Connecticut General Assembly

OFFICE OF FISCAL ANALYSIS

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FY 09 - FY 12 General Fund and Transportation Fund Budget Projections and Fiscal Information

November 14, 2008

OFA Report Highlights

General Fund

The FY 09 General Fund deficit is projected at **$391.8 million. General Fund current services shortfalls are projected for FY 10 ($2,495.3 million), FY 11 ($3,215.2 million) and FY 12 ($3,321.3 million).**

Transportation Fund

The FY 09 Transportation Fund operating deficit is projected at $73.2 million ($76.0 million higher than budgeted), which will decrease the cumulative surplus to $105.0 million. The deficit is attributable to lower than anticipated revenue collections. **The out year projections indicate that this trend will continue, with the Transportation Fund experiencing operating deficits through FY 12 and the fund's cumulative balance going into deficit beginning in FY 10.** The operating deficits are attributable to expenditures that are expected to grow at a faster rate than revenues.

General Fund Budget Projections FY 09 through FY 12
as of November 14, 2008
(in millions)

	Estimated	OFA Current Services Estimates 11/14/08		
Budget Overview:	**FY 09**	**FY 10**	**FY 11**	**FY 12**
Revenues	16,627.1	15,905.1	16,153.1	17,022.3
Expenditures	17,018.9	18,400.4	19,368.3	20,343.6
Balance	**(391.8)**	**(2,495.3)**	**(3,215.2)**	**(3,321.3)**
Deficit as a % of budget	2.3%	13.6%	16.6%	16.3%
Spending Cap Comparison (All Funds):	(0.6)	294.3	516.9	756.4

Amount Total Appropriation Over/(Under) Cap assumes the legislature will appropriate up to the allowed expenditure limit in FY 09 and that the appropriation will not exceed allowed expenditures in FY 10 and FY 11.

General Fund Growth Rates
(Growth rates reflect one-time base adjustments)

	FY 10	FY 11	FY 12
Revenue	-2.1%	1.5%	5.4%
Expenditures	7.2%	5.3%	5.1%

FY 09 General Fund Summary
as of November 14, 2008
(in millions)

	Budget Plan	Increases (Decreases)	Projected
Revenues			
Taxes	$ 12,971.1	$ (632.8)	$ 12,338.3
Other Revenue	1,208.4	(83.2)	1,125.2
Other Sources [1]	2,893.6	270.0	3,163.6
Total Revenue	**$ 17,073.1**	**$ (446.0)**	**$ 16,627.1**
Appropriations			
Original Appropriations - Gross	$ 17,190.5	$ -	$ 17,190.5
Plus:			
FY 09 Deficiency Requirements	-	79.7	79.7
Criminal Justice System Appropriation (PA 08-51)	-	10.0	10.0
Energy Assistance (PA 08-1, August Special Session)	-	28.0	28.0
Home Heating Relief (PA 08-2, August Special Session)	-	51.0	51.0
Governor's July Recisions		(115.8)	(115.8)
Governor's September Recisions		(34.4)	(34.4)
Adjudicated Claims	-	7.5	7.5
Refunds of Escheated Property	-	34.0	34.0
Less:			
Lapses [2]	(117.5)	(114.2)	(231.6)
Total Expenditures [3]	**$ 17,073.0**	**$ (54.2)**	**$ 17,018.9**
Balance	**$ 0.1**	**$ (391.8)**	**$ (391.8)**

[1] Major components include: 1) $83.4 million transfer from unappropriated FY 08 surplus ($79 million was appropriated for energy assistance and home heating relief in FY 09 as indicated in the Appropriations section above); and 2) $157 million in federal reimbursement under Medicaid for one-time cost settlement of rate adjustments.

[2] The breakdown for lapses is as follows:

Unallocated lapses	$ (92.5)	$ (114.2)	$ (206.6)
General PS and OE reductions (holdbacks)	(25.0)	-	$ (25.0)
Total - Lapses	$ (117.5)	$ (114.2)	$ (231.6)

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

FY 09
General Fund Revenue Estimates
($ - Thousands)
November 14, 2008

	Budget Plan			OFA Estimates	
	Growth Rate {1}	FY 09 Estimate	Over/(Under) Budget Plan	Growth Rate {1}	FY 09 Estimate
Taxes					
Personal Income	6.6	7,676,400	(211,400)	3.1	7,465,000
Sales and Use	3.8	3,747,700	(117,700)	3.2	3,630,000
Corporations	(5.0)	791,500	(87,200)	0.0	704,300
Public Service Corporations	2.0	257,800	(11,200)	3.5	246,600
Inheritance and Estate	3.0	191,000	(6,000)	3.0	185,000
Insurance Companies	2.0	263,300	(56,300)	2.0	207,000
Cigarettes	0.0	348,100	(28,100)	0.0	320,000
Real Estate Conveyance	2.0	204,000	(77,200)	(10.0)	126,800
Oil Companies	0.0	144,300	(16,800)	0.0	127,500
Alcoholic Beverages	1.0	47,500	100	1.0	47,600
Admissions, Dues and Cabaret	2.0	35,100	2,400	2.0	37,500
Miscellaneous	0.0	145,000	(3,000)	0.0	142,000
Total Taxes		**13,851,700**	**(612,400)**		**13,239,300**
Refunds of Taxes		(874,100)	(14,900)		(889,000)
R & D Credit Exchange		(6,500)	(5,500)		(12,000)
Taxes Less Refunds		**12,971,100**	**(632,800)**		**12,338,300**
Other Revenue					
Transfer Special Revenue		282,500	7,700		290,200
Indian Gaming Payments		449,000	(62,300)		386,700
Licenses, Permits and Fees		153,500	-		153,500
Sales of Commodities and Services		38,000	(6,000)		32,000
Rentals, Fines and Escheats		52,900	38,500		91,400
Investment Income		85,000	(55,000)		30,000
Miscellaneous		148,100	(6,100)		142,000
Refunds of Payments		(600)	-		(600)
Total Other Revenue		**1,208,400**	**(83,200)**		**1,125,200**
Other Sources					
Federal Grants		2,768,100	186,600		2,954,700
Transfer to the Resources of the General Fund		96,000	83,400		179,400
Transfer from Tobacco Settlement Fund		115,800	-		115,800
Transfer to Other Funds		(86,300)	-		(86,300)
Total Other Sources		**2,893,600**	**270,000**		**3,163,600**
Total Revenue		**17,073,100**	**(446,000)**		**16,627,100**

{1} Tax growth rates reflect adjustments for rate and base changes.

Budget Reserve Fund Status
as of November 14, 2008
(in millions)

Current Status:

Maximum Allowable in BRF @ 10% of net GF approps. for FY 09		1,716.2
Recent Surpluses Deposited in Budget Reserve (Rainy Day) Fund:		
FY 04	302.2	
FY 05	363.9	
FY 06	446.5	
FY 07	269.2	
Total - BRF (80.5% of full capacity)		1,381.8
Extent to Which BRF Not Fully Funded (19.5%)		334.4

Note: Per PA 08-1 and PA 08-2 of the August Special Session, the FY 08 unappropriated surplus of $83.4 million was transferred to FY 09 revenue.

TABLE OF CONTENTS

General Fund and Transportation Fund Budget Projections

(as of November 14, 2008)

I. FY 09 General Fund

Our projections for the fiscal year ending June 30, 2009 indicate a **potential deficit of $391.8 million** (which represents 2.3% of the budget). This deficit assumes that in addition to the originally budgeted surplus of $0.1 million, **estimated revenues will be $446.0 million lower than budgeted** and **estimated expenditures will be $54.2 million lower than net appropriations.**

<u>Revenues</u>

The estimated $446.0 million net **decrease** in FY 09 General Fund revenue collections is due to projected increases of $318.7 million and decreases of $764.7 million.

The three most significant **increases** are: (1) $186.6 million in Federal Grants, (2) $83.4 million in Transfers to Resources of the General Fund, and (3) $38.5 million in Rentals, Fines, and Escheats. The most significant **decreases** are: (4) $211.4 million in the Personal Income Tax, (5) $117.7 million in the Sales and Use Tax, (6) $87.2 million in the Corporate Business Tax, (7) $56.3 million in the Insurance Companies Tax, (8) $77.2 million in the Real Estate Conveyance Tax, (9) $62.3 million in Indian Gaming Payments, and (10) $55 million in Investment Income.

The projected major revenue **increases** are as follows:

(1) **Federal Grants** are anticipated to be $186.6 million greater than originally estimated mainly due to the expected receipt of $157 million from a cost settlement of state facility rates (see the Efforts to Obtain Federal Funds section of the report for further information). This is a one-time revenue gain based on past expenditures.

(2) **Transfers to the General Fund** will be $83.4 million greater than originally budgeted as a result of PA 08-1 and PA 08-2 of the August Special Session, which transfers this amount from FY 08 revenues to cover increases in FY 09 programs for energy assistance and home heating relief.

(3) **Rentals, Fines, and Escheats** is anticipated to be $38.5 million greater than originally estimated due to the sale of escheated stocks and other securities currently held by the State Treasurer's Unclaimed Property Division.

The projected major revenue **decreases** are as follows:

(4) **Personal Income Tax** collections are anticipated to be $211.4 million lower than originally estimated due to:

a) ***Withholding Payments:*** Anticipated collections from withholding on wages and salaries has been decreased by $214.0 million, which is composed of $34.0 million in actual collections compared to original forecasts through October and $180.0 million in projected collections for November through June. The revised estimates assume that collections for the remainder of the year will grow by 2% instead of the 6% rate assumed when the original estimates were developed.

b) ***Estimated Payments:*** FY 09 collections have been reduced by $87.0 million to reflect lower than anticipated payments due by April 15th and June 15th 2009 as a result of the decline in the financial and credit markets. The revised estimates assume that payments for the remainder of the year will decline by 10% instead of growing by 8%.

c) ***Final Payments:*** 2008 income year final payment revenue is expected to be $89.6 million greater than projected based on FY 08 revenue collections received from the 2007 income year.

