



**STATE OF CONNECTICUT
OFFICE OF THE STATE COMPTROLLER
55 ELM STREET
HARTFORD, CONNECTICUT
06106-1775**

**Kevin Lembo
State Comptroller**

**Martha Carlson
Deputy Comptroller**

March 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 January 31, 2013.

OPM is currently projecting a Fiscal Year 2013 General Fund GAAP deficit of \$103.2 million and a shortfall of \$55.7 million on a budgetary accounting basis. This is an improvement in the General Fund's fiscal position of \$8.7 million from last month. The improvement is primarily the result of an increase in the forced lapse estimate.

OPM notes that the current projections do not include any impact from the federal sequestration of funds scheduled to take effect on March 1st, or the potential impact of the March 27th expiration of the federal budget continuing resolution. Like OPM, my office will continue to monitor the state budgetary impact of federal actions.

OPM continues to use the January 15th consensus revenue estimates in developing the current deficit forecast. I also am in agreement with the January 15th consensus revenue forecast. The spending trend that I am using continues to produce net expenditures that are \$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 \$131.3 million on a budgetary basis. The Transportation Fund is expected to close Fiscal Year 2013 with a balance of \$159 million; an improvement of \$13.2 million from last fiscal year's closing balance.

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 (state employment data for January will be released later in March). 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 was also disappointing at 7.9 percent in January. 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
March 1, 2013
Page 2

As OPM has noted, just over half of projected General Fund income tax revenue for 2013 was collected as of January. 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 \$1.146 billion as of June 30, 2012. This represents an improvement in the unassigned fund balance deficit of just over \$600 million from last year.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin Lembo". The signature is fluid and cursive, with the first name "Kevin" and last name "Lembo" clearly distinguishable.

Kevin Lembo
State Comptroller

**STATE OF CONNECTICUT GENERAL FUND
BALANCE SHEET
AS OF JANUARY 31, 2013
(In Thousands)**

Exhibit A

ASSETS

Loans Receivable	\$ 3,419
Unrealized Revenue - Exhibit C	<u>9,662,361</u>
Total Assets	<u>\$ 9,665,780</u>

LIABILITIES, RESERVES, APPROPRIATIONS AND SURPLUS

LIABILITIES

Deficiency in Cash and Short Term Investments	\$ 2,322,933
Due to Other Funds	757
Accounts Payable	<u>16,856</u>
Total Liabilities	<u>2,340,546</u>

RESERVES

Reserve for Petty Cash	804
Reserve for Receivables	3,419
Unexpended Appropriations - Exhibit D	7,377,255
Unappropriated Surplus (Deficit) - Exhibit B	<u>(56,244)</u>
Total Liabilities, Reserves, Appropriations and Surplus	<u>\$ 9,665,780</u>

**STATE OF CONNECTICUT GENERAL FUND
ANALYSIS OF UNAPPROPRIATED SURPLUS
AS OF JANUARY 31, 2013**

(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	337,600	174	19,724,532
Continued from Prior Year	<u>130,351</u>	<u>-</u>	<u>-</u>	<u>130,351</u>
Current Year Appropriations	19,256,407	337,600	174	19,594,181
Estimated Lapses	<u>(116,349)</u>	<u>(442,480)</u>	<u>-</u>	<u>(558,829)</u>
Net Appropriations	<u>19,140,058</u>	<u>(104,880)</u>	<u>174</u>	<u>19,035,352</u>
Surplus (Deficit) from Operations	3,111	(58,789)	(174)	(55,852)
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>\$ (58,789)</u>	<u>\$ (566)</u>	<u>\$ (56,244)</u>

