FY 2013 Midterm
Economic Report of the Governor

This publication, as required by Section 4-74a of the Connecticut General Statutes, is prepared by the Office of Policy and Management.

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INTRODUCTION

This report fulfills the requirements of Section 4-74a of the General Statutes which stipulates that:

> "Part IV of the Budget Document shall consist of the recommendations of the Governor concerning the economy and shall include an analysis of the impact of both proposed spending and proposed revenue programs on the employment, production and purchasing power of the people and industries within the State".

This report is also designed to provide a brief profile of the State of Connecticut, the economy of the state, revenues and economic assumptions that support the Governor's Budget, and an analysis of the impact of both proposed spending and proposed revenue programs on the economy of the State of Connecticut.

The report focuses on eight areas including: (1) the general characteristics of the state; (2) the profile of employment in the State; (3) an in-depth analysis of important Connecticut sectors; (4) the performance indicators the United States, the New England region, and Connecticut; (5) a discussion of the most important revenue sources; (6) the economic assumptions of the Governor's Budget, including narratives on the foreign sector, the U.S. economy and the Connecticut economy, and a numerical comparison of some of the important indicators used in the preparation of the Governor's Budget; (7) the revenue forecasts of the General Fund and the Special Transportation Fund; and (8) the expected impact of the Governor's Budget on the economy of the State of Connecticut.

GENERAL CHARACTERISTICS OF THE STATE OF CONNECTICUT

Connecticut, settled in 1633, became the fifth state to ratify the United States Constitution in 1788. The state is the most southern of the New England states, located on the northeast coast and bordered by Long Island Sound, New York, Massachusetts and Rhode Island. Connecticut enjoys a favorable location within New England and the rest of the Eastern seaboard, as rail, truck, air transport and ports in the region provide easy access to local and regional markets in this country, Canada, and even Europe and South America. Over one-quarter of the total population of the United States and more than 50% of the Canadian population live within a 500-mile radius of Connecticut.

Connecticut is highly urbanized with a population density of 738 persons for each of its 4,845.4 square miles of land, compared with 87 persons per square mile of land for the United States (3,536,338 square miles), based on 2010 census figures. Hartford, the capital, is a center for the insurance industry and a major service center for business and commerce. Industrial activity in the state is concentrated in two regions: the Naugatuck valley, extending from Bridgeport north, and a belt extending from Hartford west to New Britain and Bristol, and south to New Haven.

Connecticut is a mature and highly developed state, whose primary resources are the energies and skills of its citizens, who have benefited from the state's rich historical heritage and have continued its tradition of economic, social and cultural growth.

Census Information

The census is taken on April 1 of each census year. The 2010 Census of Population and Housing was the 23rd in a series that began in 1790 (with a count of four million residents in 18 states). Currently only data from the 2010 Census SF1 dataset is available.

TABLE 1
CENSUS POPULATION COUNTS
(In Thousands)

	United States		New England		Connecticut	
Year	Number	% Growth	Number	% Growth	Number	% Growth
1930	123,203	16.3	8,166	10.3	1,607	16.3
1940	132,165	7.2	8,437	3.3	1,709	6.3
1950	151,326	14.5	9,314	10.3	2,007	17.4
1960	179,323	18.5	10,509	12.8	2,535	26.3
1970	203,302	13.4	11,847	12.6	3,032	19.6
1980	226,542	11.4	12,349	4.2	3,108	2.5
1990	248,710	9.8	13,207	6.9	3,287	5.8
2000	281,422	13.2	13,923	5.4	3,406	3.6
2010	308,746	9.7	14,445	3.8	3,574	4.9

Source: U.S. Bureau of the Census

In 2010, the population in the 50 states and the District of Columbia totaled 308.7 million people. Since 1930, the population has risen in all three data series for all decades. However, since 1970, the rate of population growth in Connecticut and New England has been significantly lower than the prior three decades and lower than the nation for recent periods.

In the United States, the resident population, which excludes Armed Forces Overseas, increased from 281,421,906 in 2000 to 308,745,538 in 2010, an increase of 9.7%, and the lowest increase since the 1930s. New England's population increased 3.8% from 2000 to 2010, also experiencing its slowest growth since the 1930s. Within New England, only Connecticut and New Hampshire experienced growth significantly higher than the regional average.

During the last few decades, the heavily populated states experienced a slowdown in the growth of their populations. This phenomenon was common in New England, the Middle Atlantic, the East North Central and the West North Central regions. The fastest growing states were those in the West, the South, the Pacific and the southern portion of the Mountain regions. The overall apportionment of seats in the U.S. House of Representatives generally changes as a result of each decennial census. Also, Connecticut's federal aid levels for various grants will continue to fall as the state's estimated population size, relative to the nation's, decreases each year.

Resident population in Connecticut, according to figures from the 2010 census, was 3,574,097, an increase of 168,532 from the 3,405,565 figure of 2000. This represented growth of 4.9% for the decade, slower growth than was experienced by the nation as a whole for the fourth consecutive decade, but faster growth than New England for the first time since the 1960s. Between 2000 and 2010, the state's growth rate was the sixteenth lowest in the nation.

Around 2004, Connecticut's population growth weakened, as much of the rest of the country was recovering economically, while the state's recovery was lagging with a weak economy, a high relative cost of living, and a softened job market which collectively made the state less attractive. Just as Connecticut began to experience healthy growth in 2006 and 2007, a new recession began in December of 2007. As the economy weakened across the nation and the world in 2008 and 2009, there was no place that was economically prosperous, most people could no longer easily sell their homes, and cash was no longer plentiful. Migration throughout most of the country diminished. Changes in the state's population have generally, however, been the result of net out-migration. This net out-migration is not to be confused with overall population declines, because a surplus of births and foreign in-migration have offset domestic out-migration in most years. The migration of population to and from Connecticut over the last few decades generally parallels the performance of the state's economy, rising during expansion, and declining during recession. Connecticut counties experiencing faster growth during the 1990s generally were those not dominated by large urban areas.

The national population is estimated monthly by the United States Bureau of the Census for total population which includes Armed Forces Overseas, resident population and civilian population. Population growth is a primary long-run determinant of the potential expansion path of the economy from both the supply and demand sides of the economy. The growth of the population and its composition have profound impacts on the labor force, education, housing, and the demand for consumer goods and services.

TABLE 2
COUNTY POPULATION IN CONNECTICUT

County	2000 Census	2000 Percent	2010 Census	2010 Percent	Percent Change
Fairfield	882,567	25.9	916,829	25.7	3.9
Hartford	857,183	25.2	894,014	25.0	4.3
Litchfield	182,193	5.3	189,927	5.3	4.2
Middlesex	155,071	4.6	165,676	4.6	6.8
New Haven	824,008	24.2	862,477	24.1	4.7
New London	259,088	7.6	274,055	7.7	5.8
Tolland	136,364	4.0	152,691	4.3	12.0
Windham	109,091	3.2	118,428	3.3	8.6
TOTAL	3,405,565	100.0	3,574,097	100.0	4.9

Source: U.S. Bureau of the Census, U.S. Department of Commerce

Annual estimates of population as of mid-calendar year for each state are vital for comparing standards of living through per capita income, productivity through per capita Gross State Product, or a state's private activity bond limitation which, under federal law, is capped at a level dependent upon the size of the population. Estimates are prepared by the U.S. Bureau of the Census based on the number of births and deaths as well as a variety of factors to approximate net migration changes. These factors can include Medicare enrollees, motor vehicle registrations, building permits, licensed drivers, school enrollments, etc. To comply with the Connecticut General Statutes concerning state aid to municipalities, the Department of Public Health also prepares an annual mid-year estimate of population based on the number of births, deaths and school age population.

TABLE 3
MID-YEAR POPULATION
(In Thousands)

Mid	United States		New England		Connecticut	
Year	Number	% Growth	Number	% Growth	Number	% Growth
2000	282,172	1.1	13,953	0.8	3,412	0.8
2001	285,082	1.0	14,052	0.7	3,428	0.5
2002	287,804	1.0	14,135	0.6	3,448	0.6
2003	290,326	0.9	14,192	0.4	3,468	0.6
2004	293,046	0.9	14,216	0.2	3,475	0.2
2005	295,753	0.9	14,227	0.1	3,477	0.1
2006	298,593	1.0	14,259	0.2	3,485	0.2
2007	301,580	1.0	14,298	0.3	3,489	0.1
2008	304,375	0.9	14,363	0.5	3,503	0.4
2009	307,007	0.9	14,430	0.5	3,518	0.4

Source: U.S. Bureau of the Census, U.S. Department of Commerce

In addition to naturally occurring births and deaths, the size of the total population is also a product of migration, the number of households and individuals moving into and out of the

state. The Internal Revenue Service (IRS) publishes data on changes in filing addresses used by federal income tax filers in successive years to determine migration between states. This data shows that between 2005 and 2009 Connecticut experienced a net decline in population of 55,674 residents due to migration alone that when combined with births and deaths, results in a modest increase in population. This same data also shows that net migration out of the state has been accelerating, as migration into Connecticut has been generally declining and migration out has been generally increasing. Each of these trends, however, has eased somewhat during the period from 2007 to 2008, probably due to the recent poor economy.

TABLE 4
SIGNIFICANT MIGRATION PATTERNS IN STATE POPULATION

Changes in Connecticut's Population Due to Migration Between 2005 and 2009

Major Sources of In Migration to Connecticut		Major Destinations of Out Migration from Connecticut		States with Greatest Impact On Connecticut Migration	
New York	87,569	Florida	(55,560)	New York	31,246
Massachusetts	33,605	New York	(56,323)	Florida	(29,379)
Florida	26,181	Massachusetts	(35,823)	North Carolina	(12,099)
New Jersey	17,087	California	(19,114)	Georgia	(6,358)
California	15,482	North Carolina	(19,638)	South Carolina	(5,492)
Other States	132,086	Other States	(185,249)	Other States	(53,163)
Outside US	17,371	Outside US	(13,348)	Outside US	4,023
Total In	329,381	Total Out	(385,055)	Total Net	(55,674)

Source: Internal Revenue Service

The 2000 and 2010 census counts are available for each of the 169 cities and towns in Connecticut. Using that information, it is possible to identify those growing at the fastest rates as well as the slowest growing municipalities in the state as seen in the table below.

TABLE 5
FASTEST AND SLOWEST GROWING MUNICIPALITIES IN CONNECTICUT

Fastest Growing Municipalities	Population			Slowest Growing Municipalities	Population		
City/Town	2000	2010	% Change	City/Town	2000	2010	% Change
Oxford	9,821	12,683	29.1%	Cornwall	1,434	1,420	-1.0%
Mansfield	20,720	26,543	28.1%	North Canaan	3,350	3,315	-1.0%
Sterling	3,099	3,830	23.6%	Old Saybrook	10,367	10,242	-1.2%
Union	693	854	23.2%	Enfield	45,212	44,654	-1.2%
Ellington	12,921	15,602	20.7%	Branford	28,683	28,026	-2.3%
Lyme	2,016	2,406	19.3%	East Hampton	13,352	12,959	-2.9%
Middlebury	6,451	7,575	17.4%	Bridgewater	1,824	1,727	-5.3%
Haddam	7,157	8,346	16.6%	Salisbury	3,977	3,741	-5.9%
Warren	1,254	1,461	16.5%	Sharon	2,968	2,782	-6.3%
Canton	8,840	10,292	16.4%	Sherman	3,827	3,581	-6.4%
State Average Growth			4.9%				

Source: U.S. Bureau of the Census

Households

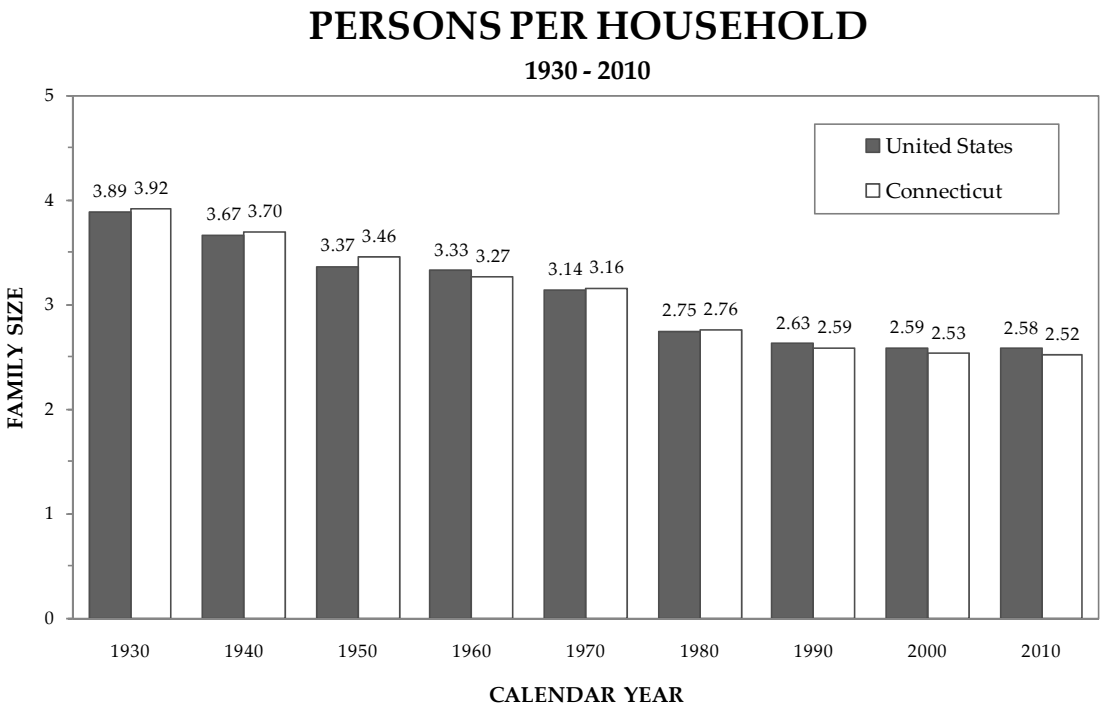
Demand for goods and services depends upon the level of household income and the total number of households. The number of households is a function of household size and population: for example, for a given population, as the size of the household declines, the number of households increases, which causes higher demand for housing and automobiles as well as household goods and services.

The number of households in Connecticut in 2010 was 1,371,087, up 5.3% from the 2000 Census estimate, but up only 3.6% from the 2005 count. This is not unexpected in that it reflects the slow growth of Connecticut's population over the last several years. Family households include a householder and one or more other persons living in the same household who are related by birth, marriage or adoption. Non-family households include a householder living alone or with non-relatives.

TABLE 6
HOUSEHOLDS
(In Thousands)

	Households			% Change	
Calendar Year	U.S.	Connecticut	During Period	U.S.	Connecticut
2000	105,480	1,302	2000-2005	5.3%	1.7%
2005	111,091	1,324	2005-2010	5.1%	3.6%
2010	116,716	1,371	2000-2010	10.7%	5.3%

Source: U.S. Bureau of the Census



Source: U.S. Bureau of the Census

Between 1990 and 2010, the relatively stable population, the increasing number of households, and the changing mix in the types of households in Connecticut resulted in a decrease in average population per household in the state.

The decline in household size can be considered an indicator of social change. Society is adjusting its mores to fit the demands of new generations including: delaying marriage, both delaying and having fewer children, and the establishment of one or two person households by career minded men and women. Other social changes that result in smaller households are the increase in the elderly population and the increasing number of one parent families that are the consequence of the general rise in the number of divorces.

Age Cohorts

According to the latest data available, the distribution of Connecticut's population between age cohorts is somewhat different from that of the U.S. average. The state has a lower concentration of persons aged 18 to 44 years than either New England or the nation as a whole, and a higher concentration of persons aged 65 and over (especially 85 and over) than the nation as a whole. Growth in this older age cohort in Connecticut will accelerate as baby boomers age. The aging population will put pressure on state spending requirements, which could be exacerbated by state revenues that are not growing at the same rate as during the late 1990s. The National Center for Health Statistics estimated average life expectancy at birth to be 77.9 years in 2007, up from 73.7 years in 1980, 75.4 years in 1990, and 77.0 years in 2000. As life spans continue to increase nationally, this trend will impact retirement, social security, pension systems, health care, and other similar requirements.

TABLE 7
POPULATION DISTRIBUTION BY AGE IN 2009
(In Thousands)

	0 to 17	18 to 24	25 to 44	45 to 64	65 +	85 +	Total
United States	74,182	30,672	82,135	81,489	40,268	5,493	308,746
% of Total	24.0	9.9	26.6	26.4	13.0	1.8	100
New England	3,151	1,429	3,688	4,136	2,041	324	14,445
% of Total	21.8	9.9	25.5	28.6	14.1	2.2	100
Connecticut	817	327	904	1,019	507	85	3,574
% of Total	22.9	9.1	25.3	28.5	14.2	2.4	100

Source: U.S. Bureau of the Census

Population Projections

The U.S. Department of Commerce, Bureau of the Census, publishes population projections for the United States and the 50 states.

Based on these projections, the elderly population (defined as those 65 years and over) continues to grow substantially. For every person over the age of 65, the number of workers aged 18 to 64 is expected to decrease 41.5 percent, from 4.5 workers in 2000 to 2.6 workers in

2030. The size of this cohort is not only growing rapidly, the average age is also increasing. The most senior subset, those aged 85 and older, is increasing at a faster rate than the total elderly population in Connecticut. This significant growth will impact both the size and complexity of the demand for services required by this segment of Connecticut's population. There will be increased demand for health care facilities, public transportation, elderly housing, and other services. The cost of caring for the elderly may become much greater as the baby boom generation began to reach the age of sixty-five in 2011.

TABLE 8
PROJECTIONS OF THE POPULATION IN CONNECTICUT
(Mid-Year Resident Population In Thousands)

Age Group	1990 Census	2000 Census	2010 Census	Projections 2020	Projections 2030	% Change 2010-2030
Total	3,287.1	3,405.6	3,574.1	3,675.7	3,688.6	3.2%
0-17	737.6	841.7	817.0	816.3	823.4	0.8%
18-44	1,452.3	1,304.3	1,231.5	1,258.5	1,217.9	(1.1%)
45-64	651.3	789.4	1,019.1	958.2	852.9	(16.3%)
65 & Over	445.9	470.2	506.6	642.5	794.4	56.8%
85 & Over	47.1	64.3	84.9	105.6	132.4	55.9%
Ratio 18-64/65+	4.7	4.5	4.4	3.5	2.6	(40.9%)
Median Age	34.4	37.4	40.0	39.7	41.1	2.8%

Source: U.S. Department of Commerce, Bureau of the Census, April 2005

More specifically, the following three tables call attention to some significant trends with particular implications to be considered as resource allocation decisions are made for the future. First, as shown in the following table, Connecticut is and will remain a very densely populated state in a very densely populated region of the country. This has implications for housing, transportation, law enforcement and natural resources, as well as other services.

TABLE 9
POPULATION DENSITY BY YEAR
(Persons per Square Mile)

	1990 Census	2000 Census	2010 Census	2020 Projection	2030 Projection
United States	70.3	79.6	87.4	95.0	102.8
Northeast	313.1	330.3	343.8	352.1	355.4
Connecticut	678.4	702.8	738.3	758.6	761.3

Source: U.S. Bureau of the Census

In addition, a change is occurring in the age distribution of the population. As shown below, not only are the elderly increasing in number, but the non-elderly, on a relative scale, are decreasing, with the young and very young remaining a relatively stable portion of the total. This means that increasing pressure will be brought upon those between the ages of 18 and 65 to provide social and support services for the young and most particularly, the elderly.

TABLE 10
DEPENDENCY RATIOS*
(Number of Dependent Population per 100 Provider Population)

Dependency Ratio	1980	1990	2000	2010	2020	2030
United States	65.1	61.5	61.6	59.0	67.2	76.1
Connecticut	61.9	57.0	62.7	58.4	65.8	78.1
Youth Dependency						
United States	46.5	41.3	41.5	38.2	40.0	41.5
Connecticut	42.9	35.8	40.2	36.2	36.8	39.8
Aged Dependency						
United States	18.6	20.2	20.1	20.7	27.2	34.6
Connecticut	19.0	21.2	22.5	22.5	29.0	38.4
Aged Female Dependency Ratio						
United States	11.1	12.1	11.8	11.8	15.4	19.4
Connecticut	11.5	12.8	13.4	13.1	17.0	22.5

* The Dependency Ratio is the number of the target dependent population (i.e., the aged or youth or the two groups combined) divided by the segment of the population which has traditionally provided for the dependent population, through taxes for health and social programs, volunteer activities, etc. The provider group is generally considered to be those older than 17 and less than 65 years of age.

Source: U.S. Bureau of the Census, Population Distribution Branch

TABLE 11
POPULATION DISTRIBUTION BY RACE AND YEAR
(Percent of Total Population Based On Each Census)

	United States			Northeast Region			Connecticut		
	1990	2000	2010	1990	2000	2010	1990	2000	2010
White	83.9	75.1	72.4	85.6	77.5	74.4	89.6	81.6	77.6
African-American	12.3	12.3	12.6	11.4	11.4	11.8	8.6	9.1	10.1
Asian	3.0	3.6	4.7	2.7	4.0	5.5	1.6	2.4	3.8
American Indian	0.8	0.9	0.9	0.3	0.3	0.4	0.2	0.3	0.3
Two Or More	-	2.4	2.9	-	2.3	2.6	-	2.2	2.6
Other	-	5.6	6.4	-	4.6	5.3	-	4.4	5.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Hispanic Origin	9.0	12.5	17.3	7.6	9.8	12.6	6.5	9.4	13.4

Note: The method of counting by race changed in 2000. Definitions of various race categories were changed and, for the first time, a respondent could indicate more than one race.

Source: U.S. Bureau of the Census

Finally, cultural implications might be suggested by the racial and ethnic distribution of the population in the state. The white population is decreasing as a percentage of the total, as both the African-American and Hispanic groups increase as a percentage of the total population, with the Hispanic growth rate outpacing the African-American growth rate. Although Asians make up a very small percentage of the total population, Asians comprise the fastest growing group, while the American Indian population remains fairly stable. These same trends are occurring in the nation and the region.

Housing

The United States' financial systems have been in turmoil for a few years. The housing sector, which just a few years ago was one of the strongest pillars of the economy, played a pivotal role in precipitating the financial crisis and economic downturn. Record foreclosures due to the resetting of variable rate and subprime mortgages shocked the housing market and mortgage lenders, leading to the demise of some of the nation's largest financial institutions.

In the past few years, homeowners watched the equity in their homes decline or disappear. Homes are not selling quickly, and when they do sell they are selling for less than they would have four years ago. Some homeowners responded to declining home values by cutting back their spending, and residential construction remains subdued. The weakness in the housing market has proven to be a serious drag on overall economic activity across the nation. With the public apprehensive of entering into the housing market during the economic recession and lackluster recovery, the housing sector realized record-breaking declines.

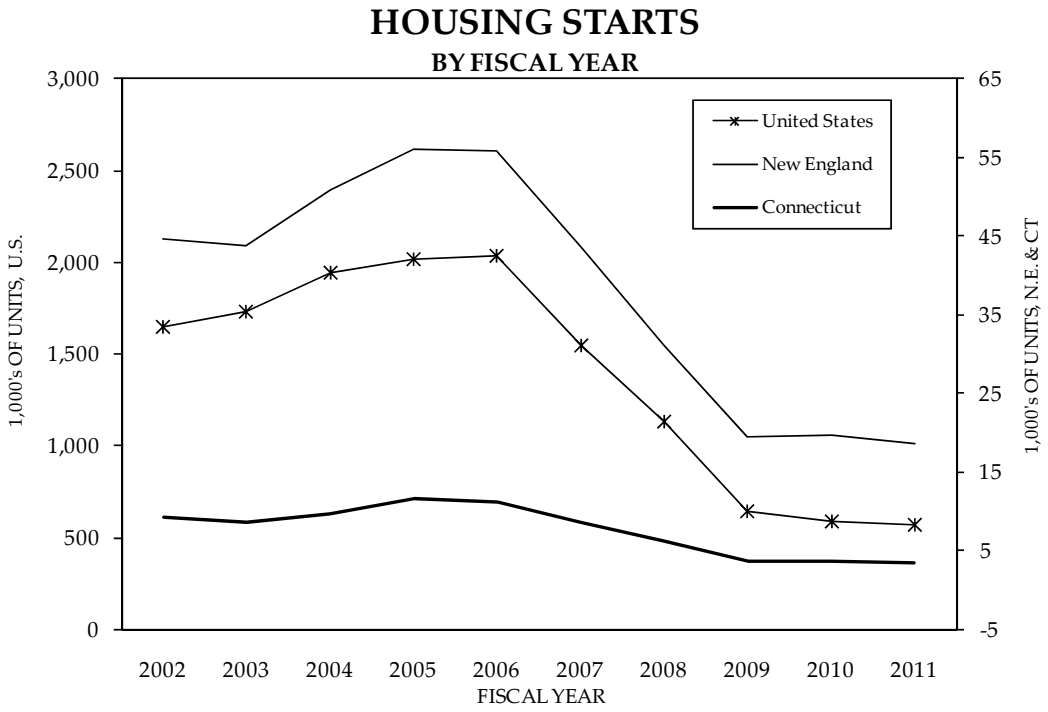
TABLE 12
HOUSING STARTS
(In Thousands)

Fiscal	United States		New England		Connecticut	
Year	Number	% Growth	Number	% Growth	Number	% Growth
2002	1,645.9	4.8	44.7	6.8	9.2	7.2
2003	1,729.2	5.1	43.8	(2.0)	8.5	(7.2)
2004	1,945.3	12.5	50.8	16.1	9.8	14.7
2005	2,016.3	3.7	56.0	10.2	11.6	18.3
2006	2,036.0	1.0	55.9	(0.3)	11.1	(4.1)
2007	1,546.2	(24.1)	43.6	(22.0)	8.5	(23.3)
2008	1,132.4	(26.8)	31.1	(28.5)	6.3	(26.5)
2009	646.3	(42.9)	19.5	(37.4)	3.6	(42.1)
2010	593.2	(8.2)	19.8	1.4	3.6	0.3
2011	569.4	(4.0)	18.7	(5.4)	3.5	(4.6)

Source: U.S. Department of Commerce, Bureau of the Census

Housing starts fell to record lows. In calendar 2010 fewer homes were started in the United States than in any year since the end of World War II, even though the current United States population is more than 2 times greater than the population at the end of World War II. During fiscal year 2011, housing starts in the U.S. fell 4.0% with approximately 569,000 starts being recorded nationally. In Connecticut, starts for new dwelling units decreased slightly in fiscal

2011 to an annual rate of 3,500 units, slightly below fiscal 2010 (-4.6% growth). The dramatic decline in housing starts over the last five years negatively impacted homebuilders, among others in the construction sector, and has undoubtedly contributed to the high unemployment rate nationwide.



Source: U.S. Department of Commerce, Bureau of the Census

Given the decline in housing starts, it is no surprise that household formation is also on the decline. New households may be formed when couples separate, children move out of their family's home and when individuals live singly after previously sharing a residence. Conversely, households are reduced when young people move back home with their parents, and households combine to lower expenses. Economic conditions have promoted the latter behavior in recent years.

Census data from calendar years 2003 to 2007 indicates Americans built over 9.0 million units during these years. Over the same five-year period, the number of American households grew by only 6.7 million. Assuming a million of those units replaced older homes that were destroyed or abandoned, it could be estimated that the United States entered this recession with an excess of approximately 1.3 million housing units from the prior five years.

Demand for these excess units will increase when households form at a faster rate than houses are built. However, as depicted in the following table, housing formations have been low in the last years of the decade and have only recently started to improve.

TABLE 13
U.S. HOUSING FORMATIONS
(In Thousands)

Cal. Year	Total Number of Households	Change in Households from Previous Year
2001	108,209	3,504
2002	109,297	1,088
2003	111,278	1,981
2004	112,000	722
2005	113,343	1,343
2006	114,384	1,041
2007	116,011	1,627
2008	116,783	772
2009	117,181	398
2010	117,538	357
2011	118,682	1,144

Source: U.S. Bureau of the Census

A major indicator of housing activity is the number of building permits authorizing construction issued by local authorities. The following table shows the Connecticut counties in which privately owned housing permits were issued in calendar 2010, indicating the geographic distribution of housing construction activity.

TABLE 14
CONNECTICUT HOUSING PERMIT ACTIVITY
Calendar Year 2010

County	Total Units Authorized	% of Total	% Growth Over CY 2009
Fairfield	926	23.6	(22.8)
Hartford	810	20.6	0.0
Litchfield	164	4.2	0.6
Middlesex	279	7.1	(6.7)
New Haven	1,019	25.9	100.2
New London	344	8.7	(19.4)
Tolland	190	4.8	(17.0)
Windham	200	5.1	33.3
State Total	3,932	100.0	3.9

Source: Connecticut Department of Economic and Community Development

The Connecticut Department of Economic & Community Development (DECD), the lead agency for all matters relating to housing, tabulates this information and presents it in its annual report "Connecticut Housing Production & Permit Authorized Construction." It should be noted that construction is ultimately undertaken for all but a very small percentage of housing units authorized by permits. A major portion typically gets under way during the

month of permit issuance and most of the remainder begins within the three following months. Because of this lag, housing permits reported do not represent the number of units actually put into construction for the period shown and should, therefore, not be interpreted as housing starts.

According to the report, calendar 2010 registered a 3.9% increase in housing permit activity compared to calendar 2009. New Haven County led Connecticut counties with 1,019 permits issued, 25.9% of the total permits issued in calendar 2010. New Haven County was a significant increase of 100.2% from calendar 2009 when the county issued 509 housing permits. Four of the eight counties realized negative growth in housing permit activity. This is an improvement from 2009 when seven of the eight counties realized negative growth.

Residential demolition permits issued during calendar 2010 totaled 834, a reduction from calendar 2009. Westport issued the most demolition permits with 79, followed by Hartford (62) and Stratford (53). These three cities accounted for 23.3% of all demolition permits in 2010. The calendar 2009 net change to Connecticut's housing inventory totaled a 3,098 increase in units. At the end of 2010, an estimated 1,455,105 housing units existed in Connecticut. The following table shows changes in Connecticut's housing unit inventory on a calendar basis from 2009 to 2010.

TABLE 15
CONNECTICUT HOUSING INVENTORY

Structure Type	Inventory 2009	% of Total	Inventory 2010	% of Total	Net Change	Growth Rate
One-Unit	940,607	64.8	942,656	64.8	2,049	0.2%
Two-Units	120,316	8.3	120,350	8.3	34	0.0%
Three & Four Units	126,581	8.7	126,538	8.7	(43)	0.0%
Five Or More Units	252,352	17.4	253,420	17.4	1,068	0.4%
Other	12,151	0.8	12,141	0.8	(10)	(0.1%)
Total Inventory	1,452,007	100.0	1,455,105	100.0	3,098	0.2%

Source: Connecticut Department of Economic and Community Development

Median Sales Price of Housing

Median sales price is the sales price at which half of the sales are above and half below the price. The median sales price data is for the sale of single-family homes. As shown in the following table, the median sales price in Connecticut in 2010 was $268,553. Compared to the United States, Connecticut saw more growth in 2010 over 2009, 4.3% compared to the national 2.1% change. Connecticut also fared better than the United States in the last six years with a negative 12.5% change versus the United States at a negative 18.9% change.

To interpret the housing affordability index, a value of 100 means that a family with the median income has exactly enough income to qualify for a mortgage on a median-priced home. A value above 100 signifies that a family earning the median income has more than enough income to qualify for a mortgage loan on a median-priced home, assuming a 20% down payment. The previous table indicates that overall housing affordability has increased in the U.S. and Connecticut over the past 6 years, indicating that housing prices are no longer outpacing

income increases. The Affordability Index improved for the United States in 2010 while remaining largely the same for Connecticut during the same period. Although the Affordability Index continues to rise, the housing market is still far from recovery.

TABLE 16
SALES PRICE OF HOMES IN CONNECTICUT AND THE UNITED STATES
(By Calendar Year)

	Median Price					Affordability Index			
Calendar Year	U.S.	% Change	CT	% Change	CT as a % of U.S.	U.S.	% Change	CT	% Change
2005	$215,247	11.9	$306,985	9.8	142.6	130.74	-7.5	109.62	-6.3
2006	$217,334	1.0	$313,753	2.2	144.4	125.69	-3.9	103.28	-5.8
2007	$210,777	-3.0	$320,698	2.2	152.2	136.22	8.4	107.21	3.8
2008	$188,632	-10.5	$291,147	-9.2	154.3	159.43	17.0	126.33	17.8
2009	$171,077	-9.3	$257,397	-11.6	150.5	184.16	15.5	160.09	26.7
2010	$174,653	2.1	$268,553	4.3	153.8	188.30	2.3	160.05	0.0
05-10 Change	($40,594)	-18.9	($38,432)	-12.5		57.57	44.0	50.4	46.0

Source: Moody's Economy.com

Age of Buyer or Renter

As Table 8 demonstrates, current population projections anticipate a decline in the 18-44 year old age group of 1.1% between 2010 and 2030, and an overall decline of 6.6% between the years 2000 and 2030. This is significant in the housing market for two reasons. First, this age group is the prime source of household formation. Consequently, a declining population of this age group, similar to what occurred in Connecticut during the 1990s, will slow the formation of new households, thus reducing the demand for starter homes. Moreover, weak demand for starter homes makes it harder for maturing families who already own starter homes to move up, thus reducing demand and appreciation throughout the housing market.

The age group of citizens 65 and older grew during the 1990s at a healthy rate of 5.6%. This age group is projected to grow rapidly during the next twenty years. Projected growth rates of the 65 and older age group are: 56.8% from 2010 to 2020, and 68.9% between the years 2000 and 2030. With the growth in this demographic, the housing market will see a shift in the type of housing units that are desirable. As more baby-boomers turn into empty-nesters, they will trade-down their large homes for smaller, easier to maintain condos and second homes. Demand for easier to maintain rental or condo units, particularly those targeted toward the elderly, will accelerate and boost the state's housing market, but at a cost. As the elderly population expands, additional benefits and services to care for this group will be required. How society will pay for these growing needs has yet to be determined.

Government Responses to the Housing Market

The federal government has taken several steps to mitigate the effects of the decline in the housing market. Several of these nationwide measures are reported in the State of the Nation's Housing 2011, published by the Joint Center for Housing Studies. Per the report, through March 2011, the Federal Housing Authority (FHA) and Government Sponsored Enterprises (GSE) Fannie Mae and Freddie Mac, owned or guaranteed 90% of mortgage originations in 2010. They are currently the largest backers of multifamily lending which has increased by 30% over the past decade. According to the Treasury Department, as of September 2011, 2.5 million homeowners were eligible for the Home Affordable Modification Program (HAMP), an Obama administration mortgage refinancing plan. This resulted in 90,835 currently active trial modifications and about 720,612 permanent mortgage term modifications. However, the Treasury Department estimates that 40 percent of those homeowners with HAMP modifications will re-default.

According to the National Association of Realtors (NAR), first-time purchasers dropped from a high of 50 percent of all homebuyers in 2010 to about 37 percent in late 2011. This sudden decline may have been caused by the expiration of the 2008 homebuyer credit program, which provided individuals and couples tax credits for purchasing their first home. Various estimates place the impact of the homebuyer tax credit on either pulling demand forward or releasing pent-up demand at 200,000–400,000 additional buyers.

Changes in the Housing Market

By the end of 2010, thirty-year fixed mortgage rates averaged 4.71%, 0.22 percentage points lower than the previous December. The first two quarters of calendar 2010 began with an average of 4.95% for thirty-year fixed mortgages. In September 2011, thirty-year fixed rates sharply declined to 4.11%, a 13.6% decrease since the start of 2011.

Most recent reports on foreclosure rates indicate positive change. The Mortgage Bankers Association reported that mortgages 30 days or more past due declined to 7.54% of all mortgages in Connecticut in the second quarter of 2011, down from 7.80% in the previous quarter and slightly up from 7.47% in the last quarter of 2010. It has been suggested that these figures indicate banks are stepping up efforts to move home loans through the foreclosure process.

Home Equity

A home's equity is calculated by taking the current market value of the home and subtracting the outstanding mortgage balance. This measure shows the amount of ownership a homeowner has in their home. A decrease in home equity occurs if there is an increase in the amount of debt homeowners are taking on to pay for their homes or if housing values decline. In a recent report by the Federal Reserve, owners' equity as a percentage of household real estate is at its lowest point since World War II. Since 2001 average home equity has dropped over 35%, from 60.8% in 2001 to 39.1% in 2010, which is the largest decade drop since data collection began. This decline is likely due to a combination of increasing home mortgage debt and sharp declines in home values due to the 2008 recession.

TABLE 17
OWNERS' EQUITY AS A PERCENTAGE OF HOUSEHOLD REAL ESTATE
(In Billions)

Calendar Year	Home Values*	Home Mortgages*	Home Equity
1945	116.0	18.7	83.9%
1950	243.3	45.3	81.4%
1955	367.4	87.9	76.1%
1960	486.9	141.3	71.0%
1965	605.6	219.4	63.8%
1970	874.5	285.9	67.3%
1975	1,413.7	459.0	67.5%
1980	2,943.2	926.5	68.5%
1985	4,698.9	1,449.6	69.2%
1990	6,805.7	2,488.8	63.4%
1995	8,055.0	3,318.9	58.8%
2000	12,179.8	4,798.4	60.6%
2005	22,023.9	8,880.1	59.7%
2010	16,507.8	10,048.9	39.1%

Source: Federal Reserve "Flow of Funds" Table B.100
* In Nominal Dollars

EMPLOYMENT PROFILE

Employment Estimates

The employment estimates for most of the tables included in this section are from the U.S. Bureau of Labor Statistics and the Connecticut Labor Department. They are developed as part of the federal-state cooperative Current Employment Statistics (CES) Program. The estimates for the state and the labor market areas are based on the responses to surveys of 5,000 Connecticut employers registered with the Unemployment Insurance program. Companies are chosen to participate based on specifications from the U.S. Bureau of Labor Statistics. As a general rule, all large establishments are included in the survey as well as a sample of smaller employers. It should be noted, however, that this method of estimating employment may result in under-counting jobs created by agricultural and private household employees, the self-employed and unpaid family workers who are not included in the sample. The survey only counts total business payroll employment in the economy.

In an effort to provide a broader employment picture, the following table, based on residential employment, was developed. Total residential employment is estimated based on household surveys which include individuals excluded from establishment employment figures such as self-employed and workers in the agricultural sector. By this measure, residential employment in fiscal year 2011 increased by 886 jobs. Likewise, the level of establishment employment based on the survey response increased by 12,600 jobs in fiscal year 2011.

The following table provides a ten fiscal year historical profile of residential and establishment employment in Connecticut.

TABLE 18
CONNECTICUT SURVEY EMPLOYMENT COMPARISONS
(In Thousands)

Fiscal Year	Residential Employment	% Growth	Establishment Employment	% Growth
2002	1,691.79	(0.03)	1,675.48	(0.90)
2003	1,696.31	0.27	1,652.40	(1.38)
2004	1,697.49	0.07	1,643.37	(0.55)
2005	1,708.20	0.63	1,657.10	0.82
2006	1,731.50	1.36	1,670.30	0.80
2007	1,757.12	1.37	1,689.68	1.14
2008	1,765.12	0.46	1,706.03	0.97
2009	1,749.47	(0.89)	1,665.04	(2.40)
2010	1,722.83	(1.52)	1,606.03	(3.54)
2011	1,723.72	0.05	1,618.63	0.78

Source: U.S. Bureau of Labor Statistics, Connecticut Labor Department

Nonagricultural Employment

Nonagricultural employment includes all persons employed except federal military personnel, the self-employed, proprietors, unpaid family workers, farm and household domestic workers. Nonagricultural employment is comprised of the broad manufacturing sector and the nonmanufacturing sector. These two components of nonagricultural employment are discussed in detail in the following sections.

The following table shows a ten year historical profile of nonagricultural employment in the United States, the New England region, and Connecticut.

