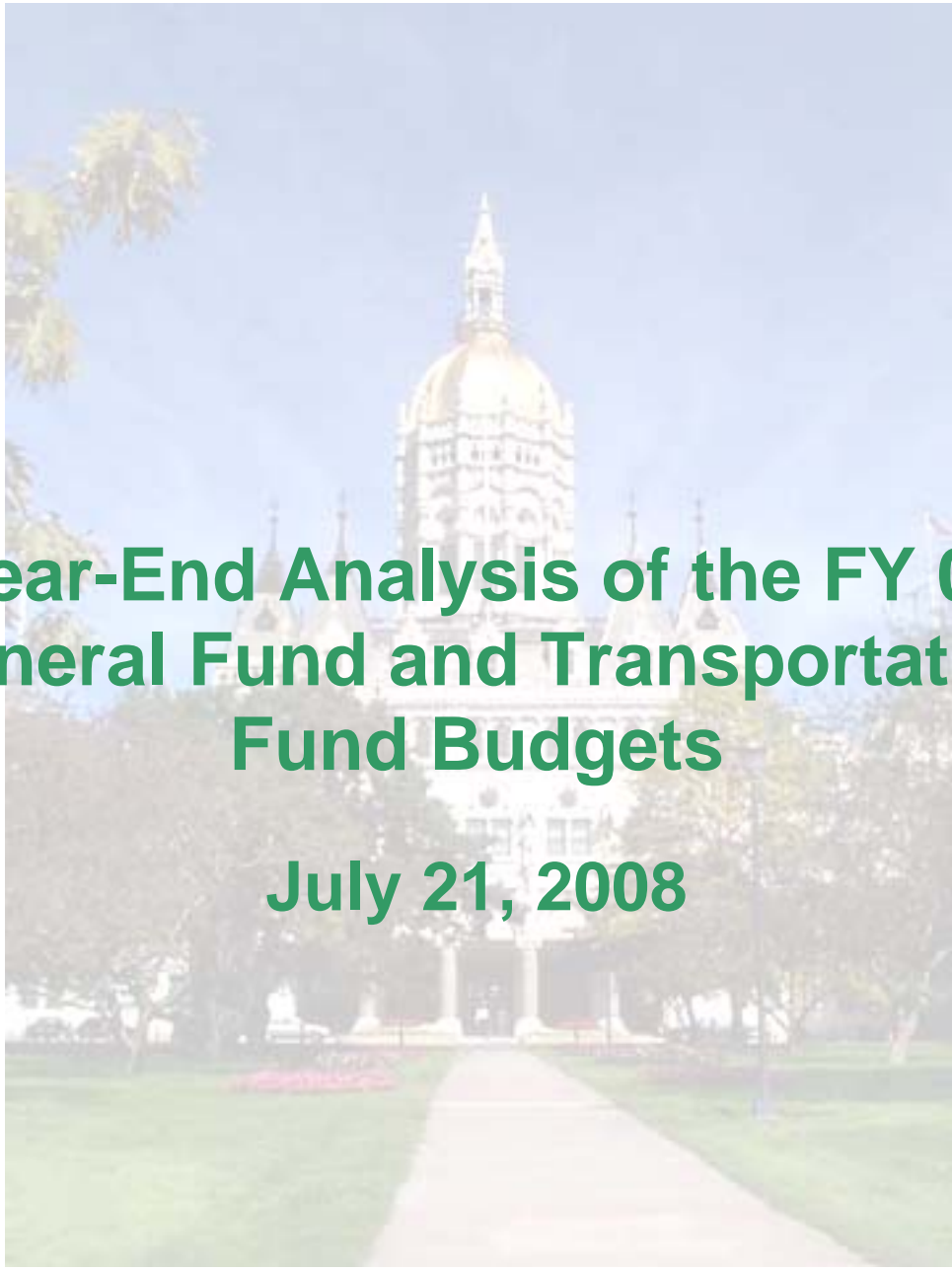


Connecticut General Assembly

OFFICE OF FISCAL ANALYSIS



Year-End Analysis of the FY 07 General Fund and Transportation Fund Budgets

July 21, 2008

**Year-End Analysis of the FY 07
General Fund and Transportation Fund Budgets**

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YEAR-END ANALYSIS OF THE FY 07 GENERAL FUND AND TRANSPORTATION FUND BUDGETS

(This document is prepared annually by OFA after submittal of the Comptroller's tentative year-end report for the prior year. Section 3-115 (CGS) requires the Comptroller to submit her year-end report by September 1st after the conclusion of the fiscal year; however, her FY 07 financial statements were not finalized until December 31, 2007 due to required reconciliations.)

