FISCAL ACCOUNTABILITY REPORT
FISCAL YEARS 2015 – 2018

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

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CONTENTS

SUMMARY

INTRODUCTION

In accordance with CGS 2-36b, this report outlines significant factors affecting Connecticut's budgetary and economic outlook for fiscal years 2015 through 2018. This report describes our current fiscal situation based on the extension of current policies.

- A $99.5 million deficit is anticipated in the General Fund in FY 2015, prior to any management action to resolve the shortfall. As of the writing of this report, agencies have been directed to reduce expenditures and curtail hiring, and allotment rescissions are under development by OPM.
- The state faces significant fiscal challenges beginning in FY 2016, resulting from the continued slow economic recovery both nationally and regionally as well as efforts to address the historic deferral of long-term liabilities.
- Governor Malloy continues to be committed to ensuring the state lives within its means.

OVERVIEW

- Revenues 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 10, 2014.
- Consistent with the methodology utilized in last year's report, FY 2016 through FY 2018 projections are based on a "current practices" approach to estimating current services. Accordingly, this report generally reflects the assumption that those budgetary actions that have routinely taken place will continue into the outyears, even if such actions require legislation – for example, continuing certain municipal grants at current levels.
- The following operating results are projected when comparing these expenditure estimates to the November consensus revenue forecast:
    - In the fiscal year ending June 30, 2015, the Office of Policy and Management is currently projecting a General Fund deficit of $99.5 million, prior to management action.
    - For Fiscal Years 2016 through 2018, projected expenditures are anticipated to exceed forecast revenues $1,095.5 million, $1,032.9 million, and $1,190.3 million in the General Fund. Projected expenditures exceed the level allowable by the state's expenditure cap by $469.6 million in FY 2016, $452.0 million in FY 2017 and $610.1 million in FY 2018.
    - Statutory provisions and the state constitution require the Governor to present, and the Legislature to adopt, a budget that is both balanced and within levels allowed by the spending cap. The balance and cap projections in this report outline the challenges decision-makers face when developing a budget for the next biennium.

MAJOR ISSUES AND TRENDS IMPACTING THE STATE'S FISCAL SITUATION

- Connecticut has made progress over the last several years by:
    - Addressing structural budget imbalance and producing balanced budgets;
    - Implementing Generally Accepted Accounting Principles;
    - Shoring up the state employee pension system;
    - Streamlining state government;
    - Undertaking a broad program of economic development; and
    - Reforming education.
- The performance of the economy as the state and nation continue to recover from the "Great Recession" has significantly impacted revenues and expenditures.
    - Recovery has been slow and uneven, but progress has been made.
    - Employment growth is beginning to tick upwards.
- National and international issues will continue to drive economic conditions in Connecticut.
    - Federal policy makers must once again tackle the budget and debt ceiling.
    - Resolution of national issues will affect economic and budgetary performance in every state.
    - Global economic uncertainty could translate into national and regional economic reactions.

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 2013-15 biennium and projected expenditures for the same period.

FINANCIAL SUMMARY OF FUNDS

(in millions)

	Estimated	Projected		
General Fund	FY 2015	FY 2016	FY 2017	FY 2018
Revenues[1]	$ 17,398.9	$ 17,445.5	$ 18,160.0	$ 18,832.4
Expenditures	17,498.4	18,541.0	19,192.9	20,022.7
Balance[2]	$ (99.5)	$ (1,095.5)	$ (1,032.9)	$ (1,190.3)
Special Transportation Fund				
Revenues [1]	$ 1,335.4	$ 1,502.3	$ 1,512.6	$ 1,512.7
Expenditures	1,321.6	1,364.5	1,442.8	1,508.6
Balance	$ 13.8	$ 137.8	$ 69.8	$ 4.1
Other Funds [3]				
Revenues	$ 214.7	$ 221.4	$ 223.1	$ 229.0
Expenditures	214.5	221.1	222.8	228.8
Balance	$ 0.2	$ 0.3	$ 0.3	$ 0.2
Total All Appropriated Funds				
Revenues	$ 18,949.0	$ 19,169.2	$ 19,895.7	$ 20,574.1
Expenditures	19,034.4	20,126.6	20,858.5	21,760.1
Balance[2]	$ (85.4)	$ (957.4)	$ (962.8)	$ (1,186.0)

Expenditure Cap Results				
Total All Appropriated Funds		$ 20,126.6	$ 20,858.5	$ 21,760.1
Allowed Appropriations per Cap		19,657.0	20,406.5	21,150.0
Over/(Under) the Cap		$ 469.6	$ 452.0	$ 610.1
Revenues and the Expenditure Cap[2]				
Revenues - All Funds		$ 19,169.2	$ 19,895.7	$ 20,574.1
Allowed Appropriations per Cap		19,657.0	20,406.5	21,150.0
Revenues Less Allowed Approps.		$ (487.8)	$ (510.8)	$ (575.9)

(1) Revenues reflect the November 10, 2014 consensus revenue forecast.

(2) FY 2015 reflects projections prior to taking management action to mitigate any shortfall. For FY 2016 through FY 2018, note that Article 3, section 18 of the State Constitution requires a balanced budget.

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

SECTION 1

ESTIMATE OF STATE REVENUES, EXPENDITURES AND ENDING BALANCE

ASSUMPTIONS

ASSUMPTIONS USED TO DEVELOP EXPENDITURE ESTIMATES

The Estimated FY 2015 column reflects current year appropriations adjusted for recognized deficiencies noted in section 3 of this report. The Estimated FY 2016 and FY 2017 columns represent the estimated cost of continuing existing programs and services and include 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 2015-2017 biennium.
- New programs authorized by the General Assembly to begin during the FY 2015-2017 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.

The out-year (FY 2018) estimated column is based on inflating Personal Services, Workers' Compensation Claims and wage-related costs by 4.5%.

OPM's expenditure estimates assume that general inflationary increases will not be funded and that current caps on formula-based municipal aid will continue to be extended.

Other notable assumptions are listed below:

STATE COMPTROLLER - MISCELLANEOUS

- *Adjudicated Claims* - Reflects level funding.
- *Amortization of Cumulative GAAP Deficit* - Reflects the 13 year amortization of the estimated negative unassigned balance in the General Fund as of 6/30/2013, reduced by the proceeds of the October 2013 GAAP bond sale.

STATE COMPTROLLER - FRINGE BENEFITS

- *Alternate Retirement System and Employer's Social Security Tax* - Reflects wage inflation.
- *State Employee Retirement Contributions* - Reflects the FY 2016 and FY 2017 estimates of the actuarially required contributions provided by the pension actuary. FY 2018 reflects a 7.9% increase over FY 2017.
- *Judges and Compensation Commissioners Retirement* - Reflects the FY 2016 and FY 2017 estimates of the actuarially determined contributions provided by the pension actuary. FY 2018 reflects a 4.3% increase over FY 2017.
- *State Employee and Retiree Health Service Costs* - Reflects medical inflation.
- *Other Post Employment Benefits* - Reflects the estimated matching state contribution commencing FY 2018 per the 2011 SEBAC Agreement.

OFFICE OF POLICY AND MANAGEMENT

- *Tax Relief for Elderly Renters* - Reflects a 6.25% increase in caseload for the Renters' Rebate Program, which is the average growth rate for the program over the past five fiscal years.

OPM - RESERVE FOR SALARY ADJUSTMENTS

- *Reserve for Salary Adjustments* - FY 2016 reflects the estimated costs for accrual payments and the State Police and Corrections Supervisors bargaining units which will be unsettled as of June 30, 2015. FYs 2017 and 2018 reflect the estimated costs for all of the collective bargaining units which will be unsettled. FY 2018 also reflects wage inflation.

DEPARTMENT OF EMERGENCY SERVICES AND PUBLIC PROTECTION

- *Other Expenses* - Funding related to the purchase of hazardous chemical suits and gas masks are removed in FY 2018 as these are one-time purchases which occur every 10 years.

DEPARTMENT OF HOUSING

- *Other Expenses* - Removes FY 2017 funding for information technology maintenance costs which is needed once every three years.
- *Congregate Facilities Operation Costs* – Reflects annualization for new congregate units which are anticipated to open in October 2016.
- *Housing/Homeless Services* - Annualizes Rental Assistance Program vouchers for individuals transitioning from Money Follows the Person and for the continued commitment to public housing revitalization.

DEPARTMENT OF PUBLIC HEALTH

- *Immunization Services* - Reflects Personal Services inflation applied to salary component of account. Vaccine costs reflect anticipated changes in federal Centers for Disease Control and Prevention price schedule.

DEPARTMENT OF DEVELOPMENTAL SERVICES

- *Employment Opportunities and Day Services* - Reflects caseload growth and prior year annualization for age outs and for high school graduates.
- *Community Residential Services* - Reflects caseload growth and prior year annualization for community placements, including age outs, Money Follows the Person and settlement-related placements.
- *Cooperative Placements Program, Voluntary Services, and Community Residential Services* - Reflects leap year costs for per diem expenses in FY 2016.

DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES

- *Personal Services* - Reflects adjustment for wage-related inflation on the Personal Services component of funds budgeted in the Department of Social Services - DMHAS/Disproportionate Share account.
- *Managed Service System, General Assistance Managed Care, Young Adult Services, TBI Community Services, Jail Diversion, Prison Overcrowding, Home and Community Based Services* - Reflects wage-related inflation adjustments for the salary component of these accounts.
- *General Assistance Managed Care, Medicaid Adult Rehabilitation Option, Home and Community Based Services* - Reflects FY 2016 leap year costs for per diem expenses.
- *General Assistance Managed Care, Discharge and Diversion Services, Home and Community Based Services* - Reflects anticipated caseload growth and prior year annualization.

DEPARTMENT OF SOCIAL SERVICES

- *Other Expenses* - Reflects annualization of information technology projects and adjustments.
- *Medicaid, Old Age Assistance, Aid to the Blind, Aid to the Disabled* - Reflect leap year payments in FY 2016.
- *State Food Stamp Supplement, HUSKY B Program, Medicaid, Old Age Assistance, Aid to the Blind, Aid to the Disabled, Temporary Assistance to Families, Connecticut Home Care Program, and State Administered General Assistance* - Reflect anticipated caseload changes based on current trends, as well as annualization of adjustments.
- *Medicaid* - Reflects decrease in federal reimbursement under the Medicaid program for low-income adults in accordance with the Affordable Care Act (from 100% in FY 2016 to 95% in FY 2017, 94% in FY 2018, 93% in FY 2019 and 90% in FY 2020).
- *Medicaid* – Reflects anticipated costs of implementing new federal mandate requiring services for children and youth with autism spectrum disorder.

DEPARTMENT OF CHILDREN AND FAMILIES

- *Board and Care for Children - Foster & Adoption* - Reflects anticipated growth in the number of children in foster care and subsidized adoption/guardianship homes.
- *Board and Care for Children - Adoption, Foster Care, and Residential* - Board and Care for Children accounts have been adjusted in 2016 for the cost of an additional per diem payment due to leap year.

DEPARTMENT OF EDUCATION

- *Development of Mastery Exams, Longitudinal Data Systems, School Accountability, Sheff Settlement, Regional Vocational-Technical School System, Talent Development, Adult Education and Interdistrict Cooperation* - Reflects wage inflation for the Personal Services components of these accounts.

TEACHERS' RETIREMENT BOARD

- *Retirement Contributions* - Reflects the FY 2016 and FY 2017 actuarially determined contributions from the June 30, 2014 valuation. FY 2018 reflects a 4% increase over FY 2017.
- *Retirees Health Service Cost* - Reflects the state share returning to one-third of costs starting in FY 2016, and medical inflation.
- *Municipal Retiree Health Insurance Cost* - Reflects the state share returning to one-third of the subsidy starting in FY 2016. FYs 2017 and 2018 reflect level funding based on flat volume.

UNIVERSITY OF CONNECTICUT

- *Operating Expenses* - Reflects $33.7 million in FY 2016, $53.9 million in FY 2017, and $70.2 million in FY 2018 for the Next Generation initiative.

UNIVERSITY OF CONNECTICUT HEALTH CENTER

- *Operating Expenses* - Reflects $13.0 million in FY 2016, $12.5 million in FY 2017, and $11.9 million in FY 2018 for the Bioscience Connecticut initiative.

SUMMARY OF APPROPRIATED FUND PROJECTIONS

(in millions)

	FY 2015 Estimated	FY 2016 Estimated	FY 2017 Estimated	FY 2018 Estimated
GENERAL FUND				
STATEWIDE - Personal Services	$ 2,318.9	$ 2,464.6	$ 2,501.8	$ 2,617.8
DSS - Medicaid	2,309.3	2,501.5	2,597.1	2,719.3
SDE - Education Equalization Grants	2,130.6	2,144.4	2,155.7	2,155.7
OTT - Debt Service	1,507.9	1,681.0	1,795.9	1,911.4
TRB - Retirement Contributions	984.1	975.6	1,012.2	1,052.6
OSC - State Employees Retirement Contributions	970.9	1,016.2	1,035.8	1,117.6
OSC - State Employees Health Services Cost	639.3	691.5	731.3	760.6
OSC - Retired Employees Health Service Cost	568.6	686.4	751.1	781.2
STATEWIDE - Other Expenses	498.8	536.7	550.5	546.1
DDS - Community Residential Services	458.6	485.3	506.2	525.5
SDE - Magnet Schools	293.8	331.5	334.0	334.0
OSC - Employers Social Security Tax	228.8	235.8	244.2	255.2
UOC - Operating Expenses	228.3	257.9	279.1	305.6
DDS - Employment Opportunities and Day Services	223.3	233.7	244.3	248.8
SDE - Regional Vocational-Technical School System	156.7	166.8	170.9	178.0
BOR - Regional Community - Technical Colleges	155.6	163.2	164.5	171.9
BOR - Connecticut State University	155.6	163.3	163.8	171.1
SDE - Excess Cost - Student Based	139.8	139.8	139.8	139.8
OTT - UConn 2000 - Debt Service	136.8	143.4	157.1	180.1
UHC - Operating Expenses	134.9	137.3	138.0	143.1
OTT - Pension Obligation Bonds - Teachers' Retirement System	133.9	132.7	119.6	140.2
OPM - Reimb. to Towns for Loss of Taxes on Private Tax-Exempt Property	125.4	125.4	125.4	125.4
DCF - Board and Care for Children - Residential	125.4	112.3	112.4	112.4
DCF - Board and Care for Children - Foster	117.2	127.9	129.9	131.7
OEC - Child Care Services-TANF/CCDBG	116.7	118.8	120.0	120.0
DSS - DMHAS – Disproportionate Share	108.9	108.9	108.9	108.9
DSS - Temporary Assistance to Families - TANF	107.5	108.3	108.1	108.0
DCF - Board and Care for Children - Adoption	94.1	93.6	94.9	96.3
DOC - Inmate Medical Services	87.8	98.2	99.6	99.6
OPM - Reimbursement to Towns for Loss of Taxes on State Property	83.6	83.6	83.6	83.6
OEC - School Readiness	78.2	81.6	81.6	81.6
MHA - Young Adult Services	74.5	82.9	88.7	90.0
DSS - Aid to the Disabled	63.8	60.1	60.3	60.6
DOH - Housing/Homeless Services	63.7	68.8	73.9	78.9
MHA - Managed Service System	59.0	62.6	62.7	63.1
MHA - Grants for Mental Health Services	58.9	58.9	58.9	58.9
JUD - Alternative Incarceration Program	56.5	56.5	56.5	56.5
DSS - Connecticut Home Care Program	48.0	47.2	48.0	49.0
SDE - Priority School Districts	47.2	47.2	47.2	47.2
DHE - Governor's Scholarship	42.0	42.0	42.0	42.0
DOC - Community Support Services	41.3	41.4	41.4	41.4
MHA - General Assistance Managed Care	40.8	43.1	44.2	46.0
DDS - Early Intervention	39.2	39.2	39.2	39.2
DSS - Old Age Assistance	38.8	37.6	38.3	38.4
SDE - OPEN Choice Program	38.1	38.8	43.7	43.7
DCF - Community KidCare	37.7	37.7	37.7	37.7
STATEWIDE - Nonfunctional - Change to Accruals	35.8	78.8	57.3	57.3
DDS - Voluntary Services	32.7	33.0	32.9	32.9
DOL - Workforce Investment Act	31.3	31.3	31.3	31.3

SUMMARY OF APPROPRIATED FUND PROJECTIONS

(in millions)

	FY 2015 Estimated	FY 2016 Estimated	FY 2017 Estimated	FY 2018 Estimated
OPM - Reserve for Salary Adjustments	30.3	22.9	150.1	156.8
DAS - Workers' Compensation Claims	30.0	30.0	30.0	30.0
JUD - Juvenile Alternative Incarceration	28.4	28.4	28.4	28.4
OPM - Tax Relief for Elderly Renters	28.4	30.2	32.1	34.1
DSS - HUSKY B Program	28.0	34.3	36.7	37.8
DOC - Workers' Compensation Claims	26.1	26.1	26.1	26.1
SDE - Transportation of School Children	24.9	24.9	24.9	24.9
DDS - Cooperative Placements Program	24.0	24.5	24.5	24.5
BOR - Transform CSCU	23.0	23.0	23.0	23.0
PDS - Assigned Counsel - Criminal	21.8	21.9	21.9	21.9
SDE - Adult Education	21.0	21.1	21.1	21.1
SDE - Sheff Settlement	21.0	11.9	12.2	12.3
MHA - Housing Supports and Services	20.7	21.2	21.2	21.2
OPM - Property Tax Relief Elderly Circuit Breaker	20.5	20.5	20.5	20.5
MHA - Discharge and Diversion Services	20.1	24.4	27.3	29.5
OEC - Child Care Services	19.4	19.4	19.4	19.4
DSS - State Administered General Assistance	19.0	22.9	23.5	23.9
SDE - Development of Mastery Exams Grades 4, 6 and 8	18.9	19.0	19.0	19.1
DOL - Jobs First Employment Services	18.6	17.1	17.1	17.1
JUD - Youthful Offender Services	18.2	18.2	18.2	18.2
OSC - Higher Ed Alternative Retirement System	18.1	11.3	11.8	12.4
OSC - Judges and Compensation Commissioners Retirement	17.7	18.5	19.3	20.1
MHA - Grants for Substance Abuse Services	17.6	17.6	17.6	17.6
SDE - Commissioner’s Network	17.5	17.5	17.5	17.5
DAS - Rents and Moving	17.2	16.0	16.1	16.1
MHA - TBI Community Services	16.6	9.6	9.6	9.6
MHA - Home and Community Based Services	16.0	21.9	28.2	34.6
DSS - Connecticut Children's Medical Center	15.6	15.6	15.6	15.6
DCF - Grants for Psychiatric Clinics for Children	15.5	15.5	15.5	15.5
DDS - Workers' Compensation Claims	15.2	15.2	15.2	15.2
TRB - Retirees Health Service Cost	14.7	28.7	31.5	32.8
DCF - Supportive Housing	14.0	14.0	14.0	14.0
DAS - IT Services	13.7	14.7	14.9	14.9
DAS - Insurance and Risk Operations	13.3	13.7	14.0	14.0
DCF - Juvenile Justice Outreach Services	12.8	12.8	12.8	12.8
DPH - School Based Health Clinics	12.0	12.0	12.0	12.0
ECD - Statewide Marketing	12.0	12.0	12.0	12.0
MHA - Professional Services	11.8	11.8	11.8	11.8
OEC - Children's Trust Fund	11.7	11.7	11.7	11.7
OEC - Early Childhood Program	11.2	9.8	9.8	9.8
SDE - Vocational Agriculture	11.0	11.0	11.0	11.0
JUD - Probate Court	10.8	14.8	17.4	17.4
DCF - Workers' Compensation Claims	10.7	10.1	10.1	10.1
SDE - American School for the Deaf	10.7	10.7	10.7	10.7
MHA - Workers' Compensation Claims	10.6	12.0	12.0	12.0
MHA - Employment Opportunities	10.5	10.5	10.5	10.5
OSC - Amortize GAAP Deficit	-	47.6	47.6	47.6
OSC - Other Post Employment Benefits	-	-	-	129.5
STATEWIDE - All Other	540.5	530.1	526.0	528.9
GENERAL FUND - Gross	**17,630.5**	**18,663.1**	**19,315.0**	**20,144.9**

