



# STATE OF CONNECTICUT

## OFFICE OF POLICY AND MANAGEMENT

April 20, 2009

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 2008-2009 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 March 31, 2009. This letter reflects the passage of Public Acts 08-01 and 08-02 from the August Special Session, P.A. 08-01 from the November Special Session and P.A. 09-1 and P.A. 09-2 of the 2009 Regular Session.

More than twenty-two months have passed since Governor Rell signed the biennial budget into law (Public Act 07-1). As you know, the 2008 legislative session ended without passage of a revised midterm budget. Due to worsening economic conditions, Governor Rell ordered a number of measures to curtail state spending. These include a ban on out-of-state travel, implementation of a hiring freeze and the implementation of a fourth round of allotment rescissions in accordance with her authority under CGS 4-85. Those components of the last Governor's Deficit Mitigation Plan that were acted upon in P.A. 09-2 are now reflected in this letter. In addition, the impact of the passage of the American Reinvestment and Recovery Act of 2009 is also factored in to the estimates.

In the General Fund, we are now estimating a deficit of \$1,056.3 million. This month's letter reflects all of the actions taken by the Governor and the General Assembly to date. Revenue this month is being revised downward by \$397.0 million. The largest revision is in the income tax, down \$375 million due to disappointing tax collections thus far in the month of April. Currently those collections for estimated and final payments that were due April 15<sup>th</sup> are running approximately 40% below last year. The \$375 million downward revision assumes that this trend will continue for the rest of the month and that the June 15<sup>th</sup> estimated payments for income year 2009 will also be below last year's level by 40%. Importantly, it should be noted that the tax department still has several significant collection days ahead this week and should collections deviate from the current trend in either direction, OPM may issue a revised letter later this month. All other revenue changes net to a negative \$22 million.

In the General Fund, we are estimating that due to the Governor's four rescission programs, actions taken by the General Assembly and other surpluses available in select accounts, lapses are approximately \$326.4 million higher than budgeted. All told, the statewide lapses are estimated to reach \$443.9 million. These are itemized in Statement 4 of the attached report. Deficiencies totaling \$79.3 million are anticipated, including a \$3.6 million deficiency in the Department of Mental Health and Addiction Services, a deficiency of \$16.2 million in the Department of Correction and a projected deficiency of \$1.5 million in the DAS-Workers' Compensation Account, related primarily to the roll-out of last year's deficiencies in those agencies. We are also projecting a net deficiency in the Department of Social Services of \$58.0 million. Reflecting a shortfall of in the Medicaid account largely due to additional costs beyond those appropriated from the expansion in eligibility for HUSKY adults.

Contingent upon actions yet to be taken by the General Assembly, this projected deficit could be reduced by \$220 million contemplated in the PA 09-2. Additionally, contingent upon the outcome of discussions currently underway between the administration and SEBAC, labor cost savings of approximately \$77.3 million are possible. If both of these items are successfully implemented, the remaining deficit would be approximately \$759.0 million. Governor Rell has submitted her suggestions for further deficit mitigation to the General Assembly.

Transportation Fund revenues have been revised downward by \$5.0 million this month as both the motor fuels tax and sales tax remitted by the Department of Motor Vehicles failed to reach their targets.

It should be noted that \$151.3 million of retroactive claims of federal revenue has been delayed pending review by the Center for Medicaid and Medicare Services. Therefore timing of receipt may be subject to delay.

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. It is important to note that we will continue to refine our analysis of the economic impact attributable to the President Obama's economic stimulus package in the month's ahead. As more definitive information becomes available, it will be incorporated into future projections.