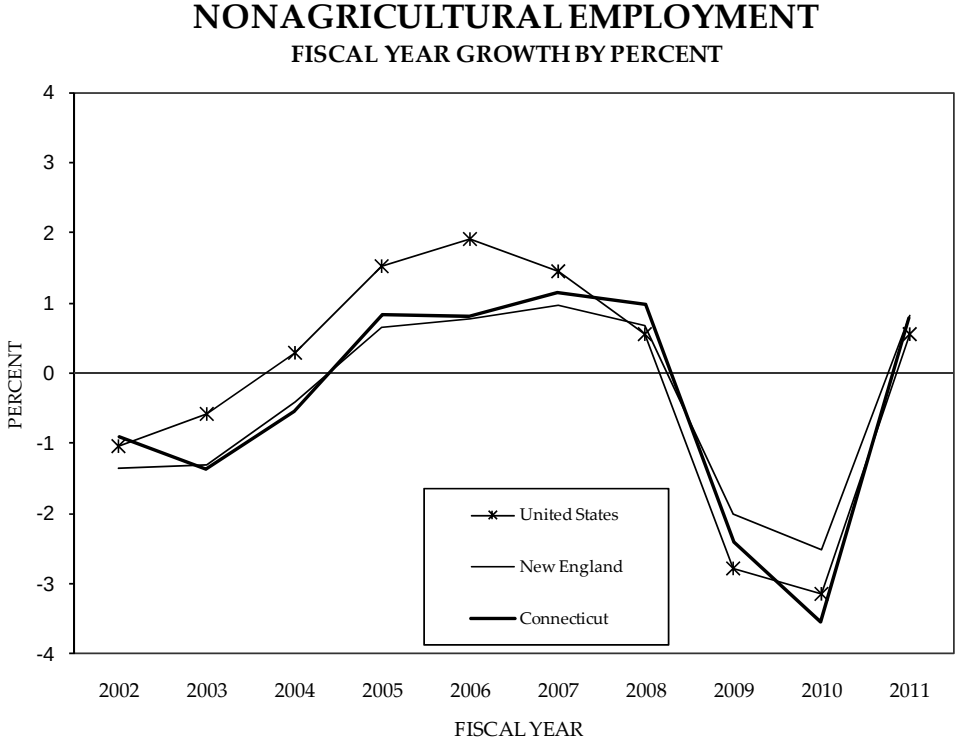
TABLE 19
NONAGRICULTURAL EMPLOYMENT
(In Thousands)

Fiscal	United States		New England		Connecticut	
Year	Number	% Growth	Number	% Growth	Number	% Growth
2002	130,876	(1.04)	6,973	(1.36)	1,675	(0.90)
2003	130,116	(0.58)	6,881	(1.31)	1,652	(1.38)
2004	130,474	0.28	6,853	(0.42)	1,643	(0.55)
2005	132,470	1.53	6,897	0.65	1,657	0.83
2006	135,010	1.92	6,951	0.78	1,671	0.82
2007	136,968	1.45	7,018	0.98	1,690	1.14
2008	137,722	0.55	7,066	0.68	1,706	0.97
2009	133,881	(2.79)	6,923	(2.02)	1,665	(2.40)
2010	129,666	(3.15)	6,748	(2.52)	1,606	(3.54)
2011	130,394	0.56	6,804	0.82	1,619	0.78

Source: U.S. Bureau of Labor Statistics, Connecticut Labor Department

In Connecticut, approximately 52% of total personal income is derived from wages earned by workers classified in the nonagricultural employment sector. Thus, increases in employment in this sector lead to increases in personal income growth and consumer demand. In addition, nonagricultural employment can be used to compare similarities and differences between economies, whether state or regional, and to observe structural changes within. These factors make nonagricultural employment figures a valuable indicator of economic activity.

Connecticut experienced positive growth in nonagricultural employment from fiscal year 2004 through fiscal year 2008. Since reaching a peak in fiscal year 2008, Connecticut lost approximately 100,000 nonagricultural jobs through the fiscal year low point in 2009, but has subsequently regained 13,000 in fiscal year 2011. The following chart provides a graphic presentation of the growth rates in nonagricultural employment for the three entities over a ten fiscal year period.



Source: U.S. Bureau of Labor Statistics, Connecticut Labor Department

The following table shows employment growth rates for the United States and the State of Connecticut over five decades beginning in state fiscal year 1950. This table highlights the robust growth in nonagricultural employment for Connecticut prior to 1990 as emphasized by the modest 2.2% growth between 1990 and 2000 and the negative 4.5% growth during the 2000-2010 time period. While the United States did not show the same change in growth over the last two decades, the U.S. growth was negative in the 2000-2010 period with a 0.7% decline.

TABLE 20
NONAGRICULTURAL EMPLOYMENT
LONG-TERM GROWTH RATES

	Growth Rates		Cumulative Growth Rates	
Fiscal Year	United States	Connecticut	United States	Connecticut
1950-1960	23.4%	24.6%	23.4%	24.6%
1960-1970	31.6%	31.9%	62.4%	64.4%
1970-1980	27.3%	17.8%	106.7%	93.6%
1980-1990	20.4%	16.1%	148.8%	124.8%
1990-2000	19.8%	2.2%	198.2%	129.7%
2000-2010	(0.7%)	(4.5%)	196.0%	119.3%

Source: U.S. Bureau of Labor Statistics

Throughout the last two decades, while manufacturing employment in Connecticut has been steadily declining, employment growth in nonmanufacturing industries has surged. Relatively rapid growth in the nonmanufacturing sector is a trend that is evident nationwide and reflects the

increased importance of the service industry. This shift in employment provides for relatively more stable economic growth in the long run through the moderation of the peaks and troughs of economic cycles. However, in fiscal year 2011, while approximately 90% of the state's workforce was employed in nonmanufacturing jobs, up from roughly 50% in the early 1950s, this was down 8,600 jobs from fiscal 2005.

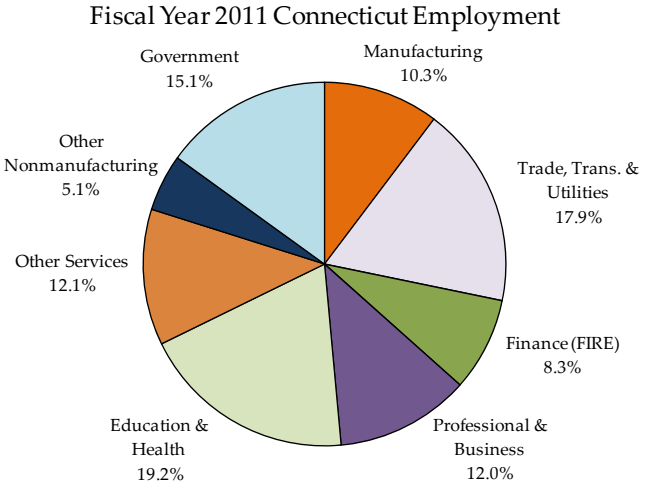
The following table depicts the decrease in the ratio of manufacturing employment to total employment in Connecticut over the last five decades.

TABLE 21
CONNECTICUT RATIO OF MANUFACTURING EMPLOYMENT TO TOTAL EMPLOYMENT
(In Thousands)

Fiscal Year	Total Employment	Manufacturing Employment	NonMfg. Employment	Ratio of Mfg. Employment to Total Employment
1950	766.1	379.9	386.2	49.6
1955	874.7	423.2	451.6	48.4
1960	915.2	407.1	508.1	44.5
1965	1,033.0	436.2	596.8	42.2
1970	1,198.1	441.8	756.3	36.9
1975	1,224.6	389.8	834.8	31.8
1980	1,428.4	440.8	987.6	30.9
1985	1,558.2	408.0	1,150.2	26.2
1990	1,623.5	341.0	1,282.5	21.0
1995	1,556.2	251.8	1,304.3	16.2
2000	1,682.2	236.8	1,445.5	14.1
2005	1,657.0	196.7	1,460.4	11.9
2011	1,618.6	166.9	1,451.8	10.3

Source: U.S. Bureau of Labor Statistics, Connecticut Labor Department

The chart on the right provides a breakdown of Connecticut employment in fiscal year 2011. As is evident, Connecticut employment is highly concentrated in nonmanufacturing employment sectors with only 10.3% of Connecticut laborers employed in the manufacturing sector. The services sector, which includes the professional and business, education and health, and leisure and hospitality segments (included in Other Services), is clearly the leading sector with 43.3% of those working employed in that classification.

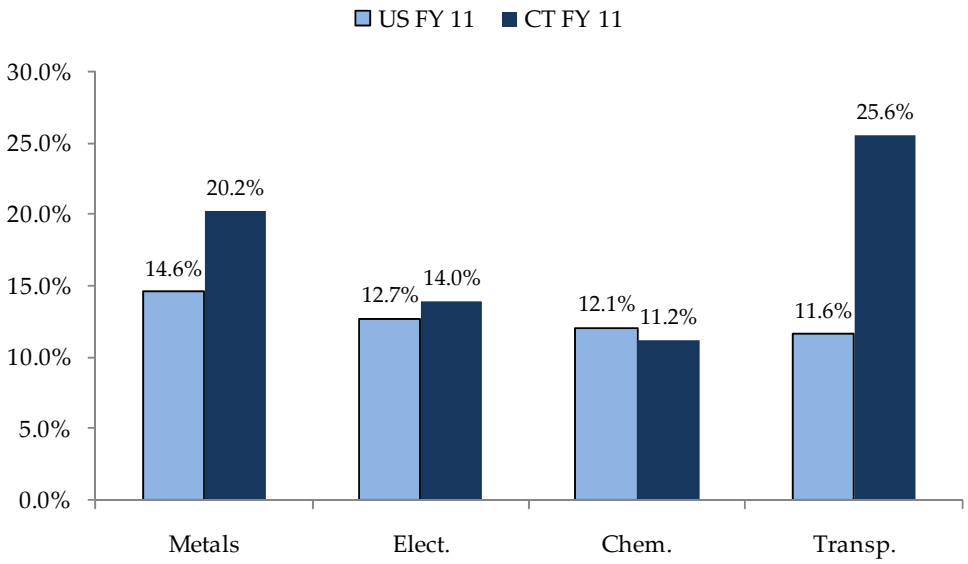


Manufacturing Employment

Even with declines in overall manufacturing employment, the ratio of manufacturing employment to total employment still defines Connecticut as one of the major manufacturing and industrial states in the country. Based on the level of personal income derived from this sector, Connecticut ranks seventeenth in the nation for its dependency on manufacturing. Within this broad definition, the manufacturing sector can be further broken down into the major components of the sector. The largest employer in this industry is United Technologies Corporation. Two of its largest divisions are Sikorsky based in Stratford and Pratt & Whitney based in East Hartford, both are in the aerospace industry.

Over the last decade the state's distribution of manufacturing employment has remained relatively stable. Rising defense expenditures have stabilized the Transportation Equipment sector as evidenced by the percentage of total state manufacturing employment at 20.1% in fiscal year 2001 and 25.6% in fiscal year 2011. The Metals Manufacturing sector employment figures as a percent of total state manufacturing have remained stable over the past decade at approximately 20.5% in fiscal 2000 and 20.2% in fiscal 2011. The other major manufacturing sectors, Electronic and Electrical Manufacturing and Chemical, Plastics, and Rubber makeup approximately 14.0% and 11.2% of the total manufacturing sector respectively in fiscal 2011. The distribution of employment figures within the manufacturing sector highlights that Connecticut manufacturing is diversified, but has a greater reliance on the Metals and Transportation Equipment sectors.

COMPARISON OF MANUFACTURING EMPLOYMENT IN CERTAIN SECTORS
(As A Percentage Of Total Manufacturing Employment)



Source: U.S. Bureau of Labor Statistics, Connecticut Labor Department

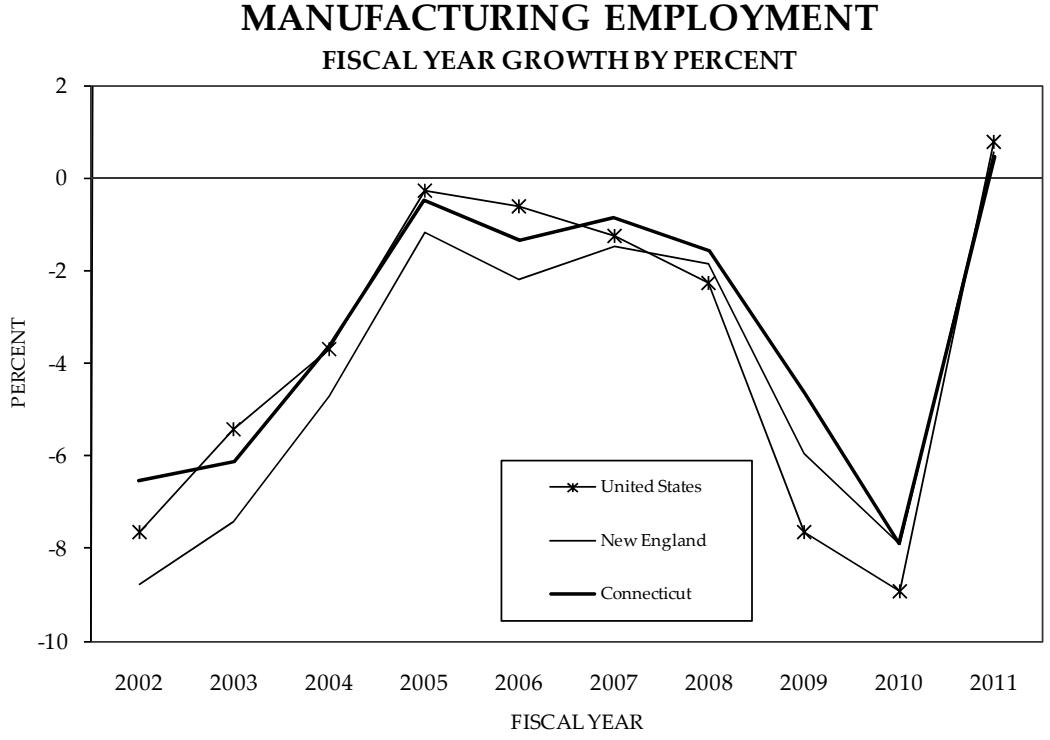
In fiscal year 2011, manufacturing employment in the state increased slightly by a 0.37%, less than the 0.78% and the 0.57% realized by the New England region and the United States respectively. This was the first increase in manufacturing employment in over a decade.

TABLE 22
MANUFACTURING EMPLOYMENT
(In Thousands)

Fiscal	United States		New England		Connecticut	
Year	Number	% Growth	Number	% Growth	Number	% Growth
2002	15,735.83	(7.67)	851.64	(8.80)	218.31	(6.56)
2003	14,879.00	(5.45)	788.32	(7.44)	204.88	(6.15)
2004	14,327.50	(3.69)	751.23	(4.70)	197.56	(3.57)
2005	14,288.50	(0.26)	742.36	(1.18)	196.68	(0.45)
2006	14,202.83	(0.60)	725.96	(2.21)	194.11	(1.31)
2007	14,024.92	(1.23)	715.20	(1.48)	192.44	(0.86)
2008	13,708.08	(2.28)	702.02	(1.84)	189.23	(1.67)
2009	12,657.75	(7.69)	660.17	(5.96)	180.42	(4.66)
2010	11,529.25	(8.91)	607.94	(7.91)	166.23	(7.86)
2011	11,619.25	0.78	611.40	0.57	166.85	0.37

Source: U.S. Bureau of Labor Statistics, Connecticut Labor Department

Historically, manufacturing employment closely parallels the business cycle, typically expanding when the economy is healthy and contracting during recessionary periods, as it did during the early 1980s. However, this relationship changed in the latter part of the 1980s, as contractions in manufacturing employment were not initially accompanied by a recession. Other factors, such as heightened foreign competition, smaller defense budgets, and improved productivity, played a significant role in affecting the overall level of manufacturing employment in Connecticut.



Source: U.S. Bureau of Labor Statistics, Connecticut Labor Department

The erosion of the state's manufacturing base reflects the national trend away from traditional industries, both durable and nondurable. More of U.S. demand is being satisfied by foreign producers who can manufacture goods more cheaply. The upward trend of higher productivity has enabled Connecticut manufacturers to make more with fewer workers. Even with the structural change, manufacturing employment in Connecticut still accounts for 10.3% of all nonfarm payroll jobs, compared with 8.9% in the U.S. and 9.0% in New England through fiscal year 2011. The following table provides a breakdown of the state's manufacturing employment by industry and indicates percentage changes for the year and since the start of the decade for each of the manufacturing sectors.

Manufacturing employment showed signs of improvement in fiscal year 2011 over fiscal year 2010. Most of the growth was found in Food, Beverage and Tobacco employment which increased 3.7% over fiscal year 2010. The major reductions in employment were seen in Industrial Machinery which dropped over 2.5%, and Printing, Publishing and Textile which dropped over 1.3%. The percent change from fiscal year 2001 to 2011 demonstrates the overall decline in manufacturing employment over the last decade.

TABLE 23
CONNECTICUT MANUFACTURING EMPLOYMENT BY INDUSTRY
(In Thousands)

				Percent Change	
Industry	FY 2001	FY 2010	FY 2011	FY 2010 to FY 2011	FY 2001 to FY 2011
Transportation Equipment	46.95	42.42	42.68	0.62	(9.09)
Metal Manufacturing	49.16	33.69	33.77	0.25	(31.30)
Electronic & Electrical	35.48	22.86	23.29	1.90	(34.34)
Chemical, Plastics & Rubber	29.50	18.56	18.69	0.68	(36.65)
Printing, Publishing & Textile	23.90	12.80	12.63	(1.35)	(47.16)
Industrial Machinery	23.32	15.36	14.98	(2.49)	(35.78)
Food, Beverage & Tobacco	8.53	7.99	8.28	3.66	(2.89)
Miscellaneous	16.92	12.56	12.53	(0.22)	(25.92)
Total Mfg. Employment	233.75	166.23	166.85	0.37	(28.62)

Source: U.S. Bureau of Economic Analysis, Connecticut Labor Department

The following table ranks the 50 states in terms of their relative dependence on manufacturing wages as a percentage of total personal income.

TABLE 24
MANUFACTURING WAGES AS A PERCENT OF PERSONAL INCOME BY STATE
Fiscal Year 2011
(In Millions of Dollars)

Rank	State	Personal Income	Mfg. Wages	%	Rank	State	Personal Income	Mfg. Wages	%
1	Indiana	$ 227,012	$ 26,674	11.75%	26	Maine	$ 49,579	$ 2,761	5.57%
2	Wisconsin	223,482	23,751	10.63%	27	Missouri	226,371	12,337	5.45%
3	Iowa	119,949	10,462	8.72%	28	Texas	986,718	53,212	5.39%
4	Michigan	352,856	30,540	8.66%	29	Georgia	346,963	18,423	5.31%
5	Ohio	427,775	34,879	8.15%	30	Nebraska	75,106	3,966	5.28%
6	New Hampsh.	58,699	4,717	8.04%	31	Louisiana	172,511	8,673	5.03%
7	Kansas	114,631	8,620	7.52%	32	Rhode Island	45,393	2,240	4.93%
8	South Carolina	154,256	11,433	7.41%	33	New Jersey	459,147	21,886	4.77%
9	Alabama	163,740	11,788	7.20%	34	Oklahoma	137,840	6,338	4.60%
10	Minnesota	235,192	16,836	7.16%	35	South Dakota	33,555	1,523	4.54%
11	Kentucky	144,062	10,305	7.15%	36	Arizona	227,396	10,305	4.53%
12	Tennessee	227,945	15,706	6.89%	37	West Virginia	60,748	2,608	4.29%
13	North Carolina	341,543	23,131	6.77%	38	Colorado	219,691	8,015	3.65%
14	Oregon	143,835	9,722	6.76%	39	Delaware	36,785	1,324	3.60%
15	Arkansas	97,432	6,560	6.73%	40	Virginia	363,818	13,079	3.59%
16	Vermont	25,709	1,713	6.66%	41	Maryland	290,989	9,222	3.17%
17	**Connecticut**	**201,803**	**13,321**	**6.60%**	42	North Dakota	30,509	954	3.13%
18	Mississippi	94,092	6,138	6.52%	43	New York	959,289	25,263	2.63%
19	Illinois	556,803	35,454	6.37%	44	Florida	738,353	16,891	2.29%
20	Utah	92,720	5,717	6.17%	45	New Mexico	70,635	1,608	2.28%
21	Washington	294,481	17,632	5.99%	46	Montana	35,635	699	1.96%
22	Pennsylvania	528,743	31,367	5.93%	47	Nevada	102,001	1,931	1.89%
23	California	1,638,680	94,047	5.74%	48	Wyoming	26,117	482	1.85%
24	Massachusetts	345,064	19,305	5.59%	49	Alaska	32,155	490	1.52%
25	Idaho	51,859	2,892	5.58%	50	Hawaii	58,125	521	0.90%
	United States	$ 12,691,347	$ 692,286	5.45%					

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Nonmanufacturing Employment

The nonmanufacturing sector is comprised of industries that provide a service. Services differ significantly from manufactured goods in that the output is generally intangible, it is produced and consumed concurrently, and it cannot be inventoried. Connecticut's nonmanufacturing

sector consists of the industries listed in the following table. Over the last three decades, nonmanufacturing employment has risen in importance to the Connecticut economy, reflecting the overall national trend away from manufacturing.

Nonmanufacturing employment gained approximately 11,900 positions and increased by approximately 0.8% in fiscal year 2011 from 2010. This growth was due in large part to an increase in the Services Sector which grew by 2.3% (15,750 additional employed). The Education and Health Sector also experienced the largest percentage growth from fiscal year 2001 to 2011 with a 25.6% gain during that period.

The following table provides detail on Connecticut's nonmanufacturing employment by industry and indicates percentage changes for the year and over a ten year period for each of the sectors.

TABLE 25
CONNECTICUT NONMANUFACTURING EMPLOYMENT BY INDUSTRY
(In Thousands)

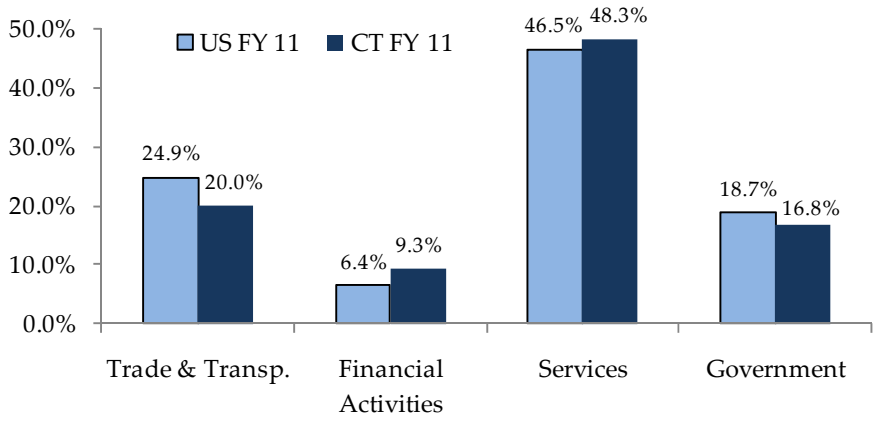
				Percent Change	
	FY	FY	FY	FY 2010 to	FY 2001 to
Industry	2001	2010	2011	FY 2011	FY 2011
Construction & Mining	65.93	51.75	50.50	(2.42)	(23.40)
Information	46.43	32.46	31.65	(2.49)	(31.84)
Transp., Trade & Utilities	315.31	289.46	290.07	0.21	(8.00)
Transp., & Warehousing	41.98	40.79	40.69	(0.24)	(3.08)
Utilities	9.48	8.15	7.84	(3.72)	(17.29)
Wholesale	68.11	63.13	63.06	(0.11)	(7.41)
Retail	195.73	177.40	178.48	0.61	(8.81)
Finance (FIRE)	143.26	135.43	135.06	(0.28)	(5.72)
Finance & Insurance	121.68	116.48	115.97	(0.44)	(4.70)
Real Estate	21.58	18.95	19.09	0.75	(11.51)
Services	643.98	685.03	700.78	2.30	8.82
Professional & Business	214.14	187.47	193.68	3.32	(9.55)
Education & Health	247.78	304.24	311.28	2.31	25.62
Leisure & Hospitality	120.46	132.75	135.02	1.71	12.09
All Other Services	61.60	60.57	60.80	0.39	(1.30)
Government	242.12	245.68	243.73	(0.79)	0.67
Federal	22.08	19.78	18.32	(7.41)	(17.06)
State	69.35	67.11	68.00	1.33	(1.95)
Local	150.68	158.78	157.42	(0.86)	4.47
Total Nonmanufacturing Employment	1,457.03	1,439.80	1,451.79	0.83	(0.36)

Note: Totals may not agree with detail due to rounding.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

The following chart provides a comparison of select nonmanufacturing sectors in Connecticut to national results.

COMPARISON OF NONMANUFACTURING EMPLOYMENT IN CERTAIN SECTORS
(As A Percentage Of Total Non-Manufacturing Employment)



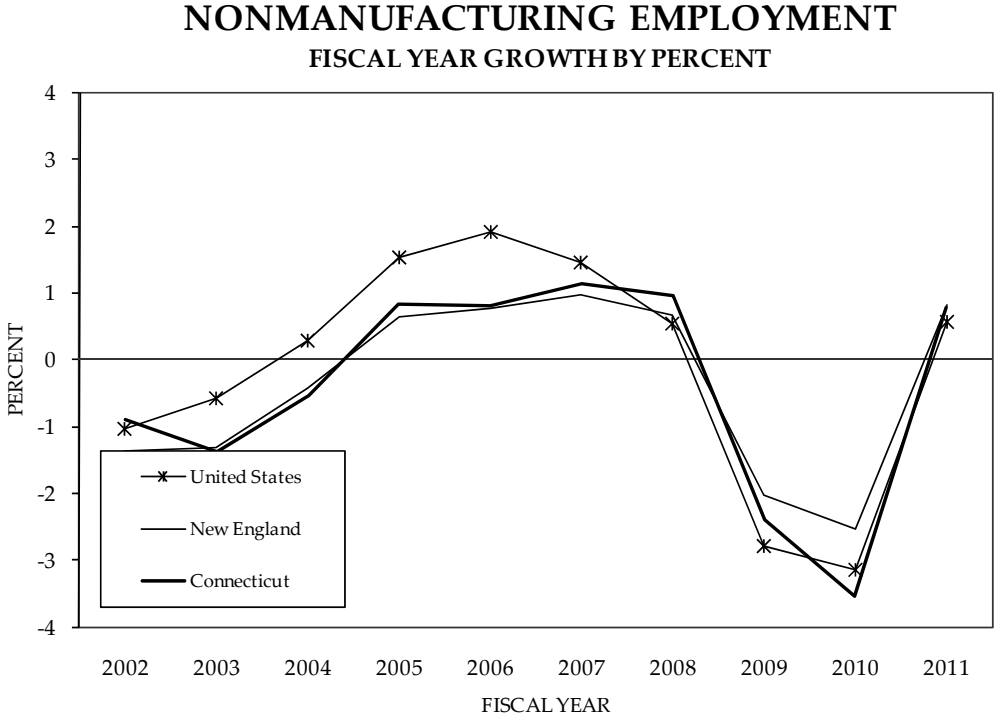
Source: U.S. Bureau of Labor Statistics, Connecticut Labor Department

The following table and chart provide a ten year profile of nonmanufacturing employment in the United States, the New England region, and Connecticut.

TABLE 26
NONMANUFACTURING EMPLOYMENT
(In Thousands)

Fiscal	United States		New England		Connecticut	
Year	Number	% Growth	Number	% Growth	Number	% Growth
2001	115,211	1.7	6,134	2.1	1,457	0.8
2002	115,141	(0.1)	6,121	(0.2)	1,457	0.0
2003	115,240	0.1	6,093	(0.5)	1,448	(0.7)
2004	116,148	0.8	6,102	0.1	1,446	(0.1)
2005	118,181	1.8	6,155	0.9	1,460	1.0
2006	120,806	2.2	6,224	1.1	1,476	1.1
2007	122,939	1.8	6,303	1.3	1,497	1.4
2008	124,012	0.9	6,364	1.0	1,517	1.3
2009	121,226	(2.2)	6,263	(1.6)	1,485	(2.1)
2010	118,138	(2.5)	6,141	(1.9)	1,440	(3.0)
2011	118,776	0.5	6,193	0.8	1,452	0.8

Source: U.S. Bureau of Labor Statistics, Connecticut Labor Department



Source: U.S. Bureau of Labor Statistics, Connecticut Labor Department

Annual salaries for Connecticut's nonmanufacturing industries are listed in the following table. The figures were derived by dividing total wage and salary disbursements by employment. Percent changes over the previous year and over the decade are also provided. Salaries for each of these industries grew year over year and since fiscal year 2001.

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TABLE 27
CONNECTICUT NONMANUFACTURING ANNUAL SALARIES

				Percent Change	
Industry	FY 2001	FY 2010	FY 2011	FY 2010 to FY 2011	FY 2001 to FY 2011
Construction	$48,718	$51,750	$61,847	19.5	26.9
Information	58,972	75,050	78,784	5.0	33.6
Transp., Trade & Utilities	37,080	45,693	46,692	2.2	25.9
Wholesale Trade	64,915	80,927	83,228	2.8	28.2
Retail Trade	25,915	31,626	32,095	1.5	23.8
Finance, Ins. & Real Estate	89,681	129,820	140,726	8.4	56.9
Professional & Business Services	59,530	76,282	77,704	1.9	30.5
Education & Health Services	36,842	47,959	48,632	1.4	32.0
Leisure & Hospitality Services	18,814	22,412	22,814	1.8	21.3
Government	42,602	57,267	57,765	0.9	35.6
Federal	62,253	95,775	104,904	9.5	68.5
State and Local	40,631	53,894	53,933	0.1	32.7

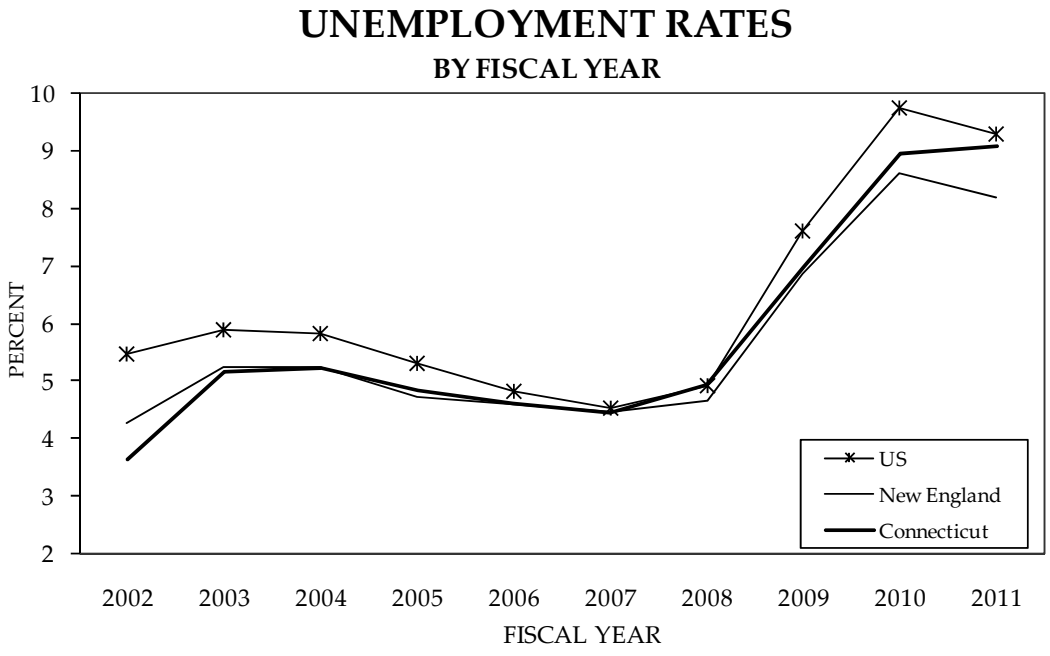
Source: U.S. Bureau of Economic Analysis

Unemployment Rate

The unemployment rate is the proportion of persons in the civilian labor force who do not have jobs but are actively looking for work. The rate is based upon a monthly survey in which household members are asked a series of questions, one of which is whether a jobless person has looked for work at some time during the preceding four weeks. Those looking for work are considered in the labor force but unemployed. The following table shows the unemployment rate for the U.S., the New England region, and Connecticut over a ten year period. Given the recession, it is no surprise unemployment rates remained high in the U.S., the New England region and Connecticut from fiscal year 2009 through fiscal year 2011.

TABLE 28
UNEMPLOYMENT RATES

Fiscal Year	United States	New England	Connecticut
2002	5.5	4.3	3.6
2003	5.9	5.3	5.2
2004	5.8	5.2	5.2
2005	5.3	4.7	4.9
2006	4.8	4.6	4.6
2007	4.5	4.5	4.5
2008	4.9	4.7	4.9
2009	7.6	6.9	7.0
2010	9.7	8.6	9.0
2011	9.3	8.2	9.1



Source: U.S. Bureau of Labor Statistics, Connecticut Labor Department

SECTOR ANALYSIS

Energy

Over the past two hundred years, the history of energy supplies and the mode of energy use in the United States have reflected the country's industrialization, economic development, and social transformation. As the U.S. becomes more dependent on imported energy, economic activity hinges more upon the availability and stability of its supply in the world market. In the past 37 years, all of the nation's five recessions were concurrent with the energy disruptions that occurred worldwide: in 1991 (Iraq invaded Kuwait), in 1981 (Iran/Iraq war), in 1979 (Iranian Revolution), and in 1973 (Arab Oil Embargo). The March 2001 recession followed an energy supply disturbance that occurred in late 2000 when petroleum inventories remained relatively low and the price reached a then-record high of $37.80 per barrel, the highest since the Gulf War of 1991. The latest recession, which began in December 2007, was also presaged by a hike in oil prices and was accompanied by the joint crises in the housing and financial markets. West Texas Intermediate crude oil crept up to a monthly average high of $94.62 a barrel in November 2007, up nearly 60% from a year earlier. The price continued to rise to an all time monthly record high of $133.93 a barrel in June 2008, but, within less than a year, dropped 71% to a low of $39.16 a barrel in February of 2009 as the global economy slowed down. Crude oil prices hovered around $70 a barrel in late 2010 as the economy recovered but surpassed the $100 a barrel again at the end of 2011.

The United States, like the rest of the industrialized world, relies heavily on three fossil fuels: crude oil, coal, and natural gas. The following three sections describe energy production and consumption for the world, the United States, and Connecticut.

Worldwide

World oil supply increased slightly while demand continued to decline in 2010 from 2009 levels due to the global economic downturn and financial crisis. World demand began to rise throughout 2010 which prompted OPEC to increase output. Consumption quickly rose during the later part of 2010 as the economic conditions within the U.S. and other developing countries began to improve, driving both supply and prices up. Demand from emerging economies in Asia such as India, China, and South Korea continued to increase. World oil supply and demand among countries or regions is significantly imbalanced. The following table illustrates the disparity between the world's suppliers of oil and its users. Members of the Organization of Petroleum Exporting Countries (OPEC), for example, supplied 33.87 million barrels per day (MBPD) in 2010 and consumed 7.70 MBPD, leaving a 26.17 MBPD surplus. The Organization for Economic Cooperation and Development (OECD), on the other hand, consumed more than it supplied. In 2010, the OECD consumed 45.60 MBPD, while supplying only 20.95 MBPD, registering a 24.65 MBPD deficit.

The United States consumed 18.69 MBPD in 2010, down from 18.77 MBPD in 2009, representing almost a quarter of total world demand, compared to a production of 9.06 MBPD, or 10.7% of world supply, reflecting a 51.5% dependency on foreign oil supplies. The deficit between supply and demand also exists in larger economies such as China, Japan, France, and Germany.

TABLE 29
WORLD OIL SUPPLY AND DEMAND
Calendar 2010

	Supply			Demand	
	Millions of Barrels Per Day	% of Total		Millions of Barrels Per Day	% of Total
Total OECD (a)	20.95	24.7	Total OECD	45.60	55.2
United States	9.06	10.7	United States	18.69	22.6
Canada	3.29	3.9	Canada	2.15	2.6
Mexico	3.00	3.5	Mexico	2.08	2.5
North Sea (b)	4.33	5.1	Japan	4.36	5.3
Other OECD	1.28	1.5	Germany	2.44	2.9
			France	1.88	2.3
Total OPEC (c)	33.87	39.9	Italy	1.54	1.9
Saudi Arabia	9.76	11.5	United Kingdom	1.67	2.0
Iran	4.17	4.9	Other OECD	10.80	13.1
Iraq	2.40	2.8			
Other OPEC	17.54	20.7	Total Non-OECD	37.05	44.8
			Former USSR	4.18	5.1
Total Non-OECD	29.99	35.4	China	8.20	9.9
Former USSR (d)	12.99	15.3	India	2.98	3.6
China	3.99	4.7	OPEC	7.70	9.3
Other	13.00	15.3	Other	13.99	16.9
Total 2010 Supply	84.81	100.0%	**Total 2010 Demand**	82.65	100.0%
Total 2009 Supply	84.39		**Total 2009 Demand**	84.33	
Change	0.42		Change	(1.68)	

Note:
(a) The OECD includes the United States, Western European countries, Australia, Canada, Japan, and New Zealand.
(b) North Sea includes the United Kingdom Offshore, Norway, Denmark, Netherlands Offshore, and Germany Offshore.
(c) The OPEC includes Algeria, Gabon, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, the United Arab Emirates, and Venezuela.
(d) The Former USSR includes Armenia, Azerbaijan, Belarus, Estonia, Georgia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan

Source: U.S. Department of Energy, U.S. Central Intelligence Agency, *The World Factbook*

Demand in China and India, Asia's two most populous and fastest growing economies, continues its upward trend, accounting for 13.5% of the worldwide demand total in 2010, up from 5.5% in 1991. China, the world's second largest consumer, which switched from a net exporter of oil in 1995, began running an increasing oil deficit as its economy continued to grow at a brisk pace. In 2010, China consumed 8.20 MBPD while supplying 3.99 MBPD, leaving a 4.21 MBPD deficit. Similar to the U.S., China has a 51.3% dependence rate on foreign oil. In light of energy security concerns as well as soaring world demand and fierce competition for

resources, China has augmented crude and oil product stockpiles, encouraged businesses to invest in oil and gas fields, and secured long term supply contracts abroad.

TABLE 30
WORLD OIL & NATURAL GAS RESERVES
January 1, 2009

	Oil		Gas	
	Billions of Barrels	% of Total	Trillions of Cubic Feet	% of Total
North America	**207.7**	**15.5%**	**315.7**	**5.0%**
United States	19.1	1.4	244.7	3.9
Mexico	10.5	0.8	13.2	0.2
Canada	178.1	13.3	57.9	0.9
Central & South America	**122.7**	**9.2**	**266.5**	**4.3**
Venezuela	99.4	7.4	170.9	2.7
Western Europe	**13.7**	**1.0**	**169.1**	**2.7**
Eurasia *	**98.9**	**7.4**	**1,993.8**	**31.8**
Russia	60.0	4.5	1,680.0	26.8
Middle East	**746.0**	**55.7**	**2,591.7**	**41.4**
Saudi Arabia	266.7	19.9	258.5	4.1
Iran	136.2	10.2	991.6	15.8
Iraq	115.0	8.6	111.9	1.8
Kuwait	104.0	7.8	63.4	1.0
Other Mid. East	124.1	9.3	1,166.3	18.6
Africa	**117.1**	**8.7**	**494.1**	**7.9**
Nigeria	36.2	2.7	184.2	2.9
Far East & Others	**34.0**	**2.5**	**430.4**	**6.9**
Total 2009 estimate	**1,340.0**	**100.0**	**6,261.3**	**100.0**
Total 2008 estimate	**1,184.2**		**6,436.0**	
Change	**155.8**		**(174.7)**	

Note: * Comprises the continents of Europe and Asia
Totals may not add due to rounding.

