



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

**Kevin Lembo
State Comptroller**

**Martha Carlson
Deputy Comptroller**

May 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 March 31, 2012.

Based on revised April 30 consensus revenue estimates, OPM is projecting that the General Fund will end Fiscal Year 2012 with a deficit of \$199.8 million on a budgetary accounting basis. OPM has estimated that on a GAAP accounting basis the General Fund deficit would be \$274.8 million. Further, OPM has indicated your intention to submit a deficit mitigation plan, which is in compliance with the requirements of CGS, Section 4-85 (b) pertaining to a budgetary deficit.

In accordance with Section 46 of Public Act 11-48, at the close of Fiscal Year 2012, up to \$75 million of unappropriated surplus in the General Fund is reserved to offset the expected increase in the GAAP budget deficit for the fiscal year. In the absence of an unappropriated surplus, this provision is not operable.

OPM is expecting the Transportation Fund to close Fiscal Year 2012 with a balance of \$110.6 million. Operations are expected to increase the fund balance by \$3.2 million during the fiscal year.

I am in general agreement with the estimates provided by OPM. Since March, within the General Fund, OPM has decreased its revenue projection by \$125.1 million and increased net spending by \$87.1 million. Slower than anticipated April income tax receipts and higher tax refunds combined with growth in net state spending explain the large change in the forecast this month.

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. These declines are partially offset by gains in other categories, which are detailed on Exhibit C.

Total General Fund spending in Fiscal Year 2012 is expected to exceed appropriated levels by \$37.4 million. Budget shortfalls of \$102.6 million are partially offset by \$65.2 million in forced lapses. Exhibit D contains detailed information on deficiencies and lapses by agency.

The Honorable Dannel P. Malloy
May 1, 2012
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As you are aware, 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 March, Connecticut lost 2,700 payroll jobs. The loss followed a winter that saw payrolls expand by 11,400 jobs in the state. The national job experience was similarly disappointing in March. An abnormally warm winter season may have shifted the seasonal job trends forward accounting for the March downward adjustment. 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 March compared to the national rate of 8.2 percent. Connecticut wages and salaries ended 2011 up 1.8 percent from the same quarter of the prior year. According to the National Association of Realtors, existing home sales in the Northeast declined by 1.7 percent in March. Housing prices in Connecticut had declined 3 percent in 2011 from the prior year. According to the Federal Reserve, consumer credit outstanding in February expanded at a 4.2 percent rate, which was about half the growth rate of the prior month. Consumer spending accounts for about 70 percent of Gross Domestic Product (GDP). According to advance estimates, GDP rose a slower than expected 2.2 percent in the first quarter of 2012. This followed fourth quarter growth of 3 percent.

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 MARCH 31, 2012**
(In Thousands)

Exhibit A

ASSETS

Loans Receivable	3,419
Unrealized Revenue - Exhibit C	<u>7,173,065</u>
Total Assets	<u>\$ 7,176,484</u>

LIABILITIES, RESERVES, APPROPRIATIONS AND SURPLUS

LIABILITIES

Deficiency in Cash and Short Term Investments	\$ 1,565,788
Due to Other Funds	159
Accounts Payable	<u>3,899</u>
Total Liabilities	<u>1,569,846</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	5,565,579
Unappropriated Surplus (Deficit) - Exhibit B	<u>(200,090)</u>
Total Liabilities, Reserves, Appropriations and Surplus	<u>\$ 7,176,484</u>

**STATE OF CONNECTICUT GENERAL FUND
ANALYSIS OF UNAPPROPRIATED SURPLUS
AS OF MARCH 31, 2012**

(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	\$ (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	102,620	247	19,789,498
Continued from Prior Year	<u>200,985</u>	<u>-</u>	<u>-</u>	<u>200,985</u>
 Current Year Appropriations	 19,485,646	 102,620	 247	 19,588,513
Estimated Lapses	<u>(777,912)</u>	<u>(65,224)</u>	<u>-</u>	<u>(843,136)</u>
 Net Appropriations	 <u>18,707,734</u>	 <u>37,396</u>	 <u>247</u>	 <u>18,745,377</u>
Surplus (Deficit) from Operations	80,866	(280,696)	(247)	(200,077)
Miscellaneous Adjustments	-	-	(13)	(13)
Surplus (Deficit), July 1, 2011	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Projected Surplus (Deficit), June 30, 2012	 <u><u>\$ 80,866</u></u>	 <u><u>\$ (280,696)</u></u>	 <u><u>\$ (260)</u></u>	 <u><u>\$ (200,090)</u></u>