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  
April 20, 2009

State of Connecticut  
Summary of Changes  
General Fund and Special Transportation Fund  
Projected to June 30, 2009  
As of March 31, 2009  
(In Millions)

**General Fund**

|                                    |              |    |                  |
|------------------------------------|--------------|----|------------------|
| Balance - March 20, 2009           |              | \$ | (667.4)          |
| Revenues                           |              |    |                  |
| Personal Income Tax                | (375.0)      |    |                  |
| Corporation                        | (10.0)       |    |                  |
| Inheritance & Estate               | (5.0)        |    |                  |
| Cigarettes                         | (8.0)        |    |                  |
| Sales of Commodities               | <u>1.0</u>   |    | (397.0)          |
| Expenditures                       |              |    |                  |
| Additional Requirements            | (2.3)        |    |                  |
| Estimated Lapses                   | 13.0         |    |                  |
| Miscellaneous Adjustments/Rounding | <u>(2.6)</u> |    | <u>8.1</u>       |
| Balance - April 20, 2009           |              | \$ | <u>(1,056.3)</u> |

**Special Transportation Fund**

|                                  |              |    |             |
|----------------------------------|--------------|----|-------------|
| Carry Forward FY 2008-09 Surplus |              | \$ | 178.3       |
| Balance - March 20, 2009         |              |    | (83.0)      |
| Revenues                         |              |    |             |
| Motor Fuels Tax                  | (3.0)        |    |             |
| Sales Tax - DMV                  | <u>(2.0)</u> |    | (5.0)       |
| Expenditures                     |              |    |             |
| Additional Requirements          | 0.7          |    |             |
| Estimated Lapses - No Change     | <u>0.0</u>   |    | <u>0.7</u>  |
| Balance - April 20, 2009         |              | \$ | <u>91.0</u> |

State of Connecticut  
General Fund  
Statement of Revenues, Expenditures, and Results of Operations  
Projected to June 30, 2009  
As of March 31, 2009  
(In Millions)

|                             | General<br>Assembly<br><u>Budget Plan</u> <sup>1.</sup> | Revised<br>Estimates<br><u>OPM</u> <sup>2., 3., 4., 5.</sup> | Over/<br><u>(Under)</u> |
|-----------------------------|---|--|-------------------------|
| <b>REVENUE</b>              |   |  |                         |
| Taxes                       | \$13,851.7  | \$11,845.4   | (\$2,006.3)             |
| Less: Refunds               | <u>(880.6)</u>  | <u>(1,051.9)</u>   | <u>(171.3)</u>          |
| Taxes - Net                 | 12,971.1  | 10,793.5   | (2,177.6)               |
| Other Revenue               | 1,208.4   | 1,094.5  | (113.9)                 |
| Other Sources               | <u>2,898.0</u>  | <u>3,944.8</u>   | <u>1,046.8</u>          |
| TOTAL Revenue               | \$17,077.5  | \$15,832.8   | (\$1,244.7)             |
| <b>EXPENDITURES</b>         |   |  |                         |
| Appropriations              | \$17,200.5  | \$17,222.3   | \$21.8                  |
| Net Additional Requirements | 0.0   | 79.3   | 79.3                    |
| Less: Estimated Lapses      | <u>(117.5)</u>  | <u>(443.9)</u>   | <u>(326.4)</u>          |
| TOTAL Expenditures          | \$17,083.0  | \$16,857.8   | (\$225.2)               |
| Balance from Operations     | (\$5.5)   | (\$1,025.0)  | (\$1,019.5)             |
| Miscellaneous Adjustments   | <u>0.0</u>  | <u>(31.3)</u>  | <u>(31.3)</u>           |
| Estimated Balance 6/30/09   | <u>(\$5.5)</u>  | <u>(\$1,056.3)</u>   | <u>(\$1,050.8)</u>      |