Source: U.S. Dept. of Energy, Energy Information Administration (EIA), *Annual Energy Review*

The above table shows world oil and natural gas reserves by country. Total world oil reserves estimated in 2009, the latest data available, increased by 155.8 billion barrels (BBs) to 1,340.0 BBs from the 2008 level, thanks mostly to the tar sands in Alberta, Canada. Oil reserves held by Canada increased to 178.1 BBs in 2009 from 25.2 BBs in 2008, leap-frogging Iran and making Canada's total oil reserves the second largest in the world, after Saudi Arabia. The increase in Canada's resources could potentially help the U.S. shift its dependency on Middle Eastern oil. Oil reserves held by the U.S. decreased to 19.1 BBs in 2009 from 21.3 BBs in 2008, due mostly to production. Natural gas reserves held by the U.S. increased to 244.7 Trillions of Cubic Feet (TCFs) in 2009 from 237.7 TCFs in 2008, due mostly to shale gas development in Louisiana, Arkansas, Texas, Pennsylvania, and North Dakota. Oil or natural gas reserves are the estimated quantities that are recoverable in the future from known reservoirs under the existing

technological, operating and economic conditions. World energy reserves also mirror the same pattern of disparity as the oil supply market. The share of world oil reserves held by all OPEC countries is approximately 65%. Of the total, the Middle East controls approximately 56% of world oil reserves with Saudi Arabia alone controlling approximately 20% of the total, followed by Iran's 10.2% and Iraq's 8.6%. The Middle East countries controlled approximately 40.0% of natural gas reserves. Resources that currently are not technologically recoverable but could become recoverable in the future as technologies advance may also be added to the reserve. Energy companies whose equities are traded on the U.S. stock market are required to report their holdings of proved reserves.

As the economy grows, the United States continues to deplete its energy reserves. U.S. crude oil and natural gas reserves in 2009 were estimated at 19.1 billion barrels and 244.7 trillion cubic feet, or 1.4% and 3.9%, respectively, of the world's reserve. These were down about 30% and 20%, respectively, from 1977 levels, the year when the U.S. Department of Energy started assembling the reserve data.

United States

The U.S. has the largest demand for world oil. While it represents about 5% of world population and supplies 11% of world oil, it consumes 23% of world oil production and produces about 20% of the world's GDP. The nation has long been a net energy importer. According to the *Annual Energy Review*, the U.S. consumed 98.00 quadrillion British Thermal Units (QBTU's) of energy in 2010, which was 2.1 times the 1960 level.

Whereas the U.S. produced only 75.03 QBTU's and exported 8.17 QBTU's in 2010, it required net imports of 21.62 QBTU's, which represented 22.1% of total national energy consumption, compared to 25.2% in 2000, 16.6% in 1990, and 6.0% in 1960. Energy produced in the U.S. was mostly from fossil fuels (coal, 32.3%; natural gas, 28.2%; and crude oil, 14.2%) that accounted for 74.8% of total production in 2010. Coal and crude had been the leading energy sources, but natural gas rose in importance since the 1980s.

National energy consumption has increased at an average annual rate of 1.2% over the past two decades. Growth in energy consumption has trended along with economic conditions, up during periods of healthy economic growth and down during periods of sluggish growth. Growth in energy consumption also reflects the movement of prices, higher during periods of relatively low or stable prices and down during periods of price increases. The following table illustrates the breakdown of energy usage in the U.S. in 2010 by fuel type and by economic sector. As can be seen, petroleum products are the most important energy source for the U.S. economy. The 35.97 quadrillion petroleum-generated BTU's accounted for 36.7% of U.S. fuel consumption, followed by natural gas at 24.65 QBTU's and coal at 20.81 QBTU's. These three fuel sources together accounted for approximately 82% of U.S. fuel consumption. Nuclear power and hydroelectric power were distant followers.

TABLE 31
U.S. ENERGY CONSUMPTION IN 2010
(Quadrillion BTU's)

Fuels	Resi - dential	Com- mercial	In- dustrial	Trans- portation	Electric Generation	Total	% of Total
Natural Gas	5.06	3.28	8.11	0.68	7.52	24.65	25.2%
Petroleum	1.22	0.71	8.01	25.65	0.38	35.97	36.7%
Coal	0.01	0.06	1.61	0.00	19.13	20.81	20.2%
Nuclear	0.00	0.00	0.00	0.00	8.44	8.44	8.6%
Renewables							
Hydroelectric	0.00	0.00	0.02	0.00	2.49	2.51	2.6%
Other*	0.55	0.13	2.23	1.10	1.53	5.54	5.7%
Electricity	4.95	4.54	3.28	0.03	0.01	12.88	13.1%
Electric Losses	10.36	9.50	6.87	0.06	(39.58)	(12.80)	(13.1)%
Total Demand	22.15	18.21	30.14	27.51	0.00	98.00	100.0%
% of Total	23.5%	19.3%	31.9%	29.1%	0.0%	100.0%	

Note: * Includes power generated from wood, biofuels, wind, waste, geothermal, tide, and solar/photovoltaic.
Totals may not add due to rounding.

Source: U.S. Dept. of Energy, Energy Information Administration, *Annual Energy Review 2010*

The U.S. lags other developed countries in utilizing renewable energy. Hydroelectricity, for example, provided approximately 2.6% of electric generation in the U.S., versus more than 50% in Canada. Capital investments in alternative renewable energy from solar, hydroelectric, wind, biofuels, and geothermal have increased dramatically in the U.S.; nonetheless, their share of power production is still small. Green energy in total in the U.S. is expected to play an increasingly important role and therefore grow faster than non-green energy sources as awareness of the environmental consequence of greenhouse gas emissions and energy efficiency rises. Operable nuclear plants continue to decline to 104 units in 2010, down from a peak of 112 units in 1990. Nonetheless, nuclear generation of electricity accounted for 20% of domestic total electricity output in 2010. The U.S. is the world's largest nuclear power producer, accounting for more than 30% of worldwide nuclear electricity production. Issues of plant and public safety, radioactive waste disposal, and high capital investment and maintenance risks have slowed the expansion of nuclear power plants. However, with concerns over rising fossil fuel prices and the greenhouse gas effect, plans for new nuclear generation capacity have increased. Prior to the Fukushima Daiichi nuclear facility disaster it was expected that 4 to 6 new units may come on line by 2018.

There are five energy-use sectors: residential, commercial, industrial, transportation, and electric power generation. The first four sectors are end-users while the last one is the intermediate-user that consists of all utility and non-utility facilities and equipment used in the electricity industry. Of the four end-users, the industrial sector was the largest energy consumer, consuming 30.14 QBTU's in 2010, followed by transportation at 27.51 QBTU's, residential at 22.15 QBTU's, and commercial at 18.21 QBTU's.

In contrast to the relatively smooth trends in the other sectors, industrial consumption has showed the greatest fluctuation, dropping sharply in 1975, 1980-83, 2001-03, and 2008-09 in

response to high oil prices and economic slowdown. The electric power generation sector consumes and also produces energy. Energy losses occur throughout the entire electrical system beginning with utility generation in fossil-fired, nuclear or hydroelectric power plants all the way to the end-users. Energy losses are approximately two-thirds of total energy input during the conversion process of heat energy into mechanical energy for turning electric generators. Of the electricity generated, it is estimated that about 7% is lost in transmission and distribution.

Crude Oil Prices

Oil is a global commodity. Crude oil prices in the U.S. depend not only upon domestic market conditions, but also upon worldwide supply and demand. While long-term upward trending oil prices are fundamentally caused by the world's tighter supply and increasing demand, short-term price fluctuations are basically caused by interruptions in supply due to geopolitical unrest, seasonal or unexpected damages to facilities in, for instance, the Gulf of Mexico or elsewhere, or other events. Mounting world consumption has resulted in price increases as spare production capacity is more limited now than it has been over the past three decades. As oil fields age with inadequate investment, productivity declines. Crude oil production in the U.S., for example, fell from the peak average of 18.6 barrels per day per well in 1972 to 10.1 barrels in 2009 or a 46% reduction in productivity. Forecasts of future supply and inventory levels also affect short-run oil prices. As demand and supply are delicately in balance, crude oil inventory relative to its historical average and anticipated levels also plays a critical role. The "risk premium" reflects the possibility of a supply shortage, creating the incentive to hoard bigger inventories and rising speculative investments, which leads to higher prices. The value of the U.S. dollar relative to other major currencies has become an important factor, as the dollar serves as the world standard unit of trade. To defend against losses due to the depreciation of the dollar, oil producing countries and oil companies raised oil prices. The continued decline in the dollar drove daily oil prices to an all time high of $147 per barrel in July of 2008. Subsequently, the slowdown in the global economy combined with an appreciation in the dollar sent daily oil prices down more than 80% to about $30 per barrel in November 2008. Crude oil went above $90 a barrel in late 2010 as the outlook for the global economy turned positive and the dollar eroded. This upward trend continued into 2011 as crude oil traded at over $100 a barrel throughout most of the year.

Crude oil prices have a long history of large fluctuations that affect the world and U.S. economies as well as inflation levels. In 1973, the year of the Arab Oil Embargo, crude oil prices in the U.S. measured by the composite Refiners' Acquisition Cost averaged $4.15 per barrel. After two consecutive supply disturbances brought on by the Iranian Revolution in 1979 and the Iran-Iraq war in 1980, oil prices reached $35.28 per barrel in 1981. Long-term prices then trended down to a low of $12.54 per barrel by 1998 and then stayed in the $20 range until mid-2003. Crude oil prices started to creep up above $30 per barrel in late 2003, soared to the mid $90s in 2008 and near $134 per barrel in mid 2008. It then plummeted 70% to close in the low $40s per barrel range in late 2008 and returned to hover around the mid $70s in late 2009 and in the low $80s in late 2010. By mid 2011 prices rose above $100 and then returned to the high $90s late in the year. The world oil market becomes more vulnerable as inventory levels tighten, consumption from rapidly growing emerging markets expands, and the U.S. dollar depreciates. In real terms as adjusted for inflation, 2008's $95.95 per barrel price as measured in 2010 dollars became the new high, surpassing the last annual peak of $84.54 per barrel registered in 1981.

TABLE 32
CRUDE OIL PRICES AND U.S. CONSUMPTION
Refiners' Crude Oil Acquisition Costs* Per Barrel

Year	Current $	In 2010 $*	Year	Current $	In 2010 $*
1973	4.15	20.38	2001	22.95	28.26
1975	10.38	42.07	2002	24.10	29.21
1980	28.07	74.28	2003	28.53	28.56
1981	35.24	84.54	2004	36.98	42.69
1985	26.75	54.21	2005	50.24	56.09
1990	22.22	37.70	2006	60.24	65.16
1995	17.23	24.65	2007	67.94	71.45
2000	28.26	35.79	2008	94.74	95.95
			2009	59.29	60.26
			2010	76.69	76.69
			2011**	101.23	97.44

Note: * Adjusted by 2010 CPI-U, where 1982 = 100.00 and 2010 = 228.31.
** The average for the first eight months.

Source: U.S. Department of Energy, Energy Information Administration

Longer term oil prices are expected to trend up as world demand grows faster than the rate of discovery of new supplies. The following factors are driving prices higher: new oil fields are harder to find, crude oil is more costly to extract, underinvestment had been occurring for years in this industry, and mounting demand for oil from the emerging economies, the Middle East, some industrialized countries, and elsewhere. It is estimated that 70% of the existing oil fields are more than 30 years old. Oil reserves in the Middle East and Persian Gulf region may be nearing maturity or depletion. However, the world is expected to rely even more on OPEC's current 40% share as potential production from non-OPEC countries decline. As the world economy continues to grow, the increasing demand will more than offset any savings gained from efficiency and conservation. Although new discoveries such as Tiber Prospect and Jack Field in the Gulf of Mexico, and Tupi Field in Brazil, etc. may add hundreds of billions of barrels of crude oil reserves, meaningful production due to technical limitations and environmental concerns may not happen for years to come.

Efficiency

Increasing efficiency has been a focal point of the nation's energy conservation policy. Energy regulatory agencies have been aggressively protecting the environment by promoting energy-efficient products over the past two decades. The National Appliance Energy Conservation Act of 1987 set minimum efficiency standards for 13 appliances and prohibited the sale if standards were not met. In 1992, the EPA embarked upon "*Energy Star*" as a voluntary labeling program to identify and promote energy-efficient products to reduce greenhouse gas emissions. *Energy Star* products use less energy and help protect the environment. The *Energy Star* label now covers product categories from small battery chargers to central air conditioners. It includes appliances, electronics, heating and cooling equipment, office equipment, lighting, commercial

food services, and new buildings and plants with additional energy-saving features that are 20–30% more efficient than standard homes.

To promote energy efficient buildings in the U.S., Leadership in Energy and Environmental Design (LEED), a non-profit organization under the U.S. Green Building Council (USGBC), provides green building rating standards for environmentally sustainable construction and design.

Other than energy conservation, increases in productivity also play a vital role in efficiency. Productivity, a crucial ingredient in the economy's long-term vitality, is a measure of economic efficiency which relates to how effectively economic inputs are converted into output. Productivity is measured by comparing the amount of goods and services produced with the inputs that are used in production. A measure of efficiency is the amount of energy used to produce a dollar of Gross Domestic Product (GDP). The following table compares U.S. consumption of fuel sources and illustrates the nation's improvement in energy efficiency.

Energy consumption per dollar of real GDP has trended down at an average annual rate of 1.4% during the past 3 decades. In 1975, 14,768 BTU's of energy were required to produce $1 of GDP measured in 2005 dollars; by 2010, that had fallen to 7,488 BTU's, a 49.3% reduction. The decline in energy consumption per dollar of GDP resulted from efficiency improvements and a structural shift from energy intensive industries to those that consume less energy but create more value added products such as finance, banking, and professional services. However, improvements in energy efficiency vary from period to period, depending upon energy prices, consumers' consumption habits, and technology improvements, etc. Efficiency tends to stagnate when fuel prices decline; as oil prices fell, the incentive to conserve energy diminished.

TABLE 33
U.S. PRIMARY ENERGY CONSUMPTION & ENERGY EFFICIENCY

	U.S. Energy Consumption		GDP	BTU	
Calendar	Total	Percent	Billion	Per $1 GDP	Percent
Year	Quadrillion BTU's	Change	(In 2005$)	(In 2005$)	Change
1975	72.00		4,875.5	14,768	
1980	78.12	8.5%	5,834.0	13,391	(9.3%)
1985	76.49	(2.1%)	6,843.4	11,177	(16.5%)
1990	84.65	10.7%	8,027.0	10,546	(5.7%)
1995	91.17	7.7%	9,086.0	10,034	(4.9%)
2000	98.98	2.2%	11,216.4	8,825	(12.1%)
2005	100.51	1.5%	12,623.0	7,962	(9.8%)
2006	99.86	(0.7%)	12,958.5	7,706	(3.2%)
2007	101.55	1.7%	13,206.4	7,689	(0.2%)
2008	99.30	(2.2%)	13,161.9	7,544	(1.9%)
2009	94.58	(4.8%)	12,703.1	7,445	(1.3%)
2010	98.00	3.6%	13,088.0	7,488	0.6%

Source: U.S. Dept. of Energy, Energy Information Administration, *Annual Energy Review 2010*
U.S. Dept. of Commerce, Bureau of Economic Analysis

Oil Stability Program

To protect against supply disruptions, the United States began to create a Strategic Petroleum Reserve (SPR) under the Energy Policy and Conservation Act of 1975 (EPCA). The SPR program was established as a 750 million barrel capacity crude oil reserve with the objective of achieving a maximum draw-down rate within 15 days of the notice to proceed. To maximize long-term protection against oil supply disruptions, President George W. Bush in late 2001 directed the Secretary of Energy to fill the SPR up to its 700 million barrel capacity. As of the end of 2010, the reserve held 726.5 million barrels of crude oil, accounting for 68.5% of crude oil stocks.

In early 2000, a shortage of home heating oil sent prices to a high of $2.45 per gallon from $1.00 per gallon a year earlier. To reduce such risk in the future, the U.S. Department of Energy established the Northeast Heating Oil Reserve under the SPR program. The maximum inventory of heating oil in the reserve is 2 million barrels, which will provide relief for approximately 10 days. This reserve program was permanently established in March of 2001 as a part of America's energy readiness effort, separating it from the Strategic Petroleum Reserve. Heating oil is the dominant fuel used for home heating in Connecticut with 48% of all homes in Connecticut using heating oil as the primary heating fuel.

Connecticut

Connecticut is ranked as one of the most efficient states in the nation in energy usage. Connecticut consumed 4.0 thousand BTU's per 2005 chained dollar of Gross State Product in 2009, the latest available data, ranking the second most efficient state among the 50 states and 45.2% less than the national average of 7.3 thousand BTU's. When compared to the national per person consumption, Connecticut residents are moderate energy users. Connecticut consumed 220.6 million BTU's of energy per person in 2009, ranking it 45th among the 50 states and 27.9% less than the national average of 305.9 million BTU's. These figures were far less than Wyoming's consumption of 923.1 million BTU's, the largest consumer in the nation. Because the state lacks indigenous energy sources, it must import nearly all the energy that it consumes. This situation affects Connecticut consumers' energy choices and results in prices that are approximately 28% higher than the national average. Connecticut residents in 2009 spent $23.66 per million BTU, compared to $17.03 for the nation.

The following table compares various prices to the national average for natural gas, motor gasoline, residential heating oil, residential electricity, and total average energy paid by consumers. Overall energy costs in Connecticut in 2009 were 39% higher than the national average, with electricity above the nation by 82%. Although the electric industry has been deregulated since the late 1990s, Connecticut's retail electric rates were among the highest in the 48 continental states. To maintain utility rate stability, utility providers have entered into long-term fixed contracts and paid a hefty premium. Most power plants in Connecticut are old and less efficient. More than 36% of the power plants in Connecticut are 40 years old (the normal service life) and due for retirement. In addition, Connecticut's capacity need in the southwestern region of the state combined with an older transmission system requires long distance delivery and incurs large transmission losses, increasing operational costs.

TABLE 34
CONSUMER ENERGY PRICES IN THE UNITED STATES AND CONNECTICUT
Nominal Dollars Per Million BTU in 2009

	Natural Gas	Motor Gasoline	Residential Heating Fuel	All * Petroleum	Retail Electricity	Total Energy
Connecticut	$8.77	$19.13	$19.95	$19.09	$52.92	$23.66
United States	$7.66	$18.51	$21.49	$16.86	$28.90	$17.03
CT as a % of the U.S.	114%	103%	93%	113%	182%	139%

Note: * Includes motor gasoline, residential and distillate fuel oil, liquefied petroleum gases, and jet fuel, etc.

Source: U.S. Department of Energy, Energy Information Administration, *State Data 2009*

The following table breaks down the amount and percentage share of total energy consumed in Connecticut by fuel source in 2009, the latest available data. When compared to the national average, petroleum has supplied more of Connecticut's energy needs relative to coal and natural gas. This is because petroleum is more easily transported than other types of fuel and fuel oil has been the major source to heat homes. According to the 2010 Census, 47.9% of Connecticut households used fuel oil for home heating, followed by natural gas at 31.5%, electricity at 15%, and liquefied petroleum gases and others each at 2.9%. The state's petroleum products are received at the ports in New Haven, New London, and Bridgeport, and shipped by barge on the Connecticut River to central Connecticut.

TABLE 35
CONNECTICUT ENERGY CONSUMPTION IN 2009
(Trillion BTU's)

Fuels	Resi-dential	Com-mercial	In-dustrial	Trans-portation	Electric Generation	CT Total	% of CT Total	% of US Total
Natural Gas	45.0	40.7	25.2	5.2	71.7	187.8	23.8%	24.8%
Petroleum	80.3	16.1	16.0	237.6	3.4	353.4	44.8%	38.5%
Coal	0.0	0.0	0.0	0.0	26.3	26.3	3.3%	20.9%
Nuclear	0.0	0.0	0.0	0.0	174.2	174.2	22.1%	8.8%
Hydroelectric	0.0	0.0	0.0	0.0	5.0	5.0	0.6%	0.2%
Other	3.8	0.4	3.4	0.0	13.5	21.1	2.7%	3.3%
Deliv. Elec.	42.9	45.2	12.6	0.6	0.0	101.4	12.9%	13.0%
Deliv. Losses	90.0	95.2	26.4	1.5	(291.5)	(80.8)	(10.2)%	(9.5)%
Total Demand	262.4	197.6	83.6	244.9	0.0	788.4	100.0%	100.0%
% of Total-CT	33.3%	25.1%	10.6%	31.1%	0.0%	100.0%		
% of Total-U.S.*	22.3%	18.9%	30.2%	28.6%	0.0%	100.0%		

Note: * % of Total –U.S. from 2010 data
Totals may not add due to rounding.

Source: U.S. Department of Energy, Energy Information Administration, *State Data, 2009*

A comparison of the U.S. and Connecticut's electric generation sectors shows additional differences in energy mixes. The United States is much more dependent on coal and less reliant on nuclear energy than is Connecticut. In 2009, the latest available data, the state generated 31,206,222 net megawatt hours of electricity mostly using nuclear power and sold 29,715,764 megawatt hours of electricity. This implies that, in 2009, the state was more than 100% electricity self-sufficient, unlike 2000, when the state generated only 56.8% of its demand, relying heavily on imports from other states and Canada for the balance of its need, when certain nuclear reactors were shut down for servicing.

The power grid that supplies electricity to the entire state is owned and operated by both private and municipal electric companies. Transmission lines connect Connecticut with New York, New England and Canada. These interconnections allow the companies serving Connecticut to meet large or unexpected electric load requirements from resources located outside of Connecticut's boundaries.

All electric utilities in the State are members of the New England Power Pool and operate as part of the regional bulk power system. An independent system operator, ISO New England Inc., operates this regional system. In 2009, the latest available data, there were 1,600,308 electric consumers in Connecticut, with residential units accounting for approximately 90.4%; commercial units, 9.3%; and 0.3% each for industrial units and others. Approximately 90% of the electricity was sold by two investor-owned companies: Connecticut Light & Power and United Illuminating.

Natural gas is delivered to Connecticut through pipelines that traverse the state. Natural gas pipeline supplies are generally shipped to Connecticut from Canada and the Gulf of Mexico area. Connecticut also receives liquefied natural gas (LNG) through the interstate pipelines from a terminal located in Boston, Massachusetts which is supplied by LNG tanker ships. Natural gas service is provided to parts of the state through one municipal and three private gas distribution companies. Since 1996, the state's Public Utilities Regulatory Authority (formerly DPUC) has allowed some competitive market forces to enter the natural gas industry in the state. Commercial and industrial gas consumers can choose non-regulated suppliers for their natural gas requirements. Natural gas is delivered to consumers using the local distribution company's mains and pipelines. Located at or near the end of pipelines, Connecticut's distribution companies have to pay higher transportation costs and outbid other buyers in order to gain access rights to the gas wellhead.

Gasoline Consumption and Automotive Fuel Economy

In the U.S., highway vehicles consume approximately 98% of all gasoline, with about 2% used for other purposes such as agriculture, aviation, construction and boating. During 2010, gasoline consumption in the U.S. totaled 137.6 billion gallons, the equivalent of 8.98 million barrels per day. Gasoline consumption in Connecticut totaled 1.51 billion gallons or 36.1 million barrels, accounting for 1.1% of the nation's consumption. In 2010, Connecticut had approximately 1,500 gasoline stations, accounting for some 1.0% of the U.S. total. The table below shows gasoline consumption during the past ten years for the U.S. and Connecticut.

In 2010, each Connecticut resident consumed 423.1 gallons of gasoline versus 445.2 gallons for the nation. Per capita consumption is attributable to several factors such as income levels, traffic conditions, average weight of vehicles, distance that residents drive to work or shop, and

the percentage of workers telecommuting or ride sharing. As one of the smallest states in the nation, Connecticut residents generally commute shorter distances to work and shop. However, gasoline consumption has grown faster in Connecticut versus the nation, narrowing the per capita consumption gap. During the decade between 2001 and 2010, per capita gasoline consumption in Connecticut averaged 96.0% of nation's level, increasing from 91.5% for the decade between 1991 and 2000. As the highest per capita personal income state in the nation, Connecticut residents tend to own more automobiles. The average Connecticut resident owned 0.55 private and commercial automobiles in 2009, versus 0.44 units for the nation. Also, Connecticut had 829 driver licenses per 1,000 residents in 2008, compared to 683 licenses for the nation. A survey conducted by Sterling's shows that Connecticut residents trail the nation in the use of car pooling. In June of 2010, the average one-way commute in Connecticut took 26.4 minutes with 80.1% of commuters driving their own car alone and 9.4% carpooling with others, compared to 27.8 minutes, 76.3%, and 12.3%, respectively, for the nation.

TABLE 36
GASOLINE CONSUMPTION IN THE UNITED STATES & CONNECTICUT

Calendar Year	U.S. Total Gallons (000's)	% Change	CT Total Gallons (000's)	% Change	Gallons Per Capita U.S.	CT	CT/U.S. (%)
1990	110,184,150		1,301,715		441.4	395.4	89.6%
1995	120,875,789		1,302,750		453.9	388.7	85.6%
1998	127,977,505	2.1%	1,425,178	1.8%	463.9	423.5	91.3%
1999	132,260,590	3.3%	1,551,446	8.9%	474.0	458.1	96.7%
2000	132,279,950	0.0%	1,476,340	-4.8%	468.8	432.7	92.3%
2001	134,110,264	1.4%	1,496,469	1.4%	470.4	436.5	92.8%
2002	137,664,309	2.7%	1,589,580	6.2%	478.3	461.0	96.4%
2003	139,065,057	1.0%	1,645,268	3.5%	479.0	474.5	99.1%
2004	141,700,177	1.9%	1,860,908 *	13.1%	483.5	535.6	-
2005	140,338,710	-1.0%	1,614,697	13.2%	474.5	464.3	97.9%
2006	140,320,089	0.0%	1,566,875	-3.0%	469.9	449.6	95.7%
2007	140,436,133	0.1%	1,567,360	0.0%	465.7	449.3	96.5%
2008	136,499,418	-2.8%	1,494,164	-4.7%	448.5	426.5	95.1%
2009	136,877,949	-2.5%	1,512,081	1.2%	446.4	424.4	95.1%
2010	137,592,937	0.8%	1,514,622	0.2%	445.2	423.1	95.0%
Average 2001 to 2010					466.1	454.5	96.0%

Note: * Given the unusually sharp rise in consumption in 2004, followed by a subsequent sharp decline in 2005, it is likely that this federally reported data point is erroneous.

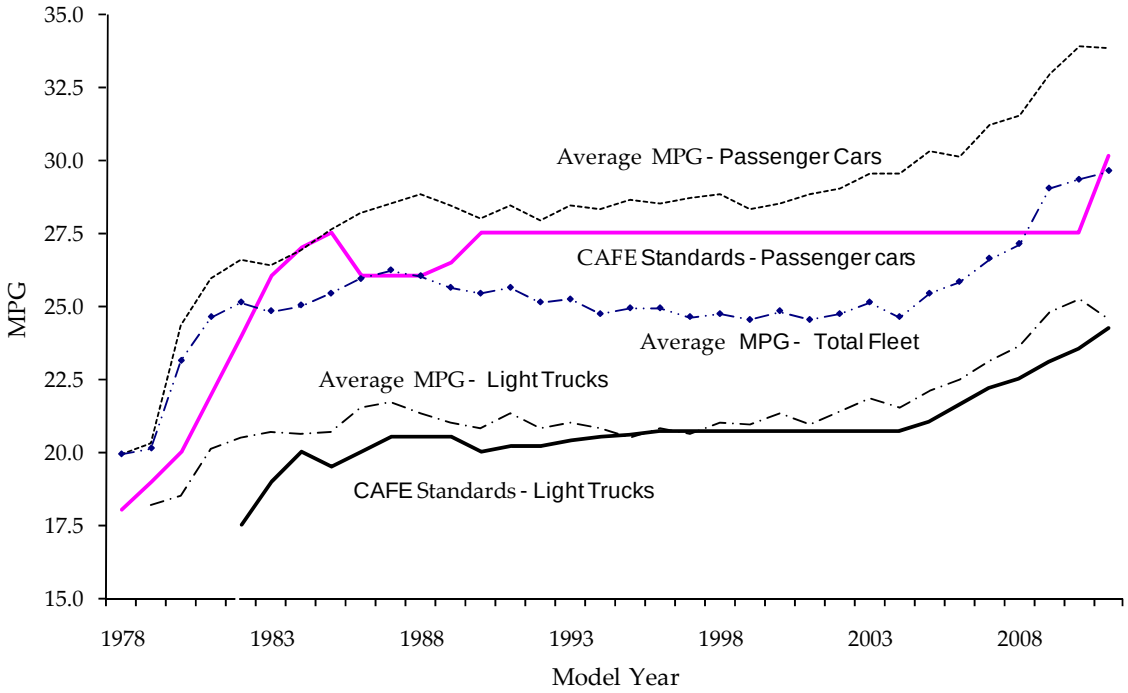
Source: U. S. Dept. of Transp., Office of Highway Information Management, *Highway Statistics*

Corporate Average Fuel Economy (CAFE)

Emissions of carbon dioxide from motor vehicles represent over 30% of the total greenhouse gas emissions in the U.S. In 1973, requirements for Corporate Average Fuel Economy (CAFE) in

motor vehicles were first proposed in the wake of Arab oil embargo. In 1975, the Energy Policy and Conservation Act established the CAFE system and authorized the Department of Transportation to set automobile fuel efficiency standards, starting in model year (MY) 1978 for passenger cars and MY 1979 for light trucks. The measurement of CAFE is performed by the U.S. Environmental Protection Agency. The chart below illustrates the automotive fuel economy history for the CAFE standards for passenger cars and light trucks and their average miles per gallon (MPG) that had been produced. While CAFE standards for light trucks have continued to increase from 17.5 MPG in 1982 to 23.5 MPG in MY 2010, passenger cars have remained the same at 27.5 MPG since 1990. However, after the enactment of the law, the average MPG for passenger cars produced increased from 19.9 MPG in MY 1978 to 33.8 MPG in MY 2010, and, for light trucks produced, from 18.2 MPG in MY 1979 to 24.9 MPG in MY 2010, with a 69.8% and 36.8% improvement, respectively, in fuel efficiency.

Miles Per Gallon (MPG) for CAFE Standards and Produced Vehicles



Source: U.S. Dept. of Transportation, National Highway Traffic Safety Administration

The increase in fuel efficiency varied over the past three decades, accelerating during the 1970s and 1980s, but remaining relatively constant since the mid 1990s. MY 2010 was a banner year that raised MPG to an historic high of 33.8 MPG for passenger cars and 24.9 MPG for light trucks. During the 1970s and 1980s, more efficient engines and smaller cars were produced. However, light trucks gained market share in the 1990s and continued into the early 2000s while sales for high-powered, four-wheel drive cars, and larger, heavier, less fuel-efficient models increased, reducing the average MPG rating for new vehicles. In 1987, the total fleet fuel economy peaked at 26.2 MPG when light trucks made up 28.1% of the market. Light truck sales have remained relatively constant over the past decade. In 2004 light trucks sales peaked with at 55.3% and then began trending downward to a low of 47.5% in 2009. By 2010 light trucks rebounded taking 50.4% of market sales.

The federal law sets forth a civil penalty of $5.50 for each tenth of a MPG by which a manufacturer's CAFE level falls short of the standard, multiplied by the total number of passenger automobiles or light trucks produced by the manufacturer in that model year. To further improve the air quality and fuel efficiency, the U.S. Congress in 2007 passed the Energy Independence and Security Act that required the fuel efficiency standard to increase to 35 MPG by MY 2020. In the spring of 2009, the federal government accelerated those requirements and moved up the deadline to MY 2016. Therefore, the CAFE standard for passenger cars will rise incrementally from 27.5 MPG for MY 2010 beginning with 30.2 MPG in MY 2011.

Fluctuations in Gasoline Prices

The price of gasoline is one of the most closely watched items by consumers. The U.S. Bureau of Labor Statistics assigns a relative weight of 5.215% to this single component to calculate the CPI-U index, the consumer price index for all urban consumers.

Short-term gasoline prices have long been known for their drastic volatility, often rising and dropping markedly during short periods of time. The average retail gasoline price for all grades in the U.S. in October of 2011, for example, was $3.52 per gallon, compared to $2.84 and $2.61, respectively, the same month in the preceding two years and down from its all time high of $4.14 in July of 2008. Average monthly prices fluctuated between $3.14 to $3.98 per gallon in the first 10 months of 2011. 2010 was an unusually stable period which experienced an 11% fluctuation when prices ranged between $2.17 and $3.03. 2011 is more consistent with previous years when compared to the 32% gyration in 2009 when prices ranged between $1.84 and $2.71 per gallon, and a 58% fluctuation in 2008 when prices ranged between $1.74 and $4.14 per gallon. Gasoline price fluctuations are determined basically by the cost of crude oil, the fundamental law of supply and demand of fuel, any disruption of refinery operations, inventory levels, seasonality and weather conditions, the regulation of environmental standards and geopolitical conditions. California's November 2010 retail price of all grades branded gasoline of $3.79 per gallon, for example, can be broken down into four categories as follows: crude oil ($2.69, 71.0%), federal & state taxes ($0.64, 17.0%), refining costs and profits ($0.14, 3.7%), and distribution and marketing ($0.32, 8.4%) when domestic West Texas Intermediate crude oil averaged $91.82 per barrel. Since the tax portion is relatively stable, the three other categories were the major driving forces in gasoline prices. In July 2008, when average crude prices reached an all time high at $133.40 per barrel, crude oil cost accounted for 72% of gasoline prices.

The long run nominal price, however, shows a relatively stable upward trend except for sharp upticks in the early 1980s and the most recent three years. The table below shows the history of retail motor gasoline prices in the U.S. Gasoline prices averaged approximately 30 cents per gallon during the 1950s through the early 1970s. After the Arab oil embargo in 1973, gasoline prices gradually increased to $3.27 per gallon in 2008, but declined to $2.79 per gallon in 2010. To remove the effects of inflation, the use of inflation-adjusted prices for comparison can better reflect real price changes. The table below shows that the average real price in 2008 reached a three-decade high at $3.01 per gallon; however, it was only 37 cents higher than the previous all-time high of $2.64 set in 1981.

Gasoline Prices In Developed Countries

Gasoline prices in the U.S. may rank among the lowest in the world for oil-importing countries, and even lower than some oil-exporting countries. Average gasoline prices in the European countries are approximately 2.25 times that of the U.S.

TABLE 37
RETAIL MOTOR GASOLINE PRICES
(Dollars per Gallon, Regular Gasoline)

Calendar Year	Nominal Price	Real Price*	Average Real Price (for the Decade of)
1950	$0.27	$1.62	$1.54
1960	0.31	1.48	1.40
1970	0.36	1.30	1.40
1980	1.25	2.61	1.70
1990	1.16	1.61	1.27
2000	1.51	1.70	1.69
2001	1.46	1.61	-
2002	1.36	1.47	-
2003	1.59	1.69	-
2004	1.88	1.94	-
2005	2.30	2.30	-
2006	2.59	2.51	-
2007	2.80	2.64	-
2008	3.27	3.01	-
2009	2.35	2.14	-
2010	2.79	2.52	2.18

Note: Prices for 1950 to 1970 are leaded regular; 1980 and after are unleaded regular.
* Real prices are in chained 2005 dollars, calculated by using GDP implicit price deflators.

Source: U.S. Dept. of Energy, Energy Information Administration

In 2010, according to the "*GTZ International Fuel Prices 2010 – Data Preview*" report, the latest available data, the average retail fuel price in mid-November 2010, in the U.S. was $2.87 per gallon, compared to a wide range of $0.087 in Venezuela and $0.37 in Iran to $9.54 in Turkey and $9.61 in Eritrea.

Due to heavy subsidies, fuel prices in most Middle Eastern countries are below the price for crude oil on the world market. Taxes on transportation fuels, in addition to steep taxes on car purchases and ownership, have been used as a way to reduce traffic and prevent environmental damage, as well as to conserve energy. Many European countries such as the United Kingdom, France, and Germany have used a high tax policy on fuel to discourage car use and hence gasoline consumption. The following table shows the retail price of gasoline among selected countries in October of 2010. The tax portion of the price of gasoline in the U.S. accounted for only 11.9% of the retail price, compared to 59.7% in the U.K. and 58.8% in Germany. Of the $0.41 per gallon excise tax in the U.S., 18.4 cents per gallon was the federal fuel tax with the remainder attributable to state taxes. While fuel taxes in most European OECD countries

continued to increase, the U.S. federal fuels tax has remained at 18.4 cents per gallon since August of 1993.

TABLE 38
END-USER GASOLINE PRICES AMONG DEVELOPED COUNTRIES
Unleaded Premium Gasoline, October 2011

Country	Before Tax ($)	Tax *($)	End-User Price ($)	Tax As a % of Price	U.S. End-User Price as a % of Other Country
France	3.32	4.44	7.76	57.2%	44.4%
Germany	3.27	4.67	7.93	58.8%	43.5%
Italy	3.65	4.62	8.26	55.9%	41.7%
Spain	3.51	3.35	6.85	48.8%	50.3%
United Kingdom	3.24	4.80	8.04	59.7%	42.9%
Average of Above	**3.39**	**4.38**	**7.77**	**56.1%**	**44.6%**
Japan	3.97	3.09	7.06	43.8%	48.8%
Canada	3.23	1.38	4.61	29.9%	74.9%
USA	3.04	0.41	3.45	11.9%	

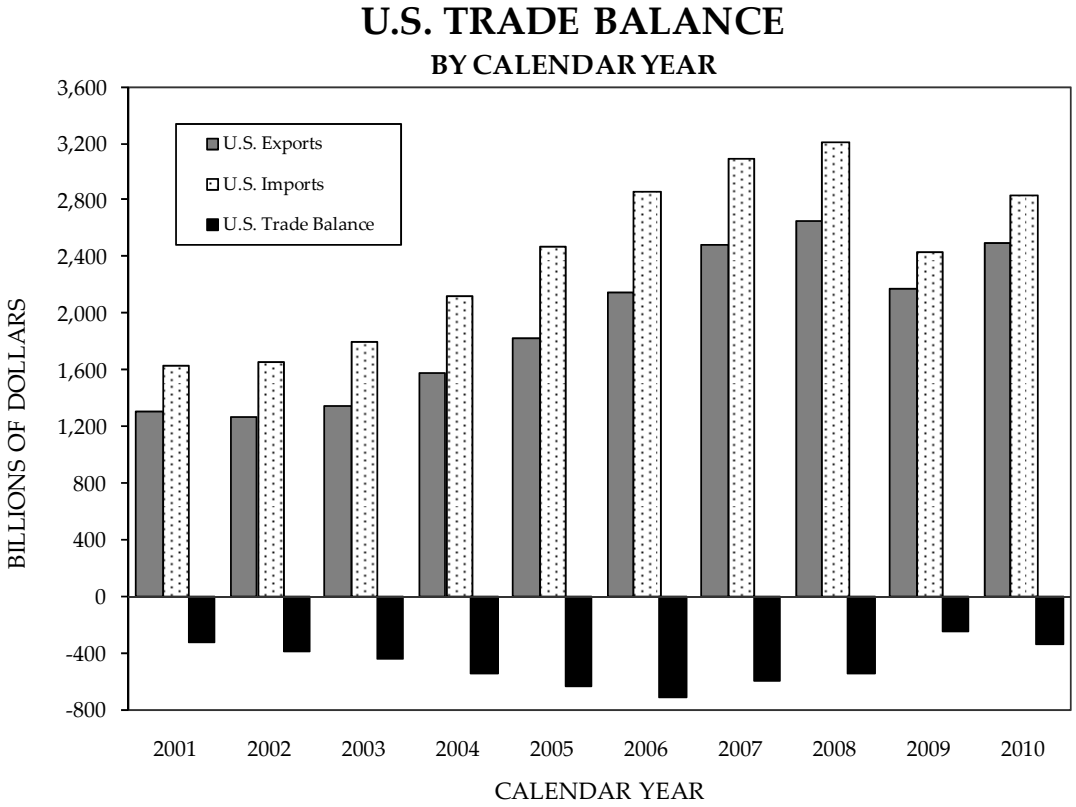
Note: * Excise tax only

Source: U.S. Dept. of Energy, Energy Information Administration, International Energy Agency

Export Sector

Trade is playing an increasingly important role in the U.S. economy. U.S. real exports and imports accounted for 28.6% of Gross Domestic Product (GDP) in 2010, down from 33.1% in 2008, but up from 27.3% in 2009, 22.5% in 2000, 16.3% in 1990, 12.3% in 1980, 9.9% in 1970, and 7.8% in 1960. The increase over the past decade is attributed to the growth in the U.S. and worldwide economies which accelerated export and import activities. Exports and a favorable balance of payments have traditionally been important to the growth of the U.S. affecting employment, production, and income. Real exports of goods and services have been significantly boosting economic growth over the past decades. Total trade exports have grown 92.3% from 2001 through 2010, while total trade imports have grown 73.7% over the same time period.

