



STATE OF CONNECTICUT

OFFICE OF POLICY AND MANAGEMENT

August 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 2010-2011 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 July 31, 2010.

We are currently projecting a General Fund deficit of \$63.4 million as a result of a number of factors. On August 9th, the President signed Public Law 111-226, providing a continuation of enhanced Medicaid and Title IV-E revenues as well as additional funding for state education aid. While the enacted State budget for FY 2011 anticipated \$365.6 million for the ARRA extension, the action taken by the federal government leaves the State's budget short by \$193.4 million: \$93.3 million in revenue for Medicaid and Title IV-E, and \$99.1 million for education funding.

Offsetting this reduction in federal revenue is positive news: we are projecting an increase in other revenues of \$390.5 million compared with the adopted budget. The Income Tax is being revised upward by \$127.5 million and the Sales Tax is being revised upward by \$153.8 million, with both increases due to: a) better than anticipated collections for FY 2010 which served to increase the base moving forward into FY 2011, and b) a positive accelerating trend in the growth rate for the withholding component in the case of the income tax and an overall improvement in the growth rate for the sales tax compared to the assumed growth rates when the budget was adopted. Refunds of Taxes have improved by \$44.3 million as fewer refunds were issued over the past several months than what was anticipated which also serves to improve the forecast for FY 2011. Federal Grant revenue has been revised downward by \$192.4 million due to the ARRA issue noted previously, with the reduction offset by \$76.9 million in additional Federal revenue resulting from revised Medicaid projections. All other revenue changes net to a positive \$21.6 million.

On the expenditure side, we foresee a number of challenges. We are projecting expenditures to exceed appropriations by \$171.7 million, due in part to anticipated difficulty in fully achieving budgeted savings for contracts and in Other Expenses. Additionally, we are not anticipating the achievement of \$50 million in savings for Enhancing Agency Outcomes given that the Legislature has not provided or endorsed a plan for accomplishing this lapse. Also, we estimate \$40 million in unbudgeted adjustments to the resources of the General Fund, primarily for refunds of escheated property.

In the Special Transportation Fund, we are projecting an annual operating surplus of \$4.7 million. The increase is attributable to improved revenue projections of \$1.6 million primarily due to Department of Motor Vehicles sales tax collections. We anticipate the fund balance at June 30, 2011 to be \$105.9 million.

It is important to note that this represents the first projection of the State's General Fund position for FY 2011. 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 cursive script that reads "Brenda L. Sisco".

Brenda L. Sisco
Acting Secretary

Summary
August 20, 2010

State of Connecticut
Summary of Changes
General Fund and Special Transportation Fund
Projected to June 30, 2011
As of July 31, 2010
(In Millions)

General Fund

Balance - Budget Plan \$ 0.2

Revenues

Personal Income Tax	127.5	
Sales & Use	153.8	
Refund of Taxes	44.3	
Federal Grants	(149.1)	
All Other - Net	21.6	198.1

Expenditures

Additional Requirements	(171.7)	
Estimated Lapses	(50.0)	
Miscellaneous Adjustments/Rounding	(40.0)	(261.7)

Balance - August 20, 2010 \$ (63.4)

Special Transportation Fund

Carry Forward FY 2009-10 Surplus \$ 101.2

Balance - Budget Plan 3.1

Revenues

All Other - Net	1.6	1.6
-----------------	-----	-----

Expenditures

Additional Requirements	0.0	
Estimated Lapses	0.0	0.0

Balance - August 20, 2010 \$ 105.9

State of Connecticut
General Fund
Statement of Revenues, Expenditures, and Results of Operations
Projected to June 30, 2011
As of July 31, 2010
(In Millions)

