

GOVERNOR M. JODI RELL
DEFICIT MITIGATION PLAN FOR FISCAL YEAR 2008-2009
DECEMBER 17, 2008



DECEMBER DEFICIT MITIGATION PLAN SUMMARY

(in millions)

\$	(356.3)	Projected Deficit per OPM's Letter to the Comptroller 11/20/08
\$	71.8	Public Act 08-1 November Special Session (\$25.6 million in cuts & \$46.2 in revenue passed by the General Assembly 11/08)
\$	7.2	3rd Round Rescissions
REVENUE / FUND TRANSFERS		
\$	185.8	Various Revenue Items
\$	1.2	DAS - Fleet Operations Vehicle Purchase Delay *
\$	0.3	Arena Study return of Appropriation *
CARRY-FORWARDS		
\$	9.2	Carryforward Reductions
OTHER ITEMS		
\$	35.0	Eliminate Energy Contingency (PA 08-2)
\$	1.2	De-Appropriate Exempt Agencies
\$	1.2	Defer Juvenile Jurisdiction Change Related Hiring
\$	0.2	Delay Increased Compensation for Temp Asst Clerks - Judicial
\$	0.2	Delay Criminal Justice Information System Hiring
\$	0.8	CT Center for Advanced Technology - Supply Chain
\$	0.4	Delay Dept on Aging
\$	1.1	Contingency Fund - Legislative Leaders' Fund Balances
\$	14.5	Other Post Employments Benefits (OPEB)*
\$	2.2	DSS - Definition of Medical Necessity
\$	1.7	Suspend Payment of System Benefit Charges
\$	0.7	OPM de-appropriations
\$	0.6	Judicial Equipment de-appropriation
\$	1.5	Legislative de-appropriations
\$	0.1	DEMHS, State Marshal, Judicial Selection de-appropriations
LAPSE ADJUSTMENTS		
\$	12.5	Natural Lapses
\$	2.0	Contingency Fund *
\$	3.1	RSA Reduction due to decreased demand on accrued leave *
\$	2.0	Reduce Outside Consultant Contracts Statewide *
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\$	0.0	Balance

*(identified in first Deficit Mitigation Plan)

DECEMBER DEFICIT MITIGATION PLAN - 3RD ROUND RESCISSIONS

GENERAL FUND

Commission on Aging	\$18,792
Personal Services	\$18,792
Commission on the Status of Women	\$36,613
Personal Services	\$36,613
Commission on Children	\$42,061
Personal Services	\$42,061
Latino & Puerto Rican Affairs Comm	\$24,709
Personal Services	\$24,709
African-American Affairs Commission	\$17,853
Personal Services	\$17,853
Secretary of the State	\$60,000
Personal Services	\$60,000
State Properties Review Board	\$5,000
Personal Services	\$5,000
State Comptroller	\$600,000
Personal Services	\$600,000
State Comptroller - Fringe Benefits	\$1,000,000
Employers Social Security Tax	\$1,000,000
Division of Special Revenue	\$256,197
Personal Services	\$256,197
Department of Administrative Services	\$464,950
Personal Services	\$450,000
Correctional Ombudsman	\$14,950
Department of Information Technology	\$552,016
Personal Services	\$390,060
Connecticut Education Network	\$161,956
Attorney General	\$250,000
Personal Services	\$250,000
Military Department	\$83,487
Other Expenses	\$83,487
Office of Victim Advocate	\$14,860
Personal Services	\$12,264
Other Expenses	\$2,596
Department of Agriculture	\$113,000
Personal Services	\$113,000

DECEMBER DEFICIT MITIGATION PLAN - 3RD ROUND RESCISSIONS

GENERAL FUND

Council on Environmental Quality	\$8,131
Personal Services	\$8,131
Department of Economic and Community Development	\$169,174
Elderly Rental Registry and Counselors	\$31,483
Congregate Facilities Operation Costs	\$137,691
Agricultural Experiment Station	\$240,033
Personal Services	\$240,033
Department of Public Health	\$163,287
Other Expenses	\$163,287
Office of Health Care Access	\$10,000
Personal Services	\$10,000
Department of Developmental Services	\$2,000,000
Personal Services	\$2,000,000
Department of Social Services	\$154,733
HUSKY Outreach	\$85,323
Lifestar Helicopter	\$69,410
Department of Education	\$24,956
Resource Equity Assessment	\$24,956
Department of Higher Education	\$28,550
Equipment	\$50
International Initiatives	\$3,500
Capitol Scholarship Program	\$25,000
University of Connecticut	\$147,488
Regional Campus Enhancement	\$147,488
Charter Oak State College	\$13,670
Distance Learning Consortium	\$13,670
Connecticut State University	\$19,954
Waterbury-Based Degree Programs	\$19,954
Department of Children and Families	\$528,142
Workers' Compensation Claims	\$528,142
Judicial Department	\$116,398
Equipment	\$47,130
Alternative Incarceration Program	\$54,268
Justice Education Center, Inc.	\$15,000

