,051.8	16,999.4							
Balance from Operations	(5.5)	(142.9)	(287.1)	(98.3)	(342.2)	(174.5)							
Compt.'s Misc. Adjustments/Rounding	0.0	(2.8)	(6.2)	(9.6)	(14.1)	(18.5)							
Estimated Balance 6/30/09	(\$5.5)	(\$145.7)	(\$293.3)	(\$107.9)	(\$356.3)	(\$193.0)							

1. PA 07-1, June Special Session, PA 07-1, September Special Session, PA 08-2, June 11 Special Session and PA 08-51.

2. PA 08-01 and PA 08-02, August Special Session.

3. PA 08-01, November Special Session.

Statement 1T
December 22, 2008

State of Connecticut
Special Transportation Fund
Analysis of Budget Plan
Projected to June 30, 2009
As of November 30, 2008
(In Millions)

	General Assembly <u>Budget Plan</u> ^{1.}	Revised Estimates <u>OPM</u>	Over/ (Under)
Surplus Carried Forward from 2007-08 ^{2.}	\$215.5	\$178.3	(\$37.2)
REVENUE			
Taxes	\$739.5	\$702.1	(\$37.4)
Less: Refunds of Taxes	<u>(9.0)</u>	<u>(7.4)</u>	<u>1.6</u>
Taxes - Net	730.5	694.7	(35.8)
Other Revenue	<u>426.5</u>	<u>382.3</u>	<u>(44.2)</u>
TOTAL - Revenue	\$1,157.0	\$1,077.0	(\$80.0)
EXPENDITURES			
Appropriations	\$1,165.2	\$1,165.2	\$0.0
Additional Appropriations	0.0	0.0	0.0
Less: Estimated Lapses	<u>(11.0)</u>	<u>(21.0)</u>	<u>(10.0)</u>
TOTAL - Expenditures	\$1,154.2	\$1,144.2	(\$10.0)
Balance from Operations	\$2.8	(\$67.2)	(\$70.0)
Miscellaneous Adjustments	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Estimated Balance 6/30/09	<u>\$218.3</u>	<u>\$111.1</u>	<u>(\$107.2)</u>

1. P.A. 07-1, June Special Session

2. The Budget Plan assumed \$215.5 million would be carried forward from FY 2008.

The Comptroller's 9/2/08 final unaudited was \$178.3 million.

Statement 2T
December 22, 2008

State of Connecticut
Special Transportation Fund
Revenue Estimates
Projected to June 30, 2009
As of November 30, 2008
(In Millions)

TAXES	
Motor Fuels	\$499.7
Oil Companies	141.9
Sales Tax DMV	60.5
TOTAL - TAXES	<u>702.1</u>
Less: Refunds of Taxes	<u>(7.4)</u>
TOTAL - TAXES - NET	\$694.7
OTHER REVENUE	
Motor Vehicle Receipts	\$229.3
Licenses, Permits, Fees	155.8
Interest Income	25.0
Transfers to Other Funds	(24.8)
Refunds of Payments	<u>(3.0)</u>
TOTAL - OTHER REVENUE	\$382.3
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$1,077.0

Statement 3T
December 22, 2008

State of Connecticut
Special Transportation Fund
Appropriation Adjustments - Additional Appropriations
Projected to June 30, 2009
As of November 30, 2008

Additional Appropriations	\$0
Total	\$0

Statement 4T
December 22, 2008

State of Connecticut
Special Transportation Fund
Estimated Lapse
Projected to June 30, 2009
As of November 30, 2008

Allotment Rescissions:	
Debt Service	\$14,121,000
Fringe Benefits	1,979,000
Department of Transportation	1,777,000
Department of Motor Vehicles	1,350,000
Insurance & Risk Management	126,000
DAS-Workers' Compensation	267,000
Allotment Rescissions - December	1,400,000
Total	<u>\$21,020,000</u>

State of Connecticut
2008-09 Special Transportation Fund
Summary of Operations Per Letter to the Comptroller
(In Millions)

	Budget Plan ¹ .	July 2008	August 2008	September 2008	October 2008	November 2008	December 2008	January 2009	February 2009	March 2009	April 2009	May 2009	June 2009
Beginning Balance ²	\$215.5	\$176.2	\$178.3	\$178.3	\$178.3	\$178.3							
Revenue	<u>1,157.0</u>	<u>1,103.7</u>	<u>1,103.7</u>	<u>1,103.7</u>	<u>1,084.0</u>	<u>1,077.0</u>							
Total Available	1,372.5	1,279.9	1,282.0	1,282.0	1,262.3	1,255.3							
Appropriations	1,165.2	1,165.2	1,165.2	1,165.2	1,165.2	1,165.2							
Additional Appropriations	0.0	0.0	0.0	0.0	0.0	0.0							
Less: Estimated Lapses	<u>(11.0)</u>	<u>(18.8)</u>	<u>(18.8)</u>	<u>(19.6)</u>	<u>(19.6)</u>	<u>(21.0)</u>							
TOTAL - Estimated Expenditures	1,154.2	1,146.4	1,146.4	1,145.6	1,145.6	1,144.2							
Balance from Operations	2.8	(42.7)	(42.7)	(41.9)	(61.6)	(67.2)							
Compt's Misc. Adjustments/Rounding	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>							
Estimated Balance 6/30/09	\$218.3	\$133.5	\$135.6	\$136.4	\$116.7	\$111.1							

1. PA 07-1, June Special Session

2. The Budget Plan assumed \$215.5 million would be carried forward from FY 2008.

OPM's 8/20/08 estimate is \$176.2 million. The Comptroller's 9/2/08 final unaudited was \$178.3 million.