



**STATE OF CONNECTICUT
OFFICE OF THE STATE COMPTROLLER**

55 ELM STREET

HARTFORD, CONNECTICUT

06106-1775

**Kevin Lembo
State Comptroller**

**Martha Carlson
Deputy Comptroller**

February 1, 2013

The Honorable Dannel P. Malloy
Governor of the State of Connecticut
State Capitol
Hartford, Connecticut

Dear Governor Malloy:

I write to provide you with financial statements for the General Fund and the Transportation Fund through December 31, 2012.

OPM is currently projecting a Fiscal Year 2013 General Fund GAAP deficit of \$111.9 million and a shortfall of \$64.4 million on a budgetary accounting basis. Last month, after including the November rescissions and the impact of Public Act 12-1 of the December Special Session, OPM was estimating the General Fund to be in balance.

Since last month, new consensus projections have eroded revenue by a net \$33.9 million and deficiency requirements have increased by \$28.8 million. These two factors explain most of the change in OPM's projection this month.

I am in agreement with the January 15th consensus revenue forecast. The spending trend that I am using is \$75.6 million above the OPM estimate. The primary variance from OPM is within the Medicaid appropriations where case loads continue to exceed expectations. Therefore, I am projecting a General Fund deficit of \$140 million on a budgetary basis. The Transportation Fund is expected to close Fiscal Year 2013 with a balance of \$158.7 million, an improvement of \$11.9 million from last fiscal year.

The slow growth in the national economy has created increasing demand for state services while at the same time producing lower revenue collections. Traditionally, even after the national economy improves, there is a lag before the state budget realizes the full benefit of the general economic improvement.

The economy continues to recover at a slower pace than the original budget had forecast. The state lost 1,800 jobs in December. With the December data included, overall job growth turned negative with 100 payroll positions lost in 2012. Just under one quarter of the jobs lost to recession have been recovered to date. Connecticut's unemployment rate remains historically high at 8.6 percent; the national rate is also disappointing at 7.8 percent. According to the Bureau of Economic Analysis, personal income growth in Connecticut decelerated in the second half of 2012. Connecticut's personal income in the 3rd quarter of 2012 advanced at a rate of 0.3 percent ranking the state 44th nationally. Housing sales in Connecticut have continued to post strong gains, but prices have been depressed.

The Honorable Dannel P. Malloy
February 1, 2013
Page 2

As OPM has noted, less than one half of projected General Fund revenue for 2013 was collected as of December. April is a significant month for income tax collections, and recent federal tax changes combined with favorable market performance could result in a shift of capital gains revenue from future years to the current budget year. This would improve the present budget forecast. My office will continue to modify these projections based on actual experience.

I also issue a Comprehensive Annual Financial Report (CAFR) that converts the budgetary based financial reporting to Generally Accepted Accounting Principles (GAAP). From a balance sheet perspective, the GAAP shortfall or unreserved fund balance in the General Fund was \$1.7 billion as of June 30, 2011. This was a small increase from 2010. The GAAP numbers for Fiscal Year 2012 will be provided in February. I am currently projecting a significant improvement in the General Fund GAAP balance.

If you have any questions on this report, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script, reading "Kevin Lembo".

Kevin Lembo
State Comptroller

**STATE OF CONNECTICUT GENERAL FUND
BALANCE SHEET
AS OF DECEMBER 31, 2012
(In Thousands)**

Exhibit A

ASSETS

Loans Receivable	\$ 3,419
Unrealized Revenue - Exhibit C	<u>11,754,258</u>
Total Assets	<u>\$ 11,757,677</u>

LIABILITIES, RESERVES, APPROPRIATIONS AND SURPLUS

LIABILITIES

Deficiency in Cash and Short Term Investments	\$ 1,759,545
Due to Other Funds	85
Accounts Payable	<u>6,513</u>
Total Liabilities	<u>1,766,143</u>

