



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

January 22, 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 December 31, 2007. The balance in the General Fund is now projected at \$263.2 million, an increase of \$262.5 million over the original enacted budget.

Projected additional requirements in the General Fund have risen to \$37.0 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 \$17 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. An additional \$1.0 million is now projected for newly developed community support services for persons leaving the prison system. 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 \$10.7 million from the General Fund. This potential deficit is not included in the projected \$36 million in recognized deficiencies.

Projected lapses have increased by a net \$5 million, attributable primarily to anticipated lapses in the Debt Service account.

This month's letter reflects an overall increase in projected General Fund revenue of \$173.1 million. The largest change was an increase in the Personal Income tax of \$185.0 million due to the positive variance in estimated payments for the December-January time period and the enforcement and collection efforts of the Department of Revenue Services. Federal Grant revenue is being increased by a net \$72.0 million. The largest change in federal grant revenue was a \$73.4 million increase in Title IV-E revenue in the Department of Children and Families (DCF) due to the acceptance of DCF's revised Cost Allocation Plan by the federal Department of Health and Human Services and favorable adjustments in IV-E eligibility rates. The December estimated payment for the Corporation Tax came in significantly below target and we are projecting that the March and June estimated payments will continue this trend and thus we are revising our revenue estimate downward by \$63.0 million. Indian Gaming revenue was revised down by \$12.9 million, reflecting an anticipated 3.0% decline in this revenue stream from fiscal year 2007 to fiscal year 2008. Other miscellaneous revenue adjustments net to a negative \$8.0 million.

The revenue changes in the Transportation Fund reflect minor adjustments to projections to reflect declining gasoline consumption.

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,



Robert L. Genuario
Secretary

RLG:dd
Attachments

Summary
January 22, 2008

State of Connecticut
Summary of Changes
General Fund and Special Transportation Fund
Projected to June 30, 2008
As of December 31, 2007
(In Millions)

General Fund

Balance - December 20, 2007		\$	100.1
Revenues			
Personal Income Tax	185.0		
Corporation	(63.0)		
Insurance Companies	(5.0)		
Miscellaneous	(1.0)		
R & D Credit Exchange	(2.0)		
Indian Gaming Payments	(12.9)		
Federal Grants	<u>72.0</u>		173.1
Expenditures			
Additional Requirements	(12.0)		
Estimated Lapses	5.0		
Miscellaneous Adjustments/Rounding	<u>(3.0)</u>		<u>(10.0)</u>
Balance - January 22, 2008		\$	<u>263.2</u>

Special Transportation Fund

Carry Forward FY 2007-08 Surplus		\$	192.9
Balance - December 20, 2007			13.1
Revenues			
Motor Fuels Tax	(2.4)		
Refunds of Taxes	<u>1.0</u>		<u>(1.4)</u>
Expenditures			
Debt Service Lapse - No Change			<u>0.0</u>
Balance - January 22, 2008		\$	<u>204.6</u>

State of Connecticut
General Fund
Statement of Revenues, Expenditures, and Results of Operations
Projected to June 30, 2008
As of December 31, 2007
(In Millions)

	General Assembly <u>Budget Plan</u> ^{1.}	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
REVENUE			
Taxes	\$13,272.0	\$13,500.2	\$228.2
Less: Refunds	<u>(818.8)</u>	<u>(807.8)</u>	<u>11.0</u>
Taxes - Net	12,453.2	12,692.4	239.2
Other Revenue	1,206.3	1,190.0	(16.3)
Other Sources	<u>2,656.1</u>	<u>2,738.1</u>	<u>82.0</u>
TOTAL Revenue	\$16,315.6	\$16,620.5	\$304.9
EXPENDITURES			
Appropriations	\$16,431.4	\$16,431.4	\$0.0
Net Additional Requirements	0.0	37.0	37.0
Less: Estimated Lapses	<u>(116.5)</u>	<u>(131.5)</u>	<u>(15.0)</u>
TOTAL Expenditures	\$16,314.9	\$16,336.9	\$22.0
Balance from Operations	\$0.7	\$283.6	\$282.9
Miscellaneous Adjustments	<u>0.0</u>	<u>(20.4)</u>	<u>(20.4)</u>
Estimated Balance 6/30/08	<u>\$0.7</u>	<u>\$263.2</u>	<u>\$262.5</u>

1. PA 07-01, June Special Session

State of Connecticut
General Fund
Revenue Estimates
Projected to June 30, 2008
As of December 31, 2007
(In Millions)