STATE OF CONNECTICUT GENERAL FUND
STATEMENT OF ESTIMATED AND REALIZED REVENUE
FOR THE SEVEN MONTHS ENDED JANUARY 31, 2013
(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	\$ 3,866,214	\$ 4,688,086
Sales and Use	4,045,935	(159,735)	3,886,200	1,954,474	1,931,726
Corporations	793,000	(76,800)	716,200	263,028	453,172
Public Service Corporations	275,200	3,500	278,700	128,999	149,701
Inheritance and Estate	166,200	30,000	196,200	120,435	75,765
Insurance Companies	234,400	13,400	247,800	99,715	148,085
Cigarettes and Tobacco	411,130	(1,030)	410,100	222,054	188,046
Real Estate Conveyance	100,300	-	100,300	51,176	49,124
Oil Companies	182,600	(14,800)	167,800	92,572	75,228
Electric Generation	71,000	(400)	70,600	32,203	38,397
Alcoholic Beverages	59,300	-	59,300	30,997	28,303
Admissions, Dues and Cabaret	39,600	-	39,600	19,316	20,284
Miscellaneous	550,800	(10,700)	540,100	261,205	278,895
Totals	15,483,765	(216,565)	15,267,200	7,142,388	8,124,812
Less Refunds of Taxes	(950,600)	(90,000)	(1,040,600)	(384,002)	(656,598)
Less R & D Credit Exchange	(125,000)	4,600	(120,400)	(1,718)	(118,682)
Net Taxes	<u>14,408,165</u>	<u>(301,965)</u>	<u>14,106,200</u>	<u>6,756,668</u>	<u>7,349,532</u>
OTHER REVENUE					
Transfers - Special Revenue	305,100	10,000	315,100	177,511	137,589
Indian Gaming Payments	336,200	(36,100)	300,100	151,107	148,993
Licenses, Permits and Fees	258,821	3,979	262,800	134,568	128,232
Sales of Commodities and Services	34,800	1,000	35,800	20,278	15,522
Rents, Fines and Escheats	107,698	1,502	109,200	23,929	85,271
Investment Income	2,800	(1,800)	1,000	(407)	1,407
Miscellaneous	162,900	5,000	167,900	93,487	74,413
Total Other Revenue	1,208,319	(16,419)	1,191,900	600,473	591,427
Less Refunds of Payments	(50,000)	(11,500)	(61,500)	(40,832)	(20,668)
Net Other Revenue	<u>1,158,319</u>	<u>(27,919)</u>	<u>1,130,400</u>	<u>559,641</u>	<u>570,759</u>
OTHER SOURCES					
Federal Grants	3,629,044	123,856	3,752,900	2,136,379	1,616,521
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)	(73,749)	32,449
Transfers to Pequot Mohegan Fund	(61,800)	-	(61,800)	(61,800)	-
Total Other Sources	<u>3,576,685</u>	<u>166,215</u>	<u>3,742,900</u>	<u>2,000,830</u>	<u>1,742,070</u>
Total Budgeted Revenue	<u>\$ 19,143,169</u>	<u>\$ (163,669)</u>	<u>\$ 18,979,500</u>	<u>\$ 9,317,139</u>	<u>\$ 9,662,361</u>

STATE OF CONNECTICUT GENERAL FUND
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
FOR THE SEVEN MONTHS ENDED JANUARY 31, 2013
(In Thousands)

