



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

FOR IMMEDIATE RELEASE

DECEMBER 3, 2012

**Contact:** Tara Downes  
860-702-3308  
[Tara.Downes@po.state.ct.us](mailto:Tara.Downes@po.state.ct.us)

## **COMPTROLLER LEMBO PROJECTS MINIMUM DEFICIT OF \$415 MILLION FOR FISCAL YEAR 2013**

Comptroller Kevin Lembo today announced that the state is currently on track to end Fiscal Year 2013 with a deficit of at least \$415 million based on current spending patterns and revenue projections.

In a letter to Gov. Dannel P. Malloy, Lembo said that, in accordance with CGS, Section 4-85(b), he is certifying that the deficit exceeds 1 percent of total General Fund appropriations – requiring a deficit-mitigation plan within 30 days.

Lembo said the mitigation plan submitted Nov. 28, based on a \$365-million deficit projection by the Office of Policy and Management (OPM), will result in a net spending reduction of approximately \$123 million if target savings are achieved. That leaves a projected remaining deficit balance of \$242 million to be addressed through additional mitigation initiatives.

Lembo's deficit projection is a \$50-million variance from the Office of Policy and Management's (OPM) recent projection -- a difference attributed entirely to a higher spending projection.

“Statewide agency appropriations projected to year end are running above their appropriated levels even after consideration of OPM's estimated deficiency appropriations,” Lembo said. “Medicaid – the largest single gross appropriation line-item in the budget – is significantly above the budget target.

“Medicaid experienced double-digit increases last year and many of those trends are continuing this fiscal year, according to data from the Department of Social Services. The

Fiscal Year 2013 budget relied on over \$100 million from Medicaid program savings initiatives, many of which have not been implemented to date, while caseload growth continues in the low-income adult program area with the addition of more than 4,000 clients since the start of the fiscal year.”

Lembo said there are additional budget risk factors, including unreimbursed costs from Hurricane Sandy, which OPM is evaluating, and potential federal reductions associated with the Budget Control Act of 2011.

“I am also concerned that other national and international economic factors could further erode the consensus revenue forecast,” Lembo said. “I will be closely monitoring any changes in these areas.

“Projected state spending above budgeted levels, and the slow pace of national economic recovery are impeding the state’s ability to bring the budget into balance. Economic indicators are below the levels normally observed at this stage of a recovery.”

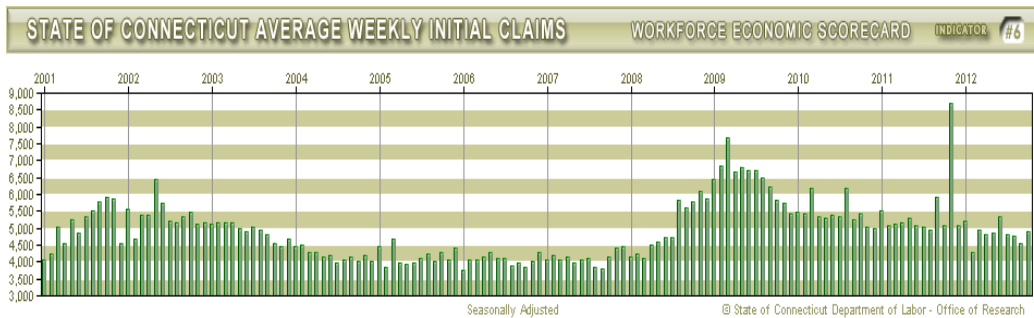
Data from the state and federal Departments of Labor and other sources show:

## *Employment*

- The state added 1,200 payroll jobs in October; however for the 12-month period ending in October, the state has lost 2,800 positions.
- So far this year the state has experienced four months of job gains and five months of job losses.
- The State Department of Labor notes that benchmark revisions for the year may show some improvement in the numbers with the addition of as many as 9,000 jobs. Even with new benchmarked numbers, this would still represent an anemic rate of employment recovery.



- Connecticut has recovered 30,200, or just over one quarter, of the 117,500 total nonfarm jobs lost in the March 2008 - February 2010 recessionary downturn. The private sector has regained almost 37.5 percent of its job loss.
- On a year-to-year basis, the strongest employment sector has been educational and health services (up 9,400). The weakest sectors have been financial activities (down 3,200), professional and business services (down 3,100) and Government (down 2,500).
- Connecticut's unemployment rate in October was 9.0 percent; the national rate was 7.9 percent. Both rates increased 0.1 percent from last month.
- Initial claims for unemployment insurance have been on a generally downward trend since last year at this time but were up slightly in October.