DECEMBER DEFICIT MITIGATION PLAN - 3RD ROUND RESCISSIONS

GENERAL FUND

Public Defender Services Commission	\$6,306
Training and Education	\$6,306
General Fund Total	\$7,170,360

**DECEMBER DEFICIT MITIGATION PLAN - 3RD ROUND RESCISSIONS
AND OTHER ACTIONS TO NON GENERAL FUNDS**

These changes are not reflected in the General Fund Balance

SPECIAL TRANSPORTATION FUND

Department of Motor Vehicles	\$353,831
Personal Services	\$200,000
Other Expenses	\$153,831
Department of Transportation	\$1,000,000
Rail Operations	\$500,000
Bus Operations	\$500,000
Total SPECIAL TRANSPORTATION FUND	\$1,353,831

BANKING FUND

Department of Banking	\$392,095
Personal Services	\$200,000
Other Expenses	\$92,090
Equipment	\$5
Fringe Benefits	\$100,000
Department of Labor	\$125,000
Customized Services	\$125,000
Total BANKING FUND	\$517,095

WORKERS' COMPENSATION FUND

Department of Labor	\$33,729
Occupational Health Clinics	\$33,729
Workers' Compensation Commission	\$245,796
Personal Services	\$245,796
Total WORKERS' COMPENSATION FUND	\$279,525

SOLDIERS, SAILORS AND MARINES' FUND

Soldiers, Sailors and Marines' Fund	\$43,516
Personal Services	\$20,000
Fringe Benefits	\$23,516
Total SOLDIERS, SAILORS AND MARINES' FUND	\$43,516

SPECIAL TRANSPORTATION FUND

Funds in the Emergency Relief Account shall be transferred for use as Special Transportation Fund revenue	\$1,166,440
Funds in the Insurance Recoveries Account shall be transferred for use as Special Transportation Fund revenue	\$287,346

DEFICIT MITIGATION PLAN II – REVENUE & FUND TRANSFERS

Citizens' Election Fund	\$17,900,000
Suspend FY 2009 transfer of \$17.9 million. Suspending the transfer will leave a balance in the fund of \$32.8 million after accounting for \$9.2 million in expenditures from the 2008 election cycle and the \$5 million transfer from PA 08-1 NSS.	
Tobacco and Health Trust Fund	\$12,000,000
Suspend FY 2009 transfer of \$12 million. Suspending the transfer will leave a balance in the fund of \$8 million after accounting for \$11 million in expenditures related to the Charter Oak Health Plan and approximately \$10 million in all other expenditures.	
Biomedical Research Trust Fund	\$6,000,000
Suspend FY 2009 transfer of \$4 million and transfer an additional \$2.0 million from the fund. This will leave a balance in the fund of \$12 million.	
Fuel Oil Conservation Board	\$10,000,000
Suspend the FY 2009 transfer of \$5 million and transfer an additional \$5 million from the fund. This will leave a balance in the fund of approximately \$2.5 million.	
Pre-trial Alcohol and Drug Account to the General Fund	\$2,000,000
Transfer \$2.0 million of the \$4.5 million balance in the account.	
Underground Storage Tank Clean-up Account	\$3,000,000
Reduce FY 2009 transfer from \$12 million to \$9 million.	
Emergency Spill Response Account	\$3,000,000
Transfer \$3 million from the Emergency Spill Response Account to the General Fund. \$12.5 million was recently transferred from Petroleum Gross Receipts Tax collection to the Emergency Spill Response Account which ended FY 2008 with an \$8.1 million cash balance.	
Conservation Fund	\$3,000,000
Suspend the FY 2009 transfer of \$3 million from the Transportation Fund to the Conservation Fund and transfer to the General Fund.	
Emissions Fund	\$1,000,000
Reduce the FY 2009 transfer from \$6.5 million to \$5.5 million from the Transportation Fund to the Emissions Fund and transfer to the General Fund. The Fund ended FY 2008 with a cash balance of \$4.6 million.	
Connecticut Network (CT-N)	\$500,000
Reduce FY 2009 transfer from \$2.5 million to \$2.0 million.	
Mashantucket Pequot and Mohegan Grant	\$150,000
Transfer balance in the account to the General Fund.	