Overview

General Fund

The General Fund ended FY 07 with an operating surplus of \$1,059.5 million (including the budgeted surplus of \$160.8 million) or 7.1% of the budget. From this amount, \$613.7 million in additional FY 07 appropriations were made (of which various items are available for expenditure in FY 08 and FY 09), \$96.6 million was carried forward to reduce FY 08 requirements and \$80 million was designated to be accounted for as FY 09 revenue, leaving a remaining surplus of \$269.2 million which was transferred to the Budget Reserve Fund.

The operating surplus resulted from \$785.6 million in higher revenues and \$113.1 million in lower expenditures (primarily due to additional lapse savings offset by deficiencies and other expenditure requirements) in addition to the originally budgeted surplus of \$160.8 million.

Transportation Fund

The Transportation Fund ended FY 07 with an annual operating surplus of \$59.5 million. This was \$10.2 million more than the budget plan surplus of \$49.3 million. This increase was the result of a \$25.5 million lapse increase partially offset by revenues that were \$15.2 million less than anticipated and \$0.1 million in other miscellaneous adjustments.

The FY 07 operating surplus of \$59.5 million combined with the prior year balance of \$133.4 million results in a cumulative fund balance of \$192.9 million as of June 30, 2007.

I. General Fund

Final Figures Compared to the Original Budget

The FY 07 budget adopted by the General Assembly in May 2006 anticipated General Fund revenues of \$14,998 million and expenditures of \$14,837.2 million. Thus, at the time the budget was adopted, revenue estimates exceeded total net appropriations by \$160.8 million.

The General Fund ended FY 07 with an operating surplus of \$1,059.5 million (including the budgeted surplus of \$160.8 million) or 7.1% of the budget. From this amount, \$613.7 million in additional FY 07 appropriations were made (of which various items are available for expenditure in FY 08 and FY 09), \$96.6 million was carried forward to reduce FY 08 requirements and \$80 million was designated to be accounted for as FY 09 revenue, leaving a remaining surplus of \$269.2 million which was transferred to the Budget Reserve Fund.

The operating surplus resulted from \$785.6 million in higher revenues and \$113.1 million in lower expenditures (primarily due to additional lapse savings offset by deficiencies and other expenditure requirements) in addition to the originally budgeted surplus of \$160.8 million.

General Fund surpluses occurred in the following fiscal years: \$302.2 million in FY 04; \$363.9 million in FY 05; \$446.5 million in FY 06; and \$269.2 million in FY 07, each contributing toward a total Budget Reserve Fund (BRF) balance of \$1,381.8 million (which represents 84.7% of full BRF capacity). The Budget Reserve (Rainy Day) Fund had been depleted when its prior \$594.7 million balance was used to partially cover the \$817.1 million deficit in FY 02. The remaining FY 02 deficit balance of \$222.4 million was carried forward into FY 03 and financed with the issuance of Economic Recovery Notes during the fiscal year. FY 03 also ended with a deficit of \$96.6 million which was also financed with Economic Recovery Notes. It should be noted that PA 03-2 (the deficit mitigation act) increased the maximum allowable in the Budget Reserve Fund from 7.5% to 10% of the amount of the net General Fund appropriations for the fiscal year in progress. PA 02-118 had previously increased the maximum from 5% to 7.5%. With net General Fund appropriations for FY 08 totaling \$16,314.9 million, the maximum allowable in the Budget Reserve Fund is \$1,631.5 million or \$249.7 million more than the current balance.

Please refer to Exhibit A on page 5 for a summary of total General Fund revenues and expenditures for FY 07.

Revenues

Total FY 07 net General Fund actual revenue was \$15.78 billion, which was \$785.9 million above the original estimates adopted in support of the budget plan. After adjusting for legislative and other changes, FY 07 revenue grew by 5.3% compared to FY 06. For a comparison of actual collections and the budget plan estimates, please refer to Exhibit B on page 6.

Net General Fund revenue collections finished \$785.9 million above the budget plan due to increases of \$850.2 million and decreases of \$64.3 million. The most significant increases were: (1) \$321.1 million in the personal income tax, (2) \$183.6 million in the corporation business tax, (3) \$21.1 million in the inheritance and estate tax, (4) \$13.6 million in the real estate conveyance tax, (5) \$36.6 million in investment income, and (6) \$50.3 million in miscellaneous revenue. The most significant decrease was \$37.9 million in the sales and use tax and \$17.2 million in insurance companies tax.

(1) Personal Income Tax (PIT) collections were \$321.1 million *above* the budget plan estimate as a result of slightly better than expected job gains and wage growth (including overtime) and the strong performance of US and foreign stock markets.

The table below presents a comparison of the budget plan estimates and actual collections.

	Budget Plan Estimate	Actual Collections	Variance
Withholding	\$4,075,400,000	\$4,132,864,278	\$57,464,278
Estimated Payments	1,293,000,000	1,405,310,264	112,310,264
Final & Audit Payments	1,060,000,000	1,211,287,369	151,287,639
Total	\$6,428,400,000	\$6,749,462,181	\$321,062,181

(2) Corporation Business Tax collections were \$183.6 million *above* the budget plan estimate. FY 07 collections grew by 13.1% over FY 06 due to the continued strength of the economy, especially in the energy and financial services sectors.