SUMMARY OF APPROPRIATED FUND PROJECTIONS

(in millions)

	FY 2015 Estimated	FY 2016 Estimated	FY 2017 Estimated	FY 2018 Estimated
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	(9.7)	(9.7)	(9.7)	(9.7)
General Lapse - Judicial	(0.3)	(0.3)	(0.3)	(0.3)
General Lapse - Legislative	(0.0)	(0.0)	(0.0)	(0.0)
Municipal Opp and Reg Efficiencies Prg	(10.0)	-	-	-
Statewide Hiring Reduction - Executive	(8.1)	(8.1)	(8.1)	(8.1)
Statewide Hiring Reduction - Judicial	(1.7)	(1.7)	(1.7)	(1.7)
Statewide Hiring Reduction - Legislative	(0.3)	(0.3)	(0.3)	(0.3)
GENERAL FUND - Net	**17,498.4**	**18,541.0**	**19,192.9**	**20,022.7**
SPECIAL TRANSPORTATION FUND - Gross	1,332.6	1,375.5	1,453.8	1,519.6
Unallocated Lapse	(11.0)	(11.0)	(11.0)	(11.0)
SPECIAL TRANSPORTATION FUND - Net	**1,321.6**	**1,364.5**	**1,442.8**	**1,508.6**
BANKING FUND	28.8	29.9	30.2	31.4
INSURANCE FUND	68.3	71.4	73.0	75.7
CONSUMER COUNSEL & PUBLIC UTILITY CONTROL FUND	25.6	26.6	26.8	27.9
WORKERS COMPENSATION FUND	26.2	27.5	27.3	28.2
MASHANTUCKET PEQUOT AND MOHEGAN FUND	61.8	61.8	61.8	61.8
REGIONAL MARKET OPERATION FUND	1.0	1.1	1.1	1.1
CRIMINAL INJURIES COMPENSATION FUND	2.8	2.8	2.8	2.8
TOTAL ALL FUNDS - NET	**$ 19,034.4**	**$ 20,126.6**	**$ 20,858.5**	**$ 21,760.1**

PROJECTED REVENUES

Consensus Revenue Forecast - November 10, 2014

(In Millions)

General Fund

Taxes	FY 2015	FY 2016	FY 2017	FY 2018
Personal Income Tax	$ 9,264.5	$ 9,748.6	$ 10,304.7	$ 10,893.7
Sales & Use Tax	4,216.2	4,220.2	4,390.1	4,557.8
Corporation Tax	734.3	627.3	669.8	639.8
Public Service Tax	295.6	300.9	309.2	317.6
Inheritance & Estate Tax	173.0	177.4	182.7	188.5
Insurance Companies Tax	256.2	237.2	239.7	243.9
Cigarettes Tax	359.4	344.3	330.4	317.3
Real Estate Conveyance Tax	186.9	194.7	200.8	207.8
Oil Companies Tax	24.8	16.3	17.3	25.6
Alcoholic Beverages Tax	60.7	61.2	61.6	61.9
Admissions & Dues Tax	38.3	38.7	40.0	40.4
Health Provider Tax	481.3	483.1	485.0	486.8
Miscellaneous Tax	65.5	20.9	21.4	21.9
Total Taxes	$ 16,156.7	$ 16,470.8	$ 17,252.7	$ 18,003.0
Less Refunds of Tax	(1,105.1)	(1,154.8)	(1,204.0)	(1,255.5)
Less Earned Income Tax Credit	(120.7)	(138.4)	(144.9)	(151.7)
Less R&D Credit Exchange	(6.8)	(7.1)	(7.4)	(7.8)
Total - Taxes Less Refunds	$ 14,924.1	$ 15,170.5	$ 15,896.4	$ 16,588.0
Other Revenue				
Transfers-Special Revenue	$ 323.1	$ 327.8	$ 337.2	$ 347.1
Indian Gaming Payments	267.5	260.7	254.3	190.8
Licenses, Permits, Fees	259.7	290.3	267.3	293.8
Sales of Commodities	43.5	44.6	45.8	47.1
Rents, Fines, Escheats	118.4	119.9	121.8	123.8
Investment Income	0.6	1.5	2.4	3.3
Miscellaneous	161.9	163.7	165.8	167.9
Less Refunds of Payments	(72.9)	(74.2)	(75.1)	(75.9)
Total - Other Revenue	$ 1,101.8	$ 1,134.3	$ 1,119.5	$ 1,097.9
Other Sources				
Federal Grants	$ 1,238.4	$ 1,267.3	$ 1,283.8	$ 1,307.4
Transfer From Tobacco Settlement	120.0	86.1	83.0	61.8
Transfers From (To) Other Funds	14.6	(212.7)	(222.7)	(222.7)
Total - Other Sources	$ 1,373.0	$ 1,140.7	$ 1,144.1	$ 1,146.5
Total - General Fund Revenues	$ 17,398.9	$ 17,445.5	$ 18,160.0	$ 18,832.4

Special Transportation Fund

Taxes	FY 2015	FY 2016	FY 2017	FY 2018
Motor Fuels Tax	$ 504.8	$ 502.8	$ 500.1	$ 497.3
Oil Companies Tax	379.1	377.3	377.3	377.3
Sales Tax - DMV	83.1	84.0	85.0	85.9
Total Taxes	$ 967.0	$ 964.1	$ 962.4	$ 960.5
Less Refunds of Taxes	(7.1)	(7.2)	(7.4)	(7.6)
Total - Taxes Less Refunds	$ 959.9	$ 956.9	$ 955.0	$ 952.9
Other Sources				
Motor Vehicle Receipts	$ 242.1	$ 243.2	$ 244.1	$ 244.9
Licenses, Permits, Fees	139.1	139.4	139.9	140.5
Interest Income	7.3	8.1	9.0	9.9
Federal Grants	12.1	12.1	12.1	12.1
Transfers From (To) Other Funds	(21.5)	146.3	156.3	156.3
Less Refunds of Payments	(3.6)	(3.7)	(3.8)	(3.9)
Total - Other Sources	$ 375.5	$ 545.4	$ 557.6	$ 559.8
Total - STF Revenues	$ 1,335.4	$ 1,502.3	$ 1,512.6	$ 1,512.7

NOTE: The above schedule reflects the November 10, 2014 consensus revenue estimates per C.G.S. 2-36c.

PROJECTED REVENUES

(In Millions)

	FY 2015	FY 2016	FY 2017	FY 2018
Mashantucket Pequot and Mohegan Fund Revenues	$ 61.8	$ 61.8	$ 61.8	$ 61.8
Regional Market Operating Fund Revenues	$ 1.1	$ 1.1	$ 1.1	$ 1.2
Banking Fund Revenues	$ 28.8	$ 29.9	$ 30.3	$ 31.4
Insurance Fund Revenues	$ 68.4	$ 71.5	$ 73.0	$ 75.7
Consumer Counsel & Public Utility Control Revenues	$ 25.6	$ 26.7	$ 26.8	$ 27.9
Workers' Compensation Fund Revenues	$ 26.2	$ 27.6	$ 27.3	$ 28.2
Criminal Injuries Fund Revenues	$ 2.8	$ 2.8	$ 2.8	$ 2.8
Total - Other Funds	$ 214.7	$ 221.4	$ 223.1	$ 229.0
All Appropriated Funds Revenues	$ 18,949.0	$ 19,169.2	$ 19,895.7	$ 20,574.1

ASSUMPTIONS USED TO DEVELOP REVENUE ESTIMATES

	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017	Fiscal 2018
UNITED STATES					
Gross Domestic Product	4.0%	4.3%	4.4%	5.0%	4.7%
Real Gross Domestic Product	2.5%	2.5%	2.4%	3.1%	2.8%
G.D.P. Deflator	1.5%	1.8%	1.9%	1.8%	1.9%
Unemployment Rate	6.8%	5.8%	5.6%	5.4%	5.3%
New Vehicle Sales (M)	15.9	16.6	16.9	17.2	17.3
Consumer Price Index	1.6%	1.2%	1.3%	1.8%	2.3%
CONNECTICUT					
Personal Income	1.4%	4.0%	3.9%	5.1%	5.2%
Nonagricultural Employment	0.8%	0.9%	1.0%	0.9%	0.6%
Housing Starts (T)	4.8	5.9	6.4	7.5	8.2
Unemployment Rate	7.3%	6.3%	5.9%	5.6%	5.3%

(M) denotes millions
(T) denotes thousands

ECONOMIC GROWTH RATES FOR PROJECTED TAX REVENUES

(As Estimated by OPM Based Upon the November 10, 2014 Consensus Revenue Forecast)
(Percent Change)

General Fund

Taxes	2014	2015	2016	2017	2018
Personal Income Tax [1]	3.9, -6.6	4.4, 15.0	5.0, 6.0	5.5, 6.0	5.6, 6.0
Sales & Use Tax	1.9	4.3	4.0	4.0	3.8
Corporation Tax	-1.3	-1.0	2.3	3.8	2.3
Public Service Tax	9.5	-0.4	3.3	2.7	2.6
Inheritance & Estate Tax	-61.8	2.9	2.5	3.0	3.2
Insurance Companies Tax	-5.3	6.1	1.6	1.1	1.8
Cigarettes Tax	-5.8	-4.6	-4.2	-4.0	-4.0
Real Estate Conveyance Tax	17.6	3.5	4.2	3.1	3.5
Oil Companies Tax	-0.8	-3.0	-2.6	0.3	2.1
Alcoholic Beverages Tax	0.5	0.0	0.8	0.7	0.7
Admissions & Dues Tax	8.2	-3.6	1.0	3.4	1.0
Health Provider	-4.3	0.2	0.4	0.4	0.4

Special Transportation Fund

Taxes	2014	2015	2016	2017	2018
Motor Fuels Tax	-0.8	-0.5	-0.4	-0.5	-0.6
Sales Tax - DMV	4.1	1.1	1.1	1.2	1.1

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

SECTION 2

PROJECTED TAX CREDITS

PROJECTED TAX CREDITS

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 Department of Revenue Services which then must still capture information from the return.

In calculating the expected amount of credits to be claimed, OPM examined the most recent relevant years available (income years 2009 to 2011 for business credits and income year 2012 for personal income tax credits). An average value was derived over that time period which then became the base for fiscal year 2014. For fiscal year 2015 and forward, the dollar value of credits claimed was grown by appropriate growth rates.

Projected Total Amounts of Tax Credits Claimed

(In Thousands)

	Fiscal Year 2014 Est.	Fiscal Year 2015 Proj.	Fiscal Year 2016 Proj.	Fiscal Year 2017 Proj.	Fiscal Year 2018 Proj.
Personal Income Tax Credits					
Property Tax	$ 215,000	$ 219,000	$ 223,000	$ 227,000	$ 232,000
Job Tax Credits	5,000	5,000	-	-	-
Earned Income Tax Credit	104,500	120,700	138,400	144,900	151,700
Connecticut Higher Education Trust (CHET)	7,500	7,500	7,500	7,500	7,500
Angel Investor	3,000	3,000	3,000	-	-
Total Personal Income Tax	$ 335,000	$ 355,200	$ 371,900	$ 379,400	$ 391,200
Business Tax Credits					
Fixed Capital	75,000	75,000	75,000	75,000	75,000
Film Industry Production(1)	27,000	27,800	46,500	47,900	49,300
Film Industry Digital Animation(1)	15,000	15,000	15,000	15,000	15,000
Film Industry Infrastructure(1)	5,000	5,200	5,400	5,600	5,800
Electronic Data Processing(1)	26,000	26,800	27,600	28,400	29,300
Research and Experimental Expenditures	15,000	15,500	16,000	16,500	17,000
Research and Development Expenditures	5,000	5,200	25,400	25,600	25,800
Urban and Industrial Reinvestment	42,000	42,800	43,700	44,600	45,500
Housing Program Contribution(1)	10,000	10,000	10,000	10,000	10,000
Job Tax Credits	7,500	7,500	-	-	-
Historic Rehabilitation(1)	3,000	3,000	3,000	3,000	3,000
Human Capital	3,500	3,500	3,500	3,500	3,500
Machinery and Equipment	1,500	1,500	1,500	1,500	1,500
All Other Credits(1)	11,000	11,000	11,000	11,000	11,000
Total Business Tax Credits	$ 246,500	$ 249,800	$ 283,600	$ 287,600	$ 291,700
Total Projected Amount Claimed	$ 581,500	$ 605,000	$ 655,500	$ 667,000	$ 682,900

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

SECTION 3

SUMMARY OF ESTIMATED DEFICIENCIES

SUMMARY OF ESTIMATED DEFICIENCIES

(REASONS FOR DEFICIENCIES AND BASIS OF ASSUMPTIONS)

DEFICIENCIES

The Office of Policy and Management is projecting a potential $99.5 million General Fund deficit for Fiscal Year 2015, prior to management actions to address the shortfall. (As of the writing of this report, agencies have been directed to reduce expenditures and curtail hiring, and allotment rescissions are under development by OPM.) Of this amount, $59.1 million is the result of revisions encompassed in the November 10, 2014 consensus revenue forecast, and the remainder is due to agency deficiencies described below.

- <u>Department of Social Services</u>. A net Medicaid shortfall of $30.0 million is projected due to several factors including continued enrollment growth, difficulties in achieving the full savings levels incorporated in the budget, additional hospital cost settlements, and revisions to the federal cost share for a small percentage of clients who will fall under 50 percent Medicaid reimbursement as opposed to the originally projected 100 percent reimbursement category.
- <u>Department of Emergency Services and Public Protection</u>. A $4.0 million Personal Services deficiency is projected. The revised budget for FY 2015 reduced funding in this account "to reflect the implementation of overtime savings initiatives in the Division of State Police." Overtime savings of this magnitude are unlikely to be realized.
- <u>Public Defenders Services Commission</u>. A total shortfall of $4.7 million is projected in this agency. Of this, $3.8 million is in the Assigned Counsel – Criminal account due to an increased number of habeas corpus petitions following passage of P.A. 12-115, which places time limitations on filing such petitions. The Expert Witnesses account will have a projected $0.9 million shortfall due both to P.A. 12-115 as well as a Connecticut Supreme Court decision requiring the agency to pay for reasonably necessary expert witnesses when requested by pro se indigent defendants in criminal cases.
- <u>Comptroller – Miscellaneous</u>. A $2.0 million deficiency is anticipated in the Adjudicated Claims account. This account is fully expended as of November, and based on historical patterns is likely to require $2.0 million to pay additional claims through the remainder of the year.

WATCH AREAS

In addition to the above, in the General Fund OPM is monitoring Personal Services and Other Expenses costs in the Department of Correction, and retiree health care costs in the fringe benefits accounts managed by the Office of the State Comptroller, which are trending above budgeted levels. In the Special Transportation Fund, costs related to operation of Metro North have the potential to exceed budgeted amounts in the Department of Transportation.

Additionally, the continuing resolution (CR) funding federal government operations will expire on December 11, 2014, and it is uncertain whether and when Congress will pass and the President will sign FFY 2015 appropriations or another CR to keep the federal government funded and avoid a federal government shutdown. This uncertainty regarding the federal budget impacts state budget planning both in the current fiscal year as well as into state fiscal year 2016.

Finally, one-half of anticipated reimbursement for services provided to the Medicaid expansion population for the January-March 2014 quarter has been deferred by the federal government pending resolution of a satisfactory Medicaid State Plan Amendment addressing the reimbursement methodology. The Office of Policy and Management and the Department of Social Services are actively and diligently working with the federal government to resolve this issue as quickly as possible.

SECTION 4

BUDGET RESERVE FUND

HISTORY OF BUDGET RESERVE FUND

(In Millions)

Fiscal Year	Deposits / (Withdrawals)		Balance	Following Year G. F. Net Appropriation		% of Net General Fund Appropriation
1983-84	$165.2		$165.2	$3,624.6		4.6
1984-85	33.4		198.6	3,709.2		5.4
1985-86	16.2		214.8	3,972.3		5.4
1986-87	104.8		319.6	4,339.4		7.4
1987-88	(115.6)		204.0	4,966.6		4.1
1988-89	(101.7)		102.3	5,594.4		1.8
1989-90	(102.3)		0.0	6,372.6		0.0
1990-91	0.0		0.0	6,981.8		0.0
1991-92	0.0		0.0	7,317.7		0.0
1992-93	0.0		0.0	8,589.6		0.0
1993-94	0.0		0.0	8,571.2		0.0
1994-95	80.5		80.5	8,836.8		0.9
1995-96	160.5		241.0	9,049.4		2.7
1996-97	95.9		336.9	9,342.2		3.6
1997-98	161.7		498.6	9,972.0		5.0
1998-99	30.5		529.1	10,581.6		5.0
1999-2000	34.9		564.0	11,280.8		5.0
2000-01	30.7		594.7	11,894.0		5.0
2001-02	(594.7)		0.0	12,387.8		0.0
2002-03	0.0		0.0	12,452.0		0.0
2003-04	302.2		302.2	13,336.2		2.3
2004-05	363.9		666.0	14,131.7		4.7
2005-06	446.5		1,112.5	14,837.2		7.5
2006-07	269.2		1,381.7	16,314.9		8.5
2007-08	0.0		1,381.7	17,101.8		8.1
2008-09	0.0	(a)	1,381.7	17,370.3		8.0
2009-10	(1,278.5)	(b)	103.2	17,667.2		0.6
2010-11	(103.2)	(b)	0.0	18,707.7		0.0
2011-12	93.5	(c)	93.5	19,140.1		0.5
2012-13	177.2		270.7	17,188.7	(d)	1.6
2013-14	248.5		519.2	17,457.7	(d)	3.0

Note:

(a) Per PA 09-2 of the June Special Session, a deficit of $947.6 million was funded by issuing Economic Recovery Notes.

(b) Per Section 17 of PA 10-3 of the September Special Session, transfer $1,278.5 million in FY 2010 and $103.2 million in FY 2011 to the resources of the General Fund.

(c) Per section 28 of PA 12-104 and Comptroller reclassification, deposit of $236.9 million was made, of which $143.6 million was withdrawn to mitigate the FY 2012 deficit.

(d) Per PA 13-184, net fund Medicaid.

Disposition of Future Surpluses

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

	Legislative Reference
FY 2013	
Any Surplus shall be used to:	
1. Up to $220.8 million for use in FY 2014 and FY 2015	PA 13-184, sec. 58
2. Budget Reserve Fund	C.G.S. 4-30a
FY 2014 and Beyond	
Any Surplus shall be used to:	
1. Budget Reserve Fund	C.G.S. 4-30a

Note: Section 135 of PA 13-239 repealed the diversion of surplus for ERN retirement and GAAP amortization and instead directed any future surplus to the Budget Reserve Fund.

