A REPORT TO
THE APPROPRIATIONS COMMITTEE AND
THE FINANCE, REVENUE AND BONDING COMMITTEE
PURSUANT TO SECTION 2-36B OF THE CONNECTICUT GENERAL STATUTES

FISCAL ACCOUNTABILITY REPORT
FISCAL YEARS 2013 – 2016

OPM

OFFICE OF POLICY AND MANAGEMENT
BENJAMIN BARNES, SECRETARY

NOVEMBER 15, 2012

SUMMARY

INTRODUCTION

This report outlines significant fiscal factors affecting Connecticut's budgetary and economic outlook over the next several years. Overall, this report describes an enormously difficult fiscal environment for the state of Connecticut now and for the next few years. This environment poses significant policy challenges to the state which must be addressed now.

This report focuses on the facts describing our current fiscal situation, and is not intended to include policy prescriptions. However, it is important to consider the following general points:

- The state faces significant fiscal challenges over the next several years, resulting from ongoing poor economic conditions nationally and regionally, historic deferral of long-term liabilities, and fast-growing demand for public services, especially healthcare.
- Governor Malloy is committed to ensuring the state lives within its means. Extraordinarily difficult decisions to reduce spending will be necessary.
- The Governor will NOT propose tax increases as a solution to these challenges.
- Nevertheless, the Governor intends to identify opportunities to make smart investments that create jobs and improve education, even in these difficult times.

OVERVIEW

- Revenues presented in this document align with the consensus forecast issued jointly by the Office of Policy and Management and the legislature's Office of Fiscal Analysis on November 9, 2012.
- Expenditures presented in this document are based on projections made by the Office of Policy and Management using a "current services" approach; i.e., the costs of continuing current operations in accordance with current law.
- The following results are projected when comparing current services expenditures to the November consensus revenue forecast:
    - In the fiscal year ending June 30, 2013, the Office of Policy and Management is currently projecting a General Fund budget deficit of $365 million.
    - In the fiscal year ending June 30, 2014, the Office of Policy and Management is currently projecting a General Fund deficit of $1,180 million. Projected expenditures are $1,242 million over the level allowable by the state's expenditure cap.
    - In the fiscal year ending June 30, 2015, the Office of Policy and Management is currently projecting a General Fund deficit of $959 million. Projected expenditures are $1,815 million over the level allowable by the state's expenditure cap.

MAJOR ISSUES AND TRENDS IMPACTING THE STATE'S FISCAL SITUATION

- Connecticut has made progress over the last two years by:
    - Addressing a significant projected shortfall for the FY 2012 and FY 2013 biennium;
    - Implementing Generally Accepted Accounting Principles;
    - Shoring up the state employee pension system;
    - Streamlining state government;
    - Conducting a special legislative session devoted solely to jobs and the economy; and
    - Reforming education.

- The performance of the economy as the state and nation recover from the "Great Recession" has significantly impacted revenues and expenditures.
  - Recovery has been and will continue to be slow.
  - Revenue sources are affected by the pace of recovery.
  - Unemployment remains high.
  - A Medicaid budget shortfall is projected for fiscal year 2013.
- Connecticut's fiscal future will largely be determined by forces outside of the control of state leaders.
  - Federal policy makers must resolve the current budgetary and economic impasse by addressing the so-called "fiscal cliff."
  - The European debt crisis is a substantial source of uncertainty for the global economy.
- Demand for government services remains significant.
  - Government spending is, by design, counter-cyclical. The need for such spending, however, comes at a time when it is hardest for the state to pay for it.
  - The projected Medicaid shortfall is a classic example: the need for medical assistance increases as people lose their jobs and associated health benefits.
- Connecticut is not alone amongst the states.
  - The northeastern part of the nation has seen a particularly tepid recovery, with New York, New Jersey, Massachusetts, Maine, and Connecticut all falling short of revenue projections.
  - Resolution of national issues will affect economic and budgetary performance in every state.

INTRODUCTION

This report has been prepared in accordance with Section 2-36b of the Connecticut General Statutes. It contains the estimated revenues for the three fiscal years next ensuing the 2011-13 biennium and projected expenditures for the same period.

FINANCIAL SUMMARY OF FUNDS
(in millions)

	Estimated	Estimated Current Services		Projected
General Fund	2012-13	2013-14	2014-15	2015-16
Revenues[1]	$ 19,015.1	$ 19,723.6	$ 21,032.3	$ 22,136.6
Expenditures	19,380.1	20,803.6	21,890.9	22,943.7
Balance - Budgetary basis	$ (365.0)	$ (1,080.0)	$ (858.6)	$ (807.1)
Transfer for GAAP Amortization[2]		(100.0)	(100.0)	(100.0)
Balance - GAAP basis		$ (1,180.0)	$ (958.6)	$ (907.1)
Special Transportation Fund				
Revenues	$ 1,234.6	$ 1,336.0	$ 1,342.3	$ 1,364.5
Expenditures	1,232.7	1,320.4	1,394.1	1,462.9
Balance - Budgetary basis	$ 1.9	$ 15.6	$ (51.8)	$ (98.4)
Other Funds [3]				
Revenues	$ 170.8	$ 246.3	$ 250.0	$ 254.6
Expenditures	170.3	245.9	249.8	254.2
Balance - Budgetary basis	$ 0.5	$ 0.4	$ 0.2	$ 0.4
Total All Appropriated Funds				
Revenues	$ 20,420.5	$ 21,305.9	$ 22,624.6	$ 23,755.7
Expenditures	20,783.0	22,370.0	23,534.8	24,660.7
Balance - Budgetary basis	$ (362.5)	$ (1,064.1)	$ (910.2)	$ (905.0)
Transfer for GAAP Amortization[2]		(100.0)	(100.0)	(100.0)
Balance - GAAP basis		$ (1,164.1)	$ (1,010.2)	$ (1,005.0)

	2013-14	2014-15	2015-16
Expenditure Cap Results			
Total All Appropriated Funds	$ 22,370.0	$ 23,534.8	$ 24,660.7
Allowed Appropriations per Cap	21,128.0	21,720.0	22,422.6
Over/(Under) the Cap	$ 1,242.0	$ 1,814.8	$ 2,238.1
Revenues and the Expenditure Cap[4]			
Revenues - All Funds	$ 21,305.9	$ 22,624.6	$ 23,755.7
Allowed Appropriations per Cap	21,128.0	21,720.0	22,422.6
Revenues Less Allowed Approps.	$ 177.9	$ 904.6	$ 1,333.1
Transfer for GAAP Amortization[2]	(100.0)	(100.0)	(100.0)
Balance - GAAP basis	$ 77.9	$ 804.6	$ 1,233.1

(1) Revenues reflect the November 9, 2012 consensus revenue forecast.

(2) Amounts beginning in FY 2013-14 reflect amortization of the cumulative GAAP deficit in accordance with Public Act 11-48.

(3) Other funds include the: a) Mashantucket Pequot and Mohegan Fund, b) Soldiers, Sailors and Marines' Fund, c) Regional Market Operating Fund, d) Banking Fund, e) Insurance Fund, f) Consumer Counsel and Public Utility Fund, g) Workers' Compensation Fund, and h) Criminal Injuries Compensation Fund.

(4) Article 3, section 18 of the State Constitution requires a balanced budget.

SECTION 1

ESTIMATE OF STATE REVENUES, EXPENDITURES AND ENDING BALANCE

ASSUMPTIONS

ASSUMPTIONS USED TO DEVELOP EXPENDITURE ESTIMATES

The *Estimated 2012-2013* column shows the current year appropriation adjusted to reflect deficiencies and lapses as estimated in OPM's October 20, 2012 letter to the Comptroller. FY 2014 and FY 2015 projections are based on OPM's current services estimates of expenditure requirements over the biennium and the FY 2016 projection is based on the rollout of the FY 2015 current services estimate using the inflation factors noted below.

GENERAL ASSUMPTIONS

Projected expenditures for FY 2014 and FY 2015 are based on OPM's review of agency current services requests for the upcoming biennium. In general, the current services expenditure level reflects the cost of continuing existing programs and services and includes the following factors:

- Increases attributable to settled collective bargaining agreements.
- Nondiscretionary increases, including caseload growth, mandated by federal or state law, court order or consent decree provisions.
- Operating costs of new buildings scheduled to open during the FY 2013-2015 biennium.
- New programs authorized by the General Assembly to begin during the FY 2013-2015 biennium.
- Reductions due to the completion of projects authorized in previous years or that result from changes in the scope, nature, timing or feasibility of a project.
- Annualization of partial costs from the prior fiscal year.
- Replacement cost of essential equipment.
- With notable exceptions, inflation allowances were based on the following assumptions:

Item	FY 2013-14 Over FY 2012-13	FY 2014-15 Over FY 2013-14
Food & Beverage	1.8%	1.76%
Medical Care	4.37%	4.25%
Fuel Oil	7.54%	1.95%
Natural Gas	37.44%	9.31%
Electricity	4.87%	6.23%
Motor Vehicle Fuel (gasoline, diesel)	7.54%	2.82%
All Other (including discretionary grants and revolving fund)	2.17%	2.9%

In addition, costs related to settled collective bargaining agreements are built into agency budgets. The estimated cost of unsettled collective bargaining agreements are budgeted within OPM's Reserve for Salary Adjustments account.

Projections for FY 2016 are, with exceptions noted below, based on a standard inflation assumption of 2.42% and a medical inflation rate of 4.16%. Personal Services was inflated by 4.5% over the FY 2015 level. Expenditures increased by the standard inflation rates include: Other Expenses, Other Current Expenses, and Grants. Partial year costs are annualized. Equipment costs are not inflated and reflect the FY 2015 current services estimate.

NOTABLE EXCEPTIONS

Listed below are significant items within the three outyears that were developed using other than the standard inflation guidelines, or that require further explanation.

STATE TREASURER - DEBT SERVICE

- *Debt Service-State Treasurer* - Reflects actual and projected issuance schedules.

STATE COMPTROLLER- MISCELLANEOUS

- *Adjudicated Claims* - Reflects level funding.

STATE COMPTROLLER - FRINGE BENEFITS

- *State Employee Retirement Contributions* - Reflects the FY 2014 and FY 2015 actuarially required contributions from the June 30, 2012 draft valuation. FY 2016 reflects a 7.7% increase over FY 2015.
- *Judges and Compensation Commissioners Retirement* - Reflects the FY 2014 and FY 2015 actuarially required contributions from the June 30, 2012 draft valuation. FY 2016 reflects a 7.7% increase over the FY 2015.
- *State Employee and Retiree Health Service Costs* - Reflects medical inflation.

OFFICE OF POLICY AND MANAGEMENT

- *Increase in Caseload for Renter's Rebate Program* - Reflects an increase in caseload of 6.5%, which is the average growth rate for the program over the past five fiscal years.

DEPARTMENT OF PUBLIC HEALTH

- *Breast and Cervical Cancer Detection and Treatment, Medicaid Administration, Children's Health Initiatives* - Reflects Personal Services inflation applied to salary component of account. Medical inflation applied to remainder of Breast and Cervical Cancer Detection and Treatment, and standard inflation applied to remainder of Medicaid Administration and Children's Health Initiatives accounts.
- *X-Ray Screening and Tuberculosis Care, Immunization Services* - Reflects medical inflation.
- *Local and District Departments of Health* - Per capita grant reflects 0.5% population growth.

DEPARTMENT OF DEVELOPMENTAL SERVICES

- *Caseload Growth* - Reflects caseload growth and annualization for high school graduates, age outs, court-ordered placements, Money Follows the Person, and other community placements in the Employment Opportunities and Day Services, Community Residential Services, and Cooperative Placements Program accounts.
- *Leap Year - Per Diem-based Payments* - Reflects FY 2016 leap year costs for per diem expenses in the Community Residential Services, Voluntary Services, and Cooperative Placements Program accounts.
- *Workers' Compensation* - Reflects medical inflation applied to medical expenses; Personal Services inflation applied to indemnity expenses.

DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES

- *Personal Services and Other Expenses* - Reflects adjustment for inflation on Disproportionate Share amount of $79,818,546, which is budgeted in the Department of Social Services - DMHAS/Disproportionate Share Account.
- *Professional Services, General Assistance Managed Care, Behavioral Health Medications, and Medicaid Adult Rehabilitation Option* - Reflects leap year payments in FY 2016.
- *General Assistance Managed Care* - Reflects anticipated caseload growth.
- *Young Adult Services and TBI Community Services* - Reflects annualization of anticipated caseload.

DEPARTMENT OF SOCIAL SERVICES

- *State-Funded Supplemental Nutrition Assistance Program, HUSKY Program, Medicaid, Old Age Assistance, Aid to the Blind, Aid to the Disabled, Temporary Assistance to Families, ConnPACE, Connecticut Home Care Program, Child Care - TANF/CCDBG, State Administered General Assistance* - Reflects anticipated cost and caseload changes based on current trends.
- *Medicaid* - Reflects expansion of Medicaid coverage for low-income adults with income up to 133% of the federal poverty level beginning January 1, 2014.
- *Medicaid, Old Age Assistance, Aid to the Blind, Aid to the Disabled* - Reflects leap year payments in FY 2016.
- *Medicaid, Housing/Homeless Services* - Reflects transition of additional clients under the Money Follows the Person initiative.

- *Housing/Homeless Services* - Reflects an additional 150 certificates in each year under the Rental Assistance Program for affordable housing.

SOLDIERS, SAILORS AND MARINES' FUND

- *Award Payments to Veterans* - Reflects 4.5% inflation to medical portion of account.

DEPARTMENT OF REHABILITATION

- *Part-Time Interpreters* - Reflects Personal Services inflation rate.
- *Educational Aid for Blind and Visually Handicapped Children* - Reflects Personal Services inflation rate and standard inflation for non-PS items.

DEPARTMENT OF EDUCATION

- *Connecticut Technical High School System* - Reflects PS and OE inflation.
- *Education Equalization Grants* - Reflects flat funding the ECS grant, except Charter School funding that is included in the appropriation, which is increased by standard inflation.

UNIVERSITY OF CONNECTICUT HEALTH CENTER

- *Operating Expenses* - Reflects the 4.50% Personal Services inflation rate, and the 2.42% standard inflation rate for the non-salary, non-capital costs of the Bioscience Initiative.
- *AHEC*- Reflects level funding.

TEACHERS' RETIREMENT BOARD

- *Retirement Contributions* - Reflects the FY 2014 and FY 2015 actuarially determined contributions from the June 30, 2012 valuation. FY 2016 reflects an 8% increase over FY 2015.
- *Retiree Health and Municipal Retiree Health* - Reflects medical inflation rate.

DEPARTMENT OF CHILDREN AND FAMILIES

- *Local Systems of Care* - Reflects Personal Services inflation on salary component; standard inflation on remainder.
- *Board and Care for Children - Adoption, Foster Care, Residential* - Leap Year - Board and Care for Children accounts have been adjusted in 2016 for the cost of an additional per diem payment due to leap year.
- *Board and Care for Children - Adoption* - Reflects anticipated growth in the number of clients served.
- *Board and Care for Children - Residential, No Nexus Special Education* - Reflects rate increases determined through the Single Cost Accounting System for in-state residential treatment facilities and no-nexus special education costs as authorized in statute.

SUMMARY OF APPROPRIATED FUND PROJECTIONS
(In Millions)

	Estimated 2012-2013	Current Service 2013-2014	Current Service 2014-2015	Projected 2015-2016
GENERAL FUND				
DSS - Medicaid	$ 4,958.0	$ 5,226.7	$ 5,653.2	$ 6,039.0
STATEWIDE - Personal Services	2,070.2	2,229.6	2,337.0	2,445.6
SDE - Education Equalization Grants	2,007.6	2,017.6	2,026.7	2,028.8
OTT - Debt Service	1,606.3	1,681.8	1,794.8	1,892.5
TRB - Retirement Contributions	787.5	948.5	984.1	1,062.8
OSC - Employee Retirement Contribution	721.5	912.4	963.3	1,037.5
OSC - Retired Employee Health Serv Cost	614.1	701.0	743.5	774.4
OSC - State Employees Health Serv Cost	568.0	563.0	602.8	627.9
STATEWIDE - Other Expenses	457.7	501.2	524.4	537.2
DDS - Community Residential Services	437.9	451.7	470.9	496.2
DSS - Disproportionate Share-Med Emer Asst	268.5	268.5	268.5	268.5
SDE - Magnet Schools	242.4	275.0	290.8	297.8
OSC - Employers Social Security Tax	222.0	221.9	231.8	237.5
DDS - Employment Opportunities & Day Svcs	200.3	217.8	227.7	234.9
UOC - Operating Expenses	192.3	200.8	212.5	220.0
DCF - Board & Care - Residential	177.0	155.2	158.6	164.6
MHA - General Assistance Managed Care	167.2	175.9	183.9	201.7
BOR - Regional Community - Technical Colleges	143.2	147.3	154.4	161.4
BOR - Connecticut State University	141.2	143.6	150.5	157.3
SDE - Excess Cost - Student Based	139.8	177.3	185.9	190.4
SDE - Regional Vocational-Technical School Sys	134.8	149.0	159.0	165.7
SDE - Priority School Districts	121.9	122.0	121.2	124.1
OTT - Pension Obligation Bonds - TRB	121.4	145.1	133.9	132.9
OTT - UConn 2000 - Debt Service	117.7	135.3	156.0	169.2
OPM - Loss Taxes Private Tax-Exempt Property	115.4	115.4	115.4	115.4
DCF - Board and Care for Children - Foster	113.3	115.7	116.6	119.5
DSS - Temporary Assist to Families - TANF	113.2	106.9	106.8	106.8
UHC - Operating Expenses	112.2	128.6	139.0	144.9
DSS - DMHAS – Disproportionate Share	108.9	108.9	108.9	108.9
DSS - Child Care Services - TANF/CCDBG	104.4	105.6	111.6	117.9
DCF - Board and Care for Children - Adoption	89.6	91.6	93.2	96.8
DOC - Inmate Medical Services	85.6	90.6	95.8	99.6
MHA - Grants for Mental Health Services	76.5	76.9	76.9	80.1
OPM - Loss of Taxes on State Property	73.6	73.6	73.6	73.6
MHA - Young Adult Services	64.0	70.3	76.5	80.7
DSS - Aid to the Disabled	60.6	61.9	66.5	71.5
DSS - Housing/Homeless Services	57.6	62.0	66.6	71.2
JUD - Alternative Incarceration Program	55.1	56.7	56.7	58.1
DSS - Connecticut Home Care Program	47.3	45.9	47.2	49.1
OPM - Reserve for Salary Adjustments	44.1	51.2	60.2	61.7
DOC - Community Support Services	40.6	40.8	40.8	41.8
MHA - Managed Service System	39.9	40.1	40.2	41.9
DSS - Old Age Assistance	36.4	37.5	39.9	42.5
DDS - Early Intervention	34.9	35.0	35.0	36.5
DDS - Voluntary Services	31.4	32.7	32.7	33.5
OSC - Higher Ed Alternative Retirement Sys	31.2	33.5	34.5	35.3
DSS - HUSKY B Program	29.9	29.9	31.7	33.3
DOL - Workforce Investment Act	29.2	29.9	30.8	30.8
JUD - Juvenile Alternative Incarceration	28.3	28.4	28.4	29.1
DOC - Workers' Compensation Claims	27.6	28.8	30.0	30.7
DAS - Workers' Compensation Claims	27.0	28.3	29.5	30.8

SUMMARY OF APPROPRIATED FUND PROJECTIONS
(In Millions)

	Estimated 2012-2013	Current Service 2013-2014	Current Service 2014-2015	Projected 2015-2016
DHE - CT Aid for Public College Students	25.5	26.1	26.8	27.5
OPM - Tax Relief for Elderly Renters	25.3	26.9	28.7	30.4
MHA - Grants for Substance Abuse Services	24.9	25.1	25.1	26.2
SDE - Transportation of School Children	24.9	84.7	87.0	89.1
DCF - Community KidCare	23.7	23.8	23.9	24.4
DDS - Cooperative Placements Program	22.9	24.2	25.2	26.4
SDE - OPEN Choice Program	22.1	35.0	40.6	41.6
SDE - Adult Education	21.0	22.9	23.5	24.1
OPM - Prop Tax Relief Elder-Circuit Breaker	20.5	20.5	20.5	20.5
SDE - Develop of Mastery Exams Grades 4,6&8	19.1	20.1	21.0	21.5
SDE - Child Care Services	18.4	18.4	18.4	18.9
DPH - Immunization Services	18.4	29.9	31.2	32.5
DOL - Jobs First Employment Services	17.7	18.0	18.5	19.0
DCF - Support for Recovering Families	16.8	16.9	16.9	17.3
TRB - Retirees Health Service Cost	16.4	25.2	31.0	32.2
MHA - Housing Supports and Services	16.3	17.0	17.0	17.7
DHE - CT Independent College Student Grant	16.2	16.5	17.0	17.4
OSC - Judges & Comp Commissioner Ret	16.0	16.3	17.7	18.0
DDS - Workers' Compensation Claims	15.2	15.9	16.6	17.3
DCF - Individualized Family Supports	14.9	14.8	15.2	15.6
DSS - State Administered General Assistance	14.7	16.1	16.6	17.2
SDE - Sheff Settlement	14.3	9.3	9.4	9.6
MHA - TBI Community Services	14.3	15.4	17.2	18.9
DCF - Gts Psychiatric Clinics for Children	14.2	14.3	14.3	14.6
MHA - Discharge and Diversion Services	14.0	18.7	22.5	23.1
DAS - IT Services	13.8	14.7	15.2	15.5
DCF - Family Support Services	13.5	13.6	13.6	13.9
DCF - Juvenile Justice Outreach Services	13.4	13.7	13.7	14.0
DDS - Supplemental Payments for Medical Services	13.4	13.4	13.4	13.4
DSS - Children's Trust Fund	13.1	13.2	13.2	13.5
DAS - Insurance & Risk Operations	12.4	13.0	13.7	14.0
JUD - Youthful Offender Services	12.2	18.7	18.7	19.1
DAS - Rents and Moving	11.9	12.2	12.3	12.6
MHA - Professional Services	11.8	11.9	12.1	12.6
DPH - School Based Health Clinics	11.5	12.9	12.9	13.2
ECD - Statewide Marketing	11.5	11.7	12.1	12.4
MHA - Workers' Compensation Claims	10.6	11.2	11.7	12.2
DSS - Connecticut Children's Medical Center	10.6	10.6	10.6	10.6
MHA - Employment Opportunities	10.5	10.5	10.5	10.8
DCF - Workers' Compensation Claims	10.3	11.7	12.3	12.8
SDE - American School for the Deaf	10.3	10.7	11.2	11.4
SDE - Interdistrict Cooperation	10.1	10.4	10.4	10.6
STATEWIDE - Changes in Expenditure Accruals	-	82.2	95.8	118.8
STATEWIDE - ALL OTHER	531.4	556.7	571.8	587.5
General Fund - Gross	$ 19,496.4	$ 20,920.0	$ 22,007.3	$ 23,060.0
Unallocated Lapse	(91.7)	(91.7)	(91.7)	(91.7)
Unallocated Lapse - Legislative	(3.0)	(3.0)	(3.0)	(3.0)
Unallocated Lapse - Judicial	(7.4)	(7.4)	(7.4)	(7.4)
General Lapse - Executive	(13.8)	(13.8)	(13.8)	(13.8)
General Lapse - Legislative	(0.1)	(0.1)	(0.1)	(0.1)
General Lapse - Judicial	(0.4)	(0.4)	(0.4)	(0.4)
General Fund - Net	$ 19,380.1	$ 20,803.6	$ 21,890.9	$ 22,943.7

