



## Dannel P. Malloy

GOVERNOR  
STATE OF CONNECTICUT

March 27, 2012

Executive Branch Agency Heads:

Through our efforts last session, the adopted budget for fiscal year 2012 not only put the state on a path of fiscal sustainability by closing a more than \$3 billion shortfall, but also began to address the issue of fiscal responsibility by reserving \$75 million to help ensure that the state's cumulative Generally Accepted Accounting Principles (GAAP) deficit would not worsen. For the first half of the fiscal year a modest GAAP-based surplus was projected for the General Fund, but disappointing income tax collections in the fourth quarter of calendar year 2011 have caused the Office of Policy and Management, since January, to forecast a General Fund deficit on a GAAP basis. Since then, the legislature's Office of Fiscal Analysis and the Comptroller have both forecast a year-end deficit on a budgetary basis. In order to address the deficit, in February I exercised my rescission authority under CGS 4-85 to reduce allotments by approximately \$78.7 million. While spending projections have remained relatively stable and within budget on an aggregate basis throughout the course of the year, revenue collections continue to be an area of uncertainty and have lead OPM to forecast a \$62.6 million GAAP-basis deficit for the current fiscal year.

It is important to note that April tax collections will be the most critical factor affecting year-end results in the General Fund. While it is my hope that these collections will be strong enough to eradicate the GAAP deficit and to allow reversal of February's rescissions, we cannot assume that that will be the case and as a result must prepare contingency plans to reduce spending. Therefore, I am directing each of you to review your agency's planned spending in order to eliminate, minimize or delay those expenditures that are not absolutely critical in nature. Your efforts should include potential savings in all areas of spending, including hiring and overtime, contractual services and purchased commodities. In addition, you should identify any funds that are anticipated to remain unspent as of June 30<sup>th</sup> and plan to maximize those sums. Furthermore, agencies should not assume that requests for discretionary carry-forward of any unspent appropriations into fiscal year 2013 will be granted. While the most immediate need is in the state's General Fund, I am also asking agencies funded through other appropriated funds to economize as much as possible. Please note that I will be requesting that Legislative and Judicial branch agencies and constitutional officers take similar measures.

Your attention to taking immediate steps to reduce spending is of paramount importance to my objective of maintaining balanced operations on a GAAP basis. If April tax collections miss our targets and the expenditure reduction measures outlined above are insufficient, I intend to direct OPM to prepare a deficit mitigation plan for presentation to the legislature in May.

Thank you for your attention to prudent fiscal stewardship of the state's resources. If you have any questions, please contact Ben Barnes, Secretary of the Office of Policy and Management.

Sincerely,

A handwritten signature in blue ink, appearing to read "D. P. Malloy".

Dannel P. Malloy  
Governor