



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

January 20, 2010

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 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. Expenditure estimates are as of December 31, 2009, while revenues reflect the January 15, 2010, consensus revenue forecast between this office and the Office of Fiscal Analysis.

As you know, on January 15, 2010 this office and the Office of Fiscal Analysis agreed, pursuant to Public Act 09-214, to a consensus revenue forecast showing a sharp decline in revenue. In light of this decline in revenue, we are estimating a deficit of \$500.5 million in the General Fund. This month's letter reflects an overall decrease in General Fund revenue of \$209.6 million as a result of the consensus revenue forecast. The largest decline is in the personal income tax, down \$187.7 million due to disappointing estimated payments that were due on January 15th. Income tax refunds have been revised upward by an additional \$40 million as refunds to date have exceeded their target. License, Permit and Fee revenue has been revised downward by \$15 million due to weakness in collections year to date. On a positive note, Federal Grant revenue has been revised upward by \$42.9 million. All other changes net to negative \$9.8 million. This month's deficit includes an additional surplus adjustment of \$3.8 million.

The consensus revenue forecast for the Special Transportation Fund has been revised upward by \$8.4 million due primarily to better than anticipated collections in the motor fuels tax.

On the expenditure side, we are projecting that an additional \$193.65 million is needed to maintain operations in several agencies and meet the \$473.3 million lapse requirements in PA 09-3 of the June Special Session, a decrease of \$40.8 million over last month. These additional requirements include the impact of \$51.0 million in savings as a result of the Governor's November allotment rescissions. A net deficiency of \$125.0 million is projected in the Department of Social Services. This includes a projected deficiency of \$126.3 million in Medicaid, \$15.0 million in Other Expenses, \$3.7 million in the Temporary Family Assistance program, \$1.2 million in the Charter Oak Health Plan, and \$1.2 million in the CT Home Care Program for Elders. These increases are partially offset by lapses in the Child Care subsidies and SAGA accounts. Most of this deficiency is related to entitlements which cannot be reduced without legislative action.

The Department of Correction is currently projected to have a \$21.0 million deficiency: \$15.0 million in Other Expenses and \$6.0 million in Workers' Compensation Claims. The Other Expenses shortfall is the result of applying bottom line lapse amounts necessary to implement requirements of PA 09-3 compounded with a reduced appropriation that reflects anticipated savings through the establishment of various correctional policies to manage the prison population. The Workers' Compensation Claims account shortfall is due to an appropriation \$2.0 million below what was

previously expended in FY08 and FY09 as well as increased medical expenditures. A net deficiency of \$13.0 million is anticipated in the Department of Developmental Services. The deficiency is comprised of \$1.3 million in Other Expenses due to higher than budgeted costs, \$9.0 million in Early Intervention resulting from significant caseload growth, \$2.0 million in Workers' Compensation Claims due to higher than budgeted monthly claims, \$1.1 million in Voluntary Services due to unbudgeted caseload growth and \$5.9 million in Community Residential Services. These deficiencies are partially offset by a lapse in the Personal Services account. A net deficiency of \$12.0 million is anticipated in the Department of Mental Health and Addiction Services. The deficiency is comprised of \$9.0 million in Other Expenses due to higher than budgeted costs, \$2.1 million in Professional Services due to higher than budgeted contracted medical services for DMHAS inpatients, \$2.0 million in General Assistance Managed Care to support caseload growth beyond budgeted levels and \$4.0 million in the Discharge and Diversion account for unbudgeted costs of community placements. These deficiencies are partially offset by a lapse in the Personal Services account. The Department of Public Health is projecting a deficiency of \$5.5 million: \$3.0 million in Personal Services for "Reinvention Savings" and \$2.5 million in Other Expenses.

The Department of Public Works is projecting the following deficiencies: \$2.65 million in Other Expenses, \$1.0 million in Property Management Services, \$700,000 in Facilities Design Expense, and \$2.3 million in Rents and Moving as a result of the required contract savings and the reductions to FY 07 levels included in the budget. The Department of Public Safety will experience a shortfall of \$2.0 million in Other Expenses, \$1.7 million in Workers' Compensation Claims, and \$3.3 million in the Fleet Services account due to the application of the bottom line contract savings required in PA 09-3, JSS. This account provides funding for the acquisition of Department of Public Safety vehicles, primarily patrol cars for the Division of State Police, and the appropriation was sufficient to pay only for existing vehicles for the Department. The Department of Information Technology is projecting a deficiency of \$1.0 million in its Other Expenses account due to higher than budgeted lease and utilities costs. Additional funding of \$2.5 million is required in the Workers' Compensation Claims account in the Department of Administrative Services due to increases in the average cost per claim.

We are not projecting any net changes in the Special Transportation Fund budget this month. A \$4 million deficiency is anticipated in the Department of Transportation Other Expenses account, primarily as a result of expenses associated with winter operations (e.g., purchase of salt). A \$2 million deficiency is anticipated in the Department of Administrative Services' Workers' Compensation Claims account as a result of higher than expected claims costs. These deficiencies are offset by anticipated lapses in Office of the Treasurer Debt Service costs as well as lapses in the Department of Motor Vehicles due to the State hiring freeze and other savings measures.

