



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

**Kevin Lembo
State Comptroller**

**Martha Carlson
Deputy Comptroller**

February 1, 2012

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 December 31, 2011.

OPM is projecting that the General Fund will end Fiscal Year 2012 with a deficit of \$73.6 million on the basis of Generally Accepted Accounting Principles (GAAP) as implemented within the budget plan. On a modified cash basis of accounting, OPM is projecting an ending balance of \$1.4 million. This represents an erosion of \$82.3 million from last month's financial position. The Transportation Fund is projected to end Fiscal Year 2012 with a balance of \$109.1 million.

The revenue estimates supporting the above projections are the product of a consensus forecast agreed to by OPM and the Office of Fiscal Analysis on January 17th. I am in agreement with the analysis of an overall decline in receipts identified within the consensus forecast.

In addition to realizing the consensus level of receipts, OPM's General Fund projection is dependent upon achieving lapses or forced savings of \$900.7 million. This savings target represents 4.8 percent of total anticipated outlays of the fund in Fiscal Year 2012. This is a historically significant lapse percentage. However, through December, General Fund spending is trending just 2.3 percent above last fiscal year, which is well below the 5.9 percent growth in outlays utilized within the current projection. This outlay amount includes carry forward funding and an additional payroll payment. Based on trends through the first half of the year, and in recognition of OPM's considerable budget control mechanisms, the estimated savings level is not unreasonable. I also analyzed historical levels of spending through December as a percentage of total final outlays and again found the lapse figure to be reasonable.

I underscore that my spending analysis was performed based on aggregate outlay patterns and not on achieving savings in any individual areas within the budget plan. Under this analysis, any savings shortfall in a designated program area is assumed to be shifted into another budget area including the reassignment of carry forward funding. The potential need for the shifting of funds is a matter for the administration and the legislature. With that qualification supported by the trend analysis, I find that the OPM savings target is attainable and the OPM budget projections are reasonable. I will continue to closely monitor changes in projected revenue and spending patterns and will update you as appropriate.

The Honorable Dannel P. Malloy
February 1, 2012
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This month's projections include a reduction in Fiscal Year 2012 General Fund revenue of \$83.1 million, due primarily to poor collections experience in estimated income tax payments. Net expenditure estimates changed little from last month. These changes resulted in a General Fund modified cash surplus of \$1.4 million. Since it is projected that \$75 million is required to cover GAAP accruals in Fiscal Year 2012, a \$73.6 million General Fund deficit results.

In total for Fiscal Year 2012, revenue is expected to fall \$94.7 million short of budget projections. General Fund spending is expected to end the year \$15.1 million under budget. Agency deficiencies of \$107.6 million identified by OPM are more than offset by lapses in excess of the original budget plan of \$122.7 million. Many of the anticipated line-item agency shortfalls are expected to be addressed through transfers thus not requiring a deficiency appropriation. Anticipated additional requirements by agency can be found on Exhibit D of the financial statements.

Connecticut's economy continues to show slow and erratic growth. For the twelve months ending in December the state added 9,000 payroll jobs. The December unemployment rate dropped to 8.2 percent. The state has recovered approximately 29 percent of the recessionary job loss. For the period ending in November, wage and salary income in Connecticut was up 4.3 percent from last year. Nationally, corporate profits were up 7.9 percent in the third quarter of 2011. Housing permits were down 6.2 percent from November a year ago and off 75 percent from the peak level reached in 2004. This is consistent with the trend experienced in existing home sales. The Connecticut Manufacturing Production Index has held steady against last year. Connecticut's export sector continues to perform well.

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 \$1.7 billion as of June 30, 2010. This figure will be updated in February of 2012 for Fiscal Year 2011.

