



# STATE OF CONNECTICUT

## OFFICE OF POLICY AND MANAGEMENT

March 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 February 29, 2008. The balance in the General Fund is now projected at \$174.8 million, an increase of \$174.1 million over the original enacted budget.

This month's letter reflects an overall decrease in projected General Fund revenue of \$80.4 million. The largest change in our projections was a decrease in the corporation tax of \$25.0 million as year-to-date collections have been below target. We are revising downward our projection of estate tax by \$15.0 million and the real estate conveyance tax by \$20.0 million as these two revenue streams continue to under-perform relative to their targets. Refunds of Taxes continue to track above anticipated levels and thus we are increasing our projection of total refunds by \$20.0 million. In addition, investment income is not projected to reach the previously anticipated level of \$89.0 million with the recent interest rate cuts made by the Federal Reserve and has been revised downward by \$14.0 million. Because oil prices continue to remain at record-high levels, we are increasing our revenue projection by \$20.0 million for the oil companies tax. All other miscellaneous adjustments net to a negative \$6.4 million.

Currently our largest revenue sources, the income tax and the sales tax, remain on target. Next month's income tax collections will be critical as over 20% of the income tax is received during the month of April. We will be closely monitoring the daily revenue collection amounts over the next few weeks in order to be able to react swiftly if the recent downturn in the U.S. economy begins to negatively impact state revenue collections.

Projected additional requirements in the General Fund have increased to \$39.6 million. These include a \$9.6 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. \$5.8 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. \$3.1 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. 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. \$3.9 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. \$1.0 million is 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 \$7.4 million from the General Fund. This potential deficit is not included in the projected \$39.6 million in recognized deficiencies.

In the Medicaid Program, the Department of Social Services has experienced delays in implementing new rates and paying claims. This is due to delays in obtaining federal approvals and implementation of a new payment system. If these issues are not resolved quickly, both expenditures and projected revenues would be impacted.

This month's letter also reflects an overall decrease in our revenue projections in the Special Transportation Fund of \$12.2 million. The state continues to feel the impact of higher energy costs, as gasoline consumption has shown a marked decrease over the same period a year ago and thus we are revising our motor fuels tax projection by \$7.2 million. In addition, we are revising our projections downward for interest income \$5.0 million due to the recent interest rate reductions made by the Federal Reserve.

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.

The budget proposed by Governor Rell on February 6, 2008 includes two actions which would impact the FY 08 surplus. These include a modification of the accrual date for the corporation tax, which would decrease FY 08 revenues by \$8.0 million; and continuing \$13.0 million in debt service appropriation for expenditures in FY 09. The net impact of these proposed changes is that the remaining surplus, projected at \$153.8 million, would be deposited into the budget reserve fund. Additionally, the Governor proposed 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. If this proposal is not adopted, the projected surplus would be reduced by \$17 million.

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

Summary  
March 20, 2008

State of Connecticut  
Summary of Changes  
General Fund and Special Transportation Fund  
Projected to June 30, 2008  
As of February 29, 2008  
(In Millions)

**General Fund**

Balance - February 20, 2008		\$	259.8
Revenues			
Corporation	(25.0)		
Inheritance & Estate	(15.0)		
Real Estate Conveyance	(20.0)		
Oil Companies	20.0		
Admissions & Dues	2.6		
Miscellaneous Taxes	(4.0)		
Refunds of Taxes	(20.0)		
Investment Income	(14.0)		
Miscellaenous Revenue	<u>(5.0)</u>		(80.4)
Expenditures			
Additional Requirements	(2.6)		
Estimated Lapses - No Change	-		
Miscellaneous Adjustments/Rounding	<u>(2.0)</u>		<u>(4.6)</u>
Balance - March 20, 2008		\$	<u>174.8</u>

**Special Transportation Fund**

Carry Forward FY 2007-08 Surplus		\$	192.9
Balance - February 20, 2008			4.7
Revenues			
Motor Fuels Tax	(7.2)		
Interest Income	<u>(5.0)</u>		<u>(12.2)</u>
Expenditures			
Additional Requirements			<u>(0.5)</u>
Balance - March 20, 2008		\$	<u>184.9</u>

State of Connecticut  
 General Fund  
 Statement of Revenues, Expenditures, and Results of Operations  
 Projected to June 30, 2008  
 As of February 29, 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	\$13,458.8	\$186.8
Less: Refunds	<u>(818.8)</u>	<u>(827.8)</u>	<u>(9.0)</u>
Taxes - Net	12,453.2	12,631.0	177.8
Other Revenue	1,206.3	1,171.0	(35.3)
Other Sources	<u>2,656.1</u>	<u>2,738.1</u>	<u>82.0</u>
TOTAL Revenue	\$16,315.6	\$16,540.1	\$224.5
<b>EXPENDITURES</b>			
Appropriations	\$16,431.4	\$16,431.4	\$0.0
Net Additional Requirements	0.0	39.6	39.6
Less: Estimated Lapses	<u>(116.5)</u>	<u>(131.5)</u>	<u>(15.0)</u>
TOTAL Expenditures	\$16,314.9	\$16,339.5	\$24.6
Balance from Operations	\$0.7	\$200.6	\$199.9
Miscellaneous Adjustments	<u>0.0</u>	<u>(25.8)</u>	<u>(25.8)</u>
Estimated Balance 6/30/08	<u>\$0.7</u>	<u>\$174.8</u>	<u>\$174.1</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 February 29, 2008  
(In Millions)