Exhibit D

	Continued and Initial Appropriations	Increases or (Decreases)	Estimated Additional Requirements	Total Appropriations	Expenditures	Estimated Lapses	Unexpended Appropriations
LEGISLATIVE							
Legislative Management	\$ 63,135	\$ 680	\$ -	\$ 63,815	\$ 28,293	\$ 4,500	\$ 31,022
Auditors of Public Accounts	11,564	-	-	11,564	6,079	300	5,185
Commission on Aging	260	-	-	260	142	-	118
Commission on the Status of Women	504	-	-	504	246	-	258
Commission on Children	532	-	-	532	311	-	221
Commission on Latino & Puerto Rican Affairs	318	-	-	318	153	-	165
African-American Affairs Commission	210	-	-	210	98	-	112
Asian Pacific American Affairs	153	-	-	153	87	-	66
Total Legislative	76,676	680	-	77,356	35,409	4,800	37,147
GENERAL GOVERNMENT							
Governor's Office	2,828	9	-	2,837	1,497	-	1,340
Secretary of the State	7,743	-	-	7,743	3,775	-	3,968
Lieutenant Governor's Office	918	-	-	918	481	-	437
State Treasurer	3,561	23	-	3,584	1,828	-	1,756
State Comptroller	25,029	128	1,700	26,857	14,158	-	12,699
Revenue Services	63,890	517	-	64,407	34,013	-	30,394
Governmental Accountability	8,602	38	-	8,640	4,261	-	4,379
Office of Policy and Management	266,727	399	-	267,126	251,392	1,400	14,334
Veterans' Affairs	28,030	108	-	28,138	15,665	-	12,473
Administrative Services	123,575	1,201	-	124,776	64,329	500	59,947
Construction Services	9,940	-	-	9,940	4,818	-	5,122
Attorney General	30,457	220	-	30,677	16,882	-	13,795
Division of Criminal Justice	48,836	327	-	49,163	27,103	300	21,760
Total General Government	620,136	2,970	1,700	624,806	440,202	2,200	182,404
REGULATION AND PROTECTION							
Emergency Services and Public Protection	151,573	1,896	13,000	166,469	102,520	-	63,949
Motor Vehicles	459	-	-	459	117	-	342
Military Department	6,140	9	-	6,149	3,550	-	2,599
Consumer Protection	14,622	207	600	15,429	8,589	-	6,840
Department of Labor	75,031	180	-	75,211	36,070	-	39,141
Human Rights & Opportunities	6,086	(453)	-	5,633	3,050	-	2,583
Advocacy for Persons with Disabilities	2,431	-	-	2,431	1,295	-	1,136
Total Regulation and Protection	256,342	1,839	13,600	271,781	155,191	-	116,590
CONSERVATION AND DEVELOPMENT							
Department of Agriculture	4,662	61	-	4,723	2,753	-	1,970
Energy and Environmental Protection	68,724	540	-	69,264	39,139	-	30,125
Environmental Quality Council	164	-	-	164	89	-	75
Economic & Community Development	60,265	202	-	60,467	30,581	-	29,886
Department of Housing	180	-	-	180	-	-	180
Agricultural Experiment Station	6,830	103	-	6,933	4,012	-	2,921
Total Conservation and Development	140,825	906	-	141,731	76,574	-	65,157
HEALTH AND HOSPITALS							
Department of Public Health	100,151	416	-	100,567	47,301	2,000	51,266
Medical Examiner	5,046	74	-	5,120	2,329	-	2,791
Developmental Service	1,038,993	1,830	-	1,040,823	549,322	-	491,501
Mental Health & Addiction Services	693,499	1,538	11,300	706,337	368,723	-	337,614
Psychiatric Security Review Board	280	-	-	280	153	-	127
Total Health and Hospitals	1,837,969	3,858	11,300	1,853,127	967,828	2,000	883,299

STATE OF CONNECTICUT GENERAL FUND
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
FOR THE SEVEN MONTHS ENDED JANUARY 31, 2013
(In Thousands)