1. PA 07-1, June Special Session, PA 07-1, September Special Session, PA 08-02, June 11 Special Session and PA 08-51.

2. PA 08-01 and PA 08-02, August Special Session.

3. PA 08-01, November Special Session.

4. P.A. 09-1

5. P.A. 09-2

State of Connecticut  
General Fund  
Revenue Estimates  
Projected to June 30, 2009  
As of March 31, 2009  
(In Millions)

|  |                   |
|--|-------------------|
| TAXES  |                   |
| Personal Income                                | \$6,465.0         |
| Sales and Use                                  | 3,360.7           |
| Corporation                                    | 597.6             |
| Public Service Corporations                    | 254.3             |
| Inheritance and Estate                         | 250.1             |
| Insurance Companies                            | 192.2             |
| Cigarettes                                     | 317.0             |
| Real Estate Conveyance                         | 95.0              |
| Oil Companies                                  | 91.0              |
| Alcoholic Beverages                            | 47.5              |
| Admissions and Dues                            | 34.0              |
| Miscellaneous                                  | 141.0             |
| TOTAL - TAXES                                  | <u>\$11,845.4</u> |
| Less: Refunds of Taxes                         | (1,040.0)         |
| R & D Credit Exchange                          | (11.9)            |
| TOTAL - TAXES - NET                            | <u>\$10,793.5</u> |
| OTHER REVENUE                                  |                   |
| Transfers - Special Revenue                    | \$289.0           |
| Indian Gaming Payments                         | 375.0             |
| Licenses, Permits, Fees                        | 156.7             |
| Sales of Commodities and Services              | 32.5              |
| Rents, Fines, Escheats                         | 69.4              |
| Investment Income                              | 20.0              |
| Miscellaneous                                  | 152.5             |
| Refunds of Payments                            | (0.6)             |
| TOTAL - OTHER REVENUE                          | <u>\$1,094.5</u>  |
| OTHER SOURCES                                  |                   |
| Federal Grants                                 | \$3,613.4         |
| Transfers to the Resources of the General Fund | 301.9             |
| Transfer from Tobacco Settlement Fund          | 115.8             |
| Transfers to Other Funds                       | (86.3)            |
| TOTAL - OTHER SOURCES                          | <u>\$3,944.8</u>  |
| TOTAL - GENERAL FUND REVENUE                   | \$15,832.8        |

State of Connecticut - General Fund  
Appropriation Adjustments - Net Additional Requirements  
Projected to June 30, 2009  
As of March 31, 2009

|  |                     |
|--|---------------------|
| DAS-Workers' Compensation Claims                 | \$1,500,000         |
| Department of Mental Health & Addiction Services | 3,600,000           |
| Department of Social Services                    | 58,000,000          |
| Department of Correction                         | <u>16,220,000</u>   |
| Total  | <u>\$79,320,000</u> |

State of Connecticut  
General Fund  
Estimated Lapses  
Projected to June 30, 2009  
As of March 31, 2009

|   |                      |
|---|----------------------|
| General Personal Services Reduction                         | \$10,900,000         |
| General Other Expenses Reductions                           | 9,200,000            |
| Allotment Rescissions - July                                | 115,800,000          |
| Allotment Rescissions - September                           | 34,400,000           |
| Allotment Rescissions - December                            | 7,200,000            |
| Allotment Rescissions - March                               | 20,800,000           |
| OPM - Personal Services                                     | 200,000              |
| OPM - Elderly Renters                                       | 170,000              |
| OPM - Regional Performance Incentive Grant                  | 100,000              |
| Division of Special Revenue - Personal Services             | 300,000              |
| Insurance & Risk Management - Other Expenses                | 975,000              |
| Department of Development Services                          | 900,000              |
| Department of Public Safety - Personal Services             | 1,000,000            |
| Judicial - Alternative Incarceration Program                | 500,000              |
| Department of Children & Families                           | 26,200,000           |
| Unallocated Lapses  | 25,050,000           |
| Consultant Contracts and Personal Services Agreements       | 52,000,000           |
| Deferred Purchases  | 8,000,000            |
| Contingency Needs   | 2,000,000            |
| Reserve for Salary Adjustment                               | 3,100,000            |
| Debt Service  | 50,750,000           |
| DHE - CT Independent College Student Grant                  | 500,000              |
| Lapse of FY 07 Surplus Appropriation as per P.A. 08-01, NSS | 14,500,000           |
| Lapse of FY 07 Surplus Appropriation per P.A. 09-1          | 3,050,000            |
| Lapse of FY 07 Surplus Appropriation per P.A. 09-2          | 3,500,000            |
| Increase Legislative Lapse per P.A. 09-2                    | 1,070,000            |
| OSC-Retired State Employees Health Insurance                | 3,800,000            |
| OSC-Higher Ed Alternative Retirement                        | 2,200,000            |
| OPM - PILOT Manufacturing & Equipment                       | 45,700,000           |
| Total   | <u>\$443,865,000</u> |

