



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

November 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 October 31, 2008. This letter reflects the passage of Public Acts 08-01 and 08-02 from the August Special Session.

More than sixteen 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 second round of allotment rescissions in accordance with her authority under CGS 4-85. The Governor also issued a Deficit Mitigation Plan to address the \$302.4 million shortfall projected in our September 22nd letter to you and confirmed in your letter to Governor Rell on October 1st. Consistent with our last letter, some components of that plan, primarily items that do not require legislative action, such as the second round of rescissions, are reflected in this letter.

In the General Fund, we are estimating a deficit of \$356.3 million. This month's letter reflects several significant revisions to the revenue forecast which net to a decrease of \$239.5 million. The largest revision is to the Sales Tax, down \$115.6 million, to reflect falling tax receipts and the expectation that fiscal year 2009 collections will fall 1.5% below last fiscal year. The Oil Companies Tax is being revised downward by \$100.0 million to reflect the over 60% decline in oil prices from this summer's historic peak. Refunds of Taxes are anticipated to be \$25.0 million worse than previously projected primarily due to higher income tax refunds in the month of October. Rents, Fines, and Escheats are being lowered by \$22.5 million on the expectation that the anticipated gain on the one-time sale of \$45 million of securities held by the Treasurer will be cut in half given the severe pullback in the financial markets. With the slide in interest rates, particularly for securities with a shorter maturity, Investment Income is being revised downward by \$20 million. Indian Gaming payments are being revised downward by \$16.4 million due to poor collections to date and the expectation that this trend will continue for the remainder of the fiscal year. On the positive side, Inheritance and Estate has been revised upward by \$50 million due to strong collections in recent months. All other changes net to a \$10 million increase.

In the General Fund, we are estimating that due to the Governor's two rescission programs and other surpluses available in select accounts, lapses are approximately \$140.0 million higher than budgeted. All told, the statewide lapses are estimated to reach \$257.5 million. These are

itemized in Statement 4 of the attached report. Deficiencies totaling \$29.8 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.

In the Special Transportation Fund, we are projecting an annual operating deficit of \$61.6 million. Revenues in the Transportation Fund have also been revised downward by a total of \$19.7 million compared to last month. The largest component is in Interest Income, down \$10 million, again due to lower interest rates. The Motor Fuels Tax continues to perform poorly and is being revised downward by \$6.7 million and Sales Tax collections by the Department of Motor Vehicles are being revised downward by \$3.0 million. It should be noted that these revisions have already been reflected in the current Official Statement for the Transportation Fund.

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
November 20, 2008

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

General Fund

Balance - October 20, 2008		\$	(107.9)
Revenues			
Sales & Use	(115.6)		
Inheritance & Estate	50.0		
Real Estate Conveyance	(9.1)		
Oil Companies	(100.0)		
Refund of Taxes	(25.0)		
Indian Gaming Payments	(16.4)		
Rents, Fines, Escheats	(22.5)		
Investment Income	(20.0)		
Federal Grants	18.6		
All Other	0.5		(239.5)
Expenditures			
Additional Requirements	(10.0)		
Estimated Lapses	5.6		
Miscellaneous Adjustments/Rounding	(4.5)		(8.9)
Balance - November 20, 2008		\$	<u>(356.3)</u>

Special Transportation Fund

Carry Forward FY 2008-09 Surplus		\$	178.3
Balance - October 20, 2008			(41.9)
Revenues			
Motor Fuels Tax	(6.7)		
Sales Tax - DMV	(3.0)		
Interest Income	(10.0)		(19.7)
Expenditures - No Changes			<u>0.0</u>
Balance - November 20, 2008		\$	<u>116.7</u>

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

	General Assembly <u>Budget Plan</u> ^{1.}	Revised Estimates <u>OPM</u> ^{2.}	Over/ <u>(Under)</u>
REVENUE			
Taxes	\$13,851.7	\$13,305.9	(\$545.8)
Less: Refunds	<u>(880.6)</u>	<u>(931.9)</u>	<u>(51.3)</u>
Taxes - Net	12,971.1	12,374.0	(597.1)
Other Revenue	1,208.4	1,104.3	(104.1)
Other Sources	<u>2,898.0</u>	<u>3,231.3</u>	<u>333.3</u>
TOTAL Revenue	\$17,077.5	\$16,709.6	(\$367.9)
EXPENDITURES			
Appropriations	\$17,200.5	\$17,279.5	\$79.0
Net Additional Requirements	0.0	29.8	29.8
Less: Estimated Lapses	<u>(117.5)</u>	<u>(257.5)</u>	<u>(140.0)</u>
TOTAL Expenditures	\$17,083.0	\$17,051.8	(\$31.2)
Balance from Operations	(\$5.5)	(\$342.2)	(\$336.7)
Miscellaneous Adjustments	<u>0.0</u>	<u>(14.1)</u>	<u>(14.1)</u>
Estimated Balance 6/30/09	<u>(\$5.5)</u>	<u>(\$356.3)</u>	<u>(\$350.8)</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.