(5) **Sales and Use Tax** collections are anticipated to be $117.7 million lower than originally estimated. This is composed of: (1) a decline in actual collections of $37 million compared to original estimates through October 2008 and (2) a projected decline of $80.6 million in collections for November 2008 though June 2009. The revised estimates assume that collections for the remainder of the year will grow by 1.5% rather than 3.6%.

(6) **Corporation Business Tax** collections are anticipated to be $87.7 million lower than originally estimated. This reduction reflects data on actual collections from FY 08, which was used to update the estimate that was adopted by the Finance, Revenue, and Bonding Committee on June 22, 2007.

(7) **Insurance Companies Tax** collections are anticipated to be $56.3 million lower than originally estimated as a result of FY 08 collection data since the estimate was adopted by the Finance, Revenue, and Bonding Committee on June 22, 2007.

(8) **Real Estate Conveyance Tax** collections are anticipated to be $77.2 million lower than originally estimated, which reflects FY 08 collection data since the estimate was adopted by the Finance, Revenue, and Bonding Committee on June 22, 2007. The decline in tax revenue is the result of year-to-date sales falling by 26% and 7.7% decrease in median prices statewide.

(9) **Indian Gaming Payments** are anticipated to be $62.3 million lower than originally estimated. The FY 09 original estimates assumed that payments would grow by 2.6% but actual year-to-date payments have declined by 9.8%. This continues a trend that began in the fall of 2007 when a combination of: (1) high fuel prices, (2) increased competition from other states, and (3) concerns about the economy led to a decline in casino patronage.

(10) **Investment Income** is anticipated to be $55 million lower than estimated. The annualized rate of return for the Short-Term Investment Fund (STIF) is currently 1.84% compared to 5.50% rate in June 2007 when the estimate was developed.

Expenditures

The FY 09 estimated expenditures of $17,018.9 are a **reduction** of $54.2 million to the budgeted $17,073.0 million. The reduction in expenditures is largely attributable to: $114.2 million in increased lapse (savings) and $150.2 million in Governor recisions. This is partially offset by $79.7 million in deficiency needs, and $79 million in energy related appropriations (PA 08-1 and PA 08-2 of the August Special Session).

The total FY 09 estimated lapse is $381.8 million. The table below identifies the major components of the estimated lapse.

General Fund Lapses (in millions)	
OFA Estimated Revised Lapse	$231.6
Governor's Recisions	$150.2
OFA Estimated Lapse	**$381.8**

OFA's estimated lapse of $381.8 **exceeds** the budgeted lapse by $264.4 million (which includes $150.2 million in Governor's recisions). The $117.5 million lapse anticipated in the budget includes: $92.5 million in unallocated budgeted lapses and $25 million in Personal Services (PS) and Other Expenses (OE) holdbacks. The Office of Policy and Management has reduced agency allotments to reflect the imposition of PS and OE holdbacks.

The table below provides a further breakout of the various components of the lapse.

General Fund Lapses ($ in millions)	
DSS Medicaid	80.0
OPM PILOT Manufacturing & Equipment	38.7
Debt Service	33.0
Department of Children & Families	9.0
Fringe Account - Retired State Employee Health	5.0
Other Identified Lapses (less than $3 million each)	15.9
Additional Lapse Projected Beyond Amount Already Identified	25.0
Total - Revised Unallocated Lapses	**206.6**
Personal Services Reductions (Holdbacks)	14.0
Other Expenses Reductions (Holdbacks)	11.0
Total - Revised Projected Lapses	**231.6**
Recisions and Lapses	
Governor's Recisions	150.2
OFA Revised Projected Lapses	231.6
TOTAL LAPSE (Recisions, Holdbacks & Unallocated)	**381.8**
TOTAL LAPSE EXCEEDING BUDGET	**264.4**

Below is a further explanation of some of the significant identifiable lapsing appropriations included in the above table:

Debt Service - The General Fund debt services account has a projected lapse of $48 million. Of the $48 million total, $15 million has been recognized by the Governor in her budget recision plan; this leaves a balance of $33 million in unallocated lapse. The $48 million total lapse is composed of: (1) $19.0 million in savings due to changes in the issuance schedule and lower than anticipated interest rates, (2) $25.0 million in premiums* received on nontaxable General Obligation (GO) bonds, (3) $1.3 million in savings due to refunding of debt, and (4) $2.7 million in savings from a variety of other sources such as arbitrage rebate payments, rebate fees and trustee fees. (*Bond purchasers pay a premium to receive a higher interest rate than the one at which the bonds would otherwise have sold.)

DSS Medicaid - The Department of Social Services (DSS) has a projected lapse of $80 million in FY 09, primarily from the Medicaid program. A portion of this lapse ($40 million) results from FY 08 cost and caseload trends that were not taken into account (FY 09 budget revisions were not enacted). The remainder of this projected lapse relates to the $97.3 million in FY 08 funding that was carried forward into FY 09. It is unclear whether DSS will be able to expend these funds as intended due to the difficulties related to making retroactive rate adjustments and Managed Care Organizations (MCO) payments given the transitions in the HUSKY program. It should be noted that at this time the provider network for both the HUSKY and Charter Oak programs has not been fully established by the new contractors. As such, both the cost and utilization of services may differ greatly from the currently projected model. Depending on the time necessary to develop the new networks and the method of resolution, actual costs under these two programs may be higher or lower than projected.

Office of Policy and Management - A lapse of $38.73 million is anticipated in the Payment-in-Lieu of Taxes for Manufacturing Machinery and Equipment (PILOT MME) due to lower than projected claims. Final claims data will be available in December. This lapse is $13.8 million higher than the proposed FY 09 technical reduction of $24.93 million that was not enacted, because midterm budget adjustments were not made to the biennial budget.

Department of Children and Families - The Department of Children and Families has a projected $21.7 million lapse. Of this total, $12.7 million has been identified in the Governor's recisions, leaving a balance of $9.0 million in unallocated lapses.

The unallocated lapse reflects shortfalls totaling $6.7 million in the following areas: 1) Other Expenses, due to increased office rental expenses ($2.0 million); 2) Board and Care for Children - Adoption, due to placements in excess of budgeted levels ($4.0 million); 3) Individualized Family Supports, due to projected flexible funding expenditures in excess of budgeted levels ($.4 million); and 4) Community KidCare, due to an agreement to enhance Emergency Mobile Psychiatric Services to comply with terms of the W.R. Settlement Agreement ($0.3 million).

The above shortfalls will be offset by lapsing funds totaling $15.7 million under the following accounts: 1) Workers' Compensation Claims, to reflect recent payment trends ($1.3 million); 2) Family Support Services, due to the development of fewer than anticipated therapeutic foster homes ($1.7 million); 3) Board and Care for Children - Foster, due to reduced numbers of children in foster care ($3.0 million); and 4) Board and Care for Children - Residential, due to delays in new program development and reduced numbers of children in various residential settings ($9.7 million).

Comptroller's Misc. Fringe - Retired Health Service - The Retiree Health Services account was originally budgeted based upon an anticipated rate increase in FY 09. The actual rates that were negotiated by the Comptroller's Office did not increase from FY 08, resulting in a $29.2 million lapse. Of the total, $24.2 million has been recognized by the Governor in her budget recisions; this leaves a balance of $5 million in unallocated lapse.

Deficiencies

The anticipated lapse is offset by $79.7 million in projected deficiencies. These net deficiencies are occurring within the Departments of Correction ($37.5 million), Mental Health & Addiction Services ($15.9 million), Developmental Services ($3.5 million), Public Safety ($3.5 million) and Education ($6.3 million); the UConn Health Center ($11.5 million) and the Department of Administrative Services - Workers' Compensation ($1.5 million). Please see the explanations for all FY 09 projected deficiencies which begin below. In addition to the $79.7 million identified deficiencies, projected payments for two non-budgeted accounts are factored into our FY 09 estimated expenditures: Adjudicated Claims of $7.5 million and Refunds of Escheated Property at $34.0 million.

Department of Correction

OPM Net Deficiency ($18,320,000)	OFA Net Deficiency ($37,536,619)	Less: Available Funds $4,866,485	OFA Remaining Deficiency ($32,670,134)

DOC is currently facing a budget shortfall of $37.5 million, which represents about 5.5% of its FY 09 budget. This assumes that a Personal Services holdback of $3,079,246 and an Other Expenses holdback of $1,787,239 are not released. If the holdbacks were released, an estimated remaining deficiency of $32.7 million would result.

The agency began the fiscal year with unbudgeted costs of $26.2 million. This amount represents technical adjustments that were included in the Governor's Recommended Revised Budget for FY 09 but were not provided due to a lack of a budget agreement (the Appropriations Committee also recommended these funds). Detail is contained in Table 1.

Table 1: Governor's Recommended FY 09 Adjustments

Governor's Recommended FY 09 Adjustments	$ Amount
Annualize FY 08 Deficiency Needs[1]	12,796,645
Expansion of Carl Robinson Facility[2]	2,965,817
Increased Correctional Officers Funding[3]	840,778
Additional Staffing for Prison & Parole[4]	4,612,869
Provide Funds for 2nd Degree Burglary Penalty Increase[5]	4,740,147
Physician On-Call Cost Adjustment[6]	13,520
Water Rate/Fee Increase	196,036
Total	**$26,165,812**

Currently, the agency's level of deficiency is $11.4 million higher than at the start of the fiscal year, for a total of $37.5 million. See Table 2 for detail by account.

1 To annualize the deficiency of $18.3 million that occurred in FY 08.

2 Program space at this facility was converted into inmate space; this funding is for increased staffing cost.

3 Additional funds for staffing increased population; offset by reduction in overtime costs.

4 66 additional correctional, parole, and counselor staff.

5 PA 08-1 extended the prison term from 50% to 85% for 2nd degree burglary which could add 180 inmates per year to the population.

