



**STATE OF CONNECTICUT  
OFFICE OF THE STATE COMPTROLLER  
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**Kevin Lembo  
State Comptroller**

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November 1, 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 September 30, 2013.

OPM is projecting a Fiscal Year 2014 General Fund surplus of \$11.2 million. This is an increase of \$6.8 million from last month's estimate. The Transportation Fund is expected to close Fiscal Year 2014 with a balance of \$167.2 million. The Transportation Fund projection is up \$2.1 million from last month, which is attributable to an increase in the revenue.

This month's General Fund projection reflects the transfer of \$67 million of federal revenue and expenditure activity related to the Disproportionate Share Hospital (DSH) program from the General Fund to the federal restricted grants fund. This is consistent with the treatment of federal dollars in the Medicaid program.

After adjusting for the DSH transfer, OPM is anticipating that Fiscal Year 2014 General Fund savings that were originally budgeted at \$172.6 million will increase by \$26.8 million. This savings gain is partially offset by expected deficiency requirements of \$20 million. These two factors explain the \$6.8 million improvement in the General Fund forecast for the current fiscal year.

The largest savings increases are in debt service (\$10 million) due to low interest rates, and the Department of Children and Families (\$14.8 million) due to lower child placement costs. Deficiencies are anticipated in the Department of Administrative Services (\$8 million) related to two large insurance claim settlements, the Department of Emergency Services and Public Protection (\$3 million) resulting from lower casino reimbursements, and Department of Education (\$9 million) attributable to shortfalls in the Magnet School account.

The only change in General Fund revenue projections this month relates to the DSH transfer discussed above. All other revenues are expected to meet initial budget expectations.

The state economy continues to post moderate monthly growth. Many of the economic indicators included within this letter have been delayed due to the federal government shutdown. The Bureau of Labor Statistics has indicated that state employment numbers for September will be released with the October numbers within the November 22<sup>nd</sup> release.

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For the twelve month period ending in August, the state had added 15,400 payroll jobs. In the month of August, the state lost 6,000 jobs. This was the first monthly employment loss after five consecutive months of job gains. The September and October job numbers will be especially important to the trend analysis. The state's unemployment rate was 8.1 percent in August compared to the national rate of 7.3 percent. According to the State Labor Department, the state has recovered 62,200 of the 121,200 jobs lost during the 2008 recession. Hourly earnings and weekly pay have remained relatively flat over the last twelve months. Existing home sales in the Northeast were up 15 percent from September of last year, and prices were up 2.8 percent for the same period. Nationally, in September advance retail sales were up 3.2 percent from one year ago. Overall, the national economy grew at a rate of 2.5 percent in the second quarter of 2013. This follows first quarter growth of 1.1 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 black ink that reads "Kevin Lembo". The signature is written in a cursive, flowing style.

Kevin Lembo  
State Comptroller

To view the data in Excel format, click here: [General Fund](#) | [Transportation Fund](#)