**STATE OF CONNECTICUT GENERAL FUND
STATEMENT OF ESTIMATED AND REALIZED REVENUE
FOR THE NINE MONTHS ENDED MARCH 31, 2012**

Exhibit C

(In Thousands)

	<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	\$ 4,963,377	\$ 3,320,623
Sales and Use	3,789,000	80,500	3,869,500	2,438,612	1,430,888
Corporations	707,700	14,200	721,900	480,259	241,641
Cigarettes and Tobacco	443,800	(17,300)	426,500	297,517	128,983
Insurance Companies	237,200	(2,400)	234,800	174,513	60,287
Public Service Corporations	268,700	-	268,700	124,587	144,113
Real Estate Conveyance	90,300	6,700	97,000	59,932	37,068
Inheritance and Estate	158,000	1,000	159,000	82,869	76,131
Oil Companies	93,100	62,100	155,200	80,820	74,380
Electric Generation	71,000	-	71,000	35,699	35,301
Alcoholic Beverages	56,900	2,000	58,900	38,401	20,499
Admissions, Dues and Cabaret	39,600	(4,200)	35,400	23,954	11,446
Miscellaneous	542,200	3,800	546,000	280,134	265,866
Totals	15,048,100	(120,200)	14,927,900	9,080,674	5,847,226
Less Refunds of Taxes	(1,020,000)	(74,800)	(1,094,800)	(783,090)	(311,710)
Less R & D Credit Exchange	(9,000)	4,000	(5,000)	(3,160)	(1,840)
Net Taxes	<u>14,019,100</u>	<u>(191,000)</u>	<u>13,828,100</u>	<u>8,294,424</u>	<u>5,533,676</u>
OTHER REVENUE					
Indian Gaming Payments	375,500	(27,700)	347,800	230,884	116,916
Transfers - Special Revenue	288,400	24,900	313,300	226,535	86,765
Licenses, Permits and Fees	271,200	(1,300)	269,900	177,164	92,736
Investment Income	2,900	(500)	2,400	2,764	(364)
Rents, Fines and Escheats	127,400	(16,200)	111,200	78,780	32,420
Sales of Commodities and Services	36,400	(2,500)	33,900	22,593	11,307
Miscellaneous	163,000	(5,700)	157,300	121,199	36,101
Total Other Revenue	1,264,800	(29,000)	1,235,800	859,919	375,881
Less Refunds of Payments	(38,300)	(44,900)	(83,200)	(72,283)	(10,917)
Net Other Revenue	<u>1,226,500</u>	<u>(73,900)</u>	<u>1,152,600</u>	<u>787,636</u>	<u>364,964</u>
OTHER SOURCES					
Federal Grants	3,589,700	21,600	3,611,300	2,445,025	1,166,275
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>2,290,175</u>	<u>1,274,425</u>
Total Budgeted Revenue	<u>\$ 18,788,600</u>	<u>\$ (243,300)</u>	<u>\$ 18,545,300</u>	<u>\$ 11,372,235</u>	<u>\$ 7,173,065</u>

STATE OF CONNECTICUT GENERAL FUND
 STATEMENT OF APPROPRIATIONS AND EXPENDITURES
 FOR THE NINE MONTHS ENDED MARCH 31, 2012