Exhibit D

	Continued and Initial Appropriations	Increases or (Decreases)	Estimated Additional Requirements	Total Appropriations	Expenditures	Estimated Lapses	Unexpended Appropriations
HUMAN SERVICES							
Department of Social Services	5,885,294	1,070	289,000	6,175,364	4,313,387	-	1,861,977
State Department on Aging	100	-	-	100	-	-	100
Department of Rehabilitative Services	22,492	40	-	22,532	9,581	-	12,951
Total Human Services	5,907,886	1,110	289,000	6,197,996	4,322,968	-	1,875,028
EDUCATION, MUSEUMS, LIBRARIES							
Department of Education	2,915,343	1,115	-	2,916,458	1,428,420	-	1,488,038
State Library	12,736	114	-	12,850	6,100	-	6,750
Financial & Academic Affairs for Higher Ed	52,685	(3)	-	52,682	42,512	-	10,170
University of Connecticut	205,632	477	-	206,109	120,016	-	86,093
University Health Center	112,667	289	-	112,956	67,009	-	45,947
Teachers' Retirement Board	811,897	16	-	811,913	602,179	800	208,934
Board of Regents for Higher Education	288,450	3,010	-	291,460	168,403	-	123,057
Total Education, Museums, Libraries	4,399,410	5,018	-	4,404,428	2,434,639	800	1,968,989
CORRECTIONS							
Department of Correction	619,005	2,286	22,000	643,291	397,620	-	245,671
Children and Families	831,939	915	-	832,854	473,143	26,200	333,511
Total Corrections	1,450,944	3,201	22,000	1,476,145	870,763	26,200	579,182
JUDICIAL							
Judicial Department	484,421	1,383	-	485,804	276,631	-	209,173
Public Defender Services Commission	60,574	234	-	60,808	35,076	-	25,732
Total Judicial	544,995	1,617	-	546,612	311,707	-	234,905
NON-FUNCTIONAL							
Governor's Contingency	-	-	-	-	-	-	-
Debt Service	1,870,923	-	-	1,870,923	1,020,096	20,000	830,827
Reserve for Salary Adjustments	52,101	(25,699)	-	26,402	-	-	26,402
Workers' Compensation Claims	26,964	-	-	26,964	20,196	-	6,768
Adjudicated Claims	4,000	-	-	4,000	3,263	-	737
Death Benefits for State Employees	-	8	-	8	8	-	-
Unemployment Compensation	8,902	-	-	8,902	4,070	-	4,832
State Employees Retirement Contributions	721,491	-	-	721,491	420,870	-	300,621
Higher Education Alternative Retirement	33,671	-	-	33,671	9,950	-	23,721
Other Statutory Retirement	1,843	-	-	1,843	922	-	921
Judges & Compensation Commissioners Retirement	16,006	-	-	16,006	9,337	-	6,669
Group Life Insurance	8,755	-	-	8,755	4,363	-	4,392
Tuition Reimbursement - Training & Travel	2,854	3,145	-	5,999	1,656	-	4,343
Employers Social Security	221,957	1,521	-	223,478	114,700	-	108,778
State Employees Health Service	568,013	-	-	568,013	287,220	-	280,793
Retired State Employees Health Service	614,095	-	-	614,095	276,516	-	337,579
Insurance Recoveries	-	-	-	-	-	-	-
Unallocated	-	-	-	-	-	502,829	(502,829)
Total Non-Functional	4,151,575	(21,025)	-	4,130,550	2,173,167	522,829	1,434,554
Total Budgeted Appropriations	\$ 19,386,758	\$ 174	\$ 337,600	\$ 19,724,532	\$ 11,788,448	\$ 558,829	\$ 7,377,255

STATE OF CONNECTICUT TRANSPORTATION FUND
BALANCE SHEET
AS OF JANUARY 31, 2013
(In Thousands)

Exhibit E

ASSETS

Cash and Short Term Investments	\$ 187,864
Unrealized Revenue - Exhibit G	<u>558,612</u>
Total Assets	<u>\$ 746,476</u>

APPROPRIATIONS, LIABILITIES AND SURPLUS

Unexpended Appropriations - Exhibit H	\$ 586,366
Liabilities	958
Unappropriated Surplus - Exhibit F	<u>159,152</u>
Total Appropriations, Liabilities and Surplus	<u>\$ 746,476</u>

**STATE OF CONNECTICUT TRANSPORTATION FUND
ANALYSIS OF UNAPPROPRIATED SURPLUS
AS OF JANUARY 31, 2013**

(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)	(18,214)	-	(29,214)
Restricted Grants Affecting Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Appropriations	<u>1,232,670</u>	<u>(18,214)</u>	<u>-</u>	<u>1,214,456</u>
Surplus from Operations	989	12,300	-	13,289
Miscellaneous Adjustments	-	-	47	47
Surplus, July 1, 2012	<u>145,816</u>	<u>-</u>	<u>-</u>	<u>145,816</u>
Projected Surplus, June 30, 2013	<u>\$ 146,805</u>	<u>\$ 12,300</u>	<u>\$ 47</u>	<u>\$ 159,152</u>

