



# STATE OF CONNECTICUT

## OFFICE OF POLICY AND MANAGEMENT

May 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 April 30, 2008. The General Fund is now projected to have a deficit of \$52.9 million, a decrease of \$53.6 million over the original enacted budget.

This month's letter includes several adjustments to our revenue projections which result in an overall decrease of \$68.5 million in the General Fund. The primary driver of the revision is the Personal Income Tax which is being revised downward by \$90 million. Approximately one-half of this change is due to performance through April 30<sup>th</sup> in both the withholding category and the estimated payments category. The remaining adjustment is due to our expectations that withholding growth will slow from 5.8% to 4.1% for the remaining 3 months of the fiscal year and the June 15<sup>th</sup> estimated payment will experience no growth over last year. An additional \$15.2 million is projected to be required for Refunds of Taxes due to larger than expected refunds in the all other category which does not include income tax or corporation tax refunds. The national slowdown of the housing market continues to be evident in the state's collection of the real estate conveyance tax. Due to persistent lower than anticipated monthly revenue collections, projections for the real estate conveyance tax have once again been revised downward by \$10 million, bringing the growth rate for this tax for fiscal year 2008 to a negative 22%. The Insurance Companies Tax was reduced \$5.0 million due primarily to lower than expected collections from the health maintenance organizations component. The Cigarette and Public Service Tax projections were also reduced by \$5.0 million each due to generally weak collections in recent months.

Not all of this month's revisions are negative. The month of April proved to be positive for the Corporation Tax as the state exceeded its monthly target by approximately \$30 million. We are revising upward the Corporation Tax projection by a total of \$45 million, to reflect the cumulative year-to-date positive variance. The state also received several significant estate tax payments in April and as a result we are increasing our estimate for this tax by \$15 million. We are also projecting an additional \$10.0 million in oil companies revenue as a result of record high oil prices. Other miscellaneous revenue adjustments net to a negative \$8.3 million.

Projected additional requirements in the General Fund have decreased to \$30.7 million. The Department of Administrative Services Workers' Compensation Claims account is experiencing an estimated \$1,250,000 deficiency largely attributed to the rise in medical inflation. The Department of Correction has an estimated deficiency of \$18.5 million due to increased prison population. \$4.67 million of the deficiency is in the agency's Personal Services account due to increased overtime costs. \$8.9 million of the deficiency is in Other Expenses mainly due to maintenance and food costs. \$4.5 million of the deficiency is in the Inmate Medical account resulting from increased medical costs and staffing. \$430,000 is in Community Support Services. The University of Connecticut Health Center is estimated to require an additional \$10.9 million to address its budgetary shortfall.

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 \$5.5 million from the General Fund. This potential deficit is not included in the projected \$30.7 million in recognized deficiencies.

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, higher prices have significantly curbed gasoline consumption, falling by 2.5% this fiscal year, and thus we are reducing our estimate of motor fuels tax revenue by \$2 million this month. This will be the third year in a row that gasoline consumption in Connecticut has fallen for a total decline of 3.6% since fiscal 2005.

There are no projected additional requirements in the Special Transportation Fund.

Since the General Assembly adjourned in May without passing a deficiency bill for FY'08, the administration will proceed with a number of Finance Advisory Committee actions in June that will mitigate as much of the shortfall as possible. These anticipated actions are reflected in this letter.

In addition, we are now projecting that the second year of the biennium, FY'09, is almost \$150 million out of balance. We are now estimating a revenue shortfall of \$110 million and potential deficiency roll-outs in the Department of Corrections of \$25.6 million and the Department of Mental Health and Addiction Services of \$12.3 million. At the direction of Governor Rell, the Office of Policy and Management 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  
May 20, 2008

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

**General Fund**

Balance - April 21, 2008		\$	15.7
Revenues			
Personal Income Tax	(90.0)		
Corporation	45.0		
Public Service	(5.0)		
Inheritance & Estate	15.0		
Insurance Companies	(5.0)		
Cigarettes	(5.0)		
Real Estate Conveyance	(10.0)		
Oil Companies	10.0		
Refunds of Taxes	(15.2)		
Investment Income	(7.0)		
All Other	(1.3)		(68.5)
Expenditures			
Additional Requirements	2.2		
Estimated Lapses - No Changes	0.0		
Miscellaneous Adjustments/Rounding	(2.3)		(0.1)
Balance - May 20, 2008		\$	<u>(52.9)</u>

**Special Transportation Fund**

Carry Forward FY 2007-08 Surplus		\$	192.9
Balance - April 21, 2008			(14.5)
Revenues			
Motor Fuels Tax	(2.0)		(2.0)
Expenditures			
Additional Requirements			7.5
Estimated Lapses			(1.8)
Balance - May 20, 2008		\$	<u>182.1</u>