RESERVES

Reserve for Petty Cash	804
Reserve for Receivables	3,419
Unexpended Appropriations - Exhibit D	10,052,255
Unappropriated Surplus (Deficit) - Exhibit B	<u>(64,944)</u>
Total Liabilities, Reserves, Appropriations and Surplus	<u>\$ 11,757,677</u>

**STATE OF CONNECTICUT GENERAL FUND
ANALYSIS OF UNAPPROPRIATED SURPLUS
AS OF DECEMBER 31, 2012**

(In Thousands)

Exhibit B

	<u>Budget Plan</u>	<u>Budgetary Increases (Decreases)</u>	<u>Other Increases (Decreases)</u>	<u>Revised Estimates</u>
BUDGETED REVENUE - EXHIBIT C				
Taxes	\$ 14,408,165	\$ (301,965)	\$ -	\$ 14,106,200
Other Revenue	1,158,319	(27,919)	-	1,130,400
Other Sources	<u>3,576,685</u>	<u>166,215</u>	<u>-</u>	<u>3,742,900</u>
Total Budgeted Revenue	<u>19,143,169</u>	<u>(163,669)</u>	<u>-</u>	<u>18,979,500</u>
APPROPRIATIONS - EXHIBIT D				
Budgeted Appropriations	19,386,758	337,900	174	19,724,832
Continued from Prior Year	<u>130,351</u>	<u>-</u>	<u>-</u>	<u>130,351</u>
Current Year Appropriations	19,256,407	337,900	174	19,594,481
Estimated Lapses	<u>(116,349)</u>	<u>(434,080)</u>	<u>-</u>	<u>(550,429)</u>
Net Appropriations	<u>19,140,058</u>	<u>(96,180)</u>	<u>174</u>	<u>19,044,052</u>
Surplus (Deficit) from Operations	3,111	(67,489)	(174)	(64,552)
Miscellaneous Adjustments	-	-	(392)	(392)
Surplus (Deficit), July 1, 2012	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Projected Surplus (Deficit), June 30, 2013	<u>\$ 3,111</u>	<u>\$ (67,489)</u>	<u>\$ (566)</u>	<u>\$ (64,944)</u>

STATE OF CONNECTICUT GENERAL FUND
STATEMENT OF ESTIMATED AND REALIZED REVENUE
FOR THE SIX MONTHS ENDED DECEMBER 31, 2012
(In Thousands)

Exhibit C

	<u>Estimated Revenue</u>	<u>Increases or (Decreases)</u>	<u>Revised Estimates</u>	<u>Realized Revenue</u>	<u>Unrealized Revenue</u>
TAXES					
Personal Income	\$ 8,554,300	\$ -	\$ 8,554,300	\$ 2,764,245	\$ 5,790,055
Sales and Use	4,045,935	(159,735)	3,886,200	1,546,006	2,340,194
Corporations	793,000	(76,800)	716,200	246,466	469,734
Public Service Corporations	275,200	3,500	278,700	72,093	206,607
Inheritance and Estate	166,200	30,000	196,200	64,085	132,115
Insurance Companies	234,400	13,400	247,800	94,204	153,596
Cigarettes and Tobacco	411,130	(1,030)	410,100	194,040	216,060
Real Estate Conveyance	100,300	-	100,300	38,143	62,157
Oil Companies	182,600	(14,800)	167,800	48,667	119,133
Electric Generation	71,000	(400)	70,600	20,782	49,818
Alcoholic Beverages	59,300	-	59,300	25,955	33,345
Admissions, Dues and Cabaret	39,600	-	39,600	16,247	23,353
Miscellaneous	550,800	(10,700)	540,100	140,454	399,646
Totals	15,483,765	(216,565)	15,267,200	5,271,387	9,995,813
Less Refunds of Taxes	(950,600)	(90,000)	(1,040,600)	(340,415)	(700,185)
Less R & D Credit Exchange	(125,000)	4,600	(120,400)	(1,618)	(118,782)
Net Taxes	14,408,165	(301,965)	14,106,200	4,929,354	9,176,846
OTHER REVENUE					
Transfers - Special Revenue	305,100	10,000	315,100	149,468	165,632
Indian Gaming Payments	336,200	(36,100)	300,100	127,051	173,049
Licenses, Permits and Fees	258,821	3,979	262,800	112,149	150,651
Sales of Commodities and Services	34,800	1,000	35,800	17,478	18,322
Rents, Fines and Escheats	107,698	1,502	109,200	15,853	93,347
Investment Income	2,800	(1,800)	1,000	997	3
Miscellaneous	162,900	5,000	167,900	81,244	86,656
Total Other Revenue	1,208,319	(16,419)	1,191,900	504,240	687,660
Less Refunds of Payments	(50,000)	(11,500)	(61,500)	(37,974)	(23,526)
Net Other Revenue	1,158,319	(27,919)	1,130,400	466,266	664,134
OTHER SOURCES					
Federal Grants	3,629,044	123,856	3,752,900	1,829,622	1,923,278
Transfer from the Tobacco Settlement Fund	93,100	-	93,100	-	93,100
Transfer to/from the Resources of the General Fund	(83,659)	42,359	(41,300)	-	(41,300)
Transfers to Pequot Mohegan Fund	(61,800)	-	(61,800)	-	(61,800)
Total Other Sources	3,576,685	166,215	3,742,900	1,829,622	1,913,278
Total Budgeted Revenue	\$ 19,143,169	\$ (163,669)	\$ 18,979,500	\$ 7,225,242	\$ 11,754,258

