



News From:

COMPTROLLER KEVIN LEMBO

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COMPTROLLER LEMBO SAYS ONE-TIME FISCAL TOURNIQUETS AVERTED SUBSTANTIAL GENERAL FUND DEFICIT FOR FY11

Comptroller Kevin Lembo predicts no growth over last month's projection that Connecticut will end fiscal year 2011 with a general fund balance of approximately \$57.2 million – but only as the result of substantial one-time windfalls from the federal government and significant borrowing authorized last year.

In a monthly financial report to Gov. Dannel P. Malloy, Lembo said Connecticut would have faced a \$2 billion deficit at the end of the current fiscal year if the state had relied on normal annual recurring revenue sources.

Instead, the state received a large one-time windfall from the federal government – \$739.6 million in federal stimulus assistance – and borrowed \$646.6 million through the issuance of Economic Recovery Revenue Bonds. The state also drew \$103.2 million from the Budget Reserve Fund, \$114.9 million from other non-General Fund sources, and levied \$40 million in charges on electric bills.

“This general fund surplus is only a mirage – made possible by one-time windfalls, borrowing and other non-recurring revenues,” Lembo said. “These one-time tourniquets must be replaced by readily available state efficiencies – starting with my call for significant savings of more than \$66.5 million year to year by consolidating state prescription purchasing.

“My office is committed to working with the administration to identify efficiencies and streamline state government. Consolidated prescription purchasing – to increase the state's purchasing power – and moving to digital paperless payment systems for employees, retirees and vendors are among the immediate initiatives we are pursuing.”

In Lembo's report to Malloy, he also noted that the state received greater revenues than anticipated this year in the income tax, sales tax and inheritance tax. The income tax, in particular, has outperformed last year's revenues by 9 percent.

The real estate conveyance tax and federal grants are the most significant underperforming revenue.

Despite significant income tax gains this year, caseloads at Department of Social Services' programs are mounting due to residents losing jobs and income. As a result, DSS has overspent by \$221 million.

Among measures to offset these costs, Lembo urges the legislature and Malloy administration to pursue readily available savings by consolidating DSS's drug purchasing authority under the Office of the State Comptroller.

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