State of Connecticut  
General Fund  
Statement of Revenues, Expenditures, and Results of Operations  
Projected to June 30, 2008  
As of April 30, 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	\$13,382.1	\$110.1
Less: Refunds	<u>(818.8)</u>	<u>(874.0)</u>	<u>(55.2)</u>
Taxes - Net	12,453.2	12,508.1	54.9
Other Revenue	1,206.3	1,156.9	(49.4)
Other Sources	<u>2,656.1</u>	<u>2,654.9</u>	<u>(1.2)</u>
TOTAL Revenue	\$16,315.6	\$16,319.9	\$4.3
<b>EXPENDITURES</b>			
Appropriations	\$16,431.4	\$16,431.4	\$0.0
Net Additional Requirements	0.0	30.7	30.7
Less: Estimated Lapses	<u>(116.5)</u>	<u>(122.2)</u>	<u>(5.7)</u>
TOTAL Expenditures	\$16,314.9	\$16,339.9	\$25.0
Balance from Operations	\$0.7	(20.0)	(20.7)
Miscellaneous Adjustments	<u>0.0</u>	<u>(32.9)</u>	<u>(32.9)</u>
Estimated Balance 6/30/08	<u>\$0.7</u>	<u>(\$52.9)</u>	<u>(\$53.6)</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 April 30, 2008  
 (In Millions)

TAXES	
Personal Income	\$7,460.0
Sales and Use	3,598.9
Corporation	747.0
Public Service Corporations	242.6
Inheritance and Estate	165.5
Insurance Companies	243.0
Cigarettes	346.5
Real Estate Conveyance	165.0
Oil Companies	188.4
Alcoholic Beverages	47.0
Admissions and Dues	36.2
Miscellaneous	142.0
TOTAL - TAXES	<u>\$13,382.1</u>
Less: Refunds of Taxes	(863.0)
R & D Credit Exchange	<u>(11.0)</u>
TOTAL - TAXES - NET	\$12,508.1
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	57.1
Investment Income	68.0
Miscellaneous	139.8
Refunds of Payments	<u>(0.6)</u>
TOTAL - OTHER REVENUE	\$1,156.9
OTHER SOURCES	
Federal Grants	\$2,641.9
Transfer from Tobacco Settlement Fund	115.3
Transfers to Other Funds	<u>(102.3)</u>
TOTAL - OTHER SOURCES	\$2,654.9
TOTAL - GENERAL FUND REVENUE	\$16,319.9

Statement 3  
May 20, 2008

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

DAS-Workers' Compensation Claims	\$1,250,000
University of Connecticut Health Center	10,900,000
Department of Correction	18,500,000
Total - Additional Requirements	<u>\$30,650,000</u>

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

Legislative Unallocated Lapses	\$2,700,000
Estimated Unallocated Lapses	82,400,000
General Personal Services Reduction	9,900,000
General Other Expenses Reductions	7,300,000
Debt Service	15,500,000
OPM - PILOT - Machinery and Equipment <sup>1</sup>	4,400,000
Total	<u>\$122,200,000</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 <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	\$16,319.9		
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		
Additional Requirements	0.0	0.0	7.3	25.0	25.0	25.0	37.0	37.0	39.6	32.9	30.7		
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)		
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		
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)		
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)		
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)		

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 April 30, 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	\$695.7	(\$20.1)
Less: Refunds of Taxes	<u>(8.8)</u>	<u>(7.8)</u>	<u>1.0</u>
Taxes - Net	707.0	687.9	(19.1)
Other Revenue	<u>419.9</u>	<u>396.4</u>	<u>(23.5)</u>
TOTAL - Revenue	<u>\$1,126.9</u>	<u>\$1,084.3</u>	<u>(\$42.6)</u>
<b>EXPENDITURES</b>			
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>(14.7)</u>	<u>(3.7)</u>
TOTAL - Expenditures	<u>\$1,098.8</u>	<u>\$1,095.1</u>	<u>(\$3.7)</u>
Balance from Operations	\$28.1	(\$10.8)	(\$38.9)
Miscellaneous Adjustments	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Estimated Balance 6/30/08	<u>\$221.1</u>	<u>\$182.1</u>	<u>(\$39.0)</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  
May 20, 2008

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

TAXES	
Motor Fuels	\$500.4
Oil Companies	127.8
Sales Tax DMV	67.5
TOTAL - TAXES	<u>695.7</u>
Less: Refunds of Taxes	<u>(7.8)</u>
TOTAL - TAXES - NET	\$687.9
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	\$1,084.3

Statement 3T  
May 20, 2008

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

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

Statement 4T  
May 20, 2008

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

Estimated Unallocated Lapses	\$1,000,000
Debt Service	13,700,000
Total	<u>\$14,700,000</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	\$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>		
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		
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		
Additional Appropriations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	7.0	7.5	7.5	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>		
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		
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)		
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>		
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		

1. PA 07-1, June Special Session

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