



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

Kevin Lembo
State Comptroller

Martha Carlson
Deputy Comptroller

June 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 April 30, 2012.

OPM is projecting that the General Fund will end Fiscal Year 2012 with a deficit of \$197.5 million on a budgetary accounting basis. OPM has estimated that on a GAAP accounting basis the General Fund deficit would be \$272.5 million. These estimates incorporate Finance Advisory Committee transfers and the relevant provisions of House Bill 5557 (Public Act 12-104).

It should be noted that in accordance with Section 46 of Public Act 11-48, at the close of the fiscal year up to \$75 million of budgetary basis surplus in the General Fund was reserved to offset any Fiscal Year 2012 increase in the fund's GAAP basis unassigned balance, which is referred to as the GAAP deficit. In the absence of a budgetary surplus, this provision is not operable.

The projected Fiscal Year 2012 General Fund deficit detailed in this letter is to be eliminated through the use of the necessary portion of \$222.4 million in General Fund reserves from prior years that were originally designated for the early retirement of 2009 Economic Recovery Notes. The change in the distribution of these prior year reserves is in accordance with the provisions of Section 28 of House Bill 5557.

OPM is expecting the Transportation Fund to close Fiscal Year 2012 with a balance of \$111.2 million. Operations are expected to increase the fund balance by \$3.8 million during the fiscal year.

I am in general agreement with the estimates provided by OPM. The attached financial statements reflect the OPM projections.

In total, Fiscal Year 2012 General Fund revenue is forecast to fall \$243.3 million short of the original budget target. The two largest revenue shortfalls are in gross income tax collections and tax refunds. These two categories are expected to lower General Fund revenue by \$172.9 million and \$177.5 million respectively. The declines are partially offset by gains in other categories. Revenue details are provided on Exhibit C.

Total General Fund spending in Fiscal Year 2012 is expected to exceed original appropriations by \$35.1 million. The most significant spending in excess of the original budget target is in the Department of Social Services, which is \$92.3 million over budget.

The Honorable Dannel P. Malloy

June 1, 2012

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Partially offsetting the higher than budgeted spending and lower than projected revenues is \$20.9 million in planned budgeted reserves, of which up to \$75 million had been set-aside to fund a potential increase in the Fiscal Year 20012 GAAP deficit. As discussed above, based on current projections, reserves will not be available for that purpose.

Both the revenue and spending side of the state budget are highly correlated with overall economic growth. Slower than anticipated economic growth results in depressed revenue collections and accelerating demand for state services. Unfortunately, economic growth is not yet at normal recovery levels.

In April, Connecticut lost 4,100 payroll jobs. In the last two months the state has lost 6,100 jobs based on preliminary estimates. The loss followed a winter that saw payrolls expand by 11,400 jobs in the state. An abnormally warm winter season may have shifted the seasonal job trends forward, accounting for some of the erratic job performance over the past two months. To date, the state has recovered slightly less than one-third of the jobs lost to the March 2008 to February 2010 recession. The state's unemployment rate was 7.7 percent in April compared to the national rate of 8.1 percent. Connecticut's personal income growth for 2011 was 5 percent ranking the state 21st nationally. Wages and salaries were advancing at a 1.8 percent rate. According to the National Association of Realtors, existing home sales in the Northeast rose by 5.1 percent in April. Housing prices in Connecticut had declined 2 percent in the first quarter of 2012 from the previous quarter. According to the Federal Reserve, consumer credit outstanding in March expanded at a solid 10.2 percent rate. At this writing, the major stock indexes have been weakening. The combined impact of these economic indicators explains the current projected budget shortfall.

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, 2011. This was a small increase from 2010.

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

Sincerely,

A handwritten signature in cursive script that reads "Kevin Lembo".

Kevin Lembo
State Comptroller

STATE OF CONNECTICUT GENERAL FUND
BALANCE SHEET
AS OF APRIL 30, 2012
(In Thousands)

Exhibit A

ASSETS

Loans Receivable	3,419
Unrealized Revenue - Exhibit C	<u>4,414,347</u>
Total Assets	<u>\$ 4,417,766</u>

LIABILITIES, RESERVES, APPROPRIATIONS AND SURPLUS

LIABILITIES

Deficiency in Cash and Short Term Investments	\$ 1,471,293
Due to Other Funds	888
Accounts Payable	<u>43,729</u>
Total Liabilities	<u>1,515,910</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	2,858,481
Unappropriated Surplus (Deficit) - Exhibit B	<u>(197,774)</u>
Total Liabilities, Reserves, Appropriations and Surplus	<u>\$ 4,417,766</u>