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

Sincerely,



Kevin Lembo
State Comptroller

**STATE OF CONNECTICUT GENERAL FUND
BALANCE SHEET
AS OF DECEMBER 31, 2011
(In Thousands)**

Exhibit A

ASSETS

Loans Receivable	3,419
Unrealized Revenue - Exhibit C	<u>11,693,842</u>
Total Assets	<u>\$ 11,697,261</u>

LIABILITIES, RESERVES, APPROPRIATIONS AND SURPLUS

LIABILITIES

Deficiency in Cash and Short Term Investments	\$ 1,123,091
Due to Other Funds	1,609
Accounts Payable	<u>236,939</u>
Total Liabilities	<u>1,361,639</u>

RESERVES

Reserve for Petty Cash	807
Statutory Surplus Reserves for Fiscal Year 2011-2012	236,923
Reserve for Receivables	3,419
Unexpended Appropriations - Exhibit D	10,093,209
Unappropriated Surplus (Deficit) - Exhibit B	<u>1,264</u>

Total Liabilities, Reserves, Appropriations and Surplus **\$ 11,697,261**

**STATE OF CONNECTICUT GENERAL FUND
ANALYSIS OF UNAPPROPRIATED SURPLUS
AS OF DECEMBER 31, 2011**

(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	\$ 14,019,100	\$ (10,100)	\$ -	\$ 14,009,000
Other Revenue	1,226,500	(67,700)	-	1,158,800
Other Sources	<u>3,543,000</u>	<u>(16,900)</u>	<u>-</u>	<u>3,526,100</u>
 Total Budgeted Revenue	 <u>18,788,600</u>	 <u>(94,700)</u>	 <u>-</u>	 <u>18,693,900</u>
APPROPRIATIONS - EXHIBIT D				
Budgeted Appropriations	19,686,631	107,550	82	19,794,263
Continued from Prior Year	<u>200,985</u>	<u>-</u>	<u>-</u>	<u>200,985</u>
 Current Year Appropriations	 19,485,646	 107,550	 82	 19,593,278
Estimated Lapses	<u>(777,912)</u>	<u>(122,743)</u>	<u>-</u>	<u>(900,655)</u>
 Net Appropriations	 <u>18,707,734</u>	 <u>(15,193)</u>	 <u>82</u>	 <u>18,692,623</u>
Surplus (Deficit) from Operations	80,866	(79,507)	(82)	1,277
Miscellaneous Adjustments	-	-	(13)	(13)
Surplus (Deficit), July 1, 2011	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Projected Surplus (Deficit), June 30, 2012	 <u>\$ 80,866</u>	 <u>\$ (79,507)</u>	 <u>\$ (95)</u>	 <u>\$ 1,264</u>

