



News From:

COMPTROLLER KEVIN LEMBO

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COMPTROLLER LEMBO ANNOUNCES \$236.9 UNAUDITED FISCAL YEAR 2011 STATE SURPLUS

Comptroller Kevin Lembo today reported that the pre-audited General Fund surplus for the end of Fiscal Year 2011 is \$236.9 million – but would have been more than a \$1 billion deficit without temporary financial fixes.

In a letter to Gov. Dannel P. Malloy, Lembo said the surplus will be used to fund \$14.5 million that the state is contractually obligated to pay towards future retiree health care, and to begin paying \$915.8 million in 2009 Economic Recovery Notes.

While tax revenue was up in most areas over the prior year, the state relied on fund reserves from the prior year, federal stimulus money and other one-time measures to reach the FY 2011 surplus.

Lembo warned that Connecticut's outlook this year is more uncertain in light of federal cutbacks and other economic volatility.

"Those temporary lifelines that saved us in Fiscal Year 2011 have disappeared this year," Lembo said. "Instead of the significant federal stimulus money that Connecticut received this past fiscal year, Connecticut could face cuts in federal assistance – depending on decisions made by a joint congressional committee charged with cutting \$1.5 trillion in federal spending.

"My office will continue to closely scrutinize that federal process – as well as state revenue and spending trends – to identify any concerns."

All major tax categories during FY 2011 outperformed the prior year, with the exception of the real estate conveyance tax, Lembo said. The personal income tax, the largest single tax category, expanded by over \$660 million from the prior fiscal year due largely to strong financial markets.

Additional economic indicators, both nationally and statewide, have been mixed in FY 2011:

- **Connecticut weekly earnings increased at a 3.3 percent rate. The state's personal income has been growing at a rate in excess of 4 percent. Notwithstanding, the national personal savings rate declined steadily during most of the fiscal year.**
- **The stock market realized double digit gains over the course of the fiscal year. The Dow increased by 25 percent as recessionary pressures eased. Historic growth was posted in corporate profits in calendar year 2010 with solid results continuing into the first quarter of 2011.**
- **Retail sales were strong throughout FY 2011, growing by more than 8 percent, which helped to boost Connecticut's FY 2011 sales tax revenues by \$149.2 million or 4.7 percent from a year ago.**
- **The state's housing sector continued to struggle in FY 2011. New housing permits declined 5 percent from already depressed levels and existing home sales fell 19 percent during the fiscal year with quarterly sales at about half of the 2005 level.**
- **After declining in 2009, Connecticut's export sector rebounded with solid growth in 2010 continuing into 2011. The latest export figures show annualized growth of 16 percent.**

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