S T A T E O F C O N N E C T I C U T

OFFICE OF POLICY AND MANAGEMENT

June 22, 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 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 May 31, 2009. This letter reflects the passage of Public Acts 08-01 and 08-02 from the August Special Session, P.A. 08-01 from the November Special Session and P.A. 09-1, P.A. 09-2 and P.A. 09-111 of the 2009 Regular Session. This letter does not reflect the passage of SB2001 on June 19th by the House of Representatives and the Senate. This bill awaits action by the Governor.

Almost two years 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 the implementation of a fourth round of allotment rescissions in accordance with her authority under CGS 4-85. Those components of the last Governor's Deficit Mitigation Plan that were acted upon in P.A. 09-111 are now reflected in this letter. In addition, the impact of the passage of the American Reinvestment and Recovery Act of 2009 is also factored in to the estimates.

In the General Fund, we are now estimating a deficit of $967.6 million. This month General Fund revenues are being revised upward by $10.3 million. The upward revision is a result of PA 09-111 which transferred a total of $125.9 million to the resources of the General Fund from other funds and non-appropriated accounts. Excluding those transfers, revenues are being revised downward by $115.6 million. The largest negative adjustment is the Personal Income Tax which is being revised downward by $60.0 million. The revision is necessary as the tax missed the May target by approximately $26.0 million and OPM is now assuming that the withholding component of the tax will fall by 2.0% for the remaining months of the fiscal year. In addition, Federal Grants is being revised downward by $31.4 million as a result of the timing of a $162.5 million retroactive claim cited in previous Comptroller's letters. OPM is estimating that only $52.8 million will be received in this fiscal year with the remainder of the funds expected to be received in fiscal year 2010. All other revenue changes net to a negative $24.2 million.

In the General Fund, we are estimating that due to the Governor's four rescission programs, actions taken by the General Assembly and other surpluses available in select accounts, lapses are approximately $ million higher than budgeted. All told, the statewide lapses are estimated to reach $498.7 million, including the $75 million in labor savings negotiated between the Administration and SEBAC. These are itemized in Statement 4 of the attached report. Deficiencies totaling $86.0 million are anticipated, including a deficiency of $189,000 in the Teachers Retirement Board, a deficiency of $14.3 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. We are also projecting a deficiency in the Department of Social Services of $70.0 million, reflecting a shortfall in the Medicaid account largely due to additional costs beyond those appropriated from the expansion in eligibility for HUSKY adults.

In the Transportation Fund, revenues are being revised downward by a total of $12.5 million. Of the $12.5 million, $6.0 million is in Licenses, Permits and Fees primarily due to the declining automobile sales and the various licenses, permits and fees associated with such acquisitions. The remaining $6.5 million revision is a transfer from the resources of the Transportation Fund to the General Fund which was approved in PA 09-111.

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. It is important to note that we will continue to refine our analysis of the economic impact attributable to the President Obama's economic stimulus package in the month's ahead. As more definitive information becomes available, it will be incorporated into future projections.

Sincerely,

Robert L. Genuario
Secretary

RLG:dd
Attachments

Summary
June 22, 2009

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

General Fund

Balance - May 20, 2009		$ (968.2)
Revenues		
Personal Income Tax	(60.0)	
Sales & Use	(10.0)	
Inheritance & Estate	(10.0)	
Insurance Companies	12.8	
Cigarettes	(2.0)	
Real Estate Conveyance	(5.0)	
Refunds of Taxes	(10.0)	
Transfers-Special Revenue	(5.0)	
Licenses, Permits, Fees	5.0	
Federal Grants	(31.4)	
Transfers to the Resources of the General Fund	125.9	10.3
Expenditures		
P.A. 09-111 Deappropriation	22.9	
Additional Requirements	(9.9)	
Estimated Lapses	(20.2)	
Miscellaneous Adjustments/Rounding	(2.5)	(9.7)
Balance - June 22, 2009		$ (967.6)

Special Transportation Fund

Carry Forward FY 2008-09 Surplus		$ 178.3
Balance - May 20, 2009		(77.4)
Revenues		
Licenses, Permits, Fees	(6.0)	
Transfers to Other Fund	(6.5)	(12.5)
Expenditures		
P.A. 09-111 Deappropriation	6.5	
Estimated Lapses	1.3	7.8
Balance - June 22, 2009		$ 96.2

Statement 1
June 22, 2009

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

	General Assembly Budget Plan [1.]	Revised Estimates OPM [2., 3.,4.,5.,6.]	Over/ (Under)
REVENUE			
Taxes	$13,851.7	$11,753.9	($2,097.8)
Less: Refunds	(880.6)	(1,059.9)	(179.3)
Taxes - Net	12,971.1	10,694.0	(2,277.1)
Other Revenue	1,208.4	1,099.0	(109.4)
Other Sources	2,898.0	4,063.4	1,165.4
TOTAL Revenue	$17,077.5	$15,856.4	($1,221.1)
EXPENDITURES			
Appropriations	17200.5	17199.4	(1.1)
Net Additional Requirements	0.0	0.0	0.0
Less: Estimated Lapses	(117.5)	(498.7)	(381.2)
TOTAL Expenditures	17083.0	16700.7	(382.3)
Balance from Operations	(5.5)	(844.3)	(838.8)
Miscellaneous Adjustments	0.0	(37.2)	(37.2)
Estimated Balance 6/30/09	($5.5)	($881.6)	($876.1)