SUMMARY OF APPROPRIATED FUND PROJECTIONS

(In Millions)

	Estimated 2012-2013	Current Service 2013-2014	Current Service 2014-2015	Projected 2015-2016
SPECIAL TRANSPORTATION FUND - Gross	$ 1,243.7	$ 1,331.4	$ 1,405.1	$ 1,473.9
Unallocated Lapses	(11.0)	(11.0)	(11.0)	(11.0)
Special Transportation Fund - Net	$ 1,232.7	$ 1,320.4	$ 1,394.1	$ 1,462.9
BANKING FUND - Gross	$ 25.6	$ 26.1	$ 27.5	$ 28.5
Branch Savings Target - Judicial	(0.1)	(0.1)	(0.1)	(0.1)
Banking Fund - Net	$ 25.5	$ 26.0	$ 27.4	$ 28.5
INSURANCE FUND	$ 28.7	$ 30.5	$ 31.7	$ 32.9
CONSUMER COUNSEL/PUBLIC UTILITY FUND	$ 25.4	$ 24.9	$ 26.1	$ 27.1
WORKERS' COMPENSATION FUND	$ 21.3	$ 22.1	$ 22.7	$ 23.6
MASHANTUCKET PEQUOT AND MOHEGAN FUND	$ 61.8	$ 135.0	$ 135.0	$ 135.0
SOLDIERS, SAILORS AND MARINES' FUND	$ 3.0	$ 3.1	$ 3.1	$ 3.3
REGIONAL MARKET OPERATION FUND	$ 0.9	$ 0.9	$ 1.0	$ 1.0
CRIMINAL INJURIES COMPENSATION FUND	$ 3.6	$ 3.4	$ 2.8	$ 2.9
TOTAL ALL FUNDS - NET	$ 20,783.0	$ 22,370.0	$ 23,534.8	$ 24,660.7

PROJECTED REVENUES

November 9, 2012 Consensus Revenue Forecast

(In Millions)

General Fund

Taxes	2012-13	2013-14	2014-2015	2015-2016
Personal Income Tax	$ 8,554.3	$ 9,011.9	$ 9,631.8	$ 10,289.3
Sales & Use Tax	4,002.3	4,158.0	4,322.4	4,529.7
Corporation Tax	726.2	660.6	698.8	688.6
Public Service Tax	275.2	279.3	284.4	288.7
Inheritance & Estate Tax	166.2	172.9	179.8	187.0
Insurance Companies Tax	237.6	221.4	225.6	230.2
Cigarettes Tax	411.1	399.1	388.0	376.9
Real Estate Conveyance Tax	100.3	104.3	109.8	114.9
Oil Companies Tax	167.8	209.1	209.9	207.8
Electric Generation Tax	70.6	-	-	-
Alcoholic Beverages Tax	59.3	59.8	60.2	60.6
Admissions & Dues Tax	39.6	40.0	40.4	40.8
Health Provider Tax	520.0	522.6	525.2	527.8
Miscellaneous Tax	20.1	20.5	20.8	21.2
Total Taxes	$ 15,350.6	$ 15,859.5	$ 16,697.1	$ 17,563.5
Less Refunds of Tax	(1,050.6)	(1,065.2)	(1,117.3)	(1,171.4)
Less Earned Income Tax Credit	(116.5)	(126.6)	(133.0)	(139.7)
Less R&D Credit Exchange	(5.8)	(7.3)	(7.8)	(8.2)
Total - Taxes Less Refunds	$ 14,177.7	$ 14,660.4	$ 15,439.0	$ 16,244.2
Other Revenue				
Transfers-Special Revenue	$ 305.1	$ 306.0	$ 306.9	$ 309.0
Indian Gaming Payments	311.6	310.1	308.5	307.0
Licenses, Permits, Fees	262.8	296.0	272.4	306.9
Sales of Commodities	34.8	36.1	37.2	38.5
Rents, Fines, Escheats	107.7	112.5	114.4	116.3
Investment Income	1.0	1.9	2.2	2.5
Miscellaneous	162.9	166.5	168.3	170.1
Less Refunds of Payments	(55.0)	(55.0)	(55.0)	(57.5)
Total - Other Revenue	$ 1,130.9	$ 1,174.1	$ 1,154.9	$ 1,192.8
Other Sources				
Federal Grants	$ 3,762.9	$ 4,105.9	$ 4,656.2	$ 4,909.0
Transfer From Tobacco Settlement	93.1	91.0	90.0	98.4
Transfers From (To) Other Funds	(149.5)	(307.8)	(307.8)	(307.8)
Total - Other Sources	$ 3,706.5	$ 3,889.1	$ 4,438.4	$ 4,699.6
Total - General Fund Revenues	$ 19,015.1	$ 19,723.6	$ 21,032.3	$ 22,136.6

Special Transportation Fund

Taxes	2012-13	2013-14	2014-2015	2015-2016
Motor Fuels Tax	$ 495.8	$ 500.4	$ 499.5	$ 498.4
Oil Companies Tax	199.4	222.7	226.8	231.4
Sales Tax - DMV	77.2	78.4	79.9	81.4
Total Taxes	$ 772.4	$ 801.5	$ 806.2	$ 811.2
Less Refunds of Taxes	(7.8)	(7.9)	(8.0)	(8.3)
Total - Taxes Less Refunds	$ 764.6	$ 793.6	$ 798.2	$ 802.9
Other Sources				
Motor Vehicle Receipts	$ 235.8	$ 236.3	$ 236.9	$ 237.5
Licenses, Permits, Fees	140.0	140.4	141.1	141.7
Interest Income	3.1	4.6	5.0	6.4
Federal Grants	13.1	13.1	13.1	13.1
Transfers From (To) Other Funds	81.2	151.3	151.3	166.3
Less Refunds of Payments	(3.2)	(3.3)	(3.3)	(3.4)
Total - Other Sources	$ 470.0	$ 542.4	$ 544.1	$ 561.6
Total - STF Revenues	$ 1,234.6	$ 1,336.0	$ 1,342.3	$ 1,364.5

NOTE: The above revenue schedule reflects the November 9, 2012 consensus revenue estimates per C.G.S. 2-36c.

PROJECTED REVENUES

(In Millions)

	2012-13	2013-14	2014-2015	2015-2016
Mashantucket Pequot and Mohegan Fund Revenues	$ 61.8	$ 135.0	$ 135.0	$ 135.0
Soldiers, Sailors, and Marines' Fund Revenues	$ 3.1	$ 3.1	$ 3.2	$ 3.3
Regional Market Operating Fund Revenues	$ 1.0	$ 1.0	$ 1.0	$ 1.1
Banking Fund Revenues	$ 25.6	$ 26.1	$ 27.4	$ 28.5
Insurance Fund Revenues	$ 28.8	$ 30.5	$ 31.7	$ 33.0
Consumer Counsel & Public Utility Control Revenues	$ 25.4	$ 25.0	$ 26.1	$ 27.1
Workers' Compensation Fund Revenues	$ 21.4	$ 22.2	$ 22.8	$ 23.7
Criminal Injuries Fund Revenues	$ 3.7	$ 3.4	$ 2.8	$ 2.9
All Appropriated Funds Revenues	$ 20,420.5	$ 21,305.9	$ 22,624.6	$ 23,755.7

ASSUMPTIONS USED TO DEVELOP REVENUE ESTIMATES

	Fiscal 2012-13	Fiscal 2013-14	Fiscal 2014-15	Fiscal 2015-16
UNITED STATES				
Gross Domestic Product	3.9%	5.4%	6.5%	5.7%
Real Gross Domestic Product	1.9%	3.1%	4.3%	3.7%
G.D.P. Deflator	1.9%	2.2%	2.1%	1.9%
Unemployment Rate	8.0%	7.7%	6.7%	6.1%
New Vehicle Sales (M)	14.79	16.53	16.79	15.83
Consumer Price Index	2.1%	2.5%	2.7%	2.4%
CONNECTICUT				
Personal Income	3.0%	5.8%	7.2%	6.4%
Nonagricultural Employment	0.2%	1.3%	2.4%	2.4%
Housing Starts (T)	4.90	5.30	6.92	8.03
Unemployment Rate	7.9%	7.1%	6.0%	5.3%

(M) denotes millions
(T) denotes thousands

ECONOMIC GROWTH RATES FOR PROJECTED TAX REVENUES
(PERCENT CHANGE)

General Fund

Taxes	2012-13	2013-14	2014-15	2015-16
Personal Income Tax [1]	4.9, 12.7	7.2, 2.3	7.4, 6.0	7.0, 6.5
Sales & Use Tax	4.6	3.9	4.0	4.8
Corporation Tax	-2.0	2.0	2.7	4.5
Public Service Tax	9.6	1.5	1.8	1.5
Inheritance & Estate Tax	-13.3	4.0	4.0	4.0
Insurance Companies Tax	0.0	0.0	1.9	2.0
Cigarettes Tax	-2.4	-2.9	-2.8	-2.9
Real Estate Conveyance Tax	3.5	4.0	5.3	4.6
Oil Companies Tax	-1.5	1.6	1.0	0.7
Alcoholic Beverages Tax	0.5	0.8	0.7	0.7
Admissions & Dues Tax	3.0	1.0	1.0	1.0

Special Transportation Fund

Taxes	2012-13	2013-14	2014-15	2015-16
Motor Fuels Tax	-2.3	-0.7	0.0	0.0
Sales Tax - DMV	0.8	1.6	1.4	1.8

NOTES:
1. Rates for withholding and "estimates and final filings".

SECTION 2

PROJECTED TAX CREDITS

PROJECTED TAX CREDITS

It should be noted that the basis for projections of tax credits claimed relies upon data from several years ago. This is due to the fact that information regarding tax credits is typically delayed as firms often request an extension to file their final returns. This delays the receipt of such data by the tax department which then must still have the return information data captured.

In calculating the expected amount of credits to be claimed, OPM examined the most recent relevant years available (income years ranging from 2005 to 2009 for business credits and income year 2010 for the personal income tax credit). An average value was derived over that time period which then became the base for fiscal year 2012. From fiscal year 2013 and forward, the dollar value of credits claimed was increased by appropriate growth rates.

Projected Total Amounts of Tax Credits Claimed

(In Thousands)

	2012-13	2013-14	2014-15	2015-16
Personal Income Tax Credits				
Property Tax	$ 214,000	$ 218,000	$ 222,000	$ 226,000
Job Tax Credits	2,000	5,000	5,000	5,000
Earned Income Tax Credit	116,500	126,600	133,000	139,700
Connecticut Higher Education Trust (CHET)	7,500	7,500	7,500	7,500
Angel Investor	6,000	3,000	-	-
Total Personal Income Tax	$ 346,000	$ 360,100	$ 367,500	$ 378,200
Business Tax Credits				
Fixed Capital	$ 70,000	$ 70,000	$ 70,000	$ 70,000
Film Industry Production(1)	55,000	65,000	70,000	75,000
Film Industry Digital Animation(1)	15,000	15,000	15,000	15,000
Film Industry Infrastructure(1)	4,000	5,000	5,300	5,600
Electronic Data Processing(1)	25,000	25,800	26,600	27,400
Research and Experimental Expenditures	15,500	16,000	16,500	17,000
Research and Development Expenditures	5,000	5,200	5,400	5,600
Urban and Industrial Reinvestment	30,000	30,000	30,000	30,000
Housing Program Contribution(1)	10,000	10,000	10,000	10,000
Job Tax Credits	7,500	15,000	15,000	15,000
Historic Rehabilitation	1,500	1,500	1,500	1,500
Human Capital	1,500	1,500	1,500	1,500
Machinery and Equipment	1,000	1,000	1,000	1,000
All Other Credits	7,000	10,000	10,000	10,000
Total Business Tax Credits	$ 248,000	$ 271,000	$ 277,800	$ 284,600
Total Projected Amount Claimed	$ 594,000	$ 631,100	$ 645,300	$ 662,800

(1) Includes credits claimed under the Corporation Tax, Insurance Premiums Tax, and the Public Service Companies Tax.

SECTION 3

SUMMARY OF ESTIMATED DEFICIENCIES

SUMMARY OF ESTIMATED DEFICIENCIES

(REASONS FOR DEFICIENCIES AND BASIS OF ASSUMPTIONS)

The following deficiency is anticipated in the General Fund:

DEPARTMENT OF SOCIAL SERVICES

After accounting for various offsetting lapses, a net shortfall of $260 million is forecast in the Medicaid program, largely due to increased utilization of medical services and increasing caseloads in the Low-Income Adults (LIA) program. Hospital expenditures, in particular, are much higher than appropriated levels. Nursing home expenditures are also higher than the enacted budget, which assumed a greater number of transitions to the community under the Money Follows the Person program. In addition, caseload growth in the LIA program continues to exceed earlier projections. The enacted budget did not assume the current caseload level of 83,827 would be reached until August 2013. With the latest caseload figures from October 5.4% above those projected less than a year ago, LIA continues to drive up costs in the Medicaid program.

WATCH AREAS

Several areas of the budget have the potential to significantly impact General Fund balance. OPM continues to closely watch trends in several agencies that may impact future expenditure projections, including Personal Services and Other Expenses costs in the departments of Correction and Emergency Services and Public Protection which are currently running above the levels that can be supported by available appropriations. Additionally, the uncertain outlook with regard to the national and global economic picture could impact the state budget in the second half of fiscal year 2013. Continued political gridlock and brinksmanship at the national level relative to addressing the budget and economy, including the prospects of sequestration and the expiration of tax cuts and other significant federal policies in January, coupled with global economic concerns, create a significant level of uncertainty in budget planning.

SECTION 4

PROJECTED BALANCE OF THE BUDGET RESERVE FUND

BUDGET RESERVE FUND

PROJECTED FUND BALANCE
(in millions)

GENERAL FUND SURPLUS DISPOSITION WITH ADHERENCE TO THE EXPENDITURE CAP

1. GAAP Amortization	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	
General Fund Surplus/(Deficit) *	$ (143.6)	$ (365.0)	$ 100.0	$ 829.4	$ 1,275.2	
Transfer for GAAP Amortization	-	-	(100.0)	(100.0)	(100.0)	
General Fund Surplus/(Deficit)	$ (143.6)	$ (365.0)	$ -	$ 729.4	$ 1,175.2	
2. Economic Recovery Notes (ERN)						
General Fund Surplus/(Deficit)	$ (143.6)	$ (365.0)	$ -	$ 729.4	$ 1,175.2	
Pre-pay ERN's	-	-	-	(199.4)	-	
General Fund Surplus/(Deficit)	$ (143.6)	$ (365.0)	$ -	$ 530.0	$ 1,175.2	
Defeased ERN Debt Service	-	-	-	-	208.4	
General Fund Surplus/(Deficit)	$ (143.6)	$ (365.0)	$ -	$ 530.0	$ 1,383.6	
3. Budget Reserve Fund (BRF)						
Beginning Balance	$ 236.9	$ 93.4	$ -	$ -	$ 530.0	
Deposits/(Withdrawals)	(143.6)	(93.4)	-	530.0	1,383.6	
Ending Balance	$ 93.4	$ -	$ -	$ 530.0	$ 1,913.6	
Balance as Percent of Budget	0.5%	0.0%	0.0%	2.5%	8.9%	
Budget Reserve Fund Target[1]	$ 1,914.0	$ 1,962.4	$ 2,020.3	$ 2,086.1	$ 2,154.1	(3)
Balance Over/(Under) Target	$ (1,820.7)	$ (1,962.4)	$ (2,020.3)	$ (1,556.1)	$ (240.5)	
Available Over BRF Target [2]	$ -	$ -	$ -	$ -	$ -	

STATUTORY DISPOSITION OF FUTURE SURPLUSES

Note: C.G.S. 4-30a directs any unappropriated surplus to the Budget Reserve Fund, except as provided below:

FY 2013		Reference
1.	GAAP- Up to $50 million	C.G.S. 4-30c
2.	ERN's- Redeem FY 2009 Economic Recovery Notes	C.G.S. 4-30b
3.	Budget Reserve Fund	C.G.S. 4-30a
FY 2014-FY 2017		
1.	GAAP- Annual amortization of the deferred charge	C.G.S. 4-30c
2.	ERN's-Redeem FY 2009 Economic Recovery Notes	C.G.S. 4-30b
3.	Budget Reserve Fund	C.G.S. 4-30a
FY 2018-FY 2028		
1.	GAAP- Annual amortization of the deferred charge	C.G.S. 4-30c
2.	Budget Reserve Fund	C.G.S. 4-30a

* Attribution of All Funds Expenditure Cap to the General Fund and Resultant Surplus

	FY 2014	FY 2015	FY 2016
Expenditure Reductions to Remain Below Cap	$ 1,242.0	$ 1,814.8	$ 2,238.1
Estimated G.F. Share @ 95% in FY '14 / 93% in FY '15 & '16	$ 1,180.0	$ 1,688.0	$ 2,082.3
G.F. Revenues	$ 19,723.6	$ 21,032.3	$ 22,136.6
General Fund, Current Services	$ 20,803.6	$ 21,890.9	$ 22,943.7
G.F. Expenditure Reductions to Remain Below Cap	(1,180.0)	(1,688.0)	(2,082.3)
Revised G.F. Expenditures	$ 19,623.6	$ 20,202.9	$ 20,861.4
Balance - Budgetary Basis	$ 100.0	$ 829.4	$ 1,275.2

(1) Target Balance is equal to ten percent of the next fiscal year's adjusted General Fund appropriations.
(2) Available for debt service and/or unfunded liabilities when BRF target of 10% has been reached.
(3) FY 2016 Target Balance assumes average expenditure growth rate of previous two years.

SECTION 5

PROJECTED BOND AUTHORIZATIONS, ALLOCATIONS AND ISSUANCES

FIVE YEAR BOND PROJECTIONS

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Bond Authorizations					
General Obligation Bonds	$ 2,316,398,635	$ 1,500,000,000	$ 1,500,000,000	$ 1,350,000,000	$ 1,350,000,000
Special Tax Obligation Bonds	635,239,168	600,000,000	500,000,000	500,000,000	500,000,000
Clean Water Fund Revenue Bonds	238,360,000	250,000,000	250,000,000	250,000,000	250,000,000
Bioscience Collaboration Program	85,113,000	59,728,000	19,669,000	21,425,000	21,108,000
UCONN 21st Century	143,000,000	198,000,000	208,500,000	199,500,000	160,900,000
CSUS 2020	95,000,000	95,000,000	95,000,000	95,000,000	95,000,000
Total Bond Authorizations	**$ 3,513,110,803**	**$ 2,702,728,000**	**$ 2,573,169,000**	**$ 2,415,925,000**	**$ 2,377,008,000**
Bond Allocations					
General Obligation Bonds					
School Construction Program	$ 600,000,000	$ 575,000,000	$ 525,000,000	$ 525,000,000	$ 525,000,000
Urban Action Grants	75,000,000	75,000,000	75,000,000	75,000,000	75,000,000
Small Town Economic Assistance Program	20,000,000	20,000,000	20,000,000	20,000,000	20,000,000
Housing Trust Fund & Housing Programs	75,000,000	75,000,000	75,000,000	75,000,000	75,000,000
Clean Water Grants	94,000,000	100,000,000	100,000,000	100,000,000	100,000,000
Manufacturing Assistance Act	165,000,000	100,000,000	100,000,000	100,000,000	100,000,000
Small Business Express Program	50,000,000	-	-	-	-
Local Capital Improvement Program	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
Community College System	50,000,000	53,600,000	68,300,000	63,300,000	73,725,000
Connecticut State University System - CSUS 2020	95,000,000	95,000,000	95,000,000	95,000,000	95,000,000
UConn Technology Park Development	-	154,500,000	-	-	-
Bioscience Collaboration Program	85,113,000	59,728,000	19,669,000	21,425,000	21,108,000
Connecticut Innovations Recapitalization	25,000,000	25,000,000	25,000,000	25,000,000	-
All other GO projects/programs	250,000,000	150,000,000	150,000,000	150,000,000	150,000,000
UCONN 21st Century	143,000,000	198,000,000	208,500,000	199,500,000	160,900,000
Total General Obligation Bonds	$ 1,757,113,000	$ 1,710,828,000	$ 1,491,469,000	$ 1,479,225,000	$ 1,425,733,000
Special Tax Obligation Bonds	725,000,000	600,000,000	500,000,000	500,000,000	500,000,000
Clean Water Fund Revenue Bonds	250,000,000	250,000,000	250,000,000	250,000,000	250,000,000
Total Bond Allocations	**$ 2,732,113,000**	**$ 2,560,828,000**	**$ 2,241,469,000**	**$ 2,229,225,000**	**$ 2,175,733,000**

	FY2013	FY2014	FY2015	FY2016	FY2017
Bond Issuance					
General Obligation Bonds	$ 1,500,000,000	$ 1,500,000,000	$ 1,500,000,000	$ 1,500,000,000	$ 1,500,000,000
Special Tax Obligation Bonds	600,000,000	600,000,000	600,000,000	600,000,000	600,000,000
Clean Water Revenue Bonds	150,000,000	150,000,000	150,000,000	200,000,000	200,000,000
UCONN 21st Century	189,000,000	248,000,000	208,500,000	199,500,000	160,900,000
Total Bond Issuance	**$ 2,439,000,000**	**$ 2,498,000,000**	**$ 2,458,500,000**	**$ 2,499,500,000**	**$ 2,460,900,000**
Debt Service					
General Fund	$ 1,850,923,196	$ 1,967,612,140	$ 2,090,240,566	$ 2,200,208,100	$ 2,288,216,424
Transportation Fund	457,974,187	468,759,515	489,400,798	520,142,562	540,948,264
Total Debt Service	**$ 2,308,897,383**	**$ 2,436,371,655**	**$ 2,579,641,364**	**$ 2,720,350,662**	**$ 2,829,164,688**
Debt Service as a Percentage of Budget					
GO Debt Service as Percentage of General Fund	9.6%	9.5%	9.5%	9.6%	9.6%
Total Debt Service	11.2%	11.0%	11.1%	11.1%	11.1%

Assumptions

Bond Authorizations

Projected General Obligation Bond authorizations assume that authorizations continue at historical average levels.
Clean Water Program Revenue Bond authorizations based on projected allocations.
UCONN 21st Century authorizations in accordance with C.G.S. Section 10a-109g as amended.
CSUS 2020 authorizations in accordance with C.G.S. Section 10a-91e as amended.
Bioscience Collaboration Program authorizations in accordance with C.G.S. Section 32-41z.

