



# STATE OF CONNECTICUT

## OFFICE OF POLICY AND MANAGEMENT

August 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 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 July 31, 2008.

More than fourteen 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, most recently, the initiation of allotment rescissions in accordance with her authority under CGS 4-85. This letter represents our first official analysis of the current fiscal year.

In the General Fund we are estimating a deficit of \$145.7 million. We are projecting \$214.7 million less in revenue than the originally adopted budget for fiscal year 2008-2009, due primarily to a weakening of the economy. Revenue from the personal income tax is projected to be lower by \$56.4 million, due to lower withholding collections. Sales tax revenue is also \$81.5 million lower due to the sluggish economy. The corporation tax and the real estate conveyance tax are also \$78.9 million and \$63.2 million lower, respectively, and Indian Gaming Payments are down \$37.6 million. However, Oil Companies revenue are projected to be \$116.1 million higher due to higher fuel prices and Federal Grants have been revised upward by \$76.7 million, due primarily to a reforecast and the inclusion of a \$46.4 million carry-forward from fiscal year 2007-2008. All other revenue changes come to a net decrease of \$127.5 million.

In the General Fund, we are estimating that due to the Governor's rescission program and other surpluses available in select accounts, lapses are approximately \$100 million higher than budgeted. All told, the statewide lapses are estimated to reach \$217.5 million. These are itemized in Statement 4 of the attached report. Partially offsetting this gain, we are estimating a deficiency of \$18.3 million in the Department of Correction, related primarily to the roll-out of last year's deficiency in that agency.

In the Special Transportation Fund, we are projecting an annual operating deficit of \$42.7 million. Revenues in the transportation fund are projected to be \$53.3 million less than the adopted budget, particularly in the areas of motor fuels taxes, motor vehicles receipts and licenses, permits and fees. Declining gasoline consumption and slower economic growth are the primary causes of the lower revenue projections. Lapses have increased to \$18.7 million due to the Governor's rescission program.

The Office of Policy and Management is currently projecting that fiscal year 2008 ended with a General Fund surplus of approximately \$75 million. Final year end results will be reported by the Comptroller in September and may change from the above estimate as various year-end adjustments are made by the Comptroller.

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". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Robert L. Genuario  
Secretary

RLG:dd  
Attachments

August 20, 2008

State of Connecticut  
 Summary of Changes  
 General Fund and Special Transportation Fund  
 Projected to June 30, 2009  
 As of July 31, 2008  
 (In Millions)

**General Fund**

Balance - Budget Plan		\$ (9.9)
Revenues		
Personal Income Tax	(56.4)	
Sales & Use	(81.5)	
Corporation	(78.9)	
Inheritance & Estate	(20.4)	
Insurance Companies	(36.1)	
Real Estate Conveyance	(63.2)	
Oil Companies	116.1	
Indian Gaming Payments	(37.6)	
Rents, Fines, Escheats	51.3	
Investment Income	(24.0)	
Federal Grants	76.7	
All Other	(60.7)	(214.7)
Expenditures		
Additional Requirements	(18.3)	
Estimated Lapses	100.0	
Miscellaneous Adjustments/Rounding	(2.8)	78.9
Balance - August 20, 2008		<u>\$ (145.7)</u>

**Special Transportation Fund**

Carry Forward FY 2008-09 Surplus		\$ 176.2
Balance - Budget Plan		2.8
Revenues		
Motor Fuels Tax	(12.2)	
Sales Tax - DMV	(8.5)	
Motor Vehicle Receipts	(12.0)	
Licenses, Permits, Fees	(10.2)	
Interest Income	(12.0)	
All Other	1.6	(53.3)
Expenditures		
Estimated Lapses		7.8
Balance - August 20, 2008		<u>\$ 133.5</u>

