



# STATE OF CONNECTICUT

## OFFICE OF POLICY AND MANAGEMENT

April 21, 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 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 March 31, 2008. The balance in the General Fund is now projected at \$15.7 million, an increase of \$15.0 million over the original enacted budget.

This month's letter reflects a downward revision in total projected General Fund revenue of \$151.7 million. Federal Grant revenues have been revised downward by \$82.5 million due to State Plan approvals from federal agencies which remain pending, delayed provider rates not being finalized and managed care organization funding being held back as plans transition from managed care to administrative service organizations. This revision downward is not due to economic factors and it is anticipated that the majority of the \$82.5 million will be received in fiscal 2009, yet the expenditures are still projected to be incurred in fiscal 2008.

Other significant revisions this month include a \$20 million reduction in the Personal Income Tax as year to date withholding collections are cumulatively below their target. Income Tax refunds continue to outpace original projections and thus we are revising our revenue estimate downward by \$30 million. We have revised our estimate of Insurance Companies revenue downward by \$5.1 million due to lower than anticipated collections in the month of March, while Real Estate Conveyance tax collections are being further revised downward by \$5.0 million. Indian gaming payments are also being further revised downward by \$6.1 million due both to economic conditions and the continuing dispute regarding certain marketing programs the tribes are currently offering. Other miscellaneous revenue adjustments net to a negative \$3.0 million.

At this time, the Department of Revenue Services continues to process final income year 2007 Personal Income Tax returns, which currently appear to be running on target. This week will be critical in determining whether the state can achieve its revenue collection goals. Somewhat troubling however, is the fact that estimated payments related to the 2008 income year, which were also due on April 15<sup>th</sup>, are running two percent below last year's pace. If this trend continues, it will complicate the state's budget picture for fiscal 2009. If required, a subsequent letter prior to the end of April may be submitted to your office whereby we will make any necessary additional revisions to the Personal Income Tax estimates.

Based upon the revenue estimates contained in this letter, fiscal 2009 revenues are \$136.8 million below what our office projected in February. This shortfall would have been even worse were it not for the shift of \$82.5 million in federal grant revenue cited above, nor does it reflect the anticipated need within the Transportation Fund for an additional \$25 million in an Oil Companies transfer to keep that fund in balance. As of yet we have not been able to draw any final conclusion as to April's income tax

collections. However, as the preliminary data mentioned above indicates, estimated income tax payments related to income year 2008 are less than we projected and if that trend continues fiscal 2009 revenues would have to be lowered even further.

The revenue changes in the Transportation Fund reflect minor adjustments to projections to reflect the negative variance in year to date collections through the end of the fiscal year.

Projected additional requirements in the General Fund have decreased to \$32.9 million. These include a \$2.9 million shortfall being projected in the Department of Mental Health and Addiction Services, after reflecting anticipated Finance Advisory Committee transfers, made necessary as a result of the U.S. DOJ and CMS surveys at CVH. The Department of Administrative Services Workers' Compensation Claims account is experiencing an estimated \$500,000 deficiency largely attributed to the rise in medical inflation and the Department of Correction has an estimated deficiency of \$18.5 million due to increased prison population. \$4.9 million of the deficiency is in the agency's Personal Services account due to increased overtime costs. \$7.1 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. The University of Connecticut Health Center is estimated to require an additional \$10.9 million to address its budgetary shortfall. The Chief Medical Examiner requires an additional \$125,000 due to deficits in its Medicolegal Investigations account.

In the Connecticut Energy Assistance Program, due to the extremely high cost of home heating oil, Governor Rell has authorized an additional Safety Net Assistance benefit for eligible households. While it is expected that this will be paid for out of federal funds, if such funds are not released, the program could require an additional \$5.0 million from the General Fund. This potential deficit is not included in the projected \$32.9 million in recognized deficiencies.

The projected additional requirement in the Special Transportation Fund is \$7.5 million. \$7.5 million in Personal Services is due to overtime related to snow and ice removal after adjusting for the March Finance Advisory Committee action which addressed the shortfall in Other Expenses due to increased storm related salt consumption, motor vehicle repair parts and motor vehicle fuel.

These projections assume legislative action to eliminate the transfer of FY'08 funds into FY'09 to pay for the Criminal Justice Reform bill (P.A. 08-1, January Special Session), and instead to budget these costs in FY'09.