DEFICIT MITIGATION PLAN II – REVENUE & FUND TRANSFERS

Energy Unit Load Management Account	\$1,000,000
Transfer \$1 million from the Energy Unit Load Management Account to the General Fund. This will leave a balance in the fund of \$1.8 million.	
Renewable Energy Investment Fund	\$10,000,000
Transfer \$10 million of the unrestricted and unencumbered \$22 million balance from the Clean Energy Fund to the General Fund.	
AAC Farmland Preservation, Affordable Housing and Historic Preservation	\$10,000,000
Suspend the last 3 quarterly deposits of the state's \$26 portion of the \$30 land document fee to the Commission of Culture and Tourism, Connecticut Housing Finance Authority, Department of Agriculture, and Department of Environmental Protection and deposit the monies into the General Fund.	
Unclaimed Bottle Deposits	\$13,800,000
Return unclaimed bottle deposits to the state retroactive to December 1, 2008, consistent with the new reporting requirements contained in PA 08-1 NSS.	
CT Cancer Partnership Account	\$1,000,000
Transfer \$1.0 million of the \$4.3 million Comprehensive Cancer Settlement monies in the CT Cancer Partnership Account and transfer to the General Fund.	
Energy Conservation and Load Management Fund	\$6,000,000
Transfer \$1 million per month to the General Fund for a total of \$6 million in FY 2009.	
Banking Fund	\$15,000,000
Transfer \$15 million from the Banking Fund to the General Fund. This will leave a balance of \$17 million in the fund.	
Workers' Compensation Fund	\$4,000,000
Transfer \$4 million from the Workers' Compensation Fund to the General Fund. This will leave a balance of \$22 million in the fund.	
Public/Education/Government Programming	\$2,000,000
Transfer \$2 million from the Public/Education/Government Programming Fund to the General Fund. This will leave a balance of \$650,000 in the fund.	
Consumer Counsel/DPUC Fund	\$2,000,000
Transfer \$2 million from the Consumer Counsel/DPUC Fund to the General Fund. This will leave a balance of approximately \$4 million in the fund.	
Commercial Recording Administration Account	\$ 1,000,000
Transfer \$1 million from the Commercial Recording Administration account to the General Fund. This will leave a balance of approximately \$4 million in the fund.	

DEFICIT MITIGATION PLAN II – REVENUE & FUND TRANSFERS

Federal Revenue - Department of Developmental Services **\$62,500,000**

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. This is a one-time revenue and no legislation would be required to implement this proposal.

Federal Revenue - Matching Federal Financial Participation (FFP) **(\$1,100,000)**

Federal revenue offset due to updating medical necessity definitions.

Total Various Revenue Items **\$185,750,000**

OTHER ITEMS

Dept of Administrative Services – Fleet Operations Vehicle Purchase Delay **\$1,200,000**

DAS is proposing a temporary delay in the purchasing of vehicles which would defer \$11 million in new vehicle purchases to FY10. This proposal would allow DAS to extend the life of vehicles which would result in less depreciation charges to certain agencies at a total of \$1.2 million annually.

Arena Study – Return of Appropriation **\$300,000**

Capital City Economic Development Authority (CCEDA) was provided funding from prior year surplus, for a study on the feasibility of establishing a new arena in the City of Hartford. The study has not yet begun and given the fiscal circumstances, will not be undertaken at this time.

DECEMBER DEFICIT MITIGATION PLAN - CARRYFORWARD REDUCTIONS

Office of State Ethics – Information Technology Initiatives	\$150,000
Remaining funds available to reduce after November Special Session.	
State Treasurer-Debt Service – Supported Housing - Debt Service	\$3,000,000
Funds will likely lapse even if projects proceed this year.	
Department of Public Works - Upgrades to 61 Woodland Street	\$1,000,000
Alternative funding could be obtained through DPW bond funds.	
Department of Environmental Protection - Clean Diesel Buses	\$2,000,000
Remaining funds available to reduce after November Special Session.	
Connecticut Commission on Culture and Tourism – Statewide Marketing	\$350,000
Remaining funds available to reduce after November Special Session.	
Department of Economic and Community Development - Small Business Incubator	\$600,000
Remaining funds available to reduce after November Special Session.	
Dept of Economic and Community Development - Biofuels	\$1,050,000
Additional funds available to reduce after November Special Session. This will leave \$3.6 million to be used for this purpose	
State Department of Education – School Safety	\$1,000,000
Additional funds available to reduce after November Special Session. This will leave \$2 million to be used for this purpose	

