



News From:

COMPTROLLER KEVIN LEMBO

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COMPTROLLER LEMBO SAYS STATE'S FINANCIAL OUTLOOK CLOUDED BY UNCERTAINTY OVER FEDERAL DEBT

Comptroller Kevin Lembo today warned that Connecticut's financial outlook could be significantly compromised, depending on the outcome of the federal debt ceiling vote.

In his monthly financial report to Gov. Dannel P. Malloy, Lembo said that, after the state repealed borrowing of \$646.1 million, the state's projected General Fund surplus for Fiscal Year 2011 has reached \$158.9 million, but that surplus has already been accounted for to pay off debt and to fund future liabilities.

Lembo re-emphasized that this surplus would have been a more than \$1 billion deficit had the state not relied on significant one-time financial fixes, including \$739.6 million in federal stimulus money.

Not only will Connecticut not receive massive one-time federal stimulus money like last year – but it could face drastic cutbacks if federal spending cuts do not protect state funding.

“We reached this surplus using a federal lifeline that has now disappeared,” Lembo said. “A looming vote on the federal debt puts a dark cloud over Connecticut's financial outlook. Dollars that we depend on year after year could suddenly disappear if federal spending cutbacks result in drastic funding cuts to Connecticut. One year's federal stimulus money could become another year's devastating federal cutbacks.”

“Several factors in Connecticut and the national economy may critically compromise the state's financial outlook – including historically high unemployment, declining home sales and financial uncertainty.”

Specifically, those factors are:

- **In June, Connecticut lost 4,100 payroll jobs – one of 24 states posting June job losses. At the current rate of job growth, it would take more than a decade for Connecticut to regain the 100,000 plus jobs lost to recession. The State’s unemployment rate remains historically high at 9.1 percent.**
- **Home prices in Connecticut declined by 9.9 percent in the first quarter of 2011 compared to 2010. For the 12-month period ending in March, home prices were down 2.3 percent.**
- **If the federal debt deal is voted down or if federal spending cuts result in drastic funding cuts to Connecticut, it could leave a gaping hole in the state’s budget.**

“These economic uncertainties reinforce my position that the state must plan for its own economic health and rebuild its Budget Reserve Fund – or Rainy Day Fund – to protect taxpayers against market volatilities,” Lembo said. “I will continue to urge the legislature – as I did earlier this year – to increase the Budget Reserve Fund cap to 15 percent.”

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