



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

October 20, 2006

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 2006-2007 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 September 30, 2006. The balance in the General Fund is currently projected at \$266.4 million.

We are projecting additional requirements in the General Fund of \$15.1 million. These include: the Department of Children and Families which is anticipated to have a net deficiency of approximately \$5.5 million dollars in the Individual Family Supports account; the Department of Mental Health and Addiction Services which is projected to have a \$3.8 million shortfall consisting of a deficiency of \$2.4 million in Personal Services related to enhanced staffing and increased overtime at Connecticut Valley Hospital, and \$1.4 million in the Behavioral Health Medications account is due to increased utilization and higher pharmaceutical costs; the Department of Correction has an estimated deficiency of \$5.3 million due to an increase in prisoner population. \$3 million of the deficiency is in Personal Services due to higher than expected overtime costs and \$2.3 million is in Other Expenses; and \$450,000 in the Public Defender Services Commission for Special Public Defenders - Non-Contractual.

We are not projecting any deficiency in the Special Transportation Fund.

A net lapse of \$39.6 million is projected in the Department of Social Services. This is primarily due to Medicaid trends.

It should be noted that the Department of Social Services is working towards the goal of maintaining last year's benefit levels under the Connecticut Energy Assistance Program (CEAP). While it is expected that sufficient federal energy assistance funds will be provided to cover program costs, the General Fund could incur an additional liability of approximately \$14 million if these federal funds are not made available.

This month's letter reflects an overall increase in projected revenue of \$71.9 million. We are increasing the Corporation Tax projection by \$66.4 million, due to strong growth in September estimated payments. We are also projecting an increase in investment income of \$39.8 million due to the state's significant cash balance and budget reserve fund earning a higher interest rate than recent fiscal years. We are revising downward our projection of sales and use tax by \$22.3 million and the real estate conveyance tax by \$12.0 million as these two revenue streams missed their targets during the first quarter of the fiscal year.

There are no changes to Transportation Fund revenue estimates this month.

We recognize that if all of the identified additional requirements in the General Fund were to be appropriated, total appropriations in FY'07 would exceed the Constitutionally-mandated cap on appropriations. Accordingly, OPM will utilize various tools, including transfers, to address these shortfalls in order to present a Deficiency Bill in February that is consistent with the spending cap.

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

RLG:dd
Attachments

Summary
October 20, 2006

State of Connecticut
Summary of Changes
General Fund and Special Transportation Fund
Projected to June 30, 2007
(In Millions)

General Fund

Balance - September 20, 2006		\$	212.9
Revenues			
Sales and Use	(22.3)		
Corporation	66.4		
Real Estate Conveyance	(12.0)		
Investment Income	39.8		71.9
			<hr/>
Expenditures			
Additional Requirements	(15.1)		
Additional Lapses - No Change	0.0		
Miscellaneous Adjustments/Rounding	(3.4)		(18.4)
			<hr/>
Balance - October 20, 2006		\$	<u>266.4</u>

Special Transportation Fund

Balance - September 20, 2006		\$	167.2
Change in beginning year balance			(2.5)
Revenues - No Change			0.0
Expenditures - No Change			<hr/> 0.0
Balance - October 20, 2006		\$	<u>164.7</u>

State of Connecticut
General Fund
Statement of Revenues, Expenditures, and Results of Operations
Projected to June 30, 2007
As of September 30, 2006
(In Millions)

	General Assembly Budget Plan ^{1.}	Revised Estimates OPM	Over/ (Under)
REVENUE			
Taxes	\$12,150.7	\$12,234.6	\$83.9
Less: Refunds	<u>(900.0)</u>	<u>(883.5)</u>	<u>16.5</u>
Taxes - Net	11,250.7	11,351.1	100.4
Other Revenue	1,119.3	1,188.0	68.7
Other Sources	<u>2,628.0</u>	<u>2,590.4</u>	<u>(37.6)</u>
TOTAL Revenue	\$14,998.0	\$15,129.5	\$131.5
EXPENDITURES			
Appropriations	\$14,952.1	\$14,952.1	(\$0.0)
Net Additional Requirements	0.0	15.1	15.1
Less: Estimated Lapses	<u>(115.0)</u>	<u>(115.0)</u>	<u>0.0</u>
TOTAL Expenditures	\$14,837.2	\$14,852.2	\$15.0
Balance from Operations	\$160.8	\$277.3	\$116.5
Miscellaneous Adjustments	<u>0.0</u>	<u>(10.9)</u>	<u>(10.9)</u>
Estimated Balance 6/30/07	<u>\$160.8</u>	<u>\$266.4</u>	<u>\$105.6</u>