State of Connecticut  
2008-09 General Fund  
Summary of Operations Per Letter to the Comptroller  
(In Millions)

|                                     | Budget<br>Plan <sup>1</sup> . | July<br>2008 | August <sup>2</sup><br>2008 | September<br>2008 | October<br>2008 | November <sup>3</sup><br>2008 | December <sup>4</sup><br>2008 | January<br>2009 | February <sup>5</sup><br>2009 | March<br>2009 | April<br>2009 | May<br>2009 | June<br>2009 |
|-------------------------------------|-------------------------------|--------------|-----------------------------|-------------------|-----------------|-------------------------------|-------------------------------|-----------------|-------------------------------|---------------|---------------|-------------|--------------|
| REVENUE                             | \$17,077.5                    | \$16,858.4   | \$16,785.6                  | \$16,949.1        | \$16,709.6      | \$16,824.9                    | \$16,098.0                    | \$16,065.0      | \$16,229.8                    | \$15,832.8    |               |             |              |
| Appropriations                      | 17,200.5                      | 17,200.5     | 17,222.3                    | 17,279.5          | 17,279.5        | 17,270.4                      | 17,231.2                      | 17,231.2        | 17,222.3                      | 17,222.3      |               |             |              |
| Additional Requirements             | 0.0                           | 18.3         | 19.8                        | 19.8              | 29.8            | 29.8                          | 85.8                          | 77.4            | 77.0                          | 79.3          |               |             |              |
| Less: Estimated Lapses              | (117.5)                       | (217.5)      | (217.5)                     | (251.9)           | (257.5)         | (300.8)                       | (320.2)                       | (324.4)         | (430.8)                       | (443.9)       |               |             |              |
| TOTAL - Estimated Expenditures      | 17,083.0                      | 17,001.3     | 17,024.6                    | 17,047.4          | 17,051.8        | 16,999.4                      | 16,996.9                      | 16,984.2        | 16,868.5                      | 16,857.8      |               |             |              |
| Balance from Operations             | (5.5)                         | (142.9)      | (239.0)                     | (98.3)            | (342.2)         | (174.5)                       | (898.8)                       | (919.2)         | (638.7)                       | (1,025.0)     |               |             |              |
| Compt.'s Misc. Adjustments/Rounding | 0.0                           | (2.8)        | (6.2)                       | (9.6)             | (14.1)          | (18.5)                        | (22.9)                        | (25.0)          | (28.7)                        | (31.3)        |               |             |              |
| Estimated Balance 6/30/09           | (\$5.5)                       | (\$145.7)    | (\$245.2)                   | (\$107.9)         | (\$356.3)       | (\$193.0)                     | (\$921.7)                     | (\$944.2)       | (\$667.4)                     | (\$1,056.3)   |               |             |              |

