



*News from:*  
**COMPTROLLER KEVIN LEMBO**

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**COMPTROLLER LEMBO REPORTS \$189.1-MILLION  
SURPLUS FOR FISCAL YEAR 2013**

Comptroller Kevin Lembo today announced that the state's financial outlook has improved and the Fiscal Year 2013 will likely end with a surplus of approximately \$189.1 million, based on Generally Accepted Accounting Principles (GAAP).

The surplus would reach approximately \$236.6 million on a modified cash basis of accounting.

In a letter to Gov. Dannel P. Malloy, Lembo said the General Fund's fiscal position has improved by about \$24.3 million from last month, and more than \$600 million from December with deficit-mitigation efforts began.

While the new fiscal year begins today, Lembo said the final Fiscal Year 2013 surplus will likely be ready in September to account for any late revenue accruals. As of now, \$220.8 million of the state's operating surplus is reserved in the fund balance for future budgetary needs.

The remainder of the surplus, currently estimated at \$15.8 million, will be deposited into the Budget Reserve Fund – or “Rainy Day Fund” – in accordance with state statute. This transfer will bring the Budget Reserve Fund balance to \$109.3 million.

“The state's financial outlook has further improved this month – good news, but still showing reasons for caution because the most significant gains were potentially related to one-time revenue windfalls,” Lembo said. “The most significant revenue growth has occurred in the inheritance and estate tax, which is \$269.8 million over budget.”

While the income tax and tax refunds, combined, produced \$183.8 million in revenue above projections, the sales and corporation taxes are expected to underperform budget estimates by \$189.3 million and \$66 million respectively. Lembo said Fiscal Year 2013 General Fund revenue is projected to close the year 3.9 percent above last fiscal year.

Lembo said General Fund spending adjustments to the original budget plan – including mitigation efforts, transfers and carry forward funding, lowered anticipated expenditures by \$98 million. One of the largest components of the budget, wages and salaries of employees, showed no growth over last fiscal year after adjusting for the impact of the 27<sup>th</sup> payroll.

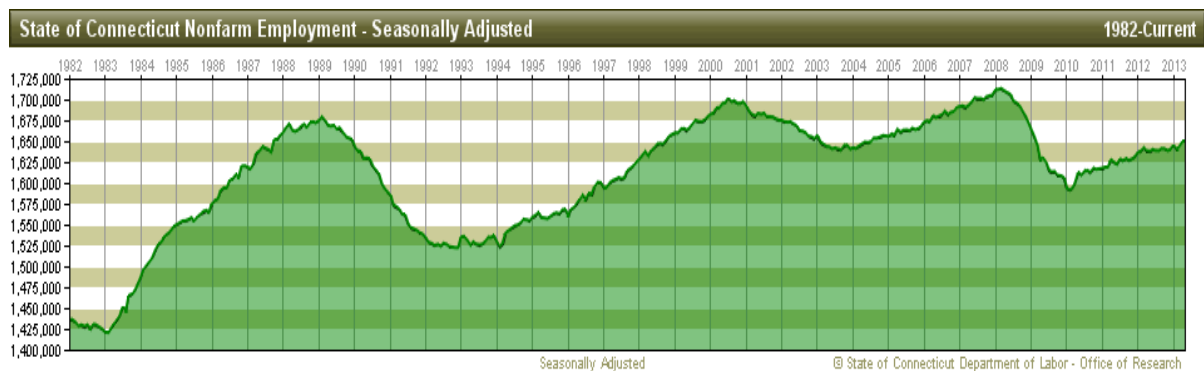
Overall, General Fund spending growth was less than 2 percent against last year, Lembo said.

“The economic recovery proceeded at a slower-than-expected pace during Fiscal Year 2013,” Lembo said, adding more reason for caution going forward.

Economic data from federal and state Departments of Labor and other sources show:

## Employment

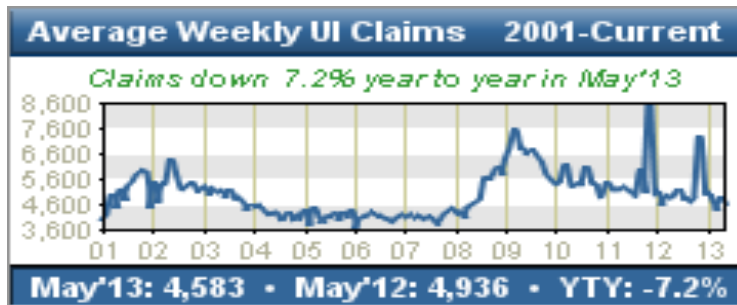
- The state added 1,000 payroll jobs in May. For the 12-month period ending in May, Connecticut employment grew by 12,500 jobs or .076 percent, which is about half the national rate of job growth.
- The state’s employment numbers have improved significantly over the past three months, posting the strongest gain since the recovery began.



- According to the Department of Labor, Connecticut has now recovered 58,600 positions or 48.3 percent of the 121,200 seasonally adjusted total nonfarm jobs that were lost in the state in the March 2008-February 2010 employment downturn. The jobs recovery is now 39 months into the cycle. A recession in the 1990s resulted in a

state job loss of almost 160,000 payroll positions. It took 84 months to recover the jobs lost to that recession.

