



# STATE OF CONNECTICUT

## OFFICE OF POLICY AND MANAGEMENT

October 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 2009-2010 is provided in accordance 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, 2009.

Public Act 09-3 of the June Special Session recently became law without the signature of Governor Rell. Based upon the recently passed budget implementation bills, the consensus revenue estimates submitted on October 15th and our analysis of expenditures made in the first quarter and a review of the annual agency spending plans recently submitted by state agencies, we are now projecting a General Fund deficit of \$388.5 million. These estimates include a reduction of \$172.1 million in estimated revenue, \$212.5 million of additional expenditure requirements and \$8.7 million of miscellaneous adjustments.

This month's letter includes several adjustments to our General Fund revenue projections which result in an overall decrease of \$172.1 million. The largest revenue change is a decrease in the Sales Tax revenue estimate of \$89.8 million, as year to date collections have been weaker than previously projected and the trend is anticipated to continue. The largest positive revenue change is in the Oil Companies tax, where we are revising our estimate upward by \$25.5 million as oil prices have remained at higher than previously projected levels.

Other notable changes to our estimates include the following; Indian Gaming revenue down by \$38.1 million, Personal Income Tax revenue down by \$20.0 million, the Inheritance and Estate Tax estimate down by \$6.5 million, Cigarettes Tax down by \$5.0 million, and Insurance Companies Tax down by \$2.5 million. Refunds of Taxes have also been higher than previously estimated and thus we are revising our estimate downward by \$25.0 million. Other miscellaneous revenue adjustments net to a negative \$10.7 million.

On the expenditure side, we are projecting that an additional \$212.5 million is needed to maintain operations in several agencies and still meet the \$473.3 million lapse requirements in PA 09-3 of the June Special Session. A net shortfall of \$73.5 million is projected in the Department of Social Services in the following areas: \$68.2 million in savings in the Medicaid account related to Special Needs Plans, delayed start for Managed Care for the Aged, Blind and Disabled, and overly aggressive estimates of savings from Managed Care rate changes; \$9.5 million in Other Expenses, \$5.0 million in HUSKY B and \$6.0 million in the Charter Oak Health Plan related to caseload growth; \$3.5 million in Temporary Family Assistance and \$4.0 million in Connecticut Home Care program. These increases are partially offset by lapses in Child Care of \$10.7 million and SAGA of \$12.0 million.

We are also projecting deficiencies in the Department of Corrections of \$21.5 million in Other Expenses (\$17.0 million) and Workers' Compensation (\$4.5 million); the Department of Developmental Disabilities of \$21.7 million (\$9.0 million in Early Intervention, \$2.3 million in Other Expenses, \$2.0 million in Workers' Compensation, \$2.5 million in Voluntary Services and \$5.9 million in Community Residential Services); the Department of Mental Health and Addiction Services of \$13.8 million (\$9.0 million in Other Expenses, \$4.0 million in Discharge and Diversion Services and \$800,000 in Professional Services); and the Department of Public Health of \$4.0 million (\$3 million in Personal Services for "Reinvention Savings" and \$1.0 million in Other Expenses). These are primarily the result of optimistic cost and savings estimates included in the adopted budget.

A deficiency of \$8.3 million is projected in the Department of Public Works (\$4 million in Other Expenses, \$1.0 million in Management Services, \$2.3 million in Rents and Moving, and \$960,000 in Facilities Design Services); a deficiency of \$3.3 million in the Department of Public Safety in Fleet Purchases; and a deficiency in the Judicial Department of \$5.5 million (\$2.5 million in Other Expenses, \$2.0 million in Juvenile Alternative Incarceration and \$1.0 million in Juvenile Justice Centers). Additional funding of \$60.9 million is required in the State Employee Retiree Health account due to the impact of the Retirement Incentive Program. These funds are available in the other Comptroller's fringe benefit accounts due to other RIP-related savings

We are not projecting any changes to the Special Transportation Fund budget this month.

