



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

October 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 September 30, 2008. This letter reflects the passage of Public Acts 08-01 and 08-02 from the August Special Session.

More than fifteen 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 directed the Office of Policy and Management to prepare 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. 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 \$107.9 million. This month's letter reflects an overall increase in revenue of \$163.5 million. The largest component is in Federal Grants and is due to the setting of revised rates back to 2002 in Medicaid billing for public intermediate care facilities and group homes. This is expected to yield a one-time \$157.0 million. In addition, another \$2.0 million in Federal Grants is expected under the disproportionate share hospital program. All other revenue changes net to a positive \$4.5 million.

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 \$134.4 million higher than budgeted. All told, the statewide lapses are estimated to reach \$251.9 million. These are itemized in Statement 4 of the attached report. There are no changes in projected deficiencies. We are estimating 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.

It is important to note that this month's letter does not reflect the impact of recent events in the financial markets. It is anticipated that over the next several months data will become available to make a more informed assessment as to the impact on the state's economy and revenue collections.

In the Special Transportation Fund, we are projecting an annual operating deficit of \$41.9 million. There are no changes to our revenue projections for the Special Transportation Fund this month. 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 \$19.62 million due to the Governor's rescission programs.

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
October 20, 2008

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

General Fund

Balance - September 22, 2008		\$ (302.4)
Revenues		
Inheritance & Estate	4.5	
Federal Grants	159.0	163.5
Expenditures		
Additional Requirements - No Change	0.0	
Estimated Lapses	34.4	
Miscellaneous Adjustments/Rounding	(3.4)	31.0
Balance - October 20, 2008		<u>\$ (107.9)</u>

Special Transportation Fund

Carry Forward FY 2008-09 Surplus		\$ 178.3
Balance - September 22, 2008		(42.7)
Revenues - No Change		0.0
Expenditures		
Estimated Lapses		<u>0.8</u>
Balance - October 20, 2008		<u>\$ 136.4</u>

State of Connecticut
General Fund
Statement of Revenues, Expenditures, and Results of Operations
Projected to June 30, 2009
As of September 30, 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	\$13,480.6	(\$371.1)
Less: Refunds	<u>(880.6)</u>	<u>(906.9)</u>	<u>(26.3)</u>
Taxes - Net	12,971.1	12,573.7	(397.4)
Other Revenue	1,208.4	1,162.7	(45.7)
Other Sources	<u>2,898.0</u>	<u>3,212.7</u>	<u>314.7</u>
TOTAL Revenue	\$17,077.5	\$16,949.1	(\$128.4)
EXPENDITURES			
Appropriations	\$17,200.5	\$17,279.5	\$79.0
Net Additional Requirements	0.0	19.8	19.8
Less: Estimated Lapses	<u>(117.5)</u>	<u>(251.9)</u>	<u>(134.4)</u>
TOTAL Expenditures	\$17,083.0	\$17,047.4	(\$35.6)
Balance from Operations	(\$5.5)	(\$98.3)	(\$92.8)
Miscellaneous Adjustments	<u>0.0</u>	<u>(9.6)</u>	<u>(9.6)</u>
Estimated Balance 6/30/09	<u>(\$5.5)</u>	<u>(\$107.9)</u>	<u>(\$102.4)</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 September 30, 2008
(In Millions)

TAXES	
Personal Income	\$7,545.0
Sales and Use	3,656.2
Corporation	712.6
Public Service Corporations	247.3
Inheritance and Estate	185.1
Insurance Companies	217.2
Cigarettes	325.0
Real Estate Conveyance	133.2
Oil Companies	233.0
Alcoholic Beverages	47.5
Admissions and Dues	37.5
Miscellaneous	141.0
TOTAL - TAXES	<u>\$13,480.6</u>
Less: Refunds of Taxes	(895.0)
R & D Credit Exchange	<u>(11.9)</u>
TOTAL - TAXES - NET	<u>\$12,573.7</u>
OTHER REVENUE	
Transfers - Special Revenue	\$289.0
Indian Gaming Payments	391.4
Licenses, Permits, Fees	156.7
Sales of Commodities and Services	31.0
Rents, Fines, Escheats	104.2
Investment Income	50.0
Miscellaneous	141.0
Refunds of Payments	<u>(0.6)</u>
TOTAL - OTHER REVENUE	<u>\$1,162.7</u>
OTHER SOURCES	
Federal Grants	\$3,003.8
Transfers to the Resources of the General Fund	179.4
Transfer from Tobacco Settlement Fund	115.8
Transfers to Other Funds	<u>(86.3)</u>
TOTAL - OTHER SOURCES	<u>\$3,212.7</u>
TOTAL - GENERAL FUND REVENUE	\$16,949.1

Statement 3
October 20, 2008

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

DAS-Workers' Compensation Claims	\$1,500,000
Department of Correction	<u>18,320,000</u>
Total	<u>\$19,820,000</u>

State of Connecticut
General Fund
Estimated Lapses
Projected to June 30, 2009
As of September 30, 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	30,800,000
Retired State Employees Health Insurance	5,000,000
OPM - PILOT Manufacturing & Equipment	40,900,000
Total	<u>\$251,900,000</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									
Appropriations	17,200.5	17,200.5	17,279.5	17,279.5									
Additional Requirements	0.0	18.3	19.8	19.8									
Less: Estimated Lapses	(117.5)	(217.5)	(217.5)	(251.9)									
TOTAL - Estimated Expenditures	17,083.0	17,001.3	17,081.8	17,047.4									
Balance from Operations	(5.5)	(142.9)	(296.2)	(98.3)									
Compt.'s Misc. Adjustments/Rounding	0.0	(2.8)	(6.2)	(9.6)									
Estimated Balance 6/30/09	(\$5.5)	(\$145.7)	(\$302.4)	(\$107.9)									

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

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

	General Assembly <u>Budget Plan</u> ^{1.}	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
Surplus Carried Forward from 2007-08 ^{2.}	\$215.5	\$178.3	(\$37.2)
REVENUE			
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)
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	(\$41.9)	(\$44.7)
Miscellaneous Adjustments	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Estimated Balance 6/30/09	<u>\$218.3</u>	<u>\$136.4</u>	<u>(\$81.9)</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
October 20, 2008

State of Connecticut
Special Transportation Fund
Revenue Estimates
Projected to June 30, 2009
As of September 30, 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	<u>\$392.3</u>
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$1,103.7

Statement 3T
October 20, 2008

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

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

Statement 4T
October 20, 2008

State of Connecticut
Special Transportation Fund
Estimated Lapse
Projected to June 30, 2009
As of September 30, 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									
Revenue	<u>1,157.0</u>	<u>1,103.7</u>	<u>1,103.7</u>	<u>1,103.7</u>									
Total Available	1,372.5	1,279.9	1,282.0	1,282.0									
Appropriations	1,165.2	1,165.2	1,165.2	1,165.2									
Additional Appropriations	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>									
TOTAL - Estimated Expenditures	1,154.2	1,146.4	1,146.4	1,145.6									
Balance from Operations	2.8	(42.7)	(42.7)	(41.9)									
Compt's Misc. Adjustments/Rounding	<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									

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.