SECTION 5

PROJECTED BOND AUTHORIZATIONS, ALLOCATIONS AND ISSUANCES

FIVE YEAR BOND PROJECTIONS

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Bond Authorizations					
General Obligation Bonds	$ 2,369,878,034	$ 1,600,000,000	$ 1,600,000,000	$ 1,600,000,000	$ 1,600,000,000
Special Tax Obligation Bonds	606,380,000	650,000,000	650,000,000	650,000,000	650,000,000
Clean Water Fund Revenue Bonds	331,970,000	300,000,000	300,000,000	300,000,000	300,000,000
Bioscience Collaboration Program	19,669,000	21,425,000	21,108,000	15,820,000	12,525,000
Bioscience Innovation Fund	15,000,000	15,000,000	25,000,000	25,000,000	25,000,000
UCONN 21st Century	315,500,000	312,100,000	266,400,000	269,500,000	251,000,000
CSUS 2020	175,000,000	118,500,000	95,000,000	95,000,000	95,000,000
Total Bond Authorizations	**$ 3,833,397,034**	**$ 3,017,025,000**	**$ 2,957,508,000**	**$ 2,955,320,000**	**$ 2,933,525,000**
Bond Allocations					
General Obligation Bonds					
School Construction Program	$ 600,000,000	$ 600,000,000	$ 600,000,000	$ 600,000,000	$ 600,000,000
Urban Action Grants	100,000,000	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	125,000,000	125,000,000	100,000,000	100,000,000	100,000,000
Clean Water Grants	150,000,000	150,000,000	100,000,000	100,000,000	100,000,000
Manufacturing Assistance Act	125,000,000	100,000,000	100,000,000	100,000,000	100,000,000
Small Business Express Program	60,000,000	50,000,000	50,000,000	-	-
Local Capital Improvement Program	30,000,000	30,000,000	30,000,000	30,000,000	30,000,000
Grants to Municipalities using TAR Purposes	56,429,907	-	-	-	-
Town Aid Road Grants	60,000,000	30,000,000	30,000,000	30,000,000	30,000,000
Board of Regents - Community College System	97,300,000	69,188,000	104,000,000	67,500,000	50,000,000
Board of Regents - CSCU2020	175,000,000	118,500,000	95,000,000	95,000,000	95,000,000
UConn Technology Park Development	131,500,000	-	-	-	-
Bioscience Collaboration Program	19,669,000	21,425,000	21,108,000	15,820,000	12,525,000
Bioscience Innovation Fund	15,000,000	15,000,000	25,000,000	25,000,000	25,000,000
Connecticut Innovations Recapitalization	50,000,000	25,000,000	25,000,000	-	-
All other GO projects/programs	250,000,000	250,000,000	250,000,000	250,000,000	250,000,000
UCONN Next Generation	315,500,000	312,100,000	266,400,000	269,500,000	251,000,000
Total General Obligation Bonds	$ 2,380,398,907	$ 1,991,213,000	$ 1,891,508,000	$ 1,777,820,000	$ 1,738,525,000
Special Tax Obligation Bonds	725,000,000	650,000,000	650,000,000	650,000,000	650,000,000
Clean Water Fund Revenue Bonds	250,000,000	-	250,000,000	-	250,000,000
Total Bond Allocations	**$ 3,355,398,907**	**$ 2,641,213,000**	**$ 2,791,508,000**	**$ 2,427,820,000**	**$ 2,638,525,000**

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Bond Issuance					
General Obligation Bonds	$ 1,500,000,000	$ 1,600,000,000	$ 1,600,000,000	$ 1,600,000,000	$ 1,600,000,000
Special Tax Obligation Bonds	600,000,000	600,000,000	600,000,000	600,000,000	600,000,000
Clean Water Revenue Bonds	250,000,000	-	250,000,000	-	250,000,000
UCONN Next Generation	250,000,000	200,000,000	250,000,000	250,000,000	250,000,000
Total Bond Issuance	**$ 2,600,000,000**	**$ 2,400,000,000**	**$ 2,700,000,000**	**$ 2,450,000,000**	**$ 2,700,000,000**
Debt Service					
General Fund	$ 1,784,182,936	$ 1,962,570,413	$ 2,078,088,166	$ 2,237,297,894	$ 2,157,890,317
Transportation Fund	476,884,116	495,853,771	536,791,037	578,944,052	614,377,170
Total Debt Service	**$ 2,261,067,052**	**$ 2,458,424,184**	**$ 2,614,879,203**	**$ 2,816,241,946**	**$ 2,772,267,487**
Debt Service as a Percentage of Budget					
GO Debt Service as Percentage of General Fund	10.2%	10.6%	10.8%	11.2%	10.5%
Total Debt Service as a Perecentage of Budget	12.0%	12.4%	12.7%	13.1%	12.5%

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 Next Generation authorizations in accordance with C.G.S. Section 10a-109g as amended.
CSCU2020 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.
Bioscience Innovation Fund authorizations in accordance with P.A. 13-239.

Bond Allocations

The projected bond allocations in no way represent a commitment to fund any of these programs or projects.

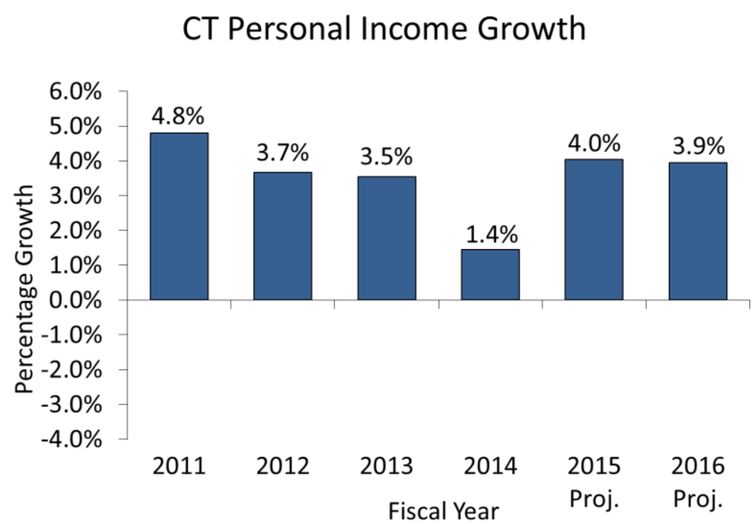
Debt Service as a Percentage of the Budget

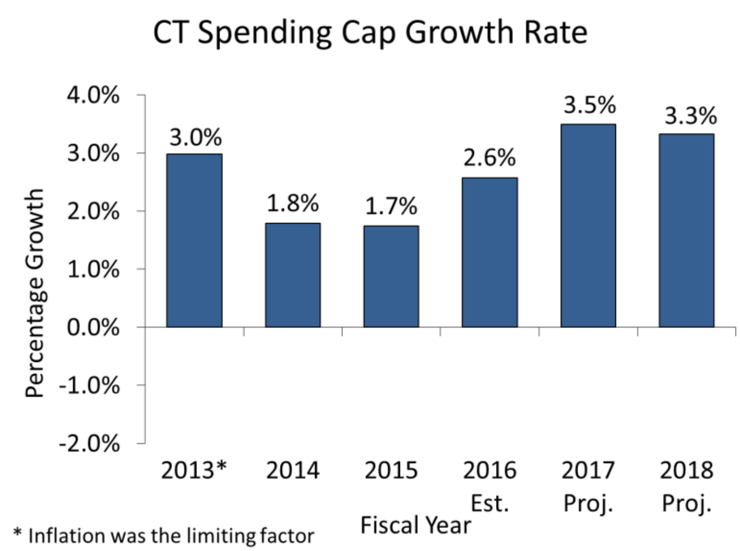
Reflects the net budgeting approach to Medicaid expenditures.

SECTION 6

REVENUE AND EXPENDITURE TRENDS, MAJOR COST DRIVERS

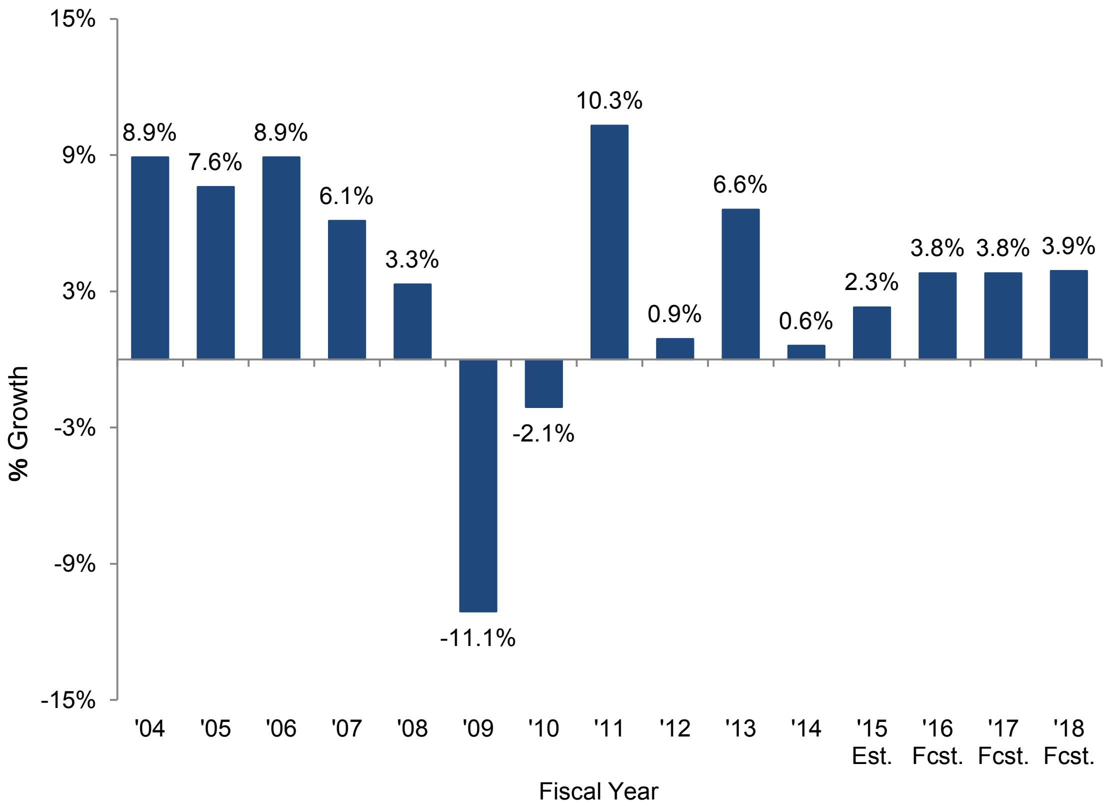
EXPENDITURE CAP





- The FY 2015 Revised Midterm Budget is $26.0 million below the cap.
- Revenues, not the expenditure cap, have been the limiting factor on expenditures in recent years.
- Average personal income growth over a five year period serves as the cap's proxy for the economy's ability to pay for government services.
- The most recent recession has resulted in the lowest allowable expenditure cap growth rates since its inception.
- Because the economic expansion is forecasted to continue and recession years will no longer be included in moving average, allowable growth is projected to grow in future years.

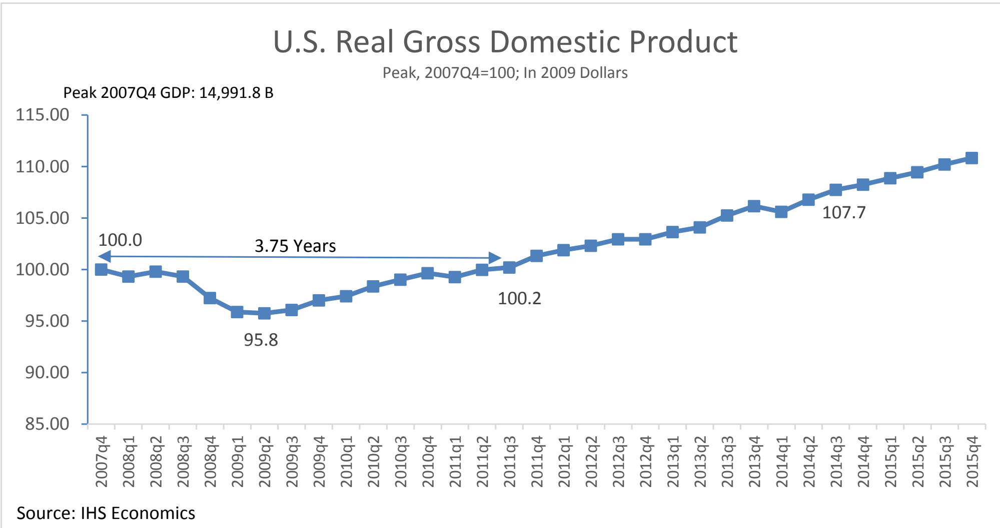
GENERAL FUND ECONOMIC GROWTH RATES



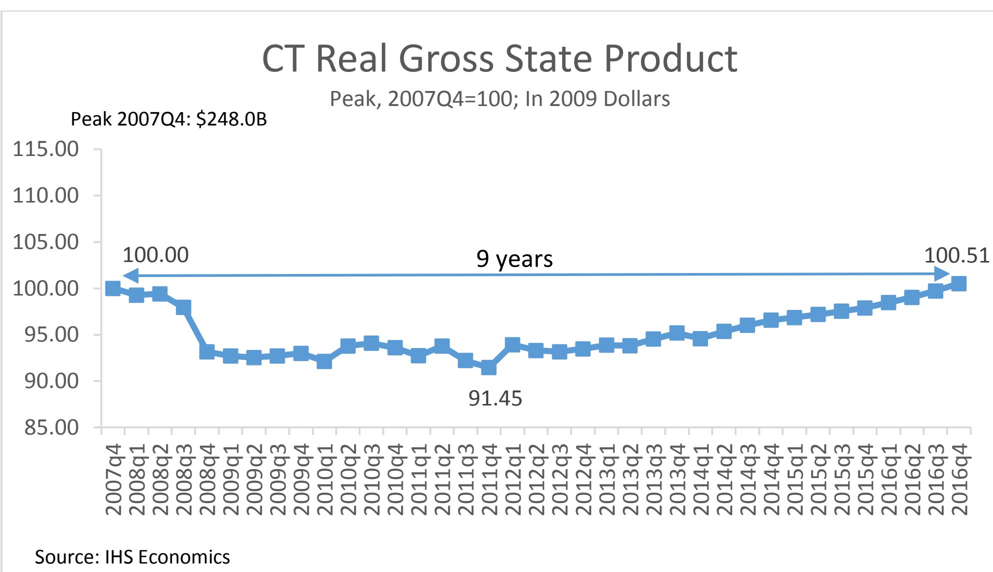
- The onset of the recession led to two years of decline in FY 2009 and FY 2010.
- Federal stimulus, rebounding equity markets, and the expectation that the Bush-era tax cuts were going to expire at the end of 2010 led to a 10.3% jump in FY 2011 followed by an anemic 0.9% increase in FY 2012.
- Similar to the pattern exhibited in FY 2011 and FY 2012, the partial expiration of the Bush tax cuts at the end of 2012 led to a 6.6% increase in FY 2013 followed by a weakened 0.6% growth in FY 2014.
- In the out-years, the latest consensus revenue forecast anticipates a weaker recovery than was exhibited after the 2002 recession.

THE ECONOMIC RECOVERY

CONNECTICUT'S SLOW ECONOMIC REBOUND AND LOWER ECONOMIC PROJECTIONS



- From peak to trough, U.S. economic output fell by 4.2%.
- It took 3.75 years for the U.S. economy to regain its pre-recession level of output.
- The average post-WWII recovery period is 1.2 years.
- As of September 2014, U.S. GDP was 7.7% above its 2007 peak on a real basis.

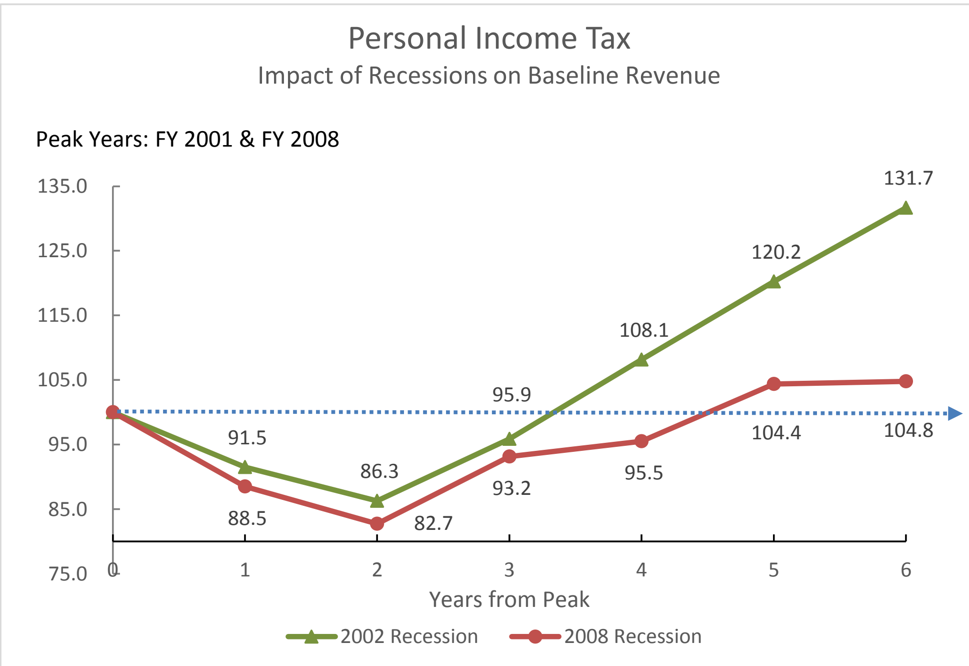


- From peak to trough, Connecticut economic output fell by 8.6%.

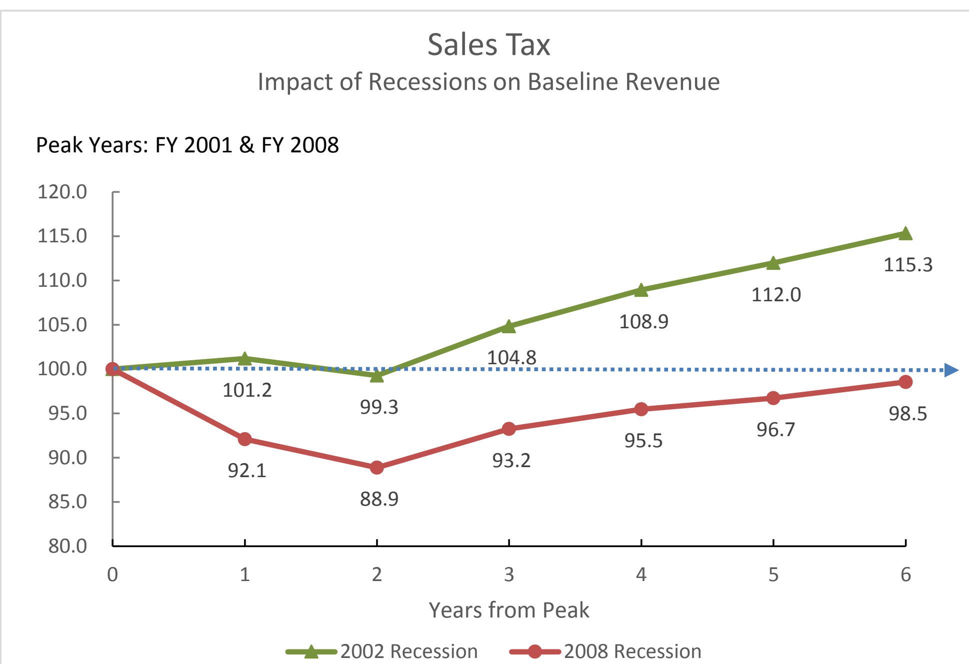
- It will take an estimated 9 years for the Connecticut economy to regain its pre-recession level of output on a real basis.

