



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

January 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 December 31, 2008. 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 HB 5095 from the recently completed January Special Session.

More than eighteen 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 implementation of a third round of allotment rescissions in accordance with her authority under CGS 4-85. The Governor also issued a Deficit Mitigation Plan to address the \$356.3 million shortfall projected in our December 22nd letter to you. Some components of that plan did not require legislative action, such as the third round of rescissions, and have been fully incorporated in this letter. Those components of the Governor's Deficit Mitigation that were included in HB 5095 and passed in the special session are also reflected in this letter.

In the General Fund, we are now estimating a deficit of \$921.7 million. This month's letter reflects all of the actions taken by the Governor and the General Assembly to date. This month's letter also reflects an acceleration of the negative impact of national economic conditions on the state's major revenue streams, including Personal Income Tax, Sales and Use Tax, and Corporation Tax.

In the General Fund, we are estimating that due to the Governor's three rescission programs, actions taken by the General Assembly and other surpluses available in select accounts, lapses are approximately \$202.7 million higher than budgeted. All told, the statewide lapses are estimated to reach \$320.2 million. These are itemized in Statement 4 of the attached report. Deficiencies totaling \$85.8 million are anticipated, including a \$10.0 million deficiency in the Department of Mental Health and Addiction Services, a deficiency of \$18.3 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 now projecting a net deficiency in the Department of Social Services of \$55.98 million. This amount reflects a shortfall of \$48.2 million in the Medicaid account largely due to additional costs beyond those appropriated from the expansion in eligibility for HUSKY adults, as well as a shortfall of \$7.8 million for non-formulary drugs under the Medicare Part D Supplemental Needs Fund.

General Fund revenues have been revised downward this month by \$726.9 million. This is the net decline after taking into account \$77.6 million in revenue enhancements that were enacted last week in House Bill No. 5095, the deficit mitigation bill as well as an increase in federal grant revenue of \$103.9 million due primarily to the recognized deficiency in Medicaid and the continued efforts to maximize federal reimbursement through retroactive adjustments to prior year claims. Without those changes revenues would have been revised downward by \$908.4 million. The largest downward revision is in the income tax at \$665 million. This is due primarily to the 20% decline in estimated payments that were due on January 15th and December withholding payments that missed their target by 10%. Factoring those disappointing collections into account, projections for subsequent months' collections have also been reduced. The second largest downward revision is in the corporation tax at \$100 million. This is due to the 30% decline in the estimated payments that were due on December 15th and the assumption that such trends will continue for the rest of the year. The third largest downward revision is in the sales tax at \$50.9 million. This is due to year to date collections that are falling by 3.5% compared to last year. We are also revising our projections for the oil companies tax downward by \$45.0 million as oil prices have fallen dramatically since the summer, and insurance companies tax downward by \$25.0 million as the December quarterly payment came in significantly below target due to the claiming of the Film Industry Tax Credit against that revenue source. All other changes net to a negative \$22.5 million.

The only revenue change in the Transportation Fund reflects the passage of House Bill No. 5095, the deficit mitigation bill, which credited the Transportation Fund with an additional \$1.5 million in revenue from two separate off-budget accounts.

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 have not attempted to incorporate any economic impact attributable to the President Obama's economic stimulus package at this time. 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". The signature is fluid and cursive, with a long horizontal stroke at the end.

Robert L. Genuario
Secretary

RLG:dd
Attachments

Summary
January 20, 2009

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

General Fund

Balance - December 22, 2008		\$	(193.0)
Revenues			
Personal Income Tax	(665.0)		
Sales and Use	(50.9)		
Corporation	(100.0)		
Insurance Companies	(25.0)		
Oil Companies	(45.0)		
Rents, Fines, Escheats	(10.5)		
Federal Grants	103.9		
Transfers to the Resources of the General Fund	<u>65.6</u>		(726.9)
Expenditures			
HB 5095 January Special Session-De-appropriations	39.2		
Additional Requirements	(56.0)		
Estimated Lapses	19.4		
Miscellaneous Adjustments/Rounding	<u>(4.4)</u>		<u>(1.8)</u>
Balance - January 20, 2009		\$	<u>(921.7)</u>

Special Transportation Fund

Carry Forward FY 2008-09 Surplus		\$	178.3
Balance - December 22, 2008			(67.2)
Revenues			
HB 5095 January Special Session-De-appropriations	<u>1.5</u>		1.5
Expenditures			
Estimated Lapses - No Change	<u>0.0</u>		<u>0.0</u>
Balance - January 20, 2009		\$	<u>112.6</u>