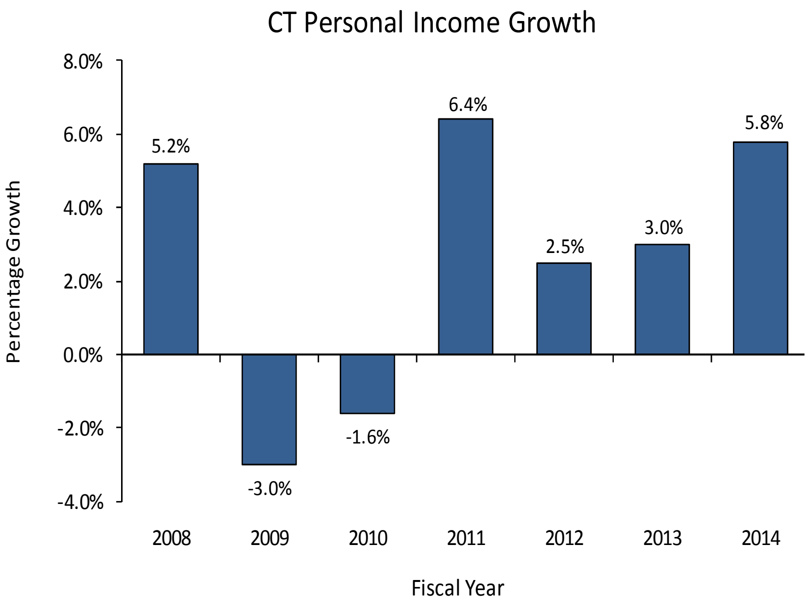
Bond Allocations

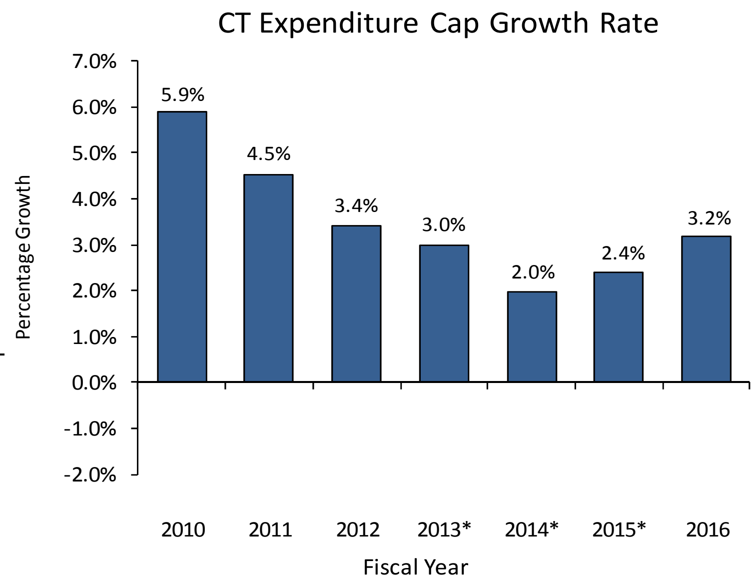
These projected bond allocations do not represent a commitment to fund any of these programs or projects.

SECTION 6

REVENUE AND EXPENDITURE TRENDS, MAJOR COST DRIVERS

EXPENDITURE CAP

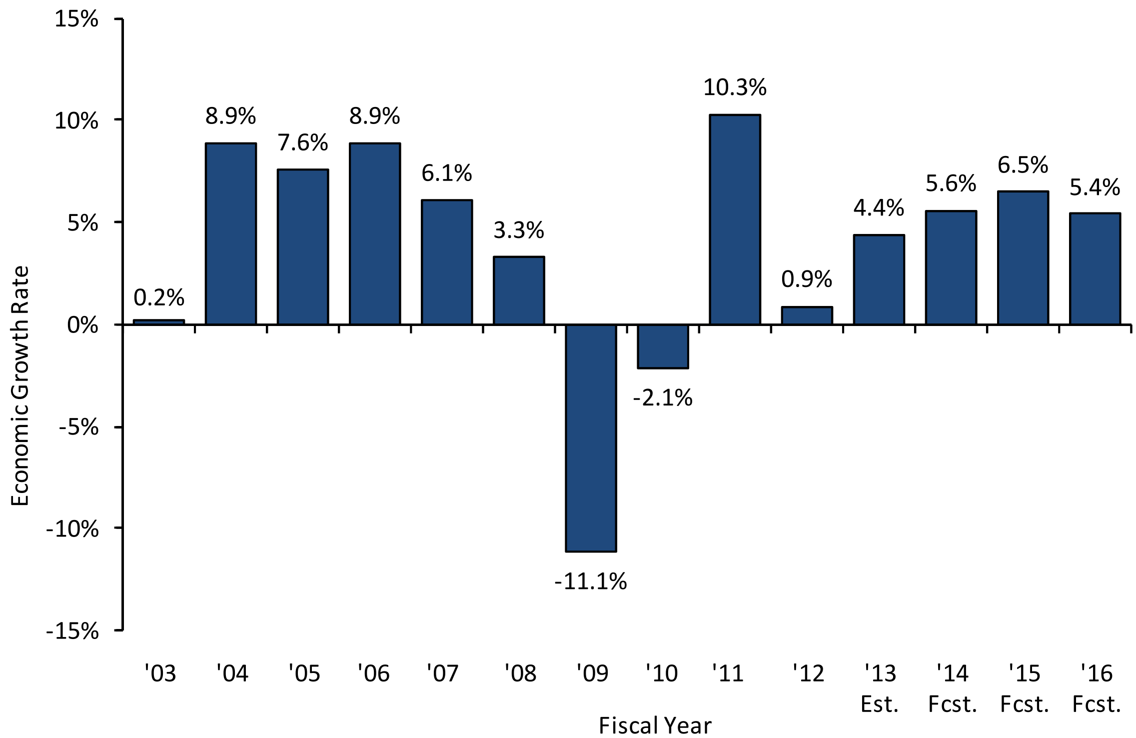




* Inflation is the limiting factor

- The enacted revised FY 2013 budget is $142.2 million below the cap.
- While revenues have been the sole limiting factor for the budget over the past few years, that is no longer the case.
- Personal income growth serves as the cap's proxy for the economy's ability to pay for government services.
- Two years of declines in Connecticut personal income will begin to influence upcoming expenditure cap rates.
- The next few years will see the lowest allowable expenditure cap growth rates since its inception.
- The secondary measure of inflation was the limiting factor in FY 2013 and is projected to be in FY 2014 and FY 2015 as well. (See asterisked years in chart at top right.)

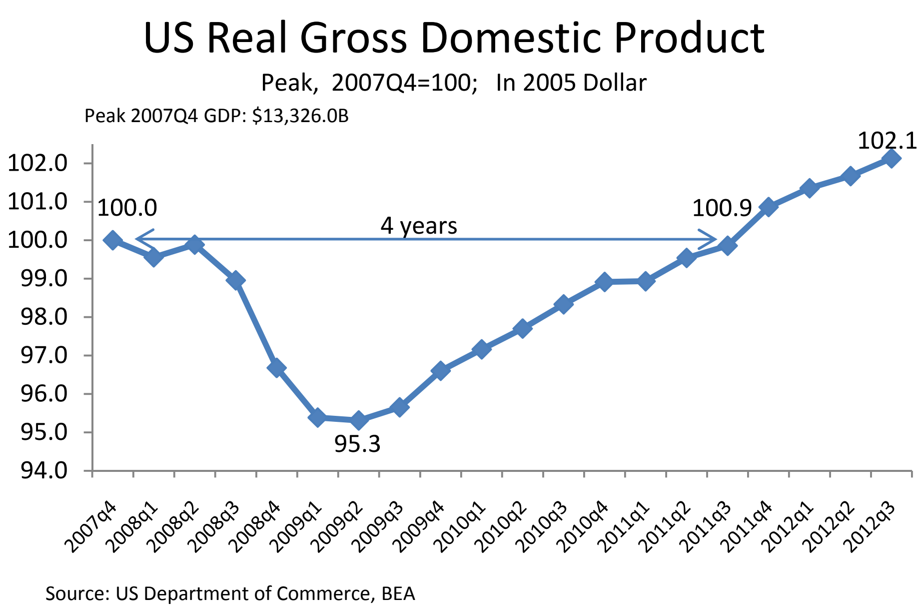
GENERAL FUND ECONOMIC GROWTH RATES



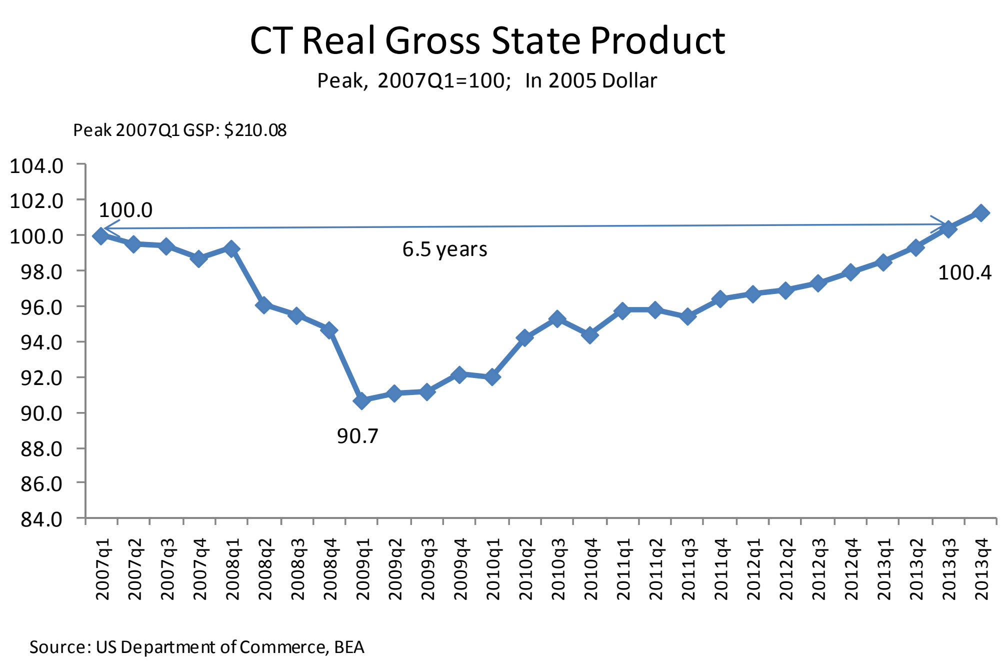
- Adjusted for tax changes, General Fund revenues rose 10.3% in FY 2011.
- Atypical for an economic recovery, the growth slowed sharply to just 0.9% in FY 2012.
- In the outyears, the latest consensus forecast anticipates a weaker recovery than was exhibited after the 2002 recession.
- Federal Grant revenue skews the growth higher as significant additional funds are anticipated under the Affordable Care Act starting in FY 2014.

SLOWER ECONOMIC RECOVERY

Tepid Economic Rebound



- From peak to trough, U.S. economic output fell by 4.7%.
- It has taken 4 years for the U.S. economy to regain its pre-recession level of output.
- The average post-WWII recovery period is 1.2 years.
- Currently U.S. GDP is 2.1% above its 2007 peak.

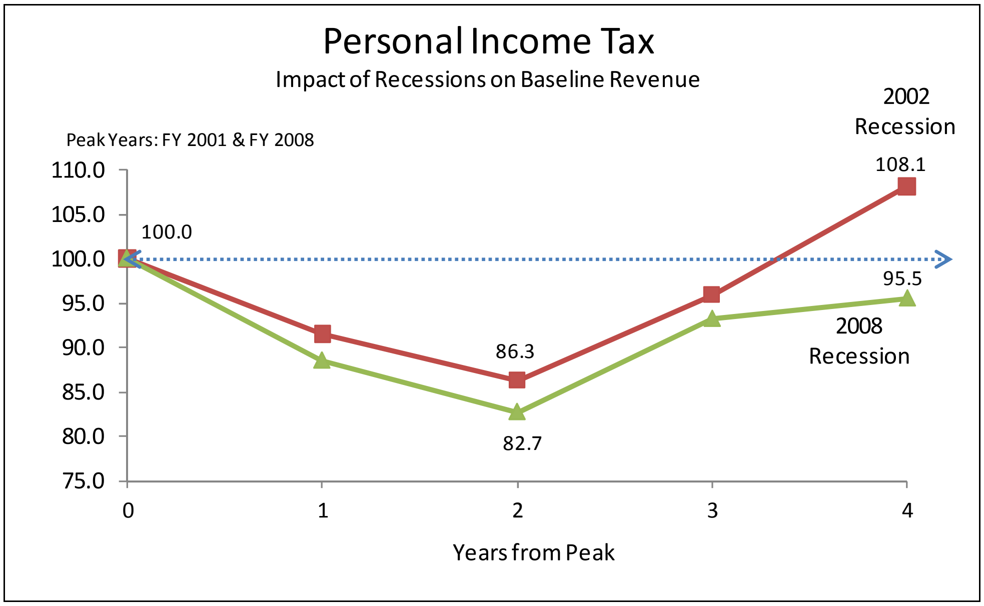


- From peak to trough, CT economic output fell by 9.3%.
- It will take an estimated 6.5 years for the CT economy to regain its pre-recession level of output.

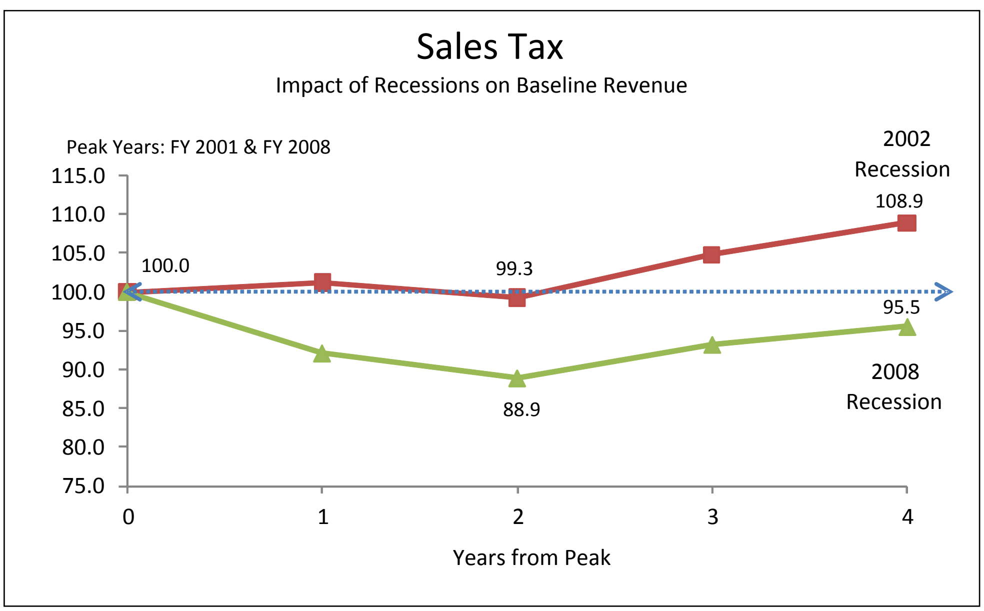
SLOWER ECONOMIC RECOVERY

Sub-Par State Revenue Growth

By setting peak years to an index value of 100 and removing the impact of tax changes, ready comparisons can be made about subsequent performance. For the two most recent recessions, revenue peaked in FY 2001 and FY 2008, respectively.



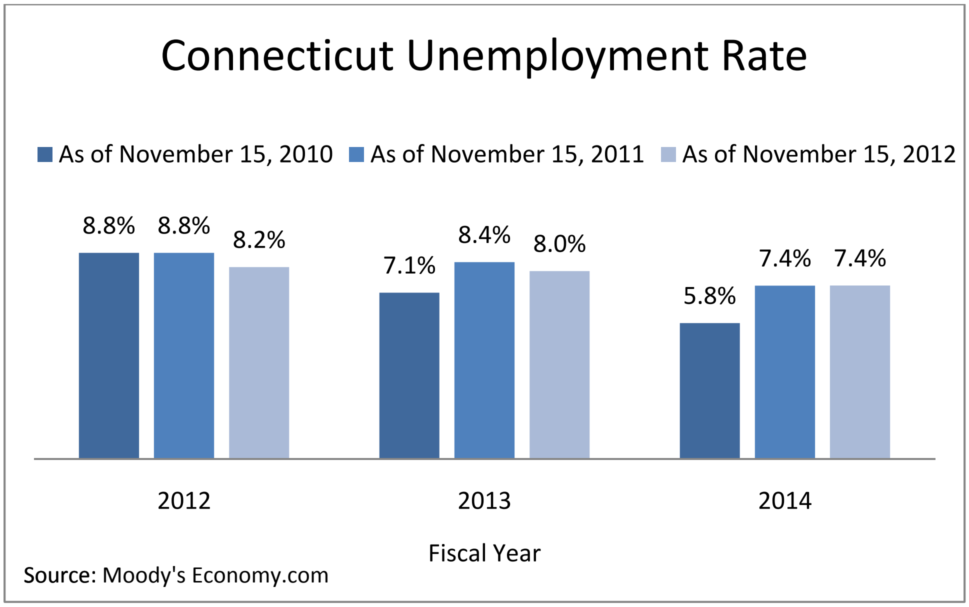
- Unlike the prior recession, income tax revenues have yet to exceed their previous peak.
- Removing the impact of tax changes, revenue remains 4.5% below FY 2008 levels.
- If this recovery had been similar to the 2003 recovery, income tax revenue would have been $650 million higher in FY 2012 (Index value of 103.6).



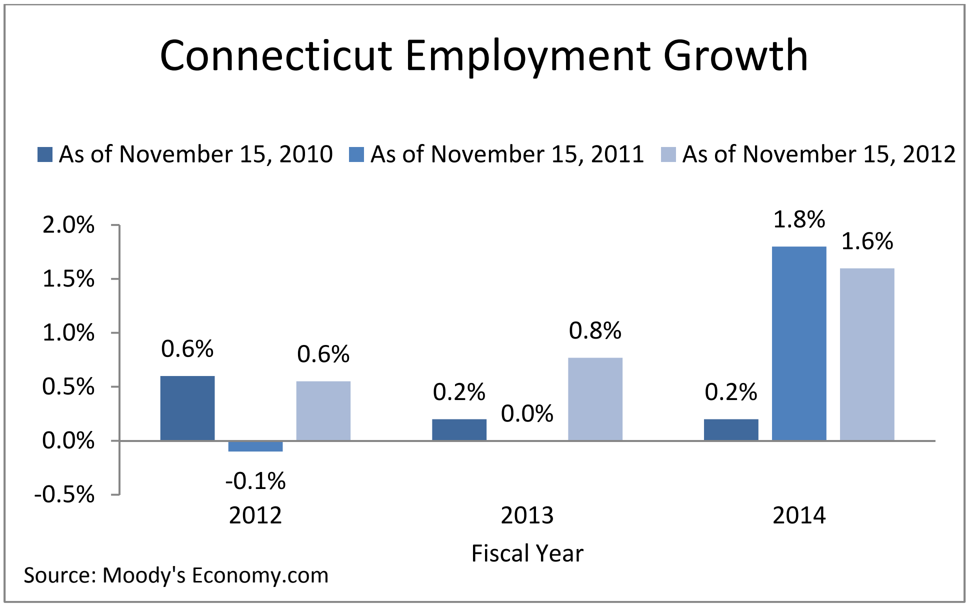
- The same phenomenon has occurred with the state's sales tax, down 4.5% from FY 2008 levels.
- Had the sales tax recovered at the same pace as in 2003, revenues would have been $75 million higher in FY 2012 (Index value of 97.5).