THE ECONOMIC RECOVERY

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.



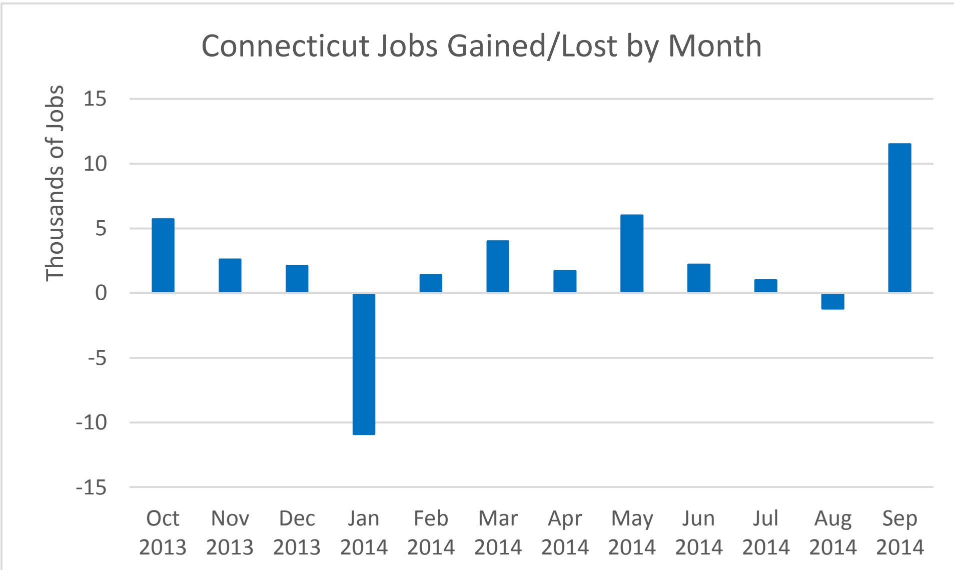
- Income tax revenues have exceeded their pre-recession peak for the last two fiscal years.
- Removing the impact of tax changes, revenue is 4.8% above pre-recession levels.
- If this recovery had been similar to the 2003 recovery, income tax revenue would have been $2.0 billion higher in FY 2014.



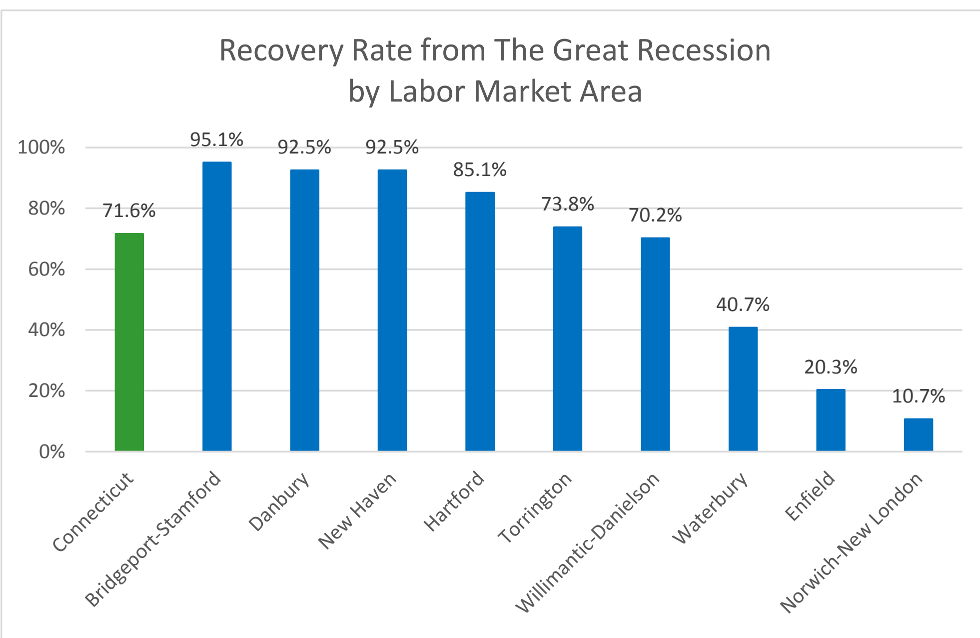
- Unlike the income tax, the state's sales tax is down 1.5% from FY 2008 levels.
- Had the sales tax recovered at the same pace as in 2003, revenues would have been $601 million higher in FY 2014.

UNEVEN EMPLOYMENT RECOVERY

VARIANCES BY MONTH AND BETWEEN REGIONS AND SECTORS



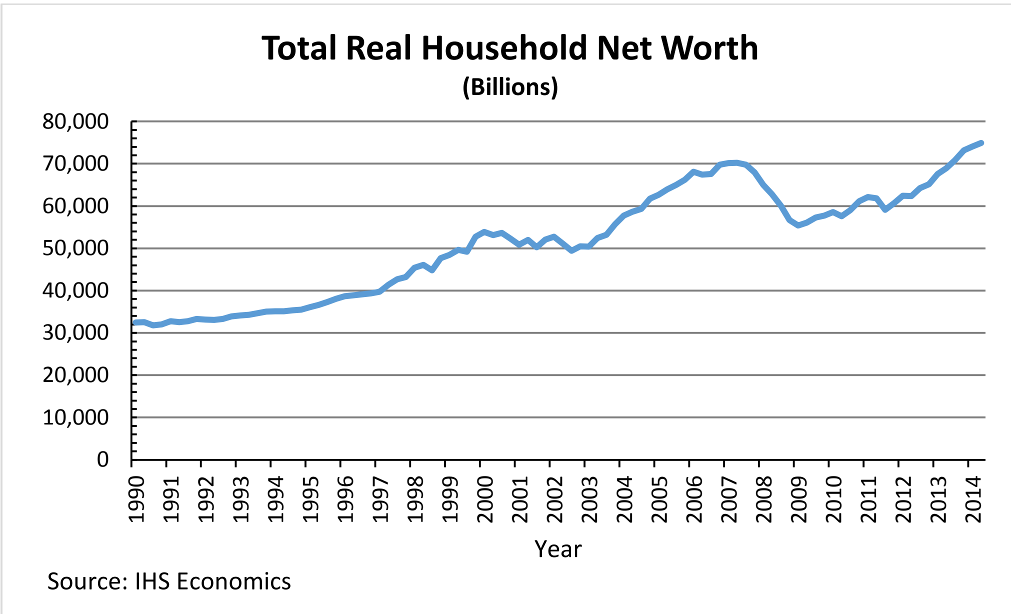
- Connecticut has gained 13,400 jobs on average per fiscal year since Fiscal Year 2011.
- The Education and Health Services sector, as well as Leisure and Hospitality, are the only sectors above their pre-recession peak.
- The Government, Financial Activities, and Manufacturing sectors continue to lose employment.



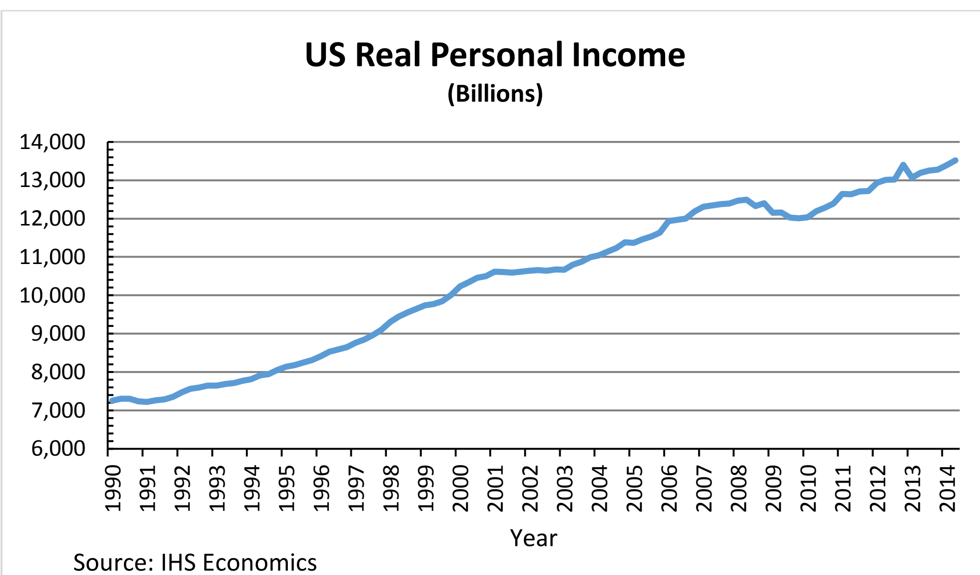
- The recovery rate, or percent of jobs lost during the recession that have been gained back, varies by region.
- Connecticut's major population centers have experienced the strongest employment recovery.
- Some of Connecticut's Labor Market Areas entered the recession as early as 2005 and 2006.

THE ECONOMIC RECOVERY

IMPROVED HOUSEHOLD NET WORTH AND PERSONAL INCOME



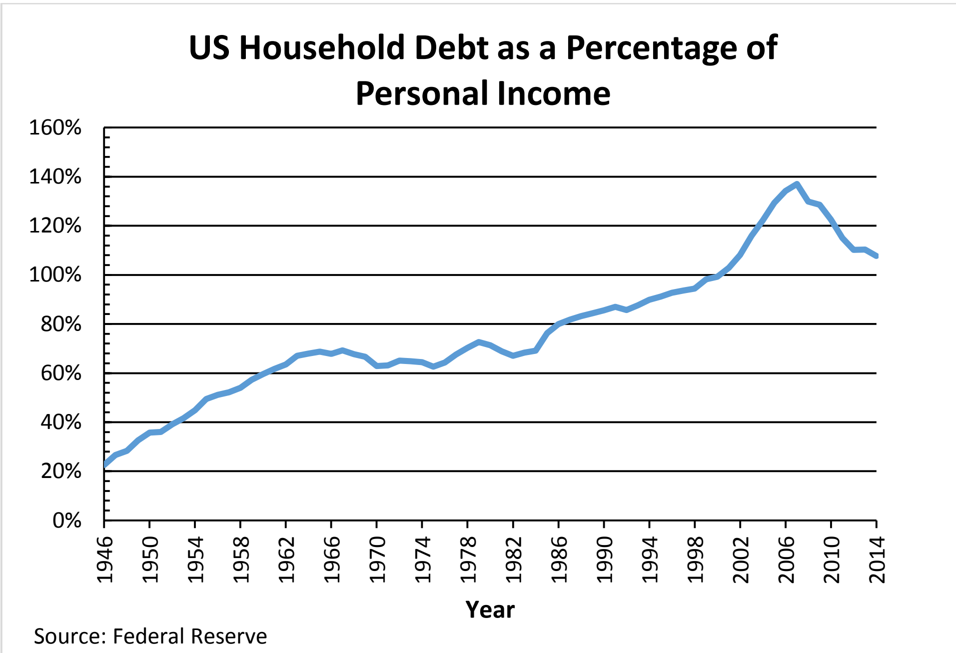
- In 2013 Q3, household net worth for all Americans passed the pre-recession peak of $70,191 billion set in 2007 Q2.
- As of 2014 Q2, US household net worth reached $74,914 billion, 6.7% higher than the 2007 Q2 pre-recession peak.
- The financial crisis wiped-out total household net worth by 21% from peak to trough.



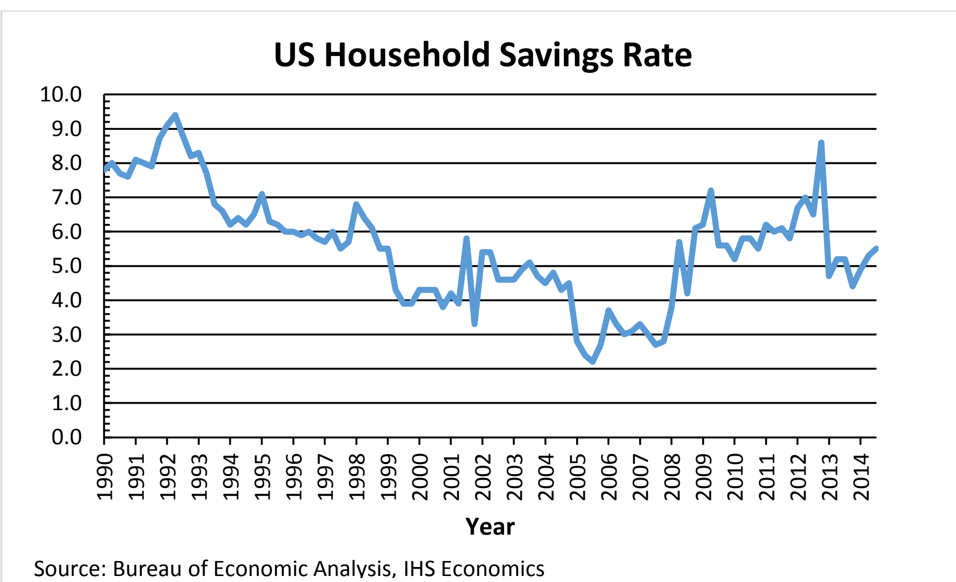
- From its peak in 2008 Q2, U.S. real personal income declined $477 billion, or 3.8% by 2010 Q1.
- From its peak in 2008 Q2, to 2014 Q2, there has been a 8.2% growth in U.S. real personal income, or 1.6% annually.

THE ECONOMIC RECOVERY

PAYING FOR PAST DEBT AND SAVING FOR THE FUTURE



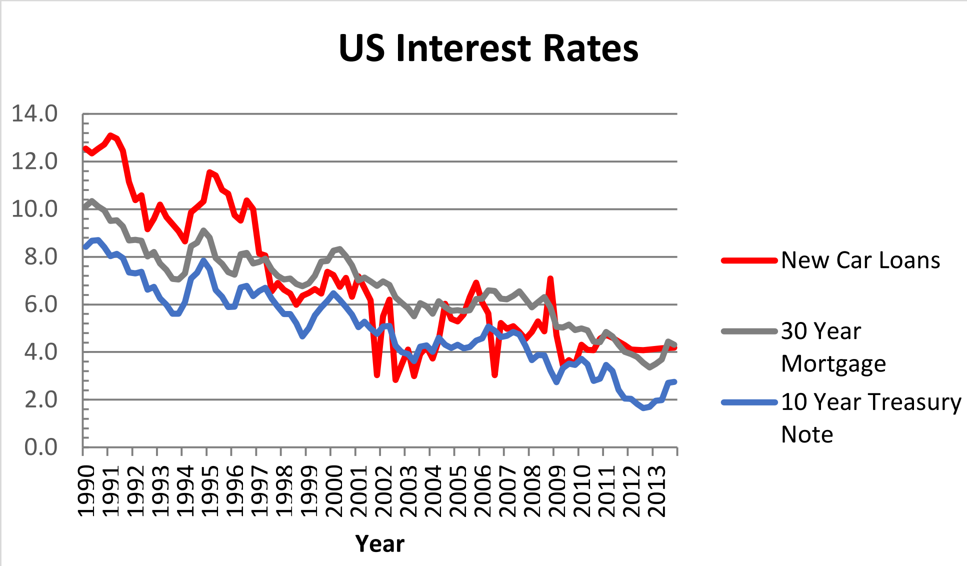
- In 2007, U.S. household debt peaked at 137% of personal income.
- U.S households have been slowly paying off this debt, decreasing to 107% in 2014 Q2.
- Debt remains at an elevated level compared to the 1960s & 1970s.
- Repayment for past consumption is acting as a drag on current consumption.
- At the current pace it will take approximately 13 years to reach the 1952-1990 average of 65%.



- The average U.S. household savings rate was 3.4% between 2004-2006.
- From 2007 on, it has averaged 5.4%.
- Although necessary, this diverts consumption away from current resources.
- The increase in household savings, which includes debt repayment, is equivalent to 1.5% annually of U.S. GDP since CY 2007.