State of Connecticut
General Fund
Statement of Revenues, Expenditures, and Results of Operations
Projected to June 30, 2009
As of December 31, 2008
(In Millions)

	General Assembly <u>Budget Plan</u> ^{1.}	Revised Estimates <u>OPM</u> ^{2., 3., 4.}	Over/ <u>(Under)</u>
REVENUE			
Taxes	\$13,851.7	\$12,465.0	(\$1,386.7)
Less: Refunds	<u>(880.6)</u>	<u>(931.9)</u>	<u>(51.3)</u>
Taxes - Net	12,971.1	11,533.1	(1,438.0)
Other Revenue	1,208.4	1,095.3	(113.1)
Other Sources	<u>2,898.0</u>	<u>3,469.6</u>	<u>571.6</u>
TOTAL Revenue	\$17,077.5	\$16,098.0	(\$979.5)
EXPENDITURES			
Appropriations	\$17,200.5	\$17,231.2	\$30.7
Net Additional Requirements	0.0	85.8	85.8
Less: Estimated Lapses	<u>(117.5)</u>	<u>(320.2)</u>	<u>(202.7)</u>
TOTAL Expenditures	\$17,083.0	\$16,996.8	(\$86.2)
Balance from Operations	(\$5.5)	(\$898.8)	(\$893.3)
Miscellaneous Adjustments	<u>0.0</u>	<u>(22.9)</u>	<u>(22.9)</u>
Estimated Balance 6/30/09	<u>(\$5.5)</u>	<u>(\$921.7)</u>	<u>(\$916.2)</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. HB 5095, January Special Session

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

TAXES	
Personal Income	\$6,900.0
Sales and Use	3,499.7
Corporation	607.6
Public Service Corporations	247.3
Inheritance and Estate	255.1
Insurance Companies	192.2
Cigarettes	325.0
Real Estate Conveyance	124.1
Oil Companies	88.0
Alcoholic Beverages	47.5
Admissions and Dues	37.5
Miscellaneous	141.0
TOTAL - TAXES	<u>\$12,465.0</u>
Less: Refunds of Taxes	(920.0)
R & D Credit Exchange	(11.9)
TOTAL - TAXES - NET	<u>\$11,533.1</u>
OTHER REVENUE	
Transfers - Special Revenue	\$289.0
Indian Gaming Payments	375.0
Licenses, Permits, Fees	156.7
Sales of Commodities and Services	31.5
Rents, Fines, Escheats	71.2
Investment Income	30.0
Miscellaneous	142.5
Refunds of Payments	(0.6)
TOTAL - OTHER REVENUE	<u>\$1,095.3</u>
OTHER SOURCES	
Federal Grants	\$3,189.5
Transfers to the Resources of the General Fund	250.6
Transfer from Tobacco Settlement Fund	115.8
Transfers to Other Funds	(86.3)
TOTAL - OTHER SOURCES	<u>\$3,469.6</u>
TOTAL - GENERAL FUND REVENUE	\$16,098.0

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

DAS-Workers' Compensation Claims	\$1,500,000
Department of Mental Health & Addiction Services	10,000,000
Department of Social Services	55,980,000
Department of Correction	<u>18,320,000</u>
Total	<u>\$85,800,000</u>

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

General Personal Services Reduction	\$14,000,000
General Other Expenses Reductions	11,000,000
Allotment Rescissions - July	115,800,000
Allotment Rescissions - September	34,400,000
Allotment Rescissions - December	7,200,000
Department of Children & Families	13,000,000
Unallocated Lapses	8,300,000
Consultant Contracts and Personal Services Agreements	2,000,000
Contingency Needs	2,000,000
Reserve for Salary Adjustment	3,100,000
Debt Service	37,600,000
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 HB 5095, JSS	3,050,000
OSC-Employer's Social Security Tax	1,000,000
OSC-Retired State Employees Health Insurance	5,000,000
OSC-Higher Ed Alternative Retirement	2,000,000
OPM - PILOT Manufacturing & Equipment	45,700,000
Total	<u><u>\$320,150,000</u></u>