DECEMBER DEFICIT MITIGATION PLAN - OTHER ITEMS

Eliminate OPM Energy Contingency (PA 08-2) \$35,000,000

The U.S. Department of Health and Human Services has released the FFY2009 LIHEAP allocations and the balance of FFY2008 Contingency funds. With total available funds of \$134.8 million, projected CEAP shortfalls have been eliminated. Further it is anticipated that a surplus of \$15-20 million in federal funds will be available in FY 2009 depending on caseload (5-10% projected increase over FY08), without use of the \$35 million energy contingency funds appropriated to OPM.

De-appropriate Exempt Agencies \$1,194,050

State Elections Enforcement Commission Agency has offered to lapse \$50,000 in PS (currently the agency has no vacancies).

Freedom of Information Commission Currently, it is estimated that FOI has 1 vacant position and is estimated to lapse \$50,000.

Office of State Ethics Agency will lapse \$50,000 (2 vacancies).

Auditors of Public Accounts Agency is expected to lapse funds in PS, OE and equipment.

Since these agencies are precluded from rescissions, the lapsing funds would need to be de-appropriated.

Judicial Department

Defer Juvenile Jurisdiction Change Related Hiring \$1,200,000

The Judicial Department has funding to support the addition of 50 Juvenile Probation Officers anticipated to be filled in April 2009. It would cost approximately \$600,000 to hire the 50 positions. In addition, \$600,000 was provided for an additional 5 Judges, support staff and associated expenses beginning in April 2009. Since the program is not to go into effect until 1/1/10, the hiring of these positions may be delayed until 7/1/09.

Delay Increased Compensation for Temporary Assistant Clerks \$214,960

PA 08-51(\$5) appropriated funding in the amount of \$5,232,000 to the Judicial Department in order to carry out the criminal justice initiatives. Per the OFA 2007-2009 Revisions book, \$214,960 of the funding is slated to be used to increase the compensation of Temporary Assistant Clerks to 60% of their full-time counterparts. This increase was to take effect on April 1, 2009.

Delay Criminal Justice Information System Hiring \$150,000

PA 08-1 provided \$250,000 to hire an Executive Director of the CJIS Governing Board. It is anticipated that \$150,000 of these funds will lapse.

CT Center for Advanced Technology - Manufacturing Supply Chain \$750,000

In the adopted budget, \$1 million was provided in FY 2009 as a subsidy to CCAT for its Manufacturing Supply Chain program. In separate reductions, this funding was reduced by \$50,000 (rescission) and \$200,000 (Deficit Mitigation Plan). The remainder of the funding, \$750,000 is now recommended for elimination.

Delay State Department on Aging Creation \$430,396

Contingency Fund – Legislative Leaders' Fund Balances \$1,119,450

The Governor has already committed to not spend the entire \$2 million that was designated for her use. She is now proposing that the Legislative Leaders not spend a portion of the funds designated for their use.

DECEMBER DEFICIT MITIGATION PLAN - OTHER ITEMS

Other Post Employment Benefits (OPEB) \$14,500,000

There is an agreement with SEBAC to transfer \$14.5 million of the anticipated savings in the state health plans to the OPEB account. The anticipated savings are due to switching the pharmacy program from a fully insured plan to a self insured plan. We have not transferred the money to the OPEB account as we have not realized the full savings yet.

DSS - Update Medical Necessity and Appropriateness Definition under Medicaid \$2,250,000

Under this proposal, DSS would replace the current outdated medical necessity definition under Medicaid with the definition used in the SAGA medical program. This new medical necessity definition would combine the concepts of medical necessity and appropriateness as is done in Medicare and under public sector and commercial health care programs.

Suspend the Payment of Systems Benefits Charges \$1,700,000

As a surcharge on electric and natural gas bills, there is an all systems benefits charge that is deposited into the CT Energy Efficiency Fund and the Clean Energy Fund. The state pays the charges as a part of utilities payments. This proposal would suspend the state's obligation from paying this charge effective January 1, 2009, thereby reducing expenditures by \$1.7m in FY 2009 and \$3.5m annually.

Office of Policy and Management – De-appropriate Funds \$736,000

OPM is expecting to lapse funds in five accounts, PS, OE, Automated Budget System, Justice Assistance Grants and Distressed Municipalities. These funds will be de-appropriated.

