



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

July 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 June 30, 2008. The General Fund is now projected to end the year with a surplus of \$22.3 million, an increase of \$21.6 million over the original enacted budget. This represents a \$42.0 million improvement in the General Fund balance since last month.

Over the last several weeks, Governor Rell has instituted a hiring freeze and demanded that Executive branch agencies curtail expenditures. General Fund expenditure requirements have been reduced by \$33.2 million since last month. On June 16th, Governor Rell signed the deficiency bill for FY '08 which redirected \$41.47 million in necessary funding through various appropriation transfers and reductions. After factoring in these transfers, projected lapses in various state agency accounts are now projected at \$150.8 million.

This month's letter contains numerous changes to the revenue schedule which net to a positive \$12.8 million. The Income Tax has been revised upward by \$20 million as estimated payments for the month of June came in better than anticipated. Refunds of Taxes concluded the fiscal year lower than anticipated and resulted in a \$10.8 million improvement from last month's projected figure. Offsetting those gains was a \$15.8 million reduction in the Insurance Premiums Tax which may be attributable to the greater use of business tax credits and a \$7.0 million reduction to Investment Income as interest rates continue to move lower. All other changes net to a positive \$4.8 million. It should be noted that even though the Income Tax was revised upward, the withholding component of the tax has slowed markedly since the beginning of the calendar year. During the most recent three month period of April, May, and June, withholding tax receipts have shown zero growth over the same period last year. If this trend continues, it will result in a significant reduction in projected FY 2009 Income Tax collections.

These projections reflect legislative action to transfer FY '08 funds into FY '09 to pay for the Criminal Justice Reform bill (P.A. 08-1, January Special Session).

Within the Transportation Fund revenues have been revised downward by \$6.6 million this month. The largest change was in the Motor Fuels Tax, down \$3.0 million due primarily to lower gasoline consumption. All other changes net to a negative \$3.6 million. Offsetting this reduction is an increase in identified lapses of \$8.0 million. For the fiscal year, revenues were below budgeted amounts by \$60.2 million, while expenditures were \$20.5 million less than budgeted. We estimate that the Special Transportation Fund will have a year end balance of \$181.3 million.

As previously reported, we are projecting that the second year of the biennium, FY '09, is approximately \$150 million in deficit. Governor Rell has initiated a program of allotment rescissions in order to bring FY '09 back into balance.

It should be noted that these projections are the best that can be made at this time, and that some adjustments are to be expected in the year end closing process.

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
July 21, 2008

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

General Fund

Balance - June 20, 2008		\$	(19.7)
Revenues			
Personal Income Tax	20.0		
Sales & Use	(10.0)		
Insurance Companies	(15.8)		
Cigarettes	(3.5)		
Refunds of Taxes	10.8		
Investment Income	(7.0)		
Miscellaneous	6.5		
Federal Grants	8.3		
All Other	3.5		12.8
Expenditures			
Additional Requirements - No Change	0.0		
Estimated Lapses	33.2		
Miscellaneous Adjustments/Rounding	(4.0)		29.2
Balance - July 21, 2008			<u>22.3</u>

Special Transportation Fund

Carry Forward FY 2007-08 Surplus			192.9
Balance - June 20, 2008			(14.3)
Revenues			
Motor Fuels Tax	(3.0)		
Licenses, Permits, Fees	(2.5)		
All Other	(1.1)		(6.6)
Expenditures			
Additional Requirements - No Change			0.0
Estimated Lapses			9.3
Balance - July 21, 2008		\$	<u>181.3</u>

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

	General Assembly <u>Budget Plan</u> ^{1.}	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
REVENUE			
Taxes	\$13,272.0	\$13,324.5	\$52.5
Less: Refunds	<u>(818.8)</u>	<u>(863.6)</u>	<u>(44.8)</u>
Taxes - Net	12,453.2	12,460.9	7.7
Other Revenue	1,206.3	1,167.6	(38.7)
Other Sources	<u>2,656.1</u>	<u>2,714.9</u>	<u>58.8</u>
TOTAL Revenue	\$16,315.6	\$16,343.4	\$27.8
EXPENDITURES			
Appropriations	\$16,431.4	\$16,431.4	\$0.0
Net Additional Requirements	0.0	0.0	0.0
Less: Estimated Lapses	<u>(116.5)</u>	<u>(150.8)</u>	<u>(34.3)</u>
TOTAL Expenditures	\$16,314.9	\$16,280.6	(\$34.3)
Balance from Operations	\$0.7	\$62.8	\$62.1
Miscellaneous Adjustments	<u>0.0</u>	<u>(40.5)</u>	<u>(40.5)</u>
Estimated Balance 6/30/08	<u>\$0.7</u>	<u>\$22.3</u>	<u>\$21.6</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 June 30, 2008
(In Millions)

TAXES	
Personal Income	\$7,440.0
Sales and Use	3,588.9
Corporation	747.0
Public Service Corporations	238.1
Inheritance and Estate	170.6
Insurance Companies	227.2
Cigarettes	343.0
Real Estate Conveyance	157.0
Oil Companies	188.4
Alcoholic Beverages	47.0
Admissions and Dues	37.3
Miscellaneous	140.0
TOTAL - TAXES	<u>\$13,324.5</u>
Less: Refunds of Taxes	(852.2)
R & D Credit Exchange	<u>(11.4)</u>
TOTAL - TAXES - NET	<u>\$12,460.9</u>
OTHER REVENUE	
Transfers - Special Revenue	\$287.6
Indian Gaming Payments	411.4
Licenses, Permits, Fees	171.7
Sales of Commodities and Services	30.1
Rents, Fines, Escheats	60.0
Investment Income	61.0
Miscellaneous	146.3
Refunds of Payments	<u>(0.5)</u>
TOTAL - OTHER REVENUE	<u>\$1,167.6</u>
OTHER SOURCES	
Federal Grants	\$2,701.9
Transfer from Tobacco Settlement Fund	115.3
Transfers to Other Funds	<u>(102.3)</u>
TOTAL - OTHER SOURCES	<u>\$2,714.9</u>
TOTAL - GENERAL FUND REVENUE	\$16,343.4