**STATE OF CONNECTICUT GENERAL FUND
STATEMENT OF ESTIMATED AND REALIZED REVENUE
FOR THE SIX MONTHS ENDED DECEMBER 31, 2011**
(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	\$ 8,550,600	\$ (169,600)	\$ 8,381,000	\$ 2,774,440	\$ 5,606,560
Sales and Use Corporations	3,789,000	91,500	3,880,500	1,481,302	2,399,198
Cigarettes and Tobacco	707,700	-	707,700	245,477	462,223
Insurance Companies	443,800	-	443,800	205,423	238,377
Public Service Corporations	237,200	(8,400)	228,800	77,868	150,932
Real Estate Conveyance	268,700	-	268,700	69,028	199,672
Inheritance and Estate	90,300	1,800	92,100	41,620	50,480
Oil Companies	158,000	-	158,000	59,314	98,686
Electric Generation	93,100	43,500	136,600	45,986	90,614
Alcoholic Beverages	71,000	-	71,000	17,767	53,233
Admissions, Dues and Cabaret	56,900	(2,000)	54,900	24,864	30,036
Miscellaneous	39,600	(3,100)	36,500	13,839	22,661
	<u>542,200</u>	<u>-</u>	<u>542,200</u>	<u>140,359</u>	<u>401,841</u>
Totals	15,048,100	(46,300)	15,001,800	5,197,287	9,804,513
Less Refunds of Taxes	(1,020,000)	36,200	(983,800)	(246,135)	(737,665)
Less R & D Credit Exchange	(9,000)	-	(9,000)	(2,591)	(6,409)
Net Taxes	<u>14,019,100</u>	<u>(10,100)</u>	<u>14,009,000</u>	<u>4,948,561</u>	<u>9,060,439</u>
OTHER REVENUE					
Indian Gaming Payments	375,500	(33,100)	342,400	148,526	193,874
Transfers - Special Revenue	288,400	9,400	297,800	143,543	154,257
Licenses, Permits and Fees	271,200	(1,300)	269,900	106,766	163,134
Investment Income	2,900	(900)	2,000	2,516	(516)
Rents, Fines and Escheats	127,400	(3,700)	123,700	14,509	109,191
Sales of Commodities and Services	36,400	-	36,400	14,565	21,835
Miscellaneous	163,000	5,000	168,000	89,067	78,933
Total Other Revenue	1,264,800	(24,600)	1,240,200	519,492	720,708
Less Refunds of Payments	(38,300)	(43,100)	(81,400)	(59,549)	(21,851)
Net Other Revenue	<u>1,226,500</u>	<u>(67,700)</u>	<u>1,158,800</u>	<u>459,943</u>	<u>698,857</u>
OTHER SOURCES					
Federal Grants	3,589,700	(16,900)	3,572,800	1,591,554	1,981,246
Transfer to/from the Resources of the General Fund	(81,000)	-	(81,000)	-	(81,000)
Transfer from the Tobacco Settlement Fund	96,100	-	96,100	-	96,100
Transfers to Pequot Mohegan Fund	(61,800)	-	(61,800)	-	(61,800)
Total Other Sources	<u>3,543,000</u>	<u>(16,900)</u>	<u>3,526,100</u>	<u>1,591,554</u>	<u>1,934,546</u>
Total Budgeted Revenue	<u>\$ 18,788,600</u>	<u>\$ (94,700)</u>	<u>\$ 18,693,900</u>	<u>\$ 7,000,058</u>	<u>\$ 11,693,842</u>

STATE OF CONNECTICUT GENERAL FUND
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
FOR THE SIX MONTHS ENDED DECEMBER 31, 2011

Exhibit D

(In Thousands)