The following graph illustrates the United States' trade balance for the past ten years. In 2010, the deficit increased to $334.8 billion, up from the decade low of $253.5 billion in 2009. The 2009 deficit was the smallest deficit since 1999, when the deficit was $250.4 billion. The recent improvement in the trade deficit is primarily attributable to the depth of the domestic recession in the U.S. that caused a sharp decline in demand for imported goods as well as increased surpluses in the investment income and service transaction categories.



Source: U.S. Department of Commerce, Bureau of Economic Analysis

Consistent with what has recently occurred, the United States trade balances in the past decade generally improved during recession years and deteriorated during recovery and expansionary periods. Trade deficits narrowed in 1991 and 2001 when the U.S. experienced an economic slowdown, whereas deficits widened during the boom years that were experienced during most of the 1990s and 2000s until 2007 when the latest recession began. The U.S. price elasticity of demand for foreign goods and services is greater than our major trade partners' elasticity of demand for U.S. goods and services resulting in unfavorable trade balances during U.S. economic recoveries.

Merchandise Trade

According to the U.S. Department of Commerce, international trade is classified into three categories: merchandise trade, service transactions, and investment income. There are six subcategories within merchandise trade including: foods and beverages; industrial supplies and materials; capital goods excluding autos; autos; consumer goods and others. The deficit in merchandise trade increased significantly by 27.4% and registered $645.9 billion in 2010, up from a decade low of $506.9 billion in 2009.

United States merchandise imports have been concentrated among four categories: industrial supplies and materials, capital goods excluding autos, autos, and consumer goods. These four categories accounted for 91% of total merchandise imports in 2010. In contrast, U.S. exports

have been concentrated in two categories: capital goods and industrial supplies and materials. These two categories accounted for approximately 65.1% of the country's merchandise exports in 2010. Capital goods were the largest export for the United States at $446.6 billion in 2010. Within this category, machinery and equipment, except consumer-type equipment, was the largest contributor, $370.2 billion, followed by civilian aircraft, engines and parts, $72.0 billion.

Of the total trade deficit of $334.8 billion, consumer goods and industrial supplies and materials accounted for the largest portions of the deficit, reaching $317.4 billion and $210.9 billion, respectively in 2010. Consumer goods consist of durables and nondurables. Durable goods include household and kitchen appliances such as radio and stereo equipment, televisions and video receivers, bicycles, watches, toys and sporting goods. Nondurables include footwear, apparel, medical, dental and pharmaceutical preparations. The trade deficit in the consumer goods category increased in 2010 by 14.0%.

The second largest portion of the deficit occurred in industrial supplies and materials. This category includes energy products, iron and steel, metal products, lumber and paper and chemicals excluding medicinals. In 2010, the U.S. imported $602.7 billion worth of these goods compared to the $391.7 billion that the U.S. exported. The industrial supplies and materials trade deficit at $210.9 billion represents a 27.2% increase from 2009's deficit of $165.8 billion.

The third largest portion of the merchandise trade deficit occurred in the auto category at $113.1 billion, an increase of 48.9% from 2009's deficit of $75.9 billion.

Service Transactions

The United States is highly competitive in the delivery of services. The surplus in service transactions increased to $145.8 billion in 2010, from a surplus of $124.6 billion in 2009. Imports increased 5.8% to $403.0 billion while exports of services increased 8.6% to $548.9 billion. Of the $145.8 billion total surplus in 2010, $141.9 billion was attributable to royalty and license fees, which more than offset the deficit in other services.

Investment Income

The balance in investment income registered a surplus of $165.2 billion, a 20.6% increase from 2009. Investment income contains two components: 1) receipts generated from U.S.-owned assets abroad including direct investments, other private securities such as U.S. government-owned securities as well as corporate bonds and stocks, and 2) compensation receipts of workers employed abroad in international organizations and foreign embassies stationed in the U.S., including wages, salaries, and benefits. Payments are the counterpart of U.S. receipts; they are paid on foreign-owned assets invested in the U.S. There are six major types of foreign assets in the United States, including U.S. government securities held by foreign governments and the private sector, direct investments, and liabilities captured by private bonds, corporate stocks and U.S. banks.

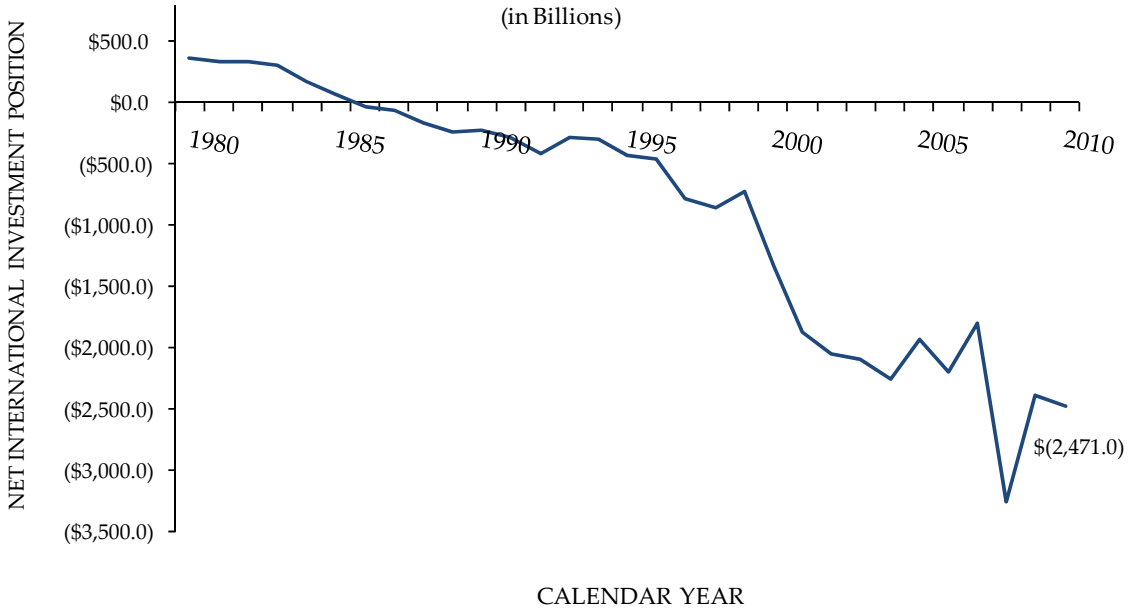
TABLE 39
U.S. TRADE DEFICIT BY CATEGORY
(In Billions of Dollars)

	2009			2010		
	Exports	Imports	Balance	Exports	Imports	Balance
Total Trade	**2,159.0**	**2,412.5**	**(253.5)**	**2,500.8**	**2,835.6**	**(334.8)**
Merchandise	**1,069.5**	**1,575.4**	**(506.9)**	**1,288.7**	**1,934.6**	**(645.9)**
Foods/Beverages	93.9	81.6	12.3	107.7	91.7	16.0
Industrial Supplies & Materials	296.7	462.5	(165.8)	391.7	602.7	(210.9)
Capital Goods, Excluding Autos	390.5	369.3	21.1	446.6	449.2	(2.6)
Autos	81.7	157.6	(75.9)	112.0	225.0	(113.1)
Consumer Goods	150.0	428.4	(278.3)	165.9	483.3	(317.4)
Others	56.7	75.9	(19.3)	64.8	82.7	(17.9)
Services	**505.5**	**380.9**	**124.6**	**548.9**	**403.0**	**145.8**
Travel & Transportation	155.8	141.8	14.0	174.4	154.0	20.4
Royalties, License fees, etc.	328.1	194.1	134.0	355.9	214.0	141.9
Other Services	17.7	34.9	(17.2)	18.6	35.0	(16.4)
Investment Income	**594.3**	**457.3**	**137.1**	**663.2**	**498.0**	**165.2**
Direct Investment	356.2	94.0	262.2	432.0	151.4	280.6
Other Private Investment	233.3	218.9	14.4	224.5	196.0	28.5
U.S. Gov't Receipts/Payments	4.8	144.4	(139.6)	1.5	136.1	(134.6)
Compensation of Employees	5.2	14.2	(9.1)	5.3	14.5	(9.2)
	Percent Change From Previous Year					
Total Trade	**(18.1)**	**(24.2)**	**(53.6)**	**15.8**	**17.5**	**32.1**
Merchandise	**(18.0)**	**(26.4)**	**(39.3)**	**20.5**	**22.8**	**27.4**
Foods/Beverages	(13.3)	(8.3)	(36.4)	14.7	12.4	29.8
Industrial Supplies & Materials	(23.5)	(40.7)	(57.6)	32.0	30.3	27.2
Capital Goods, Excluding Autos	(14.7)	(18.6)	440.0	14.4	21.6	(112.2)
Autos	(32.7)	(31.8)	(30.9)	37.0	42.8	48.9
Consumer Goods	(7.0)	(11.1)	(13.1)	10.6	12.8	14.0
Others	(16.8)	(27.3)	(46.9)	14.3	8.9	(7.2)
Services	**(5.2)**	**(7.9)**	**4.2**	**8.6**	**5.8**	**17.0**
Travel & Transportation	(15.9)	(20.8)	119.7	11.9	8.6	45.8
Royalties, License fees, etc.	(1.2)	(4.0)	3.2	8.5	10.3	5.9
Other Services	13.0	8.3	3.8	5.2	0.4	(4.7)
Investment Income	**(27.0)**	**(31.4)**	**(6.8)**	**11.6**	**8.9**	**20.6**
Direct Investment	(13.9)	(27.4)	(7.8)	21.3	61.0	7.0
Other Private Investment	(40.2)	(38.3)	(59.1)	(3.8)	(10.5)	97.1
U.S. Gov't Receipts/Payments	(6.1)	(13.5)	(13.7)	(68.8)	(5.7)	(3.5)
Compensation of Employees	(0.1)	(10.7)	(15.8)	2.0	2.0	2.0

Note: Percent changes were derived before rounding to billions.
Source: U.S. Department of Commerce, Bureau of Economic Analysis

According to the U.S. Department of Commerce, in calendar 2010 foreign assets in the U.S., measured at current cost, increased by $1,902.8 billion, or 9.1%, to $22,786.3 billion, compared to a decrease of $1,828.3 billion, or negative 4.5%, to $20,315 billion for U.S. assets abroad. This placed U.S. international investment at a net negative of $2,471.0 billion. U.S. direct investment in assets abroad continues to exceed foreign direct investment in the U.S. In 2010, the U.S.'s direct investment abroad was $4,429.4 billion and foreign direct investment in the U.S. was $2,658.9 billion, registering $1,770.5 billion in net investment. Foreign assets in the United States are mostly in securities such as bonds and stocks issued by the U.S. Treasury and corporations.

NET INTERNATIONAL INVESTMENT POSITION OF THE U.S.
AT YEAR-END
(in Billions)



Source: U.S. Department of Commerce, "*Survey of Current Business*", July 2011

The following table shows U.S. trade transactions by area for 2010. The goods, services and income payments trade deficit in 2010 was $334.8 billion, a decrease of $81.3 billion. In 2010 the United States imported more from the Asia and Pacific area, Africa, Europe, and the Middle East than it exported to those regions but exported more than imported in the same year to Canada and Latin America. Exports to Canada outpaced imports at a record level in 2010.

TABLE 40
U.S. INTERNATIONAL TRANSACTIONS
(By Area, In Billions of Dollars)

	2009			2010		
	Exports	Imports	Balance	Exports	Imports	Balance
Total Trade	2,159.0	2,412.5	(253.5)	2,500.8	2,835.6	(334.8)
Europe	749.2	716.8	32.4	785.4	788.4	(3.0)
Canada	282.5	267.9	14.6	350.1	331.5	18.6
Latin America (1)	462.8	445.4	17.4	545.4	517.9	27.5
Asia and Pacific (2)	512.8	822.5	(309.8)	635.1	982.5	(347.5)
Africa	42.7	71.5	(28.8)	49.6	94.6	(45.0)
Middle East	73.1	89.3	(16.2)	81.5	103.2	(21.6)
Others (3)	51.5	14.4	37.1	53.8	17.6	36.2
European Union (4)	639.6	609.0	30.7	660.6	666.2	(5.6)
Australia	44.5	19.7	24.8	54.4	24.2	30.2
Japan	118.3	168.3	(50.0)	129.8	204.5	(74.7)
China	95.5	356.2	(260.7)	126.6	423.9	(297.3)
			Percent Change From Previous Year			
Total Trade	(18.1)	(24.2)	(53.6)	15.8	17.5	32.1
Europe	(21.1)	(25.5)	(356.9)	4.8	10.0	(109.3)
Canada	(22.3)	(31.4)	(154.0)	23.9	23.8	27.3
Latin America (1)	(18.2)	(24.8)	(165.4)	17.8	16.3	57.8
Asia and Pacific (2)	(11.9)	(16.0)	(21.9)	23.9	19.5	12.2
Africa	(14.1)	(41.7)	(60.5)	16.2	32.3	56.1
Middle East	(17.6)	(39.3)	(72.2)	11.5	15.5	33.5
Others (3)	(10.6)	(0.5)	(14.0)	4.5	21.7	(2.2)
European Union (4)	(20.6)	(24.8)	(1,032.1)	3.3	9.4	(118.2)
Australia	(15.6)	(19.0)	(12.7)	22.2	23.0	21.6
Japan	(12.9)	(25.7)	(44.9)	9.8	21.5	49.3
China	(0.9)	(11.1)	(14.3)	32.6	19.0	14.0

(1) Includes Argentina, Brazil, Mexico, Venezuela, and other Western Hemisphere countries
(2) Includes Australia, China, Hong Kong, India, Japan, Republic of Korea, Singapore, Taiwan, and other Asia and Pacific countries
(3) Includes figures for International Organizations and unallocated areas
(4) Includes 27 member states: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Netherlands, & United Kingdom

Source: U.S. Department of Commerce, Bureau of Economic Analysis

In 2010, the United States imported $423.9 billion worth of goods, services and income payments from China while exporting only $126.6 billion to that country. The resulting trade deficit with China was $297.3 billion in 2010, 14.0% higher than the 2009 deficit of $260.7 billion. The top five U.S. imports from China in 2010 were electrical machinery and equipment at $90.8 billion, power generation equipment at $82.7 billion, apparel at $28.8 billion, toys and games at $25.0 billion, and furniture at $20.0 billion. To further illustrate the disparity in trade between the two countries; while the amount of electrical machinery and equipment imported into the U.S. from China was $90.8 billion in 2010, that same commodity was the top U.S. export to China at only $11.5 billion.

Connecticut Exports

In Connecticut, the export sector has assumed an important role in overall economic growth. State exports of goods for the past five years averaged 6.3% of Gross State Product (GSP).

According to figures published by the United States Department of Commerce, which were adjusted and enhanced by the Massachusetts Institute for Social and Economic Research to capture a greater percent of indirect exports, Connecticut exports of commodities totaled $16,056.4 million in 2010. The state's economy benefits from goods produced not only for direct shipment abroad but also from those that are ultimately exported from other states. These indirect exports are important in industries whose products require further processing such as primary metals, fabricated metal products and chemicals. In addition, indirect exports are important in industries whose products constitute components and parts for assembly into machinery, electrical equipment and transportation equipment.

Connecticut industries that rely most heavily on exports are Transportation Equipment (NAICS 336), Chemicals (NAICS 325), Fabricated Metal (NAICS 332), Nonelectrical Machinery (NAICS 333), Computer & Electronic Equipment (NAICS 334), Electrical Equipment (NAICS 335), and Miscellaneous Manufacturing (NAICS 339). NAICS refers to the North American Industry Classification System, which replaced the Standard Industrial Classification (SIC) system and was implemented in 1997. The top seven industries accounted for 92.4% of Connecticut's foreign sales in 2010. The following table shows the breakdown of major products by NAICS code for the past five years. In 2010, transportation equipment, which includes aircraft engines and spare parts, gas turbines, and helicopters, spacecraft, etc. accounted for 43.5% of total exports slightly down from 46.0% of exports in 2009. In terms of average annual growth from 2006 to 2010, Primary Metal posted the strongest growth at 21.4%, followed by Chemicals at 18.5%.

Overall growth in exports of commodities for the past five years averaged 11.1%. Exports of $16.1 billion are estimated to account for 6.8% of Connecticut Gross State Product (GSP) in 2010, which is slightly higher than the 6.1% in 2009.

TABLE 41
COMMODITY EXPORTS ORIGINATING IN CONNECTICUT BY PRODUCT
(In Millions of Dollars)

NAICS	Industry	2006	2007	2008	2009	2010	% of 2010 Total	Average Growth 06-10
322	Paper	230.3	147.7	142.2	169.3	181.9	1.1%	-1.7%
325	Chemicals	748.6	1,447.9	1,575.7	833.4	922.3	5.7%	18.5%
326	Plastics and Rubber	204.6	212.4	251.1	228.7	254.8	1.6%	7.3%
331	Primary Metal	639.0	480.4	509.0	316.6	536.7	3.3%	21.4%
332	Fabricated Metal	541.2	585.9	622.3	547.3	615.9	3.8%	9.5%
333	Machinery, exc. Elec.	1,387.1	1,618.5	1,555.8	1,439.0	1,549.0	9.6%	7.1%
334	Comp. & Electronic	1,061.0	1,297.6	1,294.2	1,037.6	1,305.6	8.1%	9.7%
335	Electrical Equipment	551.1	606.1	603.4	489.8	604.1	3.8%	8.2%
336	Transportation Equip.	5,399.7	5,813.1	6,500.2	6,428.2	6,987.1	43.5%	12.5%
339	Misc. MFG	286.2	229.5	272.4	291.3	252.7	1.6%	-11.3%
	Other	1,199.2	1,359.8	2,052.8	2,197.6	2,846.5	17.7%	23.7%
Total Commodity Exports		12,248.0	13,799.1	15,384.1	13,978.9	16,056.4	100.0%	11.1%
	% Growth	25.6%	12.7%	11.5%	-9.1%	14.9%		
Gross State Product ($M)		210,278	222,498	225,958	227,550	237,261		
	% Growth	6.7%	5.8%	1.6%	0.7%	4.3%		3.7%
Exports as a % of GSP		5.8%	6.2%	6.8%	6.1%	6.8%		

Source: Connecticut Department of Economic and Community Development

The bulk of Connecticut's exports are shipped by air from Bradley International Airport and by sea from the port of New Haven. In 2010, exports originating from Connecticut totaled $16.1 billion, with 59.1% of the total being shipped by air, 25.1% being delivered by sea, and the remaining 15.9% being transported inland by railroad or truck to Canada, Mexico or other states for further shipment to other countries. This compares with 55.4% by air, 17.6% by sea, and 27.5% by land for exports totaling $4.5 billion in 1990. This reflects the demand for meeting just-in-time inventory requirements, as the majority of goods produced are transported by air as it provides more frequent departures and faster transit times.

The following table shows the ten major foreign countries to which state firms export their products. In 2010 France continued as the largest destination country at 13.9%, followed by Canada, Germany, China, and Mexico. These five countries accounted for 44.5% of total state exports in 2010. Exports to Belgium have grown the fastest in the past five years at an average growth rate of 52.2%. Exports to Singapore have grown from 2006-2010 at a rate of 46.0%, followed by China with 25.9% growth over the same period.

TABLE 42
COMMODITY EXPORTS ORIGINATING IN CONNECTICUT BY COUNTRY
(In Millions of Dollars)

Destination	2010 Rank	2006	2007	2008	2009	2010	Percent of 2010 Total	2006-2010 Average Growth Rate
France	1	1,216.5	1,410.9	1,733.5	2,216.5	2,225.7	13.9	8.6
Canada	2	1,943.0	1,879.1	1,912.2	1,444.9	1,622.5	10.1	-0.4
Germany	3	1,212.4	1,450.5	1,454.4	1,306.3	1,268.2	7.9	10.5
China	4	369.3	565.1	676.1	752.8	1,023.8	6.4	25.9
Mexico	5	705.9	784.9	1,045.7	757.0	989.4	6.2	14.7
Belgium	6	251.8	450.6	523.1	235.4	765.7	4.8	52.2
Singapore	7	840.2	748.5	657.1	507.4	687.9	4.3	46.0
United Kingdom	8	857.2	855.4	874.6	648.4	652.8	4.1	0.0
Netherlands	9	412.1	470.7	404.2	233.7	567.7	3.5	22.8
Japan	10	702.8	622.5	671.5	484.3	477.1	3.0	5.5
Other Areas		3,736.9	4,561.1	5,431.8	5,392.2	5,775.8	36.0	17.5
Total		12,248.0	13,799.1	15,384.1	13,978.9	16,056.4	100.0%	11.1%

Source: Connecticut Department of Economic and Community Development

In an effort to create jobs and investment, the Connecticut Department of Economic and Community Development has been working with a number of foreign companies to establish branches in Connecticut. As a result of this work, foreign countries continually invest and own firms in the state. This foreign investment is an important stimulus for Connecticut's economic growth and future productivity as 7.1% of the state's total private industry employment in 2009 was a result of foreign investment. In 2009, 100,300 Connecticut workers were employed by foreign-controlled companies. Major sources of foreign investment in Connecticut in 2007 included the Netherlands, the United Kingdom, Germany, and Switzerland.

The Connecticut Department of Economic and Community Development continues to promote international trade to increase Connecticut's global competitiveness. The methods employed to promote international trade include providing export assistance to Connecticut companies as well as providing assistance to foreign companies interested in expanding or relocating in Connecticut.

Further information regarding assistance, services, or publications is available through:

State of Connecticut
Department of Economic and Community Development
505 Hudson Street
Hartford, Connecticut 06106
(860) 270-8166, 270-8067, or 270-8068
http://www.state.ct.us/ecd

Connecticut's Defense Industry

The defense industry is an integral part of Connecticut's manufacturing sector, and has been since the inception of the United States as a nation. The state's economy is still affected by the volume of defense contracts awarded or subcontracted to Connecticut firms.

In federal fiscal year (FFY) 2010, contractors in the state were awarded $11.1 billion worth of defense-related prime contracts, with the heaviest concentration in the state's transportation equipment sector. This was down 6.0% from the $11.8 billion received in awards in FFY 2009. Of the total awarded, the following five companies were the top contractors in the state, primarily for the described areas of work:

1.	United Technologies Corp.	Aircraft, Engines & Turbines
2.	General Dynamics Corp.	Submarines
3.	Colt Defense LLC	Military Arms
4.	Finmeccanica S.p.A	Electrical Generators, Power Transmission Equipment
5.	Mid Valley Products	Food Products

The following table shows the distribution of prime defense contracts in the state by program or type of work, with a heavy reliance on submarines and rotary wing aircraft, which is very different from the national distribution of all contracts awarded. It is this concentration which plays a role in the volatility of state awards.

TABLE 43
VALUE OF PRIME CONTRACT AWARDS BY PROGRAM IN FFY 2010
(In Millions of Dollars)

Connecticut Program	Value	Percent	United States Program	Value	Percent
Submarines	$3,005	27.0%	Aircraft, Fixed Wing	$15,111	4.7%
Aircraft, Rotary Wing	2,242	20.2%	Engineering & Tech Services	12,494	3.9%
Gas Turbines and Jet Engines	1,763	15.8%	General Healthcare Services	10,371	3.2%
Defense Aircraft, Operational	891	8.0%	Aircraft, Rotary Wing	7,316	2.3%
Maintenance, Repair of Equip.	520	4.7%	Other ADP & Telecommunications Svcs.	6,905	2.1%
Other	2,702	24.3%	Other	270,063	83.8%
Total	$11,122	100.0%	Total	$322,260	100.0%

Source: Federal Procurement Data System (FPDS.gov)

The following table displays the geographic distribution of prime defense contracts within the state, with the majority of the work in Fairfield, New London and Hartford Counties.

TABLE 44
GEOGRAPHIC DISTRIBUTION OF CONNECTICUT PRIME CONTRACT AWARDS
(And Total Awards in Thousands of Dollars)

County of Contractor	FFY 2006	FFY 2007	FFY 2008	FFY 2009	FFY 2010
Fairfield	33.6%	21.7%	48.0%	34.9%	36.4%
Hartford	33.0%	48.4%	28.0%	28.3%	29.6%
Litchfield	0.4%	0.5%	0.2%	2.0%	0.3%
Middlesex	1.2%	0.9%	0.7%	0.7%	1.1%
New Haven	1.9%	1.5%	1.3%	0.7%	0.7%
New London	29.7%	26.6%	21.5%	33.2%	31.7%
Tolland	0.1%	0.1%	0.1%	0.1%	0.1%
Windham	0.1%	0.2%	0.2%	0.0%	0.1%
State Total	100.0%	100.0%	100.0%	100.0%	100.0%
State Total	$7,780,793	$8,601,359	$9,696,154	$11,832,737	$11,121,517

Source: GovernmentContractsWon.com (FFY06 thru FFY08); Federal Procurement Data System (FFY09 & FFY10)

Prime defense contracts have tended to be "leading" indicators of the state's economic activity. This means that changes in defense contract awards precede changes in employment. However, new defense contract awards cannot be directly converted into anticipated employment gains or losses because: a) contracts have different terms and different completion dates; b) subcontracting on prime awards may be done by firms in different states; c) research and development contracts are usually capital intensive rather than labor intensive; d) there often exists a time lag between contract award and funding availability; and e) as productivity improvements are achieved over time by manufacturers, the same (or greater) amount of work can be done by fewer employees. Although employment is affected by the defense budget, the state's economic activity is not immediately impacted by fluctuations in defense contracts.

To compare the relative volatility of contract awards with employment, the coefficient of variation is used: the larger the number, the greater the volatility. It is derived by dividing the standard deviation of a variable by its mean. The coefficient of variation for the state's defense contract awards, over the past decade, was 0.268 compared with 0.031 for transportation equipment employment. This implies that the fluctuations in employment are milder than the fluctuations in defense contract awards. Because most defense contract awards are long-term projects, there is usually a backlog of unfinished orders in the pipeline, allowing continued employment even if new contracts are not received.

From $4.7 billion in FFY 2001, real defense contract awards, the value of contracts after accounting for inflation, increased to $10.0 billion in FFY 2010. This represents an annual percentage growth rate of 8.7% per year from FFY 2001 to FFY 2010, with virtually all of the growth spurred by the wars on terrorism and in Iraq and Afghanistan.

TABLE 45
CONNECTICUT DEFENSE CONTRACT AWARDS AND RELATED EMPLOYMENT

Federal Fiscal Year	Defense Contract Awards ($ 000's)	% Growth	Connecticut Transportation Equipment Employment ($ 000's)	% Growth	Defense Contract Awards in 2005 Dollars ($ 000's)	% Growth
2001	4,269,544	96.1	46.84	(0.1)	4,708,311	90.7
2002	5,638,585	32.1	45.32	(3.3)	6,121,265	30.0
2003	8,064,809	43.0	43.34	(4.4)	8,560,093	39.8
2004	8,959,424	11.1	43.17	(0.4)	9,262,973	8.2
2005	8,753,063	(2.3)	43.50	0.8	8,753,063	(5.5)
2006	7,780,793	(11.1)	43.59	0.2	7,537,643	(13.9)
2007	8,601,359	10.5	43.57	(0.1)	8,101,809	7.5
2008	9,696,554	12.7	44.28	1.6	8,795,683	8.6
2009	11,832,737	22.0	43.49	(1.8)	10,776,628	22.5
2010	11,121,517	(6.0)	42.30	(2.7)	9,956,595	(7.6)
Coefficient of Variation	0.268		0.031		0.216	

Sources: U.S. Department of Defense, GovernmentContractsWon.com, Bureau of Labor Statistics (FFY01 thru FFY08); Federal Procurement Data System (FFY09 & FFY10)

TABLE 46
COMPARISON OF U.S. AND CONNECTICUT DEFENSE CONTRACT AWARDS

Federal Fiscal Year	Connecticut Defense Contract Awards ($ Millions)	% Growth	3-year Moving Average ($ Millions)	% Growth	U.S. Defense Contract Awards ($ Millions)	% Growth	3-year Moving Average ($ Millions)	% Growth
2001	4,270	96.1	3,205	9.8	135,225	9.7	124,465	7.4
2002	5,639	32.1	4,029	25.7	158,737	17.4	139,086	11.7
2003	8,065	43.0	5,991	48.7	191,221	20.5	161,728	16.3
2004	8,959	11.1	7,554	26.1	203,389	6.4	184,449	14.0
2005	8,753	(2.3)	8,592	13.7	236,986	16.5	210,532	14.1
2006	7,781	(11.1)	8,498	(1.1)	257,456	8.6	232,610	10.5
2007	8,601	10.5	8,378	(1.4)	315,532	22.6	269,991	16.1
2008	9,697	12.7	8,693	3.8	365,972	16.0	312,987	15.9
2009	11,833	22.0	10,044	15.5	331,182	(9.5)	337,562	7.9
2010	11,122	(6.0)	10,884	8.4	322,260	(2.7)	339,805	0.7
Coefficient of Variation	0.268				0.316			

Source: U.S. Department of Defense, GovernmentContractsWon.com (FFY01 thru FFY08); Federal Procurement Data System (FFY09 & FFY10)

The coefficient of variation for Connecticut's defense contract awards, over the past decade, was 0.268, compared to 0.316 for the U.S., reflecting a pattern of fluctuations in the state's annual levels of defense contract awards which is not inconsistent with that of awards nationally. This is a break from most analyses in the past that have demonstrated greater volatility at the state level.

As defense contract awards normally take several years to complete, one can use the 3-year moving average to better reflect actual production activities. Overall defense changes in Connecticut have historically been more severe and more volatile than the national average. Both of these factors have negative implications for the state's economy. Volatility imposes difficulties for the industry in terms of long term planning, making future capital investment less likely and decreasing the dollars devoted to research and development.

Connecticut's total defense awards, based on a three year moving average, increased at an annual percentage growth rate of 14.6% during the nine-year period from 2001 to 2010, compared to a percentage growth rate of 11.8% for the nation. Most of this growth has come between 2001 and 2005 and in the last fiscal year because Connecticut has been much more dependent on contracts that include procurement of aircraft, engines and ships than is the nation as a whole, and these contracts declined through most of the 1990s. During the 1990s, defense policy strategies shifted from a focus on the threat of global conflict to regional contingencies. Procurement practices shifted from an emphasis on full production of new systems to the development of prototypes; therefore, defense procurement had been falling at a faster rate than overall defense spending, although the war on terrorism resulted in another shift in procurement strategy.

Over the last ten years, the relative share of defense related production activities, measured by the size of the moving average of defense contract awards compared to Gross State Product (GSP), hovered around 2.0% and below in the late 1990s, rose to 4.0% in FFY 2004 and has generally hovered around 4.0% since then. In comparison, this share was 9.8% in 1982. The following table provides a ten year history of U.S. and Connecticut defense awards and the proportion of state GSP such awards represent.

In FFY 2010, while Connecticut ranked eighth in total defense contracts awarded, it ranked second in per capita defense dollars awarded with a figure of $3,112. This figure was 3.0 times the national average of $1,032. In 2009, Connecticut ranked eighth in total defense contracts awarded and third in per capita defense dollars awarded with a figure of $3,412. This was 2.9 times the national average of $1,181 for that year.

The wars in Afghanistan and Iraq and the war on terrorism created a need for replacements for lost equipment and systems, spare parts, and new features on existing systems as new needs are identified in the ever-changing environment. Additionally, previously awarded contracts and ongoing construction contracts for aircraft engines, helicopters and submarines, will extend production activity in Connecticut into the future.

TABLE 47
CONNECTICUT DEFENSE CONTRACT AWARDS AND GSP

Federal Fiscal Year	Connecticut Defense Contract Awards ($ Millions)	U.S. Defense Contract Awards ($ Millions)	CT as % of U.S.	Cal. Year CT GSP Current Dollars ($ Millions)	3-year Average CT Awards ($ Millions)	CT Awards as % of CT GSP
2001	4,270	135,225	3.2	165,025	3,836	1.9
2002	5,639	158,737	3.6	169,170	5,193	2.4
2003	8,065	191,221	4.2	174,295	6,746	3.4
2004	8,959	203,389	4.4	188,576	7,924	4.0
2005	8,753	236,986	3.7	197,055	8,903	4.4
2006	7,781	257,456	3.0	210,278	8,762	4.0
2007	8,601	315,532	2.7	222,801	8,636	3.8
2008	9,697	365,972	2.6	230,101	9,673	3.8
2009	11,833	331,182	3.6	227,550	11,029	4.4
2010	11,122	322,260	3.5	237,261	11,942	4.6
Coefficient of Variation	0.268	0.316				

Source: U.S. Department of Defense, GovernmentContractsWon.com, Department of Commerce (FFY01 thru FFY08); Federal Procurement Data System (FFY09 & FFY10)

Some of the primary defense systems of interest to Connecticut include:

1. The CH-53K Heavy Lift Helicopter
2. The UH-60 Utility Helicopter (Blackhawk)
3. The S-70i Black Hawk Helicopter
4. The MH-60R Helicopter (Seahawk)
5. The MH-60S Helicopter (Seahawk)
6. The C-17 Globemaster Aircraft
7. The F-15 Aircraft
8. The F-16 Aircraft
9. The F-22 RaptorAircraft
10. The F-35 Joint Strike Fighter (JSF) Aircraft
11. The H-92 Superhawk
12. The S-70B Seahawk
13. The SA-38B Surveillance Aircraft
14. The SA2-37B Reconnaissance Aircraft
15. The Virginia Class Submarine

TABLE 48
COMPARISON OF STATE PRIME CONTRACT AWARDS
Federal Fiscal Year 2010

State	Prime Contract Awards ($ 000's)	Rank	$ Per Capita Prime Contract Awards	Rank	State	Prime Contract Awards ($ 000's)	Rank	$ Per Capita Prime Contract Awards	Rank
Virginia	40,425,778	2	5,053	1	New Mexico	1,516,470	34	736	26
Connecticut	**11,121,517**	**8**	**3,112**	**2**	South Dakota	560,697	44	689	27
Alaska	1,776,522	31	2,501	3	Kansas	1,941,026	30	680	28
Maryland	11,986,396	6	2,076	4	Florida	12,748,308	4	678	29
Massachusetts	12,619,339	5	1,927	5	Indiana	4,373,952	23	675	30
Hawaii	2,357,957	29	1,733	6	Oklahoma	2,409,570	28	642	31
Missouri	10,277,644	10	1,716	7	Mississippi	1,648,450	32	556	32
Alabama	8,171,980	14	1,710	8	Illinois	6,925,742	16	540	33
Arizona	10,806,244	9	1,691	9	Ohio	6,081,790	17	527	34
Wisconsin	8,494,336	12	1,494	10	Iowa	1,557,290	33	511	35
Louisiana	5,840,399	18	1,288	11	Tennessee	3,100,704	26	489	36
Kentucky	5,181,414	20	1,194	12	Nevada	1,315,714	37	487	37
Texas	29,420,171	3	1,170	13	New York	8,833,326	11	456	38
Vermont	712,434	43	1,139	14	Nebraska	795,518	41	436	39
Colorado	5,625,897	19	1,119	15	North Dakota	289,705	47	431	40
California	41,371,525	1	1,111	16	Michigan	4,072,994	24	412	41
Maine	1,338,850	36	1,008	17	Arkansas	1,137,432	38	390	42
South Carolina	4,492,046	22	971	18	North Carolina	3,632,298	25	381	43
Pennsylvania	11,916,370	7	938	19	Montana	312,919	46	316	44
Utah	2,522,984	27	913	20	Wyoming	155,304	50	276	45
New Jersey	7,984,309	15	908	21	Minnesota	1,456,584	35	275	46
Georgia	8,375,258	13	865	22	Delaware	218,206	49	243	47
New Hampshire	1,089,408	39	828	23	Oregon	892,414	40	233	48
Washington	4,996,512	21	743	24	West Virginia	345,733	45	187	49
Rhode Island	776,957	42	738	25	Idaho	264,804	48	169	50
U.S. Total	$322,260,064		1,032						

Source: Federal Procurement Data System (FPDS.gov), Bureau of the Census

Retail Trade in Connecticut

Consumer spending on goods and services, ranging from pencils to refrigerators to haircuts to electricity, accounted for approximately seventy percent of the gross domestic product (GDP) in fiscal 2011. During the last decade, variations in retail trade closely matched variations in GSP growth, making retail trade an important barometer of economic health.

The North American Industry Classification includes establishments that engage in selling merchandise for personal or household consumption and rendering services incidental to the sale of the goods in the retail trade industry. The North American Industry Classification System (NAICS) codes for retail trade are from NAICS 44 to NAICS 45. In general, retail establishments are classified in these codes according to the principal lines of commodities sold (apparel, groceries, etc.) or the usual trade designation (liquor store, drug store, etc.).

The following table shows the major group in each NAICS code as well as the state's retail trade history for the past two fiscal years. Retail sales reflect the pulse of economic conditions: they perform strongly as the economy expands whereas they perform poorly during a recession. Connecticut retail trade in fiscal 2011 totaled $49.4 billion, a 13.0% increase over fiscal year 2010, the first gain since fiscal 2008.

TABLE 49
RETAIL TRADE IN CONNECTICUT
(In Millions of Dollars)

NAICS	Industry	FY 2010	% of Total	FY 2011	% of Total	% Change
441	Motor Vehicle and Parts Dealers	$6,933	15.8%	$7,610	15.4%	9.8%
442	Furniture and Home Furnishings Stores	1,275	2.9%	1,221	2.5%	(4.2)%
443	Electronics and Appliance Stores	1,450	3.3%	1,582	3.2%	9.1%
444	Building Material and Garden Supply Stores	2,727	6.2%	2,845	5.8%	4.3%
445	Food and Beverage Stores*	7,199	16.5%	10,222	20.7%	42.0%
446	Health and Personal Care Stores	4,920	11.2%	5,066	10.2%	3.0%
447	Gasoline Stations	2,974	6.8%	3,426	6.9%	15.2%
448	Clothing and Clothing Accessories Stores	2,700	6.2%	2,739	5.5%	1.5%
451	Sporting Goods, Hobby, Book and Music Stores	995	2.3%	1,013	2.1%	1.8%
452	General Merchandise Stores	5,210	11.9%	5,275	10.7%	1.2%
453	Miscellaneous Store Retailers	4,036	9.2%	4,757	9.6%	17.9%
454	Nonstore Retailers	3,338	7.6%	3,677	7.4%	10.2%
	Total	$43,757	100.0%	$49,433	100.0%	13.0%
Durables (NAICS 441,442, 443, 444)		$12,385	28.3%	$13,258	26.8%	7.1%
Nondurables (All Other NAICS)		$31,372	71.7%	$36,175	73.2%	15.3%

* In FY 2010, several large supermarkets appear to have filed improperly and thus the above figures may be not be reflective of actual sales. According to the Department of Revenue Services, the increase illustrated above should not be considered to be a significant increase in consumption.

Source: Connecticut Department of Revenue Services

Retail trade can be broken down into two major categories; durable and nondurable goods. Durable goods are items that presumably last three years or more and include such items as automobiles, furniture, and appliances. Nondurable goods have a shorter life span and include such items as food, gas, apparel, and other miscellaneous products. Durable goods are normally big-ticket items that are sensitive to interest rates and the overall economic climate. Purchases of durable goods increase when interest rates decrease or consumers' income grows and consumer confidence increases as was the case in fiscal 2011 when durable goods sales grew by 7.1%.

Sales of durable goods experience greater fluctuations during changing economic conditions. Growth in sales at retail stores that concentrate on durable goods tends to increase faster than the growth in gross state product during expansionary years and experience greater declines during recessionary years. Sales of nondurable goods are typically less volatile as most items are deemed "necessities" and relatively inelastic regardless of price variations. Necessities include such items as food, footwear, clothing, gasoline, and drugs. The previous table shows that Connecticut sales of nondurable goods increased by 15.3% in fiscal 2011, however the significant increase is most likely a reflection of the significant increase in gasoline prices and the improperly filed FY 2010 tax returns under the NAICS 445-Food and Beverage sector rather than an actual significant increase in consumption.

In addition to the traditional transactions occurring in Connecticut-based "bricks and mortar" establishments, a significant amount of retail activity is also taking place within and beyond the state's borders through mail and on-line order sales.