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". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Robert L. Genuario  
Secretary

Summary  
October 20, 2009

State of Connecticut  
Summary of Changes  
General Fund and Special Transportation Fund  
Projected to June 30, 2010  
As of September 30, 2009  
(In Millions)

**General Fund**

Balance - September 21, 2009		\$	0.8
Revenues			0.0
Personal Income Tax	(20.0)		
Sales & Use	(89.8)		
Inheritance & Estate	(6.5)		
Insurance Companies	(2.5)		
Cigarettes	(5.0)		
Oil Companies	25.5		
Miscellaneous	1.8		
Refund of Taxes	(25.0)		
Indian Gaming Payments	(13.1)		
Licenses, Permits, Fees	(3.1)		
Rents, Fines, Escheats	(1.5)		
Miscellaneous Revenue	24.5		
Federal Grants	(0.7)		
Transfers-Other Funds	<u>(56.7)</u>		(172.1)
Expenditures			
Additional Requirements	(212.5)		
Estimated Lapses - No Change	0.0		
P.A. 09-5 and P.A. 09-7, September Special Session	4.0		
Miscellaneous Adjustments/Rounding	<u>(8.7)</u>		<u>(217.2)</u>
Balance - October 20, 2009		\$	<u>(388.5)</u>

**Special Transportation Fund**

Carry Forward FY 2008-09 Surplus		\$	93.6
Balance - September 21, 2009			3.1
Revenues			
Transfers-Other Funds	<u>9.2</u>		9.2
Expenditures			
P.A. 09-7, September Special Session			<u>(8.2)</u>
Balance - October 20, 2009		\$	<u>97.7</u>

State of Connecticut  
General Fund  
Statement of Revenues, Expenditures, and Results of Operations  
Projected to June 30, 2010  
As of September 30, 2009  
(In Millions)

	General Assembly <u>Budget Plan</u> <sup>1.</sup>	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
<b>REVENUE</b>			
Taxes	\$12,017.5	\$11,921.0	(\$96.5)
Less: Refunds	<u>(1,089.9)</u>	<u>(1,114.9)</u>	<u>(25.0)</u>
Taxes - Net	10,927.6	10,806.1	(121.5)
Other Revenue	1,307.1	1,285.1	(22.0)
Other Sources	<u>5,137.7</u>	<u>5,112.1</u>	<u>(25.6)</u>
TOTAL Revenue	\$17,372.4	\$17,203.3	(\$169.1)
<b>EXPENDITURES</b>			
Appropriations	\$17,843.9	\$17,843.9	\$0.0
Net Additional Requirements	0.0	212.5	212.5
Less: Estimated Lapses	<u>(473.3)</u>	<u>(473.3)</u>	<u>0.0</u>
TOTAL Expenditures	\$17,370.6	\$17,583.1	\$212.5
Balance from Operations	\$1.8	(\$379.8)	(\$381.6)
Miscellaneous Adjustments	<u>0.0</u>	<u>(8.7)</u>	<u>(8.7)</u>
Estimated Balance 6/30/10	<u>\$1.8</u>	<u>(\$388.5)</u>	<u>(\$390.3)</u>

1. P.A. 09-3 of the June Special Session, as amended by P.A. 09-8, September Special Session, P.A. 09-7, September Special Session and P.A. 09-5 of the September Special Session

State of Connecticut  
General Fund  
Revenue Estimates  
Projected to June 30, 2010  
As of September 30, 2009  
(In Millions)

