



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

March 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 February 28, 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-one 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 \$667.4 million. This month's letter reflects all of the actions taken by the Governor and the General Assembly through February 28th. This month's letter contains several significant changes to the state's projected revenues. First, underlying revenue projections have been revised downward by \$275.8 million described below. Second, we have incorporated those revenue actions taken by the General Assembly in Public Act 09-2 which total \$56.8 million. Third, we have included within Federal Grants the \$383.8 million we are expecting to receive primarily from the enhanced Medicaid reimbursement contained in the American Recovery and Reinvestment Act (ARRA). Those three major changes net to an increase in General Fund revenue of \$164.8 million. In regards to the \$275.8 million in further revenue deterioration since our February 20th letter, we are revising the Personal Income Tax down \$60.0 million due to the expectation that March withholding collections will miss their target for the month. Withholding collections for the period December through March are heavily influenced by compensation paid in the form of a bonus and although OPM had expected a decline in such payments this year, collections in the month of March have been worse than expected. OPM has not adjusted its forecast for Estimates & Finals payments under the Income Tax as they are currently on target and we are awaiting data from the critical month of April. We are also revising the Sales Tax down by \$85 million as collections in the months of December through February have fallen by approximately 10% compared to the same period a year ago and although we expect that trend to moderate, the remainder of the fiscal year is still expected to be

negative. Refunds of Taxes are also expected to be worse by \$120 million. This is due to two factors. First, Income Tax refunds have significantly exceeded their target and second various business tax refunds have also exceeded their target, driven significantly by the state's Film Industry Tax credit. All other revenue changes (excluding PA 09-2 and ARRA revenue mentioned above) net to a negative \$8.3 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 \$313.3 million higher than budgeted. All told, the statewide lapses are estimated to reach \$430.8 million. These are itemized in Statement 4 of the attached report. Deficiencies totaling \$77.0 million are anticipated, including a \$7.6 million deficiency in the Department of Mental Health and Addiction Services, a deficiency of \$16.9 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 \$50.98 million. Primarily reflecting a shortfall of \$38.2 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 \$8.0 million for non-formulary drugs under the Medicare Part D Supplemental Needs Fund.

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 \$361.1 million. Governor Rell will be submitting her fourth deficit mitigation plan to the General Assembly.

Transportation Fund revenue has been revised downward by \$19.8 million across various revenue sources. A significant portion of this revision can be attributed to the large decline in new automobile sales. This decrease is partially offset by expenditure reductions of \$2.5 million.

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', written in a cursive style.

Robert L. Genuario
Secretary

RLG:dd
Attachments

Summary
March 20, 2009

State of Connecticut
Summary of Changes
General Fund and Special Transportation Fund
Projected to June 30, 2009
As of February 28, 2009
(In Millions)

General Fund

Balance - February 20, 2009		\$ (944.2)
Revenues		
Personal Income Tax	(60.0)	
Sales & Use	(85.0)	
Public Service	7.0	
Real Estate Conveyance	(10.0)	
Oil Companies	3.0	
Admissions & Dues	(3.5)	
Refunds of Taxes	(120.0)	
Rents, Fines, Escheats	(1.8)	
Investment Income	(10.0)	
Miscellaneous Revenue	10.0	
Federal Grants	383.8	
Transfers to the Resources of the General Fund	<u>51.3</u>	164.8
Expenditures		
P.A. 09-2	8.9	
Additional Requirements	0.4	
Estimated Lapses	106.4	
Miscellaneous Adjustments/Rounding	<u>(3.7)</u>	<u>112.0</u>
Balance - March 20, 2009		\$ <u>(667.4)</u>

Special Transportation Fund

Carry Forward FY 2008-09 Surplus		\$ 178.3
Balance - February 20, 2009		(65.7)
Revenues		
Sales Tax - DMV	(3.0)	
Motor Vehicle Receipts	(6.0)	
Licenses, Permits, Fees	(5.8)	
Interest Income	<u>(5.0)</u>	(19.8)
Expenditures		
Additional Requirements	(4.8)	
Estimated Lapses	<u>7.3</u>	<u>2.5</u>
Balance - March 20, 2009		\$ <u>95.3</u>

State of Connecticut
General Fund
Statement of Revenues, Expenditures, and Results of Operations
Projected to June 30, 2009
As of February 28, 2009
(In Millions)

	General Assembly <u>Budget Plan</u> ^{1.}	Revised Estimates <u>OPM</u> ^{2., 3., 4., 5.}	Over/ <u>(Under)</u>
REVENUE			
Taxes	\$13,851.7	\$12,243.4	(\$1,608.3)
Less: Refunds	<u>(880.6)</u>	<u>(1,051.9)</u>	<u>(171.3)</u>
Taxes - Net	12,971.1	11,191.5	(1,779.6)
Other Revenue	1,208.4	1,093.5	(114.9)
Other Sources	<u>2,898.0</u>	<u>3,944.8</u>	<u>1,046.8</u>
TOTAL Revenue	\$17,077.5	\$16,229.8	(\$847.7)
EXPENDITURES			
Appropriations	\$17,200.5	\$17,222.3	\$21.8
Net Additional Requirements	0.0	77.0	77.0
Less: Estimated Lapses	<u>(117.5)</u>	<u>(430.8)</u>	<u>(313.3)</u>
TOTAL Expenditures	\$17,083.0	\$16,868.5	(\$214.5)
Balance from Operations	(\$5.5)	(\$638.7)	(\$633.2)
Miscellaneous Adjustments	<u>0.0</u>	<u>(28.7)</u>	<u>(28.7)</u>
Estimated Balance 6/30/09	<u>(\$5.5)</u>	<u>(\$667.4)</u>	<u>(\$661.9)</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 February 28, 2009
(In Millions)