SLOWER ECONOMIC RECOVERY

Latest Economic Projections Have Declined Compared to a Year Ago



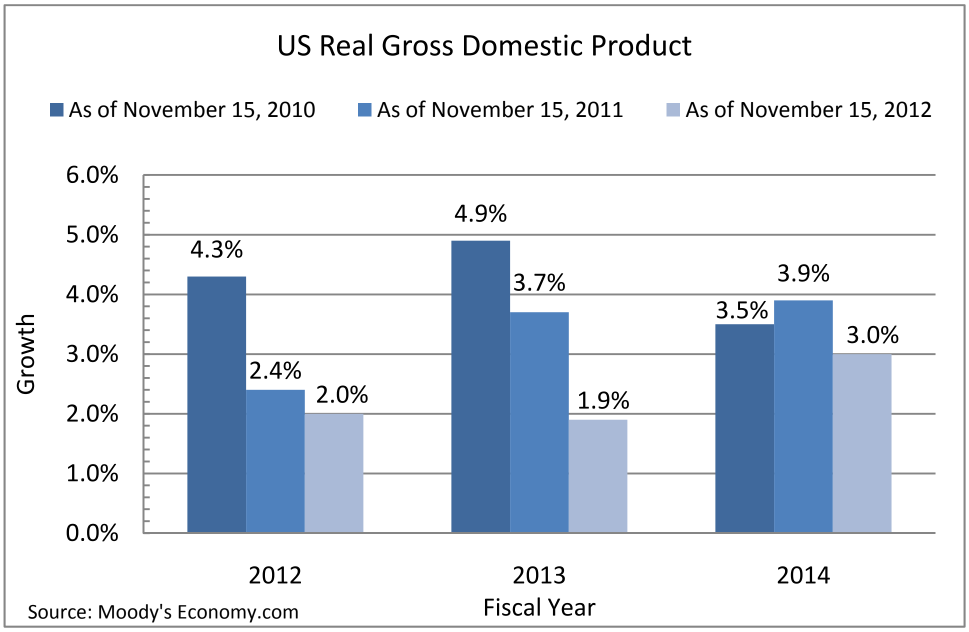
- Two years ago the unemployment forecast was 5.8% for FY 2014.
- The latest projection for FY 2014 is 7.4%.



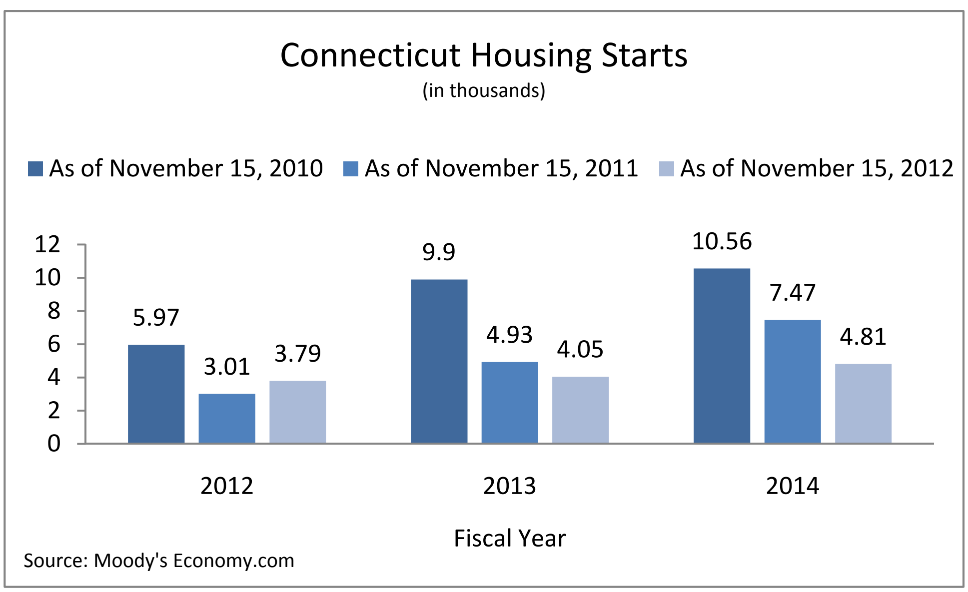
- Employment growth has improved compared to a year ago.
- Last year projections indicated employment growth of –0.1% and 0.0% in FY 2012 and FY 2013, respectively.
- Latest projections call for 0.6% and 0.8% in FY 2012 and FY 2013, respectively.
- Projections for FY 2014 declined from 1.8% to 1.6%.

SLOWER ECONOMIC RECOVERY

Latest Economic Projections Have Declined Compared to a Year Ago



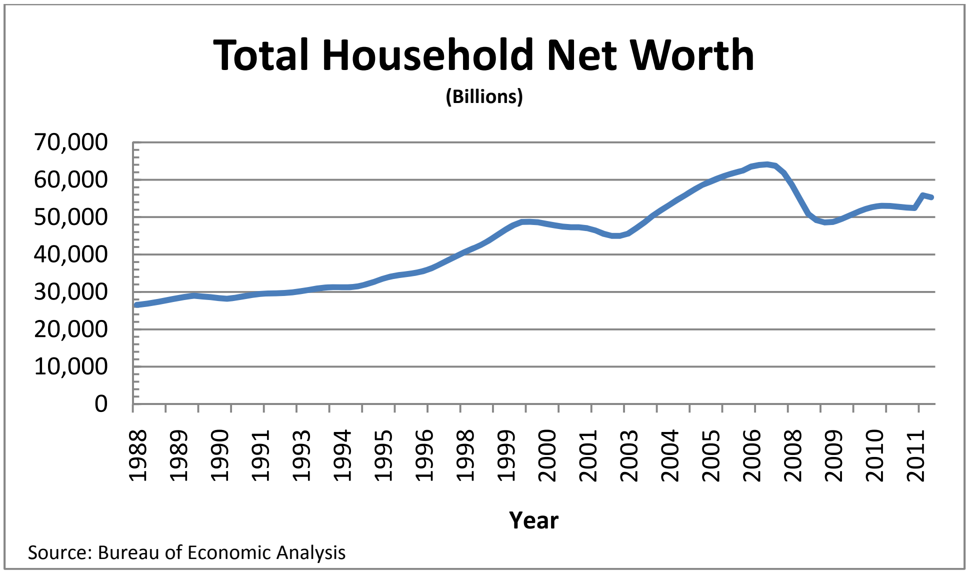
- A year ago, the U.S. economy was projected to grow 3.7% in FY 2013. This has been revised downward to 1.9%.
- Similarly, for FY 2014 growth has been revised from 3.9% to 3.0%.



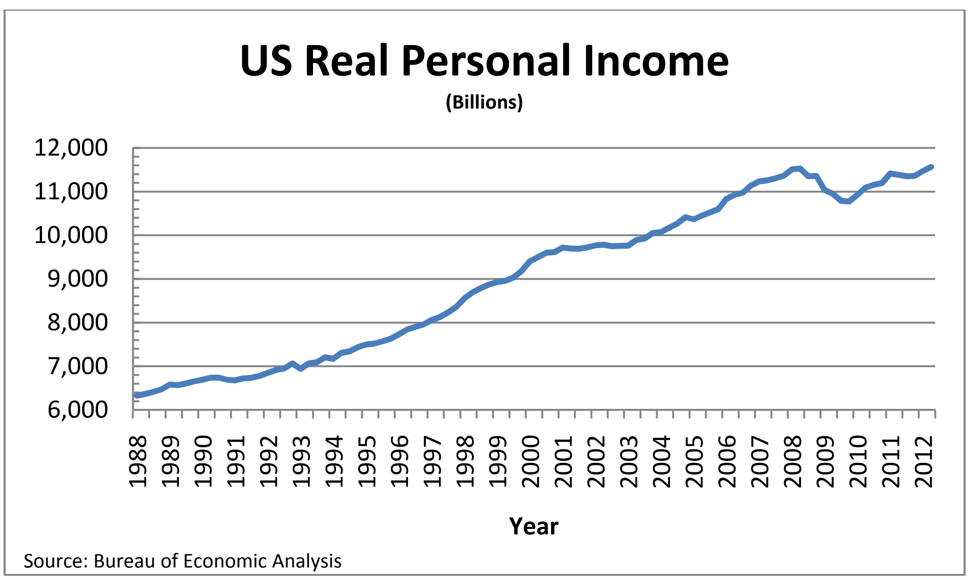
- The recovery in the housing sector has been delayed and will be less substantial than projected last year at this time.
- Two years ago economic projections indicated 10,560 new housing starts in Connecticut. The latest projections are less than half that figure.

SLOWER ECONOMIC RECOVERY

Lower Household Net Worth and Stagnant Incomes



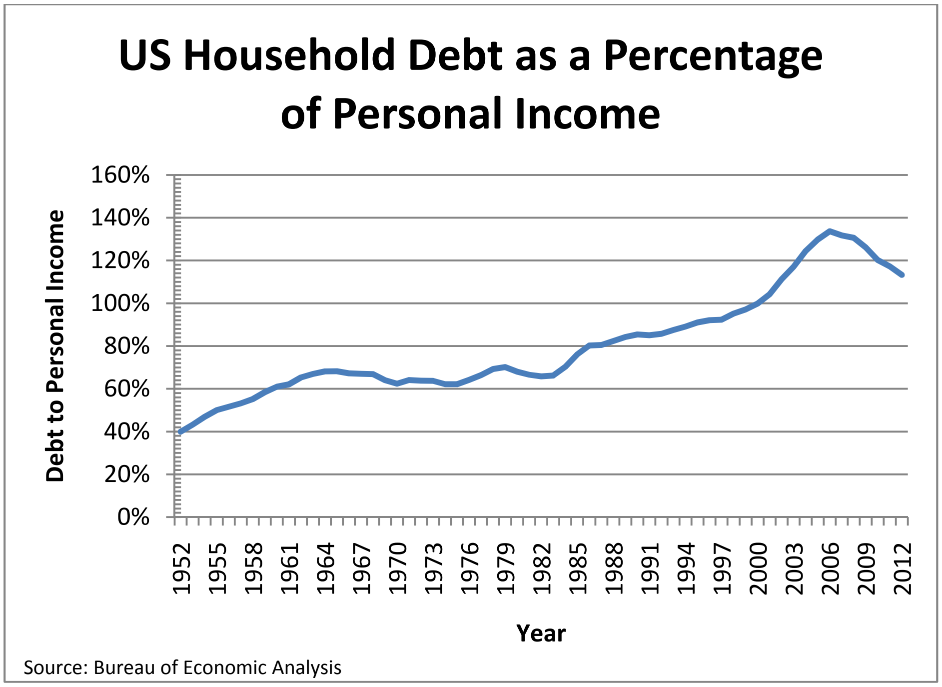
- Household net worth for all Americans peaked at $64,104 billion in 2007 Q2.
- The financial crisis wiped-out 24% of households' total net worth, from peak to trough.
- Even today, U.S. household net worth remains 14% below the 2007 peak. This has negative consequences for consumers' ability to borrow against their assets and consumer confidence via the "wealth effect".



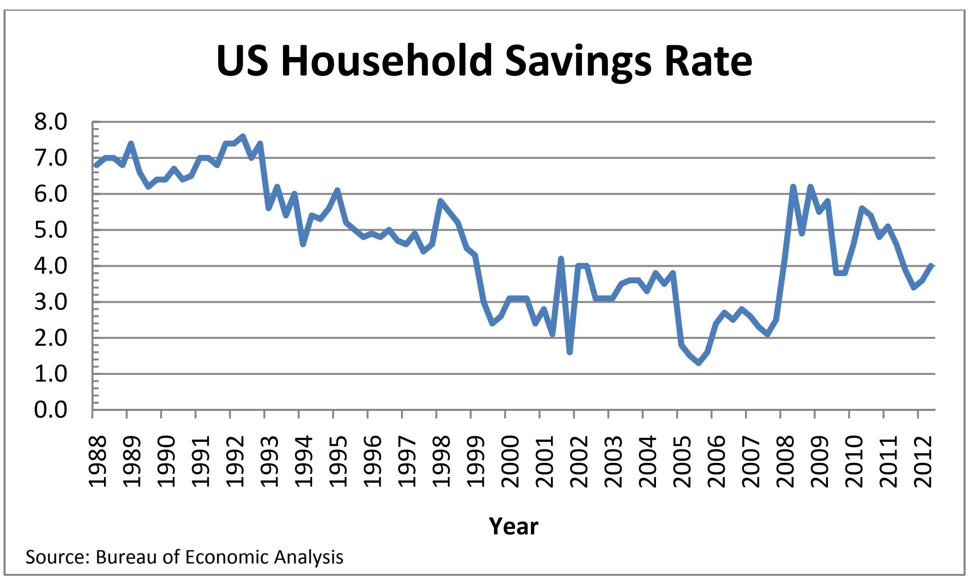
- From its peak in 2008 Q2, U.S. real personal income had declined $755 billion, or 6.5% by 2009 Q4.
- From its peak in 2008 Q2 to 2012 Q1 there has been no cumulative growth in U.S. real personal income.
- This has a significant dampening effect on current consumption.

SLOWER ECONOMIC RECOVERY

Paying for Past Consumption and Saving for the Future



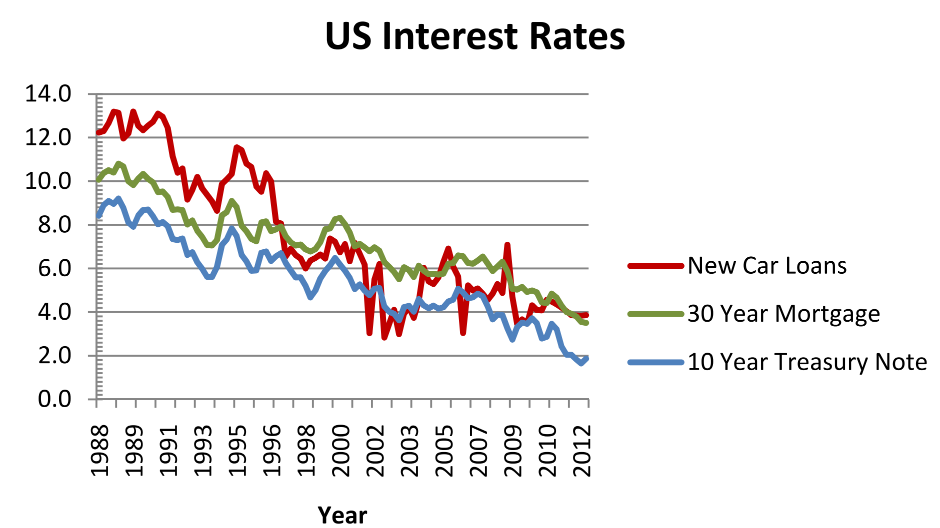
- In 2006, U.S. household debt peaked at 134% of personal income.
- U.S. households have been slowly paying off this debt, decreasing to 113% in 2012 Q2.
- It remains at an elevated level compared to the 1960s & 1970s.
- Repayment for past consumption is acting as a drag on current consumption.
- At the current pace it will take approximately 15 years to reach the 1952–1990 average of 65%.



- The U.S. household savings rate reached a low of 1.3% in 2005 Q3.
- By 2008 Q2 it had increased to 6.2%.
- Although necessary, this also diverts resources from current consumption.
- The increase in household savings, which includes debt repayment, is equivalent to 1.9% annually of U.S. GDP since CY 2008.

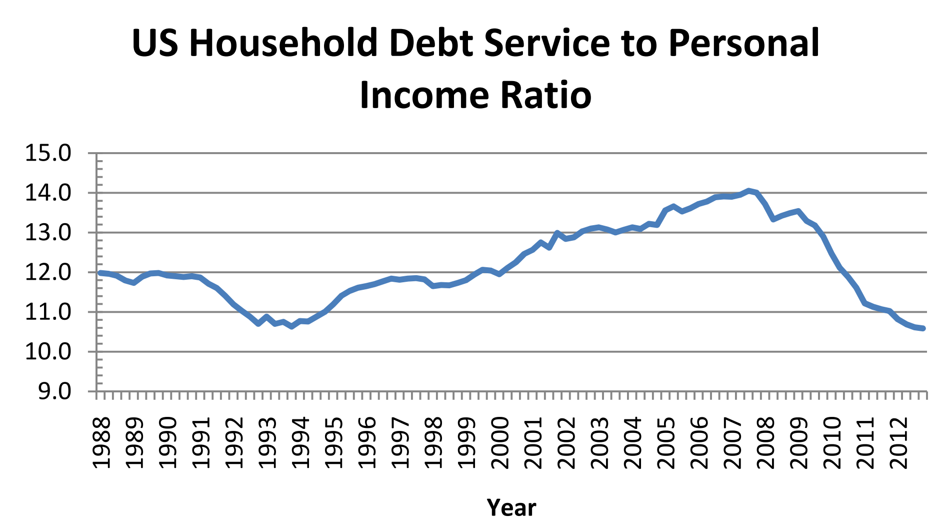
SLOWER ECONOMIC RECOVERY

Interest rates are at historic lows.



Source: U.S. Board of Governors of the Federal Reserve System , Freddie Mac

- Interest rates have fallen dramatically over the past two decades.
- In a normal economic environment, this would increase consumption.
- The financial crisis damaged the asset side of consumers' balance sheets resulting in consumers favoring debt reduction to increased consumption, despite a favorable interest rate.
- This inhibits the effectiveness of monetary policy.



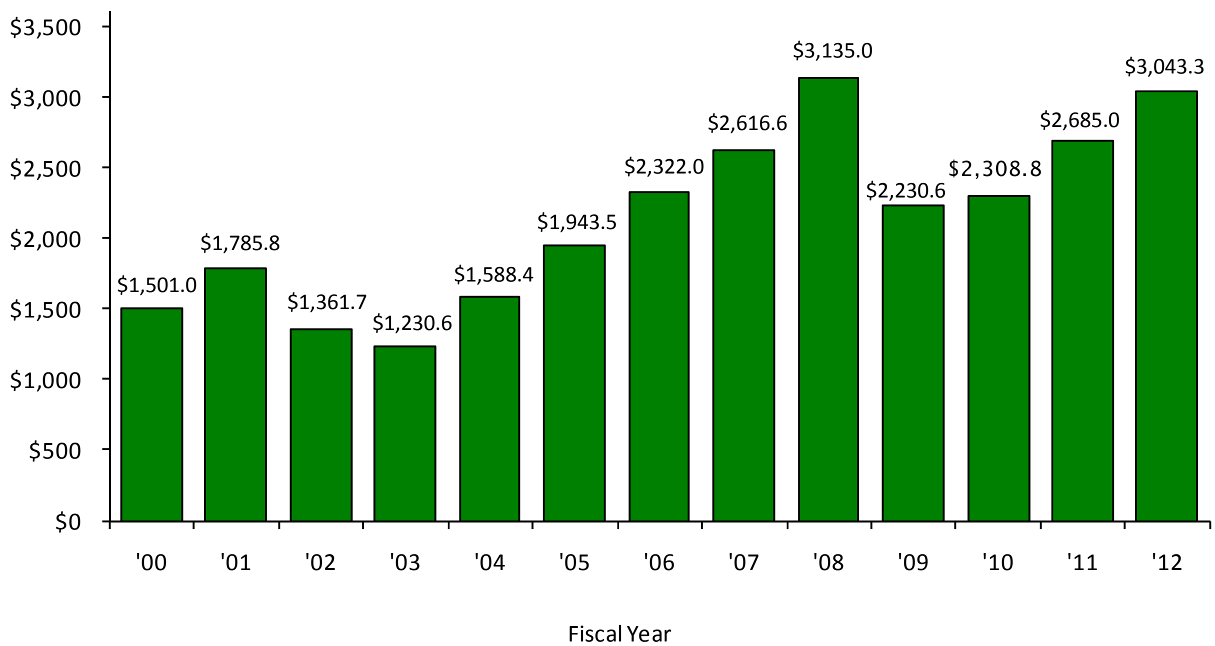
Source: U.S. Board of Governors of the Federal Reserve System

- The ratio of debt service paid by households relative to their personal income has fallen dramatically since the financial crisis.
- While this is good for consumers, it is primarily caused by historically low interest rates.
- The low interest rate environment is providing consumers time to address their debt levels.