6 Collective bargaining agreement adjustment.

Table 2: DOC Accounts/Expenditures

DOC FY 09 Budget				
Account	**Est. Exp.**	**Appropriation**	**% of budget**	**Surplus/deficit**
Personal Services	$443,825,557	$423,816,824		($20,008,732)
Holdback		3,079,246		3,079,246
Adjusted Total	**443,825,557**	**426,896,070**	**63.3%**	**(16,929,486)**
Other Expenses	88,788,884	71,297,175		(17,491,709)
Holdback		1,787,239		1,787,239
Adjusted Total	**88,788,884**	**73,084,414**	**10.8%**	**(15,704,470)**
Equipment	100	100	0.0%	
Stress Management	5,987	5,987	0.0%	
Workers' Comp	24,898,513	24,898,513	3.7%	
Inmate Medical Services	104,393,330	104,194,273	15.4%	(199,057)
Board of Pardons & Paroles	5,422,827	5,585,707	0.8%	162,880
Mental Health AIC	500,000	500,000	0.1%	
Cheshire Effluence	0	0	0.0%	
Persistent Violent Felony Offenders Act	2,147,000	2,147,000	0.3%	
Aid to P&D Inmates	9,500	9,500	0.0%	
Legal Services to Prisoners	768,595	768,595	0.1%	
Volunteer Services	170,758	170,758	0.0%	
Community Support Services	36,176,243	36,176,243	5.4%	
Total all Accounts	**$707,107,294**	**$674,437,160**	**100%**	**($32,670,134)**

DOC's deficiency is related to correction officer and inmate/facility expenses due to an increased inmate population. See Table 3 for a listing of the major areas of deficiency.

Table 3: Major Deficiency Areas

Item	FY 09 $
Overtime	(18,041,084)
Motor Vehicle Costs (Fuel/Repairs, etc.)	(829,540)
Food, Kitchen, Clothing	(6,188,086)
Utilities (Oil, Electric, Water, etc)	(5,385,365)
Premises Costs (Repair, Maint, Alarms)	(2,479,312)
Total	**(32,923,388)**

Workers' Compensation Claims - Department of Administrative Services

OPM Net Deficiency	OFA Net Deficiency	Less: Available Funds	OFA Remaining Deficiency
($1,500,000)	($1,500,000)	$0	($1,500,000)

The Workers' Compensation Claims account has a projected net deficiency of $1.5 million, which represents 6.5% of its FY 09 appropriation of $23.2 million. The Department of Administrative Services Workers' Compensation account is responsible for the workers' compensation claims costs for 84 agencies that do not receive a direct workers' compensation appropriation.

The projected deficiency of $1.5 million is being driven by significant increases in medical costs and indemnity costs on older claims, as well as the roll-out of the FY 08 deficiency.

Department of Mental Health and Addiction Services

OPM Net Deficiency	OFA Net Deficiency	Less: Available Funds	OFA Remaining Deficiency
$0	($15,900,000)	$5,059,602	($10,840,398)

The Department of Mental Health and Addiction Services has a projected net deficiency of $15.9 million, which represents 2.4% of its FY 09 appropriation of $663 million (includes Disproportionate Share expenditures). This assumes that a Personal Services holdback of $1,963,008; an Other Expenses holdback of $848,364; and $2,248,230 in recisions, are not released. If the holdbacks and recisions were released, an estimated remaining deficiency of $10.8 million would result.

This deficiency is due to Personal Services ($9.2 million), Other Expenses ($4.2 million), Professional Services ($1.2 million), Young Adult Services ($500,000) and TBI Community Services ($800,000). The Personal Services shortfall is largely due to increased staffing and overtime costs incurred at the Connecticut Valley Hospital in reaction to the federal Department of Justice and Centers for Medicare/Medicaid Services review and recommendations. The Other Expenses deficiency is due to: 1) repair expenses related to patient safety at various state facilities, 2) continuing increases in utility costs and 3) lease expenses.

These deficiencies are primarily a rollout of the costs that occurred in FY 08 and were not budgeted in FY 09. The Governor's Recommended Revised Budget for FY 09 included $12.26 million in technical adjustments as a result of the agency's FY 08 shortfall. Funding was not provided, because no revisions were made to the second year of the biennial budget.

Department of Public Safety

OPM Net Deficiency $0	OFA Net Deficiency ($3,481,934)	Less: Available Funds $3,343,768	OFA Remaining Deficiency ($138,166)

A deficiency of $3.5 million is currently projected for the Department of Public Safety, which represents 2.0% of its FY 09 appropriation of $170.5 million. This assumes that a Personal Services holdback of $914,278; an Other Expenses holdback of $738,136; and $1,691,354 in recisions, are not released. If the holdbacks and recisions were released, an estimated remaining deficiency of $.14 million would result. The table below illustrates the projected deficiencies in each account.

	FY 09 Appropriation	FY 09 Adjustments[1]	FY 09 Adj. Approp.	FY 09 Est. Exp.	FY 09 Surplus/(Deficit)
Personal Services	$127,152,624	$9,011,292	$136,163,916	$136,163,916	$ -
Other Expenses	30,168,604	(738,136)	29,430,468	32,823,221	(3,392,753)
Equipment	56,512	(5)	56,507	56,507	-
Stress Reduction	53,354	27,332	80,686	80,686	-
Fleet Purchase	8,372,441	(417,557)	7,954,884	7,954,884	-
Gun Law Task Force	400,000	252,818	652,818	652,818	-
Workers' Compensation	3,619,776	(180,989)	3,438,787	3,527,968	(89,181)
COLLECT	51,500	(2,575)	48,925	48,925	-
Urban Violence Task Force	318,018	-	318,018	318,018	-
Civil Air Patrol	36,758	(1,838)	34,920	34,920	-
Narcotics Task Force	238,800	-	238,800	238,800	-
Totals	**$170,468,387**	**$7,950,342**	**$178,418,729**	**$181,900,663**	**($3,481,934)**

The table below summarizes the major factors contributing to the deficiency in Other Expenses.

Motor vehicle costs above the budgeted rate	$1,557,053
Four IT contracts for communications equipment, radio towers, dispatch equipment, and records management that are ineligible for funding from the Capital Equipment Purchase Fund (CEPF), as was originally intended	560,594
Payments to Cogent Systems for Automated Fingerprint Identification System (AFIS) maintenance that was provided in FY 07 but never paid	447,260
Cost overrun for 2,000 flight-hour maintenance on Trooper One	309,000
Unanticipated maintenance to the AFIS system	202,758
The services of an IT Data Coordinator for DPS within the Department of Information Technology (DOIT) that was not originally budgeted	111,588[2]
Per diem costs for a forensics expert related to litigation against Maximus Consulting for upgrades to the COLLECT system	84,000
DOIT rate increases	70,500
Usage charges for new COLLECT terminals at various law enforcement agencies that were not originally budgeted	50,000
Total	**$3,392,753**

1 Adjustments include holdbacks, recisions, salary adjustments, and carry forwards.
2 Amount includes fringe benefit costs.

University of Connecticut Health Center

OPM Net Deficiency $0	OFA Net Deficiency ($11,500,000)	Less: Available Funds $0	OFA Remaining Deficiency ($11,500,000)

General Fund support for the University of Connecticut Health Center (UCHC) is traditionally limited to a block grant for the educational portion of the Health Center's budget. However, the UCHC is experiencing a significant overall deficit. The original FY 09 budget, adopted by the UCHC Board of Directors and the UConn Board of Trustees, projected an $11.5 million deficit. It appears at present that certain revenue assumptions, including the level of Medicare reimbursement and collections for indirect costs of graduate medical education, may not be realized. Therefore, it is possible that the projected deficiency may grow by the end of the fiscal year.

Department of Developmental Services

OPM Net Deficiency $0	OFA Net Deficiency ($3,500,000)	Less: Available Funds $13,811,611	OFA Remaining Lapse $10,311,611

The Department of Developmental Services (DDS) has a projected net deficiency of $3.5 million, which represents .36% of its FY 09 appropriation of $974 million. It is anticipated that $3.8 million available in the Personal Services and Workers' Compensation Claims accounts will be transferred to cover some of the shortfall, which would result in a $3.5 million net deficiency. This assumes that a Personal Services holdback of $2,287,979; an Other Expenses holdback of $683,993; and $10,839,639 in recisions are not released. If the holdbacks and recisions were released, an estimated lapse of $10.3 million would result.

The gross deficiency of $7.3 million is due to Other Expenses ($1.0 million) and Early Intervention ($6.3 million). The Other Expenses (OE) shortfall is due to unbudgeted energy costs. Natural gas costs will result in 60% of the $1 million shortfall. The overall energy related cost anticipated in FY 09 within the OE account is $8.2 million (out of the $28.2 million estimated expenditures in the OE account). The major components of the energy related cost include: motor vehicle fuel, natural gas and electricity.

The Early Intervention account shortfall of $6.3 million is due to increased service delivery in the Birth-to-Three program. This includes:

- $1.3 million due to a 3.5% growth in direct service units in FY 09;
- $1.2 million increased autism specific programs and supplemental costs;
- $2.1 million in unfunded FY 08 costs;
- $1.0 million in FY 08 invoices that were paid in FY 09; and
- $0.6 million in reduced federal Part C IDEA funding (the federal grant that supports the Birth-to-Three program).

It should be noted that although it is not part of the agency's deficiency, the Voluntary Services Program (VSP) is anticipated to result in a $4.3 million shortfall. This program is funded within the Community Residential Services account. It is anticipated that the current level of funding within the account will be able to support the $4.3 million in additional VSP needs (which is 1.1%

of the $384 million appropriation). The VSP supports referrals from the Department of Children and Families (individuals who are voluntarily placed with DCF that are DDS clients). The shortfall within the VSP is due to higher than budgeted current year caseload in addition to unbudgeted FY 08 annualized caseload growth. This reflects a rollout of the costs that occurred in FY 08 and were not budgeted in FY 09. The Governor's Recommended Revised Budget for FY 09 included funding to annualize the FY 08 shortfall and support a revised FY 09 caseload. Funding was not provided, as a comprehensive revision to the second year of the biennial budget was not produced.