TAXES	
Personal Income	\$6,840.0
Sales and Use	3,360.7
Corporation	607.6
Public Service Corporations	254.3
Inheritance and Estate	255.1
Insurance Companies	192.2
Cigarettes	325.0
Real Estate Conveyance	95.0
Oil Companies	91.0
Alcoholic Beverages	47.5
Admissions and Dues	34.0
Miscellaneous	141.0
TOTAL - TAXES	<u>\$12,243.4</u>
Less: Refunds of Taxes	(1,040.0)
R & D Credit Exchange	<u>(11.9)</u>
TOTAL - TAXES - NET	<u>\$11,191.5</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	69.4
Investment Income	20.0
Miscellaneous	152.5
Refunds of Payments	<u>(0.6)</u>
TOTAL - OTHER REVENUE	<u>\$1,093.5</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	<u>(86.3)</u>
TOTAL - OTHER SOURCES	<u>\$3,944.8</u>
TOTAL - GENERAL FUND REVENUE	\$16,229.8

State of Connecticut - General Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2009
As of February 28, 2009

DAS-Workers' Compensation Claims	\$1,500,000
Department of Mental Health & Addiction Services	7,600,000
Department of Social Services	50,980,000
Department of Correction	<u>16,920,000</u>
Total	<u>\$77,000,000</u>

State of Connecticut
General Fund
Estimated Lapses
Projected to June 30, 2009
As of February 28, 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 - Autism Pilot	230,000
Department of Public Safety - Personal Services	1,000,000
Department of Correction - Community Support Services	750,000
Judicial - Alternative Incarceration Program	500,000
Department of Children & Families	25,000,000
Unallocated Lapses	24,300,000
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	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 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-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>\$430,845,000</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 ⁵ 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	\$16,065.0	\$16,229.8				
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				
Additional Requirements	0.0	18.3	19.8	19.8	29.8	29.8	85.8	77.4	77.0				
Less: Estimated Lapses	(117.5)	(217.5)	(217.5)	(251.9)	(257.5)	(300.8)	(320.2)	(324.4)	(430.8)				
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				
Balance from Operations	(5.5)	(142.9)	(239.0)	(98.3)	(342.2)	(174.5)	(898.8)	(919.2)	(638.7)				
Compt.'s Misc. Adjustments/Rounding	0.0	(2.8)	(6.2)	(9.6)	(14.1)	(18.5)	(22.9)	(25.0)	(28.7)				
Estimated Balance 6/30/09	(\$5.5)	(\$145.7)	(\$245.2)	(\$107.9)	(\$356.3)	(\$193.0)	(\$921.7)	(\$944.2)	(\$667.4)				

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 February 28, 2009
(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	\$699.1	(\$40.4)
Less: Refunds of Taxes	<u>(9.0)</u>	<u>(7.4)</u>	<u>1.6</u>
Taxes - Net	730.5	691.7	(38.8)
Other Revenue	<u>426.5</u>	<u>367.0</u>	<u>(59.5)</u>
TOTAL - Revenue	\$1,157.0	\$1,058.7	(\$98.3)
EXPENDITURES			
Appropriations	\$1,165.2	\$1,165.2	\$0.0
Additional Appropriations	0.0	4.8	4.8
Less: Estimated Lapses	<u>(11.0)</u>	<u>(28.3)</u>	<u>(17.3)</u>
TOTAL - Expenditures	\$1,154.2	\$1,141.7	(\$12.5)
Balance from Operations	\$2.8	(\$83.0)	(\$85.8)
Miscellaneous Adjustments	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Estimated Balance 6/30/09	<u>\$218.3</u>	<u>\$95.3</u>	<u>(\$123.0)</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
March 20, 2009

State of Connecticut
Special Transportation Fund
Revenue Estimates
Projected to June 30, 2009
As of February 28, 2009
(In Millions)

TAXES	
Motor Fuels	\$499.7
Oil Companies	141.9
Sales Tax DMV	57.5
TOTAL - TAXES	<u>699.1</u>
Less: Refunds of Taxes	<u>(7.4)</u>
TOTAL - TAXES - NET	\$691.7
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	\$1,058.7

Statement 3T
March 20, 2009

State of Connecticut
Special Transportation Fund
Appropriation Adjustments - Additional Appropriations
Projected to June 30, 2009
As of February 28, 2009

Department of Transportation	<u>\$4,825,000</u>
Total	\$4,825,000

Statement 4T
March 20, 2009

State of Connecticut
Special Transportation Fund
Estimated Lapse
Projected to June 30, 2009
As of February 28, 2009

Allotment Rescissions:	
Debt Service	\$14,121,000
Fringe Benefits	6,740,000
Department of Transportation	2,777,000
Department of Motor Vehicles	1,350,000
Insurance & Risk Management	126,000
DAS-Workers' Compensation	367,000
Allotment Rescissions - December	1,400,000
Allotment Rescissions - March	1,413,000
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 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	\$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>				
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				
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				
Additional Appropriations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.8				
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>				
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				
Balance from Operations	2.8	(42.7)	(42.7)	(41.9)	(61.6)	(67.2)	(65.7)	(65.7)	(83.0)				
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 6/30/09	\$218.3	\$133.5	\$135.6	\$136.4	\$116.7	\$111.1	\$112.6	\$112.6	\$95.3				

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