



# STATE OF CONNECTICUT

## OFFICE OF POLICY AND MANAGEMENT

September 22, 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 August 31, 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 initiation of allotment rescissions in accordance with her authority under CGS 4-85. The Governor has requested this office to begin a full review of all accounts in preparation for a second round of rescissions, should she decide that step to be necessary.

In the General Fund we are estimating a deficit of \$302.4 million. This month's letter reflects an overall decrease in projected General Fund revenue of \$151.8 million. The Personal Income Tax has been revised downward by \$75.0 million for two reasons. First, the accrual period for last fiscal year encompassed two very large collection days under the withholding component of the income tax and thus shifted revenue from the first month of FY 2009. Second, OPM had anticipated that the estimated component of the income tax would be flat compared to last year, but is currently falling by approximately 5.0%. The Oil Companies Tax estimate has been lowered by \$27.4 million to reflect the Energy Information Administration's new forecast of the average wholesale price of oil for the remainder of FY 2009, down 6.0% since the beginning of the fiscal year. The \$20.0 million forecast revision for Indian Gaming Payments reflects an anticipated negative 5.0% growth rate for fiscal year 2009, which is a continuation of recent trends. We are also seeing weakness in several other revenue line items and thus are revising our projections downward for the following; Sales Tax down \$10.0 million, Insurance Companies Tax down \$10.0 million, Cigarettes Tax down \$5.2 million, and Real Estate Conveyance Tax down \$7.6 million. All other changes in our projections net to a positive \$3.4 million.

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 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 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 \$42.7 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 \$18.7 million due to the Governor's rescission program.

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  
September 22, 2008

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

**General Fund**

Balance - August 20, 2008		\$	(145.7)
Revenues			
Personal Income Tax	(75.0)		
Sales & Use	(10.0)		
Inheritance & Estate	10.0		
Insurance Companies	(10.0)		
Cigarettes	(5.2)		
Real Estate Conveyance	(7.6)		
Oil Companies	(27.4)		
Indian Gaming Payments	(20.0)		
Investment Income	(11.0)		
All Other (Net Impact of PA 08-1 & 2, Aug. Special Session)	4.4		(151.8)
Expenditures			
Additional Requirements	(1.5)		
Estimated Lapses - No Change	0.0		
Miscellaneous Adjustments/Rounding	(3.4)		(4.9)
Balance - September 22, 2008		\$	<u>(302.4)</u>

**Special Transportation Fund**

Carry Forward FY 2008-09 Surplus		\$	178.3
Balance - August 20, 2008			(42.7)
Revenues - No Change			0.0
Expenditures - No Change			<u>0.0</u>
Balance - September 22, 2008		\$	<u>135.6</u>

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

	General Assembly <u>Budget Plan</u> <sup>1.</sup>	Revised Estimates <u>OPM</u> <sup>2.</sup>	Over/ <u>(Under)</u>
<b>REVENUE</b>			
Taxes	\$13,851.7	\$13,476.1	(\$375.6)
Less: Refunds	<u>(880.6)</u>	<u>(906.9)</u>	<u>(26.3)</u>
Taxes - Net	12,971.1	12,569.2	(401.9)
Other Revenue	1,208.4	1,162.7	(45.7)
Other Sources	<u>2,893.6</u>	<u>3,053.7</u>	<u>160.1</u>
TOTAL Revenue	\$17,073.1	\$16,785.6	(\$287.5)
<b>EXPENDITURES</b>			
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>(217.5)</u>	<u>(100.0)</u>
TOTAL Expenditures	\$17,083.0	\$17,081.8	(\$1.2)
Balance from Operations	(\$9.9)	(\$296.2)	(\$286.3)
Miscellaneous Adjustments	<u>0.0</u>	<u>(6.2)</u>	<u>(6.2)</u>
Estimated Balance 6/30/09	<u>(\$9.9)</u>	<u>(\$302.4)</u>	<u>(\$292.5)</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 August 31, 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	180.6
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>\$13,476.1</u>
Less: Refunds of Taxes	(895.0)
R & D Credit Exchange	<u>(11.9)</u>
TOTAL - TAXES - NET	<u>\$12,569.2</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	\$2,844.8
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>\$3,053.7</u>
TOTAL - GENERAL FUND REVENUE	\$16,785.6

Statement 3  
September 22, 2008

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

DAS-Workers' Compensation Commission	\$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 August 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	5,000,000
OPM - PILOT Manufacturing & Equipment	40,900,000
Total	<u>\$217,500,000</u>

September 22, 2008

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 <sup>2</sup> 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	\$16,785.6										
Appropriations	17,200.5	17,200.5	17,279.5										
Additional Requirements	0.0	18.3	19.8										
Less: Estimated Lapses	(117.5)	(217.5)	(217.5)										
TOTAL - Estimated Expenditures	17,083.0	17,001.3	17,081.8										
Balance from Operations	(9.9)	(142.9)	(296.2)										
Compt.'s Misc. Adjustments/Rounding	0.0	(2.8)	(6.2)										
Estimated Balance 6/30/09	(\$9.9)	(\$145.7)	(\$302.4)										

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.

State of Connecticut  
Special Transportation Fund  
Analysis of Budget Plan  
Projected to June 30, 2009  
As of August 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	\$178.3	(\$37.2)
<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 6/30/09	<u>\$218.3</u>	<u>\$135.6</u>	<u>(\$82.7)</u>

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

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

OPM's latest estimate is \$176.2 million.

Statement 2T  
September 22, 2008

State of Connecticut  
Special Transportation Fund  
Revenue Estimates  
Projected to June 30, 2009  
As of August 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  
September 22, 2008

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

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

Statement 4T  
September 22, 2008

State of Connecticut  
Special Transportation Fund  
Estimated Lapse  
Projected to June 30, 2009  
As of August 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	\$178.3										
Revenue	<u>1,157.0</u>	<u>1,103.7</u>	<u>1,103.7</u>										
Total Available	1,372.5	1,279.9	1,282.0										
Appropriations	1,165.2	1,165.2	1,165.2										
Additional Appropriations	0.0	0.0	0.0										
Less: Estimated Lapses	<u>(11.0)</u>	<u>(18.8)</u>	<u>(18.8)</u>										
TOTAL - Estimated Expenditures	1,154.2	1,146.4	1,146.4										
Balance from Operations	2.8	(42.7)	(42.7)										
Compt's Misc. Adjustments/Rounding	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>										
Estimated Balance 6/30/09	\$218.3	\$133.5	\$135.6										

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.