STATE OF CONNECTICUT GENERAL FUND
ANALYSIS OF UNAPPROPRIATED SURPLUS
AS OF APRIL 30, 2012

(In Thousands)

Exhibit E

	<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	\$ (191,000)	\$ -	\$ 13,828,100
Other Revenue	1,226,500	(73,900)	-	1,152,600
Other Sources	<u>3,543,000</u>	<u>21,600</u>	<u>-</u>	<u>3,564,600</u>
 Total Budgeted Revenue	 <u>18,788,600</u>	 <u>(243,300)</u>	 <u>-</u>	 <u>18,545,300</u>
APPROPRIATIONS - EXHIBIT D				
Budgeted Appropriations	19,686,631	-	248	19,686,879
Continued from Prior Year	<u>200,985</u>	<u>-</u>	<u>-</u>	<u>200,985</u>
 Current Year Appropriations	 19,485,646	 -	 248	 19,485,894
Estimated Lapses	<u>(777,912)</u>	<u>35,080</u>	<u>-</u>	<u>(742,832)</u>
 Net Appropriations	 <u>18,707,734</u>	 <u>35,080</u>	 <u>248</u>	 <u>18,743,062</u>
Surplus (Deficit) from Operations	80,866	(278,380)	(248)	(197,762)
Miscellaneous Adjustments	-	-	(12)	(12)
Surplus (Deficit), July 1, 2011	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Projected Surplus (Deficit), June 30, 2012	 <u>\$ 80,866</u>	 <u>\$ (278,380)</u>	 <u>\$ (260)</u>	 <u>\$ (197,774)</u>

STATE OF CONNECTICUT GENERAL FUND
STATEMENT OF ESTIMATED AND REALIZED REVENUE
FOR THE TEN MONTHS ENDED APRIL 30, 2012
(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	\$ (266,600)	\$ 8,284,000	\$ 6,559,717	\$ 1,724,283
Sales and Use	3,789,000	80,500	3,869,500	2,837,822	1,031,678
Corporations	707,700	14,200	721,900	533,652	188,248
Cigarettes and Tobacco	443,800	(17,300)	426,500	330,258	96,242
Insurance Companies	237,200	(2,400)	234,800	178,473	56,327
Public Service Corporations	268,700	(6,000)	262,700	192,025	70,675
Real Estate Conveyance	90,300	6,700	97,000	67,158	29,842
Inheritance and Estate	158,000	7,000	165,000	148,828	16,172
Oil Companies	93,100	62,100	155,200	109,689	45,511
Electric Generation	71,000	-	71,000	52,752	18,248
Alcoholic Beverages	56,900	2,000	58,900	44,412	14,488
Admissions, Dues and Cabaret	39,600	(4,200)	35,400	27,760	7,640
Miscellaneous	542,200	3,800	546,000	400,406	145,594
Totals	15,048,100	(120,200)	14,927,900	11,482,952	3,444,948
Less Refunds of Taxes	(1,020,000)	(74,800)	(1,094,800)	(993,950)	(100,850)
Less R & D Credit Exchange	(9,000)	4,000	(5,000)	(3,178)	(1,822)
Net Taxes	<u>14,019,100</u>	<u>(191,000)</u>	<u>13,828,100</u>	<u>10,485,824</u>	<u>3,342,276</u>
OTHER REVENUE					
Indian Gaming Payments	375,500	(27,700)	347,800	260,439	87,361
Transfers - Special Revenue	288,400	24,900	313,300	257,101	56,199
Licenses, Permits and Fees	271,200	(1,300)	269,900	198,875	71,025
Investment Income	2,900	(500)	2,400	2,833	(433)
Rents, Fines and Escheats	127,400	(16,200)	111,200	109,699	1,501
Sales of Commodities and Services	36,400	(2,500)	33,900	24,489	9,411
Miscellaneous	163,000	(5,700)	157,300	131,763	25,537
Total Other Revenue	1,264,800	(29,000)	1,235,800	985,199	250,601
Less Refunds of Payments	(38,300)	(44,900)	(83,200)	(75,965)	(7,235)
Net Other Revenue	<u>1,226,500</u>	<u>(73,900)</u>	<u>1,152,600</u>	<u>909,234</u>	<u>243,366</u>
OTHER SOURCES					
Federal Grants	3,589,700	21,600	3,611,300	2,794,645	816,655
Transfer to/from the Resources of the General Fund	(81,000)	-	(81,000)	(93,050)	12,050
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>21,600</u>	<u>3,564,600</u>	<u>2,735,895</u>	<u>828,705</u>
Total Budgeted Revenue	<u>\$ 18,788,600</u>	<u>\$ (243,300)</u>	<u>\$ 18,545,300</u>	<u>\$ 14,130,953</u>	<u>\$ 4,414,347</u>

