



# STATE OF CONNECTICUT

## OFFICE OF POLICY AND MANAGEMENT

March 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 February 28, 2007. The balance in the General Fund is currently projected at \$536.2 million.

We are projecting additional requirements in the General Fund of \$24.7 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 Department of Correction has an estimated deficiency of \$15.7 million due to an increase in prisoner population, \$10 million of the deficiency is in Personal Services due to higher than expected overtime costs, \$3.4 million is for Inmate Medical and \$2.3 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 \$10 million due to projected lapses in the Active and Retiree Health Services accounts.

This month's letter reflects an overall increase in projected revenue of \$20.0 million. We are increasing our revenue projections for the Inheritance and Estate tax by \$10.0 million due to the receipt of a large one-time payment. The Real Estate Conveyance Tax projection is also increased by \$10.0 million primarily due to increased collections under the controlling interest tax component.

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.

We are projecting a deficiency in the Special Transportation Fund of \$500,000 in the Department of Administrative Services-Workers Compensation account. The estimated lapse in the Special Transportation Fund Debt Service account is projected at \$18.6 million. 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 \$179.6 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,

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  
March 20, 2007

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

**General Fund**

|                                    |              |    |              |
|------------------------------------|--------------|----|--------------|
| Balance - February 20, 2007        |              | \$ | 507.9        |
| Revenues                           |              |    |              |
| Inheritance & Estate               | 10.0         |    |              |
| Real Estate Conveyance             | <u>10.0</u>  |    | 20.0         |
| Expenditures                       |              |    |              |
| Additional Requirements            | 0.3          |    |              |
| Additional Lapses                  | 10.0         |    |              |
| Miscellaneous Adjustments/Rounding | <u>(2.0)</u> |    | <u>8.3</u>   |
| Balance - March 20, 2007           |              | \$ | <u>536.2</u> |

**Special Transportation Fund**

|                             |  |    |              |
|-----------------------------|--|----|--------------|
| Balance - February 20, 2007 |  | \$ | 175.8        |
| Revenues - No Change        |  |    | 0.0          |
| Expenditures - No Change    |  |    | <u>0.0</u>   |
| Balance - March 20, 2007    |  | \$ | <u>175.8</u> |

State of Connecticut  
 General Fund  
 Statement of Revenues, Expenditures, and Results of Operations  
 Projected to June 30, 2007  
 As of February 28, 2007  
 (In Millions)

|                             | General<br>Assembly<br><u>Budget Plan</u> <sup>1.</sup> | Revised<br>Estimates<br><u>OPM</u> | Over/<br><u>(Under)</u> |
|-----------------------------|---|------------------------------------|-------------------------|
| <b>REVENUE</b>              |   |                                    |                         |
| Taxes                       | \$12,150.7  | \$12,383.6                         | \$232.9                 |
| Less: Refunds               | <u>(900.0)</u>  | <u>(883.5)</u>                     | <u>16.5</u>             |
| Taxes - Net                 | 11,250.7  | 11,500.1                           | 249.4                   |
| Other Revenue               | 1,119.3   | 1,230.7                            | 111.4                   |
| Other Sources               | <u>2,628.0</u>  | <u>2,646.2</u>                     | <u>18.2</u>             |
| TOTAL Revenue               | \$14,998.0  | \$15,377.0                         | \$379.0                 |
| <b>EXPENDITURES</b>         |   |                                    |                         |
| Appropriations              | \$14,952.1  | \$14,952.1                         | \$0.0                   |
| Net Additional Requirements | 0.0   | 24.7                               | 24.7                    |
| Less: Estimated Lapses      | <u>(115.0)</u>  | <u>(158.0)</u>                     | <u>(43.0)</u>           |
| TOTAL Expenditures          | \$14,837.2  | \$14,818.8                         | (\$18.4)                |
| Balance from Operations     | \$160.8   | \$558.2                            | \$397.4                 |
| Miscellaneous Adjustments   | <u>0.0</u>  | <u>(22.0)</u>                      | <u>(22.0)</u>           |
| Estimated Balance 6/30/07   | <u>\$160.8</u>  | <u>\$536.2</u>                     | <u>\$375.4</u>          |