Department of Education

OPM Net Deficiency	OFA Net Deficiency	Less: Available Funds	OFA Remaining Deficiency
$0	($6,300,000)	$2,900,000	($3,400,000)

A deficiency of $6.3 million is currently projected in the Department of Education for Special Education - Excess Costs grants, which represents 0.2% of the agency's FY 09 appropriation of $2.668 billion. This assumes that a Personal Services holdback of approximately $975,000; an Other Expenses holdback of approximately $429,000; and approximately $1,500,000 in recisions are not released. If the holdbacks and recisions were released, an estimated remaining deficiency of $3.4 million would result. In FY 08, a Finance Advisory Committee (FAC) transfer of approximately $5.4 million was required to provide sufficient funding for Excess Costs grant payments. The original FY 09 appropriation of $133.9 million was not adjusted to reflect the FY 08 FAC action.

Total OFA Net Deficiencies
($79,718,553)

Other Miscellaneous Items

State Employee Wage Increases - Of the 33 collective bargaining contracts, three bargaining units (Correction Officers NP-4, Correction Supervisors NP-8, and Maintenance and Service NP-2) have contracts that expired on June 30, 2008 and are not funded in FY 09. Eleven bargaining units have contracts that expire on June 30, 2009. The extent to which agencies' budgets and the Reserve for Salary Adjustments account can absorb any of the increases that may occur during the year is uncertain at this time. Some level of additional appropriation is likely but will ultimately depend upon the number of unsettled contracts or arbitration awards submitted for approval prior to the end of the fiscal year.

Collective Bargaining Contracts - contracts become unsettled in the following fiscal years	
	Unsettled Contracts
FY 09	3
FY 10	11
FY 11	10
FY 12	8
FY 13	1

Budget Reserve (Rainy Day) Fund Status - General Fund surpluses resulted in the following additions to the BRF: $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, which contributed toward a total Budget Reserve Fund (BRF) balance of $1,381.8 million (80.5% of full BRF capacity). There was no contribution to the BRF in FY 08; PA 08-1 and PA 08-2 of the August Special Session, transferred the FY 08 unappropriated surplus of $83.4 million to FY 09 revenue. The BRF 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 BRF is 10% of the amount of the net General Fund appropriations for the fiscal year in progress. With net General Fund appropriations for FY 09 totaling $17,162.0 million, the maximum allowable in the BRF is $1,716.2 million or $334.4 million more than is currently deposited.

Budget Reserve (Rainy Day) Fund Status (in millions)		
Current Status:		
Maximum Allowable in BRF @ 10% of net GF approp. for FY 09		1,716.2
Recent Surpluses Credited to the Budget Reserve Fund		
FY 04	302.2	
FY 05	363.9	
FY 06	446.5	
FY 07	269.2	
Total - BRF (80.5% of full capacity)		1,381.8
Extent to which BRF not fully funded (19.5%)		334.4

The $594.7 million balance that remained in the BRF in FY 01 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. It should be noted that PA 03-2 (the Deficit Mitigation Act) increased the maximum allowable in the BRF 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%.

PA 03-1 (September 8 Special Session) authorized the State Treasurer to issue 5-year, tax exempt, general obligation Economic Recovery Notes to finance the $96.6 million General Fund deficit in FY 03. The act provided that no principal would be paid during the fiscal year of issuance. The remaining deficits from FY 02 and FY 03 have been paid off by intercepting anticipated surplus funds in both FY 05 ($137.7 million) and FY 06 ($85.5 million).

II. FY 10 through FY 12 General Fund Budget Projections

Our current services analysis indicates potential General Fund shortfalls as follows: FY 09 $391.8 million; FY 10 $2,495.3 million; FY 11 $3,215.2 million; and FY 12 $3,321.3 million. Current services expenditures would exceed the spending cap by $294.3 million in FY 10; $516.9 million in FY 11 and $756.4 million in FY 12. These estimates assume that the legislature will appropriate up to the allowed expenditure limit in FY 10 and that the appropriation will not exceed allowed expenditures in FY 11 and FY 12.

The FY 10 deficit assumes a revenue decline with modest additional current services expenditure requirements. The FY 10 current services projection would result in a 7.2% rate of expenditure growth from FY 09 (which reflects one-time base adjustments). The revenue is anticipated to declined by 2.1% (adjusted growth rate) in FY 10. The expenditure and revenue growth rates for FY 11 would be 5.3% and 1.5% respectively.

The major structural difficulties that are attributable to the FY 10 through FY 12 shortfalls are identified below.

Structural Difficulties in the Out Years
(in millions)

	FY 10	FY 11
FY 09 One-Time Revenues:		
FY 09 One-time Federal Reimbursement	157.0	157.0
FY 08 Surplus Transfer to FY 09 (PA 08-1 & 2; August Special Session)	83.4	83.4
FY 07 Anticipated Surplus to FY 09 Revenue (PA 07-1 JSS)	80.0	80.0
FY 08 Revenues to FY 09 (PA 07-1 JSS)	16.0	16.0
One-time Liquidation of Unclaimed Securities	35.4	35.4
Total Revenue	**371.8**	**371.8**
Expenditures:		
Teachers' Retirement - FY 09 was funded from FY 07 Surplus	210.0	210.0
Additional Debt Services Associated with Teachers' Retirement Bonds	58.5	65.3
DSS Charter Oak - previously funded from Tobacco & Health Trust Fund	25.0	25.0
Juvenile Jurisdiction Age Change (PA 07-4, effective 1/1/10) - subject to the Juvenile Policy Council's recommendations	26.0	68.5
Persistent Dangerous Felony Offender (PA 08-51) - $10 million appropriated in FY 09	18.4	19.0
Criminal Justice Reform (PA 08-1 January Special Session)	16.9	17.6
Total Expenditures	**354.8**	**405.4**
Total Impact of Major Items	**726.6**	**777.2**

Included in our FY 12 projections is the rollout of the above structural difficulties in addition to $113.6 million for the 27th payroll for state employees. Projections in this report are based on present law, existing policy commitments, estimated caseload and workload requirements. The FY 10 through FY 12 figures use FY 09 as the baseline for revenue and expenditure projections with modest growth. These estimates show the direction of revenues and spending if current laws and policies remain unchanged. They are not forecasts of what will actually occur, since policymakers will likely seek to alter current priorities.

Revenues FY 10 through FY 12

The projections for FY 10 through FY 12 were developed based on the revised FY 09 estimates adjusted for one-time revenue changes. The projections assume that revenues will be severely impacted by the effects of the September-October contraction in the nation's financial markets and economic recession. The near-term outlook for Connecticut is for the state to lose approximately 30,000 jobs by the end of 2009. This will exacerbate the recent negative trends in consumer spending and continue to impact an already weak housing market caused by the sub-prime lending problem.

Current economic forecasts predict that the national economy will begin to recover by mid-2010 but Connecticut's economy will not recover as quickly or as strongly as the national economy.

The table below presents the growth rates for the major General Fund revenue sources. The growth rates were developed using relevant economic variables forecasted by Moody's/Economy.com for Connecticut for calendar years 2009 through 2012.

Revenue Source	FY 10	FY 11	FY 12
Personal Income Tax:			
Withholding	2.2%	4.0%	4.0%
Estimated Payments	-14.5%	0.0%	11.8%
Final Payments	-30.0%	-18.6%	23.5%
Sales Tax	1.9%	3.4%	3.0%
Corporate Business Tax	0.0%	2.0%	2.0%

Expenditures FY 10 through FY 12

The FY 10 projection of $18,400.4 million represents a $1,381 million increase over FY 09. The table on the previous page identifies the major structural difficulties that are reflected in the out year projections (FY 10 includes $354.8 million).

The out year projections include: 1) costs associated with collective bargaining contracts that may be approved and 2) increased future year appropriations that reflect FY 09 deficiency needs rolled forward into the out-years. Projections have been developed by applying inflationary and specific growth factors to the estimated expenditure levels for FY 09 and each subsequent year. This assume 4.5% to 5% salary increases for state employees in subsequent years (3% to 3.5% for cost of living adjustments and 1.5% for Annual Increments) and 2.0% in each year for other accounts. In addition, each major appropriated account has been examined individually and adjusted as necessary to reflect amounts anticipated to be required based on present law, historical trends or caseload projections.

The table below identifies some of the major accounts with significant increases in FY 10 through FY 12 (increases are compared to the previous fiscal year):

Major General Fund Appropriation Increases for FY 10 - FY 12 (in millions)			
Agency/Account	FY 10	FY 11	FY 12
DSS – Medicaid	182.0	254.5	271.0
Debt Service	155.9	44.1	40.7
Personal Services (statewide)	145.1	151.7	158.5
SDE - Education Equalization Grant (ECS)	83.8	87.0	90.0
Fringe Benefits - State Employees Health	73.8	66.7	24.5
Fringe Benefits - Retired Health	87.0	72.0	23.9
DCF - Board & Care (Residential, Foster & Adoption)	28.7	25.2	38.1
TRB – Retirement Contributions	20.7	22.4	23.3
27th Payroll of State Employees	-	-	113.6
Total Major GF Appropriation	**777.0**	**723.6**	**783.6**

III. Transportation Fund

FY 09 Revenues and Expenditures

The FY 09 budget plan for the Special Transportation Fund (STF) anticipated a $2.8 million operating surplus. However, our latest projections indicate a potential deficit of $73.2 million, which is $76.0 million less than the budget plan surplus of $2.8 million. The decrease is the result of revenues which are $84.6 million less than anticipated. This is partially offset by an increase of $8.6 million in lapses. (It should be noted that the Governor's recisions are included in the revised lapse estimate.) Revenues were lower than anticipated primarily due to lower collections in motor fuels taxes; motor vehicle receipts; license, permits, and fees; and interest income.

The anticipated FY 09 operating deficit of $73.2 combined with the prior year balance of $178.2 million is expected to result in a cumulative fund balance of $105.5 million as of June 30, 2009.

Out years FY 10 - FY 12

The STF projections for FY 10 and the out years indicate that the fund will experience annual operating deficits as a result of estimated expenditures continuing to increase faster than estimated revenues. The STF's cumulative balance is expected to go into deficit beginning in FY 10.

The increases in expenditures are due to:

1. Full implementation of the rail and bus subsidies that was included in the recently enacted Transportation Initiatives (PA 05-4 JSS and PA 06-136). The increases above current expenditures are expected to range between $10 million in FY 10 to up to $30 million in FY 12;
2. A $600,000 annual grant-in-aid to Tweed-New Haven Airport beginning in FY 10;
3. A $2.1 million annual cost to DMV for implementation of the vision screening program; and
4. FY 12 includes $7.4 million for costs associated with the 27th payroll.