STATE OF CONNECTICUT TRANSPORTATION FUND
STATEMENT OF ESTIMATED AND REALIZED REVENUE
FOR THE SEVEN MONTHS ENDED JANUARY 31, 2013

(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	\$ 255,409	\$ 240,391
Oil Companies	199,400	-	199,400	99,700	99,700
Sales Tax DMV	<u>76,400</u>	<u>800</u>	<u>77,200</u>	<u>42,126</u>	<u>35,074</u>
Totals	773,300	(900)	772,400	397,235	375,165
Less Refunds of Taxes	<u>(7,800)</u>	<u>600</u>	<u>(7,200)</u>	<u>(3,279)</u>	<u>(3,921)</u>
Net Taxes	<u>765,500</u>	<u>(300)</u>	<u>765,200</u>	<u>393,956</u>	<u>371,244</u>
OTHER REVENUE					
Motor Vehicle Receipts	233,400	2,400	235,800	117,158	118,642
Licenses, Permits and Fees	137,900	2,100	140,000	76,108	63,892
Interest Income	6,000	(2,900)	3,100	1,830	1,270
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)	(4,875)	(1,625)
Transfer to TSB Projects Account	<u>(15,000)</u>	<u>-</u>	<u>(15,000)</u>	<u>(15,000)</u>	<u>-</u>
Totals	471,559	(5,814)	465,745	276,914	188,831
Less Refunds of Payments	<u>(3,400)</u>	<u>200</u>	<u>(3,200)</u>	<u>(1,737)</u>	<u>(1,463)</u>
Net Other Revenue	<u>468,159</u>	<u>(5,614)</u>	<u>462,545</u>	<u>275,177</u>	<u>187,368</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>\$ 669,133</u></u>	<u><u>\$ 558,612</u></u>

STATE OF CONNECTICUT TRANSPORTATION FUND
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
FOR THE SEVEN MONTHS ENDED JANUARY 31, 2013
(In Thousands)

Exhibit H

	Continued and Initial	Increases or	Estimated Additional	Total		Estimated	Unexpended
	<u>Appropriations</u>	<u>(Decreases)</u>	<u>Requirements</u>	<u>Appropriations</u>	<u>Expenditures</u>	<u>Lapses</u>	<u>Appropriations</u>
Department of Transportation	\$ 579,944	\$ 1,305	\$ -	\$ 581,249	\$ 315,459	\$ 2,000	\$ 263,790
Motor Vehicle Department	67,181	419	-	67,600	28,182	-	39,418
Debt Service	457,974	-	-	457,974	226,090	17,400	214,484
Reserve for Salary Adjustments	3,032	(1,856)	-	1,176	-	-	1,176
Department of Rehabilitative Services	210	-	-	210	122	-	88
Workers' Compensation Claims	6,544	-	-	6,544	4,924	-	1,620
Department of Administrative Services	7,335	-	-	7,335	4,564	-	2,771
Unemployment Compensation	645	-	-	645	99	-	546
State Employees Retirement	107,869	-	-	107,869	62,924	-	44,945
Group Life Insurance	334	-	-	334	138	-	196
Employers Social Security	17,800	132	-	17,932	7,444	-	10,488
State Employees Health Service	36,417	-	-	36,417	19,759	-	16,658
Insurance Recoveries	-	-	-	-	-	-	-
Unallocated	-	-	-	-	-	9,814	(9,814)
Total Budgeted Appropriations	<u>\$ 1,285,285</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,285,285</u>	<u>\$ 669,705</u>	<u>\$ 29,214</u>	<u>\$ 586,366</u>