(3) Inheritance and Estate Tax collections were \$21.1 million *above* the budget plan estimate based on strong appreciation of assets such as real estate and publicly held stock over the past several years.

(4) Real Estate Conveyance Tax collections were \$13.6 million *above* the budget plan estimate. The budget plan assumed that interest rates would rise and curb the number of real estate transactions. However, rising mortgage rates did not have as great an impact as originally anticipated, which resulted in collections exceeding expectations.

(5) Investment income was \$36.6 million *above* the budget plan estimate due to the positive cash position of the Short Term Investment Fund (STIF) during the year and the continuing positive impact of the Federal Reserve Bank's interest rate increases on the rate of return of the STIF.

(6) Miscellaneous Revenue collections were \$50.3 million *above* the budget plan estimate primarily due to the State Comptroller recovering approximately \$24.3 million above the budgeted State Employee Retirement System (SERS) fringe benefit recovery rate. Recoveries were higher than anticipated because the SERS salary base was higher than budgeted, which led to over-collection. These funds were then deposited into the Miscellaneous Revenue account. Collections were also higher due to greater than anticipated revenue from negotiated settlements and refunds of expenses from prior years.

(7) Sales and Use Tax collections were \$37.9 million *below* the budget plan estimate. Actual collections grew by 3.0%, which was below the 4.5% assumed in the budget plan. Consumer spending was negatively affected by continued rising energy costs as well as a decline in disposable income as people bought new homes and assumed larger mortgage costs.

(8) Insurance Companies Tax collections were \$17.2 million *below* the budget plan estimate. The budget plan estimate assumed that collections would grow by 2.0%, but actual collections actually experienced a decline of 6.3%.

Expenditures

As originally budgeted, expenditure requirements had been estimated at \$14,837.2 million. However, actual FY 07 expenditures were \$14,724.1 million or \$113.1 million lower than originally anticipated. This figure includes the following increases and (decreases): \$40.2 million in deficiency requirements; \$5 million compensation for Wrongful Conviction and Incarceration; \$25.7 million for Refunds of Escheated Property; \$10.7 million for Adjudicated Claims; (\$63.8 million) in increased lapse savings; (\$34.6 million) in transfers to cover FY 07 deficiency requirements; (\$96.6 million) in FY 07 Carryforwards reducing FY 08 Requirements that would have otherwise lapsed and \$0.3 million in miscellaneous expenditure increases.

The amount of \$613.7 million in additional FY 07 appropriations were authorized from projected additional revenues largely stemming from additional personal income tax collections in April of 2007. These additional appropriations (of which various items were available for expenditure in FY 08 and FY 09) include: \$300 million for Teachers' Retirement Contributions; \$85 million for Securitization of the Energy Conservation Load Management (ECLM) and Clean Energy Funds; \$68.5 million for Grants to Towns; and \$30 million for Distressed Hospitals.

The original FY 07 budget was \$5.6 million under the spending cap. PA 07-1 of the June Special Session (the budget act) increased FY 07 appropriations by \$619.3 million (including \$613.7 million for miscellaneous appropriations and \$5.6 million for deficiency appropriations) of which \$497 million counted toward the spending cap. As a result, the spending cap was exceeded by \$497 million in FY 07.

Deficiencies

FY 07 General Fund deficiencies totaled \$40.2 million. Section 123 of PA 07-1 of the June Special Session (the budget act) appropriated \$5.6 million and transferred \$34.6 million from various state agency accounts to cover \$40.2 million in state agency deficiency needs for FY 07. Of the \$40.2 million deficiency total, \$22.1 million was in the University of Connecticut Health Center (due to insufficient block grant funding and operating losses at John Dempsey Hospital) and \$16.4 million was in the Department of Correction due to costs associated with an increasing incarcerated population. It should be noted that the reason for each deficiency item is mentioned in the appropriate agency budget sheet within the 2007 OFA budget book. The following table identifies the four agencies and one account that experienced deficiencies along with the corresponding amounts:

Agency	Amount of Deficiency
Department of Public Health	\$100,000
University of Connecticut Health Center	22,100,000
Department of Correction	16,400,000
Public Defender Services Commission	650,000
Workers' Compensation Claims—Department of Administrative Services	950,000
Total	\$40,200,000