FY 09 Transportation Fund Summary
as of November 14, 2008
($ in millions)

	Budget Plan	Increase/ (Decrease)	Revised Estimates
Revenues			
Taxes	730.5	(32.6)	697.9
Other Revenue	426.5	(52.0)	374.5
Total Revenue	**1,157.0**	**(84.6)**	**1,072.4**
Appropriations			
Original Appropriations - Gross	1,165.2	0.0	1,165.2
Less:			
Lapses:			
Debt Service	0.0	(14.1)	(14.1)
Unallocated	(11.0)	5.5	(5.5)
Total Lapses	**(11.0)**	**(8.6)**	**(19.6)**
Total Expenditures	**1,154.2**	**(8.6)**	**1,145.6**
Surplus/(Deficit) from Operations FY 09	**2.8**	**(76.0)**	**(73.2)**
Plus: Cumulative Surplus as of June 30, 2008 [1]			**178.2**
Projected Fund Balance as of June 30, 2009			**105.0**

FY 09 Transportation Fund Revenue Estimates
as of November 14, 2008
($ in millions)

	FY 09 Budget Plan	OFA Over/(Under) Budget Plan	FY 09 OFA Estimates
Taxes			
Motor Fuels	523.6	(25.6)	498.0
Petroleum Products Tax	141.9	0.0	141.9
Sales Tax - DMV	74.0	(9.0)	65.0
Refunds of Taxes	(9.0)	2.0	(7.0)
Total Taxes Less Refunds	**730.5**	**(32.6)**	**697.9**
Other Revenue			
Motor Vehicles Receipts	241.3	(16.3)	225.0
License, Permits, and Fees	166.0	(14.0)	152.0
Interest Income	47.0	(22.0)	25.0
Transfers to Conservation Fund	(3.0)	0.0	(3.0)
Transfers to Emissions Fund	(6.5)	0.0	(6.5)
Transfers to TSB Sub-Account	(15.3)	0.0	(15.3)
Refunds of Payments	(3.0)	0.3	(2.7)
Total - Other Revenue	**426.5**	**(52.0)**	**374.5**
Total Revenue	**1,157.0**	**(84.6)**	**1,072.4**

Transportation Fund Projections FY 08 - FY 12
as of November 15, 2008
(in millions)

Transportation Fund	FY 08	FY 09	FY 10	FY 11	FY 12
		Estimate	|-----------Out-Year Projections		-----------|
Beginning Balance as of July 1st	**$192.9**	**$178.2**	**$105.0**	**($11.2)**	**($137.7)**
REVENUES					
Taxes					
Motor Fuels Tax	495.1	498.0	500.0	505.0	510.0
Petroleum Products Tax	127.8	141.9	141.9	165.3	165.3
Sales Tax – DMV	64.9	65.0	65.0	66.0	67.0
Refund of Taxes	(7.0)	(7.0)	(7.1)	(7.2)	(7.3)
Total - Taxes less Refunds	**$680.8**	**$697.9**	**$699.8**	**$729.1**	**$735.0**
Other Revenue					
Motor Vehicle Receipts	225.5	225.0	227.0	229.0	231.0
License, Permits and Fees	153.8	152.0	154.0	156.0	158.0
Interest Income	36.5	25.0	25.0	28.0	30.0
Transfers to Other Funds	(9.5)	(9.5)	(9.5)	(9.5)	(9.5)
Release from Debt Service Reserves	0.0	0.0	0.0	0.0	0.0
Total - Other Revenue	**$406.3**	**$392.5**	**$396.5**	**$403.5**	**$409.5**
Less Refunds of Payments	(2.7)	(2.7)	(2.7)	(2.8)	(2.8)
Less Transfers to TSB Account (1) (2)	(20.8)	(15.3)	(15.3)	(15.3)	(15.3)
TOTAL REVENUE	**$1,063.6**	**$1,072.4**	**$1,078.3**	**$1,114.5**	**$1,126.4**
EXPENDITURES					
Debt Service	421.4	449.5	457.4	466.3	482.7
DOT Budgeted Expenses	505.6	507.3	528.1	557.4	577.7
DMV Budgeted Expenses	61.8	62.5	65.9	67.2	68.7
Other Budgeted Expenses (3)	121.0	145.9	152.1	159.1	172.3
Subtotal – Expenditures	**$1,109.8**	**$1,165.2**	**$1,203.5**	**$1,250.0**	**$1,301.4**
Less Unallocated Lapses (4)	(31.5)	(19.6)	(9.0)	(9.0)	(9.0)
TOTAL EXPENDITURES	**$1,078.3**	**$1,145.6**	**$1,194.5**	**$1,241.0**	**$1,292.4**
NET OPERATING SURPLUS/(DEFICIT)	($14.7)	($73.2)	($116.2)	($126.5	($166.0)
Ending Balance as of June 30th	**$178.2**	**$105.0**	**($11.2)**	**($137.7)**	**($303.7)**
DEBT SERVICE RATIO (5)	**2.6**	**2.4**	**2.4**	**2.4**	**2.4**

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

(2) Section 96 of PA 07-7 JSS, credits $5.5 million on deposit in the Special Transportation Fund to the TSB projects account.

(3) The figure for FY 12 includes $7.4 million for the 27th payroll costs.

(4) The revised FY 09 Lapse of $19.6 million includes the Governor's Recision.

(5) Pledged revenues for reserves required under the Indentures in an amount at least two (2) times the aggregate Principal and Interest Requirements on all outstanding Bonds and Notes.

IV. OTHER APPROPRIATED FUNDS FY 09 - FY 12

	FY 09 estimated	FY 10	FY 11	FY 12 (5)
Regional Market Operations Fund				
- Beginning Balance	$ 1,089,686	$ 956,050	$ 1,107,549	$ 1,226,167
- Expenditures	$ 1,233,096	$ 947,961	$ 980,842	$ 1,054,040
- Revenues	$ 1,099,460	$ 1,099,460	$ 1,099,460	$ 1,099,460
- Ending Balance	$ 956,050	$ 1,107,549	$ 1,226,167	$ 1,271,587
Banking				
- Beginning Balance	$ 53,811,250	$ 32,675,062	$ 30,976,244	$ 28,909,872
- Expenditures (1)	$ 39,668,928	$ 20,211,838	$ 20,579,422	$ 21,064,458
- Revenues	$ 18,532,740	$ 18,513,020	$ 18,513,050	$ 18,513,050
- Ending Balance	$ 32,675,062	$ 30,976,244	$ 28,909,872	$ 26,358,464
Insurance				
- Beginning Balance	$ 7,349,038	$ 8,045,146	$ 8,010,000	$ 7,840,000
- Expenditures	$ 23,533,917	$ 24,357,604	$ 25,210,120	$ 26,624,034
- Revenues	$ 24,230,025	$ 24,322,458	$ 25,040,120	$ 26,131,197
- Ending Balance	$ 8,045,146	$ 8,010,000	$ 7,840,000	$ 7,347,163
Consumer Counsel and Public Utility Control				
- Beginning Balance	$ 8,787,023	$ 9,505,634	$ 9,983,827	$ 10,568,748
- Expenditures	$ 21,918,373	$ 23,173,812	$ 24,127,671	$ 25,753,702
- Revenues	$ 22,636,984	$ 23,652,005	$ 24,712,592	$ 25,820,791
- Ending Balance	$ 9,505,634	$ 9,983,827	$ 10,568,748	$ 10,635,837
Workers' Compensation				
- Beginning Balance	$ 13,419,348	$ 14,223,775	$ 14,414,717	$ 14,713,298
- Expenditures	$ 23,295,573	$ 25,109,058	$ 24,701,419	$ 25,609,145
- Revenues	$ 24,100,000	$ 25,300,000	$ 25,000,000	$ 25,500,000
- Ending Balance	$ 14,223,775	$ 14,414,717	$ 14,713,298	$ 14,604,153
Mashantucket Pequot / Mohegan				
- Beginning Balance	$ -	$ -		
- Expenditures	$ 86,250,000	$ 86,250,000	$ 86,250,000	$ 86,250,000
- Revenues	$ 86,250,000	$ 86,250,000	$ 86,250,000	$ 86,250,000
- Ending Balance	$ -	$ -	$ -	$ -
Criminal Injuries Compensation				
- Beginning Balance	$ 6,111,136	$ 6,951,436	$ 7,676,611	$ 8,334,264
- Expenditures	$ 2,625,000	$ 2,680,125	$ 2,717,647	$ 2,799,176
- Revenues	$ 3,465,300	$ 3,405,300	$ 3,375,300	$ 3,375,300
- Ending Balance	$ 6,951,436	$ 7,676,611	$ 8,334,264	$ 8,910,388
Soldiers Sailors and Marines' (2), (3), (4)				
Trust Fund value as of June 30, 2008 was $60.8 million				
- Beginning Balance	$ (3,698,328)	$ (4,001,098)	$ (4,323,331)	$ (4,677,940)
- Expenditures	$ 3,202,770	$ 3,280,233	$ 3,371,769	$ 3,493,675
- Revenues	$ 2,900,000	$ 2,958,000	$ 3,017,160	$ 3,077,503
- Ending Balance	$ (4,001,098)	$ (4,323,331)	$ (4,677,940)	$ (5,094,112)

(1) Includes the $21 Million additional appropriations under PA 08-176, AAC Responsible Lending and Economic Security.

(2) SSMF expends dollars that are allocated to the agency based on the level of appropriation.

(3) Interest earned from the trust fund is reflected in the special revenue fund to support expenditures.

(4) As of June 30, 2008; the $3.7 million negative balance is due to cumulative years of expenditures exceeding interest income.

(5) FY 12 includes 27th payroll costs for state employees.

V. Miscellaneous Fiscal Information

Tax Credits, Exemptions and Deductions

Appendix A presents a listing of the tax credits, exemptions, and deductions and an estimate of the value of each item. The estimates were formulated using data extracted from Connecticut tax returns whenever possible. Other sources include federal and other state tax expenditure estimates, data from federal tax returns, and other applicable data for Connecticut and the nation.