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 utilized various tools, including transfers to address these shortfalls in order to present a deficiency bill earlier this month that was consistent with the spending cap. A modification to the deficiency bill will be submitted to reflect current estimates while maintaining the integrity of 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  
April 21, 2008

State of Connecticut  
Summary of Changes  
General Fund and Special Transportation Fund  
Projected to June 30, 2008  
As of March 31, 2008  
(In Millions)

**General Fund**

Balance - March 20, 2008		\$	174.8
Revenues			
Personal Income Tax	(20.0)		
Insurance Companies	(5.1)		
Real Estate Conveyance	(5.0)		
Refunds of Taxes	(30.0)		
Indian Gaming Payments	(6.1)		
Miscellaenous Revenue	(3.0)		
Federal Grants	<u>(82.5)</u>		(151.7)
Expenditures			
Additional Requirements	6.7		
Estimated Lapses	(9.3)		
Miscellaneous Adjustments/Rounding	<u>(4.8)</u>		<u>(7.4)</u>
Balance - April 21, 2008		\$	<u>15.7</u>

**Special Transportation Fund**

Carry Forward FY 2007-08 Surplus		\$	192.9
Balance - March 20, 2008			(8.0)
Revenues			
Sales Tax-DMV	(2.5)		
Motor Vehicle Receipts	<u>(4.0)</u>		(6.5)
Expenditures			
Additional Requirements - No Change			<u>0.0</u>
Balance - April 21, 2008		\$	<u>178.4</u>

State of Connecticut  
General Fund  
Statement of Revenues, Expenditures, and Results of Operations  
Projected to June 30, 2008  
As of March 31, 2008  
(In Millions)

	General Assembly <u>Budget Plan</u> <sup>1.</sup>	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
<b>REVENUE</b>			
Taxes	\$13,272.0	\$13,428.7	\$156.7
Less: Refunds	<u>(818.8)</u>	<u>(857.8)</u>	<u>(39.0)</u>
Taxes - Net	12,453.2	12,570.9	117.7
Other Revenue	1,206.3	1,161.9	(44.4)
Other Sources	<u>2,656.1</u>	<u>2,655.6</u>	<u>(0.5)</u>
TOTAL Revenue	\$16,315.6	\$16,388.4	\$72.8
<b>EXPENDITURES</b>			
Appropriations	\$16,431.4	\$16,431.4	\$0.0
Net Additional Requirements	0.0	32.9	32.9
Less: Estimated Lapses	<u>(116.5)</u>	<u>(122.2)</u>	<u>(5.7)</u>
TOTAL Expenditures	\$16,314.9	\$16,342.1	\$27.2
Balance from Operations	\$0.7	\$46.3	\$45.6
Miscellaneous Adjustments	<u>0.0</u>	<u>(30.6)</u>	<u>(30.6)</u>
Estimated Balance 6/30/08	<u>\$0.7</u>	<u>\$15.7</u>	<u>\$15.0</u>

1. PA 07-01, June Special Session and PA 08-01, January Special Session

State of Connecticut  
General Fund  
Revenue Estimates  
Projected to June 30, 2008  
As of March 31, 2008  
(In Millions)

TAXES	
Personal Income	\$7,550.0
Sales and Use	3,598.9
Corporation	702.0
Public Service Corporations	247.6
Inheritance and Estate	150.5
Insurance Companies	248.0
Cigarettes	351.5
Real Estate Conveyance	175.0
Oil Companies	178.4
Alcoholic Beverages	47.0
Admissions and Dues	36.2
Miscellaneous	143.6
TOTAL - TAXES	<u>\$13,428.7</u>
Less: Refunds of Taxes	(847.8)
R & D Credit Exchange	(10.0)
TOTAL - TAXES - NET	<u>\$12,570.9</u>
OTHER REVENUE	
Transfers - Special Revenue	\$286.6
Indian Gaming Payments	411.5
Licenses, Permits, Fees	162.5
Sales of Commodities and Services	32.0
Rents, Fines, Escheats	55.1
Investment Income	75.0
Miscellaneous	139.8
Refunds of Payments	(0.6)
TOTAL - OTHER REVENUE	<u>\$1,161.9</u>
OTHER SOURCES	
Federal Grants	\$2,642.6
Transfer from Tobacco Settlement Fund	115.3
Transfers to Other Funds	(102.3)
TOTAL - OTHER SOURCES	<u>\$2,655.6</u>
TOTAL - GENERAL FUND REVENUE	\$16,388.4

State of Connecticut - General Fund  
Appropriation Adjustments - Net Additional Requirements  
Projected to June 30, 2008  
As of March 31, 2008

Department of Mental Health & Addiction Services	\$2,900,000
DAS-Workers' Compensation Claims	500,000
Office of the Chief Medical Examiner	125,000
University of Connecticut Health Center	10,900,000
Department of Correction	18,500,000
Total - Additional Requirements	<u>\$32,925,000</u>

State of Connecticut  
General Fund  
Estimated Lapses  
Projected to June 30, 2008  
As of March 31, 2008

Legislative Unallocated Lapses	\$2,700,000
Estimated Unallocated Lapses	61,900,000
General Personal Services Reduction	11,800,000
General Other Expenses Reductions	9,000,000
Debt Service	15,500,000
OPM - PILOT - Machinery and Equipment <sup>1</sup>	21,300,000
Total	<u>\$122,200,000</u>

1. Does not reflect the transfer of \$17 million into FY'09 to finance the Criminal Justice Reform legislation (PA 08-1, January Special Session)