STATE OF CONNECTICUT GENERAL FUND
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
FOR THE SIX MONTHS ENDED DECEMBER 31, 2012
(In Thousands)

Exhibit D

	Continued and Initial <u>Appropriations</u>	Increases or (Decreases)	Estimated Additional <u>Requirements</u>	Total <u>Appropriations</u>	<u>Expenditures</u>	Estimated <u>Lapses</u>	Unexpended <u>Appropriations</u>
LEGISLATIVE							
Legislative Management	\$ 63,135	\$ 680	\$ -	\$ 63,815	\$ 23,649	\$ 3,500	\$ 36,666
Auditors of Public Accounts	11,564	-	-	11,564	5,263	-	6,301
Commission on Aging	260	-	-	260	123	-	137
Commission on the Status of Women	504	-	-	504	214	-	290
Commission on Children	532	-	-	532	273	-	259
Commission on Latino & Puerto Rican Affairs	318	-	-	318	132	-	186
African-American Affairs Commission	210	-	-	210	84	-	126
Asian Pacific American Affairs	153	-	-	153	76	-	77
Total Legislative	76,676	680	-	77,356	29,814	3,500	44,042
GENERAL GOVERNMENT							
Governor's Office	2,828	9	-	2,837	1,311	-	1,526
Secretary of the State	7,743	-	-	7,743	3,091	-	4,652
Lieutenant Governor's Office	918	-	-	918	411	-	507
State Treasurer	3,561	23	-	3,584	1,562	-	2,022
State Comptroller	25,029	128	1,700	26,857	11,860	-	14,997
Revenue Services	63,890	517	-	64,407	29,399	-	35,008
Governmental Accountability	8,602	38	-	8,640	3,714	-	4,926
Office of Policy and Management	266,727	399	-	267,126	250,378	-	16,748
Veterans' Affairs	28,030	108	-	28,138	13,419	-	14,719
Administrative Services	123,575	1,201	-	124,776	55,184	-	69,592
Construction Services	9,940	-	-	9,940	4,231	-	5,709
Attorney General	30,457	220	-	30,677	14,703	-	15,974
Division of Criminal Justice	48,836	327	-	49,163	23,513	-	25,650
Total General Government	620,136	2,970	1,700	624,806	412,776	-	212,030
REGULATION AND PROTECTION							
Emergency Services and Public Protection	151,573	1,896	13,000	166,469	88,605	-	77,864
Motor Vehicles	459	-	-	459	109	-	350
Military Department	6,140	9	-	6,149	3,111	-	3,038
Consumer Protection	14,622	207	900	15,729	7,463	-	8,266
Department of Labor	75,031	180	-	75,211	31,046	-	44,165
Human Rights & Opportunities	6,086	(453)	-	5,633	2,636	-	2,997
Advocacy for Persons with Disabilities	2,431	-	-	2,431	1,139	-	1,292
Total Regulation and Protection	256,342	1,839	13,900	272,081	134,109	-	137,972
CONSERVATION AND DEVELOPMENT							
Department of Agriculture	4,662	62	-	4,724	2,345	-	2,379
Energy and Environmental Protection	68,724	540	-	69,264	34,197	-	35,067
Environmental Quality Council	164	-	-	164	78	-	86
Economic & Community Development	60,265	202	-	60,467	22,433	-	38,034
Department of Housing	180	-	-	180	-	-	180
Agricultural Experiment Station	6,830	103	-	6,933	3,472	-	3,461
Total Conservation and Development	140,825	907	-	141,732	62,525	-	79,207
HEALTH AND HOSPITALS							
Department of Public Health	100,151	416	-	100,567	37,784	1,700	61,083
Medical Examiner	5,046	74	-	5,120	2,011	-	3,109
Developmental Service	1,038,993	1,830	-	1,040,823	469,829	-	570,994
Mental Health & Addiction Services	693,499	1,538	11,300	706,337	276,769	-	429,568
Psychiatric Security Review Board	280	-	-	280	133	-	147
Total Health and Hospitals	1,837,969	3,858	11,300	1,853,127	786,526	1,700	1,064,901

