

June 1, 2010

The Honorable M. Jodi Rell
Governor of the State of Connecticut
State Capitol
Hartford, Connecticut

Dear Governor Rell:

I write to provide you with General and Transportation Fund financial statements for Fiscal Year 2010 based on activity through April 30, 2010.

The Office of Policy and Management has projected a Fiscal Year 2010 General Fund budget surplus of \$166.9 million. The Transportation Fund is estimated to end Fiscal Year 2010 with a fund balance of \$96.8 million. I am in general agreement with these estimates. Sections 45 and 142 of PA 10-179 reserve the Fiscal Year 2010 surplus for use in Fiscal Year 2011.

After adjusting last month's OPM estimate to account for the passage of the deficit mitigation provisions contained in PA 10-3 and a subsequent consensus revenue forecast, the OPM surplus projection was \$143.1 million. The provisions of PA 10-3 provide for \$64.7 million in net expenditure reductions and \$258.5 million in transfers and other revenue for total Fiscal Year 2010 General Fund deficit mitigation of \$323.2 million. The consensus forecast added \$139.7 million to revenue.

This month's OPM projection increases the Fiscal Year 2010 General Fund surplus estimate by \$23.8 million. The new projection incorporates the provisions PA 10-179 as they relate to Fiscal Year 2010. In relevant part, PA 10-179 reduced General Fund deficiency requirements by almost \$120 million through various transfers from lapsing accounts. Even after accounting for these transfers, OPM expects to realize a Fiscal Year 2010 General Fund lapse of \$504.3 million (\$118.1 million less than last month), which is \$31 million above the initial budgeted lapse figure.

Tax receipts have been improving over the past several months with the income tax posting notable gains. Through April, the state has regained 8,900 of the 103,400 payroll jobs lost during the recession. These job additions exceed initial projections. Connecticut's housing market is also showing gradual improvement. Even with the improving trend in tax receipts, General Fund tax revenues for Fiscal Year 2010 are estimated to be \$197.9 million below initial budget projections.

Honorable M. Jodi Rell
June 1, 2010
Page 2

The General Fund budget for Fiscal Year 2010 is balanced through the use of \$1.278 billion in budget reserve funds, over \$800 million in federal stimulus dollars, and payment deferrals and one-time transfers. In the absence of these non-recurring revenues and expenditure reductions the Fiscal Year 2010 General Fund operating budget deficit would exceed \$2.1 billion dollars. In Fiscal Year 2009, the state issued \$947.6 million in Economic Recovery Notes to close that year's operating deficit.

The projected Fiscal Year 2010 year-end balance in the Transportation Fund is \$96.8 million. The fund began the fiscal year with a cumulative balance of \$94.6 million. Fiscal Year 2010 operations have improved the balance by \$2.1 million.

I also issue a Comprehensive Annual Financial Report that is prepared in accordance with Generally Accepted Accounting Principles (GAAP). The cumulative General Fund unreserved fund balance as of June 30, 2009 was a negative \$2.3 billion.

Sincerely,

Nancy Wyman
State Comptroller