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

Additional Requirements		\$0
Total	<hr/>	\$0

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

Legislative Management	\$5,563,000
Auditors of Public Accounts	1,190,000
Governor's Office	998,000
Secretary of the State	1,091,000
Department of Revenue Services	1,900,000
State Insurance & Risk Management	1,700,000
Office of Policy & Management ¹ .	11,600,000
Department of Public Works	968,000
Department of Veterans' Affairs	839,000
Department of Administrative Services	761,000
Office of the Attorney General	733,000
Division of Criminal Justice	783,000
Department of Public Safety	1,082,000
Department of Environmental Protection	6,400,000
Department of Economic & Community Development	3,569,000
Department of Public Health	3,811,000
Department of Developmental Services	6,136,000
Department of Mental Health & Addiction Services	4,112,000
Department of Social Services	22,855,000
Department of Education	2,317,000
Teachers' Retirement Board	2,625,000
Department of Correction	935,000
Department of Children & Families	28,455,000
Judicial Department	5,553,000
Debt Service	21,964,000
State Comptroller - Fringe Benefits	1,547,000
All Other	11,313,000
Total	<u>\$150,800,000</u>

1. Reflects 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 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	\$16,620.5	\$16,540.1	\$16,388.4	\$16,319.9	\$16,330.6	\$16,343.4
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	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	30.7	0.0	0.0
Less: Estimated Lapses	<u>(116.5)</u>	<u>(116.5)</u>	<u>(116.5)</u>	<u>(116.5)</u>	<u>(116.5)</u>	<u>(126.5)</u>	<u>(131.5)</u>	<u>(131.5)</u>	<u>(131.5)</u>	<u>(122.2)</u>	<u>(122.2)</u>	<u>(117.6)</u>	<u>(150.8)</u>
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	16,339.9	16,313.8	16,280.6
Balance from Operations	0.7	5.7	11.4	97.7	101.7	117.5	283.6	283.6	200.6	46.3	(20.0)	16.8	62.8
Compt.'s Misc. Adjustments/Rounding	<u>0.0</u>	<u>(2.3)</u>	<u>(6.5)</u>	<u>(9.7)</u>	<u>(13.2)</u>	<u>(17.4)</u>	<u>(20.4)</u>	<u>(23.8)</u>	<u>(25.8)</u>	<u>(30.6)</u>	<u>(32.9)</u>	<u>(36.5)</u>	<u>(40.5)</u>
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	(\$52.9)	(\$19.7)	\$22.3

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

State of Connecticut
Special Transportation Fund
Analysis of Budget Plan
Projected to June 30, 2008
As of June 30, 2008
(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	\$690.1	(\$25.7)
Less: Refunds of Taxes	<u>(8.8)</u>	<u>(7.0)</u>	<u>1.8</u>
Taxes - Net	707.0	683.1	(23.9)
Other Revenue	<u>419.9</u>	<u>383.6</u>	<u>(36.3)</u>
TOTAL - Revenue	\$1,126.9	\$1,066.7	(\$60.2)
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>(31.5)</u>	<u>(20.5)</u>
TOTAL - Expenditures	\$1,098.8	\$1,078.3	(\$20.5)
Balance from Operations	\$28.1	(\$11.6)	(\$39.7)
Miscellaneous Adjustments	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Estimated Balance 6/30/08	<u>\$221.1</u>	<u>\$181.3</u>	<u>(\$39.8)</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
July 21, 2008

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

TAXES	
Motor Fuels	\$497.4
Oil Companies	127.8
Sales Tax DMV	64.9
TOTAL - TAXES	<u>690.1</u>
Less: Refunds of Taxes	<u>(7.0)</u>
TOTAL - TAXES - NET	\$683.1
OTHER REVENUE	
Motor Vehicle Receipts	\$225.5
Licenses, Permits, Fees	154.5
Interest Income	36.5
Transfers to Other Funds	(30.3)
Refunds of Payments	<u>(2.6)</u>
TOTAL - OTHER REVENUE	\$383.6
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$1,066.7

Statement 3T
July 21, 2008

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

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

Statement 4T
July 21, 2008

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

Department of Motor Vehicles	\$660,000
Department of Transportation	8,049,000
Workers Compensation	635,000
Insurance and Risk Management	13,000
Fringe Benefits	7,306,000
Debt Service	14,837,000
Total	<u>\$31,500,000</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	\$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>	<u>1,084.3</u>	<u>1,073.3</u>	<u>1,066.7</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	1,277.2	1,266.2	1,259.6
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	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	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>	<u>(16.5)</u>	<u>(16.5)</u>	<u>(16.5)</u>	<u>(14.7)</u>	<u>(22.2)</u>	<u>(31.5)</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	1,095.1	1,087.6	1,078.3
Balance from Operations	28.1	28.1	28.1	28.1	28.1	13.1	11.7	4.7	(8.0)	(14.5)	(10.8)	(14.3)	(11.6)
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>	<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	\$182.1	\$178.6	\$181.3

1. PA 07-1, June Special Session

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