	Continued and Initial Appropriations	Increases or (Decreases)	Estimated Additional Requirements	Total Appropriations	Expenditures	Estimated Lapses	Unexpended Appropriations
LEGISLATIVE							
Legislative Management	\$ 65,281	\$ -	\$ -	\$ 65,281	\$ 25,235	\$ 4,000	\$ 36,046
Auditors of Public Accounts	13,106	-	-	13,106	5,645	400	7,061
Commission on Aging	269	-	-	269	126	-	143
Commission on the Status of Women	527	-	-	527	222	-	305
Commission on Children	553	-	-	553	253	-	300
Commission on Latino & Puerto Rican Affairs	332	-	-	332	141	-	191
African-American Affairs Commission	220	-	-	220	93	-	127
Asian Pacific American Affairs	158	-	-	158	14	-	144
Total Legislative	80,446	-	-	80,446	31,729	4,400	44,317
GENERAL GOVERNMENT							
Governor's Office	2,837	-	-	2,837	1,413	-	1,424
Secretary of the State	9,105	-	-	9,105	3,555	-	5,550
Lieutenant Governor's Office	929	-	-	929	346	-	583
State Treasurer	4,130	-	-	4,130	1,708	-	2,422
State Comptroller	28,496	-	-	28,496	12,705	1,000	14,791
Revenue Services	73,797	-	-	73,797	32,387	-	41,410
Governmental Accountability	9,299	-	-	9,299	4,068	-	5,231
Office of Policy and Management	274,345	-	-	274,345	252,877	2,500	18,968
Veterans' Affairs	31,809	-	-	31,809	14,574	-	17,235
Administrative Services	133,883	(150)	-	133,733	52,937	-	80,796
Construction Services	9,730	-	-	9,730	4,273	-	5,457
Attorney General	30,758	-	-	30,758	14,706	900	15,152
Division of Criminal Justice	52,399	-	-	52,399	25,606	-	26,793
Total General Government	661,517	(150)	-	661,367	421,155	4,400	235,812
REGULATION AND PROTECTION							
Emergency Services and Public Protection	172,629	-	-	172,629	87,699	-	84,930
Motor Vehicles	501	-	-	501	59	-	442
Military Department	6,980	-	-	6,980	3,001	-	3,979
Consumer Protection	16,185	-	-	16,185	7,675	-	8,510
Department of Labor	78,456	-	-	78,456	28,125	-	50,331
Human Rights & Opportunities	7,057	-	-	7,057	2,716	-	4,341
Advocacy for Persons with Disabilities	2,681	-	-	2,681	1,297	-	1,384
Total Regulation and Protection	284,489	-	-	284,489	130,572	-	153,917
CONSERVATION AND DEVELOPMENT							
Department of Agriculture	5,216	-	-	5,216	2,510	-	2,706
Energy and Environmental Protection	79,396	-	600	79,996	35,093	-	44,903
Environmental Quality Council	171	-	-	171	83	-	88
Economic & Community Development	60,275	-	-	60,275	18,250	-	42,025
Agricultural Experiment Station	7,372	-	-	7,372	3,527	-	3,845
Total Conservation and Development	152,430	-	600	153,030	59,463	-	93,567
HEALTH AND HOSPITALS							
Department of Public Health	91,682	-	-	91,682	37,365	-	54,317
Medical Examiner	6,200	-	-	6,200	2,710	-	3,490
Developmental Service	1,047,822	-	-	1,047,822	475,056	2,300	570,466
Mental Health & Addiction Services	750,192	-	-	750,192	284,509	11,000	454,683
Psychiatric Security Review Board	364	-	-	364	177	-	187
Total Health and Hospitals	1,896,260	-	-	1,896,260	799,817	13,300	1,083,143
TRANSPORTATION							
Department of Transportation	609	-	-	609	-	-	609
Total Transportation	609	-	-	609	-	-	609
HUMAN SERVICES							
Department of Social Services	5,820,575	-	-	5,820,575	2,967,009	-	2,853,566
Bureau of Rehabilitative Services	22,097	-	-	22,097	7,912	-	14,185
Total Human Services	5,842,672	-	-	5,842,672	2,974,921	-	2,867,751

STATE OF CONNECTICUT GENERAL FUND
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
FOR THE SIX MONTHS ENDED DECEMBER 31, 2011
(In Thousands)