STATE OF CONNECTICUT GENERAL FUND
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
FOR THE SIX MONTHS ENDED DECEMBER 31, 2012
(In Thousands)

Exhibit D

	Continued and Initial <u>Appropriations</u>	Increases or (Decreases)	Estimated Additional <u>Requirements</u>	Total <u>Appropriations</u>	<u>Expenditures</u>	Estimated <u>Lapses</u>	Unexpended <u>Appropriations</u>
HUMAN SERVICES							
Department of Social Services	5,885,294	1,070	289,000	6,175,364	3,392,396	-	2,782,968
State Department on Aging	100	-	-	100	-	-	100
Department of Rehabilitative Services	22,492	40	-	22,532	7,643	-	14,889
Total Human Services	5,907,886	1,110	289,000	6,197,996	3,400,039	-	2,797,957
EDUCATION, MUSEUMS, LIBRARIES							
Department of Education	2,915,343	1,115	-	2,916,458	903,094	-	2,013,364
State Library	12,736	114	-	12,850	5,140	-	7,710
Financial & Academic Affairs for Higher Ed	52,685	(3)	-	52,682	28,070	-	24,612
University of Connecticut	205,632	477	-	206,109	103,493	-	102,616
University Health Center	112,667	289	-	112,956	58,236	-	54,720
Teachers' Retirement Board	811,897	16	-	811,913	405,136	-	406,777
Board of Regents for Higher Education	288,450	3,010	-	291,460	145,421	-	146,039
Total Education, Museums, Libraries	4,399,410	5,018	-	4,404,428	1,648,590	-	2,755,838
CORRECTIONS							
Department of Correction	619,005	2,286	22,000	643,291	320,701	-	322,590
Children and Families	831,939	915	-	832,854	384,371	22,900	425,583
Total Corrections	1,450,944	3,201	22,000	1,476,145	705,072	22,900	748,173
JUDICIAL							
Judicial Department	484,421	1,383	-	485,804	236,540	-	249,264
Public Defender Services Commission	60,574	234	-	60,808	30,005	-	30,803
Total Judicial	544,995	1,617	-	546,612	266,545	-	280,067
NON-FUNCTIONAL							
Governor's Contingency	-	-	-	-	-	-	-
Debt Service	1,870,923	-	-	1,870,923	665,224	20,000	1,185,699
Reserve for Salary Adjustments	52,101	(25,699)	-	26,402	-	-	26,402
Workers' Compensation Claims	26,964	-	-	26,964	13,123	-	13,841
Adjudicated Claims	4,000	-	-	4,000	2,697	-	1,303
Death Benefits for State Employees	-	7	-	7	7	-	-
Unemployment Compensation	8,902	-	-	8,902	3,513	-	5,389
State Employees Retirement Contributions	721,491	-	-	721,491	360,745	-	360,746
Higher Education Alternative Retirement	33,671	-	-	33,671	6,937	-	26,734
Other Statutory Retirement	1,843	-	-	1,843	792	-	1,051
Judges & Compensation Commissioners Retirement	16,006	-	-	16,006	8,003	-	8,003
Group Life Insurance	8,755	-	-	8,755	3,621	-	5,134
Tuition Reimbursement - Training & Travel	2,854	3,145	-	5,999	1,414	-	4,585
Employers Social Security	221,957	1,521	-	223,478	95,900	-	127,578
State Employees Health Service	568,013	-	-	568,013	241,929	-	326,084
Retired State Employees Health Service	614,095	-	-	614,095	272,247	-	341,848
Insurance Recoveries	-	-	-	-	-	-	-
Unallocated	-	-	-	-	-	502,329	(502,329)
Total Non-Functional	4,151,575	(21,026)	-	4,130,549	1,676,152	522,329	1,932,068
Total Budgeted Appropriations	\$ 19,386,758	\$ 174	\$ 337,900	\$ 19,724,832	\$ 9,122,148	\$ 550,429	\$ 10,052,255