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	\$ 163	\$ -	\$ 65,444	\$ 37,521	\$ 4,500	\$ 23,423
Auditors of Public Accounts	13,106	-	-	13,106	8,164	650	4,292
Commission on Aging	269	-	-	269	194	-	75
Commission on the Status of Women	527	-	-	527	321	-	206
Commission on Children	553	-	-	553	359	-	194
Commission on Latino & Puerto Rican Affairs	332	-	-	332	214	-	118
African-American Affairs Commission	220	-	-	220	137	-	83
Asian Pacific American Affairs	158	-	-	158	23	-	135
Total Legislative	80,446	163	-	80,609	46,933	5,150	28,526
GENERAL GOVERNMENT							
Governor's Office	2,837	-	-	2,837	1,962	-	875
Secretary of the State	9,105	-	-	9,105	5,266	110	3,729
Lieutenant Governor's Office	929	-	-	929	538	-	391
State Treasurer	4,130	-	-	4,130	2,471	170	1,489
State Comptroller	28,496	-	-	28,496	18,172	-	10,324
Revenue Services	73,797	-	-	73,797	46,098	800	26,899
Governmental Accountability	9,299	-	-	9,299	5,813	340	3,146
Office of Policy and Management	274,345	-	-	274,345	257,328	1,800	15,217
Veterans' Affairs	31,809	-	-	31,809	20,630	-	11,179
Administrative Services	133,883	(150)	-	133,733	81,454	950	51,329
Construction Services	9,730	-	-	9,730	6,364	320	3,046
Attorney General	30,758	-	-	30,758	20,620	350	9,788
Division of Criminal Justice	52,399	-	-	52,399	36,355	-	16,044
Total General Government	661,517	(150)	-	661,367	503,071	4,840	153,456
REGULATION AND PROTECTION							
Emergency Services and Public Protection	172,629	-	1,800	174,429	124,307	-	50,122
Motor Vehicles	501	-	-	501	133	-	368
Military Department	6,980	-	-	6,980	4,356	-	2,624
Consumer Protection	16,185	-	-	16,185	11,107	-	5,078
Department of Labor	78,456	-	-	78,456	42,545	-	35,911
Human Rights & Opportunities	7,057	-	-	7,057	3,861	-	3,196
Advocacy for Persons with Disabilities	2,681	-	-	2,681	1,816	-	865
Total Regulation and Protection	284,489	-	1,800	286,289	188,125	-	98,164
CONSERVATION AND DEVELOPMENT							
Department of Agriculture	5,216	-	-	5,216	3,473	-	1,743
Energy and Environmental Protection	79,396	-	-	79,396	50,343	990	28,063
Environmental Quality Council	171	-	-	171	118	-	53
Economic & Community Development	60,275	-	-	60,275	28,402	-	31,873
Agricultural Experiment Station	7,372	-	-	7,372	5,077	-	2,295
Total Conservation and Development	152,430	-	-	152,430	87,413	990	64,027
HEALTH AND HOSPITALS							
Department of Public Health	91,682	-	-	91,682	56,561	3,450	31,671
Medical Examiner	6,200	-	200	6,400	3,809	-	2,591
Developmental Service	1,047,822	-	-	1,047,822	719,811	3,800	324,211
Mental Health & Addiction Services	750,192	-	-	750,192	460,567	5,800	283,825
Psychiatric Security Review Board	364	-	-	364	232	-	132
Total Health and Hospitals	1,896,260	-	200	1,896,460	1,240,980	13,050	642,430
TRANSPORTATION							
Department of Transportation	609	-	-	609	-	-	609
Total Transportation	609	-	-	609	-	-	609
HUMAN SERVICES							
Department of Social Services	5,820,575	-	93,200	5,913,775	4,399,027	-	1,514,748
Bureau of Rehabilitative Services	22,097	-	-	22,097	13,339	-	8,758
Total Human Services	5,842,672	-	93,200	5,935,872	4,412,366	-	1,523,506

STATE OF CONNECTICUT GENERAL FUND
 STATEMENT OF APPROPRIATIONS AND EXPENDITURES
 FOR THE NINE MONTHS ENDED MARCH 31, 2012

Exhibit D

(In Thousands)