1. PA 07-1, June Special Session, PA 07-1, September Special Session, PA 08-2, June 11 Special Session and PA 08-51.

2. PA 08-01 and PA 08-02, August Special Session.

3. PA 08-01, November Special Session.

4. P.A. 09-1

5. P.A. 09-2

State of Connecticut  
Special Transportation Fund  
Analysis of Budget Plan  
Projected to June 30, 2009  
As of March 31, 2009  
(In Millions)

|  | General<br>Assembly<br><u>Budget Plan</u> <sup>1.</sup> | Revised<br>Estimates<br><u>OPM</u> <sup>3.</sup> | Over/<br>(Under) |
|--|---|--|------------------|
| Surplus Carried Forward from 2007-08 <sup>2.</sup> | \$215.5   | \$178.3  | (\$37.2)         |
| <b>REVENUE</b>                                     |   |  |                  |
| Taxes  | \$739.5   | \$694.1  | (\$45.4)         |
| Less: Refunds of Taxes                             | <u>(9.0)</u>  | <u>(7.4)</u>                                     | <u>1.6</u>       |
| Taxes - Net  | 730.5   | 686.7  | (43.8)           |
| Other Revenue                                      | <u>426.5</u>  | <u>367.0</u>                                     | <u>(59.5)</u>    |
| TOTAL - Revenue                                    | \$1,157.0   | \$1,053.7  | (\$103.3)        |
| <b>EXPENDITURES</b>                                |   |  |                  |
| Appropriations                                     | \$1,165.2   | \$1,165.2  | \$0.0            |
| Additional Appropriations                          | 0.0   | 4.1  | 4.1              |
| Less: Estimated Lapses                             | <u>(11.0)</u>   | <u>(28.3)</u>                                    | <u>(17.3)</u>    |
| TOTAL - Expenditures                               | \$1,154.2   | \$1,141.0  | (\$13.2)         |
| Balance from Operations                            | \$2.8   | (\$87.3)   | (\$90.1)         |
| Miscellaneous Adjustments                          | <u>0.0</u>  | <u>0.0</u>                                       | <u>0.0</u>       |
| Estimated Balance 6/30/09                          | <u>\$218.3</u>  | <u>\$91.0</u>                                    | <u>(\$127.3)</u> |

1. P.A. 07-1, June Special Session

2. The Budget Plan assumed \$215.5 million would be carried forward from FY 2008.

The Comptroller's 9/2/08 final unaudited was \$178.3 million.

3. P.A. 09-1

Statement 2T  
April 20, 2009

State of Connecticut  
Special Transportation Fund  
Revenue Estimates  
Projected to June 30, 2009  
As of March 31, 2009  
(In Millions)

|   |              |
|---|--------------|
| TAXES                                       |              |
| Motor Fuels                                 | \$496.7      |
| Oil Companies                               | 141.9        |
| Sales Tax DMV                               | 55.5         |
| TOTAL - TAXES                               | <u>694.1</u> |
| Less: Refunds of Taxes                      | <u>(7.4)</u> |
| TOTAL - TAXES - NET                         | \$686.7      |
| OTHER REVENUE                               |              |
| Motor Vehicle Receipts                      | \$223.3      |
| Licenses, Permits, Fees                     | 150.0        |
| Interest Income                             | 20.0         |
| Transfers to Other Funds                    | (23.3)       |
| Refunds of Payments                         | <u>(3.0)</u> |
| TOTAL - OTHER REVENUE                       | \$367.0      |
| TOTAL - SPECIAL TRANSPORTATION FUND REVENUE | \$1,053.7    |

Statement 3T  
April 20, 2009

State of Connecticut  
Special Transportation Fund  
Appropriation Adjustments - Additional Appropriations  
Projected to June 30, 2009  
As of March 31, 2009

|                              |                    |
|------------------------------|--------------------|
| Department of Transportation | <u>\$4,065,000</u> |
| Total                        | \$4,065,000        |