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

	Budget Plan ¹ .	July 2008	August ² 2008	September 2008	October 2008	November ³ 2008	December ⁴ 2008	January 2009	February 2009	March 2009	April 2009	May 2009	June 2009
REVENUE	\$17,077.5	\$16,858.4	\$16,785.6	\$16,949.1	\$16,709.6	\$16,824.9	\$16,098.0						
Appropriations	17,200.5	17,200.5	17,231.2	17,279.5	17,279.5	17,270.4	17,231.2						
Additional Requirements	0.0	18.3	19.8	19.8	29.8	29.8	85.8						
Less: Estimated Lapses	(117.5)	(217.5)	(217.5)	(251.9)	(257.5)	(300.8)	(320.2)						
TOTAL - Estimated Expenditures	17,083.0	17,001.3	17,033.5	17,047.4	17,051.8	16,999.4	16,996.9						
Balance from Operations	(5.5)	(142.9)	(247.9)	(98.3)	(342.2)	(174.5)	(898.8)						
Compt.'s Misc. Adjustments/Rounding	0.0	(2.8)	(6.2)	(9.6)	(14.1)	(18.5)	(22.9)						
Estimated Balance 6/30/09	(\$5.5)	(\$145.7)	(\$254.1)	(\$107.9)	(\$356.3)	(\$193.0)	(\$921.7)						

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. HB 5095, January Special Session.

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

	General Assembly <u>Budget Plan</u> ^{1.}	Revised Estimates <u>OPM</u> ^{3.}	Over/ (Under)
Surplus Carried Forward from 2007-08 ^{2.}	\$215.5	\$178.3	(\$37.2)
REVENUE			
Taxes	\$739.5	\$702.1	(\$37.4)
Less: Refunds of Taxes	<u>(9.0)</u>	<u>(7.4)</u>	<u>1.6</u>
Taxes - Net	730.5	694.7	(35.8)
Other Revenue	<u>426.5</u>	<u>383.8</u>	<u>(42.7)</u>
TOTAL - Revenue	\$1,157.0	\$1,078.5	(\$78.5)
EXPENDITURES			
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>(21.0)</u>	<u>(10.0)</u>
TOTAL - Expenditures	\$1,154.2	\$1,144.2	(\$10.0)
Balance from Operations	\$2.8	(\$65.7)	(\$68.5)
Miscellaneous Adjustments	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Estimated Balance 6/30/09	<u>\$218.3</u>	<u>\$112.6</u>	<u>(\$105.7)</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. HB 5095, January Special Session

Statement 2T
January 20, 2009

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

TAXES	
Motor Fuels	\$499.7
Oil Companies	141.9
Sales Tax DMV	60.5
TOTAL - TAXES	<u>702.1</u>
Less: Refunds of Taxes	<u>(7.4)</u>
TOTAL - TAXES - NET	\$694.7
OTHER REVENUE	
Motor Vehicle Receipts	\$229.3
Licenses, Permits, Fees	155.8
Interest Income	25.0
Transfers to Other Funds	(23.3)
Refunds of Payments	<u>(3.0)</u>
TOTAL - OTHER REVENUE	<u>\$383.8</u>
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$1,078.5

Statement 3T
January 20, 2009

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

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

Statement 4T
January 20, 2009

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

Allotment Rescissions:	
Debt Service	\$14,121,000
Fringe Benefits	1,979,000
Department of Transportation	1,777,000
Department of Motor Vehicles	1,350,000
Insurance & Risk Management	126,000
DAS-Workers' Compensation	267,000
Allotment Rescissions - December	<u>1,400,000</u>
Total	\$21,020,000

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

	Budget Plan ¹ .	July 2008	August 2008	September 2008	October 2008	November 2008	December ³ 2008	January 2009	February 2009	March 2009	April 2009	May 2009	June 2009
Beginning Balance ² .	\$215.5	\$176.2	\$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>						
Total Available	1,372.5	1,279.9	1,282.0	1,282.0	1,262.3	1,255.3	1,256.8						
Appropriations	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						
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>						
TOTAL - Estimated Expenditures	1,154.2	1,146.4	1,146.4	1,145.6	1,145.6	1,144.2	1,144.2						
Balance from Operations	2.8	(42.7)	(42.7)	(41.9)	(61.6)	(67.2)	(65.7)						
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>						
Estimated Balance 6/30/09	\$218.3	\$133.5	\$135.6	\$136.4	\$116.7	\$111.1	\$112.6						

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. HB 5095, January Special Session