U.S. Supreme Court rulings forbid states from forcing retailers to collect sales tax unless the seller has a physical presence in the state where the purchase is made (nexus). As retail sales via the Internet grew rapidly, the U.S. Department of Commerce started estimating e-commerce quarterly transactions in late 1999. In fiscal 2011, national retail e-commerce sales are estimated at $180.4 billion, accounting for 4.5% of total retail sales of $4,046.9 billion. Retail transactions through the Internet in general have increased much faster than traditional brick and mortar sales. Estimated e-commerce retail sales rose by 16.6% in fiscal 2011 compared to a 7.7% increase for traditional retail sales. The estimate of e-commerce sales does not include travel agencies, financial services, manufacturers, and wholesalers.

Connecticut has seen an erosion of its tax base due to the Internet sales trend. In a study conducted by the University of Tennessee's Center for Business and Economic Research in April 2009, it was estimated that in 2011, Connecticut would lose approximately $60.0 million in state revenue due to e-commerce. Although the Office of Policy and Management believes that the revenue loss is significant, the exact amount is difficult to determine as more traditional "bricks and mortar" retailers with nexus in Connecticut establish internet sales channels and collect the state sales tax. The issue is compounded by the fact that in those instances where an internet retailer does not collect the tax, voluntary compliance by most residents to pay the use tax on such transactions has been low.

Currently, state and local governments as well as the private sector have undertaken a joint effort referred to as the Streamlined Sales Tax Project (SSTP). The project's aim is to fundamentally restructure the national sales tax system by creating a uniform taxable base,

thereby simplifying tax administration among the states. The Streamlined Sales and Use Tax Agreement went into effect in October of 2005. As of December 2011, 24 of the 44 states who have authorized the participation in SSTP have enacted legislation to fully comply with the agreement to become full-member states, including New Jersey, Rhode Island, and Vermont. Connecticut is currently one of the 44 states referred to as a participant state, as it has not enacted legislation to modify its sales tax.

Recognizing the growth in e-commerce sales and the negative impact on state revenue, the 112th Congress has introduced three different bills during 2011 to allow states to require remote sellers to collect and remit state sales and use taxes. The first to be introduced this year was the Main Street Fairness Act in July 2011, followed by the Marketplace Equity Act, and lastly the Marketplace Fairness Act in November 2011. The Marketplace Fairness Act is considered a combination of the first two bills, in that it allows SSTP member states to require all sellers not qualifying for a small seller exemption to collect and remit sales and use taxes, while also allowing states that have not enacted full legislation implementing Streamlined Sales Tax to require remote sellers to collect the sales and use taxes if the state adopts minimum simplification requirements.

For years, the world's largest internet retailer, Amazon, has fought against state efforts to require the collection of sales taxes on its sales. As it seems that the taxation of online sales is a foregone conclusion, as more and more states pass creative legislation that indirectly circumvents current restrictions, including California and Connecticut, Amazon has now joined the effort to work toward a national standard on taxing online sales and is supporting the Marketplace Fairness Act. Amazon has even gone so far as offering to serve as a tax collector for its third-party merchants for a set fee of 2.9% of the tax collected projected to begin February 1, 2012.

Retail trade as a percentage of disposable income in Connecticut increased to 28.1% in fiscal 2011, from 26.0% in FY 2010. The increase reflects higher growth in the demand for goods, and to a lesser extent for services than disposable income. The state's per capita disposable income of $49,061 in FY 2011 was 34.0% above the national average of $36,622. In FY 2011, Connecticut per capita retail trade was estimated at $13,784. With the highest per capita disposable income in the nation, continued long-term growth in retail sales is expected. In general, wealthier people tend to purchase more expensive cars and replace them more frequently. The same may be applicable for other durable goods such as computer equipment, appliances and furniture. Additional factors that affect the level of expenditures include tax burden, consumer confidence, economic climate as well as the condition of a household's balance sheet.

According to the 2007 economic census on retail sales, a survey that is done once every five years by the U.S. Department of Commerce, Connecticut had $52.2 billion of retail sales, up from $42.0 billion in 2002. Retail sales varied among the state's eight counties with most sales concentrated in Fairfield, Hartford, and New Haven. These three counties accounted for 79.2% of total sales, with the remaining 20.8% spread among the other five counties. The following two tables provide detail on retail sales activity by county. Growth in sales also varied among counties. Between 2002 and 2007, Hartford increased the fastest at 35.2%, followed by Tolland at 34.9%, compared to a less than 20% growth for Fairfield and Litchfield.

Although the retail trade sector is one of the major sources of jobs in the Connecticut economy, the number of establishments has declined. In 2007, the sector had 13,807 establishments down from 13,861 in 2002.

TABLE 50
RETAIL SALES IN CONNECTICUT BY COUNTY

	Sales ($M)	% Of Total	Number of Employees	Per Employee Sales ($ 000's)	Employees Per Establish.	Number of Establish.	Annual Payroll ($M)	% of Total
A. 2002 Economic Census								
Fairfield	13,931.1	33.2%	54,834	254.1	14.1	3,876	1,524.3	33.6%
Hartford	10,220.4	24.4%	50,872	200.9	15.2	3,347	1,101.7	24.3%
Litchfield	2,090.3	5.0%	8,830	236.7	11.3	784	212.8	4.7%
Middlesex	1,607.9	3.8%	8,346	192.7	11.2	743	187.2	4.1%
New Haven	9,268.4	22.1%	44,627	207.7	13.9	3,218	985.8	21.8%
New London	3,011.9	7.2%	14,752	204.2	13.2	1,119	319.4	7.0%
Tolland	894.3	2.1%	4,522	197.8	11.7	387	98.1	2.2%
Windham	928.4	2.2%	5,024	184.8	13.0	387	101.8	2.2%
Total	41,952.7	100.0%	191,807	218.7	13.8	13,861	4,531.1	100.0%
B. 2007 Economic Census								
Fairfield	15,702.2	30.1%	53,738	292.2	14.3	3,770	1,648.8	32.0%
Hartford	13,820.7	26.5%	53,241	259.6	15.6	3,423	1,310.7	25.4%
Litchfield	2,458.2	4.7%	9,059	271.4	11.5	788	239.8	4.6%
Middlesex	2,129.2	4.1%	8,300	256.5	11.1	749	209.9	4.1%
New Haven	11,785.3	22.6%	46,058	255.9	14.5	3,172	1,112.5	21.6%
New London	3,883.0	7.4%	15,660	248.0	13.9	1,123	390.4	7.6%
Tolland	1,206.3	2.3%	5,207	231.7	12.8	406	126.3	2.4%
Windham	1,180.6	2.3%	4,870	242.4	13.0	376	122.0	2.3%
Total	52,165.5	100.0%	196,133	266.0	14.2	13,807	5,160.4	100.0%
C. Growth (%) from 2002 to 2007								
Fairfield	12.7		(2.0)	15.0	1.4	(2.7)	8.2	
Hartford	35.2		4.7	29.2	2.6	2.3	19.0	
Litchfield	17.6		2.6	14.7	1.8	0.5	12.7	
Middlesex	32.4		(0.6)	33.1	(0.9)	0.8	12.1	
New Haven	27.2		3.2	23.2	4.3	(1.4)	12.9	
New London	28.9		6.2	21.4	5.3	0.4	22.2	
Tolland	34.9		15.1	17.1	9.4	4.9	28.7	
Windham	27.2		(3.1)	31.2	0.0	(2.8)	19.8	
Total	24.3		2.3	21.6	2.9	(0.4)	13.9	

Source: U.S. Department of Commerce, 2007 Economic Census

The following table compares retail sales with personal income growth and changes in population. Slower sales growth in Fairfield reflected negative growth in population and number of establishments while the healthy sales growth in Tolland reflected the 4.9% increase in the number of establishments as well as an above average increase in personal income and population.

TABLE 51
RETAIL SALES, INCOME AND POPULATION BY COUNTY

	Retail Sales % Change '02 to '07	Personal Income ($B) 2002	2007	% Change '02 to '07	Population (000's) 2002	2007	% Change '02 to '07
Fairfield	12.7%	53.43	70.75	32.4%	890.6	889.1	(0.2%)
Hartford	35.2%	34.15	44.25	29.6%	864.5	874.1	1.1%
Litchfield	17.6%	7.29	9.41	29.1%	185.7	188.5	1.5%
Middlesex	32.4%	6.32	8.43	33.3%	159.2	164.0	3.0%
New Haven	27.2%	30.56	38.55	26.2%	832.4	843.6	1.4%
New London	28.9%	9.52	12.06	26.7%	263.1	264.5	0.5%
Tolland	34.9%	4.93	6.52	32.3%	142.0	148.2	4.4%
Windham	27.2%	3.27	4.10	25.2%	111.0	116.7	5.1%
Connecticut	24.3%	149.47	194.07	29.8%	3,448.4	3,488.6	1.2%

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Small Business in Connecticut

Small businesses in the nation, as well as in Connecticut, have been playing an increasingly important role in overall economic activity. Small businesses are often cited as the major labor generators, the most important job providers, and the primary technological innovators. Studies have shown that small businesses contributed the majority of the scientific and technological advances and developments in the twentieth century. They tend to be externally efficient which leads to the creation of new products, new jobs, and new processes. On the other hand, large business firms tend to be internally efficient, which leads to substituting capital for labor and focusing on cutting operational costs. In addition, small businesses help develop the free enterprise system, deterring monopoly formation by providing competition. With greater innovation and product differentiation occurring within small businesses, large firms are forced to improve productivity in order to respond to marketplace competition, thereby increasing society's social well-being and standard of living.

Structurally, small businesses tend mostly to be sole proprietorships and partnerships, and, to a lesser extent, corporations. These organizations range from "mom and pop" stores to high-tech instrument laboratories. The definition of a small business, however, varies, and may even change over time.

Theoretically, a small business firm is one that does not benefit from an economy of scale available to large firms. The U.S. Small Business Administration (SBA), in determining eligibility for loans and assistance, takes into account whether the entity concerned is dominant in its market. Other criteria include the amount of annual receipts and number of employees, which may vary by industry. The definition of small business varies from state to

state based on comparative size in the regional economy, industrial structure, and policy emphasis.

According to Connecticut General Statutes, Chapter 588r, a small business is a firm with an employee size of 500 or less. It includes employees in any subsidiary or affiliate of a corporation, partnership, or sole proprietorship, operating for profit. For entities focused on special innovative research programs, the size of a small business is based upon federal guidelines.

According to the classification of the U.S. Department of Commerce, businesses can be broken down into several groups by employment size. Since the definition for small business is not generally agreed upon, the Department of Commerce, simply lists all employment classes for comparison rather than identifying them by specific size.

In 2005, the latest year for which complete, consistent and comparable data is available, among the total 93,561 establishments employing 1,662,000 persons in Connecticut, small businesses with fewer than 100 employees accounted for 97.5% of total establishments and 52.7% of the total labor force.

The table on the following page shows the breakdown of employment for manufacturing and non-manufacturing sectors and the distribution statistics for establishments and employment by business size in Connecticut. This table demonstrates that small businesses constitute a major part of the state's employment and have contributed to job growth during this period, especially between 2000 and 2005, when larger firms were experiencing a period of reductions in employment.

The table also shows that, in 2005, small business firms played an equally important role in the nonmanufacturing sector as in manufacturing. Businesses with more than 500 employees accounted for 20.7% of total employment in nonmanufacturing, compared to 28.5% in manufacturing. This lower percentage is indicative of the concentration of small business in service activities where substitutions are uncommon and services are inherently specialized while goods production occurs in larger firms with economies of scale in both labor and capital. This certainly fits the traditional economic production model.

A breakdown of total employment into manufacturing and nonmanufacturing sectors reflects different growth patterns for various firm sizes. Between 1995 and 2005, the employment increase was solely in the nonmanufacturing sector which continually absorbed the outflow from the manufacturing sector, further shifting the economic activity of the state toward services. During this time, the percentage of manufacturing employment in manufacturing firms which had 500 or more employees fell from 50.4% in 1995 to 28.5% in 2005 (a fall of 43.5%), while the percentage of nonmanufacturing employment in nonmanufacturing firms which had 500 or more employees fell from 27.7% in 1995 to 20.7% in 2005 (a drop of only 25.3%). This more pronounced decrease in the employment in larger manufacturing firms could be explained by a move to permanent downsizing and outsourcing, thus becoming more productive.

TABLE 52
SMALL BUSINESS EMPLOYMENT IN CONNECTICUT
(Size of Employment in Thousands)

Calendar Year	1-4	5-9	10-19	20-99	100-499	500&up	Total
A. Employment			Manufacturing Employment				
1995	4.6	8.7	16.9	43.4	49.5	125.3	248.5
2000	3.5	6.2	12.2	44.8	41.3	127.4	235.6
2005	3.7	6.7	12.7	57.5	63.2	57.4	201.3
(# Change, 95-05)	(0.9)	(2.0)	(4.2)	14.1	13.7	(67.9)	(47.2)
(% Growth, 95-05)	(19.4%)	(23.1%)	(24.6%)	32.6%	27.6%	(54.2%)	(19.0%)
(% Growth, 95-00)	(23.9%)	(28.7%)	(27.8%)	3.2%	(16.6%)	1.7%	(5.2%)
(% Growth, 00-05)	6.0%	7.9%	4.5%	28.4%	52.9%	(54.9%)	(14.6%)
			Nonmanufacturing Employment				
1995	143.1	189.3	230.3	230.1	156.8	363.2	1,313.0
2000	80.9	94.9	113.1	252.1	201.1	715.5	1,457.5
2005	91.1	112.9	163.4	418.9	362.9	301.9	1,460.7
(# Change, 95-05)	(52.0)	(66.7)	(66.9)	188.8	206.1	(61.3)	147.7
(% Growth, 95-05)	(36.3%)	(35.2%)	(29.1%)	82.0%	131.4%	(16.9%)	11.3%
(% Growth, 95-00)	(43.5%)	(49.9%)	(50.9%)	9.6%	28.3%	97.0%	11.0%
(% Growth, 00-05)	12.6%	29.2%	44.5%	66.2%	80.5%	(57.8%)	0.2%
			Total Employment				
1995	147.7	198.0	247.2	273.6	206.3	488.5	1,561.5
2000	84.4	101.0	125.3	296.9	242.4	842.9	1,693.1
2005	94.8	129.3	176.1	476.4	426.0	359.3	1,662.0
(# Change, 95-05)	(52.9)	(68.7)	(71.1)	202.8	219.7	(129.2)	100.5
(% Growth, 95-05)	(35.8%)	(34.7%)	(28.8%)	74.1%	106.5%	(26.4%)	6.4%
(% Growth, 95-00)	(42.9%)	(49.0%)	(49.3%)	8.5%	17.5%	72.5%	8.4%
(% Growth, 00-05)	12.3%	28.0%	40.6%	60.5%	75.8%	(57.4%)	(1.8%)
B. Total Establishments							
2005	50.4	17.9	12.1	10.8	2.1	0.2	93.6
C. Distribution of Establishments & Employment, 2005							
Establishments	53.9%	19.2%	12.9%	11.6%	2.2%	0.2%	100.0%
Cumulative	53.9%	73.1%	86.0%	97.5%	99.8%	100.0%	
Total Employment	5.7%	7.8%	10.6%	28.7%	25.6%	21.6%	100.0%
Cumulative	5.7%	13.5%	24.1%	52.7%	78.4%	100.0%	
Nonmfg Employ.	6.2%	8.4%	11.2%	28.7%	24.8%	20.7%	100.0%
Cumulative	6.2%	14.6%	25.8%	54.5%	79.3%	100.0%	

Note: Totals may not add due to rounding.

Source: U.S. Department of Commerce, Bureau of the Census

Small businesses are constantly facing operational difficulties and at the same time confronting competition from larger firms. To ensure constant growth for the economy, it is imperative that policy makers pay special attention to small businesses. Recognizing that small business is an

important engine of economic growth, the State has aggressively created and provided a wide range of programs and services aimed to help expand or set-up new businesses. The Connecticut Department of Economic and Community Development (DECD) has partnered with the Connecticut Economic Resource Center, Inc. to provide programs such as counseling, training, financing, technical assistance, and trade information to assist this important sector.

For more information, please write or contact the following:

Connecticut Economic Resource Center, Inc.
805 Brook Street, Building 4
Rocky Hill, CT 06067
http://cerc.com/
1-860-571-7136
1-800-392-2122
Fax: 1-860-571-7150

Connecticut Department of Economic & Community Development
Research Division
505 Hudson Street
Hartford, CT 06106
http://www.ct.gov/ecd/
1-860-270-8000

Nonfinancial Debt

For many years, national attention has been centered on the issue of the federal budget and trade deficits, as well as the level of indebtedness of domestic nonfinancial entities. Domestic Nonfinancial Debt (DNFD) is the aggregate net indebtedness of all nonfinancial borrowers in the United States. It includes the borrowings of all levels of government, business and households. It excludes the debt of foreigners and the liabilities of financial intermediaries such as commercial banks, thrift institutions and finance companies. As required by the Full Employment and Balanced Growth Act of 1978, DNFD is compiled quarterly by the Federal Reserve System.

The following table shows the 21-year history from 1990 to 2010 for total DNFD and each of its components. In 2010, the year-end total domestic nonfinancial debt outstanding was $36,068.2 billion, approximately 2.5 times of GDP.

Hovering at a 9% growth rate from 2003 through 2007, total non-financial debt slowed to a growth of 6.0% in 2008, 3.1% in 2009 and 4.1% in 2010 due to the financial crisis that started hitting the U.S. economy in mid 2008. Total non-financial debt between 2000 and 2010 has grown 98.5%, outpacing the growth in GDP of 45.7%. Among the four components listed on the table below, federal indebtedness grew the fastest at 177.3% while business debts grew the slowest at 64.3%. Households continued to grow steadily at 91.5% and local government at increased significantly to 106%. Prior to 1990, household borrowings trailed those of businesses; however, faster growth since 1991 in home mortgages and consumer credit coupled with a steady increase in income helped catapult household borrowings to the top. Nonetheless, a number of large federal fiscal stimulus programs starting in 2008 including tax

rebate checks, the American Recovery & Reinvestment Act (ARRA), job creation, etc. resulted in three consecutive years of more than $1.2 trillion a year of federal borrowing. This represented more than 20% of the annual growth, yielding a public sector increase of 158.6% over the past decade versus only 78.3% for the private sector. Of the total $36.07 trillion nonfinancial debt outstanding, households accounted for 37.1%, followed by nonfinancial business at 30.0%, the federal government at 26.0%, and state and local governments at 6.8%. Debt outstanding in the private sector accounted for 67.1% of the total in 2010, down from 74.8% in 2000.

TABLE 53
DOMESTIC NON-FINANCIAL DEBT (DNFD) OUTSTANDING BY SECTOR IN THE U.S.
In Billions of Dollars at Year-end

				2010	Growth	
				% of	(1990	(2000
	1990	2000	2010	Total	to 2000)	to 2010)
1. Private Sector						
a. Households						
Home Mortgages	$2,488.8	$4,798.4	$10,048.9	27.9%	92.8%	109.4%
Consumer Credit	824.4	1,741.3	2,434.6	6.8%	111.2%	39.8%
Other	267.7	447.6	896.2	2.5%	67.2%	100.2%
Sub-Total	$3,580.9	$6,987.3	$13,379.3	37.1%	95.1%	91.5%
b. Business						
Mortgages	$1,205.5	$1,586.8	$3,366.5	9.3%	31.6%	112.2%
Bank Loans	1,250.0	2,107.1	4,560.3	12.6%	68.6%	116.4%
Other	1,554.8	2,901.9	2,909.3	8.1%	86.6%	0.3%
Sub-Total	$3,768.5	$6,595.8	$10,836.1	30.0%	75.0%	64.3%
Sub-Total - Private Sector	$7,349.4	$13,583.1	$24,215.4	67.1%	84.8%	78.3%
2. Public Sector						
c. Federal Government	$2,498.1	$3,385.1	$9,385.7	26.0%	35.5%	177.3%
d. State & Local Gov't	9,487.4	1,197.9	2,467.2	6.8%	21.3%	106.0%
Sub-Total - Public Sector	$3,485.6	$4,583.0	$11,852.9	32.9%	31.5%	158.6%
Total DNFD	$10,834.9	$18,166.1	$36,068.2	100.0%	67.7%	98.5%
GDP, 4th Quarter	$ 5,846.0	$10,129.8	$14,755.0		73.3%	45.7%
DNFD as a % of GDP	185.3	179.3	244.4			

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

The DNFD-to-GDP ratio stood at 244.4% in 2010, up from 179.3% in 2000, implying a faster growth in nonfinancial debt than GDP in the past decade. The DNFD-to-GDP ratio gained speed in the late 1980s as a result of a combination of nearly double-digit increases in federal borrowings and the deregulation of the financial markets. During the 1980s, non-bank financial institutions funneled funds more freely between the suppliers of capital and

consumers, creating a more competitive and efficient market. The ratio declined in the 1990s as federal debt fell and the growth in borrowings by state and local governments slowed, which was also accompanied by more robust GDP growth. However, during the 2000s the ratio rebounded rapidly, resulting from an accommodative fiscal and monetary policy, less stringent financing standards on mortgages, and an economic recovery that stimulated borrowing and higher spending levels in both the household and business sectors.

Household Borrowing

Household borrowings, which include home mortgages, consumer credit, and other miscellaneous items, totaled $13.38 trillion by the end of 2010. Long run growth in household borrowings experienced a faster upward trend than the other three categories, accelerating at a double digit pace for five consecutive years during the housing boom between 2002 and 2006. Total household borrowings have declined in the past three consecutive years. Starting in 2008 household borrowings dropped to a 0.3% growth rate and continued to decline to -1.6% in 2009 and -1.7% in 2010 when housing, as well as the consumer credit market, experienced one of the worst financial conditions since the end of WWII. The ratio of consumer borrowing to GDP rose to 90.7% in late 2010, up from 69.0% in 2001. Household borrowings continued to decline in early 2010 as consumers continued to refrain from spending, paid off debt and increased savings to strengthen their balance sheets.

Faster growth in household borrowing was due fundamentally to the low personal savings rate, leaving borrowing as the only available avenue for households. In the first half of the 1990s, growth in household borrowings averaged only 6.3% per year as sluggish income growth, the depressed value of real estate, and increased health insurance and educational costs made consumers more cautious. In the second half of the 1990s, average household borrowings climbed to 7.5% per year as a result of the continued healthy growth in income from wages, capital gains, and an appreciation in home values. During the last economic recovery between 2002 and 2006, growth in borrowings averaged 11.0% per year as a buildup of wealth generated by increases in income and an appreciation in real estate, favorably low interest rates, and loosened credit standards fueled a borrowing and spending surge. The U.S. savings rate, defined as personal saving as a percentage of disposable income, averaged only 2.7% between 2000 and 2007, dropping from an average of 5.4% in the 1990s, 8.5% in the 1980s, and 9.6% in the 1970s. The U.S. savings rate deteriorated to a low of 1.8% in mid 2007 and came back to 6.2% in mid-2009, and has stayed in the neighborhood of 5.0% since then. Concerned about job losses and beaten-down home equity, households are saving more while paying down debt, boosting the savings rate. These measures have led to slow growth in personal consumption and economic growth. A 1% increase in the savings rate is equivalent to a spending decrease of approximately $115 billion for the nation's economy, which equates to 0.9% of GDP. In Connecticut, a 1% increase in the savings rate would decrease spending by $2.0 billion.

Net household asset levels also affected household borrowings. Household assets include home and financial equities. Net home equity (value of homes less mortgage liabilities) had been of growing importance to the economy. The net value of home equity grew 77% from 1999, when net home equity to net total wealth reached a low point, to early 2006 when the net equity reached its all-time high and then declined 53% by the end of 2010. The share of net home equity of total family net assets has played an important role on borrowings. Research

findings show that rising home prices have a bigger influence on credit creation and spending than that of rising equity prices. Home value appreciation is perceived as more permanent and therefore results in a higher propensity to consume by the public relative to gains in the stock market that are volatile and ephemeral in nature. Unlike capital gains on stocks, benefits realized through mortgage refinancing due to the appreciation of homes or lower mortgage rates can be cashed out without tax liability. Refinancing frees up more money for spending, paying off old debts or investments in a second home. The Tax Payer Relief Act of 1997 also allows a tax exemption of up to $500,000 of gain for joint filers or $250,000 for single filers.

Among total household borrowings of $13.38 trillion in 2010, home mortgage loans accounted for $10.05 trillion, or 75.1% of household borrowings, followed by consumer credit at $2.43 trillion, or 18.2%, with the remainder in other miscellaneous items. After six consecutive years of double-digit expansion, growth in home mortgages slowed in 2007 and started to decline in late 2008 as a correction related to sub-prime and Alt-A mortgages engulfed consumers. As plunging housing prices were coupled with reset provisions on certain mortgages and a slowdown in the economy, delinquency rates on all residential real estate loans increased, from 3.07% in 2007 to 6.63% in 2008, 10.42% in 2009, and to 10.07% by 2010. Although the volume of resets on exotic mortgages peaked between mid-2007 and mid-2008, a backlog of unsold units and rising foreclosures continued to build up the inventory pipeline. Responding to rising risks, lenders tightened their already restrictive lending policies. A series of financial crises such as the collapse of Lehman Brothers Financial Co., the nationalization of Fannie Mae and Freddie Mac along with trouble at other financial companies nearly froze the credit market. At the same time, the economy began bearing the brunt of significant job losses. Even the federal government's Troubled Asset Relief Program (TARP) and other stabilizing plans were not quick enough to stem the financial disaster. Failed banks increased and the FDIC's Deposit Insurance Fund was battered.

Consumer credit, not secured by real estate, is comprised of non-revolving credit (such as automobile and personal loans) and revolving credit (which includes credit card debt and store charges). It totaled $2.4 trillion in late 2010, with non-revolving credit accounting for approximately 66.8% of the total consumer credit. Over the years, consumer credit has helped finance a large expansion in spending for consumer non-durables as more consumers rely on credit cards for making purchases online or by telephone. Total consumer credit outstanding in late 2010, however, declined by 1.7% with revolving credit dropping at a faster rate of 7.5% as credit card debts were paid down at a quick pace while the financial industry continued to tighten credit availability. Consumer deleveraging has been a recent trend for households to reduce their debts. Delinquency rates on credit card loans have improved to 4.15% in late 2010 from 6.34% in late 2009. Research showed that the age group being hit harder during this past recession, when available home equity was slim and unemployment was high, was older debtors who are age 55 or older. More than two-thirds of the individuals in this group who filed bankruptcy blamed excessive credit card debts.

Business Borrowing

Business borrowings include debts owed by corporations, nonfarm corporations and farms. Total borrowings were $10.84 trillion at the end of 2010. Borrowing instruments include corporate bonds, commercial paper, municipal securities, bank loans, mortgages, and others. Mortgages, corporate bonds, and others were divided almost evenly among the total. Business

borrowings in 2010 began to slowly rise, with corporate bonds increasing by 10.2% and commercial paper by 42.0%, but declined in other areas with bank loans dropping by 6.5% and mortgages by 5.6%. The Federal Reserve's near-zero interest rates and quantitative easing policy pushed the cost of debt to a favorably low level. Taking advantage of this opportunity of low interest rates, businesses replaced short term debt by extending debt maturities, bought back equity, and hoarded cash. Cash balances as a percentage of total assets on non-financial corporate balance sheets accounted for 7.4% in late 2010, the highest level since 1959. Earning and profit conditions continued to improve both in the financial and non-financial sectors in late 2010, and indeed the recession ended in December 2009, as businesses began to invest once again. Investment in equipment and software improved for the first time since 2006 increasing by 14.0% from last year. Inventories to sales ratios continued their downward trend in nearly all sectors, including wholesalers, and retailers. Manufacturing saw a slight improvement moving from a ratio of 1.33 in 2010 to 1.34 in 2011. Declines in inventory to sale ratios signal cost cutting measures and which can lead to reductions in employment in that sector.

Government Borrowing

The U.S. federal budget has long been operating under deficits. More recently, the federal deficit started surging in the early 1980s due to an expansionary fiscal policy and tax cuts, intending to sacrifice a short-term loss in revenue for a long-term gain through more rapid economic growth. This expectation, however, was not fully realized and deficits persisted into the late 1990s.

After registering deficits in most of the 1990s, the federal budget on unified basis, which includes all operating and trust funds such as Social Security and Medicare programs, turned to a surplus in 1998 and reached a high of $254.8 billion in federal fiscal year (FFY) 2000. Federal operations, however, turned red again in FFY 2002 and continued to deteriorate with a deficit of $1,471.3 billion in FFY 2009 and $1,294.1 in FFY 2010. The deficit in FFY 2011 is estimated at $1,251.4 trillion, brought about by the federal government's sizable bailout and stimulus programs and the continued recessionary economy. The $700 billion financial bailout known as the Troubled Asset Relief Program (TARP), and the $787 billion economic stimulus program, per the American Recovery and Reinvestment Act (ARRA), along with increases in Medicare, Medicaid, unemployment insurance, Social Security, and defense, boosted federal spending for FFY 2009, FFY 2010 and FFY 2011. At the same time, tax receipts declined due to the effects of the recession and tax cuts from the ARRA program. The federal government in FFY 2011 spent an estimated $1.64 for every dollar it took in, a slight increase from $1.62 in FFY 2010. As the federal operating budget continued to post a deficit, the national debt also increased. Interest payments were the fourth largest single budgeted disbursement category, after defense, Social Security, and Medicare. By the end of FFY 2011, gross debt outstanding registered $14,939 billion, up 9.8% from FFY 2010, following increases of 15.6% and 17.5% in the previous two years and a moderate 5.9% rise in FY 2007. In FFY 2010, per capita debt outstanding was approximately $45,252, up from $40,049 in FFY 2009. The federal budget deficit in the U.S. in 2011 is estimated at –8.0% of its GDP, according to *The Economist*, compared to -8.9% in Japan, -5.6% in Great Britain, -3.7% in Canada, -3.4% in France, and 0.4% in Germany. The U.S.'s deficit of 11.9% of GDP in FFY 2009 was a record high since WWII. Research shows that a continued deficit of 4% of GDP and higher may hinder economic growth as it may create a risk of inflation, higher interest rates, dissaving, a crowding out of private investments and a devaluation of the dollar.

Of the 2011 total federal gross debt of $14.94 trillion, $10.20 trillion, or 68%, was held by the public and $4.74 billion, or 32%, by intra-governmental agencies. Public holders include individuals, corporations, state or local governments, foreign governments, and other entities outside of the United States while intra-governmental agencies hold federal securities in trust funds, revolving funds, and other special funds. The federal statutes authorize federal agencies such as the Federal Reserve Bank and various trust funds to invest in U.S. Treasury securities. The national debt of $14.94 trillion in FFY 2011 stood at 99.5% of GDP.

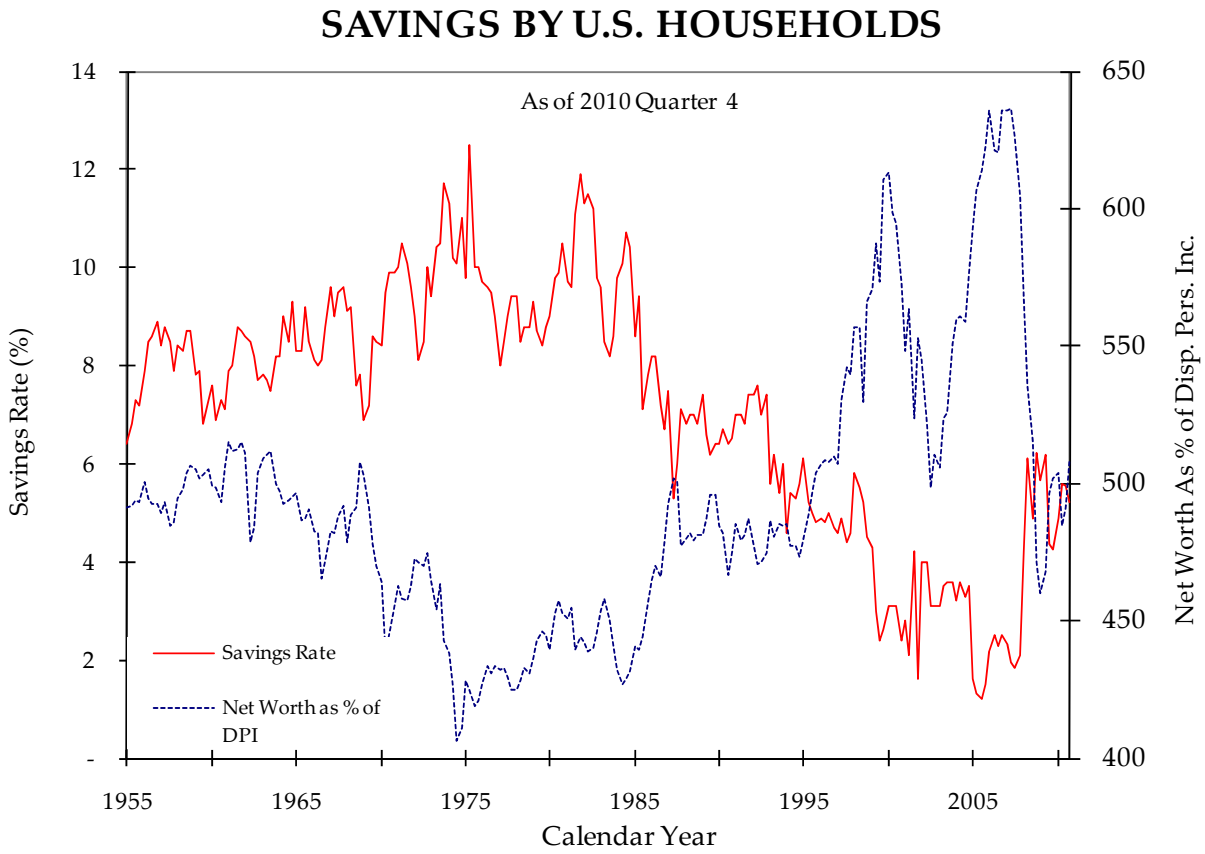
Debt outstanding by state and local government, which includes states, counties, municipalities and other local entities, continued to increase at a faster rate in 2010 due to a widening in operating budget gaps brought about by a faster increase in expenditures than receipts. Weakness in wage growth, consumer spending, and corporate profits depressed state revenues. Interest payments grew by 3.4% in 2010 to $110.4 billion, accounting for 5.3% of total current expenditures. Interest and principal payments in the next few years are expected to increase as federal stimulus grants wane and weak economic conditions persist, which have forced state and local governments to borrow in order to bridge the budget gap. The requirement of the balanced budget by all states, except Vermont, may delay the recovery of the national economy.

According to the U.S. Census Bureau's "State Government Finances," state government debt outstanding in Connecticut at the end of fiscal 2009, the latest available year, was $28.4 billion, compared to $27.6 billion in 2008 and $23.8 billion in 2007. Connecticut per capita state government debt was $7,970 in fiscal 2009, compared to $7,772 in fiscal 2008 and $6,761 in fiscal 2007. The fifty state average registered at $3,727 in fiscal 2009, compared to $3,634 and $3,449 in 2008 and 2007, respectively.

Connecticut's overall credit rating is determined by three major rating agencies: Moody's Investors Service, Standard & Poor's Corporation, and Fitch Investors Service, Inc. As of January 2012, Connecticut's General Obligation bonds are rated Aa3 by Moody's with a "stable" credit outlook and AA by both Standard & Poor's Corporation and Fitch Investors Service, Inc. with a "stable" credit outlook. The rating process provides information for investors about risk. Low ratings will generally result in higher borrowing costs.

Savings by U.S. Households

A low personal savings rate has been a concern for some time as it will negatively impact our economy and society. Consumers' imprudent financing of consumption has created an unsustainable level of consumer debt, lowering potential economic growth, and may result in social problems. We have been witnessing a reversal of consumer-financing behavior that has caused a sudden drop in consumption and resulted in economic instability. The lower national savings rate has not generated sufficient funds domestically to support the investment necessary to sustain long-run economic growth. This has created a situation requiring excessive reliance on foreign capital and an unfavorable current account balance.



Source: U.S. Department of Commerce, Bureau of Economic Analysis (BEA), Board of Governors of the Federal Reserve System

The solid line on the above chart shows the national savings rate for U.S. consumers from 1955 through the fourth quarter of 2010. After remaining at an average of 8.7% between 1955 and 1980, the U.S. savings rate had been trending down from a high of 11.9% in late 1981 to a low of 1.2% in mid 2005, before bouncing back to 5.2% in the last quarter of 2010. The average savings rate for the past 5 decades is 7.1%. The savings rate is defined as personal savings divided by disposable personal income. Disposable personal income is defined as total personal income less "personal current taxes," which includes personal tax and certain nontax payments to governments, but excludes sales tax and property tax payments. Personal savings is defined as disposable personal income less consumption expenditures (including consumer durables), interest payments, and net transfer payments to the rest of the world.

The savings rate is often criticized because, by definition, personal incomes do not include the sales of existing assets. Realization of capital gains or losses from the appreciation or depreciation of assets such as stocks, bonds and antique collections, etc. are excluded in personal income, leading to under-/overvaluation of the income level. The definition of personal consumption outlay includes expenditures that might arguably be considered investments. For example, the purchase of a computer, a consumer durable, for education or training is treated as consumption. Mortgage interest payments also could be considered part of an investment. These expenditures are essentially "hidden savings." In today's economy,

education and training, rather than physical capital, are the major inputs for economic growth. Education expenditures at all levels in the U.S. in 2007 accounted for approximately 5.5% of GDP, compared to 7.8% in Denmark, the highest among major industrialized nations, and 3.5% in Japan, according the data compiled by the U.S. Central Intelligence Agency. Critics, therefore, conclude that our lower national savings rate may be due to an understated personal income with overstated consumption.

The chart also shows how the savings rate is affected by economic conditions by depicting the net worth of consumers as a percentage of disposable personal income. After the mid 1970s, the "wealth effect" took hold as people began to spend more because they had more assets to leverage and finance their consumption. This relative net worth has generally moved inversely with the savings rate. Before 1980, the savings rate was trending upward, with the relative net worth generally decreasing. During this period, before various innovative and creative financing mechanisms were available to the middle class, people generally lived on cash. During hard times, they may have saved less, left existing savings untouched to grow as long as possible, and eventually lived on what they had saved. After the 1970s, when credit cards and home equity loans became available to more households, savings rates decreased but net worth as a percentage of disposable personal income generally increased due to the acceleration in capital gains. During generally good economic times, people believe they are wealthier and spend more, driving the savings rate down. People had been spending more because they had greater assets and the ability to obtain financing secured by these assets. The recent increase in households' saving rates reflects both a reduction in indebtedness and a continuing improvement in their balance sheet.

Household Balance Sheet

The Federal Reserve Bank's "Flow of Funds Accounts" contains statistics on the assets, liabilities, and net worth for the household sector. The table below shows these three components that comprise a balance sheet for 1955, 2000, and 2010, to evaluate the financial position of the nation's households.

Assets

Total assets can be categorized into three components: real estate assets, stock related assets, and other assets (including bank deposits, bonds, money market fund shares, and consumer durable goods). In the fourth quarter of 2010, household assets totaled $71.73 trillion with real estate comprising 25.8% of total assets; stocks, 36.7%; and the remaining 37.4% in other assets, compared to 26.2%, 19.5%, and 54.2%, respectively, in 1955. This reflects that real estate assets and stock related assets rose in importance over the past 5 decades. Nonetheless, holdings of other assets remain an important share of household assets with corporate bonds continuing to grow at an average rate of 7.2%, compared to an overall growth rate of 3.2%.

