



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

December 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 2007-2008 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, 2007. The balance in the General Fund is now projected at \$100.1 million, an increase of \$99.4 million over the original enacted budget.

Projected additional requirements in the General Fund remain at \$25.0 million. These include a \$9 million shortfall being projected in the Department of Mental Health and Addiction Services in the Personal Services, Other Expenses, Professional Services and Nursing Home Screening Accounts. \$6.3 million in Personal Services is due to additional hiring and overtime coverage as a result of the U.S. DOJ and CMS surveys at CVH. \$2 million in Other Expenses is due to higher than budgeted utility expenditures and maintenance and repair costs at CVH and other facilities. \$660,000 in the Professional Services and Nursing Home Screening Accounts result from higher than budget expenditures; and the Department of Correction has an estimated deficiency of \$16 million due to increased prison population. \$3.4 million of the deficiency is in the agency's Personal Services account due to increased overtime costs. \$6.1 million of the deficiency is in Other Expenses mainly due to maintenance, food and energy costs. \$6.5 million of the deficiency is in the Inmate Medical account resulting from increased medical costs and staffing.

Projected lapses have increased by a net \$10 million, attributable primarily to less than anticipated participation in the PILOT – Machinery and Equipment Program.

This month's letter includes several adjustments to our General Fund revenue projections which result in an overall increase of \$5.8 million. The largest revenue change is an increase in the Personal Income Tax revenue estimate of \$40.0 million, as we have seen a positive variation in estimates and finals payments to date. Oil prices also continue to remain at record-high levels and as such, we are increasing our revenue projection by \$23.7 million for the Oil Companies tax.

Year to date revenue collection in a number of our revenue streams has not met our targets and thus we are making several notable negative adjustments to our revenue estimates. We have revised our estimate of Corporation Tax revenue down by \$30 million, the Inheritance and Estate Tax estimate down by \$14.4 million and Indian Gaming revenue down by \$7.0 million. We will monitor these revenue streams as the year progresses. The corporation tax is of particular concern as it has been falling short of its target at each estimated payment due date and it will likely require further significant downward revisions particularly if collections for the month of December continue at their current pace. Other miscellaneous revenue adjustments net to a negative \$6.5 million.

This month's letter also reflects an overall decrease in our revenue projections in the Special Transportation Fund of \$15.0 million. The state has started to feel the impact of higher energy costs, as gasoline consumption has shown a marked decrease over the same period a year ago and thus we are revising our motor fuels tax projection by \$4.0 million. In addition, we are revising our projections downward for motor vehicle receipts revenue (\$6.0 million), sales tax-DMV revenue (\$2.0 million), and interest income (\$3.0 million).

We recognize that if all of the identified additional requirements in the General Fund were to be appropriated, total appropriations in FY '08 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,

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 20, 2007

State of Connecticut
Summary of Changes
General Fund and Special Transportation Fund
Projected to June 30, 2008
As of November 30, 2007
(In Millions)

General Fund

Balance - November 20, 2007		\$	88.5
Revenues			
Personal Income Tax	40.0		
Corporation	(30.0)		
Inheritance & Estate	(14.4)		
Oil Companies	23.7		
R & D Credit Exchange	(2.0)		
Indian Gaming Payments	(7.0)		
Sales of Commodities	(4.5)		5.8
Expenditures			
Additional Requirements - No Change	-		
Estimated Lapses	10.0		
Miscellaneous Adjustments/Rounding	(4.2)		5.8
Balance - December 20, 2007		\$	<u>100.1</u>

Special Transportation Fund

Carry Forward FY 2007-08 Surplus		\$	192.9
Balance - November 20, 2007			28.1
Revenues			
Motor Fuels Tax	(4.0)		
Sales Tax - DMV	(2.0)		
Motor Vehicle Receipts	(6.0)		
Interest Income	(3.0)		(15.0)
Expenditures			
Debt Service Lapse - No Change			0.0
Balance - December 20, 2007		\$	<u>206.0</u>

State of Connecticut
General Fund
Statement of Revenues, Expenditures, and Results of Operations
Projected to June 30, 2008
As of November 30, 2007
(In Millions)