STATE OF CONNECTICUT GENERAL FUND
 STATEMENT OF APPROPRIATIONS AND EXPENDITURES
 FOR THE TEN MONTHS ENDED APRIL 30, 2012
 (In Thousands)

Exhibit D

	Continued and Initial	Increase or	Estimated	Total		Estimated	Unexpended
	Appropriations	(Decreases)	Additional	Appropriations	Expenditures	Losses	Appropriations
			Requirements				
LEGISLATIVE							
Legislative Management	\$ 65,281	\$ 163	\$ -	\$ 65,444	\$ 42,530	\$ 4,020	\$ 18,894
Auditors of Public Accounts	13,106	-	-	13,106	9,259	700	3,147
Commission on Aging	269	-	-	269	210	-	59
Commission on the Status of Women	527	-	-	527	355	-	172
Commission on Children	553	-	-	553	400	-	153
Commission on Latino & Puerto Rican Affairs	332	-	-	332	246	-	86
African-American Affairs Commission	220	-	-	220	153	-	67
Asian Pacific American Affairs	158	-	-	158	31	-	127
Total Legislative	80,446	163	-	80,609	53,184	4,720	22,705
GENERAL GOVERNMENT							
Governor's Office	2,837	-	-	2,837	2,154	-	683
Secretary of the State	9,105	-	-	9,105	5,907	110	3,088
Lieutenant Governor's Office	929	-	-	929	604	-	325
State Treasurer	4,130	-	-	4,130	2,788	170	1,172
State Comptroller	28,496	-	-	28,496	20,461	200	7,835
Revenue Services	73,797	-	-	73,797	51,864	950	20,983
Governmental Accountability	9,299	-	-	9,299	6,440	400	2,459
Office of Policy and Management	274,345	-	-	274,345	259,711	2,450	12,184
Veterans' Affairs	31,809	-	-	31,809	22,804	-	9,005
Administrative Services	133,883	(150)	-	133,733	91,985	950	40,798
Construction Services	9,730	-	-	9,730	7,001	320	2,409
Attorney General	30,758	-	-	30,758	23,210	500	7,048
Division of Criminal Justice	52,399	-	-	52,399	40,496	-	11,903
Total General Government	661,517	(150)	-	661,367	535,425	6,050	119,892
REGULATION AND PROTECTION							
Emergency Services and Public Protection	172,629	-	-	172,629	138,218	-	34,411
Motor Vehicles	501	-	-	501	144	-	357
Military Department	6,980	-	-	6,980	4,920	-	2,060
Consumer Protection	16,185	-	-	16,185	12,229	370	3,586
Department of Labor	78,456	-	-	78,456	48,885	200	29,371
Human Rights & Opportunities	7,057	-	-	7,057	4,263	100	2,694
Advocacy for Persons with Disabilities	2,681	-	-	2,681	2,000	-	681
Total Regulation and Protection	284,489	-	-	284,489	210,659	670	73,160
CONSERVATION AND DEVELOPMENT							
Department of Agriculture	5,216	-	-	5,216	3,806	-	1,410
Energy and Environmental Protection	79,396	-	-	79,396	56,441	990	21,965
Environmental Quality Council	171	-	-	171	133	-	38
Economic & Community Development	60,275	-	-	60,275	39,932	140	20,203
Agricultural Experiment Station	7,372	-	-	7,372	5,635	-	1,737
Total Conservation and Development	152,430	-	-	152,430	105,947	1,130	45,353
HEALTH AND HOSPITALS							
Department of Public Health	91,682	-	-	91,682	62,150	3,840	25,692
Medical Examiner	6,200	-	-	6,200	4,206	-	1,994
Developmental Service	1,047,822	-	-	1,047,822	803,187	8,040	236,595
Mental Health & Addiction Services	750,192	-	-	750,192	513,937	4,400	231,855
Psychiatric Security Review Board	364	-	-	364	253	-	111
Total Health and Hospitals	1,896,260	-	-	1,896,260	1,383,733	16,280	496,247
TRANSPORTATION							
Department of Transportation	609	-	-	609	-	-	609
Total Transportation	609	-	-	609	-	-	609
HUMAN SERVICES							
Department of Social Services	5,820,575	-	-	5,820,575	5,033,226	8,400	778,949
Bureau of Rehabilitative Services	22,097	-	-	22,097	15,124	160	6,813
Total Human Services	5,842,672	-	-	5,842,672	5,048,350	8,560	785,762