TABLE 54
BALANCE SHEET OF HOUSEHOLDS AND NON-PROFIT ORGANIZATIONS
In Billions of Dollars

	1955	1955 In Real $*	% of Total	2000 In Real $*	% of Total	2010	% of Total	Average Growth**
A. Assets								
1. Real Estate	414.7	3,388.8	26.2%	16,936.0	26.9%	18,523.4	25.8%	3.1%
2. Stock related	308.5	2,521.0	19.5%	25,221.0	40.0%	26,352.6	36.7%	4.4%
3. Other	857.4	7,006.4	54.2%	20,906.6	33.2%	26,853.9	37.4%	2.5%
3a. Time & Saving Deposits	105.1	858.8	6.6%	3,820.3	6.1%	6,456.4	9.0%	3.7%
3b. Corporate Bonds	5.0	40.9	0.3%	694.3	1.1%	1,846.5	2.6%	7.2%
3c. Gov't Securities***	88.0	719.1	5.6%	1,398.5	2.2%	2,195.9	3.1%	2.1%
Total	1,580.6	12,916.2	100.0%	63,063.5	100.0%	71,729.9	100.0%	3.2%
B. Liabilities								
1. Home Mortgages	87.8	717.5	61.0%	6,044.1	65.1%	10,048.4	72.1%	4.9%
2. Consumer Credit	43.0	351.4	29.9%	2,193.4	23.6%	2,434.7	17.5%	3.6%
3. Other	13.1	107.0	9.1%	1,052.4	11.3%	1,458.3	10.5%	4.9%
Total	143.9	1,175.9	100.0%	9,289.8	100.0%	13,941.4	100.0%	4.6%
C. Net Worth	1,436.7	11,740.3		53,773.7		57,788.5		2.9%
1. Net Home Equity	371.8	3,038.2		10,899		8,475.0		1.9%
2. As a % of Net Worth	22.8%	22.8%		20.2%		14.7%		
3. Per Capita Net Worth ($)		70,754.1		190,575.8		187,172.9		1.8%
D. As a % of Total Assets								
1. Home Mortgages	5.6%			9.6%		14.0%		
2. Liabilities	9.1%			14.7%		19.4%		
3. Net worth	90.9%			85.3%		80.6%		

Note:

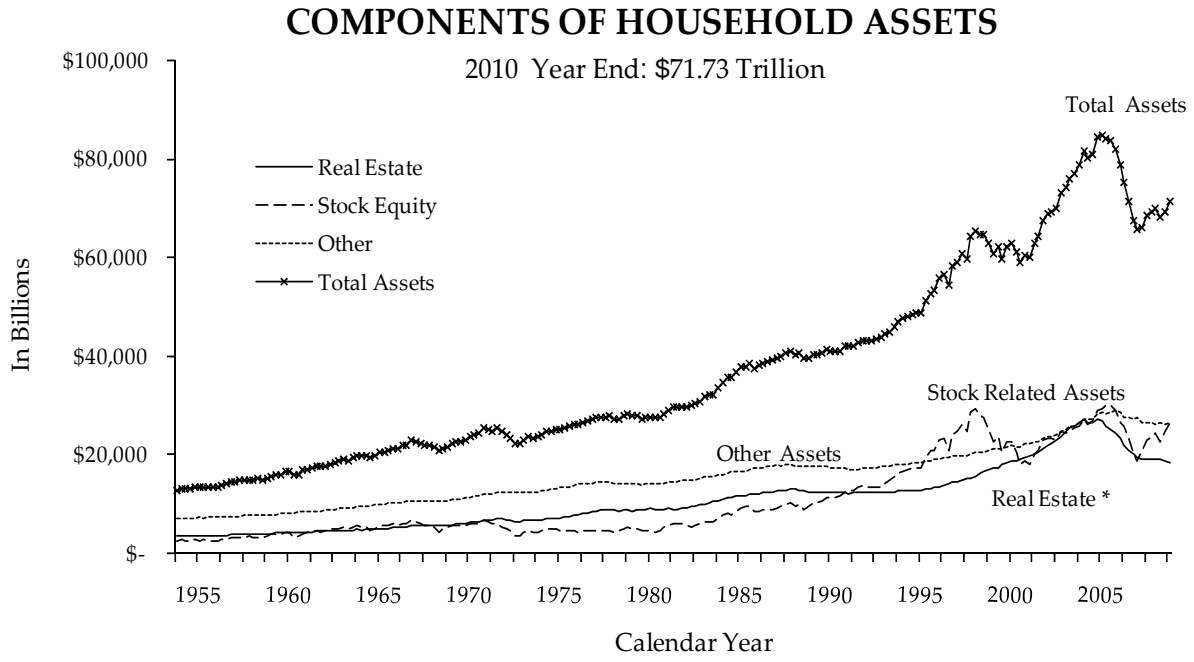
* Real dollars are calculated by using the CPI-U in fourth quarter of 2010

** Average annual real growth from 1955 to 2010

*** Includes Treasury and Municipal securities

Source: Board of Governors of the Federal Reserve System

The chart below demonstrates that total assets began picking up steam in 1970 as financial vehicles such as home equity loans, credit cards, and before-tax retirement programs became popular. Total real assets reached a peak of $83.6 trillion in first quarter of 2007 and then declined sharply, reflecting current recessionary economic conditions.



* Includes non-profit real estate that accounts for 10% of household real estate assets
Stock Related Assets = Corporate equity assets + Mutual Fund Shares + Pension Fund Reserves assets
Other Assets = Bank deposits + Bonds + Money Market Accounts

Source: Board of Governors of the Federal Reserve System

After trailing the other two asset groups, stock related assets overtook them in the early 1990s, then started declining in 1999, and by 2002 had converged with the other two categories. Of the three assets categories, real estate assets and other assets have been generally moving upward, while stock related assets fluctuated wildly. The growth in real estate assets slowed in 2007 and reversed course in 2008 as the housing sector retrenched and equity markets retreated from their recent highs. The massive use of home mortgages and the over-application of mortgage derivatives in the financial markets began to unwind with the rise in home foreclosures and created a world financial debacle in 2007 that worsened into 2008 and 2009.

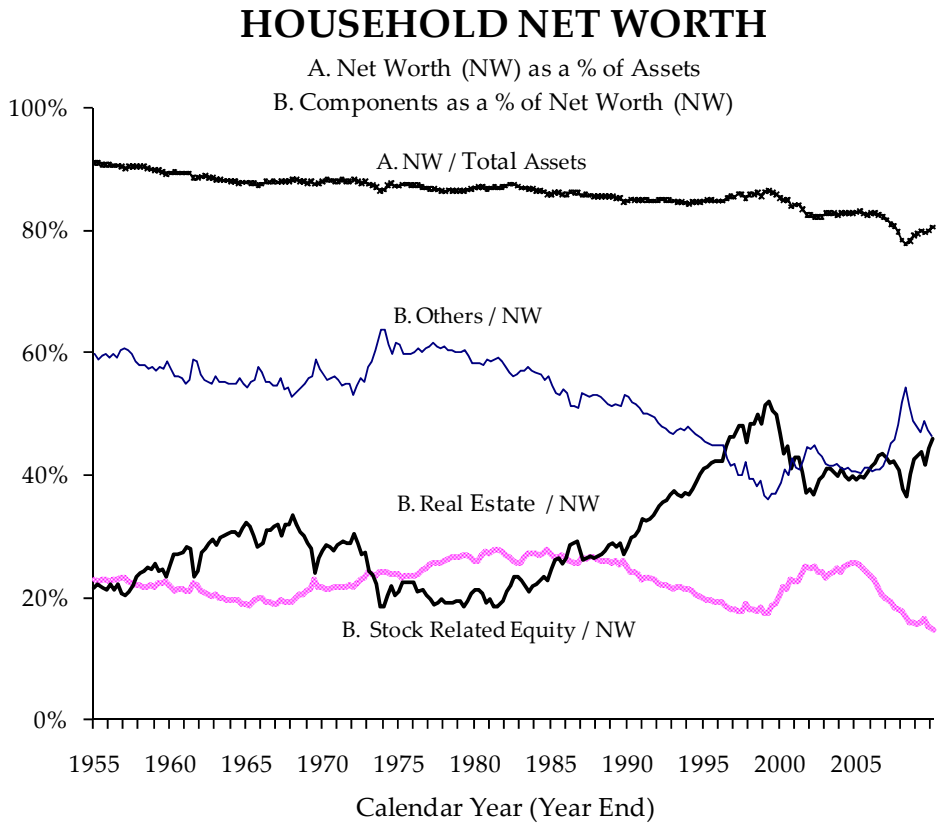
Liabilities

Household liabilities totaled $13.94 trillion in late 2010. Home mortgages accounted for 72.1% of the total with consumer credit at 17.5% and other liabilities at 10.5%. This compared to 61.0%, 29.9%, and 9.1%, respectively, in 1955, reflecting a much faster growth in home mortgage borrowings. Since 2002, growth in home mortgages has accelerated and outpaced the other two categories. Supported by extraordinarily favorable mortgage rates and an aggressive mortgage lending strategy, demand for homes and refinancings soared during the middle of the last decade. Consumer credit primarily includes auto loans, personal loans, and credit card balances.

Net Worth

Net worth (assets less liabilities) measures the resulting financial condition of consumers, which affects the overall economy through its wealth impact on consumers' spending and business activities. Net worth totaled $57.79 trillion in late 2010. When measured in 2010 dollars, real net worth grew from $11.74 trillion in 1955 to an all time high of $68.88 trillion in the first quarter of 2007 and then declined to $53.64 trillion in 2009. Per capita real net worth increased from $70,754 in 1955 to $187,173 in 2010, with annual growth averaging 1.8%. Per capita real net worth reached its peak of $229,246 in first quarter of 2007 as value of real estate and stock related equities appreciated. Per capita net worth then declined as recession and deep depreciation in the housing market took its toll. Over the period between 2000 and 2010, per capita real net worth declined 1.8%, down from $190,575 in 2000 to $187,172 in 2010.

Along with the increase in net worth has come the additional burden of greater liabilities. In 1955 liabilities accounted for 9.1% of total assets, yet by 2010 they had risen to 19.4% of assets. The primary driver of this change was an increase in home mortgage liability. Indeed, the ratio of home mortgages to total assets grew from 5.6% in 1955, to 9.6% in 2000, and further up to 14.0% in 2010. The increasing use of debt to finance American lifestyles has also increased the proportion of income that must be devoted to repaying that debt. Debt service, which consists of the required payments on outstanding mortgage and consumer debt, as a percentage of disposable personal income has gradually risen from 10.98% in 1980, the earliest available data, to 13.06% in 2009 and then declined sharply to 11.87% in 2010.



Source: Board of Governors of the Federal Reserve System

PERFORMANCE INDICATORS

This section is devoted to performance trends of various economic indicators for three entities; the United States, the New England region and Connecticut. Statistics are provided indicating the relative economic performance of these entities and showing both their strong and weak points.

Gross Product

Gross National Product (GNP) is defined as the aggregate current market value of final goods and services produced by a nation's citizens and capital, regardless of location, in a given period of time. GNP was generally used as a measure of a nation's economic performance to track the cyclical ups and downs of the economy, but GNP reflects more than domestic activity; products produced by citizens outside territorial borders are included, while products produced by foreign workers and capital located in the nation are excluded. As a result, Gross Domestic Product (GDP) which measures all economic activity within a territory, and is consistent with other economic indicators such as employment and shipments of manufactured goods, has been adopted as a better measure of economic activity within a territory.

Because prices of goods and services change over time, both GNP and GDP may also change, even if there has been no change in physical output. Therefore, to measure changes in real output, they are adjusted by an index of the general price level and expressed in constant dollars. Other things being equal, when real gross product rises, the economy is experiencing an expansion; when real gross product falls the economy is experiencing a decline. In the past, a fixed-weighted inflation index, the GDP deflator, had been used to measure real output, but with the rapid change in technology, price movements for certain commodities actually grew less than the price for all goods on average. As such, the traditional measurement of real product had misstated the growth in output as it moved away from the base year, creating what is known as substitution bias. To correct for this bias, the U.S. Department of Commerce, Bureau of Economic Analysis, uses a chained-type inflation index based on calendar year 2000.

One measure of a state's economic performance is Gross State Product (GSP). Like GDP, GSP is the current market value of all final goods and services produced by labor and property located in a state. In 2010, the State of Connecticut produced $237.3 billion worth of goods and services and $211.3 billion worth of goods and services in 2005 chained type dollars. This was an increase between 2009 and 2010 of 4.3% in current dollars and 3.1% in real dollars.

Between 2005 and 2010, the output contribution of FIRE (Finance, Insurance and Real Estate) significantly increased, while manufacturing, construction and retail trade fell, and most everything else remained fairly constant. The broadly defined services in the private sector, which includes industries in information, professional and technical services, health care and education, FIRE and other services, have increased to 63.3% of total GSP in 2010 from 60.6% in 2005, with information services decreasing from 4.0% to 3.8%, or 4.3%, and other services decreasing from 10.0% to 9.0%, or 9.4%. Health care and education increased from 8.7% to 9.6%, or 9.6%, and FIRE increased from 30.6% to 33.6%, or 10.0%. During this period, the shift toward services also continued for the nation as a whole, rising from 51.1% of GDP in 2005 to 52.8% in 2010. An increasing share of service production could help smooth the business cycle, reducing the span and depth of recessions and prolonging the length of expansions. Normally,

activities in service sectors relative to manufacturing are less susceptible to pent-up demand, less subject to inventory-induced swings, less intensive in capital requirements, and somewhat less vulnerable to foreign competition. Connecticut began moving toward services sooner than the nation as a whole.

TABLE 55
GROSS PRODUCT

Calendar	United States *		New England *		Connecticut	
Year	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth
A. Millions of Current Dollars						
2005	12,554,538	6.5	686,538	1.0	197,055	1.3
2006	13,310,937	6.0	721,860	5.1	210,278	6.7
2007	13,969,323	4.9	754,305	4.5	222,498	5.8
2008	14,270,462	2.2	772,347	2.4	225,958	1.6
2009	14,014,849	(1.8)	769,308	(0.4)	227,550	0.7
2010	14,551,782	3.8	802,770	4.3	237,261	4.3
% Increase ('05 to '10)		15.9		16.9		20.4
B. Constant Dollars**						
2005	12,554,538	2.8	686,538	1.0	197,055	1.3
2006	12,895,854	2.7	700,949	2.1	204,181	3.6
2007	13,143,678	1.9	713,093	1.7	210,271	3.0
2008	13,100,045	(0.3)	715,737	0.4	208,742	(0.7)
2009	12,773,853	(2.5)	697,398	(2.6)	204,995	(1.8)
2010	13,099,722	2.6	721,159	3.4	211,345	3.1
% Increase ('05 to '10)		4.3		5.0		7.3

* Sum of State's Gross State Products.

** 2005 chained dollar series are calculated as the product of the chain-type quantity index and the 2005 current-dollar value of the corresponding series, divided by 100. The system for these calculations was converted from SIC Codes to the NAICS system starting in 1998.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Connecticut's production is concentrated in two areas: finance, insurance and real estate (FIRE) and manufacturing (ignoring the broad category of services). Production in these two industries accounted for 44.5% of total production in Connecticut, compared to 33.1% for the nation, up from 42.6% in 2005. This demonstrates that Connecticut's economy is more heavily concentrated in a few industries than the nation as a whole and this concentration has changed little in recent years. Additionally, Connecticut's portion of U.S. total GSP has increased from 1.57% to 1.63%.

TABLE 56
GROSS PRODUCT BY SOURCE
(In Billions of Current Dollars)

	------ Calendar 2005 ------				------- Calendar 2010-------			
Industry	U.S.	%	CT	%	U.S.	%	CT	%
Agriculture, Forest & Fisheries	127.1	1.0	0.363	0.2	154.1	1.1	0.367	0.2
Construction & Mining	803.7	6.4	7.048	3.6	787.0	5.4	6.024	2.5
Manufacturing	1,568.0	12.5	23.690	12.0	1,717.5	11.8	25.873	10.9
Wholesale Trade	725.3	5.8	10.480	5.3	807.7	5.6	12.035	5.1
Retail Trade	838.8	6.7	11.658	5.9	862.8	5.9	11.683	4.9
Transportation & Utilities	575.3	4.6	6.515	3.3	682.2	4.7	7.363	3.1
Information	592.6	4.7	7.802	4.0	670.3	4.6	8.986	3.8
Finance, Insurance, Real Estate	2,606.5	20.8	60.280	30.6	3,093.7	21.3	79.812	33.6
Professional, Technical Services	875.6	7.0	14.521	7.4	1,103.9	7.6	17.069	7.2
Health Care & Education	953.4	7.6	17.057	8.7	1,274.4	8.8	22.848	9.6
Other Services	1386.2	11.0	19.670	10.0	1,543.0	10.6	21.462	9.0
Government	1,502.1	12.0	17.970	9.1	1,855.2	12.7	23.739	10.0
Total	12,554.5	100.0	197.054	100.0	14,551.8	100.0	237.261	100.0
Broadly Defined Services*		51.1		60.6		52.8		63.3
CT as a % of U.S. Total GSP			1.57				1.63	

*Note: Broadly Defined Services includes Information, FIRE, Professional/Tech Services, Health Care/Education and Other Services

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Per Capita Gross Product

Growth in gross product may not sufficiently reflect the overall improvement in the well being of an economy. Gross product may rise significantly, but population may increase even more rapidly, signifying no real improvement in the well being of the economy. Therefore, real per capita gross product, which takes into account increases in population and inflation provides a better measure of the standard of living among differing economies.

Growth in Connecticut slowed during and following the recession of 2001, reflecting a struggle to recover from a deeper recession compared with the impact on the United States. The ratio of Connecticut's real per-capita output relative to the United States was generally increasing between 2004 and 2008, suggesting that Connecticut did eventually pull out of that recession with strength. The latest data shows that the most recent recession hit Connecticut hard in 2009 but not as hard as the nation, with real per-capita output dropping 2.2% compared to 3.3% for the nation as a whole. The economy slowly recovered in 2010 with real per-capita output rising 2.7% in Connecticut compared to 1.7% for the nation. Both per-capita output and real per-capita output for the state relative to the nation jumped between 2005 and 2010, respectively, from 132% to 141% of the U.S., and from 134% to 139%.

TABLE 57
PER CAPITA GROSS PRODUCT

A. In Current Dollars

Calendar	United States		New England		Connecticut		
Year	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth	% of U.S.
2005	42,481	5.5	48,244	4.0	56,241	4.3	132
2006	44,611	5.0	50,622	4.9	59,799	6.3	134
2007	46,352	3.9	52,747	4.2	63,117	5.5	136
2008	46,906	1.2	53,764	1.9	63,738	1.0	136
2009	45,680	(2.6)	53,335	(0.8)	63,872	0.2	140
2010	47,054	3.0	55,464	4.0	66,274	3.8	141
% Increase ('05 to '10)		10.8		15.0		17.8	

B. In 2005 Chained Dollars

Calendar	United States		New England		Connecticut		
Year	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth	% of U.S.
2005	42,483	1.9	48,244	0.9	56,190	1.0	132
2006	43,220	1.7	49,156	1.9	58,048	3.3	134
2007	43,633	1.0	49,865	1.4	59,613	2.7	137
2008	43,079	(1.3)	49,823	(0.1)	58,874	(1.2)	137
2009	41,640	(3.3)	48,350	(3.0)	57,554	(2.2)	138
2010	42,346	1.7	49825	3.1	59,083	2.7	140
% Increase ('05 to '10)		(0.3)		3.3		5.1	

Source: U.S. Department of Commerce, Bureau of Economic Analysis & Bureau of the Census

Productivity and Unit Labor Cost

Gross State Product provides the information to gauge Connecticut's efficiency in the use of labor, i.e., labor productivity. Rising productivity leads to an improved standard of living and curbs inflationary pressures. In the table on the following page, the column entitled Hourly Production shows labor productivity as the ratio of total output to total workhours in Connecticut's manufacturing sector. On an hourly basis, nominal output in the manufacturing sector increased from $71.9 in 2000 to $104.9 in 2009, a 45.9% increase in output per hour over the period compared to only a 24.5% increase in the Consumer Price Index over the same period.

Another approach allows for the assessment of the labor cost for each $1 of product produced - the unit labor cost. Labor cost is one of the major input costs and is often cited as a critical indicator of competitiveness. The column entitled Unit Labor Cost shows the monetary cost which is equal to the average hourly wages of each worker divided by productivity. Connecticut continues to enjoy a downward trend in labor costs when the productivity factor is included. Per $1 of output costs, the unit labor cost has declined from 24.0 cents in 2000 to 22.2 cents in 2009, a 7.5% reduction over the period, even while production workers have enjoyed a 34.9% increase in average hourly wages.

Overall, productivity depends upon a broad range of factors. Other than wages, the quality of management as well as the size of and quantity of capital stock invested in the form of plant, machinery and equipment, and the employment of new technologies impact productivity. Any increase in labor productivity is the combined result of all these factors.

TABLE 58
CONNECTICUT'S MANUFACTURING LABOR PRODUCTIVITY

Cal. Year	Manufact. GSP (Million)	Production Workhours (Million)	Hourly Production (Output Per Hour)	Total Wages (Million)	Average Hourly Wages	Unit Labor Cost (¢ Per $1 Output)
2000	$21,215	295.1	$71.9	$5,093.9	$17.3	24.0¢
2001	$21,079	271.3	$77.7	$4,807.1	$17.7	22.8¢
2002	$21,152	250.9	$84.3	$4,525.6	$18.0	21.4¢
2003	$21,156	243.7	$86.8	$4,478.2	$18.4	21.2¢
2004	$24,212	231.2	$104.7	$4,509.9	$19.5	18.6¢
2005	$23,690	223.5	$106.0	$4,500.0	$20.1	19.0¢
2006	$26,863	219.6	$122.3	$4,549.1	$20.7	16.9¢
2007	$27,071	235.9	$114.8	$5,019.7	$21.3	18.5¢
2008	$25,189	218.0	$115.6	$4,841.6	$22.2	19.2¢
2009	$20,401	194.6	$104.9	$4,529.5	$23.3	22.2¢
% Increase ('00-'09)			45.9		34.9	(7.5)

Source: U.S. Department of Commerce, Bureau of Economic Analysis
U.S. Department of Commerce, Bureau of the Census, "Annual Survey of Manufactures"
U.S. Department of Labor, Bureau of Labor Statistics

Value Added

In order to more accurately assess the performance of the manufacturing sector, one must look beyond employment figures. Employment figures provide only a one dimensional view of what is actually occurring in the manufacturing sector of the Connecticut economy. Although Connecticut lost 211,000 manufacturing jobs (56.0%) between calendar year 1977 and 2010, this is partially mitigated by a long-term increase in productivity per worker.

Value added is the market value of a firm's output less the value of inputs which it purchased from other firms. Changes in productivity over time can be measured by dividing the value that is added to a product by the total number of production workers involved in producing that good.

The following table lists value added per production worker for Connecticut and the U.S.

TABLE 59
VALUE ADDED PER PRODUCTION WORKER
(In Current Dollars)

Cal. Year	Conn.	United States	% Change From Prior Period Conn.	% Change From Prior Period U.S.	Cumulative % Change From 1972 Conn.	Cumulative % Change From 1972 U.S.	Ratio of Conn. Value Added to U.S.
1982	66,830	66,458	56.0	55.5	152.7	154.0	1.006
1987	103,228	94,927	54.5	42.8	290.3	262.7	1.087
1992	143,074	122,387	38.6	28.9	441.0	367.7	1.169
1997	179,595	151,317	25.5	23.6	579.1	478.2	1.187
2002	219,805	182,512	22.4	20.6	731.1	597.4	1.204
2007	299,483	253,867	36.2	39.1	1,032.4	870.1	1.180
2008	313,512	255,682	4.7	0.7	1,085.5	877.0	1.226
2009	276,511	263,426	(11.8)	3.0	945.6	906.6	1.050
2010	314,931	298,599	13.9	13.4	1,090.8	1041.0	1.055

Note: Value Added Per Production Worker = Total Value Added by Manufacture / Number of Production Workers

Source: U.S. Department of Commerce, "Annual Survey of Manufactures"

Value added per production worker can vary greatly among manufacturing sectors. Factors which may contribute to this variance include the mix between labor and capital, the overall cost structure of an industry, the volume of production, and the prevailing markup or profit on a product. The following table segments value added per production worker by industry in Connecticut for calendar year 2009 and 2010.

TABLE 60
VALUE ADDED PER PRODUCTION WORKER IN CONNECTICUT BY INDUSTRY
(In Current Dollars)

Industry	2009	2010	% Change
Manufacturing	276,511	314,931	13.9
Food	374,000	368,400	(1.5)
Paper	291,700	221,100	(24.2)
Printing	145,400	168,600	16.0
Chemical	462,000	489,200	5.9
Plastics & Rubber	142,300	177,500	24.7
Primary Metals	191,800	293,100	52.8
Fabricated Metals	170,500	184,500	8.2
Machinery	224,200	227,400	1.4
Computer & Electronic	337,100	347,600	3.1
Electrical Equipment	235,100	275,500	17.2
Transportation Equipment	442,700	556,700	25.8

Note: Value Added Per Production Worker = Total Value Added by Manufacture / Number of Production Workers

Source: U.S. Department of Commerce, "Annual Survey of Manufactures"

Capital Expenditures

Connecticut's manufacturers have also been making substantial investments in capital equipment. Total capital expenditures are defined as outlays for permanent additions and major alterations to manufacturing establishments and investments in new machinery and equipment used for replacement and additions to plant capacity. Organizations undertake capital projects for various reasons including to reduce costs, improve efficiencies, upgrade product quality, develop new products and to implement environmental and safety technology. According to the Annual Survey of Manufactures, for the past 10 years, the level of capital expenditures within Connecticut has remained well above one billion dollars. The following table details capital expenditures in Connecticut.

TABLE 61
TOTAL CAPITAL EXPENDITURES IN CONNECTICUT
(In Millions of Dollars)

Calendar Year	Connecticut Capital Expenditures	Percent Change
2000	1,861.6	8.5
2001	1,783.2	(4.2)
2002	1,448.5	(18.8)
2003	1,242.7	(14.2)
2004	1,236.2	(0.5)
2005	1,201.6	(2.8)
2006	1,260.5	4.9
2007	1,638.3	30.0
2008	1,166.1	(28.8)
2009	1,036.7	(11.1)
2010	1,114.7	7.5

Source: U.S. Department of Commerce, "Annual Survey of Manufactures"

Total Personal Income

Total personal income, defined as current income received by persons from all sources including public and private transfer payments but excluding transfers among persons, is a reliable measure of economic performance. Total personal income captures the manufacturing sector through manufacturing wages; the nonmanufacturing sector through wages in government, wholesale/retail trade, utilities, transportation, mining, personal services, etc.; the private sector through proprietor's income, etc.; and a part of agricultural activity via farm properties' income. Personal income is approximately 85% of Gross Domestic Product; hence, the two are well correlated.

The U.S. Department of Commerce defines the various sources of personal income as the following:

Wages and Salaries - the monetary remuneration of employees, including the compensation of corporate officers; commissions, tips and bonuses; and receipts in kind that represent income to

the recipient. Wages and salaries are measured before deductions such as social security contributions and union dues.

Other Labor Income - consists primarily of employer contributions for employee pension and insurance funds and employer contributions for government social insurance.

Property Income - income from Dividends, Interest and Rents.

Dividends are payments in cash or other assets, excluding stock, by corporations organized for profit to non-corporate stockholders who are U.S. residents.

Interest is the monetary and imputed interest income of persons from all sources. Imputed interest represents the excess of income received by financial intermediaries from funds entrusted to them by persons, over income disbursed by these intermediaries to persons. Part of imputed interest reflects the value of financial services rendered without charge to persons by depository institutions. The remainder is property income held by life insurance companies and private non-insured pension funds on behalf of persons; one example is the additions to policyholder reserves held by life insurance companies.

Rental income is the monetary income of persons (except those primarily engaged in the real estate business) from the rental of real property (including mobile homes); the imputed net rental income of owner-occupants of nonfarm dwellings; and the royalties received by persons from patents, copyrights, and rights to natural resources.

Proprietors' Income - the income, including income-in-kind, of sole proprietorships and partnerships and of tax-exempt cooperatives. The imputed net rental income of owner occupants of farm dwellings with certain adjustments is included.

Transfer Payments - income payments to persons, generally in monetary form, for which they do not render current services. These include payments by the government and business to individuals and nonprofit institutions.

Personal Contributions to Social Insurance - contributions made by individuals under the various social insurance programs. Payments by employees and the self-employed (farm and nonfarm) are included as well as contributions that are sometimes made by employers on behalf of their employees (i.e., those customarily paid by the employee but, under special arrangement, paid by the employer).

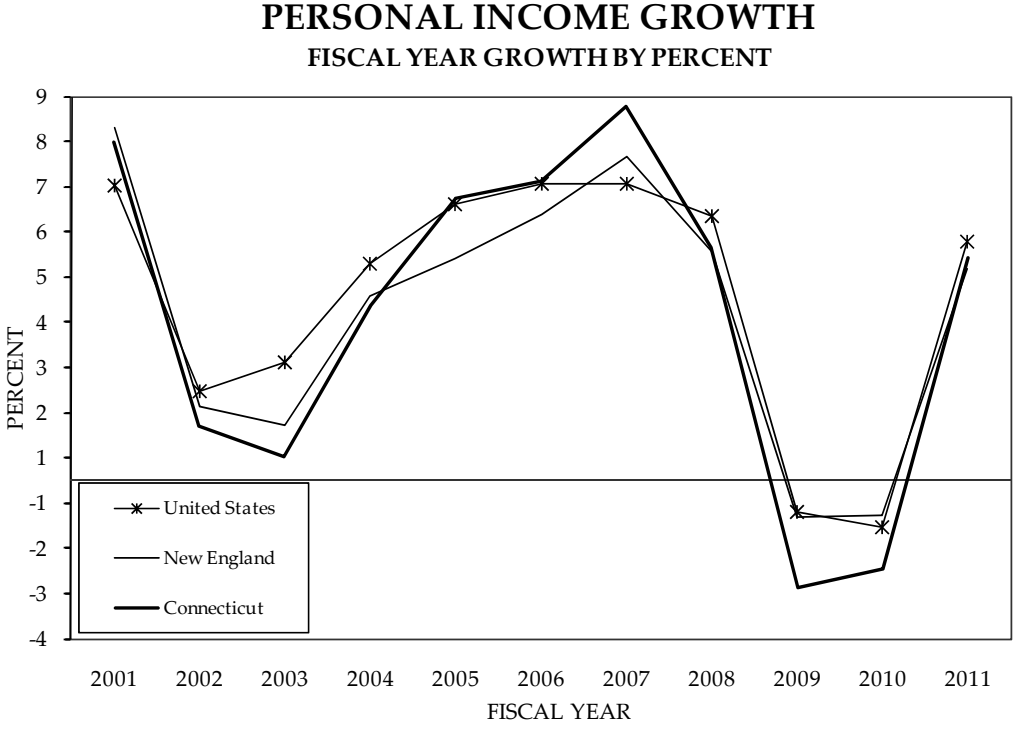
The correlation between Gross Domestic Product and personal income provides another basis of comparison among individual states. A comparison of growth rates in personal income is a good indicator of a state's present and potential future performance.

According to figures provided by the U.S. Bureau of Economic Analysis, personal income to Connecticut residents during fiscal year 2011 was $201.8 billion, a 4.94% increase over fiscal 2010. Total personal income in Connecticut increased 35.3% from fiscal 2002 to 2011. For the United States, total personal income increased 41.9%, and in the New England region, the increase for the identical period was 35.7%.

The following table and chart shows personal income for the United States, the New England region, and Connecticut.

TABLE 62
PERSONAL INCOME
(In Millions)

Fiscal	United States		New England		Connecticut	
Year	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth
2002	8,942,844	1.96	535,091	1.64	149,204	1.20
2003	9,177,939	2.63	541,602	1.22	149,965	0.51
2004	9,619,019	4.81	563,683	4.08	155,767	3.87
2005	10,205,723	6.10	591,329	4.90	165,474	6.23
2006	10,874,683	6.55	626,075	5.88	176,413	6.61
2007	11,586,942	6.55	670,938	7.17	191,031	8.29
2008	12,263,834	5.84	704,775	5.04	200,856	5.14
2009	12,176,741	(0.71)	698,977	(0.82)	196,103	(2.37)
2010	12,052,308	(1.02)	693,639	(0.76)	192,295	(1.94)
2011	12,691,347	5.30	726,246	4.70	201,803	4.94



Source: U.S. Department of Commerce, Bureau of Economic Analysis

Connecticut's sources of personal income vary slightly from those of the United States, with wages and employee salaries accounting for approximately 52.6% of total personal income compared to 51.4% for the nation in fiscal 2011. The following table shows a comparative study of the sources of personal income for the United States and Connecticut over a ten-year fiscal period. The table clearly shows a significant shift from manufacturing wages to other sources of income including property income and other labor income.

TABLE 63
SOURCES OF PERSONAL INCOME
(In Billions of Dollars)

	Fiscal Year 2002				Fiscal Year 2011			
	U.S.	%	CT	%	U.S.	%	CT	%
Manufacturing Salaries & Wages	689.5	7.7	12.8	8.6	692.2	5.5	13.3	6.6
Nonmanufacturing Salaries & Wages	4,261.7	47.7	71.5	47.9	5,831.4	45.9	92.8	46.0
Proprietors Income	877.2	9.8	16.6	11.1	1,085.2	8.6	18.7	9.2
Property Income	1,561.0	17.5	26.3	17.7	2,134.0	16.8	37.9	18.8
Other Labor Income	1,058.9	11.8	17.2	11.5	1,573.1	12.4	24.3	12.0
Transfer Payments Less Payments to Social Insurance	494.5	5.5	4.8	3.2	1,375.4	10.8	14.9	7.4
Total	8,942.8	100.0	149.2	100.0	12,691.3	100.0	201.8	100.0

Note: Totals may not agree with detail due to rounding.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

TABLE 64
WAGES AND SALARIES DISTRIBUTION BY INDUSTRY
(as a % of Total)

	Fiscal Year 2002		Fiscal Year 2011	
	U.S. %	CT %	U.S.%	CT %
Manufacturing	13.9	15.2	10.6	12.6
Finance, Insurance & Real Estate	8.9	16.2	9.0	18.8
Construction & Mining	6.1	4.1	5.4	3.1
Public Utility, Trade & Transp.	17.0	14.8	15.8	13.4
Information	4.0	3.0	3.2	2.5
Education & Health	10.6	12.2	13.2	15.0
Leisure & Hospitality	4.3	2.9	4.6	3.0
Other Professional & Business	14.5	15.0	16.4	14.9
Other Services	3.1	2.6	3.2	2.6
Government	17.0	13.8	18.0	13.9
Fishing, Forestry, & Farming	0.6	0.2	0.6	0.2
Total	100.0	100.0	100.0	100.0

Note: U.S. Total Wages & Salaries in FY 2002: $4,951,300.0 million and $6,523,600.0 million in FY 2011
CT Total Wages & Salaries in FY 2002: $84,290.0 million and $106,080.0 million in FY 2011

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Connecticut's distribution of wages and salaries by industry varies more significantly from those of the United States, with the Finance, Insurance, and Real Estate industry accounting for approximately 18.8% of total wages compared to 9.0% for the nation in fiscal 2011. The preceding table shows a comparative study of the wages and salaries distribution for the United States and Connecticut over a ten-year fiscal period. The table clearly shows a significant shift from manufacturing to education and health care.

Per Capita Personal Income

One of the more important single indicators of a state's performance is the growth in per capita personal income. This is total personal income divided by the population. On a per capita basis, personal income growth in Connecticut increased 29.9% from fiscal 2002 to 2011, compared to a national increase of 30.7% and a New England region increase of 31.8%.

Per capita personal income in Connecticut, for the most recent fiscal year, was 12.4% higher than for the New England region and 37.9% higher than for the United States. Connecticut's per capita personal income continues to be at a higher level than that of the nation and New England due to the concentration of manufacturing in relatively high paying manufacturing industries and major corporate headquarters within the state.

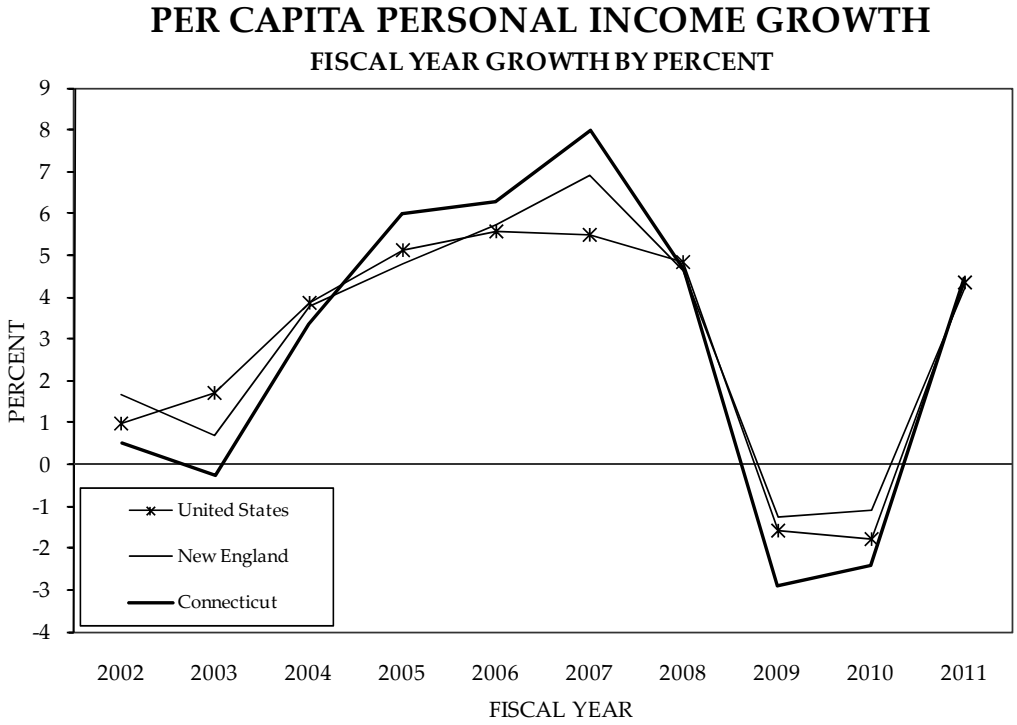
The following table shows the growth in per capita personal income for ten fiscal years for the United States, the New England region and Connecticut. The chart provides a graphic representation of the growth rates in per capita personal income for the three entities over a ten fiscal year period.

TABLE 65
PER CAPITA PERSONAL INCOME

Fiscal	United States		New England		Connecticut	
Year	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth
2002	31,177	0.96	37,939	1.68	43,262	0.51
2003	31,710	1.71	38,205	0.70	43,150	(0.26)
2004	32,930	3.85	39,655	3.80	44,602	3.37
2005	34,613	5.11	41,563	4.81	47,270	5.98
2006	36,535	5.55	43,942	5.72	50,233	6.27
2007	38,543	5.50	46,975	6.90	54,240	8.00
2008	40,402	4.82	49,145	4.62	56,783	4.67
2009	39,768	(1.57)	48,528	(1.26)	55,142	(2.89)
2010	39,052	(1.80)	47,990	(1.11)	53,812	(2.41)
2011	40,755	4.36	50,010	4.21	56,209	4.45

Source: U.S. Department of Commerce, Bureau of Economic Analysis

All figures derived by: $\frac{\text{Total Personal Income}}{\text{Population}}$



Source: U.S. Department of Commerce, Bureau of Economic Analysis

The following table shows per capita income for each of the fifty states with their corresponding ranking for fiscal year 2011. In 2011, Connecticut ranked number 1 in the nation based on per capita personal income. Connecticut's figure of $56,209 for per capita personal income remained approximately 37.9% higher than the national average.