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.
3. PA 08-01, November Special Session.
4. P.A. 09-1
5. P.A. 09-2
6. P.A. 09-111

Statement 2
June 22, 2009

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

TAXES	
Personal Income	$6,405.0
Sales and Use	3,320.7
Corporation	597.6
Public Service Corporations	270.0
Inheritance and Estate	240.1
Insurance Companies	205.0
Cigarettes	315.0
Real Estate Conveyance	85.0
Oil Companies	91.0
Alcoholic Beverages	47.5
Admissions and Dues	34.0
Miscellaneous	143.0
TOTAL - TAXES	$11,753.9
Less: Refunds of Taxes	(1,050.0)
R & D Credit Exchange	(9.9)
TOTAL - TAXES - NET	$10,694.0
OTHER REVENUE	
Transfers - Special Revenue	$284.0
Indian Gaming Payments	375.0
Licenses, Permits, Fees	161.7
Sales of Commodities and Services	32.5
Rents, Fines, Escheats	69.4
Investment Income	20.0
Miscellaneous	157.0
Refunds of Payments	(0.6)
TOTAL - OTHER REVENUE	$1,099.0

Statement 3
June 22, 2009

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

DAS-Workers' Compensation Claims	$1,500,000
Department of Social Services	70,000,000
Teachers Retirement Board - Retirees Health Service Account	189,000
Department of Correction	14,310,000
Total	$85,999,000

Statement 4
June 22, 2009

State of Connecticut
General Fund
Estimated Lapses
Projected to June 30, 2009
As of May 31, 2009

General Personal Services Reduction	$10,900,000
General Other Expenses Reductions	9,200,000
Allotment Rescissions - July	115,800,000
Allotment Rescissions - September	34,400,000
Allotment Rescissions - December	7,200,000
Allotment Rescissions - March	20,800,000
OPM - Personal Services	800,000
OPM - Elderly Renters	155,000
OPM - PILOT Manufacturing & Equipment	45,700,000
Division of Special Revenue - Personal Services	300,000
Department of Development Services	1,260,000
Department of Public Safety - Personal Services	1,000,000
Judicial - Alternative Incarceration Program	500,000
Department of Social Services	7,300,000
Department of Children & Families	34,600,000
Unallocated Lapses	7,180,000
Consultant Contracts and Personal Services Agreements	44,000,000
Deferred Purchases	6,300,000
Contingency Needs	2,000,000
Reserve for Salary Adjustment	3,100,000
Debt Service	54,750,000
DHE - CT Independent College Student Grant	500,000
Lapse of FY 07 Surplus Appropriation as per P.A. 08-01, NSS	14,500,000
Lapse of FY 07 Surplus Appropriation per P.A. 09-1	3,050,000
Lapse of FY 07 Surplus Appropriation per P.A. 09-2	3,500,000
Increase Legislative Lapse per P.A. 09-2	1,070,000
OSC-Retired State Employees Health Insurance	3,800,000
OSC-Higher Ed Alternative Retirement	500,000
State Personnel Cost Savings	64,500,000
Total	$498,665,000

Statement 5
June 22, 2009

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[3.] 2008	December[4.] 2008	January 2009	February[5.] 2009	March 2009	April 2009	May[6.] 2009	June 2009
REVENUE	$17,077.5	$16,858.4	$16,785.6	$16,949.1	$16,709.6	$16,824.9	$16,098.0	$16,065.0	$16,229.8	$15,832.8	$15,846.1	$15,856.4	
Appropriations	17,200.5	17,200.5	17,199.4	17,279.5	17,279.5	17,270.4	17,231.2	17,231.2	17,222.3	17,222.3	17,222.3	17,199.4	
Additional Requirements	0.0	18.3	19.8	19.8	29.8	29.8	85.8	77.4	77.0	79.3	76.1	86.0	
Less: Estimated Lapses	(117.5)	(217.5)	(217.5)	(251.9)	(257.5)	(300.8)	(320.2)	(324.4)	(430.8)	(443.9)	(518.9)	(498.7)	
TOTAL - Estimated Expenditures	17,083.0	17,001.3	17,001.7	17,047.4	17,051.8	16,999.4	16,996.9	16,984.2	16,868.5	16,857.8	16,779.6	16,786.7	
Balance from Operations	(5.5)	(142.9)	(216.1)	(98.3)	(342.2)	(174.5)	(898.8)	(919.2)	(638.7)	(1,025.0)	(933.5)	(930.3)	
Compt.'s Misc. Adjustments/Rounding	0.0	(2.8)	(6.2)	(9.6)	(14.1)	(18.5)	(22.9)	(25.0)	(28.7)	(31.3)	(34.7)	(37.2)	
Estimated Balance 6/30/09	($5.5)	($145.7)	($222.3)	($107.9)	($356.3)	($193.0)	($921.7)	($944.2)	($667.4)	($1,056.3)	($968.2)	($967.6)	