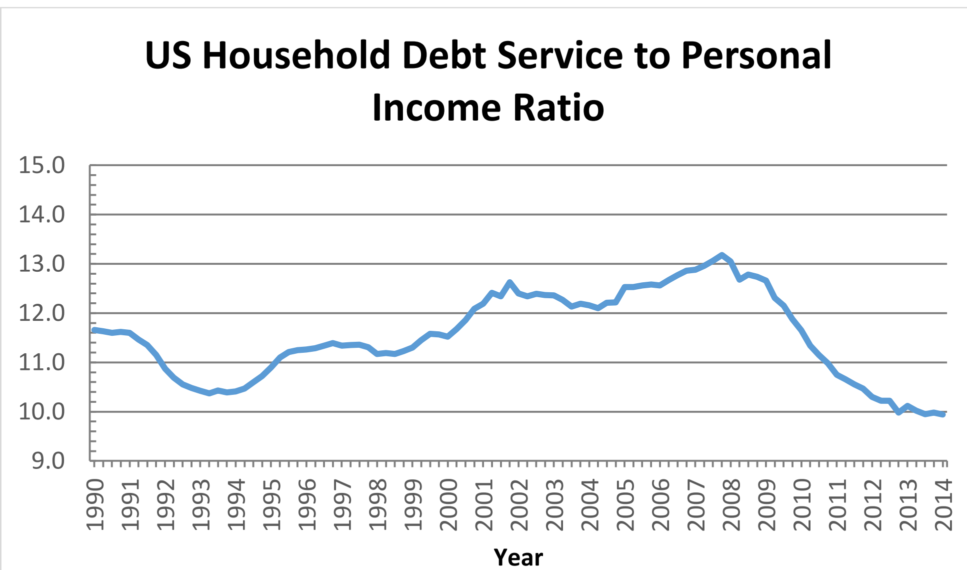
THE ECONOMIC RECOVERY

INTEREST RATES ARE AT HISTORIC LOWS



Source: US Board of Governors of the Federal Reserve System, Freddie Mac

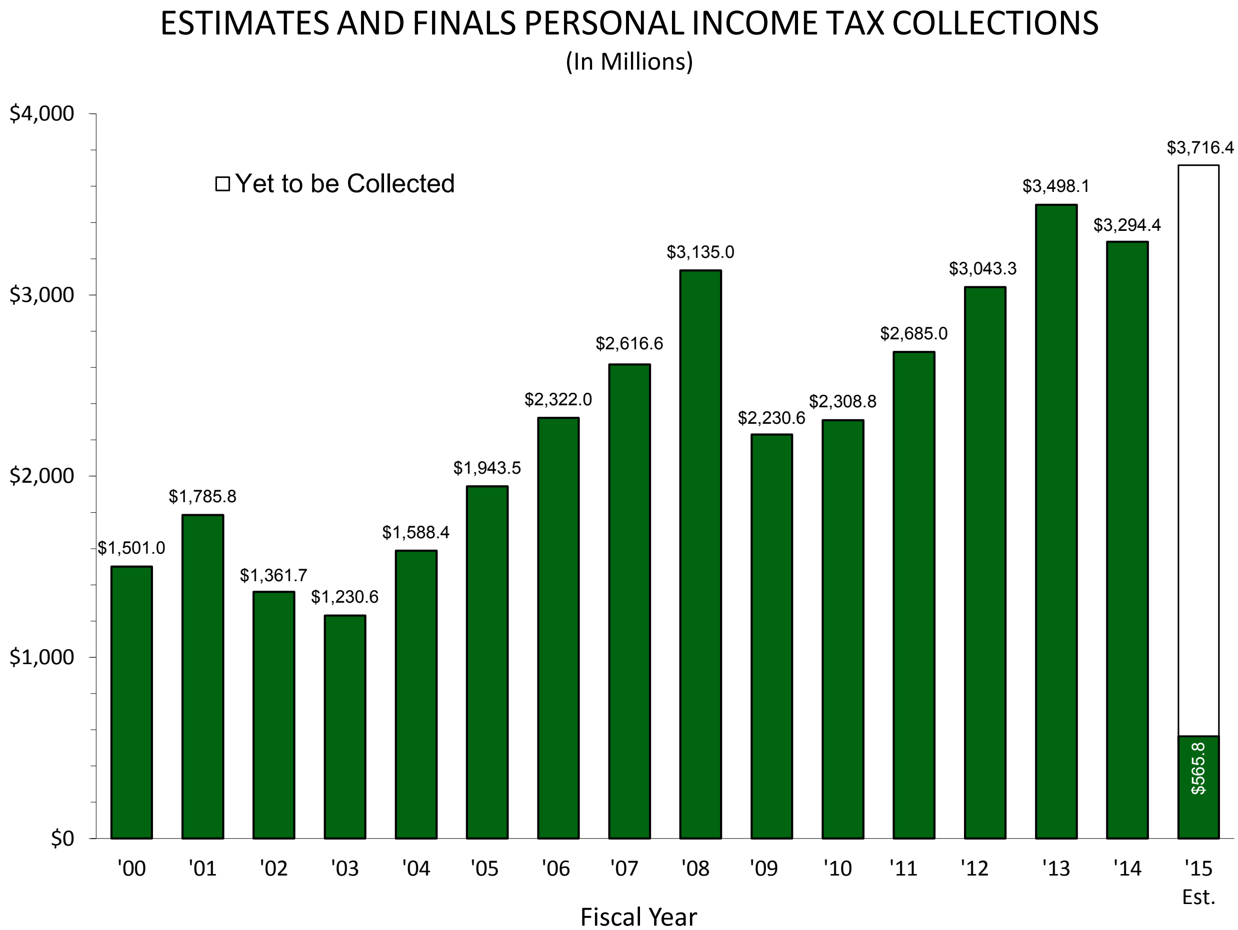
- Interest rates have fallen substantially over the past two decades.
- In a normal economic environment, this would increase consumption.
- The financial crisis damaged the asset side of consumers' balance sheets resulting in consumers favoring debt reduction to increased consumption, despite a favorable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



Source: US 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 allowing consumers to address their debt levels.

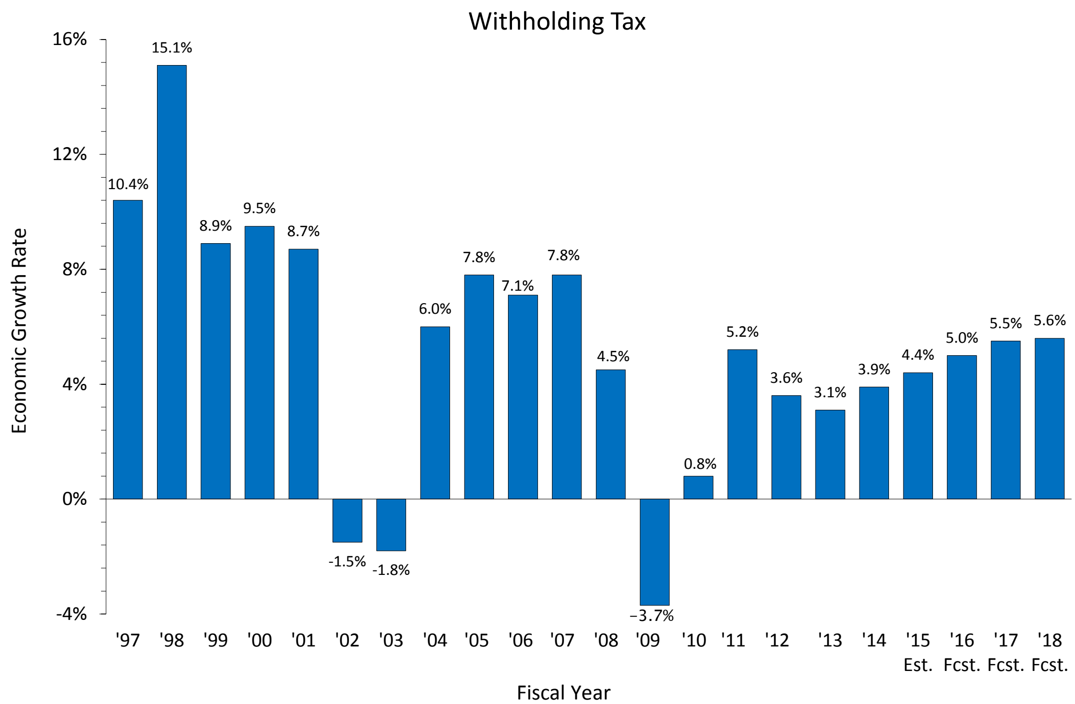
PERSONAL INCOME TAX



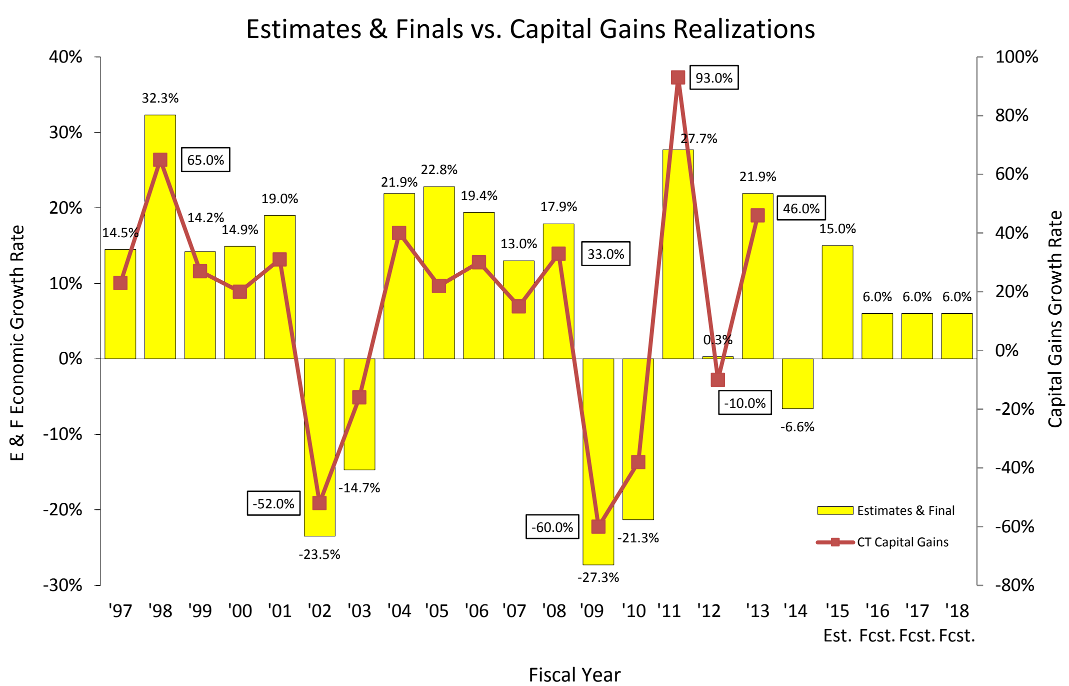
- The estimates and finals component of the income tax typically represents one-third of total income tax collections. It has been extremely volatile over the years.
- In FY 2002, estimates and finals fell by $424.1 million. In FY 2003, estimates and finals fell by an additional $131.1 million for a total of $555.2 million, or 31% from the 2001 peak.
- In FY 2009 alone, estimates and finals fell by $904.4 million. Excluding the impact of the tax increase on millionaires, estimates and finals fell an additional $475.4 million in FY 2010, for a total two-year decline 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.
- The 14.9% growth in FY 2013 followed by a decline of 5.8% in FY 14 was due to tax planning strategies as federal income tax rates were increased on January 1, 2013.

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 A VOLATILE REVENUE SOURCE

(In Millions)

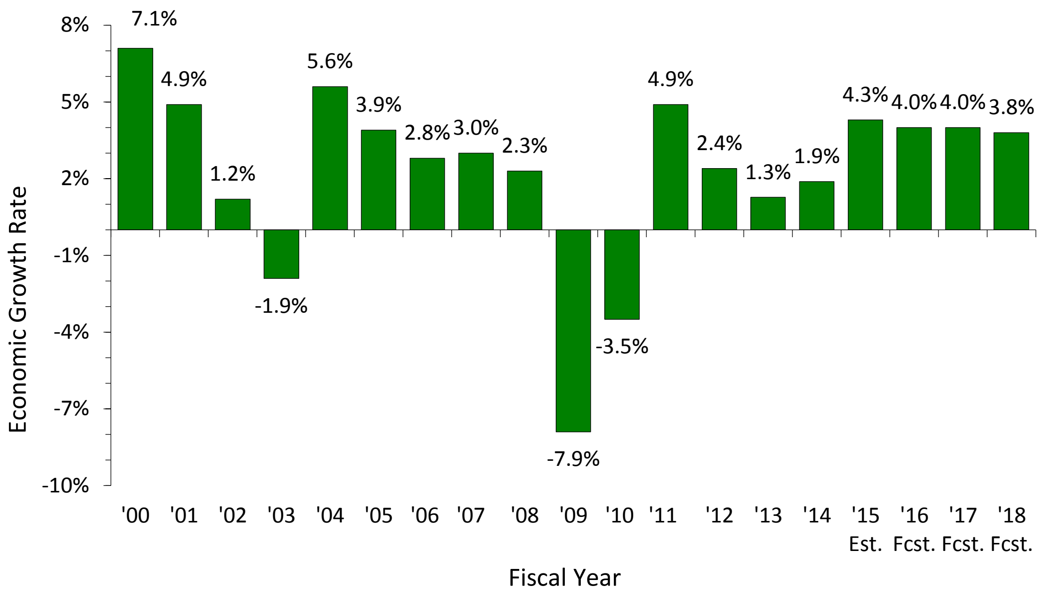
Income Year	Conn. Capital Gains	Percent Change	S&P 500 Percent Change	
1994	$2,547	-16%	-2%	
1995	$3,832	50%	34%	
1996	$4,732	23%	20%	
1997	$7,787	65%	31%	
1998	$9,867	27%	27%	
1999	$11,800	20%	20%	
2000	$15,435	31%	-10%	
2001	$7,391	-52%	-13%	
2002	$6,231	-16%	-23%	
2003	$8,723	40%	26%	
2004	$10,626	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	$8,977	-10%	0%	
2012	$13,142	46%	12%	
2013	Data not yet available		30%	
2014	Data not yet available		10%	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, capital gains can represent just 4% of total adjusted gross income.
- Unfortunately, a record high year can be immediately followed by a record low year, creating extreme volatility in state finances.
- In 2009, during the "Great Recession," capital gains revenues were less than 25% of the 2007 record high.
- Changes in federal tax policy have also created volatility.

Sources: Department of Revenue Services and Internal Revenue Service various years
YTD through 11/06/2014

SALES TAX TRENDS

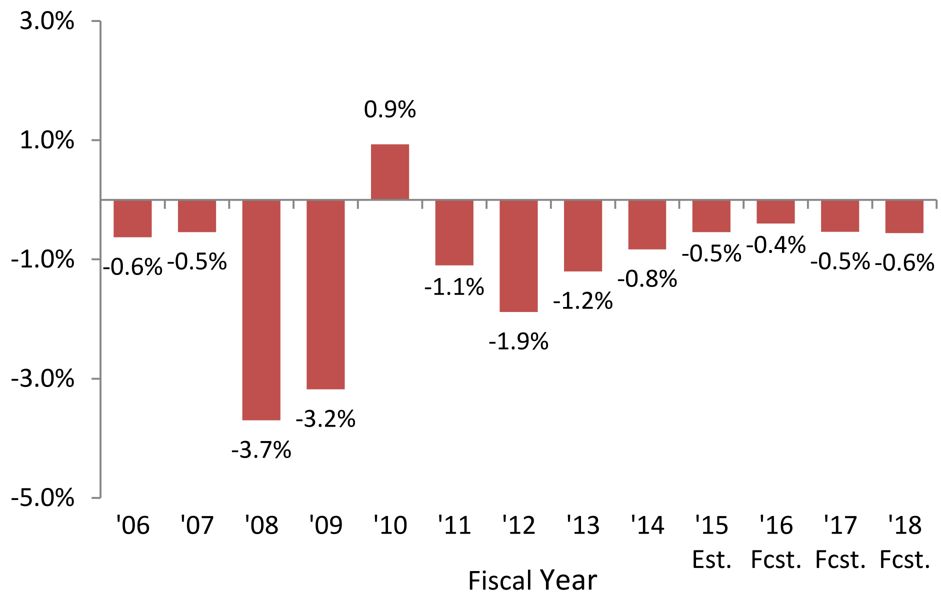
ECONOMIC GROWTH RATES OF THE SALES AND USE TAX



- The sales tax dropped in two consecutive years, FY 2009 and 2010, due to turmoil in the financial markets and the worst economic downturn since WWII.
- Collections in late FY 2011 improved markedly as employment and personal income increased.
- Weak economic growth and the expiration of the payroll tax cut, effective January 2013, led to only 1.3% growth in FY 2013.
- Growth in the sales and use tax is on target to reach 4.3% in FY 2015.
- A 1.0% increase in the sales and use tax growth rate results in a revenue gain of more than $40 million.

MOTOR FUELS TAX TRENDS
AND THE SPECIAL TRANSPORTATION FUND

ECONOMIC GROWTH RATES OF THE MOTOR FUELS TAX



- 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.

- From FY 2006 through FY 2014, the cumulative decline in Motor Fuels tax revenue is 11.6%.

- For this revenue source this is not just a cyclical change, but a major structural change on the part of consumers. The impact of lower gasoline prices has yet to be seen.

- In FY 2014, Motor Fuels tax revenue equaled 40.5% 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.

- The current negative growth trend has major implications for the financing of necessary large scale infrastructure projects.

GENERAL FUND COST DRIVERS

ESTIMATED FY 2015 THROUGH FY 2018 GROWTH IN GENERAL FUND EXPENDITURES

	Estimated Expenditures (in millions)				Cumulative Growth Rate - vs. FY 2015		
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2016	FY 2017	FY 2018
GAAP (incl. amort. of liability)	$ 35.8	$ 126.4	$ 104.9	$ 104.9	252.9%	192.7%	192.7%
Active & Retiree Healthcare	1,207.9	1,377.9	1,482.4	1,541.7	14.1%	22.7%	27.6%
Debt Service	1,784.2	1,962.6	2,078.1	2,237.3	10.0%	16.5%	25.4%
Medicaid	2,309.3	2,501.5	2,597.1	2,719.3	8.3%	12.5%	17.8%
Other Expenses	498.8	536.7	550.5	546.1	7.6%	10.4%	9.5%
Higher Education	678.3	725.8	749.5	795.9	7.0%	10.5%	17.3%
Personal Services incl. RSA	2,349.2	2,487.5	2,651.8	2,774.6	5.9%	12.9%	18.1%
St. Employees Retirement Sys.	970.9	1,016.2	1,035.8	1,117.6	4.7%	6.7%	15.1%
Teachers' Retirement System	984.1	975.6	1,012.2	1,052.6	-0.9%	2.9%	7.0%
All Other	6,679.9	6,830.7	6,930.7	7,003.2	2.3%	3.8%	4.8%
Total General Fund	$ 17,498.4	$ 18,541.0	$ 19,192.9	$ 19,893.2	6.0%	9.7%	13.7%

- Significant cost drivers underlying current services growth in the General Fund include healthcare costs for active and retired State employees, debt service expenditures, Medicaid expenditures, and costs associated with eliminating the cumulative GAAP deficit.

- Unlike prior years, growth in pension costs, for both the State Employees' Retirement System as well as the Teachers' Retirement System, is anticipated to be more modest than in recent years. This is due to considerable investment gains which have been experienced by both plans, as well as the full implementation of more conservative actuarial assumptions for SERS.

- The significant increase in projected GAAP costs between FY 2015 and FY 2016 is due to several factors, including the first of 13 annual $47.6 million payments to eliminate the cumulative GAAP deficit by FY 2028, two additional days of accrued wage costs, and anticipated growth in Medicaid accruals, which were reduced during FY 2014 and FY 2015 due to the change in federal funding for low income adults under the Affordable Care Act.

- The growth in Other Expenses costs is driven by projected increases in contractual costs at the Department of Social Services as a result of the implementation of an updated eligibility system.

LONG-TERM OBLIGATIONS

- The state's long-term obligations total $67.5 billion, up 4.5% from last year's reported amount of $64.6 billion.
- This equates to approximately $18,741 per capita, as compared to last year's reported amount of $18,000.

LONG-TERM OBLIGATIONS
(In Billions)

Bonded Indebtedness - As of 7/31/14	$ 20.9
State Employee Pensions - Unfunded as of 6/30/12	13.3
Teachers' Pension - Unfunded as of 6/30/14	10.8
State Employee Post Retirement Health and Life - Unfunded as of 6/30/2013	19.5
Teachers' Post Retirement Health and Life - Unfunded as of 6/30/2014	2.4
Cumulative GAAP Deficit - As of 6/30/13 adj. for GAAP bonds	0.6
Total	$ 67.5

PROGRESS HAS BEEN MADE

- While the state's long term liabilities are significant, progress has been made in addressing them.
  - SERS:
    - Various changes to benefits (SEBAC 2009, SEBAC 2011).
    - More conservative actuarial assumptions.
    - Increased ARC payments.
  - TRS: Pension Obligation Bonds and disciplined approach to ARC payments.
  - OPEB: Beginning stages of trust fund vs. pay-as-you-go; contributions by employees and employer.
  - Debt Service: Continued commitment to reasonable debt service expenditures as proportion of budget.
  - GAAP:
    - Cumulative shortfall: Bonds and appropriations
    - Going forward: Appropriations and budgeting approach to addressing any future GAAP shortfalls.
- The results of these changes will begin to show up in future valuations of pension, OPEB and GAAP liabilities.
- A disciplined and sustained approach is required to ensure that this positive progress is maintained.