TABLE 66
PER CAPITA PERSONAL INCOME BY STATE
(Fiscal 2011)

State	Per Capita Income	Rank	State	Per Capita Income	Rank
Connecticut	**$56,209**	**1**	Texas	$38,672	26
Massachusetts	52,448	2	Florida	38,647	27
New Jersey	51,919	3	Louisiana	37,955	28
Maryland	49,922	4	Missouri	37,589	29
New York	49,384	5	Oregon	37,172	30
Wyoming	46,187	6	Maine	37,132	31
North Dakota	45,370	7	Ohio	37,001	32
Virginia	44,954	8	Nevada	36,806	33
Alaska	44,874	9	Oklahoma	36,592	34
New Hampshire	44,137	10	Montana	35,799	35
Minnesota	43,949	11	Tennessee	35,624	36
California	43,518	12	Michigan	35,552	37
Washington	43,333	13	North Carolina	35,359	38
Illinois	43,231	14	Georgia	35,317	39
Colorado	43,138	15	Indiana	34,840	40
Rhode Island	42,898	16	Arizona	34,801	41
Hawaii	42,453	17	Alabama	34,140	42
Pennsylvania	41,536	18	New Mexico	34,095	43
South Dakota	41,047	19	Arkansas	33,198	44
Nebraska	40,978	20	Utah	33,073	45
Vermont	40,850	21	South Carolina	33,046	46
Delaware	40,540	22	Kentucky	33,033	47
Kansas	39,991	23	West Virginia	32,792	48
Iowa	39,281	24	Idaho	32,627	49
Wisconsin	39,067	25	Mississippi	31,587	50
U.S. Average	$40,755				

Source: U.S. Department of Commerce, Bureau of Economic Analysis

All figures derived by: $\frac{\text{Personal Income}}{\text{Population}}$

Per Capita Disposable Personal Income

The following table shows per capita disposable income for each of the fifty states with their corresponding ranking for fiscal year 2011. Per capita disposable income is defined as the income available to an individual for spending or saving. It is per capita personal income less personal tax and nontax payments. Personal taxes are composed of federal, state and local income taxes, as well as, personal property taxes and estate and gift taxes. Nontax payments are made up of fines and fees.

TABLE 67
PER CAPITA DISPOSABLE PERSONAL INCOME BY STATE
(Fiscal 2011)

State	Per Capita Disposable Income	Rank	State	Per Capita Disposable Income	Rank
Connecticut	**$49,061**	**1**	Louisiana	$36,067	26
Massachusetts	46,281	2	Iowa	35,751	27
New Jersey	45,516	3	Wisconsin	35,354	28
Wyoming	44,634	4	Maine	34,476	29
Maryland	44,307	5	Missouri	34,293	30
New York	43,145	6	Oklahoma	34,111	31
Alaska	40,996	7	Nevada	33,959	32
New Hampshire	40,870	8	Oregon	33,829	33
Washington	40,610	9	Ohio	33,776	34
Virginia	40,381	10	Tennessee	33,426	35
Illinois	39,455	11	Michigan	33,206	36
Rhode Island	39,339	12	North Carolina	33,099	37
Colorado	39,066	13	Montana	32,578	38
Minnesota	38,852	14	Georgia	32,542	39
California	38,692	15	Indiana	32,353	40
North Dakota	38,297	16	Arizona	32,266	41
South Dakota	38,060	17	New Mexico	31,885	42
Hawaii	38,015	18	Alabama	31,825	43
Pennsylvania	37,902	19	Kentucky	31,064	44
Vermont	37,325	20	Arkansas	31,023	45
Nebraska	37,039	21	South Carolina	30,888	46
Kansas	36,984	22	West Virginia	30,588	47
Texas	36,659	23	Utah	29,934	48
Florida	36,426	24	Idaho	29,931	49
Delaware	36,365	25	Mississippi	29,595	50

U.S. Average $36,622

Source: U.S. Department of Commerce, Bureau of Economic Analysis

All figures derived by: $\frac{\text{Disposable Personal Income}}{\text{Population}}$

Inflation and Its Effect On Personal Income

Inflation is defined as a rise in the general price level (or average level of prices) of all goods and services, or equivalently a decline in the purchasing power of a unit of money. The general price level varies inversely with the purchasing power of a unit of money. Hence, when prices increase purchasing power declines.

To take into account the erosion of income due to increasing prices, income is deflated by a consumer price index. The Consumer Price Index (CPI) is a measure of the average change in prices over time for a fixed market basket of goods and services. The Bureau of Labor Statistics

publishes CPI's for two population groups: a CPI for All Urban Consumers (CPI-U) which covers approximately 80 percent of the total population; and a CPI for Urban Wage Earners and Clerical Workers (CPI-W) which covers 32 percent of the total population and is a subset of the CPI-U population. The CPI-U includes, in addition to wage earners and clerical workers, groups such as professional, managerial and technical workers, the self employed, short-term workers, the unemployed, retirees and others not in the labor force.

The following table shows the Consumer Price Index for All Urban Consumers and its growth over a ten fiscal year period.

TABLE 68
THE U.S. CONSUMER PRICE INDEX
(1982-84=100)

Fiscal Year	C.P.I.	% Growth
2002	178.2	1.77
2003	182.1	2.20
2004	186.1	2.21
2005	191.7	3.00
2006	198.9	3.78
2007	204.1	2.60
2008	211.7	3.71
2009	214.6	1.40
2010	216.8	0.99
2011	221.1	1.98

Source: U.S. Bureau of Labor Statistics

The CPI is a weighted index that is based on prices of food (15.0%), apparel (3.7%), housing (42%), transportation (16.7%), medical care (6.5%), education (6.4%), and the other goods that people buy for day-to-day living (9.7%). In addition, all taxes directly associated with the purchase and use of items and services are included in the index. In calculating the index, price changes for the various items in 85 urban areas across the country are averaged together with weights which represent their importance in the spending of the appropriate population group. Local data is then combined to obtain a U.S. city average. Movements of the indexes from one month to another are usually expressed as percentage changes rather than changes in index points, because index point changes are effected by the level of the index in relation to its base period while percent changes are not.

Real Personal Income

Real personal income is total personal income deflated by the Consumer Price Index, a measure of personal income that usually includes adjustments for changes in prices since the base period of 1982-84. The following table shows real personal income growth for the United States, the New England region and Connecticut. These figures, because they take into account the effects of inflation, provide a better perspective of overall gains in personal income.

TABLE 69
REAL PERSONAL INCOME
(In Millions)

Fiscal	United States		New England		Connecticut	
Year	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth
2002	5,019,369	0.19	300,332	(0.12)	83,744	(0.56)
2003	5,040,285	0.42	297,434	(0.96)	82,357	(1.66)
2004	5,168,505	2.54	302,879	1.83	83,697	1.63
2005	5,323,799	3.00	308,466	1.84	86,319	3.13
2006	5,466,267	2.68	314,703	2.02	88,676	2.73
2007	5,676,745	3.85	328,710	4.45	93,591	5.54
2008	5,793,531	2.06	332,941	1.29	94,886	1.38
2009	5,672,875	(2.08)	325,638	(2.19)	91,360	(3.72)
2010	5,559,915	(1.99)	319,986	(1.74)	88,709	(2.90)
2011	5,740,797	3.25	328,510	2.66	91,283	2.90

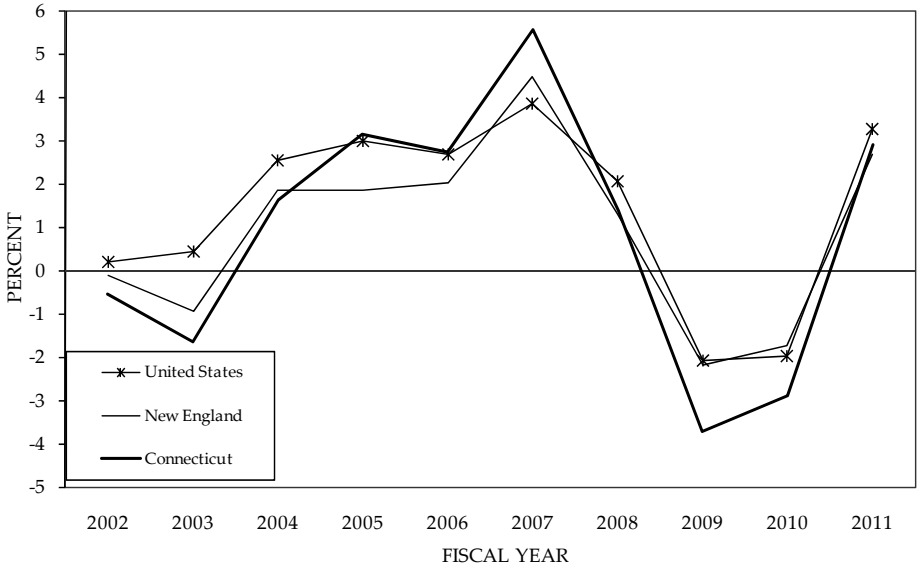
Source: U.S. Department of Commerce, Bureau of Economic Analysis.

All figures derived by: $\frac{\text{Total Personal Income}}{\text{CPI}}$

It is important to note that there are regional differences in prices. Local area CPI indexes are by-products of the national CPI program. Because each local index is a small subset of the national index, it has a smaller sample size and is therefore subject to substantially more sampling and other measurement error than the national index. Therefore, local area indexes show greater volatility than the national index in the short run, although their long-term trends are quite similar. Therefore, the National Consumer Price Index was utilized in the table above to provide the comparison among the United States, the New England region and Connecticut.

The following chart provides a graphic presentation of the growth in real personal income for the three entities over a ten fiscal year period.

REAL PERSONAL INCOME GROWTH
FISCAL YEAR GROWTH BY PERCENT



Source: U.S. Department of Commerce, Bureau of Economic Analysis

Real Per Capita Personal Income

Real per capita personal income is per capita personal income deflated by the Consumer Price Index and shows how individuals comprising a geographical entity have fared after adjusting for the effects of inflation. A comparison of the growth rates measures the relative economic performance of each entity as it adjusts personal income growth by population changes.

TABLE 70
REAL PER CAPITA PERSONAL INCOME

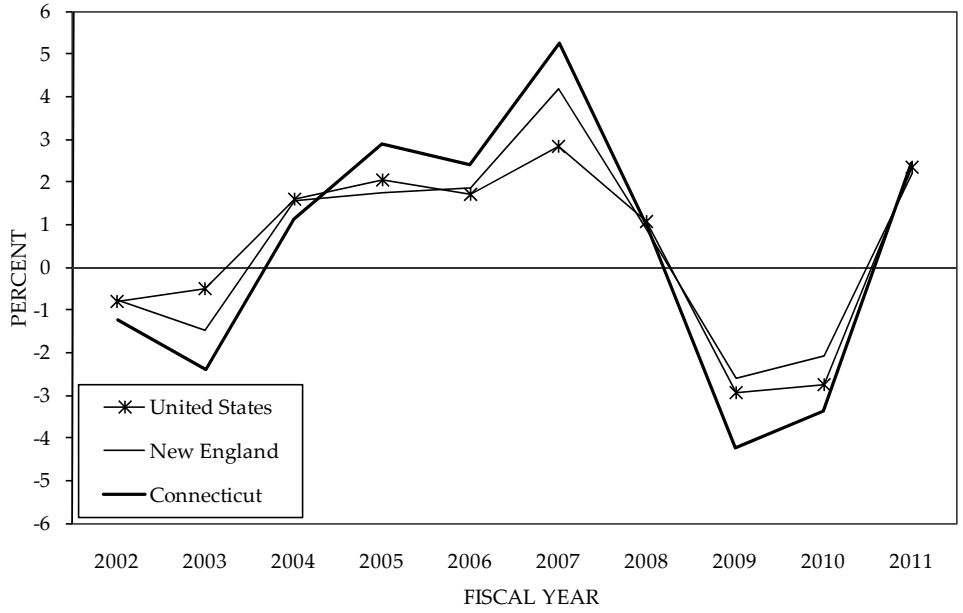
Fiscal	United States		New England		Connecticut	
Year	Dollars	% Growth	Dollars	% Growth	Dollars	% Growth
2002	17,499	(0.80)	21,294	(0.76)	24,282	(1.24)
2003	17,414	(0.49)	20,981	(1.47)	23,697	(2.41)
2004	17,694	1.61	21,308	1.56	23,966	1.14
2005	18,056	2.04	21,681	1.75	24,658	2.89
2006	18,365	1.71	22,088	1.87	25,250	2.40
2007	18,883	2.82	23,015	4.20	26,578	5.26
2008	19,086	1.07	23,217	0.88	26,825	0.93
2009	18,527	(2.93)	22,608	(2.62)	25,689	(4.23)
2010	18,015	(2.76)	22,138	(2.08)	24,824	(3.37)
2011	18,435	2.33	22,622	2.18	25,425	2.42

Source: U.S. Department of Commerce, Bureau of Economic Analysis

All figures derived by: $\frac{\text{Total Personal Income}}{\text{CPI X Population}}$

The previous table shows the growth in real per capita personal income for the United States, the New England region, and Connecticut. The chart below provides a graphic presentation of the growth in real per capita personal income for the three entities over a ten fiscal year period.

REAL PER CAPITA INCOME GROWTH
FISCAL YEAR GROWTH BY PERCENT



Source: U.S. Department of Commerce, Bureau of Economic Analysis

TABLE 71
GROWTH IN REAL PER CAPITA PERSONAL INCOME
(Base Year: 2010)

Fiscal	% Growth		% Cumulative Growth	
Year	United States	Connecticut	United States	Connecticut
1950-1960	27.7%	28.4%	27.7%	28.4%
1960-1970	37.3%	40.3%	75.3%	80.2%
1970-1980	17.7%	12.8%	106.3%	103.3%
1980-1990	20.9%	37.4%	149.5%	179.3%
1990-2000	15.9%	16.1%	189.3%	224.2%
2000-2010	5.8%	5.9%	206.0%	243.2%

Source: U.S. Department of Commerce, Bureau of Economic Analysis

The above table highlights the cumulative growth in real per capita personal income over the past sixty years. Overall, Connecticut has enjoyed higher cumulative growth in real per capita personal income, exceeding the United States by 37.2 percentage points. In one decade alone, 1980 to 1990, Connecticut's growth in real personal income was 16.5 percentage points higher than the United States' growth. On the other hand, during the most recent decade, Connecticut's personal income growth has been alarmingly weak at only 5.9%, a likely result of two economic bubbles bursting (technology and housing) and the Great Recession of the last two years of the decade. Even though job growth in the state has lagged that of the nation, Connecticut residents' income growth has out-performed that of the nation's over the long-term.

Cost of Living Index

Statistics regarding inflation and the cost of living for Connecticut are frequently requested by the public. The two indicators are not the same. An inflation index such as the CPI-U is used to measure purchasing power relative to its historical performance, while the cost of living index is used to measure purchasing power relative to one's geographical peers. In other words, the cost of living index is produced to measure the relative price level of consumer goods and services for a specific area relative to other jurisdictions at a given time.

A widely used index to measure cost of living differences among urban areas is *ACCRA Cost of Living Index,* which is produced by The Council for Community and Economic Research (C2ER). This report includes indices for approximately 320 Metropolitan Statistical Areas (MTAs), Metropolitan Statistical Divisions (MTDs), and Micropolitan Statistical Areas (MCAs) as defined by the U.S. Office of Management and Budget (OMB). In Connecticut, the C2ER survey includes the four urban areas from the following MTAs: Stamford in the Bridgeport-Stamford-Norwalk MTA, Hartford in the Hartford-West Hartford-East Hartford MTA, New Haven in the New Haven-Milford MTA, and New London in the Norwich-New London MTA.

The following table shows the cost of living comparison for three neighboring cities: Boston in the Boston-Quincy MTD, Hartford in the Hartford-West Hartford-East Hartford MTA, and New York (Manhattan) in the New York-White Plains-Wayne NY-NJ MTD for the 2011 second quarter average.

TABLE 72
COMPARISON OF COST OF LIVING

2011 Second Quarter MTA/MTD	Composite Index	Grocery Items	Housing	Utilities	Trans-portation	Health Care	Misc.*
Hartford, CT	119.4	121.6	136.4	120.3	108.0	110.3	108.0
Boston, MA	137.5	117.7	163.4	148.6	102.6	119.6	131.7
New York**, NY	220.8	143.2	416.0	141.2	122.1	124.6	145.5
Index Weights	100%	13.31%	29.27%	10.22%	9.86%	4.23%	33.11%

Note: * denotes miscellaneous goods and services
** Manhattan

Source: The Council for Community and Economic Research (C2ER), "*ACCRA Cost of Living Index*", August 2011 Second Quarter Data

The Cost of Living Composite Index is weighted by a "market basket" of approximately 60 goods and services for the typical professional and executive household. It is further broken down into six categories including grocery items, housing, utilities, transportation, health care, and miscellaneous goods and services to reflect the different categories of consumer expenditures. The index for the Hartford area, for example, in the second quarter of 2011 was 119.4 compared to the national average of 100. This index demonstrates that the overall living cost in the Hartford area was higher than the national average by 19.4% in the second quarter of 2011. Among the six categories, the cost of housing in the Hartford area was the most expensive item, a full 36.4% higher than the national average, followed by grocery items at 21.6%, utilities at 20.3%, healthcare at 10.3%, and transportation and miscellaneous each at 8.0% higher than the national average. The index, updated quarterly with an annual report published in January of the succeeding year, does not measure tax differentials.

In the second quarter of 2011, numerous cities had a relatively higher cost of living than the Hartford area. These include, for example, New York City (Manhattan) at 220.8; Honolulu, Hawaii at 166.1; and San Francisco, California at 166.0. Living costs in most southern states' cities are relatively low; for example, Pryor Creek, Oklahoma at 85.8; Harlingen, Texas at 80.6; and Louisville, Kentucky at 91.1. The cost of living in the Hartford area was collectively on par with Baltimore, Maryland; Poughkeepsie, New York; and Manchester, New Hampshire, which registered at 119.5, 119.3, and 119.1, respectively. The cost of living index can provide useful information for relocation decisions. If someone is contemplating a job offer in a certain area, he or she may use this index as a guide to evaluate the financial merits of the move. For example, if a Hartford resident is considering a move to New York City (Manhattan) and wants to maintain his or her current lifestyle, other things being equal, his or her after-tax income level has to increase by 84.9%, (220.8-119.4)/119.4, in order to compensate for the higher cost of living. On the contrary, if a New York City resident is contemplating a move to Hartford, his or her after-tax income level can be reduced by 45.9%, (119.4-220.8)/220.8, in order to sustain the same current life style.

The cost of living for metropolitan statistical areas within Connecticut also varies. In the second quarter of 2011, the ACCRA cost of living Index for the Stamford area was at 147.8, and New Haven at 128.2 compared to 119.4 for Hartford. These three statistical areas accounted for 53% of the state's total population. The following table demonstrates the relative index of the components for these three Connecticut regions.

TABLE 73
COMPARISON OF COST OF LIVING IN CONNECTICUT
Hartford, New Haven, and Stamford MTAs

2011 Q2 MTA	Composite Index	Grocery Items	Housing	Utilities	Trans-portation	Health Care	Misc.
Hartford	119.4	121.6	136.4	120.3	108.0	110.3	108.0
New Haven	128.2	118.8	143.8	129.9	111.4	113.2	124.7
Stamford	147.8	115.6	203.7	142.1	117.7	113.3	126.4

Source: The Council for Community and Economic Research (C2ER), "*ACCRA Cost of Living Index*", August 2011, Second Quarter Data

THE MAJOR REVENUE RAISING TAXES IN THE STATE OF CONNECTICUT

In fiscal 2010, Connecticut's General Fund derived 62 percent of its revenue from the collection of taxes. To provide an analysis of the overall tax burden on the individuals of each state, the following table was prepared for fiscal 2010. The table shows overall state tax collections as a percentage of personal income. In the table, note that Connecticut ranks 19th, signifying that in 18 other states a greater percentage of an individual's income is going for state taxes than in Connecticut.

TABLE 74
STATE TAX COLLECTIONS AS A PERCENTAGE OF PERSONAL INCOME
Fiscal 2010

State	Percentage	Rank	State	Percentage	Rank
Alaska	14.65%	1	Kansas	5.96%	26
Vermont	10.20%	2	Nevada	5.96%	27
North Dakota	9.7%	3	Rhode Island	5.92%	28
Hawaii	8.72%	4	New Jersey	5.87%	29
Wyoming	8.71%	5	Utah	5.81%	30
West Virginia	8.03%	6	Ohio	5.77%	31
Delaware	7.98%	7	Washington	5.73%	32
Arkansas	7.80%	8	Illinois	5.63%	33
Minnesota	7.80%	9	Oklahoma	5.54%	34
Maine	7.23%	10	Maryland	5.49%	35
Mississippi	6.98%	11	Oregon	5.47%	36
New York	6.91%	12	Nebraska	5.40%	37
Kentucky	6.87%	13	Louisiana	5.35%	38
Wisconsin	6.78%	14	Alabama	5.22%	39
California	6.78%	15	Tennessee	4.86%	40
Michigan	6.77%	16	Virginia	4.73%	41
New Mexico	6.58%	17	Arizona	4.70%	42
North Carolina	6.57%	18	South Carolina	4.62%	43
Connecticut	**6.39%**	**19**	Florida	4.48%	44
Indiana	6.36%	20	Georgia	4.47%	45
Montana	6.35%	21	Missouri	4.46%	46
Massachusetts	6.10%	22	Texas	4.29%	47
Idaho	6.05%	23	South Dakota	4.18%	48
Iowa	6.01%	24	Colorado	4.14%	49
Pennsylvania	5.98%	25	New Hampshire	3.76%	50
U.S. Average	5.85%				

Source: Bureau of Economic Analysis, U.S. Census Bureau, "Annual Survey of State Government Tax Collections, 2010"

Following is a discussion of the major taxes in the State of Connecticut.

Personal Income Tax

For income years commencing on or after January 1, 1991, a personal income tax was imposed upon income of residents of the state (including resident trusts and estates), part-year residents and certain non-residents who have taxable income derived from or connected with sources within Connecticut. For tax years commencing on or after January 1, 1991, and prior to January 1, 1992, the tax was imposed at the rate of 1.5% on Connecticut taxable income. For tax years commencing on or after January 1, 1992, the separate tax on capital gains, dividends and interest was repealed, and the tax was imposed at the rate of 4.5% of Connecticut taxable income. Beginning with tax years commencing on or after January 1, 1996, a second, lower tax rate of 3% was introduced for a certain portion of taxable income. Beginning with tax years commencing January 1, 2003 the 4.5% rate was increased to 5.0%. Beginning with tax years commencing January 1, 2009, a third higher bracket of 6.5% was introduced on incomes in excess of $500,000 for single filers and $1,000,000 for joint filers. Beginning with tax years commencing January 1, 2011, five new tax brackets replaced all previous brackets greater than the lowest rate. The lowest bracket remains unchanged while the highest bracket imposes a 6.7% tax on incomes in excess of $250,000 for single filers and $500,000 for joint filers. The amount of taxable income subject to the lower tax rate has been expanded as set forth in the table below. Depending on federal income tax filing status and Connecticut adjusted gross income, personal exemptions ranging from $13,500 to $24,000 are available to taxpayers, with such exemptions phased out at certain higher income levels. Legislation enacted in 1999 increases the exemption amount for single filers over a certain number of years from $12,000 to $15,000. In addition, tax credits ranging from 75% to 1% of a taxpayer's Connecticut tax liability are also available, again dependent upon federal income tax filing status and Connecticut adjusted gross income (See Table 77 for more details). Neither the personal exemption nor the tax credit is available to a trust or an estate. Also commencing in income year 1996, personal income taxpayers were eligible for up to a $100 credit for property taxes paid on their primary residence or on their motor vehicle. This credit has been modified over the years and since income year 2006 has remained at $500.

The Personal Income Tax generated $7,246.4 million in fiscal year 2010-11, $6,586.1 million in fiscal year 2009-10, and $6,385.9 million in fiscal year 2008-09. In fiscal year 2010-11, this tax accounted for 40.9% of total revenue and 55.7% of total tax collections, while in fiscal year 2009-10 it accounted for 37.2% of total revenue and 55.1% of total tax collections.

TABLE 75
TAXABLE INCOME AMOUNTS SUBJECT TO THE LOWER RATE
WITH THE REMAINDER SUBJECT TO THE HIGHER RATE

			Amount At Low Rate By Filing Status		
Income Year	Low Rate	High Rate	Single	Joint	Head of Household
1996	3.0%	4.5%	$ 2,250	$ 4,500	$ 3,500
1997	3.0%	4.5%	$ 6,250	$12,500	$10,000
1998	3.0%	4.5%	$ 7,500	$15,000	$12,000
1999 - 2002	3.0%	4.5%	$10,000	$20,000	$16,000
2003 - 2008	3.0%	5.0%	$10,000	$20,000	$16,000
2009-2010	3.0%	6.5%	$10,000	$20,000	$16,000
2011	3.0%	6.7%	$10,000	$20,000	$16,000

The following table compares the personal income tax collections as a percentage of personal income for the fifty states for fiscal 2010.

TABLE 76
STATE INCOME TAX COLLECTIONS AS A PERCENTAGE OF PERSONAL INCOME
Fiscal 2010

State	Percentage	Rank	State	Percentage	Rank
New York	3.78%	1	Georgia	2.12%	23
Oregon	3.62%	2	Montana	2.12%	24
Massachusetts	3.08%	3	Rhode Island	2.10%	25
Connecticut	**3.00%**	**4**	Missouri	1.99%	26
California	2.95%	5	Vermont	1.99%	27
Minnesota	2.93%	6	Colorado	1.97%	28
North Carolina	2.79%	7	Ohio	1.93%	29
Hawaii	2.75%	8	Pennsylvania	1.85%	30
Wisconsin	2.73%	9	Illinois	1.78%	31
Maine	2.70%	10	Indiana	1.78%	32
Virginia	2.50%	11	Oklahoma	1.74%	33
West Virginia	2.50%	12	Alabama	1.65%	34
Kansas	2.47%	13	Michigan	1.64%	35
Delaware	2.46%	14	Mississippi	1.51%	36
Utah	2.40%	15	South Carolina	1.48%	37
Iowa	2.34%	16	New Mexico	1.43%	38
New Jersey	2.34%	17	Louisiana	1.40%	39
Kentucky	2.27%	18	Arizona	1.11%	40
Arkansas	2.24%	19	North Dakota	1.11%	41
Maryland	2.24%	20	New Hampshire	0.15%	42
Idaho	2.19%	21	Tennessee	0.08%	43
Nebraska	2.15%	22			
U.S. Average	1.96%				

Note: The following states do not levy an income tax: Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming.

Source: Bureau of Economic Analysis, U.S. Department of Commerce, "State Government Finances, 2010"

The following table shows Connecticut personal income tax exemptions ranging from $13,000 to $24,000 including the phase out as income levels rise depending on adjusted gross income for each income tax filing status.

TABLE 77
CONNECTICUT PERSONAL INCOME TAX CREDITS & EXEMPTIONS
Income Year 2012

Single			Married Filing Jointly			Head of Household		
Exemption: $13,500			Exemption: $24,000			Exemption: $19,000		
Phase Out: $1K of exemption for each $1K from $26.0K to $38.0K			Phase Out: $1K of exemption for each $1K from $48K to $72K			Phase Out: $1K of exemption for each $1K from $38K to $57K		
AGI From	AGI To	% of Tax	AGI From	AGI To	% of Tax	AGI From	AGI To	% of Tax
$13,500	$16,900	75%	$24,000	$30,000	75%	$19,000	$24,000	75%
$16,900	$17,400	70%	$30,000	$30,500	70%	$24,000	$24,500	70%
$17,400	$17,900	65%	$30,500	$31,000	65%	$24,500	$25,000	65%
$17,900	$18,400	60%	$31,000	$31,500	60%	$25,000	$25,500	60%
$18,400	$18,900	55%	$31,500	$32,000	55%	$25,500	$26,000	55%
$18,900	$19,400	50%	$32,000	$32,500	50%	$26,000	$26,500	50%
$19,400	$19,900	45%	$32,500	$33,000	45%	$26,500	$27,000	45%
$19,900	$20,400	40%	$33,000	$33,500	40%	$27,000	$27,500	40%
$20,400	$22,500	35%	$33,500	$40,000	35%	$27,500	$34,000	35%
$22,500	$23,000	30%	$40,000	$40,500	30%	$34,000	$34,500	30%
$23,000	$23,500	25%	$40,500	$41,000	25%	$34,500	$35,000	25%
$23,500	$24,000	20%	$41,000	$41,500	20%	$35,000	$35,500	20%
$24,000	$28,100	15%	$41,500	$50,000	15%	$35,500	$44,000	15%
$28,100	$28,600	14%	$50,000	$50,500	14%	$44,000	$44,500	14%
$28,600	$29,100	13%	$50,500	$51,000	13%	$44,500	$45,000	13%
$29,100	$29,600	12%	$51,000	$51,500	12%	$45,000	$45,500	12%
$29,600	$30,100	11%	$51,500	$52,000	11%	$45,500	$46,000	11%
$30,100	$54,000	10%	$52,000	$96,000	10%	$46,000	$74,000	10%
$54,000	$54,500	9%	$96,000	$96,500	9%	$74,000	$74,500	9%
$54,500	$55,000	8%	$96,500	$97,000	8%	$74,500	$75,000	8%
$55,000	$55,500	7%	$97,000	$97,500	7%	$75,000	$75,500	7%
$55,500	$56,000	6%	$97,500	$98,000	6%	$75,500	$76,000	6%
$56,000	$56,500	5%	$98,000	$98,500	5%	$76,000	$76,500	5%
$56,500	$57,000	4%	$98,500	$99,000	4%	$76,500	$77,000	4%
$57,000	$57,500	3%	$99,000	$99,500	3%	$77,000	$77,500	3%
$57,500	$58,000	2%	$99,500	$100,000	2%	$77,500	$78,000	2%
$58,000	$58,500	1%	$100,000	$100,500	1%	$78,000	$78,500	1%

Source: General Statutes of the State of Connecticut

The following table shows whether state and local governmental obligations are included in the definition of state income for tax purposes.

TABLE 78
STATE AND LOCAL GOVERNMENT OBLIGATIONS EXEMPTIONS FOR DETERMINING INDIVIDUAL'S STATE INCOME

State	Own Securities	Other State's Securities	State	Own Securities	Other State's Securities
Alabama	E	T	Montana	E	T
Alaska (no tax)			Nebraska	T	T
Arizona	E	T	Nevada (no tax)		
Arkansas	E	T	New Hampshire	E	T
California	E	T	New Jersey	E	T
Colorado	E	T	New Mexico	E	T
Connecticut	E	T	New York	E	T
Delaware	E	T	North Carolina	E	T
Florida (no tax)			North Dakota	E	T
Georgia	E	T	Ohio	E	T
Hawaii	E	T	Oklahoma	T (1)	T
Idaho	E	T	Oregon	E	T
Illinois	T (1)	T	Pennsylvania	E	T
Indiana	E	T (2)	Rhode Island	E	T
Iowa	T (1)	T	South Carolina	E	T
Kansas	E	T	South Dakota (no tax)		
Kentucky	E	T	Tennessee	E	T
Louisiana	E	T	Texas (no tax)		
Maine	E	T	Utah	T (1)	E (3)
Maryland	E	T	Vermont	E	T
Massachusetts	E	T	Virginia	E	T
Michigan	E	T	Washington (no tax)		
Minnesota	E	T	West Virginia	E	T
Mississippi	E	T	Wisconsin	T (1)	T
Missouri	E	T	Wyoming (no tax)		

T = Taxable / E = Exempt

(1) Interest earned from some qualified obligations is exempt from the tax.
(2) Taxable for bonds acquired after 2011, bonds acquired before 2012 are exempt.
(3) Taxable for bonds acquired after 2002 if the other state or locality imposes an income-based tax on Utah bonds.

Source: Commerce Clearing House, Inc.

The following table compares the personal income tax rates and bases for the fifty states and the District of Columbia.

TABLE 79
PERSONAL INCOME TAX BY STATE

	Low Bracket		High Bracket			Low Bracket		High Bracket	
State	% Rate	To Net Income $	Rate	From Net Income $	State	% Rate	To Net Income $	Rate	From Net Income $
Alabama (3)	2.0	1,000	5.0	6,001	Missouri (1)	1.5	1,000	6.0	9,001
Arizona (1)	2.59	20,000	4.54	300,001	Montana (1)	1.0	2,700	6.9	16,001
Arkansas (3)	1.0	3,899	7.0	32,700	Nebraska (1)	2.56	4,800	6.84	54,001
California (1)	1.25	14,248	9.55	93,533	New Hampshire	(b)			
Colorado (2)	4.63	All			New Jersey (3)	1.4	20,000	8.97	500,001
Connecticut (1)	3.0	20,000	6.7	500,001	New Mexico (1)	1.7	8,000	4.9	24,001
Delaware (1)	2.2	5,000	6.95	60,001	New York (1)	4.0	16,000	8.97	500,001
Georgia (1)	1.0	1,000	6.0	10,001	N. Carolina (2)	6.0	21,250	7.75	100,001
Hawaii (1)	1.4	2,400	11.0	200,001	N. Dakota (2)	1.51	57,700	3.99	379,150
Idaho (1)	1.6	2,631	7.8	52,640	Ohio (1)	0.59	5,050	5.93	201,801
Illinois (1)	5.0	All			Oklahoma (1)	0.5	2,000	5.5	15,001
Indiana (1)	3.4	All			Oregon (2)	5.0	4,000	11.0	500,001
Iowa (1)	0.36	1,439	8.98	64,756	Pennsylvania (3)	3.07	All		
Kansas (1)	3.5	30,000	6.45	60,001	Rhode Island (1,c)	3.75	55,000	5.99	125,001
Kentucky (1)	2.0	3,000	6.0	75,001	S. Carolina (2)	3.0	5,520	7.0	13,801
Louisiana (1)	2.0	25,000	6.0	100,001	Tennessee	(b)			
Maine (1)	2.0	9,999	8.5	39,900	Utah (1)	5.0	All		
Maryland (1)	2.0	1,000	5.5	500,000	Vermont (2,d)	3.55	56,800	8.95	373,651
Massachusetts	5.3	All	(a)		Virginia (1)	2.0	3,000	5.75	17,001
Michigan (1)	4.35	All			W. Virginia (1)	3.0	5,000	6.5	30,001
Minnesota (2)	5.35	33,770	7.85	134,171	Wisconsin (1)	4.6	13,580	7.75	298,941
Mississippi (3)	3.0	5,000	5.0	10,001	Dist. of Col. (2)	4.0	10,000	8.5	40,001

The following states do not levy an income tax: Alaska, Florida, Nevada, South Dakota, Texas, Washington & Wyoming.

Note: Tax rates are for married filers filing joint returns and do not include income taxes levied at the local level.

Base: (1) – Modified Federal Adjusted Gross Income
(2) – Modified Federal Taxable Income
(3) – State's Individual Definition of Taxable Income

(a) The rate is 12% for short-term capital gains and 5.3% for interests and dividends.
(b) Income taxes are limited to interest and dividends: 5.0% in New Hampshire and 6.0% in Tennessee.
(c) Rhode Island taxpayers may elect to pay a flat rate of 6.0%.
(d) Brackets for Vermont are indexed for inflation. The brackets shown reflect 2010 data.

Source: Commerce Clearing House, Inc.

Sales and Use Tax

The sales tax is imposed, subject to certain limitations, on the gross receipts from certain transactions within the state of persons engaged in business in the state including: 1) retail sales of tangible personal property; 2) the sale of certain services; 3) the leasing or rental of tangible personal property; 4) the producing, fabricating, processing, printing, or imprinting of tangible personal property to special order or with material furnished by the consumer; 5) the furnishing, preparing or serving of food, meals or drinks; and 6) the occupancy of hotels or lodging house rooms for a period not exceeding thirty consecutive calendar days.

The use tax is imposed on the consideration paid for certain services or purchases or rentals of tangible personal property used within the state and not subject to the sales tax.

Both the sales and use taxes are levied at a rate of 6.35%. Various exemptions from the tax are provided, based on the nature, use, or price of the property or services involved or the identity of the purchaser. Certain items are taxed at reduced rates. Hotel rooms are taxed at 15%.

The sales and use tax is an important source of revenue for the State of Connecticut. In fiscal 2010-11, sales and use taxes accounted for 18.9% of total revenue and 25.7% of total tax collections, compared to 18.1% and 26.8%, respectively, in fiscal 2009-10 and 21.1% and 28.2%, respectively, in fiscal 2008-09.

When analyzing sales taxes, a simple comparison of rates is not an effective way to measure the tax burden imposed. An analysis of the tax base must be included to provide a more meaningful comparison.

In an attempt to provide a more relevant comparison of the sales tax burden, two studies are presented. The first study shows sales tax collections as a percentage of personal income. The larger the percentage of personal income going to sales tax collections, the heavier the burden of that tax. The table on the following page shows sales tax collections as a percentage of personal income and the corresponding ranking of the states. Note that Connecticut's tax burden is less than 32 other states. The comparison is based on fiscal year 2010 data. From fiscal 1991 to fiscal 2010, Connecticut's sales tax collections as a percentage of personal income dropped from 3.15% with a rank of ninth to 1.64% with a rank of 33rd, and compared to the national average of 1.86%. This change was primarily due to the reduction in Connecticut's sales tax rate from 8% to 6.35% and an expansion of the exemptions on certain services and goods.

The second study provides an analysis of major sales tax exemptions by state. Connecticut excludes from its sales tax such major items as food products for human consumption, drugs and medicines used by humans, machinery, professional services, residential utilities and motor fuels. Table 80 shows the comparison for major sales tax exemptions.

TABLE 80
SALES TAX COLLECTIONS AS A PERCENTAGE OF PERSONAL INCOME
Fiscal 2010

State	Tax Rate (%)	%	Rank	State	Tax Rate (%)	%	Rank
Hawaii	4.0*	4.17	1	Iowa	6.0*	1.87	24
Washington	6.5*	3.42	2	Utah	4.7*	1.87	25
Wyoming	4.0*	3.25	3	Wisconsin	5.0	1.86	26
Mississippi	7.0	3.17	4	Nebraska	5.5*	1.85	27
Tennessee	7.0*	2.83	5	Rhode Island	7.0	1.84	28
Arkansas	6.0*	2.80	6	North Carolina	4.75*	1.79	29
Michigan	6.0	2.77	7	New Jersey	7.0	1.79	30
Indiana	7.0	2.74	8	Ohio	5.5*	1.78	31
Florida	6.0*	2.64	9	Illinois	6.25*	1.67	32
Nevada	6.85*	2.61	10	**Connecticut**	**6.35**	**1.64**	**33**
New Mexico	5.125	2.56	11	Pennsylvania	6.0*	1.59	34
South Dakota	4.0*	2.38	12	Louisiana	4.0	1.58	35
Idaho	6.0	2.31	13	Oklahoma	4.5*	1.54	36
North Dakota	5.0*	2.21	14	Georgia	4.0	1.47	37
Texas	6.25*	2.14	15	Massachusetts	6.25	1.41	38
Maine	5.0	2.05	16	Maryland	6.0	1.35	39
Arizona	6.6*	2.03	17	Missouri	4.225*	1.34	40
California	7.25	2.02	18	Alabama	4.0*	1.34	41
Kentucky	6.0	2.01	19	Vermont	6.0	1.26	42
Minnesota	6.875*	2.01	20	New York	4.0*	1.15	43
Kansas	6.3*	1.98	21	Virginia	4.0*	1.02	44
South Carolina	6.0*	1.93	22	Colorado	2.9*	0.99	45
West Virginia	6.0	1.89	23				
U.S. Average		1.86					

Notes:
* Local tax rates are additional
- Tax rates are as of September 29, 2011
- Sales tax collections do not reflect changes in sales tax rates that occurred on July 1, 2011.
- Alaska, Delaware, Montana, New Hampshire, and Oregon do not levy a sales tax. The state of Delaware imposes a merchants' and manufacturers' license tax and a use tax on leases.

Source: Bureau of Economic Analysis, Commerce Clearing House, Inc., U.S. Department of Commerce, "State Government Finances, 2010"

TABLE 81
MAJOR SALES TAX EXEMPTIONS BY STATE

State	Food	Prescription Drugs	Motor Fuels	Clothes	Cigarette's
Alabama	T	E	E	T	T
Arizona	E	E	E	T	T
Arkansas	T(1)	E	E	T	T
California	E	E	T	T	T
Colorado	E	E	E	T	T
Connecticut	E	E	E	T	T
Florida	E	E	T	T	T
Georgia	E	E	T (1)	T	T
Hawaii	T	E	T	T	T
Idaho	T	E	E	T	T
Illinois	T (1)	T (1)	T(5)	T	T
Indiana	E	E	T	T	T
Iowa	E	E	E	T	T
Kansas	T (4)	E	E	T	T
Kentucky	E	E	E	T	T
Louisiana	E	E	E	T	T
Maine	E	E	E	T	T
Maryland	E	E	E	T	T
Massachusetts	E	E	E	E (2)	T
Michigan	E	E	T	T	T
Minnesota	E	E	E	E	T
Mississippi	T	E	E	T	T
Missouri	T (1)	E	E	T	T
Nebraska	E	E	E	T	T
Nevada	E	E	E	T	T
New Jersey	E	E	E	E	T
New Mexico	E	E	E	T	T
New York	E	E	T	E (3)	T
North Carolina	E	E	E	T	T
North Dakota	E	E	E	T	T
Ohio	E	E	E	T	T
Oklahoma	T	E	E	T	T
Pennsylvania	E	E	E	E	T
Rhode Island	E	E	E	E	T
South Carolina	E	E	E	T	T
South Dakota	T	E	E	T	T
Tennessee	T (1)	E	E	T	T
Texas	E	E	E	T	T
Utah	T	E	E	T	T
Vermont	E	E	E	E	T
Virginia	T (1)	E	E	T	T
Washington	E	E	E	T	T
West Virginia	T (1)	E	T	T	T
Wisconsin	E	E	E	T	T
Wyoming	E	E	E	T	T
Total Taxable	14	1	9	38	45

Note: These states do not levy a sales tax: Alaska, Delaware, Montana, New Hampshire & Oregon.
T = Taxable under the sales tax, E = Exempt from the sales tax
(1) Taxed at a reduced rate. (2) Up to a sales price of $175 per item. (3) Up to a sales price of $55 per item (expires 3/31/2012 in NY). (4) Refund available for disabled, elderly and low-income households. (5) Sales of majority blended ethanol fuel are exempt.
Source: Commerce Clearing House, Inc.