TAXES	
Personal Income	\$6,610.7
Sales and Use	3,076.9
Corporation	721.6
Public Service Corporations	272.3
Inheritance and Estate	202.2
Insurance Companies	200.2
Cigarettes	387.6
Real Estate Conveyance	94.5
Oil Companies	124.4
Alcoholic Beverages	48.0
Admissions and Dues	37.1
Miscellaneous	145.5
TOTAL - TAXES	<u>\$11,921.0</u>
Less: Refunds of Taxes	(1,105.5)
R & D Credit Exchange	(9.4)
TOTAL - TAXES - NET	<u>\$10,806.1</u>
OTHER REVENUE	
Transfers - Special Revenue	\$293.4
Indian Gaming Payments	371.0
Licenses, Permits, Fees	279.9
Sales of Commodities and Services	33.2
Rents, Fines, Escheats	95.8
Investment Income	10.0
Miscellaneous	202.5
Refunds of Payments	(0.7)
TOTAL - OTHER REVENUE	<u>\$1,285.1</u>
OTHER SOURCES	
Federal Grants	\$4,051.1
Transfer from Tobacco Settlement Fund	107.3
Transfers to Other Funds	953.7
TOTAL - OTHER SOURCES	<u>\$5,112.1</u>
TOTAL - GENERAL FUND REVENUE	\$17,203.3

State of Connecticut - General Fund  
Appropriation Adjustments - Net Additional Requirements  
Projected to June 30, 2010  
As of September 30, 2009

Department of Public Works	\$8,300,000
Department of Public Safety	3,300,000
Department of Public Health	4,000,000
Department of Developmental Services	21,700,000
Department of Mental Health & Addiction Services	13,800,000
Department of Social Services	73,500,000
Department of Correction	21,500,000
Judicial	5,500,000
Retiree Health	<u>60,900,000</u>
Total	<u>\$212,500,000</u>

State of Connecticut  
General Fund  
Estimated Lapses  
Projected to June 30, 2010  
As of September 30, 2009

Reduce Outside Consultant Contracts	\$95,000,000
Estimated Unallocated Lapses	87,780,000
General Personal Services Reduction	14,000,000
General Other Expenses Reductions	11,000,000
Personal Services Reductions	190,977,440
Legislative Unallocated Lapses	2,700,000
DOIT Lapse	30,836,354
Enhance Agency Outcomes	3,000,000
Management Reduction	10,000,000
Reduce Other Expenses to FY 07 Levels	<u>28,000,000</u>
Total	<u><u>\$473,293,794</u></u>

State of Connecticut  
2009-10 General Fund  
Summary of Operations Per Letter to the Comptroller  
(In Millions)

	Budget Plan <sup>1</sup> .	July 2009	August 2009	September 2009	October 2009	November 2009	December 2009	January 2010	February 2010	March 2010	April 2010	May 2010	June 2010
REVENUE	\$17,372.4	\$17,375.4	\$17,375.4	\$17,203.3									
Appropriations	17,843.9	17,847.9	17,847.9	17,843.9									
Additional Requirements	0.0	0.0	0.0	212.5									
Less: Estimated Lapses	(473.3)	(473.3)	(473.3)	(473.3)									
TOTAL - Estimated Expenditures	17,370.6	17,374.6	17,374.6	17,583.1									
Balance from Operations	1.8	0.8	0.8	(379.8)									
Compt.'s Misc. Adjustments/Rounding	0.0	0.0	0.0	(8.7)									
Estimated Balance 6/30/10	\$1.8	\$0.8	\$0.8	(\$388.5)									

1. P.A. 09-3 of the June Special Session, as amended by P.A. 09-8, September Special Session,  
P.A. 09-7, September Special Session and P.A. 09-5 of the September Special Session

State of Connecticut  
Special Transportation Fund  
Analysis of Budget Plan  
Projected to June 30, 2010  
As of September 30, 2009  
(In Millions)