**Exhibit A: FY 07 General Fund Summary
(in millions)**

	Budget Plan	Increases (Decreases)	Actual
Revenues			
Taxes	\$ 11,250.7	\$ 650.6	\$ 11,901.3
Other Revenue	1,119.3	105.5	1,224.8
Other Sources [1]	<u>2,628.0</u>	<u>29.5</u>	<u>2,657.5</u>
Total Revenue	\$ 14,998.0	\$ 785.6	\$ 15,783.6
Appropriations			
Original Appropriations - Gross	\$ 14,952.2	\$ -	\$ 14,952.2
Plus:			
Deficiency Requirements (PA 07-1, Section 123, June Special Session) [2]	-	40.2	40.2
Compensation for Wrongful Conviction and Incarceration (SA 07-5)	-	5.0	5.0
Adjudicated Claims	-	10.7	10.7
Refunds of Escheated Property	-	25.7	25.7
Miscellaneous Adjustment	-	0.3	0.3
Less:			
Lapses [3]	(115.0)	(63.8)	(178.8)
FY 07 Transfers to Cover FY 07 Deficiencies (this funding would have otherwise lapsed)	-	(34.6)	(34.6)
FY 07 Carryforwards Reducing FY 08 Requirements (this funding would have otherwise lapsed)	<u>-</u>	<u>(96.6)</u>	<u>(96.6)</u>
Total Expenditures [4]	\$ 14,837.2	\$ (113.1)	\$ 14,724.1
Surplus from Operations for FY 07	\$ 160.8	\$ 898.7	\$ 1,059.5
Disposition of FY 07 Operating Surplus (PA 07-1, June Special Session - see details on Exhibit D pages 9 through 11):			
Additional FY 07 Appropriations Carried Forward into FY 08 and FY 09 (Sec. 21)			\$ 613.7
FY 07 Carryforwards Reducing FY 08 Requirements (Various Sections)			96.6
Designates \$80 million from FY 07 General Fund Resources to be Accounted for as FY 09 Revenue (Sec. 92)			<u>80.0</u>
Total - Disposition of FY 07 Operating Surplus			\$ 790.3
Remaining FY 07 Surplus Transferred to Budget Reserve Fund [5]			\$ 269.2

[1] Includes \$41 million revenue transfer from FY 06 to FY 07 in accordance with PA 05-251, Section 91.

[2] This act appropriates \$5.6 million and transfers \$34.6 million from various state agency accounts to cover \$40.2 million in state agency deficiency needs in FY 07.

[3] The breakdown for budgeted lapses is as follows:

unallocated budgeted lapses	\$ (90.0)	\$ (75.7)	\$ (165.7)
general PS and OE reductions (holdbacks)	<u>(25.0)</u>	<u>11.9</u>	<u>(13.1)</u>
Total - Lapses Originally Budgeted	\$ (115.0)	\$ (63.8)	\$ (178.8)

[4] Excludes expenditures from prior year carryforwards and appropriations from projected surplus.

[5] General Fund surpluses occurred in the following fiscal years: \$302.2 million in FY 04; \$363.9 million in FY 05; \$446.5 million in FY 06; and \$269.2 million in FY 07, each contributing toward a total Budget Reserve Fund (BRF) balance of \$1,381.8 million (which represents 84.7% of full BRF capacity). Previously, the Budget Reserve (Rainy Day) Fund had been depleted when its prior \$594.7 million balance was used to partially cover the \$817.1 million deficit in FY 02. The maximum allowable in the Budget Reserve Fund is 10% of the amount of the net General Fund appropriations for the fiscal year in progress. With net General Fund appropriations for FY 08 totaling \$16,314.9 million, the maximum allowable in the Budget Reserve Fund is \$1,631.5 million or \$249.7 million more than the current balance.

Exhibit B: FY 07 General Fund Revenue

	Budgeted Revenue	Over(Under) Budgeted	Realized Revenue
Taxes			
Personal Income	\$6,428,400,000	\$321,062,181	\$6,749,462,181
Sales and Use	3,534,000,000	(37,889,926)	3,496,110,074
Corporations	707,100,000	183,630,342	890,730,342
Public Service Corporations	232,000,000	3,502,440	235,502,440
Inheritance and Estate	158,800,000	21,121,719	179,921,719
Insurance Companies	270,200,000	(17,184,064)	253,015,936
Cigarettes	269,900,000	(375,408)	269,524,592
Real Estate Conveyance	197,600,000	13,621,520	211,221,520
Oil Companies	135,000,000	9,404,149	144,404,149
Alcoholic Beverages	44,200,000	1,806,307	46,006,307
Admissions, Dues and Cabaret	34,100,000	(661,221)	33,438,779
Miscellaneous	139,400,000	5,117,427	144,517,427
Total Taxes	12,150,700,000	503,155,466	12,653,855,466
Refunds of Taxes	(890,000,000)	143,461,083	(746,538,917)
R & D Credit Exchange	(10,000,000)	4,017,143	(5,982,857)
Taxes Less Refunds	11,250,700,000	650,633,692	11,901,333,692
Other Revenue			
Transfer Special Revenue	280,000,000	3,808,425	283,808,425
Indian Gaming Payments	438,700,000	(8,223,970)	430,476,030
Licenses, Permits and Fees	140,200,000	11,537,839	151,737,839
Sales of Commodities and Services	33,000,000	2,528,428	35,528,428
Rentals, Fines and Escheats	43,000,000	8,782,003	51,782,003
Investment Income	47,000,000	36,610,357	83,610,357
Miscellaneous	138,000,000	50,323,701	188,323,701
Refunds of Payments	(600,000)	86,273	(513,727)
Total Other Revenue	1,119,300,000	105,453,056	1,224,753,056
Other Sources			
Federal Grants	2,573,000,000	29,774,160	2,602,774,160
Transfer to the Resources of the General Fund [1]	41,000,000		41,000,000
Transfer from the Tobacco Settlement Fund	100,000,000	-	100,000,000
Transfer to the Pequot/Mohegan Fund	(86,300,000)	-	(86,300,000)
Total Other Sources	2,627,700,000	29,774,160	2,657,474,160
Total Revenue	<u>\$14,997,700,000</u>	<u>\$785,860,908</u>	<u>\$15,783,560,908</u>