Each estimate measures the impact of the provision in isolation, with economic conditions and other tax provisions held constant. It should be noted that because each estimate measures the impact of the provision as it exists under current conditions, it does not represent the fiscal impact if the provision was repealed. In many cases, the fiscal impact of repealing a provision would greatly differ from the estimate presented in Appendix A.

The estimates in Appendix A come from the Connecticut Tax Expenditure Report published every two years (the latest one published in January 2008) pursuant to Connecticut General Statutes Section 12-7b (e).

Projected Bond Authorizations, Allocations, Issuances and Debt Service

The table below presents OFA's estimates for General Obligation (GO) and Special Tax Obligation (STO) bond authorizations for FY 09 through FY 12. The figures for GO bonds show that while bond allocations and bond issuance remain stable over the 5-year period, the expenditure on debt service gradually increases. This increase reflects the assumption that the state will issue GO bonds at higher interest rates over this period. For example, the state issued tax exempt GO bonds in October 2008 at an interest rate of 4.87% while the interest rate assumptions used for the projections in the table below are around 5.50%. The STO bond figures show increasing trends in the projections for authorizations, allocations, issuance and debt service. It should be noted that the STO debt service projections assume that bond issuances will be at higher interest rates over this period, which is consistent with the GO debt service projections.

FY 09 - FY 12 Projections for General Obligation and Special Tax Obligation Bonds ($ Billions)

	FY 09	FY 10	FY 11	FY 12
General Obligation (GO) Bond Projections				
Bond Authorizations[1]	1.4	1.4	1.4	1.4
Bond Allocations[2]	1.3	1.4	1.4	1.3
Bond Issuance[3]	1.3	1.4	1.4	1.3
Debt Service[4]	1.5	1.7	1.7	1.7
Special Tax Obligation (STO) Bond Projections				
Bond Authorizations[5]	0.3	0.3	0.3	0.3
Bond Allocations[5]	0.5	0.5	0.5	0.5
Bond Issuance[5]	0.4	0.5	0.5	0.4
Debt Service[5]	0.4	0.5	0.5	0.5

The table above includes the following references:

1) FY 09 is based on authorizations made during the 2007 legislative session. FY 10 - FY 12 projections are based on a 5 year average of bond authorizations adjusted for nonrecurring projects or expenses. The figures include authorizations for the UConn 21st Century infrastructure program and the Connecticut State University System (CSUS) infrastructure program.
2) The estimates are based on a 5-year average of bond allocations adjusted for nonrecurring projects or expenses. The figures include the UConn 21st Century infrastructure program and the CSUS infrastructure program.
3) The estimates are based on information supplied by the Office of the State Treasurer. The figures include the UConn 21st Century infrastructure program and the CSUS infrastructure program.
4) The estimates are based on information supplied by the Office of the State Treasurer. OFA adjusted the projections to reflect anticipated debt service lapse for each year. The FY 10 and FY 11 figures include principal and interest payments for the $2.28 billion Pension Obligation Bond issuance that was used to fund a portion of the unfunded liability in the Teachers Retirement Fund.
5) The figures are based on information supplied by the Office of the State Treasurer. The estimates include assumptions regarding the allocation and issuance of $1.3 billion in STO bonds authorized during the 2006 legislative session for strategic transportation projects and initiatives.

General Obligation (GO) bonds finance the construction of buildings, grants and loans for housing, economic development, community care facilities, school construction grants, state parks and open space. The University of Connecticut Infrastructure Renewal Program (UConn 21st Century) and the CSUS infrastructure renewal program are also included in this category. The revenue stream from the state's General Fund pays debt service on GO bonds.

Special Tax Obligation (STO) bonds finance the state's portion of the cost of highway and bridge construction and maintenance. In addition to the ongoing transportation infrastructure renewal program, the figures in the table also include the transportation initiatives passed during the 2005, 2006 and 2007 legislative sessions. The repayment source for STO bonds is a dedicated revenue stream from the state's motor fuels tax, motor vehicle registrations, licenses and fees.

The capital budget that is passed by the General Assembly each biennium is composed of individual bond authorizations that indicate: (1) the state agency receiving the funds, (2) a description the purpose for which the funds will be used and (3) the amount of funds for the designated purpose. Bond authorizations can be thought of as enabling legislation.

Bond allocations: For an agency to actually commit funds for a project, the bond funds authorized for the project must be allocated. This means that the State is prepared to finance the costs associated with implementation of the next phase of the project. The State Bond Commission (SBC) has statutory responsibility for the allocation process. The SBC is primarily an Executive Branch commission and is currently composed of ten members: the Governor, the Treasurer, the Comptroller, the Attorney General, the

Secretary of OPM, the Commissioner of Public Works and the Senate and House Chairmen of the Finance, Revenue and Bonding Committee and the ranking members of the Committee.

Bond issuance: Bonds are issued by the Office of the State Treasurer several times each year. The issuance schedule is planned in accordance with estimates of the scale and pattern of capital expenditures. The overall pattern of expenditure flows from the capital budget approved by the General Assembly and the flow of individual projects approved for issuance by the State Bond Commission.

Debt service is the amount of money paid by the state each year for (1) interest and principal on outstanding debt and (2) fees related to debt.

Analysis of Possible Uses of Surplus Funds

Under the Connecticut Constitution and General Statutes, the three possible uses of surplus funds are:

(1) The Budget Reserve or Rainy Day Fund. Under Article 28, Section 18(c) of the Connecticut Constitution, any unappropriated General Fund surplus is first transferred to the Budget Reserve Fund (BRF) to raise the balance up to 10% of net General Fund appropriations. The resources of the BRF are invested in the Short Term Investment Fund (STIF), which has a 10-year annualized rate of return of 3.9%.

(2) Reduction of Bonded Indebtedness. If any additional surplus remains after the BRF transfer, Article 28 stipulates that it must be used to reduce bonded indebtedness. The average interest rate for General Obligation bonds is currently about 4.5%.

(3) Reduction of unfunded pension liability in the State Employees Retirement Fund and Teachers' Retirement Fund. A currently inoperative section of the statutes[1] requires that after the transfer to the BRF, any additional surplus must be used to reduce the unfunded pension liability in the State Employees Retirement Fund by up to 5% of unfunded prior service liability, followed by the reduction of bonded indebtedness. The 10-year annualized rate of return for the Connecticut Retirement Plans and Trust Funds (which includes the State Employees Retirement Fund and the Teachers' Retirement Fund) is 6.1%[2].

Assuming that transfers to the BRF continue to be the first priority for unappropriated General Fund surplus, the use of any remaining surplus to reduce the unfunded liability of the State Employees Retirement Fund and/or the Teachers' Retirement Fund appears to yield the most positive long term benefits to the state.

[1] The constitutional amendment became effective 11/25/92 while CGS Sec. 4-30a became effective 6/10/92. Because the effective date of Article 28, Section 18(c) is more recent than CGS Sec. 4-30a, the constitutional amendment controls the use of unappropriated General Fund surplus and renders inoperative the portion of CGS Sec. 4-30a that transfers surplus to the pension fund.

[2] The Office of the State Treasurer provided this figure for informational purposes only.

Long-Term Obligations

Unfunded liabilities are legal commitments incurred during the current or a prior year that must be paid at some time in the future but for which no reserves have been set aside. The State of Connecticut's unfunded obligations are in four areas: (1) bonded indebtedness (debt outstanding), (2) state employee and teachers' retirement, (3) state employee post employment health and life benefits and (4) Generally Accepted Accounting Principles.

Debt Outstanding - This figure includes debt that is backed by revenue derived from the General Fund, the Special Transportation Fund and a variety of other revenue sources like the Clean Water Fund and Bradley International Airport.

State Employee Pensions and Teachers' Pensions - These figures are an actuarial estimate of the cost of the future retirement payments of state employees and teachers for which the state does not have funds already set aside.

State Other Post Employment Benefits - This figure is an actuarial estimate of other than - pension employment benefits (retiree health insurance and life insurance) for state employees for which reserves have not been set aside. The major component of this category is retiree health insurance benefits. The Government Accounting Standards Board (GASB) now requires large employers, like the State of Connecticut, to quantify the amount of non-pension retirement benefits offered to employees.

Generally Accepted Accounting Principles - This figure represents the unfunded liability associated with the state converting from a modified cash basis of accounting to an accrual basis of accounting. Under Generally Accepted Accounting Principles (GAAP), an accrual basis of accounting would be used whereby expenditures would be charged when owed (rather than paid) and all revenues would be recognized when earned (rather than received). PA 08-111 *AAC the Implementation of Generally Accepted Accounting Principles (GAAP)*, allows for discretionary implementation of GAAP by the Comptroller. The out year projections do not include impact of the conversion to GAAP.

Long-Term Obligations (in billions)	
Debt Outstanding[1]	$16.7
State Employee Pensions - Unfunded[2]	9.3
Teachers' Pensions - Unfunded[3]	6.5
State Post Retirement Health and Life - Unfunded[4]	21.7
Teachers' Post Retirement Health and Life	2.2
Generally Accepted Accounting Principles (GAAP) Deficit	1.0
Total	$57.4

The table above includes the following references:

1) As of 9/30/08; Source: Office of the State Treasurer
2) As of 6/30/08; State Employee Pension Liability is based on the draft copy of the Actuarial valuation. The final draft will be presented to the Retirement Commission on 11/20/08.
3) As of 6/30/08. This includes the addition of $2 billion from the sale of Pension Obligation Bonds under the provisions of PA 07-186. The act also: (1) guarantees cost-of-living adjustments (COLAs) to members retiring after 1992, so these COLAs are now included in the actuarial accrued liabilities of the system and (2) eliminates the cost-of-living reserve account that had previously funded COLAs (to the extent that funds were available in this account) and these assets are now part of the system's assets.
4) Pursuant to requirements of Statement 45 of the Government Accounting Standards Board (GASB) the state quantified its liability for other post employment benefits (OPEB) with an actuarial valuation as of April 2006. According to the valuation, if the state were to address this liability on an advance funding basis the OPEB expense would be substantially reduced to $11.4 billion. New valuation is expected January 2009.