STATE OF CONNECTICUT GENERAL FUND
 STATEMENT OF APPROPRIATIONS AND EXPENDITURES
 FOR THE TEN MONTHS ENDED APRIL 30, 2012
 (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	2,587,748	730	215,759
State Library	11,750	-	-	11,750	8,909	419	2,422
Financial & Academic Affairs for Higher Ed	59,260	-	-	59,260	55,257	450	3,553
University of Connecticut	225,354	-	-	225,354	170,594	-	54,760
University Health Center	121,515	-	-	121,515	97,683	-	23,832
Teachers' Retirement Board	792,027	-	-	792,027	789,122	-	2,905
Board of Regents for Higher Education	315,677	-	-	315,677	241,234	-	74,443
Total Education, Museums, Libraries	4,329,820	-	-	4,329,820	3,950,547	1,599	377,674
CORRECTIONS							
Department of Correction	695,352	-	-	695,352	571,230	-	124,122
Children and Families	881,318	-	-	881,318	684,606	17,490	179,222
Total Corrections	1,576,670	-	-	1,576,670	1,255,836	17,490	303,344
JUDICIAL							
Judicial Department	512,170	98	-	512,268	399,731	-	112,537
Public Defender Services Commission	64,771	-	-	64,771	53,515	-	11,256
Total Judicial	576,941	98	-	577,039	453,246	-	123,793
NON-FUNCTIONAL							
Governor's Contingency	-	-	-	-	-	-	-
Debt Service	1,894,081	-	-	1,894,081	1,421,197	75,000	397,884
Reserve for Salary Adjustments	142,602	(107)	-	142,495	-	80,000	62,495
Workers' Compensation Claims	27,727	-	-	27,727	26,363	250	1,114
Adjudicated Claims	4,000	-	-	4,000	7,183	-	(3,183)
Death Benefits for State Employees	-	9	-	9	9	-	-
Unemployment Compensation	12,482	-	-	12,482	7,812	-	4,670
State Employees Retirement Contributions	722,137	-	-	722,137	536,599	-	185,538
Higher Education Alternative Retirement	37,959	-	-	37,959	19,627	-	18,332
Other Statutory Retirement	1,823	-	-	1,823	1,436	-	387
Judges & Compensation Commissioners Retirement	15,095	-	-	15,095	12,580	-	2,515
Group Life Insurance	8,586	-	-	8,586	6,283	-	2,303
Tuition Reimbursement - Training & Travel	5,829	235	-	6,064	2,534	-	3,530
Employers Social Security	244,897	-	-	244,897	173,421	-	71,476
State Employees Health Service	602,409	-	-	602,409	449,986	-	152,423
Retired State Employees Health Service	565,146	-	-	565,146	423,609	-	141,537
Insurance Recoveries	4	-	-	4	-	-	4
Unallocated	-	-	-	-	-	531,083	(531,083)
Total Non-Functional	4,284,777	137	-	4,284,914	3,088,639	686,333	509,942
Total Budgeted Appropriations	\$ 19,686,631	\$ 248	\$ -	\$ 19,686,879	\$ 16,085,566	\$ 742,832	\$ 2,858,481

STATE OF CONNECTICUT TRANSPORTATION FUND
BALANCE SHEET
AS OF APRIL 30, 2012
(In Thousands)

Exhibit E

ASSETS

Cash and Short Term Investments	\$	139,402
Unrealized Revenue - Exhibit G		<u>263,664</u>
Total Assets	\$	<u>403,066</u>

APPROPRIATIONS, LIABILITIES AND SURPLUS

Unexpended Appropriations - Exhibit H	\$	289,556
Liabilities		2,459
Unappropriated Surplus - Exhibit F		<u>111,051</u>
Total Appropriations, Liabilities and Surplus	\$	<u>403,066</u>

STATE OF CONNECTICUT TRANSPORTATION FUND
 ANALYSIS OF UNAPPROPRIATED SURPLUS
 AS OF APRIL 30, 2012

(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	\$ (11,500)	\$ -	\$ 787,100
Other Revenue	463,900	(22,800)	-	441,100
Total Budgeted Revenue	<u>1,262,500</u>	<u>(34,300)</u>	<u>-</u>	<u>1,228,200</u>
APPROPRIATIONS - EXHIBIT H				
Budgeted Appropriations	1,356,022	-	-	1,356,022
Continued from Prior Year	40,554	-	-	40,554
Current Year Appropriations	1,315,468	-	-	1,315,468
Estimated Lapses	(53,536)	(37,418)	-	(90,954)
Restricted Grants Affecting Surplus	-	-	-	-
Net Appropriations	<u>1,261,932</u>	<u>(37,418)</u>	<u>-</u>	<u>1,224,514</u>
Surplus from Operations	568	3,118	-	3,686
Miscellaneous Adjustments	-	-	-	-
Surplus, July 1, 2011	107,365	-	-	107,365
Projected Surplus, June 30, 2012	<u>\$ 107,933</u>	<u>\$ 3,118</u>	<u>\$ -</u>	<u>\$ 111,051</u>