[1] Both budget plan and actual revenues reflect a \$41 million revenue transfer from FY 06 to FY 07 in accordance with PA 05-251, Section 91.

Lapses

The General Fund's year-end lapse (savings) was \$178.8 million or \$63.8 million higher than the original estimated lapse of \$115 million. This amount results from a \$75.7 million increase in the unallocated lapse, which was partially offset by a \$11.9 million reduction in savings associated with Personal Services and Other Expenses holdbacks.

The largest lapses occurred in the following agency and account (please see Exhibit C for a full listing of major lapses): \$61.4 million in the Department of Social Services, \$21 million in the Retired State Employees Health Service Cost account and \$11 million in the Debt Service account.

The final FY 07 lapse in the Department of Social Services was primarily attributable to the Medicaid and the Temporary Family Assistance (TFA) programs. The total surplus from DSS was \$138.9 million, although \$77.5 million was designated to be carried forward or transferred to meet needs in other agencies, leaving a net lapse of \$61.4 million. In Medicaid, expenditures for pharmaceuticals was \$50.2 million lower than originally anticipated, mainly due to the implementation of the federal Medicare Part D drug benefit, which shifted many state costs to the federal government. Also under Medicaid, a significant drop in enrollment in the HUSKY A program resulted in a \$19.5 million surplus. This drop in enrollment was largely due to Transitional Medicaid policy changes, Rabin lawsuit redeterminations and new proof of citizenship requirements. The TFA program saw a continued decline in caseload throughout the year, which resulted in a \$7.4 million surplus in the account. A \$30 million appropriation to the Hospital Financial Hardship account made in June, 2007 was carried forward into FY 08. The balance of the DSS lapse was due to smaller surpluses in the Other Expenses, HUSKY Outreach, Personal Services, ConnPACE and Housing/Homeless accounts, among others.

The \$21 million lapse (less than 5% of the appropriation) in the Retired State Employee Health Service Cost account is due to lower than anticipated monthly payments and lower Medicare B payment reimbursements to retirees than budgeted.

The FY 07 General Fund debt service lapse of \$11 million is the amount that remained in the account after \$36 million was carried forward into the FY 08 debt service account. The FY 07 lapse before the carry forward was \$47.0 million, which is composed of \$52.4 million in reductions from the following sources: (1) \$23.2 million in premiums* received on General Obligation (GO) bonds, (2) \$19.8 million in savings due to changes in the issuance schedule and lower than anticipated interest rates, (3) \$1.4 million in refunding savings, and (4) \$8.0 million in savings from a variety of other sources such as arbitrage rebate payments, rebate fees and trustee fees. This is partially offset by \$5.4 million in increased expenditures from the following sources: (1) \$5.2 million to defease bonds issued in 1996 by a nursing home in Bridgeport with a state-backed special capital reserve fund (SCRF) and (2) \$0.2 million for the issuance of Tax Incremental Financing (TIF) bonds for the Cabela's project in East Hartford. (*Bond purchasers pay a premium to receive a higher interest rate than the one at which the bonds would otherwise have sold.)

Please refer to Exhibit C for a listing of all General Fund lapsing appropriations of \$1 million or more.

