



# STATE OF CONNECTICUT

## OFFICE OF POLICY AND MANAGEMENT

April 20, 2007

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 March 31, 2007. The balance in the General Fund is currently projected at \$628.3 million.

We are projecting additional requirements in the General Fund of \$38.0 million. These include: \$300,000 in the Department of Labor in Other Expenses to pay for fee increases for Mediation and Arbitration and Labor Relations members; a \$6.4 million shortfall is projected in the Department of Mental Health and Addiction Services - \$2.4 million in Personal Services is related to additional hiring and overtime at Connecticut Valley Hospital, \$1.2 million in Other Expenses related to higher than budgeted repairs and maintenance costs, \$2 million in Workers' Compensation, \$700,000 in the Behavioral Health Medications account is due to increased utilization and \$120,000 in the Nursing Home Screening Account because of increased screening activities; the University of Connecticut Health Center has incurred an estimated deficiency of \$11.8 million related to the "Academic Gap", excluding any deficiencies associated with the University Medical Group; the Department of Correction has an estimated deficiency of \$17.2 million due to an increase in prisoner population, \$10.5 million of the deficiency is in Personal Services due to higher than expected overtime costs, \$3.4 million is for Inmate Medical, \$300,000 for Workers' Compensation and \$3.0 million is in Other Expenses; \$650,000 in the Public Defender Services Commission for Special Public Defenders - Non-Contractual; and the Department of Administrative Services-Worker's Compensation Claims has an estimated deficiency of \$600,000, and the Department of Public Health has an estimated deficiency of \$1.0 million in Personal Services.

Projected lapses in the General Fund have increased by \$23 million due to projected lapses in the Fringe Benefits, primarily in the Active and Retiree Health Services accounts.

Total projected revenue collections have been revised upward by \$89.3 million. The primary driver of the revision is the Corporation tax which for the month of March was much stronger than anticipated and this trend is expected to continue through the end of the fiscal year for a gain of \$90.0 million. The fiscal year 2007 forecast of the Inheritance

and Estate tax is also projected to increase by \$14.7 million; this is attributed to a few unusually large payments in the month of March and early April. A positive collection variance of \$8.0 million is expected in the Real Estate Conveyance tax which has exhibited a smaller negative growth than anticipated through the fiscal year. We have revised our estimate of Insurance Companies revenue downward by \$10.0 million due to lower than anticipated collections in the month of March. In addition, Investment Income is not projected to reach the previously anticipated level of \$100 million and has been revised downward by \$10.0 million. Other miscellaneous revenue adjustments net to a negative \$3.4 million.

At this time no revisions have been made to the Personal Income Tax. With the extension of the filing deadline to April 26th, we await additional data as the Department of Revenue Services works to process the returns as quickly as possible. If required, a subsequent letter may be submitted to your office whereby we will make any necessary revisions to the Personal Income Tax estimates.

It should be noted that the Department of Social Services is 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 \$4.2 million if these federal funds are not made available.

The estimated lapse in the Special Transportation Fund Debt Service account is projected at \$18.6 million. The net revenue estimates for the Special Transportation Fund remain unchanged.

The budget proposed by Governor Rell on February 7, 2007, includes several actions which would impact the projected FY'07 General Fund surplus. These include appropriating \$21 million for the establishment of an "Other Post Employment Benefits" account, continuing \$96.3 million for expenditure in FY'08, \$9.3 million for one-time expenses in FY'08, appropriating \$150 million for Teachers Retirement pensions in FY'09, appropriating \$50 million for a one-time fund to support the purchase of textbooks and/or deferred maintenance projects on schools, and appropriating \$30 million for the establishment of an Energy Conservation Incentive account. The net impact of all of these proposed changes is that the remaining un-appropriated surplus would be projected at \$271.7 million. This amount would be deposited into the Budget Reserve 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

RLG:dd  
Attachments

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

**General Fund**

Balance - March 20, 2007		\$	536.2
Revenues			
Sales & Use	5.0		
Corporation	90.0		
Inheritance & Estate	14.7		
Insurance Companies	(10.0)		
Real Estate Conveyance	8.0		
R & D Credit Exchange	1.5		
Investment Income	(10.0)		
Federal Grants	(2.7)		
Transfer from Tobacco Settlement Fund	(7.2)		89.3
Expenditures			
Additional Requirements	(13.3)		
Additional Lapses	23.0		
Miscellaneous Adjustments/Rounding	(6.9)		2.8
Balance - April 20, 2007		\$	<u>628.3</u>

**Special Transportation Fund**

Balance - March 20, 2007		\$	175.8
Revenues			
Sales Tax - DMV	(1.5)		
Motor Vehicle Receipts	1.5		0.0
Expenditures			
Reduced Requirements	0.5		0.5
Balance - April 20, 2007		\$	<u>176.3</u>

State of Connecticut  
 General Fund  
 Statement of Revenues, Expenditures, and Results of Operations  
 Projected to June 30, 2007  
 As of March 31, 2007  
 (In Millions)