PERSONAL INCOME TAX

ESTIMATES AND FINALS TAX COLLECTIONS

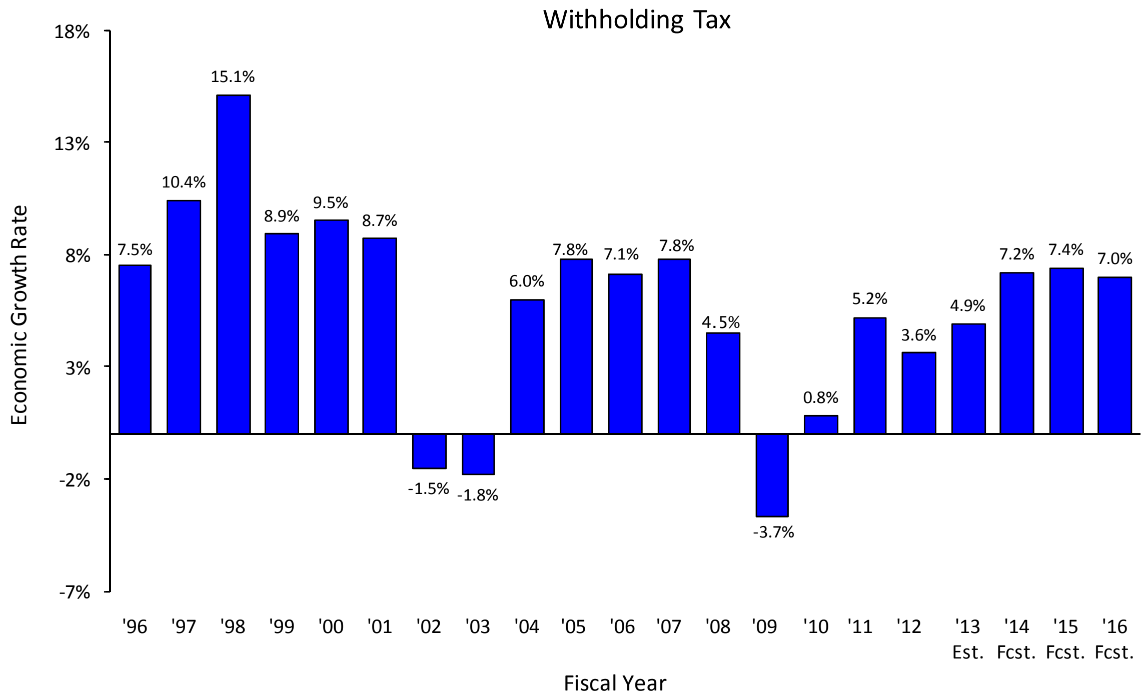
(In Millions)



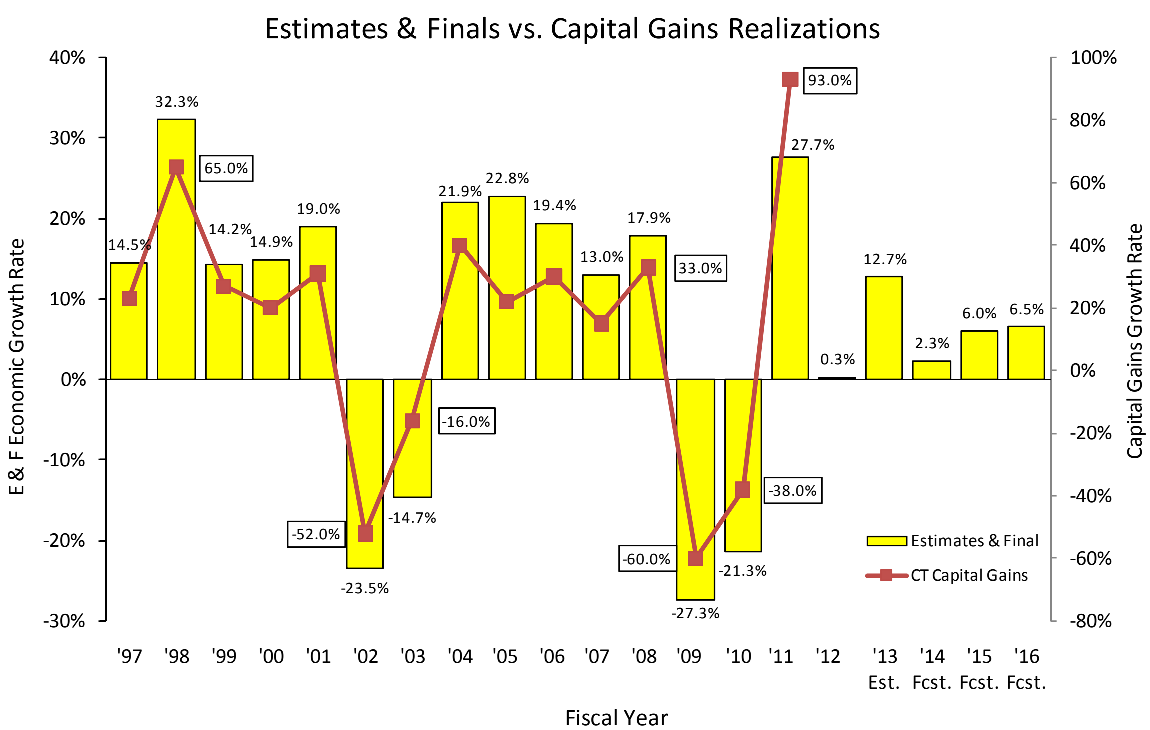
- The estimates and finals component of the income tax typically represents one-third of total income tax collections.
- It has been extremely volatile over the years.
- In FY 2002, estimates and finals fell by $424.1 million.
- In FY 2003, they fell by an additional $131.1 million for a total of $555.2 million or 31% from the 2001 peak.
- In FY 2009 alone, estimates and finals fell by $904.4 million and fell an additional $475.4 million (excluding the impact of the tax increase on millionaires) in FY 2010, for a total decline over two years of approximately $1.4 billion or 44.5% from the 2008 peak.
- The increase in actual collections in FY 2010 was a result of increasing the top tax rate from 5% to 6.5%, the underlying economic growth rate was -21.3%.
- Although FY 2012 increased by 13.3%, almost all of that growth was due to the tax increase enacted during the 2011 legislative session.

PERSONAL INCOME TAX TRENDS

ECONOMIC GROWTH RATES OF THE PERSONAL INCOME TAX



- Over the past decade Connecticut's income tax revenue has fluctuated dramatically.
- This was due to the performance of the stock market and two recessions.
- Performance in the financial markets significantly influences the growth in this revenue source.



Note: Capital Gains are for the immediately preceding calendar year.

CAPITAL GAINS ARE NOT A STABLE REVENUE SOURCE

(In Millions)

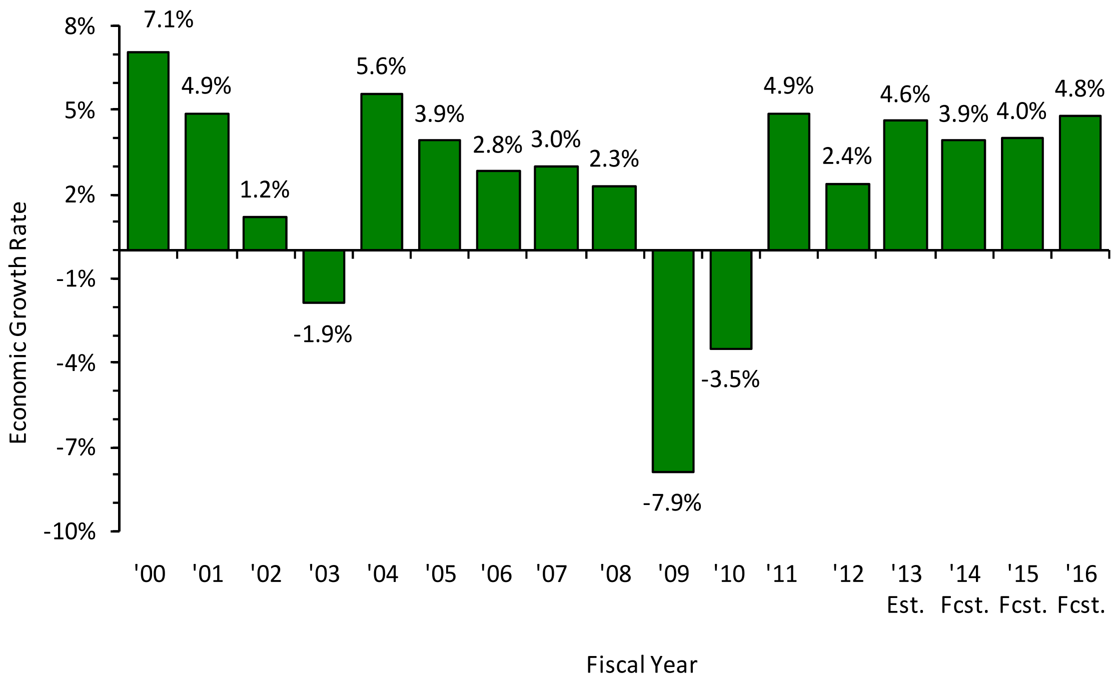
Income Year	Conn. Capital Gains	Percent Change	S&P 500 Percent Change	
1994	$2,547	-16%	-2%	
1995	$3,832	50%	34%	
1996	$4,732	23%	20%	
1997	$7,787	65%	31%	
1998	$9,867	27%	27%	
1999	$11,800	20%	20%	
2000	$15,435	31%	-10%	
2001	$7,391	-52%	-13%	
2002	$6,231	-16%	-23%	
2003	$8,723	40%	26%	
2004	$10,626	22%	9%	
2005	$13,765	30%	3%	
2006	$15,784	15%	12%	
2007	$21,006	33%	4%	
2008	$8,377	-60%	-38%	
2009	$5,172	-38%	23%	
2010	$9,962	93%	13%	
2011	Data not yet available		0%	
2012			14%	YTD

- Capital gains income is strongly influenced by the performance of the stock market.
- In high years capital gains can represent almost 15% of total adjusted gross income.
- In low years, they can represent just 5% of total adjusted gross income.
- Unfortunately, a record high year can be immediately followed by a record low year, devastating state finances.
- In 2009, capital gains revenues were less than 25% of the 2007 record high.

Sources: Department of Revenue Services and Internal Revenue Service various years
YTD through 10/1/2012

SALES TAX TRENDS

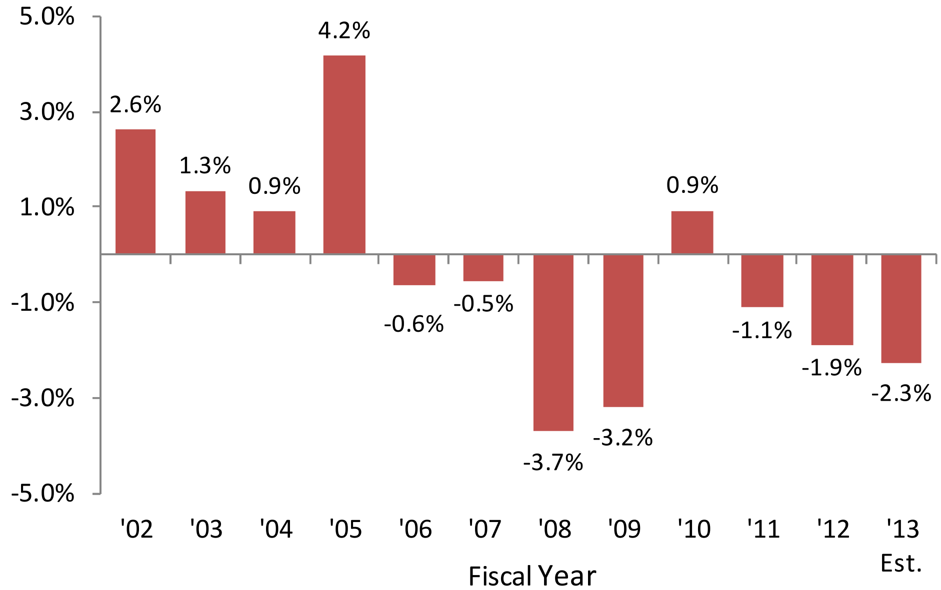
ECONOMIC GROWTH RATES OF THE SALES AND USE TAX



- The sales tax dropped in two consecutive years, fiscal 2009 and 2010, due to chaos in the financial market and the worst economic downturn since WWII.
- Beginning in late fiscal 2008, collections started to weaken as the housing market deteriorated with prices declining and foreclosure rates increasing.
- Without the federal stimulus packages, FY 2009 and FY 2010 would have been worse.
- Collections in late fiscal 2011 improved markedly as employment and personal income increased.
- A 1.0% increase in the sales and use tax growth rate results in a revenue gain of more than $30 million.

MOTOR FUELS TAX TRENDS
AND THE SPECIAL TRANSPORTATION FUND

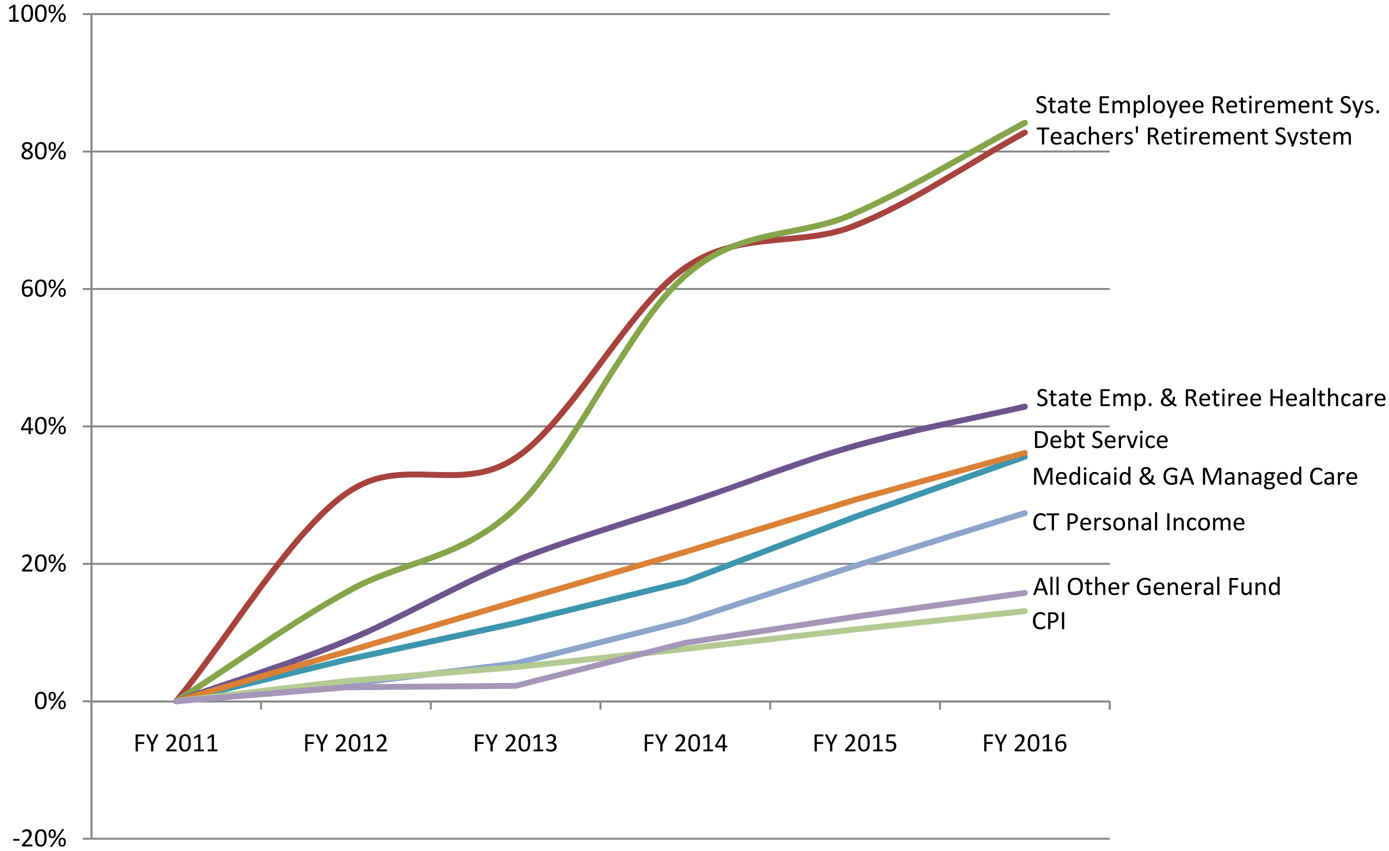
ECONOMIC GROWTH RATES OF THE MOTOR FUELS TAX



- Consumers began to curtail consumption as prices began to rise.
- By the summer of 2008, record high gasoline prices and the onset of a severe national recession forced consumers to significantly alter their driving habits and/or mode of transportation in an effort to reduce their gasoline bill in the short term.
- Gasoline consumption rose in FY 2010 but the decline in FY 2011 consumption more than offset the one year of positive growth.
- Since FY 2005, the cumulative decline in motor fuels tax revenue is 11.8%.
- This trend is not just a cyclical change, but a major structural change on the part of consumers.
- In FY 2012, motor fuels tax revenue equaled 40% of the total revenue of the Special Transportation Fund which is down from 55.4% in FY 2003. Declining growth in motor fuels revenue has led to an increasing reliance on other revenue sources to support the fund, including transfers from the General Fund.

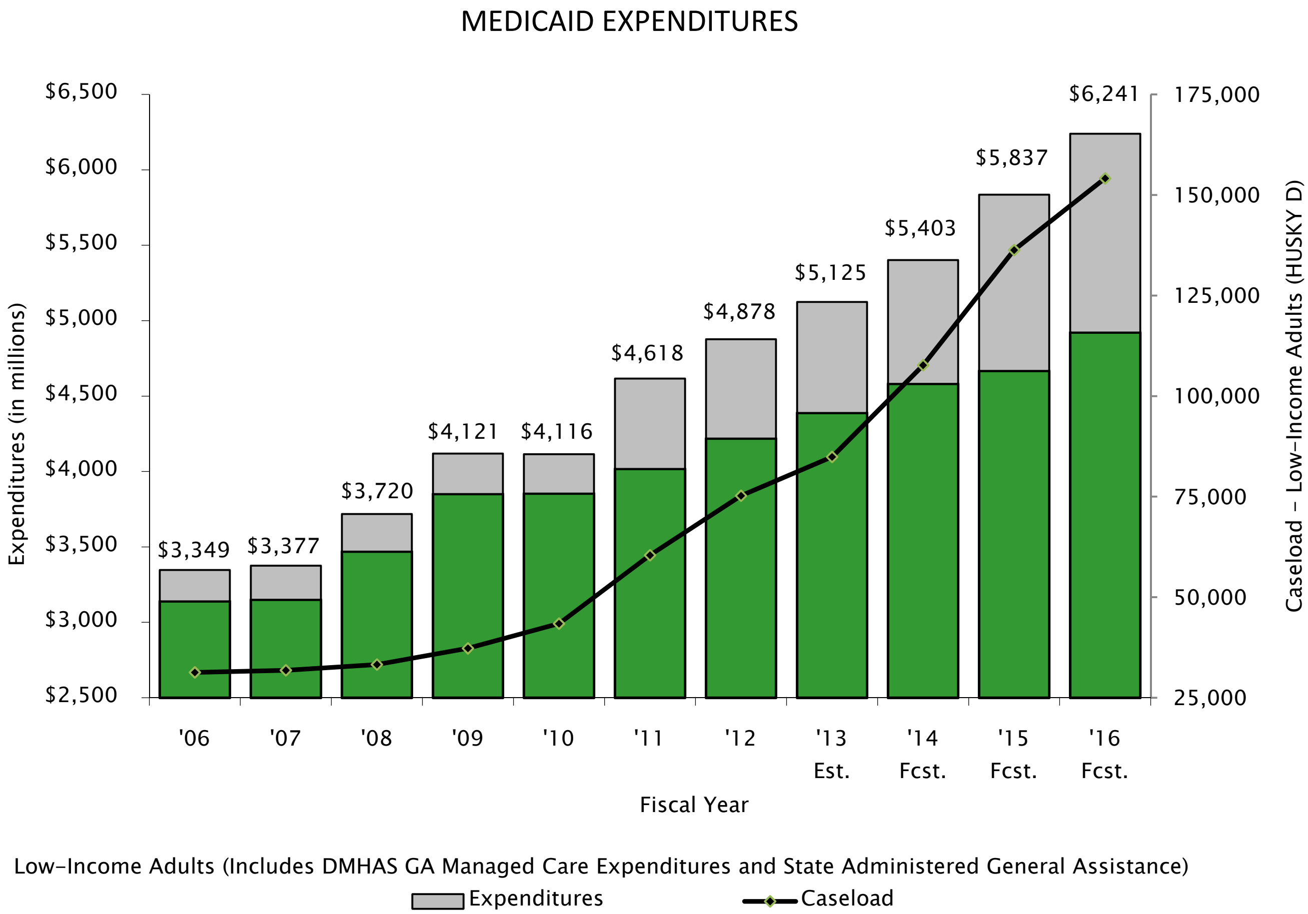
GROWTH IN SIGNIFICANT STATE EXPENDITURES

Fiscal Year 2011 through Estimated FY 2016



- Chart represents growth in various budget factors relative to FY 2011 level.
- Significant cost drivers include health and pension costs for active and retired state employees and teachers, Debt Service, and expenditures related to the Medicaid program.
- Pension and health benefits for state employees and teachers, and Medicaid have grown at annual rates that are significantly higher than either the Consumer Price Index or the growth in personal income and are anticipated to continue to be significant cost drivers for the foreseeable future.
- The above figures reflect actual General Fund expenditures through FY 2012 and estimated expenditures for FY 2013 through FY 2016. The above figures do not reflect amortization of Other Post Employment Benefits (OPEB) obligations.

DEPARTMENT OF SOCIAL SERVICES



- With expenditures increasing 86% from FY 2006 to FY 2016, growth in the Medicaid program is the major cost driver in the Department of Social Services.
- Medicaid growth since FY 2006 has been affected by utilization and rate increases for hospitals, nursing homes, physicians and other providers. Medicaid expenditures grew by only 0.35% from FY 2006 to FY 2007 due to the shift of pharmaceutical costs to the federal government under Medicare Part D and by only 0.1% from FY 2009 to FY 2010 largely as a result of increased pharmacy rebates and lower Medicare Part D clawback payments (due to enhanced reimbursement available under ARRA) and reduced nursing home expenditures. In FY 2012, expenditures under DSS' Medicaid account represented approximately 81% of DSS' budget.
- The Medicaid expansion for low-income adults (LIA), which was approved by the federal government in June 2010, has resulted in significant increases in caseload and program costs. Expenditures for LIA, also known as HUSKY D, increased from $599.3 million in FY 2011 to $658.2 million in FY 2012, an increase of 10%. Projected expenditures reflect the impact of federal health care reform, which expands Medicaid coverage under LIA by increasing income eligibility to 133% of the federal poverty level beginning January 1, 2014.
- Future growth will also be impacted by increased alternatives to nursing home care under the Money Follows the Person demonstration as the state invests in the rebalancing of long-term services and supports.

Note: Medicaid expenditures have been adjusted to include expenditures under the former State Administered General Assistance (SAGA) medical assistance program, as well as the General Assistance Managed Care account in DMHAS which supports behavioral health services for the SAGA / LIA population.

LONG-TERM OBLIGATIONS

- The state's long-term obligations total $66.1 billion, down 7.7% from last year's reported amount of $71.6 billion.
- This equates to approximately $18,500 per capita, down $1,950 from last year's reported amount of $20,450.