Exhibit C: FY 07 General Fund Lapsing Appropriations of \$1 Million or More

Agency	Adjusted Appropriation (in millions)	Lapse Amount (in millions)	% of Adjusted Appropriation
Legislative Management	\$ 64.6	\$ 5.3	8.2%
Auditors of Public Accounts	11.1	1.4	12.6%
Contracting Standards Board	1.0	1.0	100.0%
State Comptroller	25.3	1.8	7.1%
Department of Revenue Services	67.9	3.6	5.3%
Division of Special Revenue	7.8	1.0	12.8%
State Insurance and Risk Management Board	13.5	1.0	7.4%
Office of Policy and Management	224.6	6.1	2.7%
Department of Information Technology	21.4	1.4	6.5%
Attorney General	31.1	1.8	5.8%
Division of Criminal Justice	47.2	1.8	3.8%
Department of Public Safety	169.1	4.5	2.7%
Department of Labor	73.2	1.6	2.2%
Commission on Culture and Tourism	29.3	1.0	3.4%
Department of Economic and Community Development	46.2	1.7	3.7%
Department of Mental Retardation	874.6	2.0	0.2%
Department of Mental Health and Addiction Services	519.4	4.8	0.9%
Department of Social Services	4,360.3	61.4	1.4%
Department of Education	2,335.8	1.1	0.0%
Teachers' Retirement Board	737.8	2.5	0.3%
Department of Children and Families	798.6	6.7	0.8%
Council to Administer the Children's Trust Fund	11.5	1.2	10.4%
Judicial Department	425.5	3.1	0.7%
Non-Functional			
Debt Service	1,428.7	11.0	0.8%
Unemployment Compensation	5.3	1.2	22.6%
Higher Education Alternative Retirement System	24.8	4.8	19.4%
Employers Social Security Tax	213.2	7.0	3.3%
State Employees Health Service Cost	457.2	6.1	1.3%
Retired State Employees Health Service Cost	436.4	21.0	4.8%
All Others	2,841.3	9.9	0.3%
Total General Fund	\$ 16,303.7	\$ 178.8	1.1%

**Exhibit D: FY 07 General Fund Surplus Disposition
(figures in \$)**

Total FY 07 Operating Surplus		1,059,550,436
	FY 08	FY 09
FY 07 Appropriations (Sec. 21)		
Leg. Mgmt. – Results Based Accountability Contract with Charter Oak Group	75,000	75,000
Leg. Mgmt. – Connecticut Academy of Science and Engineering (CASE)	400,000	-
Secretary of State – Printing New HAVA-Compliant Optical Scan Ballots	1,500,000	-
OPM – Contingency Needs	6,000,000	6,000,000
OPM – Implement Energy Initiatives	5,000,000	-
OPM – Regional Performance Incentive Program	10,000,000	-
OWC – Film Industry Equipment	500,000	-
OWC – Film Industry Study	250,000	-
DAS – Appraisal Services for State-Owned Employee Housing	-	40,000
DPW – Elections Move	1,850,000	350,000
DCJ – Replace Holsters and Magazine Pouches	4,500	-
DCJ – Replace Bullet Proof Vests	54,000	-
DPS – Helicopter Communications Hardware	150,000	-
DEMHS – School Safety (PA 07-208, Sec. 2 (b) provides for a transfer of this funding from SDE)	5,000,000	5,000,000
DPUC – State-wide Energy Efficiency and Outreach	5,000,000	-
Agriculture – Dairy Farmers	4,000,000	-
DEP – Clean Diesel Buses	5,000,000	5,000,000
DEP – Griswold Recreational Fields	50,000	-
DEP – Study of Tidal Boundaries of Connecticut Valley Hospital (CVH) Water Supply	50,000	-
Culture & Tourism – Nathan Hale	250,000	-
Culture and Tourism – Bushnell Memorial	2,000,000	-
Culture & Tourism – Fairfield Arts Council	150,000	-
Culture & Tourism – Hartford Arena Study	250,000	-
DECD – Biofuels	5,100,000	-
DECD – Deferred Maintenance for Public Housing	10,000,000	-
DECD – Home CT	4,000,000	-
DPH – Laboratory Equipment	600,000	-
DPH – On-Line Licensing	1,645,000	-
DPH – Electronic Vital Records	1,841,325	-
DPH – Birth Certificates	1,000,000	-
DPH – E-Health Information Exchange	750,000	-