STATE OF CONNECTICUT TRANSPORTATION FUND
BALANCE SHEET
AS OF DECEMBER 31, 2012
(In Thousands)

Exhibit E

ASSETS

Cash and Short Term Investments	\$ 90,051
Unrealized Revenue - Exhibit G	<u>760,005</u>
Total Assets	<u>\$ 850,056</u>

APPROPRIATIONS, LIABILITIES AND SURPLUS

Unexpended Appropriations - Exhibit H	\$ 690,201
Liabilities	1,150
Unappropriated Surplus - Exhibit F	<u>158,705</u>
Total Appropriations, Liabilities and Surplus	<u>\$ 850,056</u>

**STATE OF CONNECTICUT TRANSPORTATION FUND
ANALYSIS OF UNAPPROPRIATED SURPLUS
AS OF DECEMBER 31, 2012**

(In Thousands)

Exhibit F

	<u>Budget Plan</u>	<u>Budgetary Increases (Decreases)</u>	<u>Other Increases (Decreases)</u>	<u>Revised Estimates</u>
BUDGETED REVENUE - EXHIBIT G				
Taxes	\$ 765,500	\$ (300)	\$ -	\$ 765,200
Other Revenue	<u>468,159</u>	<u>(5,614)</u>	<u>-</u>	<u>462,545</u>
Total Budgeted Revenue	<u>1,233,659</u>	<u>(5,914)</u>	<u>-</u>	<u>1,227,745</u>
APPROPRIATIONS - EXHIBIT H				
Budgeted Appropriations	1,285,285	-	-	1,285,285
Continued from Prior Year	<u>41,615</u>	<u>-</u>	<u>-</u>	<u>41,615</u>
Current Year Appropriations	1,243,670	-	-	1,243,670
Estimated Lapses	(11,000)	(17,814)	-	(28,814)
Restricted Grants Affecting Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Appropriations	<u>1,232,670</u>	<u>(17,814)</u>	<u>-</u>	<u>1,214,856</u>
Surplus from Operations	989	11,900	-	12,889
Miscellaneous Adjustments	-	-	-	-
Surplus, July 1, 2012	<u>145,816</u>	<u>-</u>	<u>-</u>	<u>145,816</u>
Projected Surplus, June 30, 2013	<u><u>\$ 146,805</u></u>	<u><u>\$ 11,900</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 158,705</u></u>

**STATE OF CONNECTICUT TRANSPORTATION FUND
STATEMENT OF ESTIMATED AND REALIZED REVENUE
FOR THE SIX MONTHS ENDED DECEMBER 31, 2012**

(In Thousands)