	General Assembly <u>Budget Plan</u> ^{1.}	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
REVENUE			
Taxes	\$13,272.0	\$13,384.2	\$112.2
Less: Refunds	<u>(818.8)</u>	<u>(805.8)</u>	<u>13.0</u>
Taxes - Net	12,453.2	12,578.4	125.2
Other Revenue	1,206.3	1,202.9	(3.4)
Other Sources	<u>2,656.1</u>	<u>2,666.1</u>	<u>10.0</u>
TOTAL Revenue	\$16,315.6	\$16,447.4	\$131.8
EXPENDITURES			
Appropriations	\$16,431.4	\$16,431.4	\$0.0
Net Additional Requirements	0.0	25.0	25.0
Less: Estimated Lapses	<u>(116.5)</u>	<u>(126.5)</u>	<u>(10.0)</u>
TOTAL Expenditures	\$16,314.9	\$16,329.9	\$15.0
Balance from Operations	\$0.7	\$117.5	\$116.8
Miscellaneous Adjustments	<u>0.0</u>	<u>(17.4)</u>	<u>(17.4)</u>
Estimated Balance 6/30/08	<u>\$0.7</u>	<u>\$100.1</u>	<u>\$99.4</u>

1. PA 07-01, June Special Session

State of Connecticut
General Fund
Revenue Estimates
Projected to June 30, 2008
As of November 30, 2007
(In Millions)

TAXES	
Personal Income	\$7,385.0
Sales and Use	3,598.9
Corporation	790.0
Public Service Corporations	247.6
Inheritance and Estate	165.5
Insurance Companies	258.1
Cigarettes	351.5
Real Estate Conveyance	200.0
Oil Companies	158.4
Alcoholic Beverages	47.0
Admissions and Dues	33.6
Miscellaneous	148.6
TOTAL - TAXES	<u>\$13,384.2</u>
Less: Refunds of Taxes	(797.8)
R & D Credit Exchange	<u>(8.0)</u>
TOTAL - TAXES - NET	\$12,578.4
OTHER REVENUE	
Transfers - Special Revenue	\$286.6
Indian Gaming Payments	430.5
Licenses, Permits, Fees	162.5
Sales of Commodities and Services	32.0
Rents, Fines, Escheats	55.1
Investment Income	89.0
Miscellaneous	147.8
Refunds of Payments	<u>(0.6)</u>
TOTAL - OTHER REVENUE	\$1,202.9
OTHER SOURCES	
Federal Grants	\$2,653.1
Transfer from Tobacco Settlement Fund	115.3
Transfers to Other Funds	<u>(102.3)</u>
TOTAL - OTHER SOURCES	\$2,666.1
TOTAL - GENERAL FUND REVENUE	\$16,447.4

State of Connecticut - General Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2008
As of November 30, 2007

Department of Mental Health & Addiction Services	\$9,000,000
Department of Correction	<u>16,000,000</u>
Total - Additional Requirements	<u><u>\$25,000,000</u></u>

State of Connecticut
General Fund
Estimated Lapses
Projected to June 30, 2008
As of November 30, 2007

Legislative Unallocated Lapses	\$2,700,000
Estimated Unallocated Lapses	76,480,000
General Personal Services Reduction	15,000,000
General Other Expenses Reductions	11,000,000
OPM - PILOT - Machinery and Equipment	<u>21,300,000</u>
Total	<u><u>\$126,480,000</u></u>

State of Connecticut
2007-08 General Fund
Summary of Operations Per Letter to the Comptroller
(In Millions)

	Budget Plan ¹ :	July 2007	August 2007	September 2007	October 2007	November 2007	December 2007	January 2008	February 2008	March 2008	April 2008	May 2008	June 2008
REVENUE	\$16,315.6	\$16,320.6	\$16,333.6	\$16,437.6	\$16,441.6	\$16,447.4							
Appropriations	16,431.4	16,431.4	16,431.4	16,431.4	16,431.4	16,431.4							
Additional Requirements	0.0	0.0	7.3	25.0	25.0	25.0							
Less: Estimated Lapses	(116.5)	(116.5)	(116.5)	(116.5)	(116.5)	(126.5)							
TOTAL - Estimated Expenditures	16,314.9	16,314.9	16,322.2	16,339.9	16,339.9	16,329.9							
Balance from Operations	0.7	5.7	11.4	97.7	101.7	117.5							
Compt.'s Misc. Adjustments/Rounding	0.0	(2.3)	(6.5)	(9.7)	(13.2)	(17.4)							
Estimated Balance 6/30/08	\$0.7	\$3.4	\$4.9	\$88.0	\$88.5	\$100.1							