	Continued and Initial <u>Appropriations</u>	Increase or (Decreases)	Estimated Additional Requirements	Total <u>Appropriations</u>	<u>Expenditures</u>	Estimated <u>Lapses</u>	Unexpended <u>Appropriations</u>
EDUCATION, MUSEUMS, LIBRARIES							
Department of Education	2,804,237	-	-	2,804,237	1,551,359	10,750	1,242,128
State Library	11,750	-	-	11,750	6,958	-	4,792
Financial & Academic Affairs for Higher Ed	59,260	-	-	59,260	55,158	620	3,482
University of Connecticut	225,354	-	-	225,354	155,491	-	69,863
University Health Center	121,515	-	-	121,515	88,206	-	33,309
Teachers' Retirement Board	792,027	-	2,600	794,627	593,150	-	201,477
Board of Regents for Higher Education	315,677	-	-	315,677	217,580	-	98,097
Total Education, Museums, Libraries	4,329,820	-	2,600	4,332,420	2,667,902	11,370	1,653,148
CORRECTIONS							
Department of Correction	695,352	-	-	695,352	503,558	-	191,794
Children and Families	881,318	-	-	881,318	592,730	13,800	274,788
Total Corrections	1,576,670	-	-	1,576,670	1,096,288	13,800	466,582
JUDICIAL							
Judicial Department	512,170	98	-	512,268	360,766	-	151,502
Public Defender Services Commission	64,771	-	1,320	66,091	47,346	-	18,745
Total Judicial	576,941	98	1,320	578,359	408,112	-	170,247
NON-FUNCTIONAL							
Governor's Contingency	-	-	-	-	-	-	-
Debt Service	1,894,081	-	-	1,894,081	1,270,731	75,000	548,350
Reserve for Salary Adjustments	142,602	(107)	-	142,495	-	85,000	57,495
Workers' Compensation Claims	27,727	-	-	27,727	20,664	250	6,813
Adjudicated Claims	4,000	-	3,500	7,500	6,880	-	620
Death Benefits for State Employees	-	8	-	8	8	-	-
Unemployment Compensation	12,482	-	-	12,482	7,187	-	5,295
State Employees Retirement Contributions	722,137	-	-	722,137	478,580	-	243,557
Higher Education Alternative Retirement	37,959	-	-	37,959	16,070	-	21,889
Other Statutory Retirement	1,823	-	-	1,823	1,298	-	525
Judges & Compensation Commissioners Retirement	15,095	-	-	15,095	11,322	-	3,773
Group Life Insurance	8,586	-	-	8,586	5,555	-	3,031
Tuition Reimbursement - Training & Travel	5,829	235	-	6,064	2,350	-	3,714
Employers Social Security	244,897	-	-	244,897	154,070	-	90,827
State Employees Health Service	602,409	-	-	602,409	405,750	-	196,659
Retired State Employees Health Service	565,146	-	-	565,146	349,128	-	216,018
Insurance Recoveries	4	-	-	4	-	-	4
Unallocated	-	-	-	-	-	633,686	(633,686)
Total Non-Functional	4,284,777	136	3,500	4,288,413	2,729,593	793,936	764,884
Total Budgeted Appropriations	\$ 19,686,631	\$ 247	\$ 102,620	\$ 19,789,498	\$ 13,380,783	\$ 843,136	\$ 5,565,579

**STATE OF CONNECTICUT TRANSPORTATION FUND
BALANCE SHEET
AS OF MARCH 31, 2012**
(In Thousands)

Exhibit E

ASSETS

Cash and Short Term Investments	\$ 102,955
Unrealized Revenue - Exhibit G	<u>408,166</u>
Total Assets	<u>\$ 511,121</u>

APPROPRIATIONS, LIABILITIES AND SURPLUS

Unexpended Appropriations - Exhibit H	\$ 399,565
Liabilities	1,073
Unappropriated Surplus - Exhibit F	<u>110,483</u>
Total Appropriations, Liabilities and Surplus	<u>\$ 511,121</u>