	General Assembly <u>Budget Plan</u> <sup>1.</sup>	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
<b>REVENUE</b>			
Taxes	\$12,150.7	\$12,491.3	\$340.6
Less: Refunds	<u>(900.0)</u>	<u>(882.0)</u>	<u>18.0</u>
Taxes - Net	11,250.7	11,609.3	358.6
Other Revenue	1,119.3	1,220.7	101.4
Other Sources	<u>2,628.0</u>	<u>2,636.3</u>	<u>8.3</u>
TOTAL Revenue	\$14,998.0	\$15,466.3	\$468.3
<b>EXPENDITURES</b>			
Appropriations	\$14,952.1	\$14,952.1	\$0.0
Net Additional Requirements	0.0	38.0	38.0
Less: Estimated Lapses	<u>(115.0)</u>	<u>(181.0)</u>	<u>(66.0)</u>
TOTAL Expenditures	\$14,837.2	\$14,809.1	(\$28.1)
Balance from Operations	\$160.8	\$657.2	\$496.4
Miscellaneous Adjustments	<u>0.0</u>	<u>(28.9)</u>	<u>(28.9)</u>
Estimated Balance 6/30/07	<u>\$160.8</u>	<u>\$628.3</u>	<u>\$467.5</u>

1. PA 06-186

State of Connecticut  
General Fund  
Revenue Estimates  
Projected to June 30, 2007  
As of March 31, 2007  
(In Millions)

TAXES	
Personal Income	\$6,625.0
Sales and Use	3,492.2
Corporation	877.0
Public Service Corporations	225.9
Inheritance and Estate	189.5
Insurance Companies	264.6
Cigarettes	272.0
Real Estate Conveyance	188.0
Oil Companies	135.0
Alcoholic Beverages	46.5
Admissions and Dues	33.6
Miscellaneous	142.0
TOTAL - TAXES	<u>\$12,491.3</u>
Less: Refunds of Taxes	(876.0)
R & D Credit Exchange	<u>(6.0)</u>
TOTAL - TAXES - NET	<u>\$11,609.3</u>
OTHER REVENUE	
Transfers - Special Revenue	\$278.6
Indian Gaming Payments	436.7
Licenses, Permits, Fees	144.7
Sales of Commodities and Services	38.0
Rents, Fines, Escheats	46.0
Investment Income	90.0
Miscellaneous	187.3
Refunds of Payments	<u>(0.6)</u>
TOTAL - OTHER REVENUE	<u>\$1,220.7</u>
OTHER SOURCES	
Federal Grants	\$2,588.8
Transfer from Tobacco Settlement Fund	92.8
Transfers to Other Funds	<u>(45.3)</u>
TOTAL - OTHER SOURCES	<u>\$2,636.3</u>
TOTAL - GENERAL FUND REVENUE	\$15,466.3

State of Connecticut - General Fund  
Appropriation Adjustments - Net Additional Requirements  
Projected to June 30, 2007  
As of March 31, 2007

Department of Labor	\$300,000
Department of Public Health	1,000,000
Department of Mental Health & Addiction Services	6,420,000
University of Connecticut Health Center	11,800,000
Department of Correction	17,200,000
Public Defender Services Commission	650,000
DAS-Worker's Compensation	600,000
Total - Additional Requirements	<u>\$37,970,000</u>

State of Connecticut  
General Fund  
Estimated Lapses  
Projected to June 30, 2007  
As of March 31, 2007

Legislative Unallocated Lapses	\$2,200,000
Estimated Unallocated Lapses	11,780,000
Department of Social Services	49,600,000
State Employees Health Service Cost	40,000,000
Retired State Employees Health Services	10,000,000
Department of Labor	1,400,000
Fringe Benefits - Social Security	5,000,000
Debt Service	36,000,000
General Personal Services Reduction	14,000,000
General Other Expenses Reductions	11,000,000
Total	<u>\$180,980,000</u>

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

	Budget Plan <sup>1</sup> :	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	\$15,344.3	\$15,354.4	\$15,357.0	\$15,357.0	\$15,377.0	\$15,466.3			
Appropriations	14,952.1	14,952.1	14,952.1	14,952.1	14,952.1	14,952.1	14,952.1	14,952.1	14,952.1	14,952.1			
Additional Requirements	0.0	0.0	0.0	15.1	15.1	19.0	25.0	25.0	24.7	38.0			
Less: Estimated Lapses	(115.0)	(115.0)	(115.0)	(115.0)	(124.0)	(136.0)	(146.0)	(148.0)	(158.0)	(181.0)			
TOTAL - Estimated Expenditures	14,837.2	14,837.2	14,837.2	14,852.2	14,843.2	14,835.1	14,831.1	14,829.1	14,818.8	14,809.1	0.0	0.0	0.0
Balance from Operations	160.8	215.2	220.4	277.3	501.1	519.3	525.9	527.9	558.2	657.2			
Compt.'s Misc. Adjustments/Rounding	0.0	(2.3)	(7.5)	(10.9)	(14.6)	(17.1)	(18.1)	(20.0)	(22.0)	(28.9)			
Estimated Balance 6/30/07	\$160.8	\$212.9	\$212.9	\$266.4	\$486.5	\$502.2	\$507.8	\$507.9	\$536.2	\$628.3	\$0.0	\$0.0	\$0.0