	General Assembly <u>Budget Plan</u> ¹ :	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
REVENUE			
Taxes	\$11,941.5	\$12,238.7	\$297.2
Less: Refunds	<u>(1,019.8)</u>	<u>(974.4)</u>	<u>45.4</u>
Taxes - Net	10,921.7	\$11,264.3	342.6
Other Revenue	1,202.7	1,206.2	3.5
Other Sources	<u>5,543.0</u>	<u>5,395.0</u>	<u>(148.0)</u>
TOTAL Revenue	\$17,667.4	\$17,865.5	\$198.1
EXPENDITURES			
Appropriations	\$17,963.5	\$17,963.5	\$0.0
Net Additional Requirements	0.0	171.7	171.7
Less: Estimated Lapses	<u>(296.3)</u>	<u>(246.3)</u>	<u>50.0</u>
TOTAL Expenditures	\$17,667.2	\$17,888.9	\$221.7
Balance from Operations	\$0.2	(\$23.4)	(\$23.6)
Miscellaneous Adjustments	<u>0.0</u>	<u>(40.0)</u>	<u>(40.0)</u>
Estimated Balance 6/30/11	<u>\$0.2</u>	<u>(\$63.4)</u>	<u>(\$63.6)</u>

1. P.A. 10-179 as amended by P.A. 10-1, JSS and P.A. 10-2, JSS

State of Connecticut
General Fund
Revenue Estimates
Projected to June 30, 2011
As of July 31, 2010
(In Millions)

TAXES	
Personal Income	\$6,810.0
Sales and Use	3,318.7
Corporation	662.9
Public Service Corporations	272.4
Inheritance and Estate	99.0
Insurance Companies	228.9
Cigarettes	407.9
Real Estate Conveyance	106.2
Oil Companies	107.7
Alcoholic Beverages	48.6
Admissions and Dues	35.5
Miscellaneous	140.9
TOTAL - TAXES	<u>\$12,238.7</u>
Less: Refunds of Taxes	(965.0)
R & D Credit Exchange	<u>(9.4)</u>
TOTAL - TAXES - NET	<u>\$11,264.3</u>
OTHER REVENUE	
Transfers - Special Revenue	\$291.0
Indian Gaming Payments	367.8
Licenses, Permits, Fees	242.9
Sales of Commodities and Services	34.7
Rents, Fines, Escheats	100.1
Investment Income	6.5
Miscellaneous	164.5
Refunds of Payments	<u>(1.3)</u>
TOTAL - OTHER REVENUE	<u>\$1,206.2</u>
OTHER SOURCES	
Federal Grants	\$4,106.9
Transfers to the Resources of the General Fund	1,354.1
Transfer from Tobacco Settlement Fund	103.4
Transfers to Other Funds	<u>(169.4)</u>
TOTAL - OTHER SOURCES	<u>\$5,395.0</u>
TOTAL - GENERAL FUND REVENUE	\$17,865.5

State of Connecticut - General Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2011
As of July 31, 2010

Department of Public Safety	\$8,400,000
Department of Public Health	1,000,000
Department of Mental Health & Addiction Services	7,300,000
Department of Social Services	144,000,000
Department of Correction	11,000,000
Total	<u>\$171,700,000</u>

State of Connecticut
General Fund
Estimated Lapses
Projected to June 30, 2011
As of July 31, 2010

Reduce Outside Consultant Contracts-Legislative	\$ 492,305
General Personal Services Reduction-Legislative	476,000
General Other Expenses Reduction-Legislative	374,000
Legislative Unallocated Lapse	2,700,000
Reduce OE to FY 2007 Levels-Legislative	9,639
Personal Services Reductions-Legislative	1,205,311
DOIT Lapse-Legislative	25,175
Management Lapse- Legislative	903,521
Reduce Outside Consultant Contracts-Executive	91,874,920
General Personal Services Reduction-Executive	11,538,800
General Other Expenses Reduction-Executive	9,066,200
Reduce OE to FY 2007 Levels-Executive	31,990,361
General Personal Services Reduction-Judicial	1,985,200
General Other Expenses Reduction-Judicial	1,559,800
Reduce Outside Consultant Contracts-Judicial	2,632,775
Enhance Agency Outcomes	0
Estimated Unallocated Lapses	89,510,000
Total	<u>\$246,344,007</u>

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

	Budget Plan ¹	July 2010	August 2010	September 2010	October 2010	November 2010	December 2010	January 2011	February 2011	March 2011	April 2011	May 2011	June 2011
REVENUE	\$17,667.4	\$17,865.5											
Appropriations	17,963.5	17,963.5											
Additional Requirements	0.0	171.7											
Less: Estimated Lapses	(296.3)	(246.3)											
TOTAL - Estimated Expenditures	17,667.2	17,888.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance from Operations	0.2	(23.4)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Compt.'s Misc. Adjustments/Rounding	0.0	(40.0)											
Estimated Balance 6/30/11	\$0.2	(\$63.4)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