Exhibit G

	<u>Estimated Revenue</u>	<u>Increases or (Decreases)</u>	<u>Revised Estimates</u>	<u>Realized Revenue</u>	<u>Unrealized Revenue</u>
TAXES					
Motor Fuels Tax	\$ 497,500	\$ (1,700)	\$ 495,800	\$ 213,357	\$ 282,443
Oil Companies	199,400	-	199,400	49,850	149,550
Sales Tax DMV	<u>76,400</u>	<u>800</u>	<u>77,200</u>	<u>36,605</u>	<u>40,595</u>
Totals	773,300	(900)	772,400	299,812	472,588
Less Refunds of Taxes	<u>(7,800)</u>	<u>600</u>	<u>(7,200)</u>	<u>(2,997)</u>	<u>(4,203)</u>
Net Taxes	<u>765,500</u>	<u>(300)</u>	<u>765,200</u>	<u>296,815</u>	<u>468,385</u>
OTHER REVENUE					
Motor Vehicle Receipts	233,400	2,400	235,800	101,398	134,402
Licenses, Permits and Fees	137,900	2,100	140,000	66,234	73,766
Interest Income	6,000	(2,900)	3,100	1,472	1,628
Federal Grants	13,100	-	13,100	6,448	6,652
Transfer from Other Funds	102,659	(7,414)	95,245	-	95,245
Transfer to Emissions Enterprise Fund	(6,500)	-	(6,500)	(3,250)	(3,250)
Transfer to TSB Projects Account	<u>(15,000)</u>	<u>-</u>	<u>(15,000)</u>	<u>-</u>	<u>(15,000)</u>
Totals	471,559	(5,814)	465,745	172,302	293,443
Less Refunds of Payments	<u>(3,400)</u>	<u>200</u>	<u>(3,200)</u>	<u>(1,377)</u>	<u>(1,823)</u>
Net Other Revenue	<u>468,159</u>	<u>(5,614)</u>	<u>462,545</u>	<u>170,925</u>	<u>291,620</u>
Total Budgeted Revenue	<u><u>\$ 1,233,659</u></u>	<u><u>\$ (5,914)</u></u>	<u><u>\$ 1,227,745</u></u>	<u><u>\$ 467,740</u></u>	<u><u>\$ 760,005</u></u>

**STATE OF CONNECTICUT TRANSPORTATION FUND
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
FOR THE SIX MONTHS ENDED DECEMBER 31, 2012**

Exhibit H

(In Thousands)

	<u>Continued and Initial Appropriations</u>	<u>Increases or (Decreases)</u>	<u>Estimated Additional Requirements</u>	<u>Total Appropriations</u>	<u>Expenditures</u>	<u>Estimated Lapses</u>	<u>Unexpended Appropriations</u>
Department of Transportation	\$ 579,944	\$ 1,305	\$ -	\$ 581,249	\$ 263,909	\$ 2,000	\$ 315,340
Motor Vehicle Department	67,181	419	-	67,600	24,212	-	43,388
Debt Service	457,974	-	-	457,974	194,718	17,400	245,856
Reserve for Salary Adjustments	3,032	(1,856)	-	1,176	-	-	1,176
Department of Rehabilitative Services	210	-	-	210	106	-	104
Workers' Compensation Claims	6,544	-	-	6,544	2,818	-	3,726
Department of Administrative Services	7,335	-	-	7,335	3,168	-	4,167
Unemployment Compensation	645	-	-	645	83	-	562
State Employees Retirement	107,869	-	-	107,869	53,935	-	53,934
Group Life Insurance	334	-	-	334	118	-	216
Employers Social Security	17,800	132	-	17,932	6,265	-	11,667
State Employees Health Service	36,417	-	-	36,417	16,938	-	19,479
Insurance Recoveries	-	-	-	-	-	-	-
Unallocated	-	-	-	-	-	9,414	(9,414)
Total Budgeted Appropriations	<u>\$ 1,285,285</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,285,285</u>	<u>\$ 566,270</u>	<u>\$ 28,814</u>	<u>\$ 690,201</u>