1. PA 06-186

State of Connecticut  
Special Transportation Fund  
Analysis of Budget Plan  
Projected to June 30, 2007  
As of March 31, 2007  
(In Millions)

	General Assembly <u>Budget Plan</u> <sup>1.</sup>	Revised Estimates <u>OPM</u> <sup>2.</sup>	Over/ (Under)
Surplus Carried Forward from 2005-06	\$135.9	\$133.4	(\$2.5)
<b>REVENUE</b>			
Taxes	\$702.6	\$689.5	(\$13.1)
Less: Refunds of Taxes	<u>(8.6)</u>	<u>(9.1)</u>	<u>(0.5)</u>
Taxes - Net	694.0	680.4	(13.6)
Other Revenue	<u>411.5</u>	<u>411.1</u>	<u>(0.4)</u>
<b>TOTAL - Revenue</b>	<b>\$1,105.5</b>	<b>\$1,091.5</b>	<b>(\$14.0)</b>
<b>EXPENDITURES</b>			
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>(18.6)</u>	<u>(7.6)</u>
<b>TOTAL - Expenditures</b>	<b>\$1,056.2</b>	<b>\$1,048.6</b>	<b>(\$7.6)</b>
Balance from Operations	\$49.3	\$42.9	(\$6.4)
Miscellaneous Adjustments	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
<b>Estimated Balance 6/30/07</b>	<b><u>\$185.2</u></b>	<b><u>\$176.3</u></b>	<b><u>(\$8.9)</u></b>

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  
April 20, 2007

State of Connecticut  
Special Transportation Fund  
Revenue Estimates  
Projected to June 30, 2007  
As of March 31, 2007  
(In Millions)

TAXES	
Motor Fuels	\$478.4
Oil Companies	141.0
Sales Tax DMV	70.1
TOTAL - TAXES	<u>689.5</u>
Less: Refunds of Taxes	(9.1)
TOTAL - TAXES - NET	<u>\$680.4</u>
OTHER REVENUE	
Motor Vehicle Receipts	\$233.3
Licenses, Permits, Fees	162.0
Interest Income	46.0
Transfers to Other Funds	(27.3)
Refunds of Payments	(2.9)
TOTAL - OTHER REVENUE	<u>\$411.1</u>
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$1,091.5

Statement 3T  
April 20, 2007

State of Connecticut  
Special Transportation Fund  
Appropriation Adjustments - Additional Appropriations  
Projected to June 30, 2007  
As of March 31, 2007

Additional Appropriations	\$0
Total	<u>\$0</u>

Statement 4T  
April 20, 2007

State of Connecticut  
Special Transportation Fund  
Estimated Lapse  
Projected to June 30, 2007  
As of March 31, 2007

Debt Service Lapse	\$18,600,000
Total	<u>\$18,600,000</u>

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

	Budget Plan <sup>1</sup> .	July 2006	August 2006	September 2006 <sup>2</sup> .	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	\$133.4	\$133.4	\$133.4	\$133.4	\$133.4	\$133.4			
Revenue	<u>1,105.5</u>	<u>1,087.5</u>	<u>1,087.5</u>	<u>1,087.5</u>	<u>1,087.5</u>	<u>1,087.5</u>	<u>1,091.5</u>	<u>1,091.5</u>	<u>1,091.5</u>	<u>1,091.5</u>			
Total Available	1,241.4	1,223.4	1,223.4	1,220.9	1,220.9	1,220.9	1,224.9	1,224.9	1,224.9	1,224.9	0.0	0.0	0.0
Appropriations	1,067.2	1,067.2	1,067.2	1,067.2	1,067.2	1,067.2	1,067.2	1,067.2	1,067.2	1,067.2			
Additional Appropriations	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5	0.5	0.0			
Less: Estimated Lapses	<u>(11.0)</u>	<u>(11.0)</u>	<u>(11.0)</u>	<u>(11.0)</u>	<u>(11.0)</u>	<u>(11.0)</u>	<u>(18.6)</u>	<u>(18.6)</u>	<u>(18.6)</u>	<u>(18.6)</u>			
TOTAL - Estimated Expenditures	1,056.2	1,056.2	1,056.2	1,056.2	1,056.2	1,056.2	1,049.1	1,049.1	1,049.1	1,048.6			
Balance from Operations	49.3	31.3	31.3	31.3	31.3	31.3	42.4	42.4	42.4	42.9			
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>	<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	\$164.7	\$164.7	\$175.8	\$175.8	\$175.8	\$176.3	\$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.