Judicial Department – De-appropriate Equipment Funds \$600,000

Based on the current spending pattern, the Judicial Department is expecting to lapse \$600,000 in the Equipment account. These funds will be de-appropriated.

Legislative Management – De-appropriate PS and OE Funds \$1,500,000

In order to reduce the deficit, funding will be reduced in Legislative Management.

State Marshal – De-appropriate OE \$15,000

\$15,000 of training related funding in the OE account is expected to lapse.

Judicial Selection Committee – De-appropriate PS \$5,000

\$5,000 in PS funding is available due to the filling of a position at a lower salary.

Emergency Management & Homeland Security – De-appropriate PS \$75,000

\$75,000 is available in PS due to increasing federal funding.

DECEMBER DEFICIT MITIGATION PLAN– LAPSE ADJUSTMENTS

NATURAL LAPSES

Office of Policy and Management	
Private Provider Amount above 3%	\$1,332,073
Manufacturing Machinery and Equipment	\$4,700,000
Department of Labor	
Unemployment Benefits for Military Spouses (Fully funded through the Unemployment Insurance Trust Fund)	\$175,000
Department of Social Services	
Medical Interpreters	\$1,175,000
Department of Higher Education	
Equipment	\$950
Alternate Route to Certification	\$316,148
Department of Correction	
Community Support Services	\$500,000
Department of Children and Families	
Board & Care Foster	\$2,000,000
Board & Care Residential	\$801,864
Judicial Department	
Alternative Incarceration Program	\$500,000
State Comptroller – Fringe Benefits	
Employer’s Social Security Tax	\$1,000,000
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Contingency Fund (Governor’s Balance)	\$2,000,000
RSA Reduction Due to Decreased Demand on Accrued Leave	\$3,100,000
Reduce Outside Consultant Contracts Statewide	\$2,000,000

COMPTROLLER'S LETTER 11/20/2008



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

November 20, 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 October 31, 2008. This letter reflects the passage of Public Acts 08-01 and 08-02 from the August Special Session.

More than sixteen 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 second round of allotment rescissions in accordance with her authority under CGS 4-85. The Governor also issued a Deficit Mitigation Plan to address the \$302.4 million shortfall projected in our September 22nd letter to you and confirmed in your letter to Governor Rell on October 1st. Consistent with our last letter, some components of that plan, primarily items that do not require legislative action, such as the second round of rescissions, are reflected in this letter.

In the General Fund, we are estimating a deficit of \$356.3 million. This month's letter reflects several significant revisions to the revenue forecast which net to a decrease of \$239.5 million. The largest revision is to the Sales Tax, down \$115.6 million, to reflect falling tax receipts and the expectation that fiscal year 2009 collections will fall 1.5% below last fiscal year. The Oil Companies Tax is being revised downward by \$100.0 million to reflect the over 60% decline in oil prices from this summer's historic peak. Refunds of Taxes are anticipated to be \$25.0 million worse than previously projected primarily due to higher income tax refunds in the month of October. Rents, Fines, and Escheats are being lowered by \$22.5 million on the expectation that the anticipated gain on the one-time sale of \$45 million of securities held by the Treasurer will be cut in half given the severe pullback in the financial markets. With the slide in interest rates, particularly for securities with a shorter maturity, Investment Income is being revised downward by \$20 million. Indian Gaming payments are being revised downward by \$16.4 million due to poor collections to date and the expectation that this trend will continue for the remainder of the fiscal year. On the positive side, Inheritance and Estate has been revised upward by \$50 million due to strong collections in recent months. All other changes net to a \$10 million increase.

COMPTROLLER'S LETTER 11/20/2008

In the General Fund, we are estimating that due to the Governor's two rescission programs and other surpluses available in select accounts, lapses are approximately \$140.0 million higher than budgeted. All told, the statewide lapses are estimated to reach \$257.5 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.

In the Special Transportation Fund, we are projecting an annual operating deficit of \$61.6 million. Revenues in the Transportation Fund have also been revised downward by a total of \$19.7 million compared to last month. The largest component is in Interest Income, down \$10 million, again due to lower interest rates. The Motor Fuels Tax continues to perform poorly and is being revised downward by \$6.7 million and Sales Tax collections by the Department of Motor Vehicles are being revised downward by \$3.0 million. It should be noted that these revisions have already been reflected in the current Official Statement for the Transportation Fund.

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,



Robert L. Genuario
Secretary

Projected Deficit per OPM's Letter to the Comptroller 11/20/08

\$ (356,300,000)

<http://www.ct.gov/opm/lib/opm/budget/comptrollerletter/fy2009/2009nov20letter.pdf>