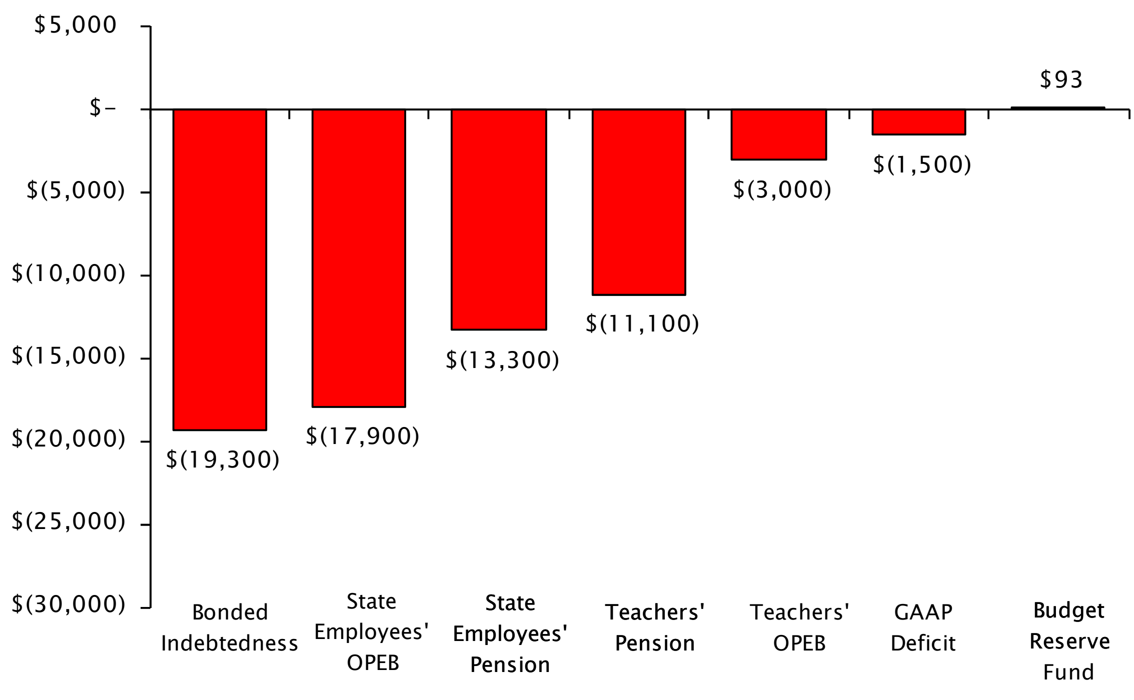
LONG-TERM OBLIGATIONS

(In Billions)

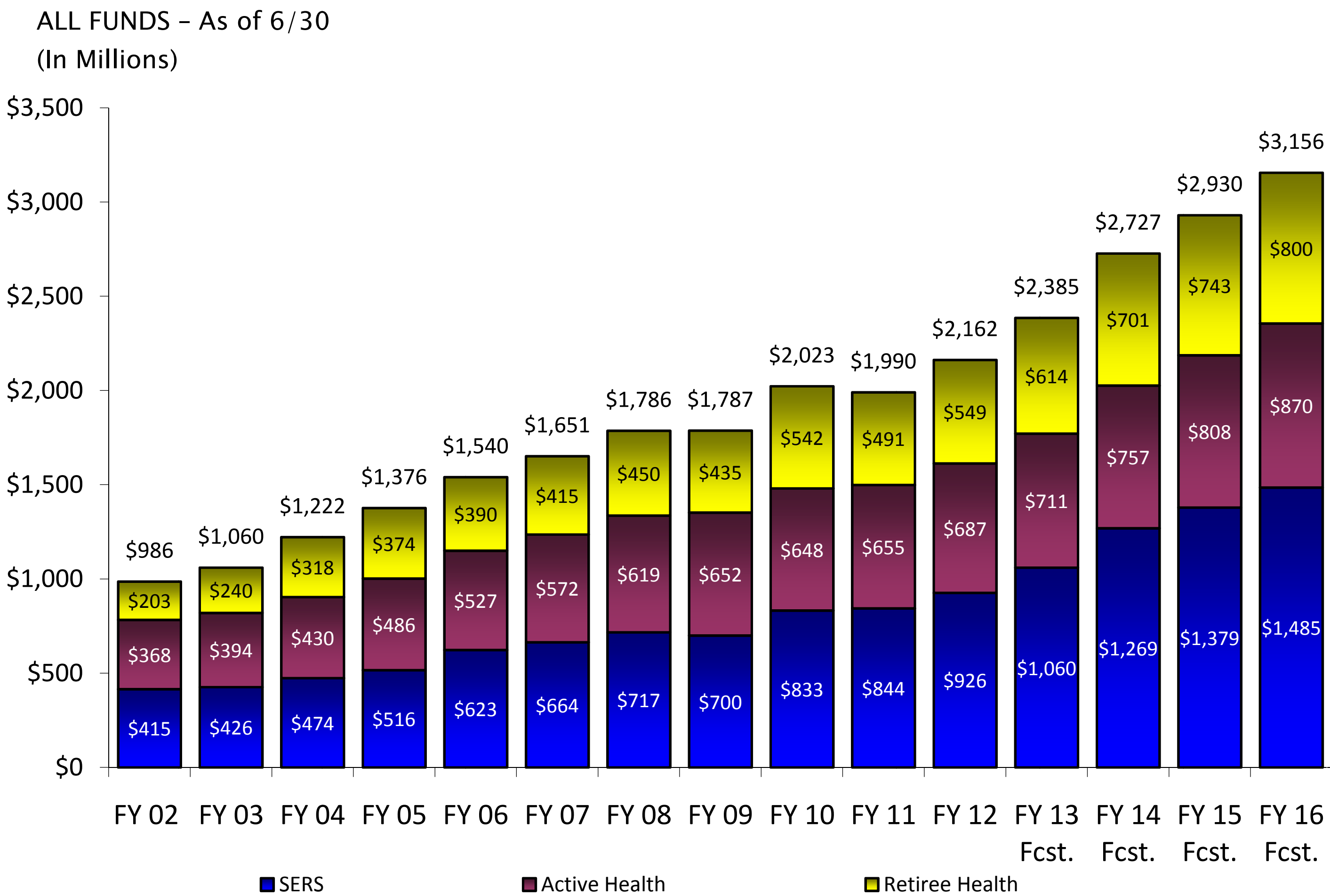
Bonded Indebtedness - As of 8/31/12	$	19.3
State Employee Pensions - Unfunded as of 6/30/12		13.3
Teachers' Pension - Unfunded as of 6/30/12		11.1
State Employee Post Retirement Health and Life - Unfunded		17.9
Teachers' Post Retirement Health and Life - Unfunded		3.0
Cumulative GAAP Deficit (General Fund Unreserved) est. as of Oct. 2012		1.5
Total	$	66.1

LONG-TERM OBLIGATIONS ARE SIGNIFICANT

(In Millions)



STATE EMPLOYEES PENSION & HEALTH INSURANCE



Note: Retiree Health includes offsets for the Medicare Part D Employer Subsidy in FYs 2007 through 2012. SERS includes payment deferrals in FYs 2009 through 2011.

- Total pension and health costs more than doubled in the eight years from fiscal 2002 to 2010. While these expenditures are anticipated to continue to grow, the rate of increase is projected to slow as a result of changes resulting from the 2009 and 2011 SEBAC agreements.

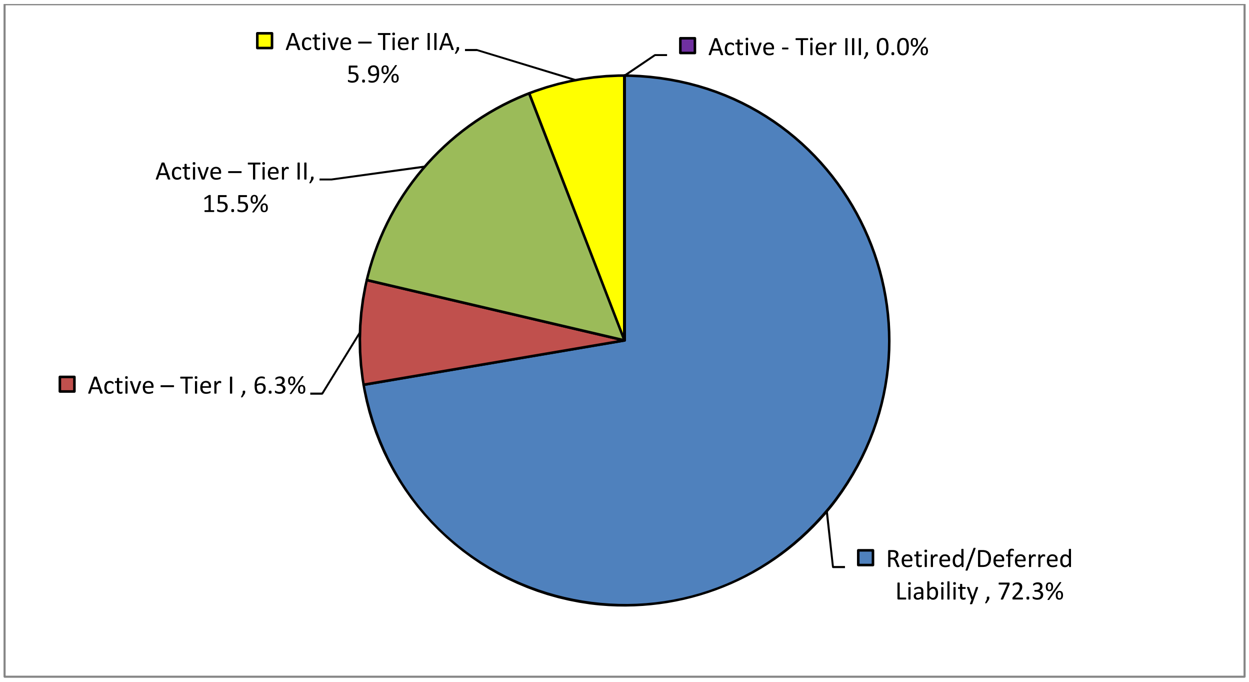
- Pension increases beginning in FY 2013 are due to several factors, including the elimination of the SEBAC IV & V adjustments, the decrease in the expected rate of return on investments and the recognition of investment losses from 2008 and 2009.

- Health insurance costs for active employees during the upcoming biennium (FYs 2014 and 2015) are estimated to be 11.9% higher than in the current biennium (FYs 2012 and 2013).

- Health insurance costs for retirees during the upcoming biennium (FYs 2014 and 2015) are estimated to be 24.2% higher than in current biennium (FYs 2012 and 2013). This is mainly due to the increased number of retirees.

STATE EMPLOYEES RETIREMENT SYSTEM

Components of Pension Liability

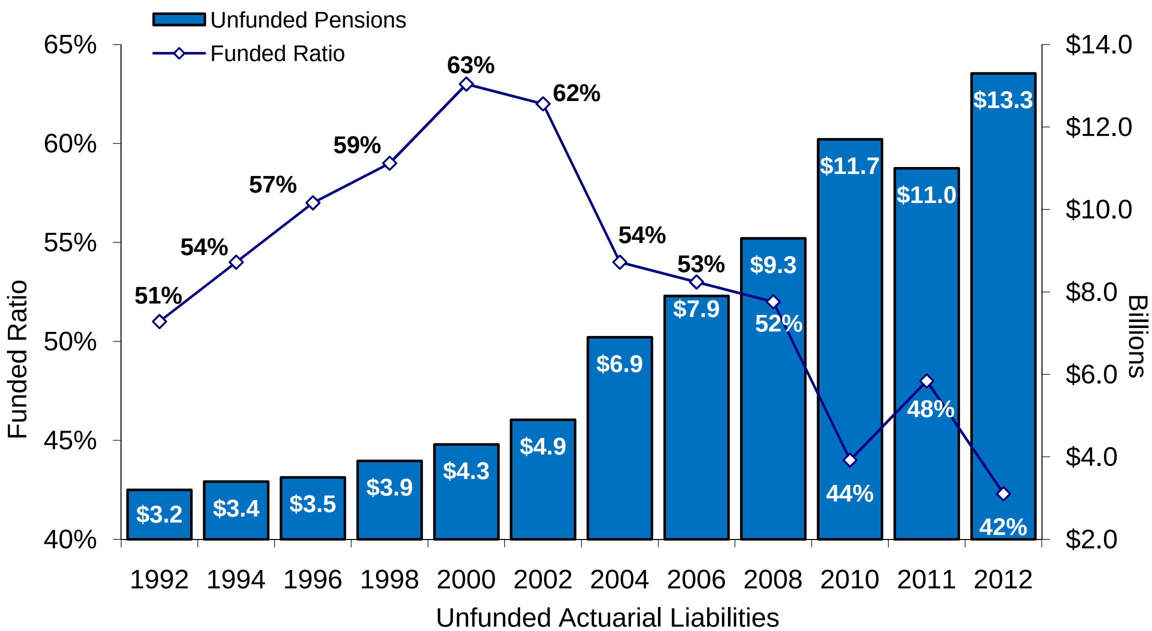


Based on 6/30/12 Valuation ($ in Thousands)		% of Total
Retired/Deferred Liability	$16,646,788	72.3%
Active – Tier I Hazardous	66,445	0.3%
Active – Tier IB	1,343,050	5.8%
Active – Tier IC	50,903	0.2%
Active – Tier II Hazardous	1,246,123	5.4%
Active – Tier II Others	2,316,785	10.1%
Active – Tier IIA Hazardous	590,337	2.6%
Active – Tier IIA Others	756,291	3.3%
Active - Tier III Hazardous	431	0.0%
Active - Tier III Others	1,599	0.0%
Total Accrued Liability	$23,018,752	
Actuarial Value of Assets	9,744,986	
Unfunded Accrued Liability	$13,273,766	
Normal cost	$249,996	
Amortization of UAL	$1,018,938	
Annual Required Contribution	$1,268,934	

- $23.0 billion total liability.
- Most (72.3%) of that liability is related to already-retired employees.
- $13.3 billion unfunded liability.
- 80% of the actuarially required contribution is for the unfunded accrued liability.

PENSION OBLIGATIONS - SERS

STATE EMPLOYEES RETIREMENT SYSTEM AS OF 6/30



- State Employees unfunded pension liabilities have grown since the 6/30/11 valuation due to changes in the economic and demographic assumptions.
- The State's obligations at the end of FY 2012 total $13.3 billion.
- This obligation represents roughly $3,707 per capita.

State Employee Retirement System Pension Contributions

Fiscal Year	Actuarial Required Contribution	State Contribution	Percent
2001-02	$415	$415	100%
2002-03	$426	$421	99%
2003-04	$474	$470	99%
2004-05	$516	$516	100%
2005-06	$623	$623	100%
2006-07	$664	$664	100%
2007-08	$717	$712	99%
2008-09	$754	$700	93%
2009-10	$897	$721	80%
2010-11	$944	$826	88%
2011-12	$926	$926	100%
2012-13	$1,060	$1,060	100%
2013-14 est.	$1,269	$1,269	100%
2014-15 est.	$1,379	$1,379	100%
2015-16 est.	$1,485	$1,485	100%

* In millions

State Employee Retirement Fund Rate of Return = 8.25%

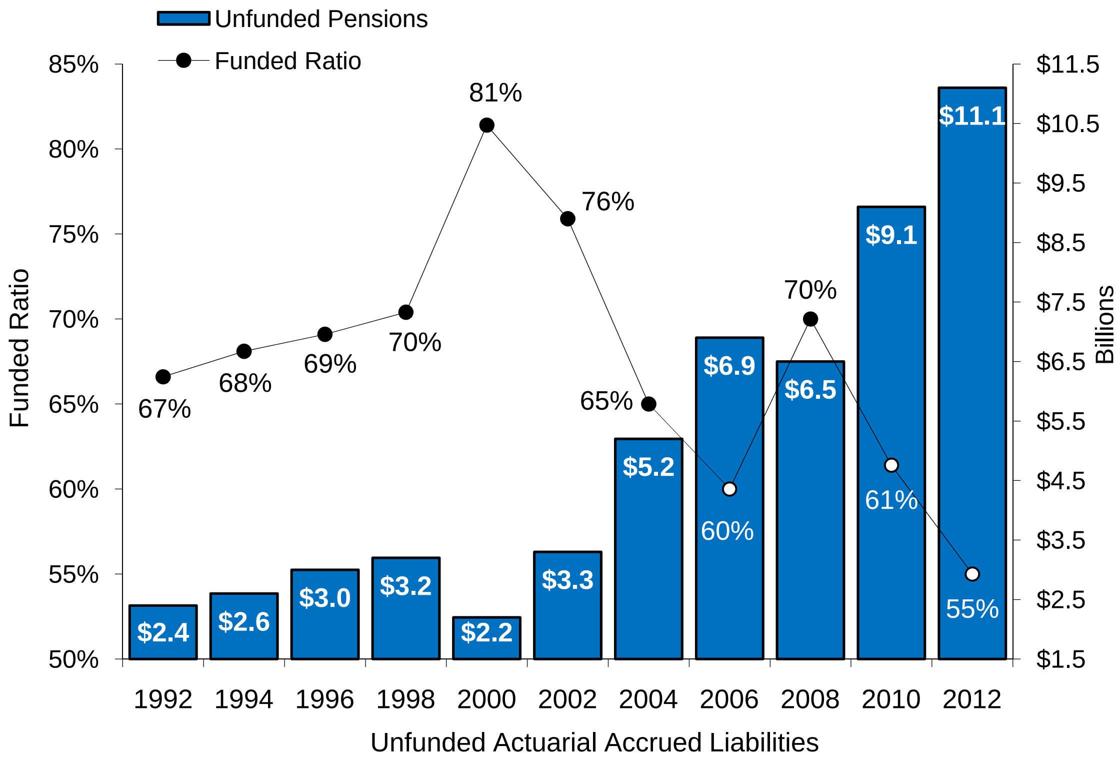
Fiscal Year	Rate of Return Market Value Basis
2001-02	-6.6%
2002-03	1.9%
2003-04	15.2%
2004-05	10.5%
2005-06	11.0%
2006-07	17.1%
2007-08	-4.8%
2008-09	-18.3%
2009-10	12.9%
2010-11	21.2%
2011-12	-0.9%

SERS utilizes 5 year smoothing.

- The deferral of the SERS contribution was $50 million in FY 2009, $164.5 million in FY 2010 and $100 million in FY 2011.
- Starting in FY 2013, the SEBAC IV & V adjustments are eliminated.
- Starting in FY 2014, the assumed rate of return is lowered from 8.25% to 8%.

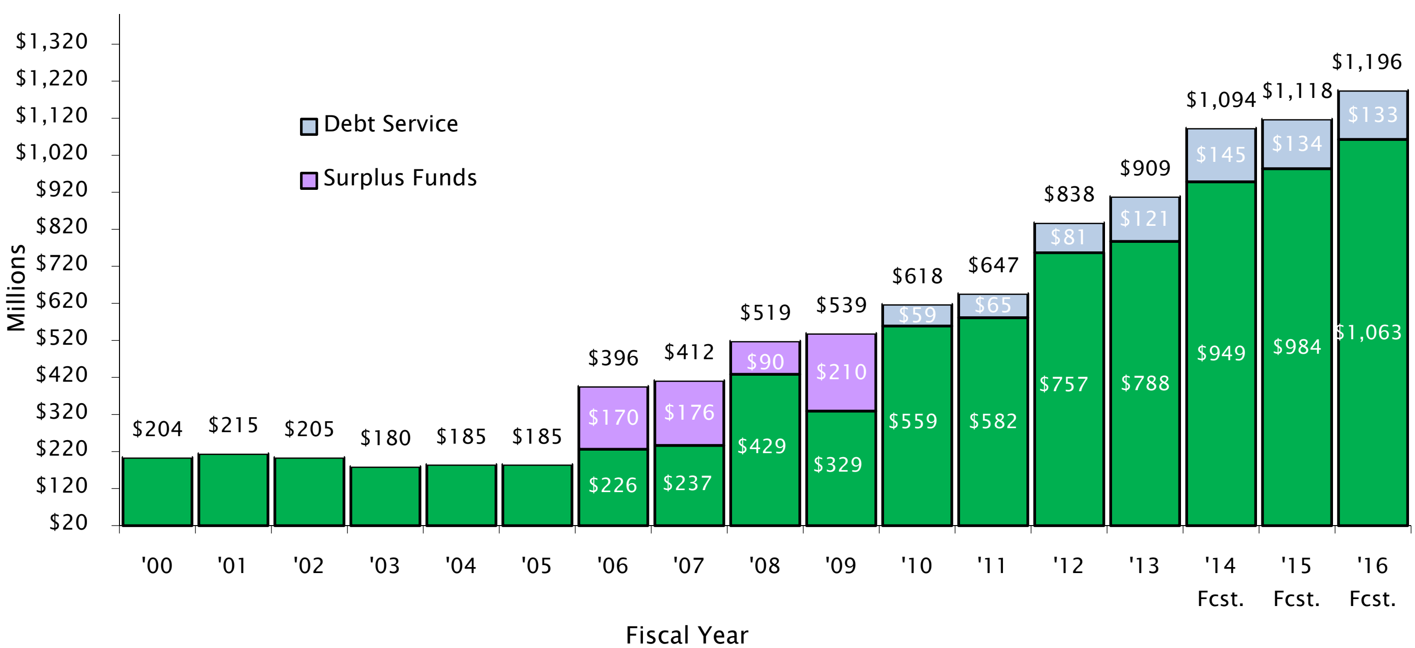
PENSION OBLIGATIONS - TRS

CONNECTICUT TEACHERS' RETIREMENT SYSTEM AS OF 6/30



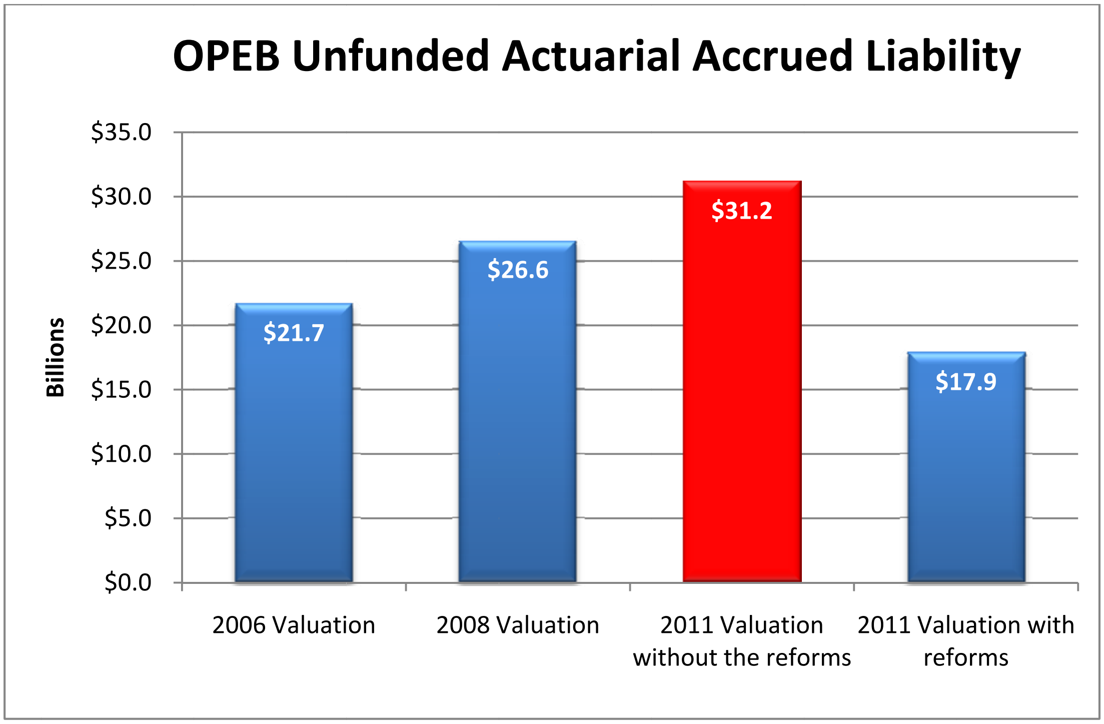
- The State's obligations at the end of FY 2012 total $11.1 billion.
- Appropriations in FY 2006, FY 2007, FY 2008 and FY 2009 were supplemented by the use of surplus funds.
- The decline in the funded ratio is primarily attributable to the recognition of the net investment experience over the past four years.