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,



Robert L. Genuario
Secretary

Summary
January 20, 2010

State of Connecticut
Summary of Changes
General Fund and Special Transportation Fund
Projected to June 30, 2010
As of December 31, 2009
(In Millions)

General Fund

Balance - December 21, 2009		\$	(327.9)
Revenues			
Personal Income Tax	(187.7)		
Inheritance & Estate	(6.0)		
Refund of Taxes	(40.0)		
Licenses, Permits, Fees	(15.0)		
Federal Grants	42.9		
All Other	<u>(3.8)</u>		(209.6)
Expenditures			
Additional Requirements	40.8		
Estimated Lapses - No Change	0.0		
Miscellaneous Adjustments/Rounding	<u>(3.8)</u>		<u>37.0</u>
Balance - January 20, 2010		\$	<u>(500.5)</u>

Special Transportation Fund

Carry Forward FY 2008-09 Surplus		\$	93.6
Balance - December 21, 2009			4.9
Revenues			
Motor Fuels Tax	7.7		
Sales Tax - DMV	5.4		
Motor Vehicle Receipts	(2.7)		
Licenses, Permits, Fees	(2.2)		
All Other	<u>0.2</u>		8.4
Expenditures			
Additional Requirements			(6.0)
Estimated Lapses			6.0
Miscellaneous Adjustments/Rounding			<u>0.0</u>
Balance - January 20, 2010		\$	<u>106.9</u>

State of Connecticut
General Fund
Statement of Revenues, Expenditures, and Results of Operations
Projected to June 30, 2010
As of December 31, 2009
(In Millions)

	General Assembly <u>Budget Plan</u> ¹	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
REVENUE			
Taxes	\$12,017.5	\$11,710.0	(\$307.5)
Less: Refunds	<u>(1,089.9)</u>	<u>(1,154.9)</u>	<u>(65.0)</u>
Taxes - Net	10,927.6	10,555.1	(372.5)
Other Revenue	1,307.1	1,319.4	12.3
Other Sources	<u>5,137.7</u>	<u>5,155.0</u>	<u>17.3</u>
TOTAL Revenue	\$17,372.4	\$17,029.5	(\$342.9)
EXPENDITURES			
Appropriations	\$17,843.6	\$17,843.6	\$0.0
Net Additional Requirements	0.0	193.7	193.7
Less: Estimated Lapses	<u>(473.3)</u>	<u>(524.3)</u>	<u>(51.0)</u>
TOTAL Expenditures	\$17,370.3	\$17,513.0	\$142.7
Balance from Operations	\$2.1	(\$483.5)	(\$485.5)
Miscellaneous Adjustments	<u>0.0</u>	<u>(17.0)</u>	<u>(17.0)</u>
Estimated Balance 6/30/10	<u>\$2.1</u>	<u>(\$500.5)</u>	<u>(\$502.5)</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 December 31, 2009
(In Millions)

TAXES

Personal Income	\$6,423.0
Sales and Use	3,076.1
Corporation	706.6
Public Service Corporations	271.2
Inheritance and Estate	196.2
Insurance Companies	200.2
Cigarettes	387.6
Real Estate Conveyance	94.5
Oil Companies	124.4
Alcoholic Beverages	47.6
Admissions and Dues	37.1
Miscellaneous	145.5
TOTAL - TAXES	<u>\$11,710.0</u>
Less: Refunds of Taxes	(1,145.5)
R & D Credit Exchange	(9.4)
TOTAL - TAXES - NET	<u>\$10,555.1</u>

OTHER REVENUE

Transfers - Special Revenue	\$293.4
Indian Gaming Payments	371.0
Licenses, Permits, Fees	264.9
Sales of Commodities and Services	33.2
Rents, Fines, Escheats	170.0
Investment Income	10.0
Miscellaneous	177.6
Refunds of Payments	(0.7)
TOTAL - OTHER REVENUE	<u>\$1,319.4</u>

OTHER SOURCES

Federal Grants	\$4,094.0
Transfer from Tobacco Settlement Fund	107.3
Transfers (To)/From Other Funds	953.7
TOTAL - OTHER SOURCES	<u>\$5,155.0</u>

TOTAL - GENERAL FUND REVENUE \$17,029.5

State of Connecticut - General Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2010
As of December 31, 2009.