Exhibit D

	Continued and Initial	Increases or	Estimated Additional	Total		Estimated	Unexpended
	Appropriations	(Decreases)	Requirements	Appropriations	Expenditures	Lapses	Appropriations
EDUCATION, MUSEUMS, LIBRARIES							
Department of Education	2,804,237	-	-	2,804,237	863,151	2,650	1,938,436
State Library	11,750	-	-	11,750	4,336	-	7,414
Financial & Academic Affairs for Higher Ed	59,260	-	-	59,260	35,385	-	23,875
University of Connecticut	225,354	-	-	225,354	110,722	-	114,632
University Health Center	121,515	-	-	121,515	60,689	-	60,826
Teachers' Retirement Board	792,027	-	2,400	794,427	394,568	-	399,859
Board of Regents for Higher Education	315,677	-	-	315,677	152,246	-	163,431
Total Education, Museums, Libraries	4,329,820	-	2,400	4,332,220	1,621,097	2,650	2,708,473
CORRECTIONS							
Department of Correction	695,352	-	-	695,352	349,923	-	345,429
Children and Families	881,318	-	-	881,318	401,612	34,700	445,006
Total Corrections	1,576,670	-	-	1,576,670	751,535	34,700	790,435
JUDICIAL							
Judicial Department	512,170	98	-	512,268	251,682	-	260,586
Public Defender Services Commission	64,771	-	2,500	67,271	33,233	-	34,038
Total Judicial	576,941	98	2,500	579,539	284,915	-	294,624
NON-FUNCTIONAL							
Governor's Contingency	-	-	-	-	-	-	-
Debt Service	1,894,081	-	-	1,894,081	750,656	60,500	1,082,925
Reserve for Salary Adjustments	142,602	(107)	-	142,495	-	90,000	52,495
Workers' Compensation Claims	27,727	-	-	27,727	14,667	-	13,060
Adjudicated Claims	4,000	-	2,050	6,050	5,150	-	900
Death Benefits for State Employees	-	6	-	6	6	-	-
Unemployment Compensation	12,482	-	-	12,482	4,794	-	7,688
State Employees Retirement Contributions	722,137	-	-	722,137	331,781	-	390,356
Higher Education Alternative Retirement	37,959	-	-	37,959	7,532	-	30,427
Other Statutory Retirement	1,823	-	-	1,823	875	-	948
Judges & Compensation Commissioners Retirement	15,095	-	-	15,095	7,548	-	7,547
Group Life Insurance	8,586	-	-	8,586	3,841	-	4,745
Tuition Reimbursement - Training & Travel	5,829	235	-	6,064	1,670	-	4,394
Employers Social Security	244,897	-	-	244,897	103,805	-	141,092
State Employees Health Service	602,409	-	-	602,409	282,165	-	320,244
Retired State Employees Health Service	565,146	-	-	565,146	210,705	-	354,441
Insurance Recoveries	4	-	-	4	-	-	4
Unallocated	-	-	100,000	100,000	-	690,705	(590,705)
Total Non-Functional	4,284,777	134	102,050	4,386,961	1,725,195	841,205	1,820,561
Total Budgeted Appropriations	\$ 19,686,631	\$ 82	\$ 107,550	\$ 19,794,263	\$ 8,800,399	\$ 900,655	\$ 10,093,209

**STATE OF CONNECTICUT TRANSPORTATION FUND
BALANCE SHEET
AS OF DECEMBER 31, 2011**

(In Thousands)

Exhibit E

ASSETS

Cash and Short Term Investments	\$	55,023
Unrealized Revenue - Exhibit G		<u>760,874</u>
Total Assets	\$	<u>815,897</u>

APPROPRIATIONS, LIABILITIES AND SURPLUS

Unexpended Appropriations - Exhibit H	\$	705,110
Liabilities		1,804
Unappropriated Surplus - Exhibit F		<u>108,983</u>
Total Appropriations, Liabilities and Surplus	\$	<u>815,897</u>

**STATE OF CONNECTICUT TRANSPORTATION FUND
ANALYSIS OF UNAPPROPRIATED SURPLUS
AS OF DECEMBER 31, 2011**

(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	\$ 798,600	\$ (13,000)	\$ -	\$ 785,600
Other Revenue	<u>463,900</u>	<u>(21,700)</u>	<u>-</u>	<u>442,200</u>
Total Budgeted Revenue	<u>1,262,500</u>	<u>(34,700)</u>	<u>-</u>	<u>1,227,800</u>
APPROPRIATIONS - EXHIBIT H				
Budgeted Appropriations	1,356,022	-	1,800	1,357,822
Continued from Prior Year	<u>40,554</u>	<u>-</u>	<u>-</u>	<u>40,554</u>
Current Year Appropriations	1,315,468	-	1,800	1,317,268
Estimated Lapses	(53,536)	(37,550)	-	(91,086)
Restricted Grants Affecting Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Appropriations	<u>1,261,932</u>	<u>(37,550)</u>	<u>1,800</u>	<u>1,226,182</u>
Surplus from Operations	568	2,850	(1,800)	1,618
Miscellaneous Adjustments	-	-	-	-
Surplus, July 1, 2011	<u>107,365</u>	<u>-</u>	<u>-</u>	<u>107,365</u>
Projected Surplus, June 30, 2012	<u>\$ 107,933</u>	<u>\$ 2,850</u>	<u>\$ (1,800)</u>	<u>\$ 108,983</u>