OTHER POST EMPLOYMENT BENEFITS (OPEB)

STEPS TOWARD ADDRESSING LIABILITY

- SEBAC 2009
  - Effective 7/1/2009, all new health care eligible employees contribute 3% of their salary to fund retiree health for the first 10 years of employment.
  - Effective 7/1/2010, any health care eligible employees with fewer than 5 years of service contribute 3% of their salary until they reach 10 years of employment.
- SEBAC 2011
  - All employees, not just new employees, contribute a percent of their salary for ten years or until retirement, whichever is sooner. For those employees who previously were not contributing, the contribution percentages are phased in over three years 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.
  - Increased health premium share for early retirees.
  - Before agreement, premium shares ranged from 0%-3%.
  - Now, for individuals who elect early retirement, premiums range from 2%-40%, depending upon years of service and the number of years retiring early. The premium for any given employee is capped at 25% of the person's actual pension benefit.
- The pharmacy benefits contract with Caremark, effective July 1, 2013 through June 30, 2016, met its target of $50 million in savings for the first full year (FY 2014).
- The OPEB trust fund contained $143.8 million in net assets as of June 30, 2013. The fund contained only $59.7 million in net assets as of June 30, 2012.
- 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. Started collections from new employees only per the 2009 SEBAC agreement.
    - $21.6 million – FY 2011. Started collections from new employees and employees with less than 5 years of service per the 2009 SEBAC agreement.
    - $25.0 million – FY 2012.
    - $27.5 million – FY 2013.
    - $45.5 million – FY 2014.

- Effective July 1, 2017, the state will contribute to the OPEB/Retiree Health Care Trust Fund an amount equal to the amount contributed by employees in each year.

Other Post-Employment Benefits
Summary of Contributions

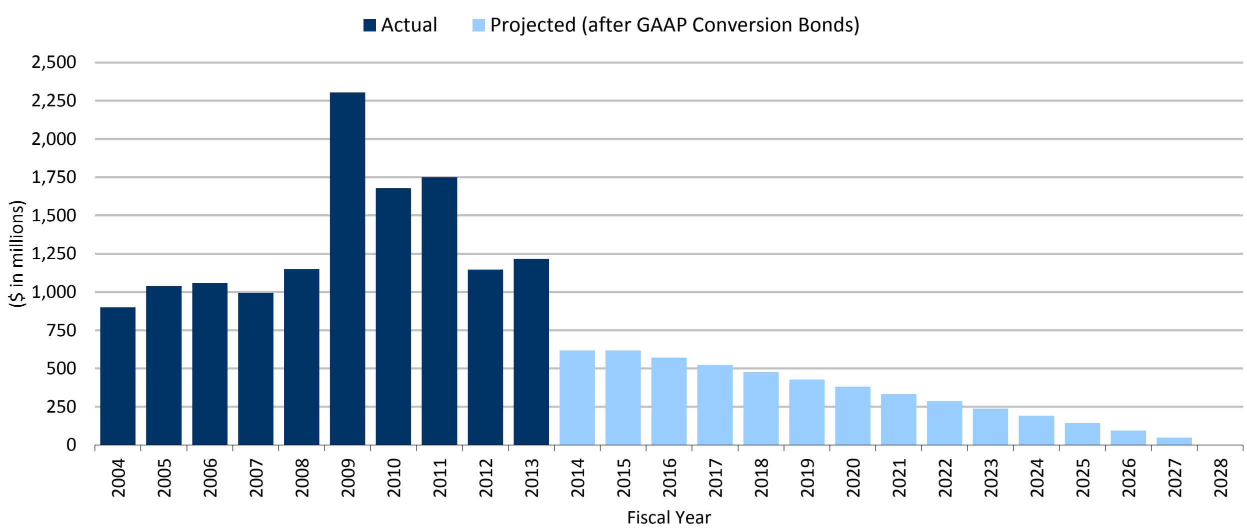
Fiscal Year	Employee Contributions	State Contributions	Total Contributions
2007-08	-	$10.0	$ 10.0
2008-09	-	-	-
2009-10	$1.4	-	$1.4
2010-11	$21.6	$14.5	$36.1
2011-12	$25.0	-	$25.0
2012-13	$27.5	-	$27.5
2013-14	$45.5	-	$45.5
2014-15 est.	$89.0	-	$89.0
2015-16 est.	$122.1	-	$122.1
2016-17 est.	$125.7	-	$125.7
2017-18 est.	$129.5	$129.5	$259.0
Total	**$ 587.3**	**$ 154.0**	**$ 741.3**

Excludes investment earnings
* In Millions

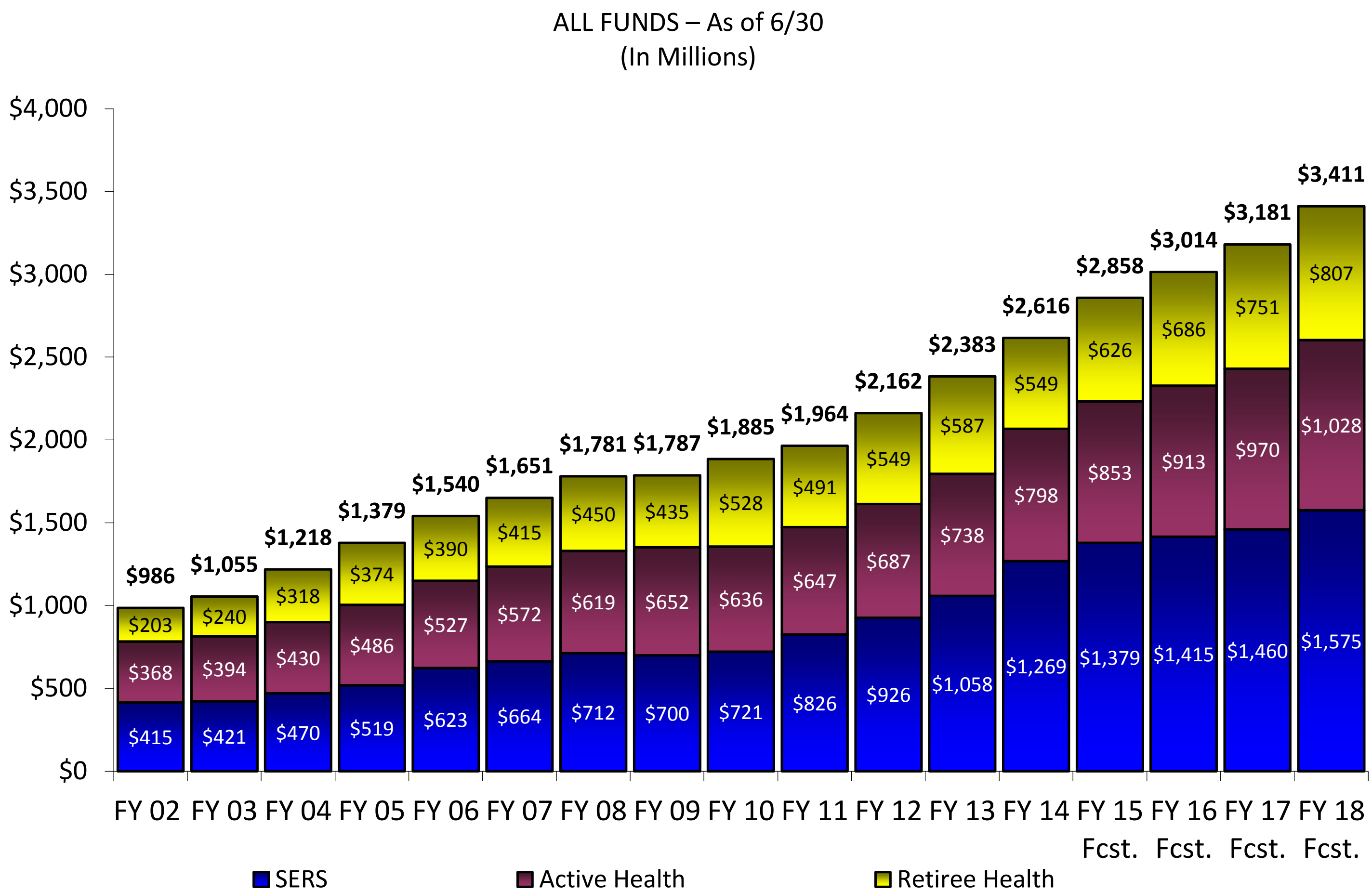
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

STEPS TOWARD ADDRESSING LIABILITY

- The state is actively addressing the cumulative GAAP deficit through the following measures:
    - Issuance of General Obligation GAAP Conversion Bonds in October 2013, resulting in $598.5 million toward the GAAP deficit. These bonds will be amortized through 2028.
    - Funding the remaining accumulated GAAP deficit over time through amounts deemed appropriated ($47.6 million annually from 2016 to 2028).
    - Appropriations to cover accruals starting in FY 2014 (to cover the difference between cash basis budgeting and the modified accrual basis).
    - Requirement to address any future GAAP shortfall from operations in succeeding year's budget.



STATE EMPLOYEES PENSION & HEALTH



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 growing, the rate of increase has slowed as a result of changes from the 2009 and 2011 SEBAC agreements.

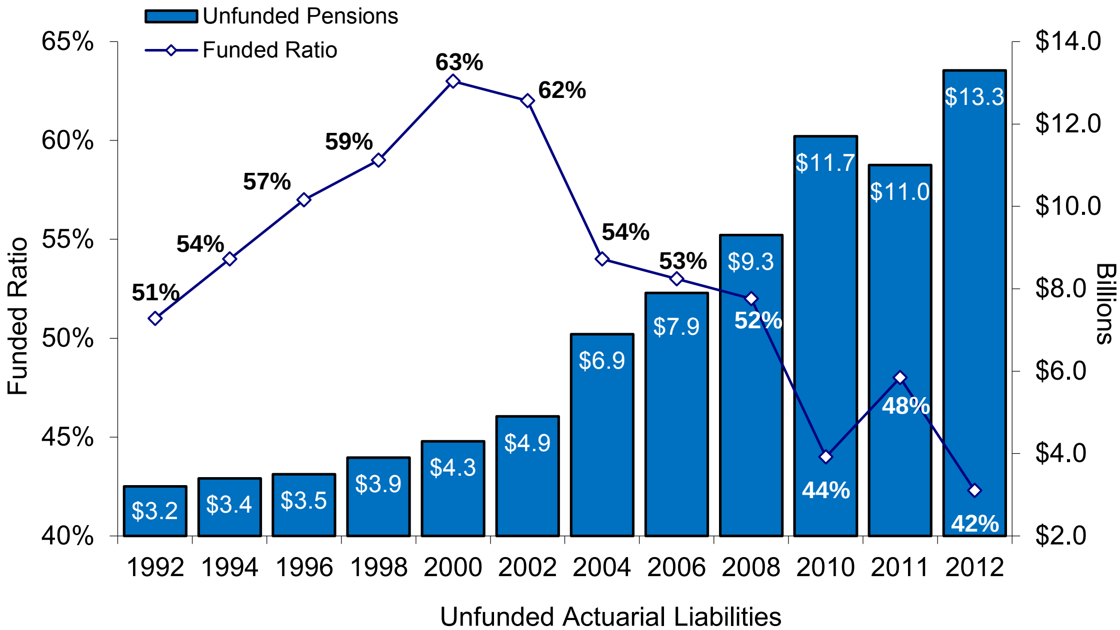
- Pension costs during the upcoming biennium (FYs 2016 and 2017) are expected to be only 8.6% higher than the current biennium (FYs 2014 and 2015). The rate of increase has slowed dramatically from the 33.5% increase in the current biennium (FYs 2014 -2015) over the prior biennium (FYs 2012 and 2013).

- Health insurance costs for active employees during the upcoming biennium (FYs 2016 and 2017) are expected to be 14% higher than the current biennium (FYs 2014 and 2015). The rate of increase has slowed from the 16% increase in the current biennium (FYs 2014 and 2015) over the prior biennium (FYs 2012 and 2013).

- Health insurance costs for retirees during the upcoming biennium (FYs 2016 and 2017) are estimated to be 22.3% higher than in the current biennium. The increase is mainly due to the expected increase in the number or retirees during the upcoming biennium.

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.

***The certified actuarial valuation as of 6/30/14 has not been issued.**

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	$1,269	$1,269	100%
2014-15 est.	$1,379	$1,379	100%
2015-16 est.	$1,415	$1,415	100%
2016-17 est.	$1,460	$1,460	100%
2017-18 est.	$1,575	$1,575	100%

* In millions

State Employee Retirement Fund Rate of Return = 8.0%

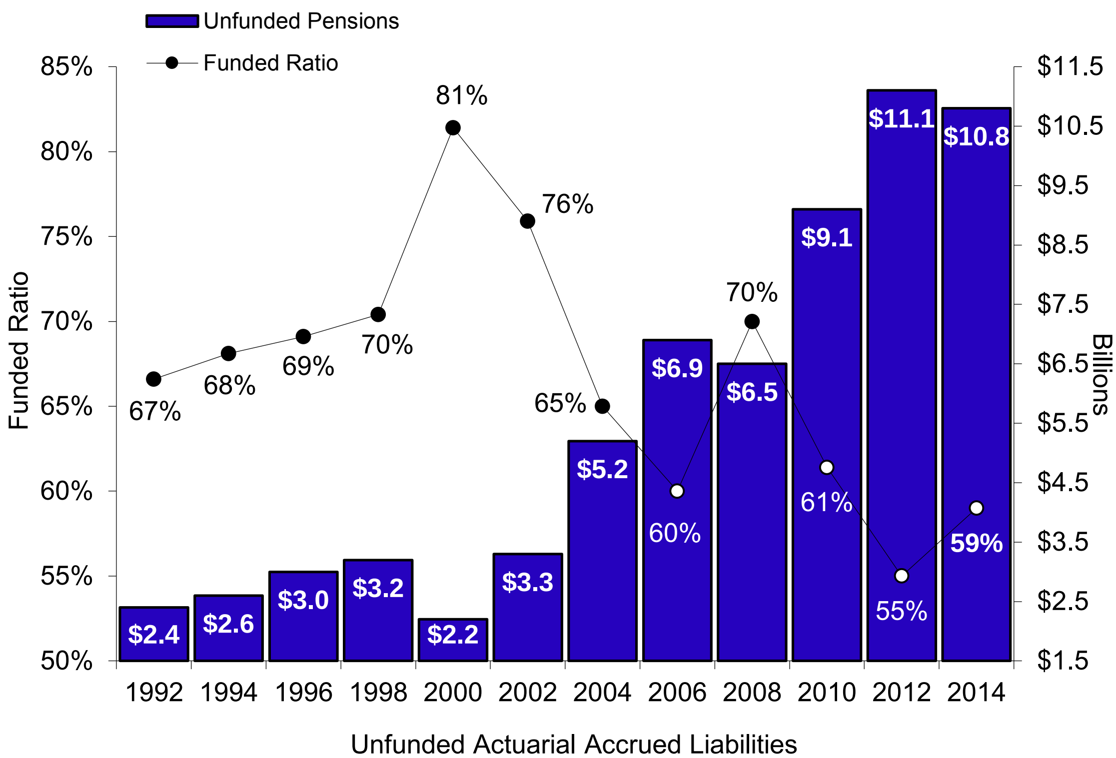
Fiscal Year	Rate of Return Market Value Basis
2001-02	-6.6%
2002-03	1.9%
2003-04	15.2%
2004-05	10.5%
2005-06	11.0%
2006-07	17.1%
2007-08	-4.8%
2008-09	-18.3%
2009-10	12.9%
2010-11	21.2%
2011-12	-0.9%
2012-13	11.9%
2013-14	15.6%

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 were eliminated.
- Through FY 2008, the assumed rate of return was 8.5%. In FY 2009 it was lowered from 8.5% to 8.25%.
- Starting in FY 2014, the assumed rate of return was lowered from 8.25% to 8%.

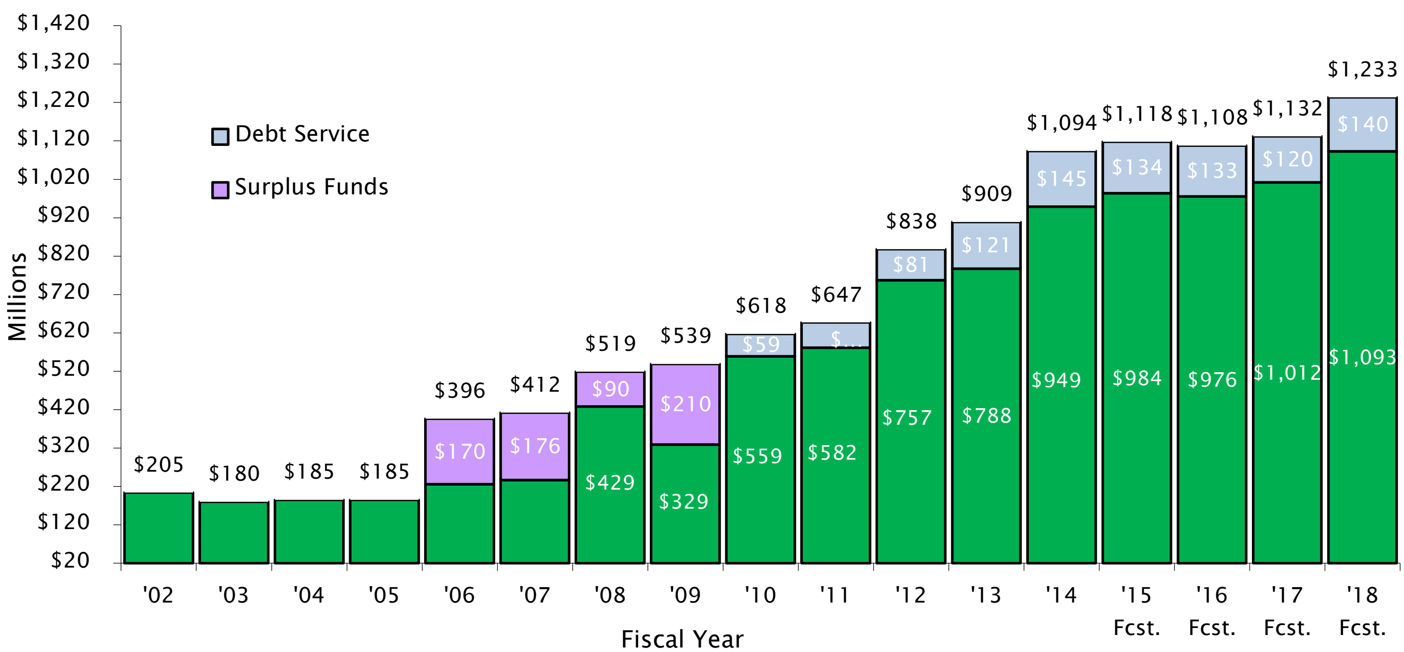
PENSION OBLIGATIONS - TRS

CONNECTICUT TEACHERS' RETIREMENT SYSTEM AS OF 6/30



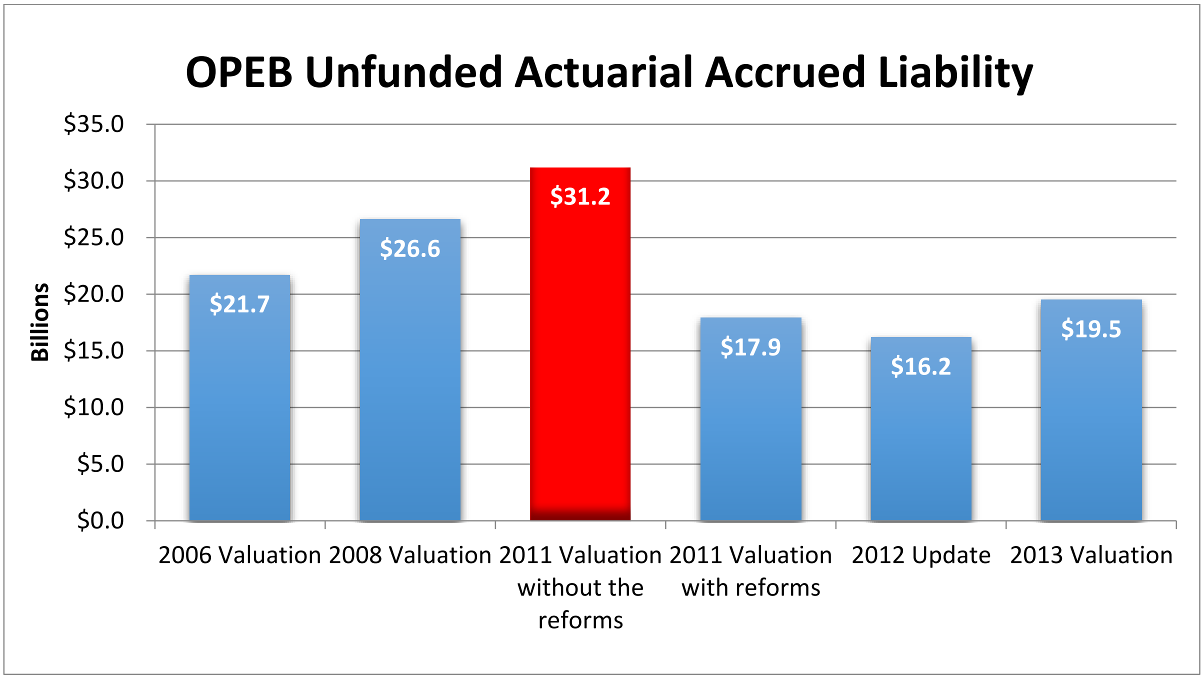
- The state's obligations at the end of FY 2014 total $10.8 billion.
- Appropriations in FY 2006, FY 2007, FY 2008 and FY 2009 were supplemented by the use of surplus funds.
- The 2014 increase in the funded ratio is primarily attributable to the decrease in the unfunded liability of $325 million and the 15.7% rate of return on investments.