State of Connecticut  
General Fund  
Statement of Revenues, Expenditures, and Results of Operations  
Projected to June 30, 2009  
As of July 31, 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	\$13,851.7	\$13,601.3	(\$250.4)
Less: Refunds	<u>(880.6)</u>	<u>(906.9)</u>	<u>(26.3)</u>
Taxes - Net	12,971.1	12,694.4	(276.7)
Other Revenue	1,208.4	1,193.7	(14.7)
Other Sources	<u>2,893.6</u>	<u>2,970.3</u>	<u>76.7</u>
TOTAL Revenue	\$17,073.1	\$16,858.4	(\$214.7)
<b>EXPENDITURES</b>			
Appropriations	\$17,200.5	\$17,200.5	\$0.0
Net Additional Requirements	0.0	18.3	18.3
Less: Estimated Lapses	<u>(117.5)</u>	<u>(217.5)</u>	<u>(100.0)</u>
TOTAL Expenditures	\$17,083.0	\$17,001.3	(\$81.7)
Balance from Operations	(\$9.9)	(\$142.9)	(\$133.0)
Miscellaneous Adjustments	<u>0.0</u>	<u>(2.8)</u>	<u>(2.8)</u>
Estimated Balance 6/30/09	<u>(\$9.9)</u>	<u>(\$145.7)</u>	<u>(\$135.8)</u>

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

State of Connecticut  
General Fund  
Revenue Estimates  
Projected to June 30, 2009  
As of July 31, 2008  
(In Millions)

TAXES	
Personal Income	\$7,620.0
Sales and Use	3,666.2
Corporation	712.6
Public Service Corporations	247.3
Inheritance and Estate	170.6
Insurance Companies	227.2
Cigarettes	330.2
Real Estate Conveyance	140.8
Oil Companies	260.4
Alcoholic Beverages	47.5
Admissions and Dues	37.5
Miscellaneous	141.0
TOTAL - TAXES	<u>\$13,601.3</u>
Less: Refunds of Taxes	(895.0)
R & D Credit Exchange	<u>(11.9)</u>
TOTAL - TAXES - NET	<u>\$12,694.4</u>
OTHER REVENUE	
Transfers - Special Revenue	\$289.0
Indian Gaming Payments	411.4
Licenses, Permits, Fees	156.7
Sales of Commodities and Services	31.0
Rents, Fines, Escheats	104.2
Investment Income	61.0
Miscellaneous	141.0
Refunds of Payments	<u>(0.6)</u>
TOTAL - OTHER REVENUE	<u>\$1,193.7</u>
OTHER SOURCES	
Federal Grants	\$2,844.8
Transfers to the Resources of the General Fund	96.0
Transfer from Tobacco Settlement Fund	115.8
Transfers to Other Funds	<u>(86.3)</u>
TOTAL - OTHER SOURCES	<u>\$2,970.3</u>
TOTAL - GENERAL FUND REVENUE	\$16,858.4

Statement 3  
August 20, 2008

State of Connecticut - General Fund  
Appropriation Adjustments - Net Additional Requirements  
Projected to June 30, 2009  
As of July 31, 2008

Department of Correction

\$18,320,000

State of Connecticut  
General Fund  
Estimated Lapses  
Projected to June 30, 2009  
As of July 31, 2008

General Personal Services Reduction	\$14,000,000
General Other Expenses Reductions	11,000,000
Allotment Rescissions	115,800,000
Debt Service	30,800,000
Retired State Employees Health Insurance	20,000,000
OPM - PILOT Manufacturing & Equipment	25,900,000
Total	<u>\$217,500,000</u>

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

	Budget Plan <sup>1</sup> :	July 2008	August 2008	September 2008	October 2008	November 2008	December 2008	January 2009	February 2009	March 2009	April 2009	May 2009	June 2009
REVENUE	\$17,073.1	\$16,858.4											
Appropriations	17,200.5	17,200.5											
Additional Requirements	0.0	18.3											
Less: Estimated Lapses	(117.5)	(217.5)											
TOTAL - Estimated Expenditures	17,083.0	17,001.3											
Balance from Operations	(9.9)	(142.9)											
Compt.'s Misc. Adjustments/Rounding	0.0	(2.8)											
Estimated Balance 6/30/09	(\$9.9)	(\$145.7)											