1. PA 06-186

State of Connecticut  
General Fund  
Revenue Estimates  
Projected to June 30, 2007  
As of February 28, 2007  
(In Millions)

|                                   |                   |
|-----------------------------------|-------------------|
| TAXES                             |                   |
| Personal Income                   | \$6,625.0         |
| Sales and Use                     | 3,487.2           |
| Corporation                       | 787.0             |
| Public Service Corporations       | 225.9             |
| Inheritance and Estate            | 174.8             |
| Insurance Companies               | 274.6             |
| Cigarettes                        | 272.0             |
| Real Estate Conveyance            | 180.0             |
| Oil Companies                     | 135.0             |
| Alcoholic Beverages               | 46.5              |
| Admissions and Dues               | 33.6              |
| Miscellaneous                     | 142.0             |
| TOTAL - TAXES                     | <u>\$12,383.6</u> |
| Less: Refunds of Taxes            | (876.0)           |
| R & D Credit Exchange             | <u>(7.5)</u>      |
| TOTAL - TAXES - NET               | <u>\$11,500.1</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                 | 100.0             |
| Miscellaneous                     | 187.3             |
| Refunds of Payments               | <u>(0.6)</u>      |
| TOTAL - OTHER REVENUE             | <u>\$1,230.7</u>  |

State of Connecticut - General Fund  
Appropriation Adjustments - Net Additional Requirements  
Projected to June 30, 2007  
As of February 28, 2007

|  |                     |
|--|---------------------|
| Department of Labor                              | \$300,000           |
| Department of Public Health                      | 1,000,000           |
| Department of Mental Health & Addiction Services | 6,420,000           |
| Department of Correction                         | 15,700,000          |
| Public Defender Services Commission              | 650,000             |
| DAS-Worker's Compensation                        | 600,000             |
| Total - Additional Requirements                  | <u>\$24,670,000</u> |

State of Connecticut  
General Fund  
Estimated Lapses  
Projected to June 30, 2007  
As of February 28, 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     | 25,000,000           |
| Retired State Employees Health Services | 5,000,000            |
| Department of Labor                     | 1,400,000            |
| Fringe Benefits - Social Security       | 2,000,000            |
| Debt Service                            | 36,000,000           |
| General Personal Services Reduction     | 14,000,000           |
| General Other Expenses Reductions       | 11,000,000           |
| Total                                   | <u>\$157,980,000</u> |

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

|                                     | Budget<br>Plan <sup>1</sup> | July<br>2006 | August<br>2006 | September<br>2006 | October<br>2006 | November<br>2006 | December<br>2006 | January<br>2007 | February<br>2007 | March<br>2007 | April<br>2007 | May<br>2007 | June<br>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       |               |               |             |              |
| 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         |               |               |             |              |
| Additional Requirements             | 0.0                         | 0.0          | 0.0            | 15.1              | 15.1            | 19.0             | 25.0             | 25.0            | 24.7             |               |               |             |              |
| Less: Estimated Lapses              | (115.0)                     | (115.0)      | (115.0)        | (115.0)           | (124.0)         | (136.0)          | (146.0)          | (148.0)         | (158.0)          |               |               |             |              |
| 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         | 0.0           | 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            |               |               |             |              |
| Compt.'s Misc. Adjustments/Rounding | 0.0                         | (2.3)        | (7.5)          | (10.9)            | (14.6)          | (17.1)           | (18.1)           | (20.0)          | (22.0)           |               |               |             |              |
| Estimated Balance 6/30/07           | \$160.8                     | \$212.9      | \$212.9        | \$266.4           | \$486.5         | \$502.2          | \$507.8          | \$507.9         | \$536.2          | \$0.0         | \$0.0         | \$0.0       | \$0.0        |