**STATE OF CONNECTICUT TRANSPORTATION FUND
ANALYSIS OF UNAPPROPRIATED SURPLUS
AS OF MARCH 31, 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	<u>463,900</u>	<u>(22,800)</u>	<u>-</u>	<u>441,100</u>
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	<u>40,554</u>	<u>-</u>	<u>-</u>	<u>40,554</u>
Current Year Appropriations	1,315,468	-	-	1,315,468
Estimated Lapses	(53,536)	(36,850)	-	(90,386)
Restricted Grants Affecting Surplus	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Appropriations	<u>1,261,932</u>	<u>(36,850)</u>	<u>-</u>	<u>1,225,082</u>
Surplus from Operations	568	2,550	-	3,118
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>\$ 2,550</u>	<u>\$ -</u>	<u>\$ 110,483</u>

**STATE OF CONNECTICUT TRANSPORTATION FUND
STATEMENT OF ESTIMATED AND REALIZED REVENUE
FOR THE NINE MONTHS ENDED MARCH 31, 2012**

(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	\$ 328,654	\$ 163,146
Oil Companies	226,900	-	226,900	113,450	113,450
Sales Tax DMV	<u>71,600</u>	<u>4,400</u>	<u>76,000</u>	<u>54,392</u>	<u>21,608</u>
Totals	805,800	(11,100)	794,700	496,496	298,204
Less Refunds of Taxes	<u>(7,200)</u>	<u>(400)</u>	<u>(7,600)</u>	<u>(5,717)</u>	<u>(1,883)</u>
Net Taxes	<u>798,600</u>	<u>(11,500)</u>	<u>787,100</u>	<u>490,779</u>	<u>296,321</u>
OTHER REVENUE					
Motor Vehicle Receipts	237,500	(6,500)	231,000	164,173	66,827
Licenses, Permits and Fees	143,800	(7,200)	136,600	97,674	38,926
Interest Income	12,500	(8,900)	3,600	1,469	2,131
Federal Grants	13,100	-	13,100	6,405	6,695
Transfer from Other Funds	81,900	-	81,900	81,550	350
Transfer to Emissions Enterprise Fund	(6,500)	-	(6,500)	(4,875)	(1,625)
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	331,396	113,004
Less Refunds of Payments	<u>(3,100)</u>	<u>(200)</u>	<u>(3,300)</u>	<u>(2,141)</u>	<u>(1,159)</u>
Net Other Revenue	<u>463,900</u>	<u>(22,800)</u>	<u>441,100</u>	<u>329,255</u>	<u>111,845</u>
Total Budgeted Revenue	<u>\$ 1,262,500</u>	<u>\$ (34,300)</u>	<u>\$ 1,228,200</u>	<u>\$ 820,034</u>	<u>\$ 408,166</u>

STATE OF CONNECTICUT TRANSPORTATION FUND
 STATEMENT OF APPROPRIATIONS AND EXPENDITURES
 FOR THE NINE MONTHS ENDED MARCH 31, 2012
 (In Thousands)

Exhibit H

	<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	\$ 416,924	\$ 12,900	\$ 183,323
Motor Vehicle Department	69,965	-	-	69,965	37,573	650	31,742
Debt Service	478,835	-	-	478,835	301,634	30,000	147,201
Reserve for Salary Adjustments	18,847	-	-	18,847	-	-	18,847
Bureau of Rehabilitative Services	131	-	-	131	97	-	34
Workers' Compensation Claims	6,756	-	-	6,756	4,622	-	2,134
Department of Administrative Services	7,158	-	-	7,158	4,084	-	3,074
Unemployment Compensation	459	-	-	459	326	-	133
State Employees Retirement	99,636	-	-	99,636	66,032	-	33,604
Group Life Insurance	327	-	-	327	188	-	139
Employers Social Security	18,632	-	-	18,632	9,932	-	8,700
State Employees Health Service	42,129	-	-	42,129	24,659	-	17,470
Insurance Recoveries	-	-	-	-	-	-	-
Unallocated	-	-	-	-	-	46,836	(46,836)
Total Budgeted Appropriations	\$ 1,356,022	\$ -	\$ -	\$ 1,356,022	\$ 866,071	\$ 90,386	\$ 399,565