TEACHERS' RETIREMENT SYSTEM CONTRIBUTIONS *



* FY 2010 and beyond include debt service on the $2.3 billion pension obligation bonds issued on April 30, 2008 on behalf of the Teachers' Retirement System.

OTHER POST EMPLOYMENT BENEFITS



- Recent OPEB Reforms:
  - 2009 – The state entered into an agreement with SEBAC which specified that:
    - New Employees – Effective 7/1/2009, all new health care eligible employees will, for their first 10 years of employment, contribute 3% of their salaries to fund retiree health.
    - Employees with fewer than 5 years – Effective 7/1/2010, any health care eligible employee with fewer than 5 years of service will contribute 3% of their salaries until they reach 10 years of employment.

  - 2011 –The state entered into a further agreement with SEBAC which incorporates additional changes that impact the state's OPEB liability:
    - All Employees – The agreement expands the 3% contribution to all employees, not just new employees, phased-in as follows:
      - 0.5% effective the first day of the pay period after July 1, 2013;
      - 2.0% effective the first day of the pay period after July 1, 2014;
      - 3.0% effective the first day of the pay period after July 1, 2015.

      The contributions will continue for ten years or until retirement, whichever is sooner.
    - State Match – Effective July 1, 2017, the state will contribute to the Retiree Health Care Trust Fund an amount equal to the amount contributed by employees in each year.
    - Greater Premium Share for Early Retirees – Before this agreement, the premium shares for retiree health care coverage were minimal, ranging from zero to a maximum of three percent. The new agreement imposes premium sharing on individuals who elect early retirement, ranging from two percent to forty percent,

based on the number of years of service and the number of years retiring early. The premium for any given employee will be capped at 25% of the person's actual pension benefit.

- The OPEB valuation as of June 30, 2011 (issued in May of 2012) reflects the reforms mentioned above and the corresponding impact on the OPEB liability. As a result the UAAL is now $17.9 billion, a decrease of $8.7 billion from the 2008 valuation.

- If the state had not implemented any reforms, the UAAL would have increased to $31.2 billion. The reforms have therefore reduced the OPEB liability by $13.3 billion.

- Based on the most recent valuation, the OPEB trust fund contained $49.6 million in net assets as of June 30, 2011.

- Deposits to the OPEB Trust Fund:
    - State Contributions:
        - $10 million – FY 2008. A state appropriation represented the state's first deposit into the fund.
        - $14.5 million – FY 2011. This sum was deposited at the end of FY 2011 from the year end fund balance per the 2009 SEBAC agreement.
    - Employee Contributions:
        - $1.4 million – FY 2010. Represents collections in FY 2010 from new employees per the 2009 SEBAC agreement.
        - $21.6 million – FY 2011. Collections from new employees and employees with less than 5 years of service per the 2009 SEBAC agreement.
        - $25.0 million – FY 2012. Collections from new employees and employees who had less than 5 years of service on 7/1/2010 per the 2009 SEBAC agreement.

DEBT BURDEN

State and Local Debt Comparison Among the 50 States in 2010

Ranked by Per Capita State and Local Debt–2010			Ranked by State and Local Debt As a % of Personal Income (PI)– 2010		
Rank	State	Amount ($)	Rank	State	Debt/PI
1	New York	16,319	1	New York	33.6%
2	Massachusetts	14,827	2	Alaska	32.3%
3	Alaska	14,241	3	Kentucky	29.8%
4	Rhode Island	11,590	4	Massachusetts	28.9%
5	**Connecticut**	**11,415**	5	Nevada	28.2%
6	New Jersey	11,138	6	Rhode Island	27.6%
7	California	10,806	7	Texas	26.2%
8	Illinois	10,586	8	Kansas	26.0%
9	Washington	10,523	9	California	25.4%
10	Nevada	10,416	10	South Carolina	25.3%
11	Kansas	10,110	11	Illinois	25.2%
12	Colorado	10,032	**23**	**Connecticut**	**21.1%**
	UNITED STATES	$ 9,138		UNITED STATES	23.0%

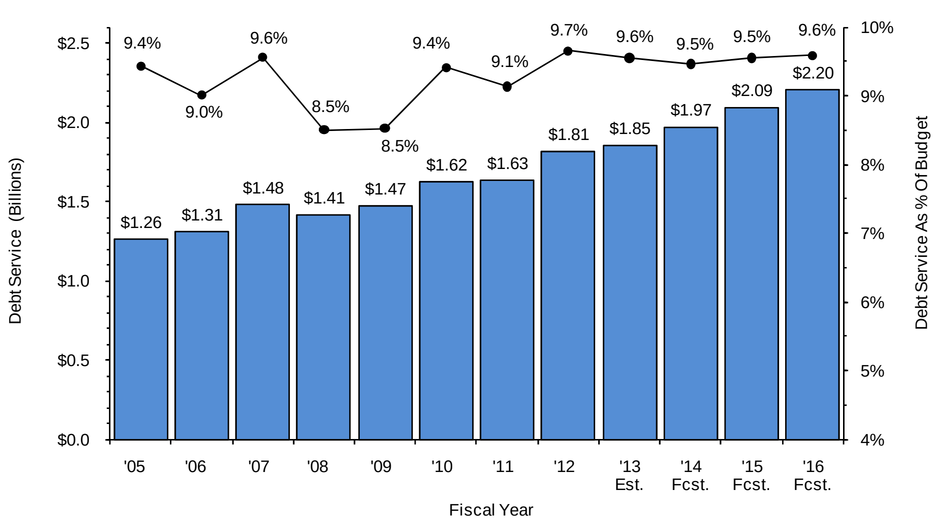
Source: U.S. Department of Commerce, Census & BEA

- Connecticut's state and local debt burden in 2010 equals $11,415 per person.
- The state's burden is lower than its three neighboring states.
- After adjusting for its high personal income, Connecticut would rank 23rd in the nation in 2010.
- Based on 2010 data, Connecticut would rank 4th per capita in the nation and 4th on a personal income basis based on state debt alone.

IMPACT OF DEBT EXPENSES

DEBT SERVICE EXPENDITURES

GENERAL FUND



- Debt Service expenditures as a percentage of the General Fund budget has remained fairly steady.
- The issuance of nearly $1.0 billion in Economic Recovery Notes to fund the FY 2009 deficit required additional debt service of $208 million in FY 2012 through FY 2016.

CONNECTICUT'S BOND RATING

CURRENT GENERAL OBLIGATION BOND RATING

	Moody's	S&P	Fitch	Kroll
Rating	Aa3	AA	AA	AA
Outlook	Stable	Stable	Stable	Stable

- Prior to 1975, Connecticut's General Obligation (GO) bonds had the highest rating possible: Aaa by Moody's and AAA by Standard & Poor's (S&P)
- **The most recent revision in Connecticut's bond rating was a change to Aa3 from Aa2 by Moody's in January 2012.**

NUMBER OF STATES RATED

Rating	Moody's	S&P	Fitch
Better than CT	34	19	26
Equal to CT	2	15	6
Lower than CT	2	4	4
Total*	38	38	36

* 39 states issue GO bonds. All 39 states are rated by Standard and Poor's and Moody's, Fitch has no ratings for Arkansas and New Mexico, and Kroll's only state-level rating is for Connecticut.

NEIGHBORING STATES' RATINGS

State	Moody's	S&P	Fitch
Vermont	Aaa	AA+	AAA
Massachusetts	Aa1	AA+	AA+
New Hampshire	Aa1	AA	AA+
Maine	Aa2	AA	AA+
New York	Aa2	AA	AA
Rhode Island	Aa2	AA	AA
Connecticut	**Aa3**	**AA**	**AA**
New Jersey	Aa3	AA-	AA-

IMPORTANCE OF BOND RATINGS

- The rating process informs investors about risk
- The rating process shows how we compare relative to other investments
- Connecticut is a high-debt state
- Low ratings will result in higher borrowing costs

CONNECTICUT'S CREDIT RATING

State Credit Strengths

- Historical application of operating surpluses to the Budget Reserve Fund
- Early repayment of the Economic Recovery Notes issued to cover operating deficits
- Wealthiest state in the nation with per capita income well above national levels
- Commitment to structural budget balance in current biennium

State Credit Challenges

- Vulnerability to financial market fluctuations due to effect on capital gains for high wealth residents and employment in the financial services sector
- Deterioration of already weak GAAP-basis balance sheet due to negative unreserved/under-designated General Fund balance and depletion of Budget Reserve Fund
- Debt ratios are among the highest in the nation
- Pension systems have low funding ratios

What could make the state rating improve

- Achievement and maintenance of high GAAP-basis combined available reserve levels
- Established trend of structural budget balance
- Evidence of a stronger economic performance
- Reduced debt ratios
- Significantly improving the funding of pension and post-retirement liabilities

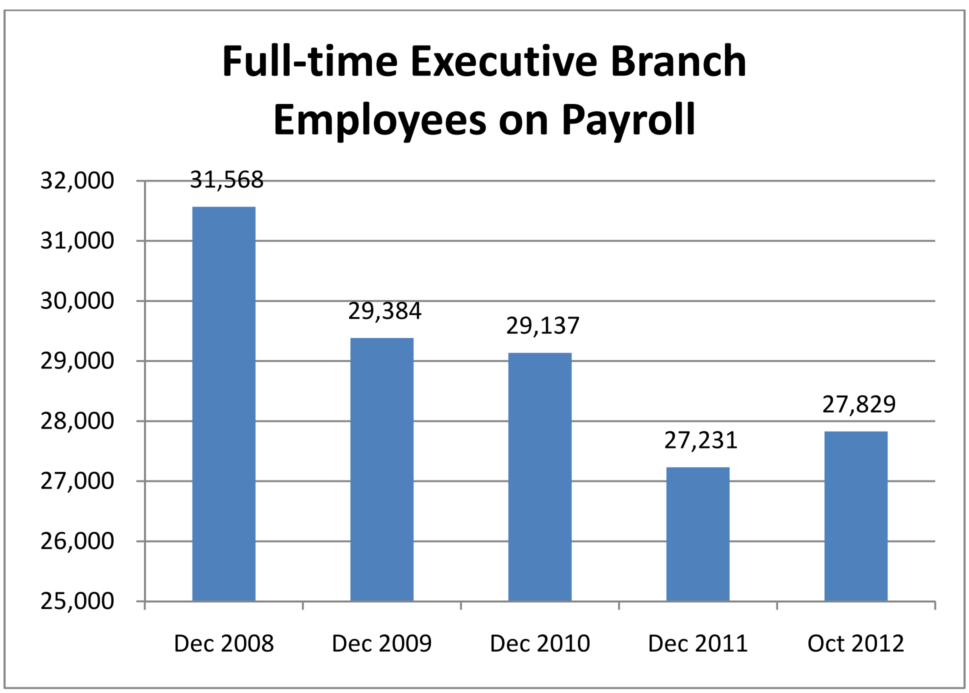
What could make the state rating deteriorate

- Lack of improvement in available reserve levels
- Failure to identify a plan that improves the state pension funded ratios and lowers its overall fixed costs
- Reversion to significant one-time budget solutions including the use of deficit financings to resolve budget gaps
- Reduction in cash flow-reduced liquidity
- Substantial revenue weakness driven by delayed economic recovery

REDUCING THE SIZE OF STATE GOVERNMENT

The size of state government has been significantly reduced through the efforts of Governor Malloy's administration. This reduction applies to the number of state agencies, which experienced a number of significant consolidations and mergers, as well as to the size of the state workforce, which has undergone substantial attrition.

- **State agencies**
  - Reduced the number of budgeted state agencies by 26%, from 81 to 60.
  - Major consolidations include:
    - Higher education - Creation of the Board of Regents for Higher Education and the Office of Financial and Academic Affairs for Higher Education (affecting DHE, CSU, CTCs, Charter Oak State College).
    - Department of Administrative Services (combining DAS, DOIT, portions of DPW).
    - Department of Economic and Community Development (merging DECD, OWC, CCT).
    - Department of Emergency Services and Public Protection (consolidating DPS, DEMHS, POST, FPC).
    - Office of Governmental Accountability (merging watchdog agencies and various other offices and commissions).



Based on Executive Branch General Fund and Special Transportation Fund payroll data for 12/18/08, 12/31/09, 12/30/10, 12/29/11, and 10/18/12 payrolls; excludes constituent units of Higher Education.

FULL TIME WORKFORCE

As of October 2012

Bargaining Unit	Full Time Employees	Full Time Payroll (All Funds)	Expiration Date
Contracts in Negotiation			
State Police (NP-1)	1,134	$ 73,820,407	6/30/2011
Correctional Supervisor (NP-8)	469	32,553,949	6/30/2011
Settled Contracts			
Service/Maintenance (NP-2) (b)	4,052	$ 176,620,127	6/30/2016
Administrative Clerical (NP-3)	4,159	186,441,053	6/30/2016
Correctional Officers (NP-4) (a)	4,883	250,682,165	6/30/2016
Protective Services (NP-5)	847	47,030,649	6/30/2016
Health NonProfessional (NP-6) (c)	3,593	174,915,255	6/30/2016
Health Professional (P-1) (c)	3,130	219,499,204	6/30/2016
Social and Human Services(P-2)	4,023	240,953,125	6/30/2016
Education A (P-3A) (c)	263	22,654,912	6/30/2016
Education B (P-3B) (c)	713	46,209,690	6/30/2016
Engineer, Scien, Tech (P-4)	2,542	186,384,865	6/30/2016
Admin and Residual (P-5)	3,013	215,714,115	6/30/2016
St Vocation Federation Teacher (c)	1,201	81,956,636	6/30/2016
Amercan Fed of School Admin (c)	51	5,774,335	6/30/2016
Comm College Faculty - AFT	206	11,853,468	6/30/2016
State University Faculty	13	927,718	6/30/2016
State University Non-Fac Prof	1,747	111,270,555	6/30/2016
Comm College Faculty CCCC	684	42,789,993	6/30/2016
UConn - Faculty	1,653	147,319,739	6/30/2016
UConn - Non-Faculty	1,769	106,074,746	6/30/2016
UCHC - Faculty	578	97,119,480	6/30/2016
UConn - Law School Faculty	49	7,119,509	6/30/2016
Judicial - Judges	266	28,943,983	6/30/2016
Judicial - Professional	1,320	100,868,843	6/30/2016
Judicial - Non-Professional	1,385	72,800,856	6/30/2016
Judicial - Law Clerks	125	3,036,421	6/30/2016
UCHC Univ Hlth Professionals	2,391	132,346,716	6/30/2016
Comm College Admin - CCCC	702	41,976,091	6/30/2016
Conn Assoc Prosecutors	246	25,120,138	6/30/2016
Comm College Admin - AFSCME	87	5,613,681	6/30/2016
Criminal Justice Residual	130	6,414,824	6/30/2016
Higher Ed - Professional Emp	36	2,312,842	6/30/2016
Bd State Acad Awards Prof	64	4,099,943	6/30/2016
Judicial - Judicial Marshals	713	30,278,451	6/30/2016
StatePoliceLts&Captains (NP-9)	40	2,025,035	6/30/2016
DPDS Public Defenders	201	18,832,145	6/30/2016
DPDS Chief Public Defenders	17	2,323,361	6/30/2016
Criminal Justice Inspectors	73	5,877,183	6/30/2016
Comm College AFT Couns/Lib	15	1,215,425	6/30/2016
Judicial - Supvr Jud Marshals	59	3,784,686	6/30/2016
Total Covered by Collective Bargaining	48,642	$ 2,973,556,320	
Not Covered by Collective Bargaining	3,796	$ 332,561,079	

Note: As of 10/4/12. Payroll amounts include all regular wages for full time employees excluding overtime, shift differentials, premiums, etc. Those not covered by collective bargaining include employees of the Legislative branch, elected and appointed officials, and managerial and confidential employees.

FEDERAL FISCAL CHALLENGES

The "Fiscal Cliff" Threatens to Undermine the Economic Recovery

Fiscal Cliff

The "fiscal cliff" refers to simultaneous expiration of a number of federal stimulus measures coupled with budget cuts to reduce the national debt threatens to return the country to recession at the start of 2013. The Congressional Budget Office estimates that if nothing is done to change this, U.S. Gross Domestic Product (GDP) will contract 1.3 percent over the first six months of 2013 and will experience little growth over the last six months of 2013, amounting to a miniscule 0.5 percent overall GDP growth in 2013. The current belief is that Congress will take steps to lessen the impact and severity of the fiscal cliff, but an economic impact is still expected in Q1 2013. There is, however, no guarantee as to what type of agreement, if any, will be reached. Of further concern is the impact the fiscal cliff and federal deficit will have on the current economy. It has been reported that many companies are postponing hiring and large investment decisions due to an unusually high degree of economic uncertainty created by the unresolved fiscal cliff.

Payroll Tax Cuts

Workers temporarily receive larger paychecks based on a withholding rate of 4.2 percent, which is two percentage points less than the 6.2 percent rate. The reduction in the payroll tax rate was extended through the end of the 2012 calendar year.

Bush Era Tax Cuts

The current agreement extends Bush-era cuts at all income levels through the end of 2012. Should these tax cuts expire, the top rate will rise from 35 percent to 39.6 percent and other rates will rise in similar fashion and the reduction in consumer spending power is expected to inhibit economic growth.

Extended Unemployment Compensation Expiration

Extended unemployment benefits expire at the end of 2012. This would cut off benefits to some still facing unemployment, greatly hindering their spending power. Connecticut has already crossed an unemployment rate threshold such that residents no longer qualify for the full length of extended benefits. Connecticut residents do, however, still benefit from the extended coverage to a lesser degree.

Sequestration

Sequestration refers to drastic automatic spending cuts that could kick in at the end of this year in accordance with the agreement reached during last year's debt ceiling negotiations. The law requires $1.2 trillion in automatic cuts equally divided between defense and domestic programs, over the next decade, with the first $109 billion in savings due to take effect January 2, 2013. Connecticut's relatively high concentration in defense industries makes its economy more vulnerable to these cuts.

GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

One of the hallmarks of Governor Malloy's administration has been to improve financial transparency and accountability. On January 5, 2011, immediately following his taking the oath of office, the Governor issued Executive Order No. 1 directing the state to initiate a process to reflect the use of Generally Accepted Accounting Principles (GAAP) for budgeting purposes. The legislative outgrowth of that directive was sections 43-49 of Public Act 11-48 which mandate the use of GAAP for budgeting purposes beginning July 1, 2013. Specifically, the law made the following changes:

1. Transition Years FY 2012 and FY 2013. Sets up FY 2012 and FY 2013 as transition years whereby GAAP principles are initiated on a state-wide basis, but not an agency specific basis. It achieves this by directing the Comptroller to reserve from unappropriated surplus a maximum of $75 million in fiscal year 2012 and a maximum of $50 million in FY 2013 to be applied toward any increase in the unreserved negative general fund balance on the theory that these amounts were the estimated increase in the GAAP annual deficits for those years. [Section 46]
2. GAAP Start Date FY 2014. Requires the implementation of GAAP for budgeting purposes beginning with FY 2014. [Sections 45, 47]
3. Amortization of Deferred Charge. Directs the Comptroller to establish a deferred charge for accrued and unpaid expenses on the balance sheet of the state as of June 30, 2013 and directs that such charge be amortized in equal increments over 15 years commencing with FY 2014. [Section 45]
4. Balanced Budget Definition and Prior Year Annual Deficits. Modifies the definition of what constitutes a balanced budget. Beginning with FY 2014, any prior year's deficit reported in the most recently published Comprehensive Annual Financial Report (CAFR) must be rolled into the balance calculation of the Governor's proposed and the Legislature's adopted budget. Revenues must exceed the sum of total appropriations plus any prior year deficit. Given the timing of the CAFR release this will typically mean any deficit two years prior to the budget in question. [Sections 43, 48]
5. Preliminary Comptroller's Report. Revises the date by which the Comptroller must release a preliminary, unaudited report on the most recently completed fiscal year from September 1st of each year to September 30th. [Section 44]
6. Future Surpluses. Dedicates, beginning with fiscal year 2014, any future unappropriated surpluses toward the annual amortization of the deferred charge. This would place the deferred charge ahead of the early repayment of the 2009 Economic Recovery Notes and deposits to the Budget Reserve Fund. [Section 46]
7. End of Year Payments. Removes the 30 day grace period after the close of the fiscal year for certain expenditures to be made if there is no succeeding appropriation in the new fiscal year. Because expenditures will accrue to the appropriate period under GAAP principles, this limitation no longer applies. [Section 49]

The budget that Governor Malloy will propose for the FY 2014-15 biennium will comply with these requirements by:

- Proposing appropriations within each budgeted agency to reconcile the difference between the anticipated level of expenditures as measured on an accrual basis and the anticipated level of expenditures as measured on a cash basis. For FY 2014, the current services adjustment to the General Fund for this purpose totals $82.2 million, rising to $118.8 million by FY 2016.

- Reflecting sufficient revenue in excess of expenditures to support the anticipated annual installments toward the amortized deferred charge.