Statement 4T  
April 20, 2009

State of Connecticut  
Special Transportation Fund  
Estimated Lapse  
Projected to June 30, 2009  
As of March 31, 2009

|                              |                     |
|------------------------------|---------------------|
| Allotment Rescissions:       |                     |
| Debt Service                 | \$14,121,000        |
| Fringe Benefits              | 2,932,000           |
| Department of Transportation | 2,777,000           |
| Department of Motor Vehicles | 2,634,000           |
| Insurance & Risk Management  | 126,000             |
| DAS-Workers' Compensation    | 267,000             |
| Remaining Lapse:             |                     |
| Department of Motor Vehicles | 1,100,000           |
| Fringe Benefits              | 4,337,000           |
| Total                        | <u>\$28,294,000</u> |

State of Connecticut  
2008-09 Special Transportation Fund  
Summary of Operations Per Letter to the Comptroller  
(In Millions)

|                                    | Budget<br>Plan <sup>1</sup> . | July<br>2008   | August<br>2008 | September<br>2008 | October<br>2008 | November<br>2008 | December <sup>3</sup><br>2008 | January<br>2009 | February<br>2009 | March<br>2009  | April<br>2009 | May<br>2009 | June<br>2009 |
|------------------------------------|-------------------------------|----------------|----------------|-------------------|-----------------|------------------|-------------------------------|-----------------|------------------|----------------|---------------|-------------|--------------|
| Beginning Balance <sup>2</sup>     | \$215.5                       | \$176.2        | \$178.3        | \$178.3           | \$178.3         | \$178.3          | \$178.3                       | \$178.3         | \$178.3          | \$178.3        |               |             |              |
| Revenue                            | <u>1,157.0</u>                | <u>1,103.7</u> | <u>1,103.7</u> | <u>1,103.7</u>    | <u>1,084.0</u>  | <u>1,077.0</u>   | <u>1,078.5</u>                | <u>1,078.5</u>  | <u>1,058.7</u>   | <u>1,053.7</u> |               |             |              |
| Total Available                    | 1,372.5                       | 1,279.9        | 1,282.0        | 1,282.0           | 1,262.3         | 1,255.3          | 1,256.8                       | 1,256.8         | 1,237.0          | 1,232.0        |               |             |              |
| Appropriations                     | 1,165.2                       | 1,165.2        | 1,165.2        | 1,165.2           | 1,165.2         | 1,165.2          | 1,165.2                       | 1,165.2         | 1,165.2          | 1,165.2        |               |             |              |
| Additional Appropriations          | 0.0                           | 0.0            | 0.0            | 0.0               | 0.0             | 0.0              | 0.0                           | 0.0             | 4.8              | 4.1            |               |             |              |
| Less: Estimated Lapses             | <u>(11.0)</u>                 | <u>(18.8)</u>  | <u>(18.8)</u>  | <u>(19.6)</u>     | <u>(19.6)</u>   | <u>(21.0)</u>    | <u>(21.0)</u>                 | <u>(21.0)</u>   | <u>(28.3)</u>    | <u>(28.3)</u>  |               |             |              |
| TOTAL - Estimated Expenditures     | 1,154.2                       | 1,146.4        | 1,146.4        | 1,145.6           | 1,145.6         | 1,144.2          | 1,144.2                       | 1,144.2         | 1,141.7          | 1,141.0        |               |             |              |
| Balance from Operations            | 2.8                           | (42.7)         | (42.7)         | (41.9)            | (61.6)          | (67.2)           | (65.7)                        | (65.7)          | (83.0)           | (87.3)         |               |             |              |
| 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>     |               |             |              |
| Estimated Balance 6/30/09          | \$218.3                       | \$133.5        | \$135.6        | \$136.4           | \$116.7         | \$111.1          | \$112.6                       | \$112.6         | \$95.3           | \$91.0         |               |             |              |

1. PA 07-1, June Special Session

2. The Budget Plan assumed \$215.5 million would be carried forward from FY 2008.

OPM's 8/20/08 estimate is \$176.2 million. The Comptroller's 9/2/08 final unaudited was \$178.3 million.

3. P.A. 09-1