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

	Budget Plan <sup>1</sup>	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	\$16,620.5	\$16,620.5	\$16,540.1	\$16,388.4			
Appropriations	16,431.4	16,431.4	16,431.4	16,431.4	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	37.0	37.0	39.6	32.9			
Less: Estimated Lapses	(116.5)	(116.5)	(116.5)	(116.5)	(116.5)	(126.5)	(131.5)	(131.5)	(131.5)	(122.2)			
TOTAL - Estimated Expenditures	16,314.9	16,314.9	16,322.2	16,339.9	16,339.9	16,329.9	16,336.9	16,336.9	16,339.5	16,342.1			
Balance from Operations	0.7	5.7	11.4	97.7	101.7	117.5	283.6	283.6	200.6	46.3			
Compt.'s Misc. Adjustments/Rounding	0.0	(2.3)	(6.5)	(9.7)	(13.2)	(17.4)	(20.4)	(23.8)	(25.8)	(30.6)			
Estimated Balance 6/30/08	\$0.7	\$3.4	\$4.9	\$88.0	\$88.5	\$100.1	\$263.2	\$259.8	\$174.8	\$15.7			

1. PA 07-1, June Special Session and PA 08-01, January Special Session

Statement 1T  
April 21, 2008

State of Connecticut  
Special Transportation Fund  
Analysis of Budget Plan  
Projected to June 30, 2008  
As of March 31, 2008  
(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 2006-07	\$193.0	\$192.9	(\$0.1)
<b>REVENUE</b>			
Taxes	\$715.8	\$697.7	(\$18.1)
Less: Refunds of Taxes	<u>(8.8)</u>	<u>(7.8)</u>	<u>1.0</u>
Taxes - Net	707.0	689.9	(17.1)
Other Revenue	<u>419.9</u>	<u>396.4</u>	<u>(23.5)</u>
TOTAL - Revenue	\$1,126.9	\$1,086.3	(\$40.6)
<b>EXPENDITURES</b>			
Appropriations	\$1,109.8	\$1,109.8	\$0.0
Additional Appropriations	0.0	7.5	7.5
Less: Estimated Lapses	<u>(11.0)</u>	<u>(16.5)</u>	<u>(5.5)</u>
TOTAL - Expenditures	\$1,098.8	\$1,100.8	\$2.0
Balance from Operations	\$28.1	(\$14.5)	(\$42.6)
Miscellaneous Adjustments	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Estimated Balance 6/30/08	<u>\$221.1</u>	<u>\$178.4</u>	<u>(\$42.7)</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  
April 21, 2008

State of Connecticut  
Special Transportation Fund  
Revenue Estimates  
Projected to June 30, 2008  
As of March 31, 2008  
(In Millions)

TAXES	
Motor Fuels	\$502.4
Oil Companies	127.8
Sales Tax DMV	67.5
TOTAL - TAXES	<u>697.7</u>
Less: Refunds of Taxes	<u>(7.8)</u>
TOTAL - TAXES - NET	\$689.9
OTHER REVENUE	
Motor Vehicle Receipts	\$226.6
Licenses, Permits, Fees	164.0
Interest Income	39.0
Transfers to Other Funds	(30.3)
Refunds of Payments	<u>(2.9)</u>
TOTAL - OTHER REVENUE	\$396.4
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$1,086.3

Statement 3T  
April 21, 2008

State of Connecticut  
Special Transportation Fund  
Appropriation Adjustments - Additional Appropriations  
Projected to June 30, 2008  
As of March 31, 2008

Department of Transportation	<u>\$7,500,000</u>
Total	\$7,500,000

Statement 4T  
April 21, 2008

State of Connecticut  
Special Transportation Fund  
Estimated Lapse  
Projected to June 30, 2008  
As of March 31, 2008

Estimated Unallocated Lapses	\$2,800,000
Debt Service	13,700,000
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 <sup>1</sup>	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 <sup>2</sup>	\$193.0	\$193.0	\$192.9	\$192.9	\$192.9	\$192.9	\$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>	<u>1,105.0</u>	<u>1,105.0</u>	<u>1,092.8</u>	<u>1,086.3</u>			
Total Available	1,319.9	1,319.9	1,319.8	1,319.8	1,314.3	1,299.3	1,297.9	1,297.9	1,285.7	1,279.2			
Appropriations	1,109.8	1,109.8	1,109.8	1,109.8	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	0.0	7.0	7.5	7.5			
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>	<u>(16.5)</u>	<u>(16.5)</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	1,093.3	1,100.3	1,100.8	1,100.8			
Balance from Operations	28.1	28.1	28.1	28.1	28.1	13.1	11.7	4.7	(8.0)	(14.5)			
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 6/30/08	\$221.1	\$221.1	\$221.0	\$221.0	\$221.0	\$206.0	\$204.6	\$197.6	\$184.9	\$178.4			

1. PA 07-1, June Special Session

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