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.
3. PA 08-01, November Special Session.
4. P.A. 09-1
5. P.A. 09-2
6. P.A. 09-111

Statement 1T
June 22, 2009

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

	General Assembly Budget Plan [1.]	Revised Estimates OPM [3.,4.]	Over/ (Under)
Surplus Carried Forward from 2007-08[2.]	$215.5	$178.3	($37.2)
REVENUE			
Taxes	$739.5	694.1	(45.4)
Less: Refunds of Taxes	(9.0)	(6.9)	2.1
Taxes - Net	730.5	687.2	(43.3)
Other Revenue	426.5	351.3	(75.2)
TOTAL - Revenue	$1,157.0	1,038.5	(118.5)
EXPENDITURES			
Appropriations	$1,165.2	1,158.7	(6.5)
Additional Appropriations	0.0	0.0	0.0
Less: Estimated Lapses	(11.0)	0.0	11.0
TOTAL - Expenditures	$1,154.2	1,158.7	4.5
Balance from Operations	$2.8	(120.2)	(123.0)
Miscellaneous Adjustments	0.0	0.0	0.0
Estimated Balance 6/30/09	$218.3	$58.1	($160.2)

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.
3. P.A. 09-1
4. P.A. 09-111

Statement 2T
June 22, 2009

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

TAXES	
Motor Fuels	$496.7
Oil Companies	141.9
Sales Tax DMV	55.5
TOTAL - TAXES	694.1
Less: Refunds of Taxes	(6.9)
TOTAL - TAXES - NET	$687.2
OTHER REVENUE	
Motor Vehicle Receipts	$223.3
Licenses, Permits, Fees	144.0
Interest Income	16.5
Transfers to Other Funds	(29.8)
Refunds of Payments	(2.7)
TOTAL - OTHER REVENUE	$351.3
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	$1,038.5

Statement 3T
June 22, 2009

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

No Additional Appropriations	$0
Total	$0

Statement 4T
June 22, 2009

State of Connecticut
Special Transportation Fund
Estimated Lapse
Projected to June 30, 2009
As of May 31, 2009

Allotment Rescissions:	
Debt Service	$20,197,000
Fringe Benefits	2,932,000
Department of Transportation	2,777,000
Department of Motor Vehicles	2,634,000
Insurance & Risk Management	126,000
DAS-Workers' Compensation	267,000
Remaining Lapse:	
Department of Motor Vehicles	700,000
Fringe Benefits	7,000,000
Department of Transportation-Other Expenses	1,500,000
Total	$38,133,000

Statement 5T
June 22, 2009

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[3.] 2008	January 2009	February 2009	March 2009	April 2009	May[4.] 2009	June 2009
Beginning Balance[2.]	$215.5	$176.2	$178.3	$178.3	$178.3	$178.3	$178.3	$178.3	$178.3	$178.3	$178.3	$178.3	
Revenue	1,157.0	1,103.7	1,103.7	1,103.7	1,084.0	1,077.0	1,078.5	1,078.5	1,058.7	1,053.7	1,051.0	1,038.5	
Total Available	1,372.5	1,279.9	1,282.0	1,282.0	1,262.3	1,255.3	1,256.8	1,256.8	1,237.0	1,232.0	1,229.3	1,216.8	
Appropriations	1,165.2	1,165.2	1,165.2	1,165.2	1,165.2	1,165.2	1,165.2	1,165.2	1,165.2	1,165.2	1,165.2	1,158.7	
Additional Appropriations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.8	4.1	0.0	0.0	
Less: Estimated Lapses	(11.0)	(18.8)	(18.8)	(19.6)	(19.6)	(21.0)	(21.0)	(21.0)	(28.3)	(28.3)	(36.8)	(38.1)	
TOTAL - Estimated Expenditures	1,154.2	1,146.4	1,146.4	1,145.6	1,145.6	1,144.2	1,144.2	1,144.2	1,141.7	1,141.0	1,128.4	1,120.6	
Balance from Operations	2.8	(42.7)	(42.7)	(41.9)	(61.6)	(67.2)	(65.7)	(65.7)	(83.0)	(87.3)	(77.4)	(82.1)	
Compt's Misc. Adjustments/Rounding	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Estimated Balance 6/30/09	$218.3	$133.5	$135.6	$136.4	$116.7	$111.1	$112.6	$112.6	$95.3	$91.0	$100.9	$96.2	

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.
3. P.A. 09-1
4. P.A. 09-111