1. PA 06-186

Statement 1T  
March 20, 2007

State of Connecticut  
Special Transportation Fund  
Analysis of Budget Plan  
Projected to June 30, 2007  
As of February 28, 2007  
(In Millions)

|                                      | General<br>Assembly<br><u>Budget Plan</u> <sup>1.</sup> | Revised<br>Estimates<br><u>OPM</u> <sup>2.</sup> | Over/<br>(Under) |
|--------------------------------------|---|--|------------------|
| Surplus Carried Forward from 2005-06 | \$135.9   | \$133.4  | (\$2.5)          |
| <b>REVENUE</b>                       |   |  |                  |
| 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>409.6</u>                                     | <u>(1.9)</u>     |
| TOTAL - Revenue                      | \$1,105.5   | \$1,091.5  | (\$14.0)         |
| <b>EXPENDITURES</b>                  |   |  |                  |
| Appropriations                       | \$1,067.2   | \$1,067.2  | \$0.0            |
| Additional Appropriations            | 0.0   | 0.5  | 0.5              |
| Less: Estimated Lapses               | <u>(11.0)</u>   | <u>(18.6)</u>                                    | <u>(7.6)</u>     |
| TOTAL - Expenditures                 | \$1,056.2   | \$1,049.1  | (\$7.1)          |
| Balance from Operations              | \$49.3  | \$42.4   | (\$6.9)          |
| Miscellaneous Adjustments            | <u>0.0</u>  | <u>0.0</u>                                       | <u>0.0</u>       |
| Estimated Balance 6/30/07            | <u>\$185.2</u>  | <u>\$175.8</u>                                   | <u>(\$9.4)</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  
March 20, 2007

State of Connecticut  
Special Transportation Fund  
Revenue Estimates  
Projected to June 30, 2007  
As of February 28, 2007  
(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                      | (9.1)          |
| TOTAL - TAXES - NET                         | <u>\$681.9</u> |
| <br>  |                |
| OTHER REVENUE                               |                |
| Motor Vehicle Receipts                      | \$231.8        |
| Licenses, Permits, Fees                     | 162.0          |
| Interest Income                             | 46.0           |
| Transfers to Other Funds                    | (27.3)         |
| Refunds of Payments                         | (2.9)          |
| TOTAL - OTHER REVENUE                       | <u>\$409.6</u> |
| <br>  |                |
| TOTAL - SPECIAL TRANSPORTATION FUND REVENUE | \$1,091.5      |

Statement 3T  
March 20, 2007

State of Connecticut  
Special Transportation Fund  
Appropriation Adjustments - Additional Appropriations  
Projected to June 30, 2007  
As of February 28, 2007

|   |                  |
|---|------------------|
| DAS-Workers-Workers Compensation Claims | <u>\$500,000</u> |
| Total                                   | \$500,000        |

Statement 4T  
March 20, 2007

State of Connecticut  
Special Transportation Fund  
Estimated Lapse  
Projected to June 30, 2007  
As of February 28, 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<br>Plan <sup>1</sup> . | July<br>2006   | August<br>2006 | September<br>2006 <sup>2</sup> . | October<br>2006 | November<br>2006 | December<br>2006 | January<br>2007 | February<br>2007 | March<br>2007 | April<br>2007 | May<br>2007 | June<br>2007 |
|------------------------------------|-------------------------------|----------------|----------------|----------------------------------|-----------------|------------------|------------------|-----------------|------------------|---------------|---------------|-------------|--------------|
| Beginning Balance                  | \$135.9                       | \$135.9        | \$135.9        | \$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>   |               |               |             |              |
| 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          | 0.0           | 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          |               |               |             |              |
| Additional Appropriations          | 0.0                           | 0.0            | 0.0            | 0.0                              | 0.0             | 0.0              | 0.5              | 0.5             | 0.5              |               |               |             |              |
| 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>    |               |               |             |              |
| 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          |               |               |             |              |
| Balance from Operations            | 49.3                          | 31.3           | 31.3           | 31.3                             | 31.3            | 31.3             | 42.4             | 42.4            | 42.4             |               |               |             |              |
| 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>       |               |               |             |              |
| Estimated Balance 6/30/07          | \$185.2                       | \$167.2        | \$167.2        | \$164.7                          | \$164.7         | \$164.7          | \$175.8          | \$175.8         | \$175.8          | \$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.