HEALTH CARE REFORM

The Patient Protection and Affordable Care Act, P.L. 111-148, and the Health Care and Education Reconciliation Act of 2010, P.L. 111-152, were both signed into law in March of 2010 and together they are referred to as the Affordable Care Act (ACA). This act includes a wide variety of health care provisions and requirements. Key points of the health care reform law:

- Requires most U.S. citizens and legal residents to obtain health coverage.
- Encourages employers to offer health care coverage to their employees by providing tax credits to small businesses who purchase health insurance for their employees, and taxing employers who do not provide health care coverage.
- Creates a state-based Health Insurance Exchange which allows individuals and small businesses to purchase health insurance coverage. These exchanges include premium and cost-sharing credits to individuals and families within specific income brackets.
- Establishes an office of health insurance consumer assistance or an ombudsman program to serve as an advocate for people with private coverage in the individual and small group markets.
- Prohibits lifetime limits on coverage, and prohibits pre-existing condition exclusions for children. Insurance rating rules allow variation based solely on age, area, family composition, and tobacco usage.
- Establishes a temporary high-risk pool to provide health coverage to individuals with pre-existing medical conditions. This pool has limited federal funding for qualified states.
- Establishes reporting requirements regarding medical loss ratios and premium rate increases.
- Creates a website to assist consumers in finding and understanding health care coverage options.
- Makes many Medicare and Medicaid enhancements and changes.

The law provides significant opportunities and related costs to the state. It supports expanded coverage to thousands of uninsured and underinsured residents and provides opportunities to reduce payments made by several state agencies to subsidize uncompensated care on behalf of their clients to the providers that care for them. The administration continues to analyze the full budgetary impact of this act.

DEPARTMENT OF SOCIAL SERVICES

Medicaid Eligibility

Allows states the option of covering childless adults up to 133% of the federal poverty level (FPL) under a Medicaid state plan amendment beginning April 1, 2010. Effective January 1, 2014, states can opt to provide Medicaid coverage to parents, children age 6 and older, and all childless adults up to 133% FPL.

Impact: In June 2010, Connecticut gained approval from the federal government to expand Medicaid coverage to an estimated 45,000 low-income adults who had been enrolled in a more limited benefit package under the State Administered General Assistance program. As of October 2012, there were 83,827 individuals enrolled in the Medicaid Low-Income Adults program (HUSKY D). The extension of Medicaid benefits to individuals with income between 55% FPL and 133% FPL is currently projected to result in increased costs of $52 million in FY 14, $301 million in FY 15 and $398 million in FY 16. These costs will be 100% reimbursed by the federal government through 2016, after which the federal reimbursement will be phased down to 90% in 2020. (Note: The ACA provisions regarding parents and children age 6 and older do not impact Connecticut as the state already covers these individuals under HUSKY A.)

Maintenance of Effort (MOE)

Prohibits states from reducing eligibility standards, methodologies, or procedures for (1) adults on Medicaid until December 31, 2013, or (2) children until September 30, 2019 (both Medicaid and the Children's Health Insurance Program (CHIP)). Between January 1, 2011, and December 31, 2013, a state can be exempt from MOE for optional non-pregnant non-disabled adult populations above 133% FPL if the state certifies that it is currently experiencing a budget deficit or projects a budget deficit in the following fiscal year.

Impact: Reduces state's flexibility to make certain reductions.

Definition of Medical Assistance

Redefines medical assistance to include not only payment for medical care and services, but also the care and services themselves.

Impact: Could increase litigation against states, particularly lawsuits claiming delays in the delivery of services due to access issues.

Primary Care Provider Reimbursement

Requires states to increase Medicaid reimbursement for primary care services provided by primary care doctors to Medicare levels for calendar years 2013 and 2014.

Impact: Costs are currently projected to be approximately $50 million per year. Estimates will likely be revised after further review of the final federal rule, which was issued November 2, 2012. The cost of the increase to the Medicaid program will be fully reimbursed by the federal government.

Incentives for States to Provide Home & Community-Based Services (HCBS)

Creates financial incentives for states to move more Medicaid beneficiaries out of nursing homes and into the community by extending the Money Follows the Person (MFP) Rebalancing Demonstration through FFY 2016 and reducing the six month requirement for institutionalization to three months, as well as increasing the federal match under the Balancing Incentive Payments Program for states that increase the proportion of Medicaid spending on home and community-based services.

Impact: Will result in enhanced federal reimbursement with more individuals leaving institutional long-term care settings through the MFP program. Supports the state's shift to a system that better supports consumers' informed choice with greater access to long-term services and supports in the community.

Medicaid Disproportionate Share Hospital (DSH) Payments

Reduces federal DSH payments by $500 million in FFY 2014, increasing to $5.6 billion by FFY 2019, with some easing in FFY 2020 when federal payments are reduced by $4 billion (the majority of the reductions occur in FFY 2018, FFY 2019 and FFY 2020). Directs HHS to develop a methodology for reducing federal DSH allotments to states in order to achieve the mandated reductions, imposing larger reductions to states with lower percentages of uninsured.

Impact: In FY 2013, the state will receive approximately $200 million in DSH. Because Connecticut is a "high DSH" state, the state's DSH allotment is expected to be reduced by approximately $7 million in FY 2014, increasing to $103 million in FY 2019, with a FY 2020 reduction of $83 million. These estimates will need to be refined further once HHS establishes the methodology that will be applied to determine the reductions.

Tobacco Cessation

Requires states to provide coverage under Medicaid for tobacco cessation services for pregnant women.

Impact: Potential short-term costs and long-term savings. Connecticut implemented this provision in October 2010.

Legal Immigrants

Allows legal immigrants with income under 133% FPL, who are not eligible for Medicaid by virtue of the five-year waiting period, access to coverage if the state implements a basic health program. (Legal immigrants who are barred from enrolling in Medicaid during their first five years in the U.S. will be eligible for premium credits through the Exchange.)

Impact: Expands federal reimbursement for non-citizens beyond the Children's Health Insurance Program Reauthorization Act (CHIPRA), which extended federal reimbursement to children and pregnant women. If a basic health program is implemented, this would result in additional state costs, a portion of which would be federally reimbursable.

Fraud, Waste and Abuse

Reduces waste, fraud, and abuse in public programs by strengthening efforts in this area.

Impact: Should help in the state's ongoing efforts.

STATE OF CONNECTICUT EMPLOYEE HEALTH PLAN

Early Retiree Reinsurance Program (ERRP)

The ERRP provides financial relief for employers, unions and state and local governments to help them maintain coverage for early retirees age 55 and older who are not yet eligible for Medicare, and their spouses, surviving spouses, and dependents. The amount of reimbursement to the employer is 80% of medical claims costs for health benefits between $15,000 and $90,000. The Affordable Care Act provides $5 billion in financial assistance. The program was scheduled to end on January 1, 2014; however, ERRP received requests for reimbursement that exceeded the $5 billion appropriated.

Impact: The state's application to participate in the ERRP was approved by the U.S. Department of Health and Human Services. The state received $4.7 million as of January 19, 2012.

INSURANCE DEPARTMENT

Regulation Enhancements

Insurance policy forms and rates will need to conform to the requirements of the federal law and be filed for approval. Claims payment policies, enrollment and disenrollment data, financial disclosures, claims denials, rating practices, out-of-network payments and other information must be filed with DOI and available for public inspection. DOI must annually review unreasonable rates for group and individual plans.

EFFORTS TO PRESERVE AND MAXIMIZE FEDERAL FUNDING

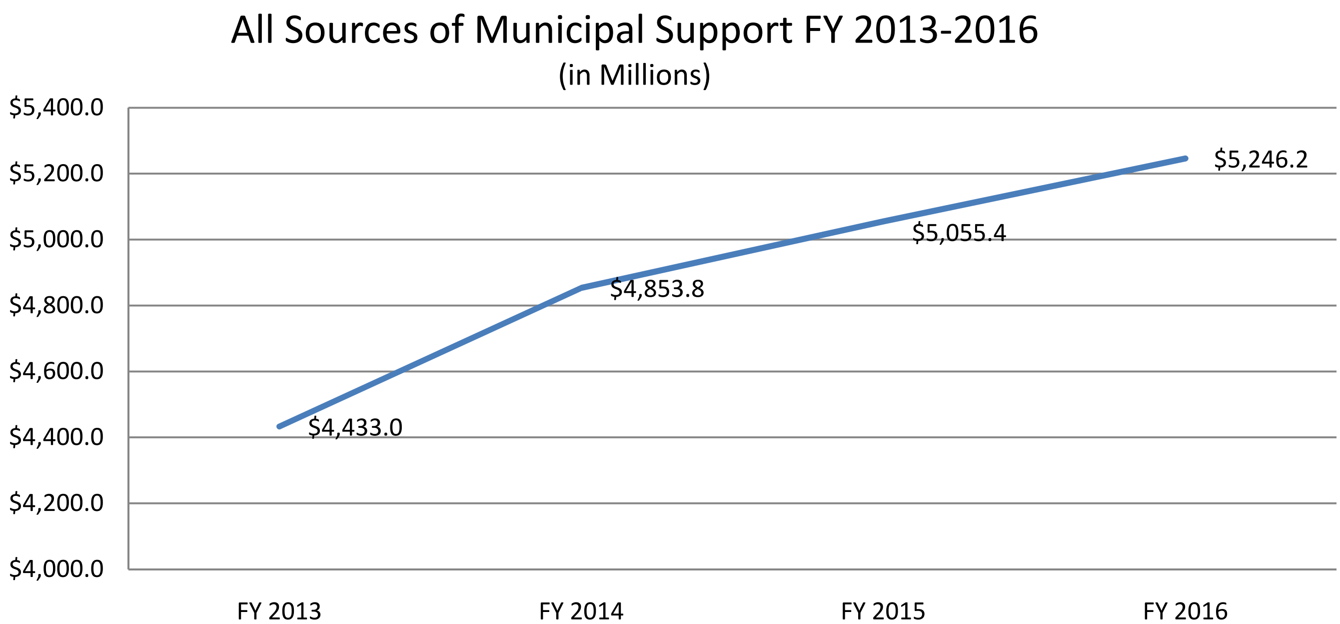
The administration continues to make federal revenue maximization efforts a priority. Numerous Medicaid state plan amendments and waivers have been submitted or are in the process of being submitted to the federal government. Initiatives not requiring federal approval are being operationalized by impacted state agencies. In the current fiscal year and next, millions of dollars could be gained in new federal revenue due to these initiatives – above and beyond normal increases in federal Medicaid revenue resulting from growth in caseload and utilization. A consultant has been secured by OPM with funds that were budgeted in FY 2013 to support revenue maximization activities. Discussions are ongoing as to what the contactor's scope of work will include.

Some of the major revenue maximization efforts under development include:

- Serving existing clients of the Departments of Developmental Services, Mental Health and Addiction Services and Children and Families under three autism waivers, allowing the state to receive federal reimbursement for services currently being provided at 100% state cost;
- Billing for community-based care for offenders in the Department of Correction, allowing the state to receive federal reimbursement for services that are currently being supported at 100% state cost;
- Developing a waiver that will allow the state to claim federal reimbursement for services rendered in a private institutional setting that are currently provided at 100% state cost;
- Developing waivers that will allow Medicaid reimbursement for certain behavioral/rehabilitation services being provided by the Department of Mental Health and Addiction Services that are currently at 100% state cost;
- Billing for costs in several state agencies associated with the administration of Medicaid services;
- Providing nursing home care for individuals currently being cared for in infirmaries in the Department of Correction and Connecticut Valley Hospital. Providing these services in the community will permit reimbursement for care that is currently at 100% state cost;
- Amending the waiver for individuals with acquired brain injury to allow Medicaid reimbursement for services supported by DMHAS' state-funded TBI Community Services account;
- Accrediting state operated Psychiatric Residential Treatment Facilities (PRTFs) to make services provided there Medicaid reimbursable.

While much effort goes into maximizing revenue, equal or greater effort goes into preserving existing sources of federal reimbursement. The Centers for Medicare and Medicaid Services has strengthened its compliance activities, resulting in significantly greater scrutiny of all state claims. Department of Social Services staff and impacted state agencies have experienced significantly increased time and effort explaining and justifying revenue items in order to sustain claims worth hundreds of millions of dollars that had once been considered "routine."

SUMMARY OF LOCAL AID



- Amounts include appropriations, revenue intercepts, Teachers' Retirement System contributions, state share of school construction, and other bonding programs in support of municipalities.
- LoCIP, STEAP, Local School Construction and Teachers' Retirement Debt Service are funded with General Obligation bonds.
- Regional Performance Incentive Grants, as well as the Manufacturing & Revenue Sharing Grant are funded through revenue intercepts.
- The provisions that cap the Public School Transportation, Non-Public School Transportation, Adult Education, and Special Education Student Based grants expire at the end of the 2012-2013 biennium; therefore the grants are fully funded at statutory formula levels for FYs 2014-2016.
- Assumes standard inflation rate for Extended School Building Hours and School Accountability.
- For FY 2014 and FY 2015, estimates for Magnet Schools and Open Choice grant are based on anticipated enrollment.
- Assumes level funding for Town Aid Road, municipal PILOT programs, LoCIP and STEAP and the statutory transfer amount for the Mashantucket Pequot and Mohegan grant.
- Support to municipalities constitutes 22.87% of the 2013 General Fund budget.
- Support to municipalities will be approximately $4.85 billion in FY 2014, a 6.92% increase over the FY 2013 level.

STATE AID TO OR ON BEHALF OF LOCAL GOVERNMENTS

(in Millions)

GRANT	FY 2013	FY 2014	FY 2015	FY 2016
State Owned PILOT*	$ 78.3	$ 78.3	$ 78.3	$ 78.3
College & Hospital PILOT	115.4	115.4	115.4	115.4
Mashantucket Pequot & Mohegan Grant	61.8	135.0	135.0	135.0
Town Aid Road Grant	30.0	30.0	30.0	30.0
LoCIP	30.0	30.0	30.0	30.0
Regional Performance Incentive Grants	8.9	9.2	9.6	10.1
Manufacturing Transition & Municipal Revenue Sharing Grants	94.1	98.0	102.3	107.0
STEAP	20.0	20.0	20.0	107.7
Miscellaneous General Government Grants	23.6	25.5	26.0	26.9
Subtotal - General Government	**$ 462.1**	**$ 541.4**	**$ 546.7**	**$ 640.4**
Public School Transportation	$ 24.9	$ 84.7	$ 87.0	$ 89.1
Non-Public School Transportation	3.6	4.6	4.7	4.8
Adult Education	21.0	22.9	23.5	24.1
Education Cost Sharing**	1,939.6	1,939.6	1,939.6	1,939.6
Magnet Schools	242.4	275.0	290.8	297.8
Special Education - Student Based	139.8	177.3	185.9	190.4
Local School Construction Debt Service	500.0	500.0	500.0	500.0
Miscellaneous Education Grants	168.4	182.2	187.0	191.5
Subtotal - Education	**$ 3,039.7**	**$ 3,186.3**	**$ 3,218.5**	**$ 3,237.3**
Teachers' Retirement Contributions, Retiree Health Service Cost & Debt Service	$ 931.2	$ 1,126.1	$ 1,290.2	$ 1,368.4
Subtotal - Teachers' Retirement	**$ 931.2**	**$ 1,126.1**	**$ 1,290.2**	**$ 1,368.4**
Total - Aid to Municipalities	**$ 4,433.0**	**$ 4,853.8**	**$ 5,055.4**	**$ 5,246.2**

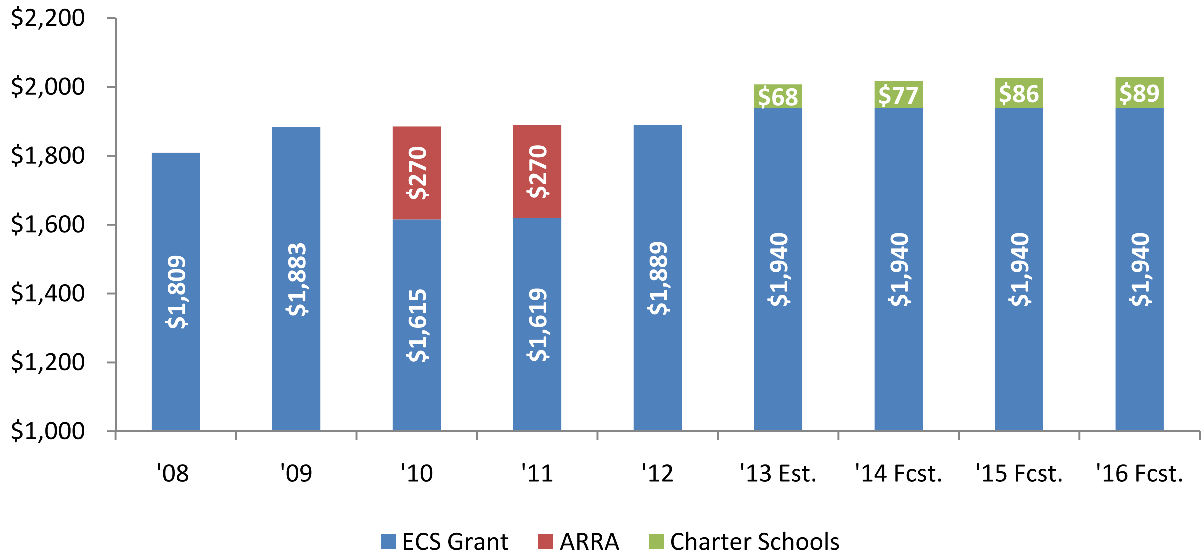
Notes:

*Figures for the State Owned PILOT includes annual transfers from the Bradley Enterprise Fund in an amount necessary to pay 20% of the PILOT for certain Bradley International Airport Property.

** ECS does not include the portion of the appropriation that is attributable to the Charter Schools.

EDUCATION COST SHARING GRANT

(In Millions)



- The Education Cost Sharing Grant (ECS) is the state's major education grant, designed to equalize the ability of towns to finance local education costs.

- Expenditures for FY 2010 and FY 2011 included federal American Recovery and Reinvestment Act State Fiscal Stabilization Fund (ARRA SFSF) funding of $269 million (14% of the grant).

- Beginning in FY 2013, Charter School Grants are appropriated under the ECS grant.

UNEMPLOYMENT COMPENSATION FUND

The Unemployment Compensation Fund ("trust fund") is established pursuant to Connecticut General Statutes Section 31-261 for the purpose of paying benefits to unemployed workers. The trust fund is funded through payroll tax contributions paid by employers, and is not a budgeted fund of the state. The recent high unemployment rates in Connecticut will have an effect on Connecticut businesses for the next several years.

- As of September 2012, the Connecticut seasonally adjusted unemployment rate was 8.9%, leading to a sustained high level of claims against the fund.
- The maximum weekly benefit rate is currently $591 per claimant. Connecticut also pays $15 per dependent child up to a maximum of $75. Connecticut ranks 8th in the nation as to the maximum amount of benefits provided.
- In 2010, increases in job losses resulted in benefit payouts of approximately $1.3 billion from the trust fund, while only $700 million in taxes were collected. UI benefit payouts have also exceeded revenues in 2011 and 2012.
- Even with the fund solvency tax generating its maximum revenue annually, the trust fund became insolvent in October 2009.
- To continue making unemployment payments, Connecticut, like other states, has been borrowing from the federal government. The American Recovery and Reinvestment Act provided interest free borrowing through calendar year 2010. However, states with loans outstanding at the beginning of 2011 are subject to interest on these loans.
- Since Connecticut was unable to repay borrowed funds within two years, in January 2012 the federal government increased federal unemployment taxes on employers by increasing the current federal unemployment tax by 0.3% increments annually until the loan is fully repaid.
- Current projections, which are based on existing statutory provisions (both state and federal), indicate the need for continued borrowing until at least CY 2015. It is anticipated that final repayment of the loans will occur in CY 2015.

Projected Cash Flow - Federal Unemployment Insurance *

Calendar Year	Amount Borrowed	Repaid by State UI Taxes	Repaid by Increased Federal UI Taxes
2009	$180,000,000	$0	$0
2010	$345,000,000	$0	$0
2011	$285,000,000	$0	$0
2012	$125,000,000*	$125,000,000*	$30,000,000
2013	$100,000,000*	$330,000,000*	$60,000,000
2014	$100,000,000*	$500,000,000*	$90,000,000
2015	$100,000,000*	$100,000,000*	$0
Totals	$1,235,000,000	$1,055,000,000	$180,000,000

*The figures above are based on current statutory provisions as well as projections of many variables such as unemployment benefit payouts, tax revenues, growth in wages and growth in labor force. Changes in these variables could result in changes in the borrowing amounts and also in the repayment schedule. Loan repayments by state taxes are estimated after payment of benefits. Please note that while borrowing is anticipated in calendar years 2012 to 2015, amounts borrowed in those years are anticipated to be paid back in the year borrowed. Funds borrowed in 2012 and 2013 will be classified as "cash flow loans" which may not be subject to interest.

SECTION 7

ANALYSIS OF POSSIBLE USES OF SURPLUS FUNDS

ANALYSIS OF POSSIBLE USES OF SURPLUS FUNDS

Given the structural budget reforms enacted during the 2011 legislative session and assuming adherence to the expenditure cap, surpluses would occur over the next several years. Under current law, these surpluses have already been committed. Specifically, the General Assembly passed Public Act 11-48, section 46 that modified the disposition of any future surplus for fiscal years 2012 through 2028. Should the state experience surpluses during those fiscal years, any surplus would be distributed as follows:

1. Reserve an amount for FY 2013 not to exceed $50 million to freeze the current GAAP deficit at the June 30, 2011 level, which was approximately $1.75 billion. Because preliminary estimates of the June 30, 2012 GAAP deficit suggest a significant improvement over the 2011 level, this requirement is not anticipated to be operative. Starting in FY 2014 the amount to be reserved shall equal the annual amortization of the deferred GAAP charge, and then
2. Redeem any of the outstanding Economic Recovery Notes that were issued to finance the FY 2009 deficit of $947.6 million, and then
3. Deposit to the Budget Reserve Fund.

The current estimate of the GAAP deficit is $1.5 billion. Replenishment of the Budget Reserve Fund to the ten percent level would require approximately $2.1 billion. Beyond these commitments, other priorities could include:

- Reducing bonded indebtedness;
- Reducing the unfunded liability in the State Employees Retirement Fund;
- Reducing the unfunded liability in the Teachers Retirement Fund;
- Actuarially funding the unfunded liability for Other Post Employment Benefits; or
- Providing funds for Higher Education Matching Grants as per sections 10a-77a, 10a-99a, 10a-109c, 10a-109i and 10a-143a of the General Statutes.