- The strongest job sectors on a year-to-year basis have continue to be education & health services (+6,000), leisure & hospitality (+5,600) and construction (+4,700).
- The sectors experiencing the largest job losses are manufacturing (-4,700), and financials (-2,500).
- Connecticut's unemployment rate in May remained fixed at 8.0 percent; the national rate was 7.6 percent that month. State unemployment claims were down 7.2 percent on a year-to-year basis in May.



## Wage and **\$**Salary income

- On June 6, the Bureau of Economic Analysis, a division of the U.S. Department of Commerce, released state-specific Gross Domestic Product (GDP) figures. Based on advanced data for 2012, Connecticut was the only state in the nation to experience a decline in GDP. Real GDP growth in the New England region averaged 1.2 percent; Connecticut posted a drop of 0.1 percent. Nationally, state based GDP advanced 2.5 percent in 2012. The most significant erosion to Connecticut GDP was in the finance and insurance sector. The strongest gain was in durable goods manufacturing.
- Average hourly earnings at \$27.85, not seasonally adjusted, were down eleven cents, or 0.4 percent from the May 2012 hourly pay estimate. The resulting average private sector weekly pay was estimated at \$935.76, down \$6.49, or -0.7 percent over the year.
- The Consumer Price Index (CPI) for all urban consumers was advancing at a 1.4-percent rate in May.



- Housing permits in Connecticut have continued to post strong gains coming in 2013. This follows a solid 2012, which recorded double-digit gains in all but one month of the year.
- According to the Census Bureau, U.S. new home sales increased 29 percent from last May. Sales in the Northeast were up 20.7 percent over April, but were flat on a year-to-year basis.
- Results for the larger existing home sales market were as follows according to the National Association of Realtors (NAR): Nationally, May sales were up 4.2 percent from the previous month, and sales were up 12.9 percent from May of last year. Home prices were up a solid 15.4 percent from one year ago. These are the strongest consecutive price gains since 2006.
- Existing home sales in the Northeast were up 1.6 percent on a month-over-month basis in May, and were up 8.3 percent from May of last year. Home prices in the Northeast were up 12.3 percent for the year to a median price of \$269,600.

## *Business Activity and Consumer Spending*

- At this writing, the Dow was advancing at a rate of almost 20 percent over last year. Most major indices were following a similar trend.

### Dow Industrial Average



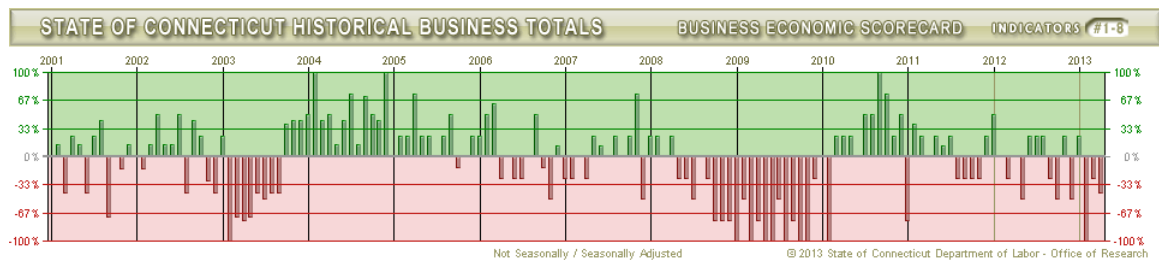
## Consumers

- In May, advance retail sales were up 4.3 percent from the same period last year. For the three-month period ending in May sales were up 3.7 percent. Car dealers, restaurants and home furnishing retailers were reporting recent improvement in sales.
- The May Conference Board's index of consumer confidence hit a five-year high, and the trend has continued into June. Rising home property values and higher stock returns are credited with much of the gain. These factors have helped offset the impact of the payroll tax increase. Consumer sentiment is closely monitored because it accounts for about 70 percent of economic activity.

- According to the Federal Reserve, in April, consumer credit increased at a seasonally adjusted annual rate of 4.75 percent. Revolving credit increased at an annual rate of 1 percent, while non-revolving credit increased at an annual rate of 6.5 percent.

## Business and Economic Growth

- Based on advance estimates, real Gross Domestic Product grew at an annual rate of 2.4 percent in the first quarter of 2013. This follows fourth-quarter growth of just 0.4 percent. The increase in real GDP in the first quarter primarily reflected positive contributions from personal consumption expenditures (PCE), private investment, real estate investment, and exports that were partly offset by negative contributions from federal, state and local government spending and imports.
- Corporate profits advances 6.8 percent in 2012 after growth of 7.3 percent in 2011. Net dividend distributions in the fourth quarter of 2012 were up 23.2 percent from the same quarter a year ago reflecting actions prior to the January increase in capital gains taxation. For the first quarter of 2013, corporate profits are up 3.6 percent from the same quarter last year.
- The Labor Department's scorecard of business activity was mixed in 2012 and has continued to perform well below pre-recession performance.



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