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 (OPEB)



The first two OPEB valuations clearly showed a significant, and increasing, Unfunded Actuarial Accrued Liability (UAAL). In 2009, the state initiated negotiations with SEBAC in an effort to obtain benefit and wage concessions. There were two major OPEB reforms in the 2009 SEBAC Agreement. Effective 7/1/2009, all new health care eligible employees contribute 3% of their salary to fund retiree health for the first 10 years of employment. Effective 7/1/2010, any health care eligible employees with fewer than 5 years of service contribute 3% of their salary until they reach 10 years of employment.

In 2011, the state initiated another round of benefit and wage concessions with SEBAC. The 2011 SEBAC Agreement incorporated a number of additional reforms. All employees, not just new employees, contribute a percent of their salary to fund retiree health and will continue to contribute for ten years or until retirement, whichever is sooner. For those employees who previously were not contributing, the contribution percentages are phased in over three years 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 2011 agreement also stipulated a greater health 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 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 is capped at 25% of the person's actual pension benefit.

If the state had not implemented any of the reforms negotiated with SEBAC, the UAAL would have increased to $31.2 billion in 2011 (represented by the red bar in the chart). The SEBAC reforms resulted in the OPEB unfunded liability decreasing $13.3 billion to $17.9 billion.

For 2012, the state requested an update to the OPEB valuation. The update confirmed a second year of significant reductions in the state's unfunded liability from $17.9 billion to $16.2 billion. This builds upon the prior reduction of $13.3 billion due to the OPEB reforms negotiated in the SEBAC agreements of 2009 and 2011. The updated actuarial report reflected those reforms plus the following:

- A reduction in health care cost trends,
- A new prescription drug contract effective 07/01/2013 expected to reduce drug costs by 11%, and
- A conversion of the Medicare-age prescription drug program to an Employer Group Waiver Program.

The SEBAC reforms combined with the three items above reduced the OPEB liability by $15.0 billion.

After two years of significant declines, the OPEB UAAL rose to $19.5 billion as of June 30, 2013. The 2013 valuation, received in February of 2014, indicated that the unfunded plan obligation had been expected to increase the UAAL to $17.9 billion due to normal plan operations. The difference between the actual ($19.5 billion) and expected ($17.9 billion) UAAL were mainly due to valuation assumption changes that increased the actuarial accrued liability. The actuary stated this was the result of 1) an increase in obligations due to the valuation-year per capita health costs and raising the future trend on such cost, and 2) an increase due to updating the demographic assumptions based on the latest experience study completed by the pension actuary.

The OPEB trust fund contained $143.8 million in net assets as of June 30, 2013. The fund contained only $59.7 million in net assets as of June 30, 2012.

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. Started collections from new employees only per the 2009 SEBAC agreement.
  - $21.6 million – FY 2011. Started collections from new employees and employees with less than 5 years of service per the 2009 SEBAC agreement.
  - $25.0 million – FY 2012.
  - $27.5 million – FY 2013.
  - $45.5 million – FY 2014.

Effective July 1, 2017, the state will contribute to the OPEB/Retiree Health Care Trust Fund an amount equal to the amount contributed by employees in each year.

DEBT BURDEN

State and Local Debt Comparison Among the 50 States in 2011

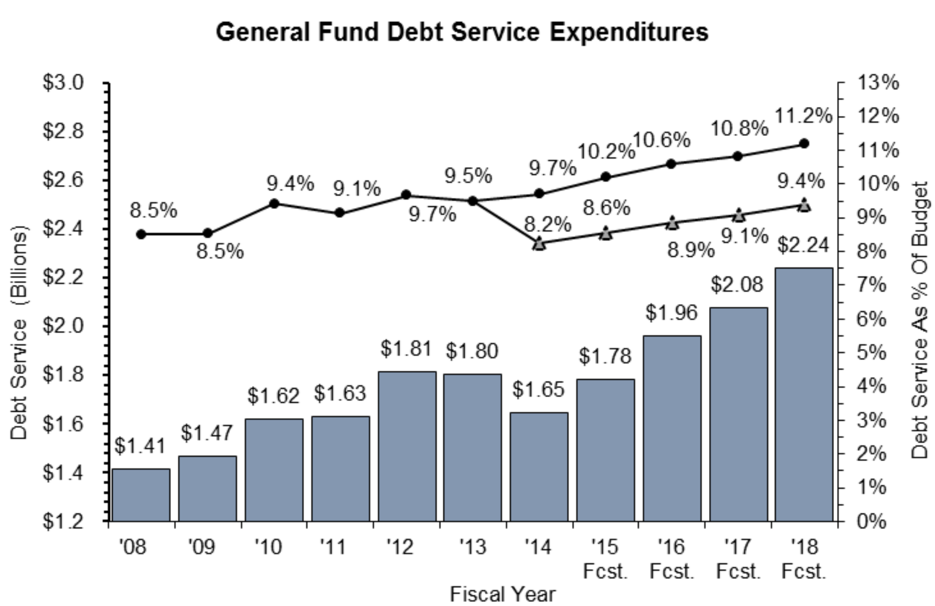
Ranked by State and Local Debt As a % of Personal Income (PI)- 2011			Ranked by Per Capita State and Local Debt-2011		
Rank	State	Debt/PI	Rank	State	Amount ($)
1	New York	34.4%	1	New York	17,849
2	Alaska	29.5%	2	Alaska	14,194
3	Kentucky	28.9%	3	Massachusetts	14,162
4	Illinois	27.4%	4	Illinois	12,073
5	Nevada	26.4%	5	New Jersey	12,067
6	Massachusetts	26.1%	6	**Connecticut**	**11,879**
7	Texas	25.7%	7	California	11,459
8	South Carolina	25.7%	8	Washington	11,245
9	California	25.7%	9	Rhode Island	11,122
10	Washington	25.3%	10	Texas	10,553
11	Rhode Island	24.9%	11	Colorado	10,510
24	**Connecticut**	**20.6%**	12	Hawaii	10,213
	UNITED STATES	20.3%		UNITED STATES	$ 8,496

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

- Connecticut ranks 24th in the nation in 2011 for debt outstanding as a percentage of personal income.
- Connecticut's state and local debt burden in 2011 equals $11,879 per person.
- Based on 2011 data, Connecticut would rank 3rd per capita in the nation and 5th on a personal income basis based on state debt alone.

IMPACT OF DEBT EXPENSES

GENERAL FUND DEBT SERVICE EXPENDITURES



- Debt service expenditures as a percentage of the General Fund budget have remained fairly steady.
- The secondary debt service percentage line (FYs 2014-18) adjusts for the net budgeting approach to Medicaid expenditures. Debt service would continue below 10% of the General Fund budget.
- The 2013 refinancing of Economic Recovery Notes is reflected in the debt service requirements for FY 2014 through FY 2018.

CONNECTICUT'S BOND RATING

CURRENT GENERAL OBLIGATION BOND RATING

	Moody's	S&P	Fitch	Kroll
Rating	Aa3	AA	AA	AA
Outlook	Stable	Stable	Negative	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 in outlook from stable to negative by Fitch in July 2013.

NUMBER OF STATES RATED

Rating	Moody's	S&P	Fitch	Kroll
Better than CT	34	21	26	0
Equal to CT	2	11	6	1
Lower than CT	2	6	4	0
Total*	38	38	36	1

* 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 ratings are for Connecticut and Wisconsin.

NEIGHBORING STATES' RATINGS

State	Moody's	S&P	Fitch
Vermont	Aaa	AA+	AAA
Massachusetts	Aa1	AA+	AA+
New Hampshire	Aa1	AA	AA+
New York	Aa1	AA+	AA+
Maine	Aa2	AA	AA
Rhode Island	Aa2	AA	AA
Connecticut	**Aa3**	**AA**	**AA**
New Jersey	A1	A	A

IMPORTANCE OF BOND RATINGS

- The rating process informs investors about risk.
- The rating process shows how we compare relative to other investments.
- Connecticut relies on capital markets to finance capital improvements.
- 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.
- Historical early repayment of the Economic Recovery Notes issued to cover operating deficits.
- Commitment to eliminate GAAP negative fund balance.
- Wealthiest state in the nation with per capita income well above national levels.

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.
- Modest rainy day fund balance due to the state's slow recovery from the recession.
- 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:

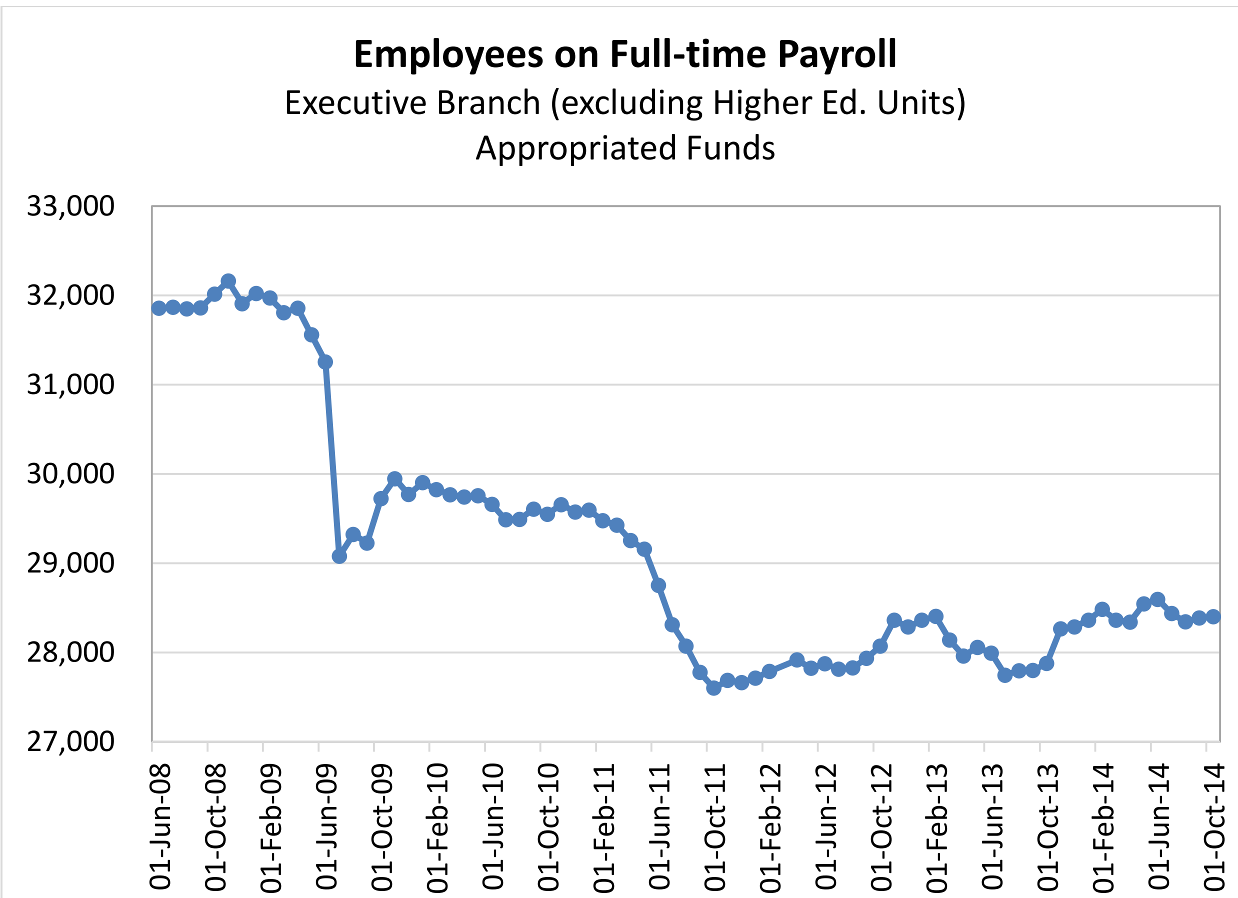
- Lack of improvement in available reserve levels.
- Failure to improve the state pension funded ratios and lower its overall fixed costs.
- Reversion to significant one-time budget solutions including the use of deficit financings to resolve budget gaps.
- Reduction in cash flow-reduced liquidity.
- 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 without resorting to any costly retirement incentive plans.

Between FY 2011 and FY 2015, the number of budgeted state agencies has been reduced by 27%, from 81 to 59.

Based on payroll data, full-time Executive Branch employment (not including the constituent units of higher education) has fallen since December 2010 from approximately 29,600 employees to approximately 28,400: a reduction of 4.1%. Excluding higher education, full-time Executive Branch employment now stands more than 10% below the level during calendar year 2008.



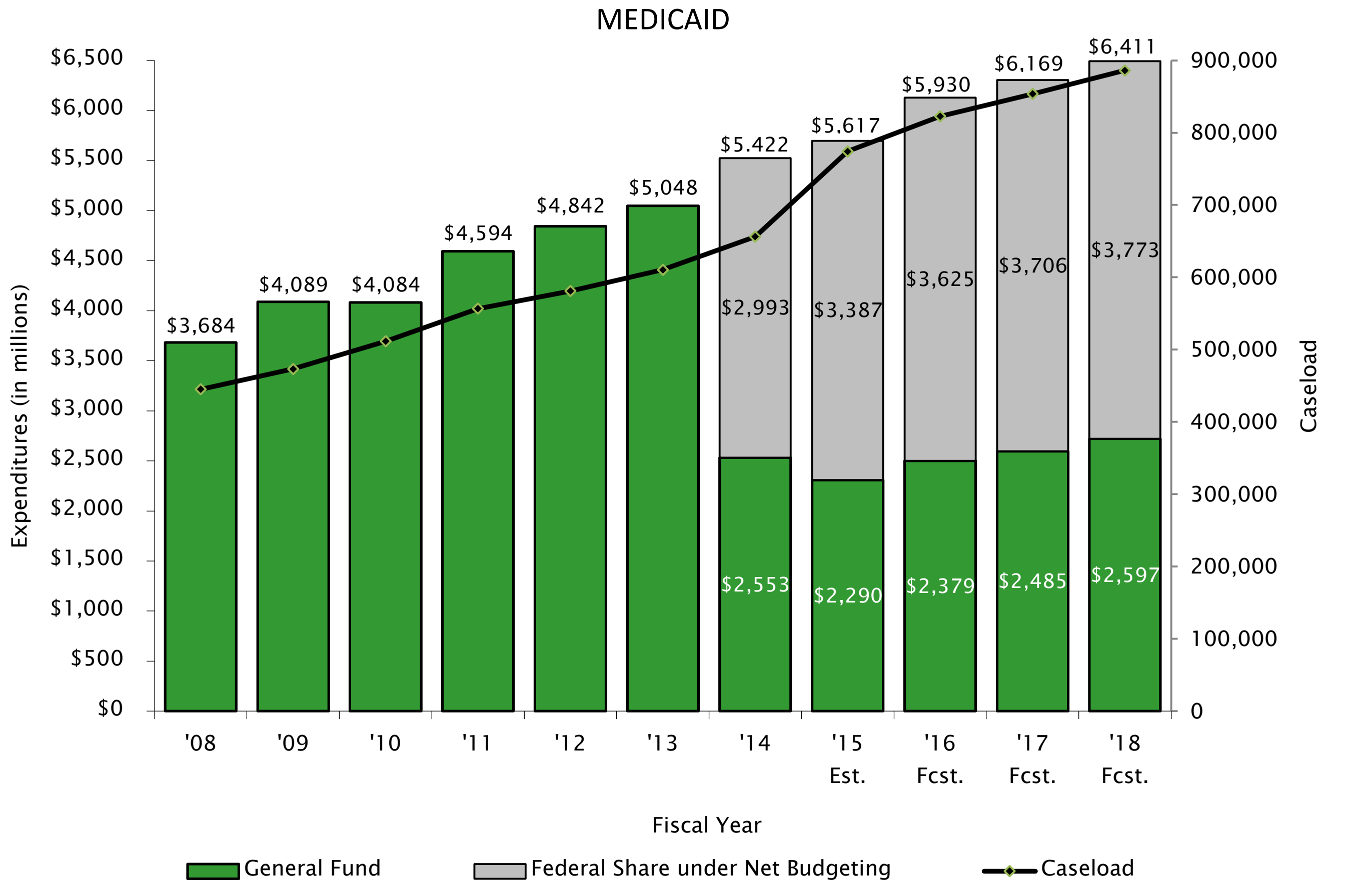
FULL TIME WORKFORCE

As of November 2014

	Bargaining Unit	Full Time Employees	Full Time Payroll (All Funds)	Expiration Date
	All Contracts Settled			
1.	State Police (NP-1)	1,087	$ 81,065,917	6/30/2015
2.	Service/Maintenance (NP-2)	3,795	189,909,263	6/30/2016
3.	Administrative Clerical (NP-3)	3,589	191,702,030	6/30/2016
4.	Correctional Officers (NP-4)	4,566	248,682,620	6/30/2016
5.	Protective Services (NP-5)	806	50,465,105	6/30/2016
6.	Health NonProfessional (NP-6)	3,034	168,456,040	6/30/2016
7.	Health Professional (P-1)	3,095	253,811,407	6/30/2016
8.	Social and Human Services(P-2)	3,994	277,999,979	6/30/2016
9.	Education A (P-3A)	248	25,272,387	6/30/2016
10.	Education B (P-3B)	642	47,916,363	6/30/2016
11.	Engineer, Scien, Tech (P-4)	2,445	210,031,535	6/30/2016
12.	Admin and Residual (P-5)	2,970	240,994,689	6/30/2016
13.	St Vocation Federation Teacher	1,148	90,547,053	6/30/2016
14.	Amercan Fed of School Admin	54	6,783,001	6/30/2016
15.	Comm College Faculty - AFT	185	13,667,363	6/30/2016
16.	State University Faculty	1,447	125,918,486	6/30/2016
17.	State University Non-Fac Prof	734	60,950,289	6/30/2016
18.	Comm College Faculty CCCC	691	51,955,256	6/30/2016
19.	UConn - Faculty	2,060	167,042,931	6/30/2016
20.	UConn - Non-Faculty	1,700	99,621,479	6/30/2016
21.	UCHC - Faculty	292	52,385,912	6/30/2016
22.	UConn - Law School Faculty	47	6,212,189	6/30/2016
23.	Judicial - Professional	1,283	110,950,844	6/30/2016
24.	Judicial - Non-Professional	1,352	79,923,987	6/30/2016
25.	Judicial - Law Clerks	60	3,376,790	6/30/2016
26.	UCHC Univ Hlth Professionals	1,475	80,162,673	6/30/2016
27.	Comm College Admin - CCCC	715	52,487,782	6/30/2016
28.	Conn Assoc Prosecutors	248	28,113,782	6/30/2016
29.	Comm College Admin - AFSCME	89	6,759,395	6/30/2016
30.	Criminal Justice Residual	124	6,846,919	6/30/2016
31.	Higher Ed - Professional Emp	24	1,813,396	6/30/2016
32.	Bd State Acad Awards Prof	58	4,054,931	6/30/2016
33.	Judicial - Judicial Marshals	732	35,182,631	6/30/2016
34.	Correctional Supervisor (NP-8)	493	38,148,961	6/30/2015
35.	State Police Lts & Captains (NP-9)	36	4,482,565	6/30/2016
36.	DPDS Public Defenders	194	21,133,510	6/30/2016
37.	Criminal Justice Inspectors	76	6,675,162	6/30/2016
38.	Comm College AFT Couns/Lib	12	1,101,694	6/30/2016
39.	Judicial - Supvr Jud Marshals	59	4,028,765	6/30/2016
	Total Covered by Collective Bargaining	45,660	$ 3,146,635,080	
	Not Covered by Collective Bargaining			
	Auditors of Public Accounts	115	$ 10,632,693	
	Other Employees	5,614	542,403,281	
	Total Not Covered by Collective Bargaining	5,729	$ 553,035,975	

Note: As of 11/11/2014. Payroll amounts include regluar 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.