	FY 08	FY 09
DMR – Information Technology-Related Other Expenses	1,778,321	-
DMHAS – Telephone Installations	170,000	-
DMHAS – Supportive Housing for Mentally Ill	500,000	-
DSS – Distressed Hospitals	30,000,000	-
DSS – Raymond Settlement	3,000,000	-
DSS – Development of SAGA Waiver	200,000	-
SDE – Fund 6 Temporary Buildings & Grounds Patrol Officers	208,836	-
SDE – Technical School Supplies	500,000	-
SDE – Distance Learning Initiative	850,000	-
SDE – DNA Epicenter in New London	250,000	-
SDE – Family Resource Study	150,000	-
SDE – Longitudinal Data Systems	3,650,000	2,750,000
SDE – Fuel Cell Project at Middletown High School	800,000	-
CDHI – Interpretive Software	320,000	-
State Library – Arts Inventory	75,000	75,000
DHE – Strategic Master Plan for Higher Education	100,000	100,000
DHE – Higher Education State Matching Grant	4,185,000	-
UConn – MBEIN	200,000	-
UConn – LISICOS program at Avery Point Campus	200,000	-
UConn Health Center – Huntington's Disease Program at UCHC	200,000	-
TRB – Fund Portion of Teachers' Retirement Contribution for FY 09	90,000,000	210,000,000
Regional Community/Technical Colleges – Operating Expenses for Laboratory Needs	520,000	-
DOC – Cheshire Prison Effluent	500,000	-
DCF – Moving Expenses	300,000	-
DCF – Adolescent Psychiatric Services	300,000	-
DOT – Town-Aid-Road	8,000,000	8,000,000
DOT – Demand Responsive Transportation	3,900,000	-
DOT – Enhanced Transit	-	5,000,000
DOT – Section 16 Projects	2,200,000	2,294,500
Treasurer – Securitization (ECLM & Clean Energy)	85,000,000	-
Treasurer – Partnership for Strong Communities Debt Service	-	3,000,000
PILOT – State	6,999,929	6,999,929
PILOT – Private	6,998,519	6,998,519
Pequot	6,748,519	6,748,519
Comptroller – Provide Health Coverage up to Age 26 (eff. 1/1/09)	-	4,000,000
State Comptroller – Other Post Employment Benefits (OPEB)	10,000,000	-
Subtotal	341,273,949	272,431,467
Total FY 07 Surplus Appropriation (2yr)		613,705,416

	FY 08	FY 09
FY 07 Carryforwards Reducing FY 08 Requirements:		
DoIT – Enhance System Security (Sec. 38)	158,738	-
DoIT – Enhance CT's Web Portal (Sec. 38)	255,000	-
DPS – Helicopter Maintenance Costs (Sec. 40)	535,000	-
DSS – Medicaid (Sec. 64)	33,200,000	-
DSS – \$5,906,052 Carryforward from DSS for Leap Year Costs in Agencies (Sec.65):	-	-
DMR – Various accounts	893,736	-
DMHAS – General Assistance Managed Care account	186,134	-
DSS – Medicaid and Aid to the Aged, Blind and Disabled accounts	4,152,735	-
DCF – Family Support Services and Board and Care for Children accounts	673,447	-
Debt Service (Sec. 74)	36,000,000	-
TRB – Retirees Health Service Cost (Sec. 75)	200,000	-
State Employee Health Service Costs (Sec. 76)	20,000,000	-
Special Revenue – Gambling Study (Sec. 77)	<u>350,000</u>	<u>-</u>
Subtotal	96,604,790	-
Total FY 07 Surplus Disposition through Appropriations and Carryforwards	437,878,739	272,431,467
Total FY 07 Operating Surplus		1,059,550,436
Total FY 07 Surplus Disposition through Appropriations and Carryforwards (2yr)		710,310,206
FY 07 Revenue to be Designated and Accounted for as FY 09 Revenue (Sec. 92)		<u>80,000,000</u>
Remaining FY 07 Surplus Transferred to Budget Reserve Fund		269,240,230

II. Transportation Fund

The Transportation Fund ended FY 07 with an annual operating surplus of \$59.5 million. This was \$10.2 million more than the budget plan surplus of \$49.3 million. This increase was the result of a \$25.5 million lapse increase partially offset by revenues that were \$15.2 million less than anticipated and \$0.1 million in other miscellaneous adjustments.

The FY 07 operating surplus of \$59.5 million combined with the prior year balance of \$133.4 million results in a cumulative fund balance of \$192.9 million as of June 30, 2007.

Revenues

Total FY 07 net Transportation Fund revenue was \$1,090.3 million, which was \$15.2 million below original estimates adopted in support of the budget plan. Revenues were lower than anticipated primarily because of reduced motor fuels taxes and sales tax collected by the Department of Motor Vehicles. This was partially offset by higher than expected revenue from License, Permits and Fees and Interest Income. Motor Fuels Tax collections were anticipated to grow by 1.0% but instead declined by 0.5% due to lower consumption as a result of higher motor fuels prices.

Expenditures

FY 07 actual expenditures ended the year \$25.4 million lower than the budget plan. This total is a combination of a \$25.5 million lapse increase and \$0.1 million in miscellaneous adjustments.

Debt Service

The Debt Service account lapsed a total of \$25.9 million. Of this total, approximately \$22 million is attributable to the elimination of a \$345.8 million Special Tax Obligation (STO) bond issuance in the Fall of 2006. The remaining lapse is primarily due to a lower than anticipated interest rate for STO bonds issued in December 2005.