Efforts to Obtain Federal Funds

General Fund revenues from federal reimbursements grew by $98.8 million from FY 07 to FY 08 (an increase of 3.8%). Major programs contributing to FY 08 aggregate revenues of approximately $2.7 billion included: Medicaid ($1.99 billion), Dependent Children - Temporary Assistance to Needy Families/Child Care Development Block Grant ($0.29 billion), Title IV-E - Foster/Adoption/Independent Living ($0.12 billion), and Social Services Administration ($0.13 billion).

New Initiatives - OFA has reviewed initiatives intended to preserve and/or maximize federal funding. Of note are:

$157.0 million in Federal Reimbursement under Medicaid (DDS) - This one-time revenue is due to the Department of Developmental Services' (DDS) cost settlement of state facility rates for 2002-2009. The cost settlement that the state is seeking from the federal government amounts to $314 million in claims for state services. If approved these claims would result in $157 million in federal revenue.

As the state Medicaid agency, the Department of Social Services establishes rates in conjunction with DDS. During the period of 2002-2009 the state used interim rates to bill the federal government and claim 50% reimbursement for state costs for public intermediate care facilities for the mentally retarded (ICF/MR), such as Southbury Training School and the Regional Centers; and public group homes referred to as Community Living Arrangements (CLA's). Due to the lack of cost settlements each year and not establishing new rates (adjusting the interim rates to reflect actual cost based rates) a significant delay has occurred in the receipt of federal reimbursement. The rates are established for Medicaid billing purposes. The rate components include: personnel, fringe benefits, operating expenses, and state wide allocation costs, and other allowable costs. As the Department of Developmental Services' budget includes appropriations (such as Personal Services and Other Expenses) to support state operated ICF/MR and public CLA's, these costs are included in the claims submitted for reimbursement.

The table below reflects the difference between the interim rates and the new rates (cost based) as calculated by total claims (the interim rates were billed each fiscal year and revenue was received according to those rates/claims).

Cost Settlement (in millions)		
	Public ICF/MR Claims	Public CLA Claims
2002	($6.98)	($1.93)
2003	$7.94	($2.99)
2004	$9.35	($7.97)
2005	$28.28	$10.91
2006	$33.42	$21.37
2007	$53.59	$22.80
2008	$60.48	$22.80
2009	$46.01	$17.10
Total Claims	**$232.01**	**$82.11**
50% FFP - Total Revenue	**$116.04**	**$41.01**
TOTAL $157.09		

The state receives 50% reimbursement for these claims. Therefore, total claims of $314.2 million would result in $157 million in federal reimbursement (General Fund revenue). This is a one-time revenue gain to catch-up to the current rates, although this will have an impact on ongoing revenue future billable rates which are higher than the interim rates.

The claims are anticipated to be submitted with the quarterly billing in the beginning of February 2009. It is anticipated that the claims will be approved and reimbursed by the Center for Medicaid and Medicare Services (CMS) prior to the end of the fiscal year. It should be noted however, that the CMS review process may ultimately result in a different revenue number if some of the cost attributed to the new rates is not allowable. This would also delay the receipt of some or all of this revenue into subsequent fiscal years*.*

For purposes of comparison, prior to receiving these additional funds, the state was anticipating drawing down in FY 09 over $370 million in federal revenue for claims against services appropriated to other state agencies (including DDS).

Autism Spectrum Medicaid Waiver (DDS) - Pursuant to Section 112 of PA 07-4 (JSS), the DDS is studying the feasibility of a Medicaid waiver for community-based services and supports for adults who have Autism Spectrum Disorder and do not have mental retardation. It is anticipated that the department will submit a report in January 2009 on the status of the study and final recommendations.

Medicaid Claiming for Nurturing Families Network (Children's Trust Fund) - Medicaid claiming for Nurturing Families Network (NFN) services has yet to be implemented. The Department of Social Services has not yet finalized efforts to initiate the claiming process. Billing for services provided since the second quarter of FY 08 had been anticipated. Once claiming is instituted, annual revenues of approximately $4.4 million are expected.

Other Federal Funding Issues of Interest

Increased Disproportionate Share Hospital (DSH) Revenue - The federal government recently notified the state that its DSH allocation would be increased by 4%, as authorized under the Medicare Modernization Act of 2003. This change increases internal DSH limits and allows the state to use current expenditures for state inpatient psychiatric hospitals to draw down an additional $2 million annually. No additional state expenditures are necessary to draw down these funds.

Low Income Home Energy Assistance Program (LIHEAP) - The Joint Standing Committees on Appropriations, Energy and Technology and Human Services met on 9/3/08 to review the Governor's proposed 2009 Connecticut Energy Assistance Plan (CEAP). The committees voted in concurrence to increase benefits to recipient households over levels recommended by the Governor. The projected cost of the modified plan was $113.9 million. Preliminary estimates reflected in the CEAP allocation plan assumed available federal funding of $42.6 million.

Since that time, the federal government has announced significantly increased LIHEAP funding to states. When combined with prior year carry forward dollars, Connecticut's available funding for the 2008-09 heating season is approximately $134.8 million.

New Federal Adoption Law - P.L. 110-351, The Fostering Connections to Success and Increasing Adoptions Act of 2008, was signed into law on 10/7/08. Among other changes, the law extends federal financial participation (Title IV-E program) to cases in which eligible children, formerly in foster care, are in kinship guardianship settings. Connecticut has operated a state-funded subsidized guardianship program since 1997. It appears that federal claiming will be allowed on behalf of new entrants (after 10/7/08) to the subsidized guardianship program. Once fully annualized, additional revenues of approximately $3.6 million would be expected. The law also expands the types of training activities that may be eligible for federal financial participation.

New Grant to Enhance CT's Mobile Field Hospital - An $8 million one-year Department of Defense grant has been announced for Connecticut's Military Department. The agency is working in conjunction with the Department of Public Health on planning related to developing a New England regional training center for mobile field medicine.

Appendix A - State Tax Expenditure Summary

The table below summarizes state tax expenditures over $100,000 and provides estimates for the value of each.

Summary of Major Identifiable State Tax Expenditures: FY 09 Estimates[1]	
(In Millions)	Annual Estimate
Personal Income Tax	
Interest on US Obligations	$ 40.0
Dividends from Mutual Funds Derived from US Govt Obligations	5.0
Refunds of State and Local Income Taxes	50.0
Tier I Railroad Retirement Benefits	1.0
Beneficiary's share of Connecticut fiduciary adjustment	0.5
Gain on sale of Connecticut Bonds	0.5
Social Security Benefits	50.0
Military Retirement Income	2.5
Contributions to CHET	7.5
Other Deductions	10.0
Credit for Property Taxes Paid	350.0
Total Personal Income Tax	**$ 517.0**
Sales and Use Tax	
Consumer Goods	
Sales of Food Products for Human Consumption	$ 373.0
Items Purchased with Federal Food Stamps Coupons	1.0
Oxygen, Blood Plasma, Prostheses, Wigs, Hearing Aids, Crutches, Walkers, Wheel Chairs, Life Support Equipment, Apnea Monitors, Chairlifts, and Relate Repair Services, Reading Aids, Canes, and Support Hoses	10.0
Prescription Medicines, Syringes and Needles	250.0
Non-prescription Drugs and Medicines	12.0
Disposable Pads for Incontinence	0.5
Smoking Cessation Products	0.2
Sales to Title XVIII or XIX of Social Security Act or CHAMPUS	20.0
Clothing Under $50.00	130.0
Cloth or Fabric Purchased for Non-Commercial Sewing	0.5
Sales Tax "Free Week"	3.0
Fuel for Heating Purposes	140.0
Certain Utilities Sales	5.0
Water Companies Purchases	4.0
Motor Vehicle Fuel	350.0
Newspapers and Magazines	60.0
The first $2,500 of Burial or Cremation Services; Caskets	4.4
Bicycle Helmets	0.2
Weatherization Products and Fluorescent Light Bulbs	7.5
Child Car Seats	0.5
College Text Books	2.3
Passenger Cars 40 MPG Highway or greater	2.0
Energy Star Rated Household Appliances	7.0

[1] Estimated identifiable revenue reductions of $100,000 or more.

Summary of Major Identifiable State Tax Expenditures: FY 09 Estimates (In Millions)	Annual Estimate
Solar Energy, Geothermal, and Ice Storage Systems	2.0
Sub Total Consumer Goods	$ 1,385.1
Business and Agricultural Exemptions	
Machinery Used in Manufacturing	$ 100.0
Component Parts for Assembly of Manufacturing Machinery	10.0
Production Materials	10.0
Partial Exemption for Materials, Tools, Fuels, Machinery and Equipment used in Manufacturing	6.0
Replacement Parts in Enterprise Zones	0.7
Agriculture Production	5.0
Commercial Fishing	5.0
Fuel Cell Manufacturing Facility	0.1
Aircraft Repair, Replacement Parts; Aircraft Repair Services; Materials, Tools, Fuel, Machinery and Equipment used in an Aircraft Manufacturing Facility	6.0
Aviation Consulting	0.2
Commercial Trucks, Trailers and Combination, and Commercial Vehicles used in Inter-State Business	12.0
Motor Buses used in Inter-State Business	0.2
Aviation Fuel	6.3
Printed Material Sent Out of State	2.0
Commercial Printing	6.5
Typesetting, Color Separation and Finished Copy	0.5
Waste Treatment and Air Pollution Facilities	5.0
Motion Picture, Video, TV and Radio Production & Broadcast Equipment	2.0
Lease of Rental of Motion Pictures by Theater Owners	2.0
Motion Picture Leasing or Rental	0.5
Computer Related Cleaning Equipment	0.2
Mold, Dies, Patterns and Sand Handling Equipment for Metal Casting Foundries	0.2
Mold, Dies Patterns for Pattern shops and Metal Casting Foundries	0.2
Safety Apparel	2.5
Commercial Photographic Film and Paper Processing Materials	0.2
Biotechnology	1.9
Connecticut Resource Recovery Authority	3.0
Solid Waste to Energy Facilities	0.2
Sub Total Business and Agricultural Exemptions	$ 188.4
Service Exemptions	
Drug Testing Services	$ 3.0
Personnel Services; Marketing, Development, Testing or Research Services; Business Services in Joint Ventures	4.0
Services Between Parent Companies and Subsidiaries	12.0
Computer and Data Processing	64.0
Certain Sales of Computer and Data Processing Services	0.3
Calibration and ISO Services	0.2
Sale of Repair or Maintenance on Vessels	3.8
Renovation & Repair for Residential Property	21.0