1. P.A. 10-179 as amended by P.A. 10-1, JSS and P.A. 10-2, JSS

State of Connecticut
Special Transportation Fund
Analysis of Budget Plan
Projected to June 30, 2011
As of July 31, 2010
(In Millions)

	General Assembly <u>Budget Plan</u> ^{1.}	Revised Estimates <u>OPM</u>	Over/ <u>(Under)</u>
Surplus Carried Forward from 2009-10 ^{2.}	\$101.2	\$101.2	\$0.0
REVENUE			
Taxes	\$720.3	\$724.3	\$4.0
Less: Refunds of Taxes	<u>(6.9)</u>	<u>(7.4)</u>	<u>(0.5)</u>
Taxes - Net	713.4	716.9	3.5
Other Revenue	<u>466.6</u>	<u>464.7</u>	<u>(1.9)</u>
TOTAL - Revenue	\$1,180.0	\$1,181.6	\$1.6
EXPENDITURES			
Appropriations	\$1,187.9	\$1,187.9	\$0.0
Additional Appropriations	0.0	0.0	0.0
Less: Estimated Lapses	<u>(11.0)</u>	<u>(11.0)</u>	<u>0.0</u>
TOTAL - Expenditures	\$1,176.9	\$1,176.9	\$0.0
Balance from Operations	\$3.1	\$4.7	\$1.6
Miscellaneous Adjustments	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Estimated Balance 6/30/11	<u>\$104.3</u>	<u>\$105.9</u>	<u>\$1.6</u>

1. P.A. 10-179 as amended by P.A. 10-1, JSS and P.A. 10-2, JSS

2. As estimated by the Office of Policy and Management

Statement 2T
August 20, 2010

State of Connecticut
Special Transportation Fund
Revenue Estimates
Projected to June 30, 2011
As of July 31, 2010
(In Millions)

TAXES	
Motor Fuels	\$489.7
Oil Companies	165.3
Sales Tax DMV	69.3
TOTAL - TAXES	<u>724.3</u>
Less: Refunds of Taxes	<u>(7.4)</u>
TOTAL - TAXES - NET	\$716.9
OTHER REVENUE	
Motor Vehicle Receipts	\$224.2
Licenses, Permits, Fees	136.8
Interest Income	15.0
Federal Grants	5.8
Transfers (To)/From Other Funds	85.8
Refunds of Payments	<u>(2.9)</u>
TOTAL - OTHER REVENUE	\$464.7
TOTAL - SPECIAL TRANSPORTATION FUND REVENUE	\$1,181.6

Statement 3T
August 20, 2010

State of Connecticut
Special Transportation Fund
Appropriation Adjustments - Net Additional Requirements
Projected to June 30, 2011
As of July 31, 2010

No Additional Requirements	<u>\$0</u>
Total	\$0

Statement 4T
August 20, 2010

State of Connecticut
Special Transportation Fund
Estimated Lapses
Projected to June 30, 2011
As of July 31, 2010

Unallocated Lapse	\$11,000,000
Total	<u>\$11,000,000</u>

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

	Budget Plan ¹	July 2010	August 2010	September 2010	October 2010	November 2010	December 2010	January 2011	February 2011	March 2011	April 2011	May 2011	June 2011
Beginning Balance ²	\$101.2	\$101.2											
Revenue	<u>1,180.0</u>	<u>1,181.6</u>											
Total Available	1,281.2	1,282.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Appropriations	1,187.9	1,187.9											
Additional Requirements	0.0	0.0											
Less: Estimated Lapses	<u>(11.0)</u>	<u>(11.0)</u>											
TOTAL - Estimated Expenditures	1,176.9	1,176.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance from Operations	3.1	4.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Compt's Misc. Adjustments/Rounding	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Estimated Balance 6/30/10	\$104.3	\$105.9	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0

1. P.A. 10-179 as amended by P.A. 10-1, JSS and P.A. 10-2, JSS

2. As estimated by the Office of Policy and Management