



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

**Kevin Lembo  
State Comptroller**

**Martha Carlson  
Deputy Comptroller**

December 2, 2013

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 October 31, 2013.

OPM is projecting a Fiscal Year 2014 General Fund surplus of \$135.9 million. This is an increase of \$124.7 million from last month's estimate. The Transportation Fund is expected to close Fiscal Year 2014 with a balance of \$165.9 million.

This month's projections incorporate the November 8th consensus forecast produced by OPM and the Office of Fiscal Analysis in accordance with the provisions of Connecticut General Statutes, Section 2-36c. The consensus estimates increased revenue by \$123.4 million since last month. The sales and corporation taxes are each up by \$30 million from initial budget targets, and the real estate conveyance tax is \$15.6 million over initial estimates. The results of the tax amnesty program, which ended November 15<sup>th</sup>, could not be fully tabulated and incorporated into OPM's November projections. OPM noted within their November letter that they expected operating results to improve further based on the final computations for the amnesty program.

The Department of Revenue Services has estimated that the tax amnesty program resulted in additional General Fund revenue in Fiscal Year 2014 in excess of \$175 million. The budget target for the amnesty program was \$35 million. The consensus revenue forecast included \$65 million of the added revenue. Based on the success of the amnesty program, and the generally positive trend in overall state revenue, I am projecting a Fiscal Year 2014 General Fund surplus of \$245.9 million. This is \$110 million above the initial OPM estimate. It should be noted that ongoing federal budget issues could adversely impact the current surplus projection.

I strongly recommend that any General Fund surplus amount should be transferred to the state's Budget Reserve Fund at the close of the current fiscal year. The reserve balance at the end of Fiscal Year 2013 was \$270.7 million. This represents 1.6 percent of planned spending. I have called for a reserve level of 15 percent of spending. It is essential to the state's long-term fiscal stability that sufficient reserves be established as soon as possible. Too often in the past, opportunities to build reserves have been missed as other perceived budget priorities were pursued.

Overall, General Fund spending for Fiscal Year 2014 is expected to be \$75.1 million below initial budget estimates and revenue is expected to exceed the original budget target by \$56.4 million. The original budget was constructed with an anticipated surplus of \$4.4 million.

The Honorable Dannel P. Malloy  
December 2, 2013  
Page 2

For the twelve month period ending in October, the state had added 10,000 payroll jobs. In September the state lost 4,100 jobs, and an additional 100 jobs were lost in October. The state's unemployment rate fell to 7.9 percent. According to the State Labor Department, Connecticut has recovered 48.6 percent or 58,900 of the 121,200 jobs lost during the 2008 recession. Hourly earnings and weekly pay have experienced slight declines. Existing home sales in Connecticut were up 13.4 percent in the 3<sup>rd</sup> quarter compared to the same period last year and the median price was up 3.6 percent. Nationally, in October advance retail sales were up 3.9 percent from one year ago. Overall, the national economy grew at a rate of 2.8 percent in the third quarter of 2013. This follows second quarter growth of 2.5 percent.

I also issue a Comprehensive Annual Financial Report (CAFR) that includes financial statements for all state funds that are prepared in accordance with Generally Accepted Accounting Principles (GAAP). From a balance sheet perspective, the GAAP shortfall or unreserved fund balance in the General Fund was \$1.146 billion as of June 30, 2012. This represented an improvement in the unassigned fund balance deficit of just over \$600 million from last year. A final audited CAFR for Fiscal Year 2013 will be available in January.

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

[Click for Excel Format: General Fund | Transportation Fund](#)