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

TAXES	
Personal Income	\$7,545.0
Sales and Use	3,540.6
Corporation	712.6
Public Service Corporations	247.3
Inheritance and Estate	235.1
Insurance Companies	217.2
Cigarettes	325.0
Real Estate Conveyance	124.1
Oil Companies	133.0
Alcoholic Beverages	47.5
Admissions and Dues	37.5
Miscellaneous	141.0
TOTAL - TAXES	<u>\$13,305.9</u>
Less: Refunds of Taxes	(920.0)
R & D Credit Exchange	<u>(11.9)</u>
TOTAL - TAXES - NET	<u>\$12,374.0</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	81.7
Investment Income	30.0
Miscellaneous	141.0
Refunds of Payments	(0.6)
TOTAL - OTHER REVENUE	<u>\$1,104.3</u>
OTHER SOURCES	
Federal Grants	\$3,022.4
Transfers to the Resources of the General Fund	179.4
Transfer from Tobacco Settlement Fund	115.8
Transfers to Other Funds	(86.3)
TOTAL - OTHER SOURCES	<u>\$3,231.3</u>
TOTAL - GENERAL FUND REVENUE	\$16,709.6

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

DAS-Workers' Compensation Claims	\$1,500,000
Department of Mental Health & Addiction Services	10,000,000
Department of Correction	<u>18,320,000</u>
Total	<u>\$29,820,000</u>

State of Connecticut
General Fund
Estimated Lapses
Projected to June 30, 2009
As of October 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
Debt Service	34,600,000
Retired State Employees Health Insurance	5,000,000
OPM - PILOT Manufacturing & Equipment	<u>42,700,000</u>
Total	<u><u>\$257,500,000</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 2008	December 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								
Appropriations	17,200.5	17,200.5	17,279.5	17,279.5	17,279.5								
Additional Requirements	0.0	18.3	19.8	19.8	29.8								
Less: Estimated Lapses	(117.5)	(217.5)	(217.5)	(251.9)	(257.5)								
TOTAL - Estimated Expenditures	17,083.0	17,001.3	17,081.8	17,047.4	17,051.8								
Balance from Operations	(5.5)	(142.9)	(296.2)	(98.3)	(342.2)								
Compt.'s Misc. Adjustments/Rounding	0.0	(2.8)	(6.2)	(9.6)	(14.1)								
Estimated Balance 6/30/09	(\$5.5)	(\$145.7)	(\$302.4)	(\$107.9)	(\$356.3)								

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

Statement 1T
November 20, 2008

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

	General Assembly <u>Budget Plan</u> ^{1.}	Revised Estimates <u>OPM</u>	Over/ (Under)
Surplus Carried Forward from 2007-08 ^{2.}	\$215.5	\$178.3	(\$37.2)
REVENUE			
Taxes	\$739.5	\$709.1	(\$30.4)
Less: Refunds of Taxes	<u>(9.0)</u>	<u>(7.4)</u>	<u>1.6</u>
Taxes - Net	730.5	701.7	(28.8)
Other Revenue	<u>426.5</u>	<u>382.3</u>	<u>(44.2)</u>
TOTAL - Revenue	\$1,157.0	\$1,084.0	(\$73.0)
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>(19.6)</u>	<u>(8.6)</u>
TOTAL - Expenditures	\$1,154.2	\$1,145.6	(\$8.6)
Balance from Operations	\$2.8	(\$61.6)	(\$64.4)
Miscellaneous Adjustments	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Estimated Balance 6/30/09	<u>\$218.3</u>	<u>\$116.7</u>	<u>(\$101.6)</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.

Statement 2T
November 20, 2008

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

TAXES	
Motor Fuels	\$504.7
Oil Companies	141.9
Sales Tax DMV	62.5
TOTAL - TAXES	<u>709.1</u>
Less: Refunds of Taxes	<u>(7.4)</u>
TOTAL - TAXES - NET	\$701.7
OTHER REVENUE	
Motor Vehicle Receipts	\$229.3
Licenses, Permits, Fees	155.8
Interest Income	25.0
Transfers to Other Funds	(24.8)
Refunds of Payments	<u>(3.0)</u>
TOTAL - OTHER REVENUE	<u>\$382.3</u>
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$1,084.0

Statement 3T
November 20, 2008

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

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

Statement 4T
November 20, 2008

State of Connecticut
Special Transportation Fund
Estimated Lapse
Projected to June 30, 2009
As of October 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
Total	<u>\$19,620,000</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 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								
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>								
Total Available	1,372.5	1,279.9	1,282.0	1,282.0	1,262.3								
Appropriations	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								
Less: Estimated Lapses	<u>(11.0)</u>	<u>(18.8)</u>	<u>(18.8)</u>	<u>(19.6)</u>	<u>(19.6)</u>								
TOTAL - Estimated Expenditures	1,154.2	1,146.4	1,146.4	1,145.6	1,145.6								
Balance from Operations	2.8	(42.7)	(42.7)	(41.9)	(61.6)								
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>								
Estimated Balance 6/30/09	\$218.3	\$133.5	\$135.6	\$136.4	\$116.7								

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.