1. PA 06-186

State of Connecticut
General Fund
Revenue Estimates
Projected to June 30, 2007
As of September 30, 2006
(In Millions)

TAXES	
Personal Income	\$6,515.0
Sales and Use	3,507.2
Corporation	747.0
Public Service Corporations	225.9
Inheritance and Estate	158.8
Insurance Companies	274.6
Cigarettes	268.8
Real Estate Conveyance	183.1
Oil Companies	135.0
Alcoholic Beverages	46.5
Admissions and Dues	34.6
Miscellaneous	138.1
TOTAL - TAXES	<u>\$12,234.6</u>
Less: Refunds of Taxes	(876.0)
R & D Credit Exchange	<u>(7.5)</u>
TOTAL - TAXES - NET	<u>\$11,351.1</u>
OTHER REVENUE	
Transfers - Special Revenue	\$282.6
Indian Gaming Payments	438.7
Licenses, Permits, Fees	144.7
Sales of Commodities and Services	36.0
Rents, Fines, Escheats	46.0
Investment Income	100.0
Miscellaneous	140.6
Refunds of Payments	<u>(0.6)</u>
TOTAL - OTHER REVENUE	<u>\$1,188.0</u>
OTHER SOURCES	
Federal Grants	\$2,534.3
Transfer from Tobacco Settlement Fund	101.4
Transfers to Other Funds	<u>(45.3)</u>
TOTAL - OTHER SOURCES	<u>\$2,590.4</u>
TOTAL - GENERAL FUND REVENUE	\$15,129.5

State of Connecticut - General Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2007
As of September 30, 2006

Department of Mental Health & Addiction Services	\$3,800,000
Department of Correction	5,300,000
Department of Children & Families	5,500,000
Public Defender Services Commission	450,000
Total - Additional Requirements	<u>\$15,050,000</u>

State of Connecticut
General Fund
Estimated Lapses
Projected to June 30, 2007
As of September 30, 2006

Legislative Unallocated Lapses	\$2,200,000
Estimated Unallocated Lapses	10,980,000
Department of Social Services	39,600,000
State Employees Health Service Cost	15,000,000
Debt Service	22,200,000
General Personal Services Reduction	14,000,000
General Other Expenses Reductions	11,000,000
Total	<u>\$114,980,000</u>

State of Connecticut
2006-07 General Fund
Summary of Operations Per Letter to the Comptroller
(In Millions)

	Budget Plan ¹ :	July 2006	August 2006	September 2006	October 2006	November 2006	December 2006	January 2007	February 2007	March 2007	April 2007	May 2007	June 2007
REVENUE	\$14,998.0	\$15,052.4	\$15,057.6	\$15,129.5									
Appropriations	14,952.1	14,952.1	14,952.1	14,952.1									
Additional Requirements	0.0	0.0	0.0	15.1									
Less: Estimated Lapses	(115.0)	(115.0)	(115.0)	(115.0)									
TOTAL - Estimated Expenditures	14,837.2	14,837.2	14,837.2	14,852.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance from Operations	160.8	215.2	220.4	277.3									
Compt.'s Misc. Adjustments/Rounding	0.0	(2.3)	(7.5)	(10.9)									
Estimated Balance 6/30/07	\$160.8	\$212.9	\$212.9	\$266.4	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

1. PA 06-186

Statement 1T
October 20, 2006

State of Connecticut
Special Transportation Fund
Analysis of Budget Plan
Projected to June 30, 2007
As of September 30, 2006
(In Millions)

