



News From:

COMPTROLLER KEVIN LEMBO

FOR IMMEDIATE RELEASE

TUESDAY, NOVEMBER 1, 2011

**Contact: Tara Downes
860-702-3308
Tara.Downes@po.state.ct.us**

COMPTROLLER LEMBO SAYS STATE CURRENTLY ON TRACK FOR \$75.6 MILLION SURPLUS

Comptroller Kevin Lembo today announced that the state is currently on track to end Fiscal Year 2012 with a \$75.6 million surplus, which is a decrease of \$3.3 million from last month.

That surplus is largely accounted for, as the original budget plan for Fiscal Year 2012 contained \$75 million to offset an anticipated increase associated with the transition to a GAAP (Generally Accepted Accounting Principles) accounting basis.

Any remaining projected balance beyond that is reserved to pay down debt associated with 2009 Economic Recovery Notes.

In his monthly financial report to Gov. Dannel P. Malloy, Lembo said there are several risk factors that will likely change current estimates as the year progresses, as the Office of Policy and Management has agreed.

The savings associated with the 2011 SEBAC agreement are still being assessed. With only preliminary expenditure data available in the current fiscal year for retired and active employee health service accounts, it is premature to quantify a potential savings shortfall. However, the current trend reflects the robust enrollment in the Health Enhancement Program (HEP) that will help to yield future savings.

“There is limited data to make firm projections about the fate of this fiscal year – but strong enrollment in the Health Enhancement Program is a good signal for long-term savings,” Lembo said. “This type of investment, proven successful by other public and private employers, will pay off more as the years go by.”

Also interfering with projections, the tax filing extension provided as a result of Tropical Storm Irene has altered trend analysis. The filing date for

estimated income tax revenues, which contributed \$2.7 billion last fiscal year or almost 40 percent of income tax receipts, was extended to the end of October for the September quarter. As a result, complete data will be unavailable for another week. Current budget estimates will be revised as data becomes available.

General Fund spending is expected to exceed the budget by \$33 million. That includes a \$30 million deficiency projected in the Department of Social Services' Medicaid account, due to continued growth in the low-income adult population.

The Teachers' Retirement Board is also experiencing a \$2.4 million deficiency in its health service account due to higher membership; and the Public Defender Services is experiencing a \$555,000 deficiency in payments to contracted attorneys. Those deficiencies are largely offset by \$30.3 million in lapse savings.

"The economy continues to show slow and erratic growth – further clouding the state's financial outlook," Lembo said.

Recent economic indicators include:

- For the 12 months ending in September, the state added 10,400 payroll jobs, about one-third the rate of job growth in a normal recovery period. September unemployment dropped to 8.9 percent
- Personal income in Connecticut is growing at a rate of just over 4 percent.
- Nationally, corporate profits were up 8.5 percent in the second quarter of 2011.
- Housing permits were down 6 percent from a year ago and off 75 percent from the peak level reached in 2004. This is consistent with the downward trend experienced in existing home sales.
- The Connecticut Manufacturing Production Index has posted some improvement in 2011 and the export sector remains especially strong.

END