**STATE OF CONNECTICUT TRANSPORTATION FUND
STATEMENT OF ESTIMATED AND REALIZED REVENUE
FOR THE SIX MONTHS ENDED DECEMBER 31, 2011**

(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	\$ 507,300	\$ (15,500)	\$ 491,800	\$ 211,512	\$ 280,288
Oil Companies	226,900	-	226,900	56,725	170,175
Sales Tax DMV	71,600	2,700	74,300	35,959	38,341
Totals	805,800	(12,800)	793,000	304,196	488,804
Less Refunds of Taxes	(7,200)	(200)	(7,400)	(4,598)	(2,802)
Net Taxes	<u>798,600</u>	<u>(13,000)</u>	<u>785,600</u>	<u>299,598</u>	<u>486,002</u>
OTHER REVENUE					
Motor Vehicle Receipts	237,500	(7,500)	230,000	101,592	128,408
Licenses, Permits and Fees	143,800	(6,300)	137,500	62,827	74,673
Interest Income	12,500	(7,500)	5,000	1,086	3,914
Federal Grants	13,100	-	13,100	6,388	6,712
Transfer from Other Funds	81,900	-	81,900	-	81,900
Transfer to Emissions Enterprise Fund	(6,500)	-	(6,500)	(3,250)	(3,250)
Transfer to TSB Projects Account	(15,300)	-	(15,300)	-	(15,300)
Totals	467,000	(21,300)	445,700	168,643	277,057
Less Refunds of Payments	(3,100)	(400)	(3,500)	(1,315)	(2,185)
Net Other Revenue	<u>463,900</u>	<u>(21,700)</u>	<u>442,200</u>	<u>167,328</u>	<u>274,872</u>
Total Budgeted Revenue	<u>\$ 1,262,500</u>	<u>\$ (34,700)</u>	<u>\$ 1,227,800</u>	<u>\$ 466,926</u>	<u>\$ 760,874</u>

**STATE OF CONNECTICUT TRANSPORTATION FUND
STATEMENT OF APPROPRIATIONS AND EXPENDITURES
FOR THE SIX MONTHS ENDED DECEMBER 31, 2011**

Exhibit H

(In Thousands)

	<u>Continued and Initial Appropriations</u>	<u>Increases or (Decreases)</u>	<u>Estimated Additional Requirements</u>	<u>Total Appropriations</u>	<u>Expenditures</u>	<u>Estimated Lapses</u>	<u>Unexpended Appropriations</u>
Department of Transportation	\$ 613,147	\$ -	\$ -	\$ 613,147	\$ 247,068	\$ 11,900	\$ 354,179
Motor Vehicle Department	69,965	-	-	69,965	26,186	650	43,129
Debt Service	478,835	-	-	478,835	213,228	30,000	235,607
Reserve for Salary Adjustments	18,847	-	-	18,847	-	-	18,847
Bureau of Rehabilitative Services	131	-	-	131	58	-	73
Workers' Compensation Claims	6,756	-	-	6,756	3,092	-	3,664
Department of Administrative Services	7,158	-	-	7,158	2,285	-	4,873
Unemployment Compensation	459	-	-	459	254	-	205
State Employees Retirement	99,636	-	1,800	101,436	45,777	-	55,659
Group Life Insurance	327	-	-	327	132	-	195
Employers Social Security	18,632	-	-	18,632	6,869	-	11,763
State Employees Health Service	42,129	-	-	42,129	16,677	-	25,452
Insurance Recoveries	-	-	-	-	-	-	-
Unallocated	-	-	-	-	-	48,536	(48,536)
Total Budgeted Appropriations	<u>\$ 1,356,022</u>	<u>\$ -</u>	<u>\$ 1,800</u>	<u>\$ 1,357,822</u>	<u>\$ 561,626</u>	<u>\$ 91,086</u>	<u>\$ 705,110</u>