	General Assembly <u>Budget Plan</u> ^{1.}	Revised Estimates <u>OPM</u> ^{2.}	Over/ (Under)
Surplus Carried Forward from 2005-06	\$135.9	\$133.4	(\$2.5)
REVENUE			
Taxes	\$702.6	\$691.0	(\$11.6)
Less: Refunds of Taxes	<u>(8.6)</u>	<u>(9.1)</u>	<u>(0.5)</u>
Taxes - Net	694.0	681.9	(12.1)
Other Revenue	<u>411.5</u>	<u>405.6</u>	<u>(5.9)</u>
TOTAL - Revenue	<u>\$1,105.5</u>	<u>\$1,087.5</u>	<u>(\$18.0)</u>
EXPENDITURES			
Appropriations	\$1,067.2	\$1,067.2	\$0.0
Additional Appropriations	0.0	0.0	0.0
Less: Estimated Lapses	<u>(11.0)</u>	<u>(11.0)</u>	<u>0.0</u>
TOTAL - Expenditures	<u>\$1,056.2</u>	<u>\$1,056.2</u>	<u>\$0.0</u>
Balance from Operations	\$49.3	\$31.3	(\$18.0)
Miscellaneous Adjustments	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Estimated Balance 6/30/07	<u>\$185.2</u>	<u>\$164.7</u>	<u>(\$20.5)</u>

1. PA 06-186

2. Per the October 2, 2006 Comptroller's Letter to Governor Rell the Fiscal Year 2006 ending balance was \$133.4 million in the Special Transportation Fund.

Statement 2T
October 20, 2006

State of Connecticut
Special Transportation Fund
Revenue Estimates
Projected to June 30, 2007
As of September 30, 2006
(In Millions)

TAXES	
Motor Fuels	\$478.4
Oil Companies	141.0
Sales Tax DMV	71.6
TOTAL - TAXES	<u>691.0</u>
Less: Refunds of Taxes	<u>(9.1)</u>
TOTAL - TAXES - NET	\$681.9
OTHER REVENUE	
Motor Vehicle Receipts	\$231.8
Licenses, Permits, Fees	162.0
Interest Income	42.0
Transfers to Other Funds	(27.3)
Refunds of Payments	<u>(2.9)</u>
TOTAL - OTHER REVENUE	\$405.6
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$1,087.5

Statement 3T
October 20, 2006

State of Connecticut
Special Transportation Fund
Appropriation Adjustments - Additional Appropriations
Projected to June 30, 2007
As of September 30, 2006

Additional Appropriations	\$0
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Statement 4T
October 20, 2006

State of Connecticut
Special Transportation Fund
Estimated Lapse
Projected to June 30, 2007
As of September 30, 2006

Estimated Unallocated Lapses	\$11,000,000
Total	<u>\$11,000,000</u>

Statement 4T
October 20, 2006

State of Connecticut
Special Transportation Fund
Estimated Lapse
Projected to June 30, 2007
As of September 30, 2006

Estimated Unallocated Lapses	\$11,000,000
Total	<u>\$11,000,000</u>

State of Connecticut
2006-07 Special Transportation Fund
Summary of Operations Per Letter to the Comptroller
(In Millions)

	Budget Plan ¹ .	July 2006	August 2006	September 2006 ² .	October 2006	November 2006	December 2006	January 2007	February 2007	March 2007	April 2007	May 2007	June 2007
Beginning Balance	\$135.9	\$135.9	\$135.9	\$133.4									
Revenue	<u>1,105.5</u>	<u>1,087.5</u>	<u>1,087.5</u>	<u>1,087.5</u>									
Total Available	1,241.4	1,223.4	1,223.4	1,220.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Appropriations	1,067.2	1,067.2	1,067.2	1,067.2									
Additional Appropriations	0.0	0.0	0.0	0.0									
Less: Estimated Lapses	<u>(11.0)</u>	<u>(11.0)</u>	<u>(11.0)</u>	<u>(11.0)</u>									
TOTAL - Estimated Expenditures	1,056.2	1,056.2	1,056.2	1,056.2									
Balance from Operations	49.3	31.3	31.3	31.3									
Compt's Misc. Adjustments/Rounding	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>									
Estimated Balance 6/30/07	\$185.2	\$167.2	\$167.2	\$164.7	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

1. PA 06-186

2. Per the October 2, 2006 Comptroller's Letter to Governor Rell the Fiscal Year 2006 ending balance was \$133.4 million in the Special Transportation Fund.