Summary of Major Identifiable State Tax Expenditures: FY 09 Estimates

(In Millions)

		Annual Estimate
Patient Care Services		10.0
Tangible Property Purchased by For-Profit Hospitals		0.5
Leased Employees & Professional Contract Employees		0.2
Motor Vehicle Parking		2.5
Car Washes		1.0
Amusement and Recreation Services		0.2
Massage Therapist and Electrology Services		0.3
Sales Agent Services		2.0
Advertising		20.0
Tax Preparation		4.0
Winter Boat Storage		0.3
Services provided by off-duty Police or Firefighter		1.0
Training Services		0.3
Non-Cable Communication Services		0.1
Marine Vessel Brokerage Services		0.2
Media Payroll Services		1.5
Sub Total Service Exemptions	$	152.4
Non-Profit Organization Exemptions		
Children’s Hospital and the John Dempsey Hospital	$	5.0
Sales to Nonprofit organizations (combined lease, labor, and goods)		700.0
Sales by Nonprofit Hospitals, Nursing Homes and Rest Homes		0.5
Pilot Tax Credit for E-Commerce Donations to Higher Education		4.0
Sub Total Government and Charitable Organizations	$	709.5
Miscellaneous Exemptions		
Motor Vehicles & Vessels Purchased by Non-Residents to use Out of State	$	43.0
Vessels Brought in to the State for Storage, Maintenance or Repair		0.5
Casual or Isolated Sales		0.5
Tax on Casual Sales of Motor Vehicles, Vessels, Snowmobiles & Aircraft		2.0
Mobile Homes and Pre-Fabricated Homes		0.5
Sub Total Miscellaneous Exemptions	$	46.5
Items Subject to a Lower Sales Tax Rate or Basis		
Sales of Vessels to Nonresidents	$	0.5
Trade-In of Certain Construction Equipment		0.5
Trade-In of Motor Vehicles, Snowmobiles, Vessels or Farm Tractors		40.0
Coupons and Discounts and Battery Deposits and Trade-Ins of Like Kind And Trade-In of Core Parts		45.0
Licensed Motor Vehicle Dealers		0.5
Sub Total of Items Subject to a Lower Sales Tax Rate or Basis	$	86.5
Total of Sales and Use Tax		**2,568.4**
Corporate Business Tax		
Exemptions and Deductions		
Income from Foreign Sales Corporations (FSC)	$	25.0
Foreign Insurance Companies		10.0
Railroad Companies		0.8

Summary of Major Identifiable State Tax Expenditures: FY 09 Estimates (In Millions)		Annual Estimate
Political Associations		2.5
Electric Cooperatives		2.8
Alternative Energy System Companies		0.3
Aero-Derived Gas Turbine Systems		0.1
Regulated Investment Co and REITs		1.1
Unpaid Loss Reserve Adjustment for Non-Life Insurance Cos		1.0
Subchapter S Corporations		26.0
Domestic Insurance Companies		20.0
Passive Investment Companies		20.0
Dividends from DISC or FSCs		25.0
Net Operating Loss Carry-Forward		50.0
Net Capital Loss Carry-Over		65.0
Capital Gains from Sales of Open Space or Watershed Land		1.0
Sub Total Exemptions and Deductions	$	250.6
Credits		
Apprenticeship	$	0.3
Digital Animation Production		15.0
Displaced Worker		5.0
Donation of Land for Educational Use		0.5
Electronic Data Processing		25.0
Employment Expansion Project		1.0
Film and Digital Media Production		90.0
Fixed Capital		60.0
Historic Home Rehabilitation		0.5
Historic Structure Rehabilitation		0.5
Housing Program Contribution		5.0
Human Capital		2.5
Insurance Reinvestment		0.5
Job Creation		10.0
Machinery and Equipment		2.5
Mfg Facilities/Service Facilities/Enterprise Zones		1.5
Mixed Use Historic Structure		50.0
Motion Picture Infrastructure		10.0
Neighborhood Assistance		1.5
Open Space Land Donation		0.5
Research & Development		5.0
Research & Experimentation		10.0
Sale of Certain Credits		7.5
Traffic Reduction		0.3
Urban and Industrial Reinvestment Credit		1.0
Sub Total Credits	$	305.6
Total Corporate Income Tax	**$**	**556.2**
Public Service Companies Gross Earnings Tax		
Exemptions and Deductions		
Sales for Resale	$	75.0
Earnings to Pay for Debt Service on Energy Securization		1.0

Summary of Major Identifiable State Tax Expenditures: FY 09 Estimates

(In Millions)

		Annual Estimate
Railroad Companies When Certified by DOT		2.0
Propane Gas Used as Motor Fuel		0.1
Gas and Electricity Used by Industrial Consumers (SIC 2000-3999)		15.0
Gas Sold to Facility with 775 MW of Capacity		5.0
Sub Total Exemptions and Deductions	$	98.1
Lowered Rate for Residential Utilities	$	7.0
Credits		
Personal Property Tax Paid on Data Processing Equipment	$	1.0
Rehabilitation of Historic Homes		0.5
Historic Structures (other than homes)		1.0
Job Creation		1.0
Displaced Worker		1.0
Housing Program Contributions		1.0
Sub Total Credits	$	5.5
Total Public Service Companies Gross Earnings Tax	**$**	**110.6**
Petroleum Companies Gross Earnings Tax		
#2 Heating Oil used for Heating Purposes	$	180.0
#2 Heating Oil used in Commercial Fishing		4.0
Propane Used for Residential Heating		7.0
Bunker Fuel Oil, Intermediate Fuel, Marine Diesel Oil & Gas Oil		3.0
Kerosene Used for Residential Heating		1.5
Propane Used as Motor Fuel		0.3
Fuel Used in Vessels Engaged in Interstate Commerce		15.0
Fuel Used by Industrial Consumers (SIC 2000-3999)		7.0
Paraffin and Microcrystalline Waxes		0.8
Petroleum Products used in Fuel Cells		0.5
Commercial Heating Oil Blend		0.1
Credit for Sale to Resellers Located Outside the State		30.0
Total Petroleum Companies Gross Earnings Tax	**$**	**249.2**
Insurance Premiums Tax		
Exemptions and Deductions		
Ocean Marine Insurance	$	0.5
State Employee Health Plans		2.0
Medicaid, HUSKY and General Assistance		7.0
Sub Total Credits	$	9.5
Credits		
Credit for Insurance Guaranty Fund Payments	$	1.0
Insurance Department Assessment Credit		1.0
Housing Program Contribution		0.5
Neighborhood Assistance		1.0
Historic Home Rehabilitation		0.2
Historic Structure Rehabilitation		0.5

Summary of Major Identifiable State Tax Expenditures: FY 09 Estimates		
(In Millions)		Annual Estimate
Clean Alternative Fuels		0.5
Insurance Reinvestment		5.0
Electronic Data Processing		15.0
Job Creation		1.0
Displaced Electric Worker		0.5
Film and Digital Media Production		0.5
Digital Animation Production		0.5
Sub Total Credits	$	27.2
Total Insurance Premiums Tax	**$**	**36.7**
Cigarette and Tobacco Products Taxes		
Tobacco Products Exported Out of State	**$**	**6.0**
Alcoholic Beverage Tax		
Sales to United States Military	**$**	**5.0**
Admissions and Dues Taxes		
Admission Tax		
Charges less than $1.00 and Movies less than $5.00	$	3.0
Admission to events held at:		
Hartford Civic Center, New Haven Coliseum, New Britain Beehive Stadium, New Britain Veterans Memorial Stadium, Tennis Foundation, O'Neill Convocation Center, Stafford Motor Speedway, Thompson Speedway, Waterford Speedbowl, Lime Rock Park, Bridgeport Harbor Yard Stadium, New Haven Ravens Games, Waterbury Spirit Games, New Britain Rock Cats Games, CT Expo Center, and Convention Center		8.0
Nonprofit Theater or Playhouse, Gateway's Candlewood House and Ocean Beach Park		0.2
Carnival or Amusement Rides		0.1
Establishments subject to the Cabaret Tax before July 1, 1999		1.3
Sub Total Admissions Tax	$	12.6
Dues Tax		
Portion of Dues Used to Acquire Open Space Land	$	0.1
Club Locker Rentals		0.2
Sub Total Dues Tax	$	0.3
Total Admissions and Dues Taxes	**$**	**12.9**
Motor Fuels and Motor Carrier Road Taxes		
Exemptions to Motor Fuels Tax		
US Government	$	0.5
Municipalities, Transit Districts and the State		7.5
Fuel Distributors		750.0
Fuel Exported Out of State		120.0
Alternative Fuels Used by Covered Fleets		0.5
Aviation Fuel		45.0
Sub Total Motor Fuels Tax Exemptions	$	923.5

Summary of Major Identifiable State Tax Expenditures: FY 09 Estimates (In Millions)	Annual Estimate
Refunds of Motor Fuels Tax	
Vehicles not Operated on Public Highways	$ 2.5
CT Motor Bus Companies and Other Livery Services	1.0
High-Occupancy Commuter Vehicles	0.5
Municipalities, Transit Districts, State, US Govt, and Ambulances	0.5
Farming	0.5
Meals on Wheels for Seniors	0.5
Sub Total Refunds of Motor Fuels Tax	$ 5.5
Credit for Motor Carrier Road Tax on Motor Fuels Tax Paid in State	$ 1.0
Total Motor Fuels and Motor Carrier Road Taxes	**$ 930.0**
Grand Total--Major Identifiable State Tax Expenditures[1]	**$ 4,992.0**

[1] Estimated identifiable revenue reductions of $100,000 or more.