Department of Information Technology	\$1,000,000
Department of Public Works	6,650,000
Department of Public Safety	7,000,000
Department of Public Health	5,500,000
Department of Developmental Services	13,000,000
Department of Mental Health & Addiction Services	12,000,000
Department of Social Services	125,000,000
Department of Correction	21,000,000
DAS-Workers' Compensation Claims	2,500,000
Total	<u>\$193,650,000</u>

State of Connecticut
General Fund
Estimated Lapses
Projected to June 30, 2010
As of December 31, 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	28,000,000
Allotment Rescissions - November 5, 2009	31,600,000
Allotment Rescissions - November 24, 2009	19,400,000
Total	<u>\$524,293,794</u>

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

	Budget Plan ¹	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	\$17,127.3	\$17,239.1	\$17,029.5						
Appropriations	17,843.6	17,847.9	17,847.9	17,843.9	17,843.6	17,843.6	17,843.6						
Additional Requirements	0.0	0.0	0.0	212.5	212.5	234.5	193.7						
Less: Estimated Lapses	(473.3)	(473.3)	(473.3)	(473.3)	(473.3)	(524.3)	(524.3)						
TOTAL - Estimated Expenditures	17,370.3	17,374.6	17,374.6	17,583.1	17,582.8	17,553.8	17,513.0						
Balance from Operations	2.1	0.8	0.8	(379.8)	(455.5)	(314.7)	(483.5)						
Compt.'s Misc. Adjustments/Rounding	0.0	0.0	0.0	(8.7)	(11.0)	(13.2)	(17.0)						
Estimated Balance 6/30/10	\$2.1	\$0.8	\$0.8	(\$388.5)	(\$466.5)	(\$327.9)	(\$500.5)						

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

Statement 1T
January 20, 2010

State of Connecticut
Special Transportation Fund
Analysis of Budget Plan
Projected to June 30, 2010
As of December 31, 2009
(In Millions)

	General Assembly <u>Budget Plan</u> ¹	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
Surplus Carried Forward from 2008-09	\$93.6	\$93.6	\$0.0
REVENUE			
Taxes	\$691.4	\$706.9	\$15.5
Less: Refunds of Taxes	<u>(6.6)</u>	<u>(6.5)</u>	<u>0.1</u>
Taxes - Net	684.8	700.4	15.6
Other Revenue	<u>430.9</u>	<u>426.7</u>	<u>(4.2)</u>
TOTAL - Revenue	\$1,115.7	\$1,127.1	\$11.4
EXPENDITURES			
Appropriations	\$1,135.9	\$1,135.9	\$0.0
Additional Appropriations	0.0	6.0	6.0
Less: Estimated Lapses	<u>(21.2)</u>	<u>(28.1)</u>	<u>(6.9)</u>
TOTAL - Expenditures	\$1,114.7	\$1,113.8	(\$0.9)
Balance from Operations	\$1.0	\$13.3	\$12.3
Miscellaneous Adjustments	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Estimated Balance 6/30/10	<u>\$94.6</u>	<u>\$106.9</u>	<u>\$12.3</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
January 20, 2010

State of Connecticut
Special Transportation Fund
Revenue Estimates
Projected to June 30, 2010
As of December 31, 2009
(In Millions)

TAXES	
Motor Fuels	\$502.4
Oil Companies	141.9
Sales Tax DMV	62.6
TOTAL - TAXES	<u>706.9</u>
Less: Refunds of Taxes	<u>(6.5)</u>
TOTAL - TAXES - NET	\$700.4
OTHER REVENUE	
Motor Vehicle Receipts	\$221.8
Licenses, Permits, Fees	133.4
Interest Income	11.3
Federal Grants	3.3
Transfers (To)/From Other Funds	59.4
Refunds of Payments	<u>(2.5)</u>
TOTAL - OTHER REVENUE	\$426.7
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$1,127.1

Statement 3T
January 20, 2010

State of Connecticut
Special Transportation Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2010
As of December 31, 2009

Department of Transportation	\$4,000,000
DAS-Workers' Compensation Claims	<u>2,000,000</u>
Total	\$6,000,000

Statement 4T
January 20, 2010

State of Connecticut
Special Transportation Fund
Estimated Lapses
Projected to June 30, 2010
As of December 31, 2009

State Comptroller - Fringe Benefits	\$4,000,000
State Treasurer - Debt Service	10,000,000
Department of Motor Vehicles	3,000,000
Personal Services Reductions	10,227,979
Allotment Rescissions November 5, 2009	896,820
Total	<u>\$28,124,799</u>

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

	Budget Plan 1.	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	\$93.6	\$93.6	\$93.6						
Revenue	1,115.7	1,106.5	1,109.5	1,118.7	1,118.7	1,118.7	1,127.1						
Total Available	1,209.3	1,200.1	1,203.1	1,212.3	1,212.3	1,212.3	1,220.7						
Appropriations	1,135.9	1,127.6	1,127.6	1,135.9	1,135.9	1,135.9	1,135.9						
Additional Requirements	0.0	0.0	0.0	0.0	0.0	0.0	6.0						
Less: Estimated Lapses	(21.2)	(21.2)	(21.2)	(21.2)	(21.2)	(22.1)	(28.1)						
TOTAL - Estimated Expenditures	1,114.6	1,106.4	1,106.4	1,114.6	1,114.7	1,113.8	1,113.8						
Balance from Operations	1.1	0.1	3.1	4.1	4.0	4.9	13.3						
Compt's Misc. Adjustments/Rounding	0.0	0.0	0.0	0.0	0.0	0.0	0.0						
Estimated Balance 6/30/10	\$94.7	\$93.7	\$96.7	\$97.7	\$97.6	\$98.5	\$106.9						

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.