



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

June 20, 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 May 31, 2008. The General Fund is now projected to have a deficit of \$19.7 million, a decrease of \$20.4 million over the original enacted budget. This represents a \$33.2 million improvement in the estimated deficit 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 \$26.1 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 still \$117.6 million.

This month's letter includes several adjustments to our revenue projections which result in an overall increase of \$10.7 million in the General Fund. The primary driver of this revision is an increase in federal grant revenue due primarily to the expectation that \$30.0 million, which was part of \$82.5 million in fiscal year 2008 revenue previously thought to be delayed into fiscal year 2009, will now actually be received in fiscal year 2008, as well as an additional \$22.0 million due to a reforecast. Unfortunately, this positive news was offset by a \$40.0 million reduction in the Personal Income Tax forecast due exclusively to weakening trends in the withholding component of that tax. The June 15th estimated Income Tax payments are currently on target, with several more significant collection days yet to be tallied. All other revenue changes net to a negative \$1 million.

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).

In the Special Transportation Fund, revenues have been revised downward by \$11.0 million due primarily to lower License, Permit, and Fee revenue of \$7.0 million and lower interest earnings of \$2.5 million. Partially offsetting this reduction is an increase in identified lapses of \$7.5 million.

Similar to last month's letter, we are still projecting that the second year of the biennium, FY'09, is approximately \$150 million in deficit. Governor Rell is now working on adjustments to bring FY'09 back into balance.

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
June 20, 2008

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

General Fund

Balance - May 20, 2008		\$	(52.9)
Revenues			
Personal Income Tax	(40.0)		
Public Service	(3.0)		
Inheritance & Estate	4.0		
Real Estate Conveyance	(8.0)		
Licenses, Permits, Fees	8.0		
Federal Grants	51.7		
All Other	(2.0)		10.7
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Expenditures			
Additional Requirements	30.7		
Estimated Lapses	(4.6)		
Miscellaneous Adjustments/Rounding	(3.6)		22.5
			<hr/>
Balance - June 20, 2008		\$	<u>(19.7)</u>

Special Transportation Fund

Carry Forward FY 2007-08 Surplus		\$	192.9
Balance - May 20, 2008			(10.8)
Revenues			
Sales Tax - DMV	(1.5)		
Licenses, Permits, Fees	(7.0)		
Interest Income	(2.5)		(11.0)
			<hr/>
Expenditures			
Additional Requirements			0.0
Estimated Lapses			7.5
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Balance - June 20, 2008		\$	<u>178.6</u>

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

	General Assembly <u>Budget Plan</u> ^{1.}	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
REVENUE			
Taxes	\$13,272.0	\$13,335.1	\$63.1
Less: Refunds	<u>(818.8)</u>	<u>(874.5)</u>	<u>(55.7)</u>
Taxes - Net	12,453.2	12,460.6	7.4
Other Revenue	1,206.3	1,163.4	(42.9)
Other Sources	<u>2,656.1</u>	<u>2,706.6</u>	<u>50.5</u>
TOTAL Revenue	\$16,315.6	\$16,330.6	\$15.0
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>(117.6)</u>	<u>(1.1)</u>
TOTAL Expenditures	\$16,314.9	\$16,313.8	(\$1.1)
Balance from Operations	\$0.7	\$16.8	\$16.1
Miscellaneous Adjustments	<u>0.0</u>	<u>(36.5)</u>	<u>(36.5)</u>
Estimated Balance 6/30/08	<u>\$0.7</u>	<u>(\$19.7)</u>	<u>(\$20.4)</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 May 31, 2008
(In Millions)

TAXES	
Personal Income	\$7,420.0
Sales and Use	3,598.9
Corporation	747.0
Public Service Corporations	239.6
Inheritance and Estate	169.5
Insurance Companies	243.0
Cigarettes	346.5
Real Estate Conveyance	157.0
Oil Companies	188.4
Alcoholic Beverages	47.0
Admissions and Dues	36.2
Miscellaneous	142.0
TOTAL - TAXES	<u>\$13,335.1</u>
Less: Refunds of Taxes	(863.0)
R & D Credit Exchange	<u>(11.5)</u>
TOTAL - TAXES - NET	\$12,460.6
OTHER REVENUE	
Transfers - Special Revenue	\$286.6
Indian Gaming Payments	411.5
Licenses, Permits, Fees	170.5
Sales of Commodities and Services	30.5
Rents, Fines, Escheats	57.1
Investment Income	68.0
Miscellaneous	139.8
Refunds of Payments	<u>(0.6)</u>
TOTAL - OTHER REVENUE	\$1,163.4
OTHER SOURCES	
Federal Grants	\$2,693.6
Transfer from Tobacco Settlement Fund	115.3
Transfers to Other Funds	<u>(102.3)</u>
TOTAL - OTHER SOURCES	\$2,706.6
TOTAL - GENERAL FUND REVENUE	\$16,330.6

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

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

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

Legislative Unallocated Lapses	\$2,700,000
General Personal Services Reduction	4,400,000
General Other Expenses Reductions	4,200,000
Estimated Unallocated Lapses	32,450,000
Debt Service	24,650,000
Department of Children & Families	20,800,000
Department of Social Services	17,700,000
Office of Policy & Management	10,700,000
Total	<u>\$117,600,000</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	
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	
Less: Estimated Lapses	(116.5)	(116.5)	(116.5)	(116.5)	(116.5)	(126.5)	(131.5)	(131.5)	(131.5)	(122.2)	(122.2)	(117.6)	
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	
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	
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)	(32.9)	(36.5)	
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)	

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 May 31, 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	\$694.2	(\$21.6)
Less: Refunds of Taxes	<u>(8.8)</u>	<u>(7.8)</u>	<u>1.0</u>
Taxes - Net	707.0	686.4	(20.6)
Other Revenue	<u>419.9</u>	<u>386.9</u>	<u>(33.0)</u>
TOTAL - Revenue	<u>\$1,126.9</u>	<u>\$1,073.3</u>	<u>(\$53.6)</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>(22.2)</u>	<u>(11.2)</u>
TOTAL - Expenditures	<u>\$1,098.8</u>	<u>\$1,087.6</u>	<u>(\$11.2)</u>
Balance from Operations	\$28.1	(\$14.3)	(\$42.4)
Miscellaneous Adjustments	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Estimated Balance 6/30/08	<u>\$221.1</u>	<u>\$178.6</u>	<u>(\$42.5)</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
June 20, 2008

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

TAXES	
Motor Fuels	\$500.4
Oil Companies	127.8
Sales Tax DMV	66.0
TOTAL - TAXES	<u>694.2</u>
Less: Refunds of Taxes	<u>(7.8)</u>
TOTAL - TAXES - NET	\$686.4
OTHER REVENUE	
Motor Vehicle Receipts	\$226.6
Licenses, Permits, Fees	157.0
Interest Income	36.5
Transfers to Other Funds	(30.3)
Refunds of Payments	<u>(2.9)</u>
TOTAL - OTHER REVENUE	\$386.9
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$1,073.3

Statement 3T
June 20, 2008

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

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

Statement 4T
June 20, 2008

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

Estimated Unallocated Lapses	\$1,000,000
Fringe Benefits	\$6,800,000
Debt Service	\$14,400,000
Total	<u>\$22,200,000</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	
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> </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	
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	
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	
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> </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	
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)	
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> </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	

1. PA 07-1, June Special Session

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