Exhibit E: FY 07 Transportation Fund Summary
(in millions)

	<u>Budget</u>	<u>Increases</u>	<u>Actual</u>
	<u>Plan</u>	<u>(Decreases)</u>	
Revenues			
Taxes	\$702.6	(\$15.5)	\$687.1
Other Revenue (incl. Transfers and Refunds of Payments)	402.9	0.3	403.2
Total Revenue	\$1,105.5	(\$15.2)	\$1,090.3
 Appropriations			
Original Appropriations - Gross	\$1,067.2	--	\$1,067.2
Less:			
Lapses	(11.0)	(25.5)	(36.5)
Miscellaneous Adjustments	0.0	0.1	0.1
Total Expenditures	\$1,056.2	(\$25.4)	\$1,030.8
 Surplus/(Deficit) from Operations for FY 07	 \$49.3	 \$10.2	 \$59.5
 Plus: Cumulative Surplus as of June 30, 2006			 \$133.4
 Fund Balance as of June 30, 2007			 \$192.9

Exhibit F: FY 07 Transportation Fund Revenue
(in millions)

	<u>Budget Plan</u>	<u>Over/(Under) Budget Plan</u>	<u>Realized Revenue</u>
TAXES			
Motor Fuels Tax	\$488.6	(\$10.4)	\$478.2
Petroleum Products Tax	141.0	0.0	141.0
Sales Tax - DMV	73.0	(5.1)	67.9
Refunds of Taxes	(8.6)	0.7	(7.9)
Total - Taxes less Refunds	\$694.0	(\$14.8)	\$679.2
OTHER REVENUE			
Motor Vehicle Receipts	\$243.0	(\$18.3)	\$224.7
License, Permits and Fees	159.0	11.4	170.4
Interest Income	40.0	6.0	46.0
Transfer to Conservation Fund	(3.0)	0.0	(3.0)
Transfer to Emissions Fund	(4.0)	0.0	(4.0)
Transfers to TSB Account [1]	(20.3)	0.0	(20.3)
Refunds of Payments	(3.2)	0.5	(2.7)
Total – Other Rev. less Transfers & Refunds	\$411.5	(\$0.4)	\$411.1
TOTAL REVENUE	\$1,105.5	(\$15.2)	\$1,090.3

[1] Incremental revenue from the various DMV fee changes allocated to the Transportation Strategy Board (TSB) and deposited in the TSB projects account.

FY 07 Transportation Fund Lapsing Appropriations

The agencies and accounts funded within the Transportation Fund lapsed a total of \$36.5 million. Please refer to Exhibit G for a listing of all Transportation Fund lapsing appropriations of \$1 million or more and the percentages relative to the adjusted appropriations for each agency/account. Below is brief description of significant (approximately greater than \$1 million) Transportation Fund lapses.

Agency/Description	Lapsing Amount
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State Insurance and Risk Management Board	\$2,100,475
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The Other Expense account lapse of \$2.1 million was due to fewer paid highway liability claims. This is attributable to both favorable weather conditions and the aggressive investigation and defense of all highway liability claims.

Department of Transportation (DOT)	\$6,560,658
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<i>Personal Services</i>	<i>\$1,223,260</i>
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The Personal Services account lapsed a net total of \$1.2 million, which was attributable to delays in hiring employees and lower than anticipated overtime costs for snow and ice removal during the 2006-2007 winter season.

<i>Other Expenses</i>	<i>\$951,985</i>
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The Other Expenses account lapsed a net total of \$1.0 million, which was attributable to lower than anticipated costs for snow and ice removal during the mild 2006-2007 winter season. The account would have lapsed a additional \$1.6 million (total of \$2.6 million) but these funds were transferred by FAC #2007-8 to the Equipment account to replace a mainframe computer used for a variety of mission critical business applications and historical data warehousing. The purchase was necessary because the manufacturer of the original computer no longer provides technical support for the operating software and will soon stop providing hardware support.

<i>Rail Operations</i>	<i>\$4,385,413</i>
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The Rail Operations account lapsed a total of \$4.4 million because train ridership was higher than expected, which reduced the level of state subsidy needed to fund the system.

Non Functional Accounts

Debt Service	\$25,939,750
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The Debt Service account lapsed a total of \$25.9 million. Of this total, approximately \$22 million is attributable to the elimination of a \$345.8 million Special Tax Obligation (STO) bond issuance in the Fall of 2006. The remaining lapse is primarily due to a lower than anticipated interest rate for STO bonds issued in December 2005.

Employer Social Security Tax	\$1,028,098
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The Employer Social Security Tax account lapsed a total of \$1.0 million, which was attributable to delays in DOT hiring employees and lower than anticipated overtime costs for snow and ice removal.

**Exhibit G: FY 07 Transportation Fund Lapsing Appropriations
of \$1 Million or More
(in millions)**

Agency	<u>Adjusted Appropriations</u>	<u>Lapse Amount</u>	<u>Percent of Adjusted Appropriations</u>
State Insurance and Risk Management Board	\$2.8	\$2.1	75.0%
Department of Transportation	461.8	6.7	1.5%
Non Functional Accounts			
Debt Service	442.2	25.9	5.9%
Employer Social Security	15.0	1.0	6.7%
All Other	192.5	0.8	0.4%
Total Transportation Fund	\$1,114.3	\$36.5	3.3%