STATE OF CONNECTICUT TRANSPORTATION FUND
STATEMENT OF ESTIMATED AND REALIZED REVENUE
FOR THE TEN MONTHS ENDED APRIL 30, 2012

(In Thousands)

Exhibit G

	<u>Estimated Revenue</u>	Increases or <u>(Decreases)</u>	<u>Revised Estimates</u>	<u>Realized Revenue</u>	<u>Unrealized Revenue</u>
TAXES					
Motor Fuels Tax	\$ 507,300	\$ (15,500)	\$ 491,800	\$ 368,361	\$ 123,439
Oil Companies	226,900	-	226,900	170,175	56,725
Sales Tax DMV	<u>71,600</u>	<u>4,400</u>	<u>76,000</u>	<u>61,341</u>	<u>14,659</u>
Totals	805,800	(11,100)	794,700	599,877	194,823
Less Refunds of Taxes	<u>(7,200)</u>	<u>(400)</u>	<u>(7,600)</u>	<u>(5,909)</u>	<u>(1,691)</u>
Net Taxes	<u>798,600</u>	<u>(11,500)</u>	<u>787,100</u>	<u>593,968</u>	<u>193,132</u>
OTHER REVENUE					
Motor Vehicle Receipts	237,500	(6,500)	231,000	191,646	39,354
Licenses, Permits and Fees	143,800	(7,200)	136,600	109,585	27,015
Interest Income	12,500	(8,900)	3,600	1,579	2,021
Federal Grants	13,100	-	13,100	10,011	3,089
Transfer from Other Funds	81,900	-	81,900	81,550	350
Transfer to Emissions Enterprise Fund	(6,500)	-	(6,500)	(6,500)	-
Transfer to TSB Projects Account	<u>(15,300)</u>	<u>-</u>	<u>(15,300)</u>	<u>(15,000)</u>	<u>(300)</u>
Totals	467,000	(22,600)	444,400	372,871	71,529
Less Refunds of Payments	<u>(3,100)</u>	<u>(200)</u>	<u>(3,300)</u>	<u>(2,303)</u>	<u>(997)</u>
Net Other Revenue	<u>463,900</u>	<u>(22,800)</u>	<u>441,100</u>	<u>370,568</u>	<u>70,532</u>
Total Budgeted Revenue	<u><u>\$ 1,262,500</u></u>	<u><u>\$ (34,300)</u></u>	<u><u>\$ 1,228,200</u></u>	<u><u>\$ 964,536</u></u>	<u><u>\$ 263,664</u></u>

STATE OF CONNECTICUT TRANSPORTATION FUND
 STATEMENT OF APPROPRIATIONS AND EXPENDITURES
 FOR THE TEN MONTHS ENDED APRIL 30, 2012
 (In Thousands)

Exhibit H

	Continued and Initial	Increases or	Estimated Additional	Total		Estimated	Unexpended
	Appropriations	(Decreases)	Requirements	Appropriations	Expenditures	Lapses	Appropriations
Department of Transportation	\$ 613,147	\$ -	\$ -	\$ 613,147	\$ 439,822	\$ 13,600	\$ 159,725
Motor Vehicle Department	69,965	-	-	69,965	41,983	500	27,482
Debt Service	478,835	-	-	478,835	369,939	35,700	73,196
Reserve for Salary Adjustments	18,847	-	-	18,847	-	-	18,847
Bureau of Rehabilitative Services	131	-	-	131	107	-	24
Workers' Compensation Claims	6,756	-	-	6,756	6,502	-	254
Department of Administrative Services	7,158	-	-	7,158	4,348	-	2,810
Unemployment Compensation	459	-	-	459	344	-	115
State Employees Retirement	99,636	-	-	99,636	74,038	-	25,598
Group Life Insurance	327	-	-	327	206	-	121
Employers Social Security	18,632	-	-	18,632	10,925	-	7,707
State Employees Health Service	42,129	-	-	42,129	27,298	-	14,831
Insurance Recoveries	-	-	-	-	-	-	-
Unallocated	-	-	-	-	-	41,154	(41,154)
Total Budgeted Appropriations	\$ 1,356,022	\$ -	\$ -	\$ 1,356,022	\$ 975,512	\$ 90,954	\$ 289,556