1. PA 07-1, June Special Session

State of Connecticut
Special Transportation Fund
Analysis of Budget Plan
Projected to June 30, 2008
As of November 30, 2007
(In Millions)

	General Assembly <u>Budget Plan</u> ^{1.}	Revised Estimates <u>OPM</u> ^{2.}	Over/ (Under)
Surplus Carried Forward from 2006-07	\$193.0	\$192.9	(\$0.1)
REVENUE			
Taxes	\$715.8	\$709.8	(6.0)
Less: Refunds of Taxes	<u>(8.8)</u>	<u>(8.8)</u>	<u>-</u>
Taxes - Net	707.0	701.0	(6.0)
Other Revenue	<u>419.9</u>	<u>405.4</u>	<u>(14.5)</u>
TOTAL - Revenue	<u>\$1,126.9</u>	<u>\$1,106.4</u>	<u>(20.5)</u>
EXPENDITURES			
Appropriations	\$1,109.8	\$1,109.8	-
Additional Appropriations	0.0	0.0	-
Less: Estimated Lapses	<u>(11.0)</u>	<u>(16.5)</u>	<u>(5.5)</u>
TOTAL - Expenditures	<u>\$1,098.8</u>	<u>\$1,093.3</u>	<u>(5.5)</u>
Balance from Operations	\$28.1	\$13.1	(15.0)
Miscellaneous Adjustments	<u>0.0</u>	<u>0.0</u>	<u>-</u>
Estimated Balance 6/30/08	<u>\$221.1</u>	<u>\$206.0</u>	<u>\$ (15.1)</u>

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

2. Per the September 4, 2007 Comptroller's Report for Fiscal Year ending June 30, 2007.

Statement 2T
December 20, 2007

State of Connecticut
Special Transportation Fund
Revenue Estimates
Projected to June 30, 2008
As of November 30, 2007
(In Millions)

TAXES	
Motor Fuels	\$512.0
Oil Companies	127.8
Sales Tax DMV	70.0
TOTAL - TAXES	<u>709.8</u>
Less: Refunds of Taxes	<u>(8.8)</u>
TOTAL - TAXES - NET	\$701.0
OTHER REVENUE	
Motor Vehicle Receipts	\$230.6
Licenses, Permits, Fees	164.0
Interest Income	44.0
Transfers to Other Funds	(30.3)
Refunds of Payments	<u>(2.9)</u>
TOTAL - OTHER REVENUE	\$405.4
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$1,106.4

Statement 3T
December 20, 2007

State of Connecticut
Special Transportation Fund
Appropriation Adjustments - Additional Appropriations
Projected to June 30, 2008
As of November 30, 2007

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

Statement 4T
December 20, 2007

State of Connecticut
Special Transportation Fund
Estimated Lapse
Projected to June 30, 2008
As of November 30, 2007

Estimated Unallocated Lapses	\$5,500,000
Debt Service	11,000,000
Total	<u>\$16,500,000</u>

State of Connecticut
2007-08 Special Transportation Fund
Summary of Operations Per Letter to the Comptroller
(In Millions)

	Budget Plan ¹ .	July 2007	August 2007	September 2007	October 2007	November 2007	December 2007	January 2008	February 2008	March 2008	April 2008	May 2008	June 2008
Beginning Balance ²	\$193.0	\$193.0	\$192.9	\$192.9	\$192.9	\$192.9							
Revenue	<u>1,126.9</u>	<u>1,126.9</u>	<u>1,126.9</u>	<u>1,126.9</u>	<u>1,121.4</u>	<u>1,106.4</u>							
Total Available	1,319.9	1,319.9	1,319.8	1,319.8	1,314.3	1,299.3							
Appropriations	1,109.8	1,109.8	1,109.8	1,109.8	1,109.8	1,109.8							
Additional Appropriations	0.0	0.0	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>	<u>(16.5)</u>	<u>(16.5)</u>							
TOTAL - Estimated Expenditures	1,098.8	1,098.8	1,098.8	1,098.8	1,093.3	1,093.3							
Balance from Operations	28.1	28.1	28.1	28.1	28.1	13.1							
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 6/30/08	\$221.1	\$221.1	\$221.0	\$221.0	\$221.0	\$206.0							

1. PA 07-1, June Special Session

2. Per the September 4, 2007 Comptroller's Report for Fiscal Year ending June 30, 2007.