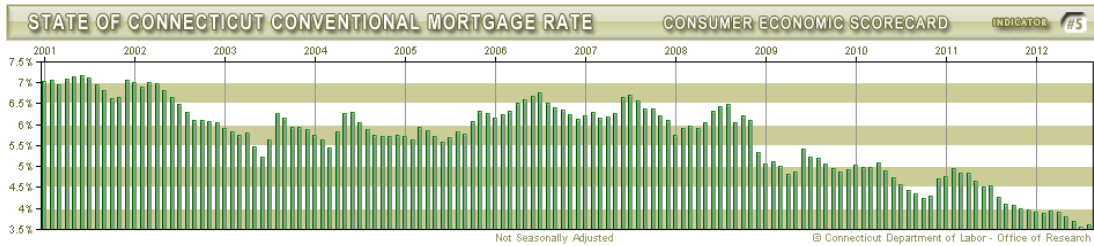


## Wage and **\$**Salary income

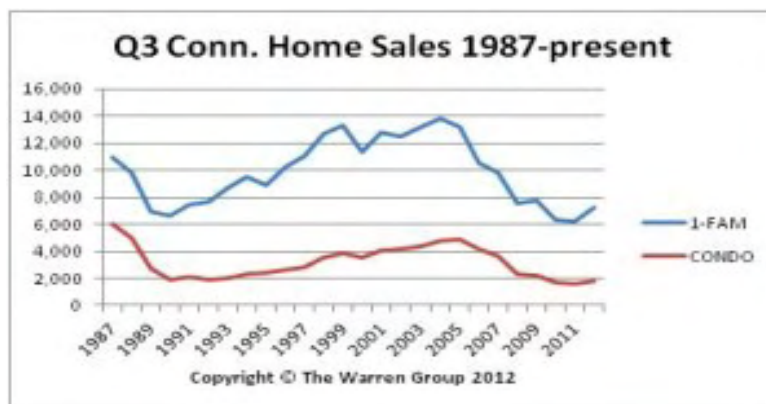
- In the 2nd quarter of 2012, on a seasonally adjusted quarterly basis, Bureau of Economic Analysis data shows Connecticut's quarterly personal income advancing at a rate of 0.9 percent from last quarter, ranking the state 34<sup>th</sup> nationally in quarterly growth. This is a deceleration from the 1<sup>st</sup> quarter when income rose at a 1.4-percent quarterly rate ranking Connecticut 13<sup>th</sup> nationally.
- Third quarter results for Connecticut will not be available until Dec. 19.
- Average hourly earnings at \$27.93, not seasonally adjusted, are down 54 cents or -1.9 percent from the October 2011 hourly amount. The average private sector weekly pay was estimated at \$949.62, down \$29.75, or -3.0 percent over the year.
- The Consumer Price Index (CPI) for all urban consumers rose 2.2 percent in October.



- Conventional mortgage rates remain low. The rate fell below 4 percent in November 2011 and has continued to fall on a year-over-year basis each month since June 2010.



- Housing permits in Connecticut have been showing double-digit rates of increase with especially strong summer activity. Connecticut building activity is running ahead of national rates of increase, which are also strong.
- According to the Census Bureau, U.S. new home sales increased 5.7 percent in September from the prior month and were up a solid 27.1 percent from 12 months ago. Sales in the Northeast rose 16.7 percent in September as compared to August and were up 75 percent from one year ago.
- Results for the larger existing home sales market were as follows according to the National Association of Realtors:
  - Nationally, October sales were up 2.1 percent from the previous month, and were up 10.9 percent from October of last year.
  - Home prices were up 11.1 percent from one year ago.
  - Existing home sales in the Northeast declined 1.7 percent on a month-over-month basis in October.
  - For the 12 month period ending in October sales were up 13.7 percent. Home prices in the Northeast were up 4.6 percent for the year to a median price of \$232,600.
- A housing report by the Warren Group focusing on the Connecticut housing market shows sales through the first eight months of 2012 up almost 13 percent from last year.
- However, from January to August this year, the median sale price of a single-family house in Connecticut fell 4 percent, to \$240,000, from \$250,000 for the same period in 2011.
- The median price in August was unchanged at \$255,000 from last August, the Warren Group report said.



## Business Activity and Consumer Spending

- At this writing, the market struggles to break back above the 13,000 mark.

### DOW:



- Nationally, advance retail sales have slowed from the gains of over 6 percent experienced through most of last year. In October sales were up 3.8 percent from last year. Non-store retailer sales were the only area posting double-digit growth.
- According to the Federal Reserve Board, consumer credit increased at a seasonally adjusted annual rate of 4 percent in the third quarter. Revolving credit decreased at an annual rate of 1-1/2 percent, while non-revolving credit increased 6-1/2 percent. In September, consumer credit increased at an annual rate of 5 percent
- Corporate profits have been slowing and the last half of the year is expected to continue that trend. Third quarter earnings have been relatively flat.
- Only two of seven factors used to track business activity by the State Department of Labor were up in September. Housing permits and tourism were up while air cargo, air passengers, gaming, manufacturing hours and the manufacturing production index were down.
- GDP growth is on a historical path showing slower growth in post recovery periods.



(from Q2 1947 to Q3 2012) (in percent per year)

**\*\*\*END\*\*\***