DEPARTMENT OF SOCIAL SERVICES



- In a departure from the budgets enacted in previous years, the budget adopted in 2013 "net appropriates" the Medicaid account in the Department of Social Services. A total of $2,768.7 million was removed from both budgeted revenues and appropriations to accomplish this transition in FY 2014.
- Medicaid growth has been affected by caseload growth, increases in utilization and limited rate increases. (The growth in Medicaid expenditures from FY 2009 to FY 2010 was flat 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.)
- The Medicaid expansion for low-income adults, which was approved by the federal government in June 2010, has resulted in significant increases in caseload and program costs. Expenditures for this program, also known as HUSKY D, increased from $622.3 million in FY 2012 to $769.0 million in FY 2013, an increase of 24%. Significant additional growth has also occurred under federal health care reform, which allowed the state to expand Medicaid coverage for low-income adults by increasing income eligibility to 133% of the federal poverty level beginning January 1, 2014. 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. Due to the expansion, the HUSKY D caseload has grown from 99,103 in December 2013 to 173,761 in October 2014, an increase of over 75%.
- 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 behavioral health services under the General Assistance Managed Care account in DMHAS which now qualify for Medicaid reimbursement.

EFFORTS TO PRESERVE OR MAXIMIZE FEDERAL REVENUE

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. An interagency revenue maximization workgroup meets monthly to discuss revenue opportunities and implementation issues.

Some of the major revenue maximization efforts being explored or under development include:

- Completion and implementation of a new waiver (ABI II) pending federal approval for individuals with acquired brain injury to permit Medicaid reimbursement for services supported by the Department of Mental Health and Addiction Services (DMHAS) state-funded TBI Community Services account;
- 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 DMHAS that are currently at 100% state cost;
- Billing for costs in several state agencies associated with the administration of Medicaid services;
- Accrediting state operated Psychiatric Residential Treatment Facilities (PRTFs) to make services provided there Medicaid reimbursable;
- Taking advantage of an opportunity under the Affordable Care Act that will allow the departments of Mental Health and Addiction Services, Children and Families, and Social Services to better coordinate behavioral and physical health care for individuals with serious and persistent mental illness under a Health Home model. New funding of $13 million in FY 2015 for DMHAS combined with in-kind, state-operated and privately provided services will generate almost $55 million in revenue over 8 quarters (90% reimbursement for the first eight quarters).

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.

FEDERAL BUDGET AND POLICY ISSUES

A number of significant federal budget and policy issues must be dealt with over the next year, creating uncertainty for state policymakers as well as for the budgeting process.

- A federal budget has not yet been adopted for FFY 2015, which began October 1, 2014. The current continuing resolution (CR) expires on December 11, 2014, and it is unclear whether the "lame-duck" Congress will take action on passing appropriations bills or whether one or more CRs may be adopted until appropriations bills are passed and signed into law. A worst-case scenario would include a federal government shutdown as happened in October 2013.

- Without timely federal action, a number of important programs expire over the upcoming year. Some of these programs, such as Temporary Assistance to Needy Families (TANF), are considered "mandatory" spending by the federal government and are thus exempt from the annual appropriations process, but nevertheless require authorizing legislation in order for the programs to continue past the dates noted.

Program	Expiration Date
Authorization for the TANF program	December 11, 2014
Medicaid primary care physician rate increase	January 1, 2015
Certain Medicaid programs (Qualifying Individuals, Transitional Medical Assistance, Home Visiting)	April 1, 2015
No new allotments are authorized for the Children's Health Insurance Program (CHIP), called HUSKY B in Connecticut	October 1, 2015
Certain child nutrition programs	October 1, 2015

- Fifty five federal tax breaks – so-called "tax extenders"—expired on January 1, 2014. The Internal Revenue Service has indicated that Congress must decide whether to renew these tax extenders before December 2014 in order to prevent disruptions and tax filing delays for the 2014 tax filing season which begins in January 2015. In addition, the moratorium on internet sales taxes will expire on December 11, 2014. It is unclear what, if any, impact these issues will have on Connecticut's revenues.

- The federal debt limit must be reinstated on March 15, 2015. (The limit has been temporarily suspended until that date.) While the federal Treasury may be able to delay the impact through use of "extraordinary measures," action by lawmakers to address the debt limit will ultimately be required and could become a considerable source of political disagreement and leverage.

- The Highway Trust Fund (HTF) is estimated to become insolvent by June 1, 2015, and surface transportation and boating safety programs are also set to expire. A sustainable method of financing the HTF over the long term is needed, but it is unclear whether lawmakers will settle on a long-term solution, or a short-term extension of funding as was the case earlier this year.

- Authorization for the Export-Import Bank expires July 1, 2015. While this does not directly affect state budgeting, the policy debate regarding the Bank could serve to make political agreement on a range of issues—including the budgetary and policy issues noted above—more difficult.

(Sources: *Federal Funds Information for States; National Association of State Budget Officers*)

STATE AID TO OR ON BEHALF OF LOCAL GOVERNMENTS

(in Millions)

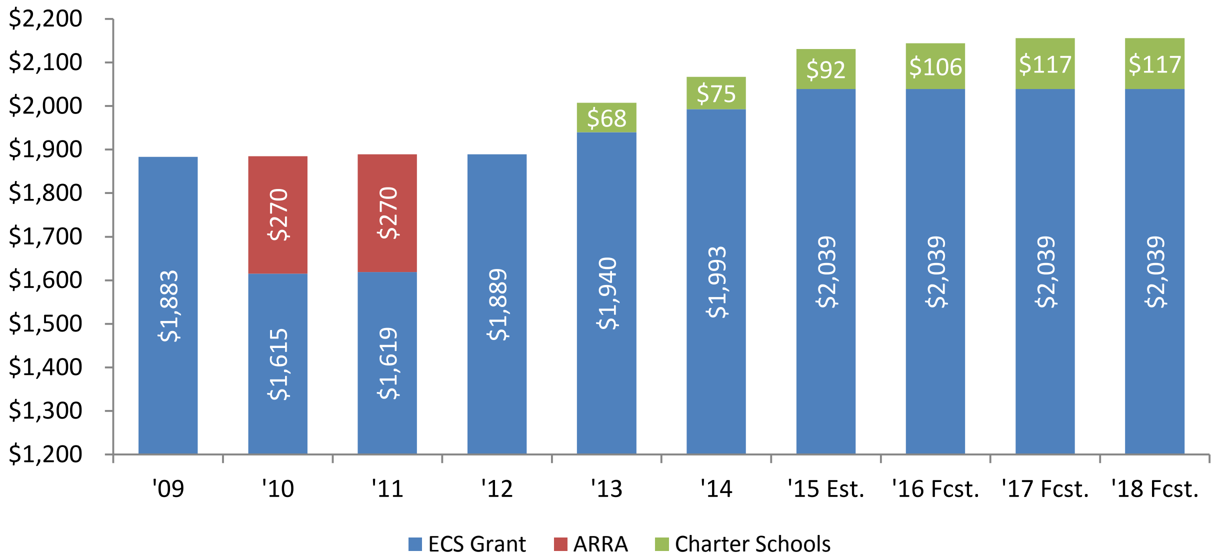
GRANT	FY 2015	FY 2016	FY 2017	FY 2018
State Owned PILOT	$ 83.6	$ 83.6	$ 83.6	$ 83.6
College & Hospital PILOT	125.4	125.4	125.4	125.4
Mashantucket Pequot & Mohegan Grant	61.8	61.8	61.8	61.8
Town Aid Road Grant	60.0	30.0	30.0	30.0
LoCIP	30.0	30.0	30.0	30.0
Regional Performance Incentive Grants	9.0	9.3	9.6	9.9
Manufacturing Transition & Municipal Revenue Sharing Grants	12.7	-	-	-
STEAP	20.0	20.0	20.0	20.0
Grants for Municipal Aid Projects	56.4	-	-	-
Municipal Aid Adjustment	3.6	-	-	-
Miscellaneous General Government Grants	40.9	35.3	35.4	35.9
Subtotal - General Government	**$ 503.4**	**$ 395.5**	**$ 395.9**	**$ 396.7**
Public School Transportation	$ 24.9	$ 24.9	$ 24.9	$ 24.9
Non-Public School Transportation	3.6	3.6	3.6	3.6
Adult Education	20.0	20.0	20.0	20.0
Education Cost Sharing*	2,039.5	2,038.8	2,038.8	2,038.8
Magnet Schools	293.7	331.5	334.0	334.0
Special Education - Student Based	139.8	139.8	139.8	139.8
Local School Construction	600.0	600.0	600.0	600.0
Miscellaneous Education Grants	182.9	187.0	191.9	191.9
Subtotal - Education	**$ 3,304.5**	**$ 3,345.6**	**$ 3,353.0**	**$ 3,353.0**
Teachers' Retirement Contributions, Retiree Health Service Cost & Debt Service	$ 1,138.2	$ 1,143.9	$ 1,170.1	$ 1,232.5
Subtotal - Teachers' Retirement	**$ 1,138.2**	**$ 1,143.9**	**$ 1,170.1**	**$ 1,232.5**
Less: General Fund Lapse Savings- Municipal Opportunities and Regional Efficiencies	$ (10.0)	$ -	$ -	$ -
Total - Aid to Municipalities	**$ 4,936.1**	**$ 4,885.0**	**$ 4,919.0**	**$ 4,982.2**

Notes:

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

- The budget for FY 2010 and FY2 011 included federal ARRA State Fiscal Stabilization Fund funding of $270 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. High unemployment rates experienced in the state during the "Great Recession" strained this fund and the impact will continue to have an effect on Connecticut businesses for the next several years.

- As of September 2014, the Connecticut seasonally adjusted unemployment rate was 6.4%, the lowest rate since November 2008.
- The maximum weekly benefit rate is $594 for new claims effective October 5, 2014. Connecticut also pays $15 per dependent child up to a maximum of $75. Connecticut ranks 5th in the nation as to the maximum amount of benefits provided.[1]
- As a result of a structural imbalance between tax revenues and benefit payouts that were influenced by the economic downturn, Connecticut's trust fund became insolvent in mid-October of 2009.
- 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 was collected. UI benefit payouts continued to exceed revenues in 2011 and 2012. In 2013 revenues kept pace with benefit payouts and are expected to slightly outpace benefit payouts in 2014. This trend is expected to continue in 2015 and 2016. If expenditures continue to decline, it is estimated that revenues could continue to exceed benefit payouts in each year of the biennium.
- 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 the loan within two years, the federal government increased federal unemployment taxes on employers by increasing the existing FUTA tax in 0.3% increments annually, beginning with calendar year 2011. In addition, states with loans outstanding for five years are subject to an additional increase (Benefit Cost Rate add-on, or BCR). In 2014 the BCR for Connecticut is 0.5%. As a result, for calendar year 2014, Connecticut employers will have a FUTA tax increase of 1.7%, in addition to the standard 0.6% tax rate. The increases are applied to the state's loan principal until fully repaid.
- Current projections, which are based on existing statutory provisions (both state and federal), indicate the need for continued borrowing into calendar year 2016. Final repayment of the loans is anticipated to occur during calendar year 2016 or early 2017.

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	$100,000,000	$0
2012	$125,000,000	$175,000,000	$30,000,000
2013	$155,000,000	$155,000,000	$60,000,000
2014	$100,000,000*	$240,000,000*	$90,000,000*
2015	$100,000,000*	$120,000,000*	$160,000,000*
2016	$100,000,000*	$ 60,000,000*	$200,000,000*
Totals	**$1,390,000,000**	**$850,000,000**	**$540,000,000**

*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 for cash flow purposes only is anticipated in calendar years 2012 to 2016, amounts borrowed in those years are anticipated to be paid back in the year borrowed.

[1] U.S. Department of Labor, Employment & Training Administration, *Comparison of State Unemployment Insurance Laws for 2014*.

SECTION 7

ANALYSIS OF POSSIBLE USES OF SURPLUS FUNDS

ANALYSIS OF POSSIBLE USES OF SURPLUS FUNDS

Under current law (CGS 4-30a), unappropriated surpluses are committed to the Budget Reserve Fund. Replenishment of the Budget Reserve Fund to the ten percent maximum authorized by CGS 4-30a would require approximately $1.8 billion. Other possible uses of surplus funds could include:

- Reducing bonded indebtedness;
- Reducing the unfunded liability in the State Employees Retirement Fund;
- Reducing the unfunded liability in the Teachers Retirement Fund;
- Reducing 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.

GENERAL FUND OPERATING SURPLUS / (DEFICIT)

(In Millions)

Fiscal Year	Revenue		Expenditure	Adjustment	Surplus/(Deficit)	
1975-76	$ 1,688.7		$ 1,654.6	$ 0.6	$ 34.7	
1976-77	1,845.1		1,771.7	0.1	73.5	
1977-78	2,010.5		1,917.4	0.6	93.7	
1978-79	2,222.2		2,156.6	1.1	66.7	
1979-80	2,394.1		2,393.6	2.6	3.1	
1980-81	2,660.9		2,726.6	-	(65.7)	
1981-82	2,994.5		2,968.6	-	25.9	
1982-83	3,233.9		3,241.9	(0.2)	(8.2)	
1983-84	3,840.2		3,624.6	(2.4)	213.2	
1984-85	4,010.9		3,636.7	(8.7)	365.5	
1985-86	4,317.9		4,011.8	(56.0)	250.1	
1986-87	4,741.9		4,356.2	(20.5)	365.2	
1987-88	4,860.3		4,966.6	(9.3)	(115.6)	
1988-89	5,573.6		5,594.4	(7.2)	(28.0)	
1989-90	6,112.0		6,372.6	1.1	(259.5)	
1990-91	5,817.9		6,625.2	(1.2)	(808.5)	
1991-92	7,389.4		7,276.6	(2.6)	110.2	
1992-93	7,569.0		7,456.6	1.1	113.5	
1993-94	7,914.2		8,008.1	113.6	19.7	
1994-95	8,479.7		8,400.9	1.7	80.5	
1995-96	9,111.1		8,861.6	0.5	250.0	
1996-97	9,582.1		9,311.0	(8.5)	262.6	
1997-98	10,142.2		9,830.3	1.0	312.9	
1998-99	10,616.4		10,545.9	1.3	71.8	
1999-2000	11,213.6		10,911.1	(2.1)	300.4	
2000-01	11,985.5		11,930.6	(24.2)	30.7	
2001-02	10,845.4		11,643.2	(19.3)	(817.1)	
2002-03	12,023.3		12,128.3	8.4	(96.6)	
2003-04	13,123.8		12,823.4	1.8	302.2	
2004-05	14,062.9		13,680.8	(18.2)	363.9	
2005-06	14,998.7		14,533.2	(19.0)	446.5	
2006-07	15,742.6		15,461.0	(12.4)	269.2	
2007-08	16,418.8		16,300.5	(18.9)	99.4	(1)
2008-09	15,700.8		16,640.2	(8.3)	(947.6)	(2)
2009-10	17,688.5	(3)	17,240.7	2.1	449.9	(4)
2010-11	18,157.4	(5)	17,924.7	4.2	236.9	(6)
2011-12	18,561.6		18,711.1	5.8	(143.6)	(7)
2012-13	19,405.0		19,007.7	0.7	398.0	(8)
2013-14	17,200.4	(10)	16,953.6	1.7	248.5	(9)
2014-15 (proj.)	17,398.9	(10)	17,498.4	-	(99.5)	(11)

(1) PA 07-1 reserved $16.0 million of FY 2008 revenue for use in FY 2009. In addition, PA 08-1 & 08-2 of the August Special Session reserved a total of $83.4 million of the FY 2008 surplus for use in FY 2009.

(2) Covered by issuing Economic Recovery Notes, per PA 09-2, JSS

(3) Includes $1,278.5 million of Budget Reserve Fund monies-without these monies, the deficit would have been $829.1 million.

(4) Per the Comptroller's audited financial results dated December 31, 2010, for the fiscal year ending June 30, 2010. Per PA 10-179, $140.0 million is reserved for use in FY 2011 and the remaining $309.4 million will reduce the amount to be securitized in FY 2011.

(5) Includes $449.4 million from the FY 2010 surplus.

(6) Per the Comptroller's financial results dated September 1, 2011, for the fiscal year ending June 30, 2011. $222.4 million of the surplus was transferred to the Budget Reserve Fund in PA 12-104 and the remainder via Comptroller reclassification.

(7) Per the 9/4/2012 Comptroller's Letter. Covered by a transfer from the Budget Reserve Fund.

(8) Per the 9/3/2013 Comptroller's Letter. Per section 58 of PA 13-184, $220.8 million is reserved for use in FY 2014 and FY 2015.

(9) Per the Office of the State Comptroller. Includes $190.8 million of FY 2013 surplus reserved for use in FY 2014.

(10) Beginning in FY 2014 the state commenced net budgeting of Medicaid. This reduced appropriated revenues and expenditures by $2,768.7 million in FY 2014 and by $3,204.9 million in FY 2015.

(11) Per the 11/10/2014 Consensus Revenue Forecast and OPM estimated expenditures. Includes $30.0 million of FY 2013 surplus reserved for use in FY 2015.