TAXES	
Personal Income	\$7,570.0
Sales and Use	3,598.9
Corporation	727.0
Public Service Corporations	247.6
Inheritance and Estate	165.5
Insurance Companies	253.1
Cigarettes	351.5
Real Estate Conveyance	200.0
Oil Companies	158.4
Alcoholic Beverages	47.0
Admissions and Dues	33.6
Miscellaneous	147.6
TOTAL - TAXES	<u>\$13,500.2</u>
Less: Refunds of Taxes	(797.8)
R & D Credit Exchange	<u>(10.0)</u>
TOTAL - TAXES - NET	<u>\$12,692.4</u>
OTHER REVENUE	
Transfers - Special Revenue	\$286.6
Indian Gaming Payments	417.6
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	<u>\$1,190.0</u>
OTHER SOURCES	
Federal Grants	\$2,725.1
Transfer from Tobacco Settlement Fund	115.3
Transfers to Other Funds	<u>(102.3)</u>
TOTAL - OTHER SOURCES	<u>\$2,738.1</u>
TOTAL - GENERAL FUND REVENUE	\$16,620.5

State of Connecticut - General Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2008
As of December 31, 2007

Department of Mental Health & Addiction Services	\$9,000,000
Office of the Chief Medical Examiner	125,000
University of Connecticut Health Center	10,900,000
Department of Correction	17,000,000
Total - Additional Requirements	<u>\$37,025,000</u>

State of Connecticut
General Fund
Estimated Lapses
Projected to June 30, 2008
As of December 31, 2007

Legislative Unallocated Lapses	\$2,700,000
Estimated Unallocated Lapses	68,500,000
General Personal Services Reduction	15,000,000
General Other Expenses Reductions	11,000,000
Debt Service	13,000,000
OPM - PILOT - Machinery and Equipment	21,300,000
Total	<u>\$131,500,000</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	\$16,620.5						
Appropriations	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						
Less: Estimated Lapses	(116.5)	(116.5)	(116.5)	(116.5)	(116.5)	(126.5)	(131.5)						
TOTAL - Estimated Expenditures	16,314.9	16,314.9	16,322.2	16,339.9	16,339.9	16,329.9	16,336.9						
Balance from Operations	0.7	5.7	11.4	97.7	101.7	117.5	283.6						
Compt.'s Misc. Adjustments/Rounding	0.0	(2.3)	(6.5)	(9.7)	(13.2)	(17.4)	(20.4)						
Estimated Balance 6/30/08	\$0.7	\$3.4	\$4.9	\$88.0	\$88.5	\$100.1	\$263.2						

1. PA 07-1, June Special Session

State of Connecticut
Special Transportation Fund
Analysis of Budget Plan
Projected to June 30, 2008
As of December 31, 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	\$707.4	(\$8.4)
Less: Refunds of Taxes	<u>(8.8)</u>	<u>(7.8)</u>	<u>1.0</u>
Taxes - Net	707.0	699.6	(7.4)
Other Revenue	<u>419.9</u>	<u>405.4</u>	<u>(14.5)</u>
TOTAL - Revenue	<u>\$1,126.9</u>	<u>\$1,105.0</u>	<u>(\$21.9)</u>
EXPENDITURES			
Appropriations	\$1,109.8	\$1,109.8	\$0.0
Additional Appropriations	0.0	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	\$11.7	(\$16.4)
Miscellaneous Adjustments	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Estimated Balance 6/30/08	<u>\$221.1</u>	<u>\$204.6</u>	<u>(\$16.5)</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
January 22, 2008

State of Connecticut
Special Transportation Fund
Revenue Estimates
Projected to June 30, 2008
As of December 31, 2007
(In Millions)

TAXES	
Motor Fuels	\$509.6
Oil Companies	127.8
Sales Tax DMV	70.0
TOTAL - TAXES	<u>707.4</u>
Less: Refunds of Taxes	<u>(7.8)</u>
TOTAL - TAXES - NET	\$699.6
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	\$1,105.0

Statement 3T
January 22, 2008

State of Connecticut
Special Transportation Fund
Appropriation Adjustments - Additional Appropriations
Projected to June 30, 2008
As of December 31, 2007

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

Statement 4T
January 22, 2008

State of Connecticut
Special Transportation Fund
Estimated Lapse
Projected to June 30, 2008
As of December 31, 2007

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 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	\$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>						
Total Available	1,319.9	1,319.9	1,319.8	1,319.8	1,314.3	1,299.3	1,297.9						
Appropriations	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						
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>						
TOTAL - Estimated Expenditures	1,098.8	1,098.8	1,098.8	1,098.8	1,093.3	1,093.3	1,093.3						
Balance from Operations	28.1	28.1	28.1	28.1	28.1	13.1	11.7						
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>						
Estimated Balance 6/30/08	\$221.1	\$221.1	\$221.0	\$221.0	\$221.0	\$206.0	\$204.6						

1. PA 07-1, June Special Session

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