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

Statement 1T  
August 20, 2008

State of Connecticut  
Special Transportation Fund  
Analysis of Budget Plan  
Projected to June 30, 2009  
As of July 31, 2008  
(In Millions)

	General Assembly <u>Budget Plan</u> <sup>1.</sup>	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
Surplus Carried Forward from 2007-08 <sup>2.</sup>	\$215.5	\$176.2	(\$39.3)
<b>REVENUE</b>			
Taxes	\$739.5	\$718.8	(\$20.7)
Less: Refunds of Taxes	<u>(9.0)</u>	<u>(7.4)</u>	<u>1.6</u>
Taxes - Net	730.5	711.4	(19.1)
Other Revenue	<u>426.5</u>	<u>392.3</u>	<u>(34.2)</u>
TOTAL - Revenue	\$1,157.0	\$1,103.7	(\$53.3)
<b>EXPENDITURES</b>			
Appropriations	\$1,165.2	\$1,165.2	\$0.0
Additional Appropriations	0.0	0.0	0.0
Less: Estimated Lapses	<u>(11.0)</u>	<u>(18.8)</u>	<u>(7.8)</u>
TOTAL - Expenditures	\$1,154.2	\$1,146.4	(\$7.8)
Balance from Operations	\$2.8	(\$42.7)	(\$45.5)
Miscellaneous Adjustments	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Estimated Balance 6/30/08	<u>\$218.3</u>	<u>\$133.5</u>	<u>(\$84.8)</u>

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

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

OPM's latest estimate is \$176.2 million.

Statement 2T  
August 20, 2008

State of Connecticut  
Special Transportation Fund  
Revenue Estimates  
Projected to June 30, 2009  
As of July 31, 2008  
(In Millions)

TAXES	
Motor Fuels	\$511.4
Oil Companies	141.9
Sales Tax DMV	65.5
TOTAL - TAXES	<u>718.8</u>
Less: Refunds of Taxes	<u>(7.4)</u>
TOTAL - TAXES - NET	\$711.4
OTHER REVENUE	
Motor Vehicle Receipts	\$229.3
Licenses, Permits, Fees	155.8
Interest Income	35.0
Transfers to Other Funds	(24.8)
Refunds of Payments	<u>(3.0)</u>
TOTAL - OTHER REVENUE	\$392.3
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$1,103.7

Statement 3T  
August 20, 2008

State of Connecticut  
Special Transportation Fund  
Appropriation Adjustments - Additional Appropriations  
Projected to June 30, 2009  
As of July 31, 2008

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

Statement 4T  
August 20, 2008

State of Connecticut  
Special Transportation Fund  
Estimated Lapse  
Projected to June 30, 2009  
As of July 31, 2008

Allotment Rescissions:	
Debt Service	\$14,121,000
Fringe Benefits	1,920,000
Department of Transportation	1,627,000
Department of Motor Vehicles	695,000
Insurance & Risk Management	126,000
DAS-Workers' Compensation	267,000
Total	<u>\$18,756,000</u>

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

	Budget Plan <sup>1</sup> .	July 2008	August 2008	September 2008	October 2008	November 2008	December 2008	January 2009	February 2009	March 2009	April 2009	May 2009	June 2009
Beginning Balance <sup>2</sup>	\$215.5	\$176.2											
Revenue	<u>1,157.0</u>	<u>1,103.7</u>											
Total Available	1,372.5	1,279.9											
Appropriations	1,165.2	1,165.2											
Additional Appropriations	0.0	0.0											
Less: Estimated Lapses	<u>(11.0)</u>	<u>(18.8)</u>											
TOTAL - Estimated Expenditures	1,154.2	1,146.4											
Balance from Operations	2.8	(42.7)											
Compt's Misc. Adjustments/Rounding	<u>0.0</u>	<u>0.0</u>											
Estimated Balance 6/30/09	\$218.3	\$133.5											

1. PA 07-1, June Special Session

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

OPM's latest estimate is \$176.2 million.