	General Assembly <u>Budget Plan</u> <sup>1.</sup>	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
Surplus Carried Forward from 2008-09	\$93.6	\$93.6	\$0.0
<b>REVENUE</b>			
Taxes	\$691.4	\$691.4	\$0.0
Less: Refunds of Taxes	<u>(6.6)</u>	<u>(6.6)</u>	<u>0.0</u>
Taxes - Net	684.8	684.8	0.0
Other Revenue	<u>430.9</u>	<u>433.9</u>	<u>3.0</u>
TOTAL - Revenue	<u>\$1,115.7</u>	<u>\$1,118.7</u>	<u>\$3.0</u>
<b>EXPENDITURES</b>			
Appropriations	\$1,135.9	\$1,135.9	\$0.0
Additional Appropriations	0.0	0.0	0.0
Less: Estimated Lapses	<u>(21.2)</u>	<u>(21.2)</u>	<u>0.0</u>
TOTAL - Expenditures	<u>\$1,114.6</u>	<u>\$1,114.6</u>	<u>\$0.0</u>
Balance from Operations	\$1.1	\$4.1	\$3.0
Miscellaneous Adjustments	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Estimated Balance 6/30/10	<u>\$94.7</u>	<u>\$97.7</u>	<u>\$3.0</u>

1. P.A. 09-3 of the June Special Session, as amended by P.A. 09-8, September Special Session  
and P.A. 09-7, September Special Session  
Figures may not add due to rounding.

Statement 2T  
October 20, 2009

State of Connecticut  
Special Transportation Fund  
Revenue Estimates  
Projected to June 30, 2010  
As of September 30, 2009  
(In Millions)

TAXES	
Motor Fuels	\$494.7
Oil Companies	141.9
Sales Tax DMV	54.8
TOTAL - TAXES	<u>691.4</u>
Less: Refunds of Taxes	<u>(6.6)</u>
TOTAL - TAXES - NET	\$684.8
OTHER REVENUE	
Motor Vehicle Receipts	\$224.5
Licenses, Permits, Fees	136.1
Interest Income	16.5
Transfers (To)/From Other Funds	59.4
Refunds of Payments	<u>(2.6)</u>
TOTAL - OTHER REVENUE	\$433.9
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$1,118.7

Statement 3T  
October 20, 2009

State of Connecticut  
Special Transportation Fund  
Appropriation Adjustments - Additional Appropriations  
Projected to June 30, 2010  
As of September 30, 2009

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

Statement 4T  
October 20, 2009

State of Connecticut  
Special Transportation Fund  
Estimated Lapse  
Projected to June 30, 2010  
As of September 30, 2009

Estimated Unallocated Lapses	\$11,000,000
Personal Services Reductions	10,227,979
Total	<u>\$21,227,979</u>

State of Connecticut  
2009-10 Special Transportation Fund  
Summary of Operations Per Letter to the Comptroller  
(In Millions)

	Budget Plan <sup>1</sup>	July 2009	August 2009	September 2009	October 2009	November 2009	December 2009	January 2010	February 2010	March 2010	April 2010	May 2010	June 2010
Beginning Balance	\$93.6	\$93.6	\$93.6	\$93.6									
Revenue	<u>1,115.7</u>	<u>1,106.5</u>	<u>1,109.5</u>	<u>1,118.7</u>									
Total Available	1,209.3	1,200.1	1,203.1	1,212.3									
Appropriations	1,135.9	1,127.6	1,127.6	1,135.9									
Additional Appropriations	0.0	0.0	0.0	0.0									
Less: Estimated Lapses	<u>(21.2)</u>	<u>(21.2)</u>	<u>(21.2)</u>	<u>(21.2)</u>									
TOTAL - Estimated Expenditures	1,114.6	1,106.4	1,106.4	1,114.6									
Balance from Operations	1.1	0.1	3.1	4.1									
Compt's Misc. Adjustments/Rounding	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>									
Estimated Balance 6/30/10	\$94.7	\$93.7	\$96.7	\$97.7									

1. P.A. 09-3 of the June Special Session, as amended by P.A. 09-8, September Special Session,  
P.A. 09-7, September Special Session and P.A. 09-5 of the September Special Session  
Figures may not add due to rounding.