TAXES	
Personal Income	\$7,570.0
Sales and Use	3,598.9
Corporation	702.0
Public Service Corporations	247.6
Inheritance and Estate	150.5
Insurance Companies	253.1
Cigarettes	351.5
Real Estate Conveyance	180.0
Oil Companies	178.4
Alcoholic Beverages	47.0
Admissions and Dues	36.2
Miscellaneous	143.6
TOTAL - TAXES	<u>\$13,458.8</u>
Less: Refunds of Taxes	(817.8)
R & D Credit Exchange	<u>(10.0)</u>
TOTAL - TAXES - NET	<u>\$12,631.0</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	75.0
Miscellaneous	142.8
Refunds of Payments	<u>(0.6)</u>
TOTAL - OTHER REVENUE	<u>\$1,171.0</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	\$16,540.1

State of Connecticut - General Fund  
Appropriation Adjustments - Net Additional Requirements  
Projected to June 30, 2008  
As of February 29, 2008

Department of Mental Health & Addiction Services	\$9,600,000
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>\$39,625,000</u>

State of Connecticut  
General Fund  
Estimated Lapses  
Projected to June 30, 2008  
As of February 29, 2008

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 <sup>1</sup>	21,300,000
Total	<u>\$131,500,000</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				
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				
Additional Requirements	0.0	0.0	7.3	25.0	25.0	25.0	37.0	37.0	39.6				
Less: Estimated Lapses	(116.5)	(116.5)	(116.5)	(116.5)	(116.5)	(126.5)	(131.5)	(131.5)	(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	16,336.9	16,339.5				
Balance from Operations	0.7	5.7	11.4	97.7	101.7	117.5	283.6	283.6	200.6				
Compt.'s Misc. Adjustments/Rounding	0.0	(2.3)	(6.5)	(9.7)	(13.2)	(17.4)	(20.4)	(23.8)	(25.8)				
Estimated Balance 6/30/08	\$0.7	\$3.4	\$4.9	\$88.0	\$88.5	\$100.1	\$263.2	\$259.8	\$174.8				

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

Statement 1T  
March 20, 2008

State of Connecticut  
Special Transportation Fund  
Analysis of Budget Plan  
Projected to June 30, 2008  
As of February 29, 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	\$700.2	(\$15.6)
Less: Refunds of Taxes	<u>(8.8)</u>	<u>(7.8)</u>	<u>1.0</u>
Taxes - Net	707.0	692.4	(14.6)
Other Revenue	<u>419.9</u>	<u>400.4</u>	<u>(19.5)</u>
TOTAL - Revenue	\$1,126.9	\$1,092.8	(\$34.1)
<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	(\$8.0)	(\$36.1)
Miscellaneous Adjustments	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Estimated Balance 6/30/08	<u>\$221.1</u>	<u>\$184.9</u>	<u>(\$36.2)</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  
March 20, 2008

State of Connecticut  
Special Transportation Fund  
Revenue Estimates  
Projected to June 30, 2008  
As of February 29, 2008  
(In Millions)

TAXES	
Motor Fuels	\$502.4
Oil Companies	127.8
Sales Tax DMV	70.0
TOTAL - TAXES	<u>700.2</u>
Less: Refunds of Taxes	<u>(7.8)</u>
TOTAL - TAXES - NET	\$692.4
OTHER REVENUE	
Motor Vehicle Receipts	\$230.6
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	\$400.4
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$1,092.8

Statement 3T  
March 20, 2008

State of Connecticut  
Special Transportation Fund  
Appropriation Adjustments - Additional Appropriations  
Projected to June 30, 2008  
As of February 29, 2008

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

Statement 4T  
March 20, 2008

State of Connecticut  
Special Transportation Fund  
Estimated Lapse  
Projected to June 30, 2008  
As of February 29, 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				
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>				
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				
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				
Additional Appropriations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.0	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>				
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				
Balance from Operations	28.1	28.1	28.1	28.1	28.1	13.1	11.7	4.7	(8.0)				
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 6/30/08	\$221.1	\$221.1	\$221.0	\$221.0	\$221.0	\$206.0	\$204.6	\$197.6	\$184.9				

1. PA 07-1, June Special Session

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