Corporation Business Tax

The Corporation Business Tax is imposed on any corporation, joint stock company or association or fiduciary of any of the foregoing which carries on or has the right to carry on business within the state or owns or leases property or maintains an office within the state. The Corporation Business Tax consists of three components, and the taxpayer's liability is the greatest amount computed under any of the three components. The first is a tax measured by the net income of a taxpayer (the "Income-Base Tax"). Net income means federal gross income (with limited variations) less certain deductions, most of which correspond to the deductions allowed under the Internal Revenue Code of 1986, as amended from time to time. In fiscal 2010-11, the Corporation Business Tax accounted for 4.5% of total revenue and 6.1% of total tax collections, while in fiscal 2009-10 they were 3.8% and 5.6%, respectively.

If a taxpayer is taxable solely within the state, the Income-Base Tax is measured by, and based upon, its entire net income. If a taxpayer is taxable in another state in which it conducts business, the base against which the Income-Base Tax is measured is the portion of the taxpayer's entire net income assigned to the state, pursuant to a statutory formula designed to identify the proportion of the taxpayer's trade or business conducted within the state. Currently, the Income-Base Tax is levied at the rate of 7.5%. Public Act 09-3 of the June Special Session imposes a 10% surcharge for income years 2009, 2010, and 2011. Public Act 11-6 Sec. 76 & 79 impose a 20% surcharge for income years beginning in 2012 and 2013. The surcharge does not apply to companies with less than $100 million in annual gross revenue or whose tax liability does not exceed the minimum tax of $250. The surcharge is calculated prior to the application of any credits.

The second part of the Corporation Business Tax is an additional tax on capital (the "Additional Tax"). The additional tax base is determined either as a specific maximum dollar amount or at a flat rate on a defined base, usually related in whole or part to its capital stock and balance sheet surplus, profit and deficit. If a taxpayer is also taxable in another state in which it conducts business, the defined base is apportioned most often to the value of certain assets having tax status within the state. The third component of the Corporation Business Tax is the Minimum Tax, which is $250. Corporations must compute their tax under all three bases and then pay the tax under the highest computation.

Numerous tax credits are also available to corporations including, but not limited to, research and development credits of 1% to 6%, credits for property taxes paid on electronic and data processing equipment, and a 5% credit for investments in fixed and human capital.

The table on the following page provides a comparison of the assessed rates for the corporation business tax for the fifty states and the District of Columbia.

TABLE 82
CORPORATION TAX BY STATE

State	Low Bracket % Rate	Low Bracket To Net Income $	High Bracket % Rate	High Bracket From Net Income $	State	Low Bracket % Rate	Low Bracket To Net Income $	High Bracket % Rate	High Bracket From Net Income $
Alabama	6.5	All			Missouri	6.2	All		
Alaska	1.0	10,000	9.4	90,000	Montana	6.7	All		
Arizona	6.97	All			Nebraska	5.5	100,000	7.81	100,000
Arkansas	1.0	3,000	6.5	100,000	New Hampshire	8.5	All		
California (1)	8.84	All			New Jersey	6.5	50,000	9.0	100,000
Colorado	4.63	All			New Mexico	4.8	500,000	7.6	1.0M
Connecticut (2)	7.5	All			New York	7.1	All		
Delaware	8.7	All			N. Carolina	6.9	All		
Florida (3)	5.5	All			N. Dakota	1.6	25,000	5.15	50,000
Georgia	6.0	All			Ohio (7)		All		
Hawaii	4.4	25,000	6.4	100,000	Oklahoma	6.0	All		
Idaho	7.6	All			Oregon	6.6	250,000	7.9	250,000
Illinois (4)	7.0	All			Pennsylvania	9.9	All		
Indiana	8.5	All			Rhode Island	9.0	All		
Iowa	6.0	25,000	12.0	250,000	S. Carolina	5.0	All		
Kansas (5)	4.0	All			Tennessee	6.5	All		
Kentucky	4.0	50,000	6.0	100,000	Utah	5.0	All		
Louisiana	4.0	25,000	8.0	200,000	Texas (7)				
Maine	3.5	25,000	8.93	250,000	Vermont	6.0	10,000	8.5	25,000
Maryland	8.25	All			Virginia	6.0	All		
Massachusetts	8.75	All			West Virginia	8.5	All		
Michigan (6)	4.95	All			Wisconsin	7.9	All		
Minnesota	9.8	All			District of Col.	9.9	All		
Mississippi	3.0	5,000	5.0	10,000					

Note: The table does not include corporate income taxes levied at the local level. These states do not levy a corporate income tax: Nevada, South Dakota, Washington & Wyoming. The following states require a minimum tax: AZ $50; CA $800; CT $250; ID $20; MA $456; MT $50; NJ $500; NY $25; OR $150; RI $500; UT $100; VT $250; District of Columbia $250

(1) Tax rate on financial S-corporations is 3.5%, and the tax rate all other S-corporations is 1.5%. Banks and financial corporations (except financial S-corporations) are subject 10.84%. An alternative minimum tax imposed is 6.65%.
(2) A 10% surcharge is imposed for Income Years 2009, 2010, and 2011 on companies with more than $100 million in annual gross revenue.
(3) An alternative minimum tax imposed 3.3%, an exemption of $5,000 is allowed. A $25,000 exemption is allowed after 2011 tax year.
(4) Additional personal property replacement tax is imposed at the rate of 2.5% of net income for corporations other than S-corporations. 1.5% for S corporations.
(5) A surtax of 3.0% is imposed on income over $50,000.
(6) All taxpayers subject to a surcharge of 21.99% of tax liability before application of credits. Plus, 0.8% of modified gross receipts on receipts of $350,000 or more.
(7) OH: The Commercial Activity Tax-based on gross receipts was instituted in 2005 at 0.26%, TX: a franchise tax of 1.0% is imposed on entities with more than $1,000,000 of total revenues.

Source: Commerce Clearing House, Inc.

Motor Fuels Tax

The state imposes a tax, subject to certain limitations, (1) on gasoline and certain other liquids which are prepared, advertised, offered for sale, sold for use as, or commonly and commercially used as, a fuel in internal combustion engines ("gasoline" or "gasohol") and (2) on all combustible gases and liquids which are suitable and used for generation of power to propel motor vehicles ("special fuels"). The distributors liable for these taxes are those entities which distribute fuel within the state, import fuel into the state for distribution within the state, or produce or refine fuels within the state.

The Gasoline Tax is imposed on each gallon of gasoline or gasohol sold (other than to another distributor) or used within the state by a distributor. The tax on special fuels (the "Special Fuel Tax") is assessed on each gallon of special fuels used within the State in a motor vehicle licensed, or required to be licensed, to operate upon the public highways of the state.

The Special Fuels Tax is paid by vehicle users, and is generally collected by retail dealers of special fuels (primarily diesel fuel). Various exemptions from both taxes are provided, among which are sales to, or use by the United States, the state or its municipalities.

The Motor Carrier Road Tax is imposed upon gallons of fuel (again, primarily diesel fuel) used by business entities ("motor carriers") which operate any of the following vehicles in the state: (1) passenger vehicles seating more than nine persons; (2) road tractors or tractor trucks; or (3) trucks having a registered gross weight in excess of eighteen thousand pounds. Such motor carriers pay the tax on the gallons of fuel which they use while operating such vehicles in the state. The number of gallons subject to the tax is determined by multiplying the total number of gallons of fuel used by the motor carrier during each year by a fraction, the numerator of which is the total number of miles traveled by the motor carrier's vehicles within the state during the year, and the denominator of which is the total number of miles traveled by the motor carrier's vehicles both within and outside the state during the year.

The Gasoline Tax is 25 cents per gallon. Effective July 1, 2011, the Special Fuels and Motor Carrier Taxes were increased from 39.6 cents per gallon to 46.2 cents per gallon. The 1983 session of the General Assembly enacted a Special Transportation Fund for highway construction and maintenance and 1 cent per gallon of the motor fuels tax, or a total of $14.2 million, was dedicated to this fund. Beginning July 1, 1984, the Special Transportation Fund was expanded to include all collections from the motor fuels tax.

The table on the following page shows the comparative rates for Motor Fuel Taxes for the 50 states.

TABLE 83
MOTOR FUEL TAXES BY STATE

State	Excise Tax	Sales Tax Rate %	Total Tax*	State	Excise Tax	Sales Tax Rate %	Total Tax*
Alabama	16.0¢	-	16.0¢	Montana	27.0¢	-	27.0¢
Alaska	8.0	-	8.0	Nebraska	26.3	-	26.3
Arizona	18.0	-	18.0	Nevada	24.0	-	24.0
Arkansas	21.5	-	21.5	New Hampshire	18.0	-	18.0
California	35.7	7.25	50.2	New Jersey	10.5	-	10.5
Colorado	22.0	-	22.0	New Mexico	17.0	-	17.0
Connecticut (a)	25.0	-	25.0	New York	8.0	4.0	16.0
Delaware	23.0	-	23.0	North Carolina (e)	35.0	-	35.0
Florida	16.2	6.0	28.2	North Dakota	23.0	-	23.0
Georgia (b)	15.0	-	15.0	Ohio	28.0	-	28.0
Hawaii (c)	17.0	4.0	25.0	Oklahoma	16.0	-	16.0
Idaho	25.0	-	25.0	Oregon	30.0	-	30.0
Illinois	19.0	6.3	31.6	Pennsylvania (f)	31.2	-	31.2
Indiana	18.0	7.0	32.0	Rhode Island	32.0	-	32.0
Iowa	21.0	-	21.0	South Carolina	16.0	-	16.0
Kansas	24.0	-	24.0	South Dakota	22.0	-	22.0
Kentucky (d)	26.4	-	26.4	Tennessee	20.0	-	20.0
Louisiana	20.0	-	20.0	Texas	20.0	-	20.0
Maine	30.0	-	30.0	Utah	24.5	-	24.5
Maryland	23.5	-	23.5	Vermont	19.0	-	19.0
Massachusetts	21.0	-	21.0	Virginia	17.5	-	17.5
Michigan	19.0	6.0	31.0	Washington	37.5	-	37.5
Minnesota	28.0	-	28.0	West Virginia (g)	20.5	6.0	44.2
Mississippi	18.0	-	18.0	Wisconsin	30.9	-	30.9
Missouri	17.0	-	17.0	Wyoming	14.0	-	14.0

* The total column in the above table is the sum of the per gallon state tax and sales taxes or additional taxes where applicable. The price used to estimate the effect of the sales tax, which excludes state taxes, was $2.00 per gallon.

(a) Plus a petroleum gross receipts tax of 7.5%
(b) Includes a pre-paid sales tax converted to a cents per gallon rate of 7.5¢ in Georgia
(c) County taxes between 8.8¢ and 16.5¢ per gallon are levied in addition to the state tax of 17¢ per gallon. An average of 12.7¢ was used in calculating the excise tax.
(d) Rate is variable, adjusted quarterly.
(e) Includes an additional tax based on the average wholesale price of motor fuel.
(f) Rate includes oil company franchise tax (19.2¢), which is collected at the same time as liquid fuels tax (12¢).
(g) Specified the total tax inclusive of the sales tax.

Source: Commerce Clearing House, Inc.

Other Sources

The following tables show the most recent comparative rates or exemptions for some of the other taxes and fees collected by the states.

TABLE 84
CIGARETTE TAXES BY STATE

State	Rate	State	Rate
Alabama	$0.43	Montana	$1.70
Alaska	$2.00	Nebraska	$0.64
Arizona	$2.00	Nevada	$0.80
Arkansas	$1.15	New Hampshire	$1.68
California	$0.87	New Jersey	$2.70
Colorado	$0.84	New Mexico	$1.66
Connecticut	$3.40	New York	$4.35
Delaware	$1.60	North Carolina	$0.45
Florida (1)	$0.34	North Dakota	$0.44
Georgia	$0.37	Ohio	$1.25
Hawaii	$3.20	Oklahoma	$1.03
Idaho	$0.57	Oregon	$1.18
Illinois	$0.98	Pennsylvania	$1.60
Indiana	$1.00	Rhode Island	$3.46
Iowa	$1.36	South Carolina	$0.57
Kansas	$0.79	South Dakota	$1.53
Kentucky	$0.60	Tennessee	$0.62
Louisiana	$0.36	Texas	$1.41
Maine	$2.00	Utah	$1.70
Maryland	$2.00	Vermont	$2.62
Massachusetts	$2.51	Virginia	$0.30
Michigan	$2.00	Washington	$3.03
Minnesota (2)	$1.23	West Virginia	$0.55
Mississippi	$0.68	Wisconsin	$2.52
Missouri	$0.17	Wyoming	$0.60

Note: The tax is based on a pack of 20 cigarettes.

(1) Plus a $1 surcharge per pack of 20 cigarettes.
(2) Plus a health impact fee of $0.75 per pack of 20 cigarettes.

Source: Commerce Clearing House, Inc.

TABLE 85
INSURANCE COMPANIES TAX BY STATE

State	Domestic Tax Rate %	Foreign Tax Rate %	State	Domestic Tax Rate %	Foreign Tax Rate %
Alabama (1)	0.50-3.60	0.50-3.60	Montana (1)	0.75-2.75	0.75-2.75
Alaska (1)	0.75-6.00	0.75-6.00	Nebraska (1,4)	0.50-3.00	0.50-3.00
Arizona (1,3)	2.00-3.00	2.00-3.00	Nevada	3.50	3.50
Arkansas (1)	0.75-3.00	0.75-3.00	New Hampshire (7)	1.25-4.00	3.00
California (1)	0.50-5.00	0.50-5.00	New Jersey (1)	1.00-5.00	1.00-5.00
Colorado (1,2)	0.50-2.25	0.50-2.25	New Mexico	3.003-4.003	3.003-4.003
Connecticut	1.75-4.00	1.75-4.00	New York (1,7)	1.00-4.30	1.00-4.30
Delaware (1,3)	1.75-5.00	1.75-5.00	North Carolina (1)	1.00-2.50	1.00-2.50
Florida (1,4)	0.75-5.00	0.75-5.00	North Dakota (1,7)	1.75-2.00	1.75-2.00
Georgia (1,2,4)	0.50-2.25	0.50-2.25	Ohio (1,4,7)	1.00-5.00	1.00-5.00
Hawaii (1)	0.88-4.27	0.88-4.27	Oklahoma (4)	2.25-6.00	2.25-6.00
Idaho (1)	1.50	1.50	Oregon	(8)	(8)
Illinois (1,4)	0.50	0.50	Pennsylvania (1)	1.25-5.00	1.25-5.00
Indiana (1)	0.50-1.30	0.50-1.30	Rhode Island	2.00	2.00
Iowa	1.00-2.00	1.00-2.00	South Carolina (1)	0.75-3.60	0.75-3.60
Kansas (1,4)	2.00-6.00	2.00-6.00	South Dakota (1)	0.25-2.50	0.25-2.50
Kentucky (1,4,5)	2.00	2.00	Tennessee (1,2,4,7)	1.00-5.50	1.00-5.50
Louisiana (4)	(6)	(6)	Texas (1)	1.35-1.75	1.35-1.75
Maine (1)	1.00-2.55	1.00-2.55	Utah	0.45-4.30	0.45-4.30
Maryland	2.00-3.00	2.00-3.00	Vermont	2.00	2.00
Massachusetts (1,3)	2.00	2.00	Virginia (1)	0.75-2.25	0.75-2.25
Michigan	1.25-2.00	1.25-2.00	Washington (1)	0.95-2.00	0.95-2.00
Minnesota (1,4)	1.00-2.00	1.00-2.00	W. Virginia (1,4,7)	0.50-2.00	0.50-2.00
Mississippi (1)	3.00	3.00	Wisconsin (1)	0.50-3.50	0.50-2.375
Missouri (1)	1.00-2.00	1.00-2.00	Wyoming (1)	0.75-1.00	0.75-1.00

Note: The tax is based on the net premiums of authorized insurers, excludes surplus line rates.

(1) Depending upon the type of insurance issued or the type of organization formed.
(2) Rate is reduced depending upon the percentage of premiums or assets invested in the State or the State's securities.
(3) Plus a surtax of 0.4312% on vehicles in Arizona, 0.25% in Delaware, and 14% of the tax imposed in Massachusetts.
(4) Plus a fire marshal's tax not to exceed 1%, 0.313% in Oklahoma, 0.55% in West Virginia, 0.75% in Kentucky, Nebraska, Ohio, and Tennessee, 0.80% in Kansas, 1.25% in Louisiana, 0.65% in Minnesota.
(5) Plus a surcharge or $1.50 per $100 of premiums on Kentucky risks other than health & life.
(6) Life and health related premiums of $7,000 or less, $140; over $7,000, $140 plus $225 per $10,000; other premiums of $6,000 or less, $185; over $6,000, $185 plus $300 per $10,000.
(7) With minimum tax of $200 in New Hampshire, North Dakota, & West Virginia, $150 in Tennessee and $250 in New York and Ohio.
(8) After 2001, foreign and alien insurers are no longer subject to gross premium tax, but are subject to the corporate excise tax.

Source: Commerce Clearing House, Inc.

TABLE 86
ALCOHOLIC BEVERAGE TAXES BY STATE
(Dollars Per Gallon)

State	Distilled Spirits	Wines 14% or Less	Wines 14% to 21%	Beer	State	Distilled Spirits	Wines 14% or Less	Wines 14% to 21%	Beer
Alabama (1,2)	58%	1.7	58%	.53	Montana (1,2)	16%	1.02	1.02	.14
Alaska	12.80	2.50	2.50	1.07	Nebraska	3.75	.95	.95	.31
Arizona	3.00	.84	.84	.16	Nevada	3.60	.70	1.30	.16
Arkansas	2.50	.75	.75	.20	New Hampshire (1)	.30	.30	.30	.30
California	3.30	.20	.20	.20	New Jersey	5.50	.88	.88	.12
Colorado	2.28	.28	.28	.08	New Mexico	6.06	1.70	5.68	.41
Connecticut	5.40	.72	.72	.24	New York	6.44	.30	.30	.14
Delaware	3.75	.97	.97	.16	N. Carolina (1,2)	25%	1.00	1.11	.62
Florida	6.50	2.25	3.00	.48	N. Dakota	2.50	.50	.60	.08
Georgia	1.89	.42	1.02	.32	Ohio (1)	1.20	.30	.98	.18
Hawaii	5.98	1.38	1.38	.93	Oklahoma	5.57	.72	1.40	.40
Idaho (1,2)	2%	.45	.45	.15	Oregon (1)	N/A	.67	.77	.08
Illinois	4.50	.73	.73	.23	Pennsylvania (1,2)	18%	18%	18%	.08
Indiana	2.68	.47	.47	.12	Rhode Island	3.75	.60	.75	.11
Iowa (1)	1.75	1.75	1.75	.19	S. Carolina (3)	2.72	.90	.90	.77
Kansas	2.50	.30	.75	.18	S. Dakota	3.93	.93	1.45	.28
Kentucky	1.92	.50	.50	.08	Tennessee (4)	4.40	1.21	1.21	.14
Louisiana	2.50	.11	.23	.32	Texas	2.40	.20	.41	.19
Maine (1)	1.25	.25	.25	.30	Utah (1,2)	-	-	-	.41
Maryland	1.50	.40	.40	.09	Vermont (1,2)	25%	.55	25%	.27
Massachusetts	4.05	.55	.55	.11	Virginia (1,2,5)	20%	1.52	1.52	.26
Michigan (1,2)	14%	.51	.76	.20	Washington (1)	14.28	.87	1.71	.76
Minnesota	5.03	.30	.95	.15	W. Virginia (2,6)	5%	1.00	1.00	.18
Mississippi (1)	2.50	.35	.35	.43	Wisconsin (7)	3.25	.25	.45	.07
Missouri	2.00	.30	.30	.06	Wyoming (1)	.95	12%	12%	.02

(1) Monopoly state, receives most or all of revenue through markup. Tax rates shown are in addition to any price markup.
(2) Percentage of the retail price.
(3) Additional surtaxes of 9% on alcoholic beverages and 18¢ for wine are applied.
(4) Tennessee levies a 17% surcharge on the wholesale price of malt beverages.
(5) Additional tax of 4% of retail imposed on all wine.
(6) A 5% tax is imposed on sales of liquor outside municipalities.
(7) An administration fee of 11¢ per gallon is imposed on intoxicating liquors.

Source: Commerce Clearing House, Inc.

The tables on the next two pages list individual General Fund Revenue sources and Special Transportation Fund sources as a percentage of total collections for a five fiscal year period.

TABLE 87
GENERAL FUND REVENUES

TAXES ($K)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Personal Income	$6,749,462	$7,512,688	$6,385,856	$6,586,099	$7,246,431
Sales and Use	3,496,110	3,582,317	3,318,752	3,203,988	3,353,230
Corporation	890,730	733,942	615,921	667,132	794,473
Public Service Corporation	235,502	237,113	268,495	267,945	269,806
Insurance Companies	253,016	227,221	202,217	226,550	220,626
Inheritance & Estate	179,922	170,618	238,337	177,601	237,573
Cigarettes	269,525	335,197	317,775	387,435	404,111
Oil Companies	144,404	205,483	104,413	123,018	169,163
Real Estate Conveyance	211,222	158,544	90,802	100,267	94,822
Alcoholic Beverages	46,006	47,077	47,064	48,196	48,923
Admissions, Dues, Cabaret	33,439	37,277	36,040	34,379	34,456
Miscellaneous	144,517	139,980	143,305	141,892	140,506
Total - Taxes	12,653,855	13,387,458	11,768,977	11,964,502	13,014,119
Less Refunds of Taxes	(746,539)	(852,184)	(1,052,286)	(1,061,433)	(956,054)
Less Refunds of R&D Credit	(5,982)	(11,362)	(8,428)	(8,937)	(8,599)
Total - Taxes Less Refunds	11,901,334	12,523,911	10,708,263	10,894,132	12,049,467
OTHER REVENUE					
Transfer-Special Revenue	283,808	287,604	287,195	289,314	293,108
Indian Gaming Payments	430,476	411,410	377,805	384,248	359,582
Licenses, Permits & Fees	151,738	171,739	162,474	257,569	250,442
Sales of Commodities & Services	35,528	30,066	32,558	33,678	35,506
Investment Income	83,610	63,943	18,806	4,062	29
Rents, Fines & Escheats	51,782	59,922	64,018	252,792	157,771
Miscellaneous	188,324	140,089	163,023	142,910	178,728
Less Refunds of Payments	(513)	(501)	(662)	(1,189)	(1,875)
Total - Other Revenue	1,224,753	1,164,272	1,105,217	1,363,384	1,273,291
OTHER SOURCES					
Federal Grants	2,602,774	2,701,603	3,619,490	4,066,314	4,235,178
Transfer from Tobacco Fund	100,000	115,300	115,800	102,898	95,304
Transfer From/(To) Other Funds	(45,300)	(102,300)	152,031	1,261,800	54,215
Total - Other Sources	2,657,474	2,714,603	3,887,321	5,431,012	4,384,697
GRAND TOTAL	$15,783,561	$16,402,786	$15,700,801	$17,688,529	$17,707,454

TAXES	% of Total	% of Total	% of Total	% of Total	% of Total
Personal Income	42.76%	45.80%	40.67%	37.23%	40.92%
Sales and Use	22.15	21.84	21.14	18.11	18.94
Corporation	5.64	4.47	3.92	3.77	4.49
Public Service Corporation	1.49	1.45	1.71	1.51	1.52
Insurance Companies	1.60	1.39	1.29	1.28	1.25
Inheritance & Estate	1.14	1.04	1.52	0.96	1.34
Cigarettes	1.71	2.04	2.02	2.19	2.28
Oil Companies	0.91	1.25	0.66	0.70	0.96
Real Estate Conveyance	1.34	0.97	0.58	0.57	0.54
Alcoholic Beverages	0.29	0.29	0.30	0.27	0.28
Admissions, Dues, Cabaret	0.21	0.23	0.23	0.19	0.19
Miscellaneous	0.92	0.85	0.91	0.80	0.79
Total - Taxes	80.17	81.62	74.95	67.64	73.50
Less Refunds of Taxes	(4.73)	(5.20)	(6.70)	(6.00)	(5.40)
Less Refunds of R&D Credit	(0.04)	(0.07)	(0.05)	(0.05)	(0.05)
Total – Taxes Less Refunds	75.40	76.35	68.20	61.59	68.05
OTHER REVENUE					
Transfer-Special Revenue	1.80	1.75	1.83	1.64	1.66
Indian Gaming Payments	2.73	2.51	2.40	2.17	2.03
Licenses, Permits & Fees	0.96	1.05	1.03	1.46	1.41
Sales of Commodities & Services	0.23	0.18	0.21	0.19	0.20
Investment Income	0.53	0.39	0.12	0.02	-
Rents, Fines & Escheats	0.33	0.37	0.41	1.43	0.89
Miscellaneous	1.19	0.85	1.04	0.81	1.01
Less Refunds of Payments	-	-	-	(0.01)	(0.01)
Total - Other Revenue	7.76	7.10	7.04	7.71	7.19
OTHER SOURCES					
Federal Grants	16.49	16.47	23.05	22.99	23.92
Transfer from Tobacco Fund	0.63	0.70	0.74	0.58	.54
Transfer From/(To) Other Funds	(0.29)	(0.62)	0.97	7.13	.31
Total - Other Sources	16.84	16.55	24.76	30.70	24.76
GRAND TOTAL	100.00%	100.00%	100.00%	100.00%	100.00%

TABLE 88
SPECIAL TRANSPORTATION FUND REVENUES

TAXES ($K)	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Motor Fuels	$478,250	$495,123	$495,025	$503,635	$438,526
Oil Companies	141,000	127,800	141,900	141,900	165,300
DMV Sales	67,889	64,863	57,134	67,784	71,943
Less Refunds of Taxes	(7,916)	(6,999)	(6,085)	(7,315)	(6,769)
Total - Taxes Less Refunds	679,223	680,787	687,974	706,004	713,999
OTHER REVENUE					
Motor Vehicle Receipts	224,678	225,524	220,780	220,703	220,144
Licenses, Permits & Fees	170,460	153,762	142,431	135,004	135,453
Interest Income	45,999	36,555	15,583	6,681	5,506
Federal Grants	-	-	-	3,002	9,360
Transfer from Other Funds	8,000	16,700	9,400	71,200	107,550
Transfer to Other Funds	(7,000)	(9,500)	(15,992)	(6,500)	(6,500)
Transfer to TSB	(20,300)	(20,800)	(15,300)	(15,300)	(15,300)
Less Refunds of Payments	(2,716)	(2,719)	(2,772)	(2,906)	(3,005)
Total – Other Revenue	419,121	399,517	344,730	411,884	453,208
GRAND TOTAL	$1,098,344	$1,080,304	$1,042,104	$1,117,888	$1,167,208

TAXES	% of Total	% of Total	% of Total	% of Total	% of Total
Motor Fuels	43.54%	45.83%	47.93%	45.05%	37.57%
Oil Companies	12.84	11.83	13.74	12.69	14.16
DMV Sales	6.18	6.00	5.53	6.06	6.16
Less Refunds of Taxes	(0.72)	(0.65)	(0.59)	(0.65)	(0.58)
Total – Taxes Less Refunds	61.84	63.02	66.62	63.15	61.17
OTHER REVENUE					
Motor Vehicle Receipts	20.46	20.88	21.38	19.74	18.86
Licenses, Permits & Fees	15.52	14.23	13.79	12.08	11.60
Interest Income	4.19	3.38	1.51	0.60	0.47
Federal Grants	-	-	-	0.27	0.80
Transfer from Other Funds	0.73	1.55	-	6.37	9.21
Transfer to Other Funds	(0.64)	(0.88)	(1.55)	(0.58)	(0.56)
Transfer to TSB	(1.85)	(1.93)	(1.48)	(1.37)	(1.31)
Less Refunds of Payments	(0.25)	(0.25)	(0.27)	(0.26)	(0.26)
Total - Other Revenue	38.16	36.98	33.38	36.85	38.83
GRAND TOTAL	100.00%	100.00%	100.00%	100.00%	100.00%

ECONOMIC ASSUMPTIONS OF THE GOVERNOR'S BUDGET

The Foreign Sector

As the world's economy continues to become more globalized, the U.S. economy is impacted by the rest of the world through increasingly integrated flows of trade, finance, technology diffusion, information networking, and cross-cultural exchanges. During the past two decades or so, total U.S. exports in both goods and services have increased much faster than the growth in the GDP. Measured in 2005 dollars, real exports have increased from $639.6 billion in 1991 to $1,663.2 billion in 2010, an increase of 160.1% versus only a 63.4% increase for real Gross Domestic Product (GDP). This shows that the growing interaction between the U.S. economy and the world economic system has been more than two times as fast as the growth in domestic economic activity. U.S. exports are highly related to the prevailing economic condition of our major partners, generally growing faster during their recovery periods and slower during recessionary periods. As globalization continues, cooperation on trade treaties and coordination of financial and economic systems between countries or regions will help promote mutual trade and GDP growth as well as economic and price stability.

World GDP growth increased in 2010 after a sharp decline in 2009 due to the global credit and financial crisis. As the world economy recovered, so did U.S. exports of goods and services. U.S. total real exports as measured in 2005 dollars in 2010 were $1,663.2 billion, increasing 11.3% from 2009. Connecticut's total exports also showed improvement in 2010, up 14.9% in nominal terms to $16.1 billion from $14.0 billion in 2009. U.S. real exports are anticipated to grow three times faster than the overall U.S. economy for the forecast period from 2012 through 2014, expanding 7.6% in 2012, 11.5% in 2013, and 12.1% in 2014 versus a projected 2.6%, 3.3%, and 3.9%, respectively, for real U.S. GDP. Like the nation, Connecticut's exports also hinge upon our trade partners' economic conditions. When forecasting the U.S. and Connecticut economies, the worldwide economic condition must be taken into consideration. The weighted export growth index can be used as a reference to measure worldwide economic conditions and to predict Connecticut's export potential. Connecticut's export growth index is constructed by weighing the state's share of exports to each trade partner multiplied by the projected GDP growth for that partner.

The following table displays actual real growth in GDP for the past decade, as well as the estimated and projected growths for the G-7 countries (United States, Canada, the European Big Four, and Japan), Mexico, the Pacific Basin and India, and the overall world economy. Positive economic growth in 2010 in our major trade partners resulted in Connecticut's weighted growth index to rise by 4.1%. As the world economy improves and global financial conditions become more favorable, the world economy is projected to grow by 2.7% in 2012, 3.6% in 2013, and 3.9% in 2014. Connecticut's export index is anticipated to stay positive with growth rates of 2.3% in 2012, 3.3% in 2013 and 3.4% in 2014 after an estimated 2.8% expansion in 2011. Collectively, the G-7 nations, Mexico as well as the countries in the Pacific Basin area and India account for 58.1% of Connecticut's total exports in 2010, down from 64.0% in 2006. This reflects that, while relying less on the G-7 countries and Mexico, Connecticut also has been diversifying its exports into the Pacific Basin area and other regions such as Eastern Europe and South America.

TABLE 89
ECONOMIC GROWTH OF MAJOR TRADING PARTNERS
(GNP/GDP % Growth)

Calendar Year	U.S.	Canada	Japan	Ger-many	U.K.	France	Italy	Mexico	Pacific Basin (a)	World (b)	CT Export Weighted Growth(c)
2003	2.5	1.9	1.7	(0.4)	3.5	0.9	0.2	1.4	7.0	2.6	2.4
2004	3.5	3.1	2.3	0.7	3.0	2.3	1.4	4.1	7.8	3.8	3.5
2005	3.1	3.0	1.3	0.8	2.1	1.9	0.8	3.2	8.0	3.3	3.2
2006	2.7	2.8	1.7	3.9	2.6	2.7	2.1	5.2	8.9	3.9	4.0
2007	1.9	2.2	2.2	3.4	3.5	2.2	1.4	3.3	9.5	3.8	3.8
2008	(0.3)	0.7	(1.1)	0.8	(1.1)	(0.2)	(1.3)	1.2	6.9	1.2	1.3
2009	(3.5)	(2.8)	(5.5)	(5.1)	(4.4)	(2.6)	(5.2)	(6.1)	6.2	(2.5)	(2.4)
2010	3.0	3.2	4.5	3.6	1.8	1.4	1.2	5.4	9.3	4.1	4.1
2011 (E)	1.8	2.5	(0.7)	3.1	0.9	1.6	0.4	4.0	6.5	2.7	2.8
2012 (P)	2.6	2.8	2.0	0.7	0.5	0.3	(0.7)	4.5	3.9	2.7	2.3
2013 (P)	3.3	2.5	1.5	1.5	1.9	1.6	1.8	3.5	8.1	3.6	3.3
2014 (P)	3.9	2.3	1.1	2.0	2.2	1.4	2.2	4.4	8.1	3.9	3.4

% of CT's Exports *									Total
2006	15.9	5.7	9.9	7.0	9.9	1.3	5.8	8.5	64.0
2007	13.6	4.5	10.5	6.2	10.2	1.0	5.7	10.5	62.3
2008	12.4	4.4	9.5	5.7	11.3	1.0	6.8	10.4	61.4
2009	10.3	3.5	9.3	4.6	15.9	0.8	5.4	12.1	61.9
2010	10.1	3.0	7.9	4.1	13.9	1.4	6.2	11.7	58.1

* For 2011 to 2014, assumes the same percentage as in 2010.

(a) Includes countries in Pacific Basin area (China, Indonesia, Malaysia, Philippines and South Korea) and India.
(b) World growth rate weighted by the size of economies and measured in Purchasing Power Parity terms.
(c) Economic growth rate weighted by Connecticut's share of exports to trade partners.
(E) Estimated
(P) Projected

Source: Moody's Economy.com, U.S. Dept. of Commerce, and Univ. of Massachusetts (MISER)

Despite a promising outlook for trade in 2012 through 2014, actual economic growth and trade performance rely more upon a smooth and orderly world financial market as well as economic and social conditions. Numerous risk factors may profoundly affect the world economy and hamper Connecticut exports, affecting the outcome in either direction.

Although the world economy is expected to continue to recover, growth will remain uneven among regions and between industrialized and emerging countries. The Asian area is expected to grow the fastest, followed by Latin America, North America, and Europe, which is being dragged down by the sovereign debt crisis, high budget deficits, and high unemployment rates. The sovereign debt crisis that has hit countries in Western Europe may continue if efforts to

orchestrate a rescue are unsuccessful. The financial health of regional European banks in particular may disrupt the still weak world financial landscape. The intertwined linkages between bank bailouts and government debts are raising concerns. In addition these same countries are confronting large budget deficits and many have previously employed stimulative fiscal measures, but now have replaced them with austerity measures. This uneven economic growth may hinder progress in world economic expansion. Huge funding needs by certain industrialized economies combined with a loss of confidence in their fiscal management may lead to higher interest rates and negatively affect economic growth. France's national debt has been downgraded, among others, as it has been swept up with the general economic crisis surrounding sovereign debt levels in Europe. Data for 2011 compiled by *The Economist* shows only slight improvements in budget deficits from last year with most OECD countries remaining stubbornly high (e.g., Japan, -8.9%; U.S., -8.0%; U.K., -5.6%; Spain, -4.4%; and France, -3.4%, with the Euro area at -1.5 %). Saddled with heavy household debts and unemployment rates as high as 10% (Spain at 20%), consumer confidence in developed countries is still weak, albeit improving. Stagnant consumption due to a tempering in government spending may halt world economic expansion.

After a brisk expansion in 2010, the economies of major emerging market countries are projected to slowdown in 2012. Countries such as China, Brazil and India have had to confront their higher-than-desirable inflation through strict monetary policy or other methods such as raising reserve requirements or imposing restrictions on bank lending in order to curb inflation. Estimates for 2012's growth rates, although positive, show slower growth than previous years. As world economic gravity continues to shift to the East, especially to China and India, the health of their economic and financial fundamentals becomes increasingly vital to our exports and economy. China is the world's second largest economy when measured based on purchasing power parity (PPP) and imported 7.2% of U.S. exports in 2010 (6.6% in 2009) and ranked third among our trading partners next to Canada and Mexico. China is also one of America's biggest creditors. The real estate market in China is also of concern. An over-heating housing market may shake China's banking industry and financial market, which could prove disastrous to itself and the rest of world if its fiscal or monetary policy is not modified in a swift and timely manner.

An unexpected geopolitical or natural disturbance, either domestically or elsewhere, has the potential to alter the international economic landscape, as evidenced by this past year's earthquake in Japan or the civil unrest in the Arab world. With U.S. domestic oil production less than 50% of total U.S. demand and with the expansion of just-in-time inventory strategies, the stability of world oil prices will remain vital to the U.S. economy. Significant and abrupt increases in oil prices, cuts to new productivity enhancing capital investments, or sudden disruptions in trade flows can lead to erosion in consumers' purchasing power, thereby contributing to a possible inflationary setback to the economy.

The United States Economy

The table below shows the January 2012 forecasts for fiscal 2012-13 and 2013-14. The U.S. economy is projected to expand at a 3.1% rate, considered the natural long-term trend growth rate, in GDP with a slight improvement in the unemployment rate. The Federal Reserve is committed to continuing its easy monetary policy through calendar 2014 which will help bring moderate real GDP growth over the next two and a half fiscal years. Uncertainty in the federal

government's ability to address its own finances and the economic crisis in Europe has hampered a quick recovery and lowered forecast estimates. New vehicle sales are projected to continue their upward trend after passing a low in fiscal 2009. The housing market is expected to begin a slow expansion in fiscal 2012 after sinking for five consecutive years from its peak in fiscal 2006. Inflation is expected to increase above 2% for fiscal 2012 but drop back down meeting the Federal Reserve's target goal of 2% in fiscal 2013.

January 2012 Fiscal Year	Actual 2011	Estimate 2012	Forecast 2013	Forecast 2014
Gross Domestic Product	4.4%	4.0%	4.7%	6.1%
Real Gross Domestic Product	2.6%	2.0%	3.1%	3.5%
G.D.P. Deflator	1.7%	2.0%	1.5%	2.4%
Consumer Price Index	2.0%	3.0%	1.9%	2.7%
Unemployment Rate	9.3%	8.8%	8.6%	7.9%
Housing Starts (Million)	0.57	0.68	1.14	1.72
New Vehicle Sales (Million)	12.24	13.28	15.08	16.84

The recent economic downturn, which started in December 2007 and ended in June 2009 (as identified by the National Bureau of Economic Research), lasted for 18 months, about 7 months longer than the post-World War II average. Past experience had it that, in general, faster recovery rates followed deeper recessions, but that is not the case for this past recession. Rather than being brought about by business over-investment or the Federal Reserve's aggressiveness in interest rate policy, this past recession was brought about by the crippled housing market, the shattered financial system, and a rapid contraction in credit, creating far-reaching and wide-ranging consequences.

The anemic improvement in employment, which is also reflected in a stubbornly high unemployment rate, is a result of heavy household debt, fiscally challenged state and local governments, and businesses' hesitancy to hire due to strong productivity gains, world competition, Europe's economic crisis and uncertainty in federal fiscal policy. The impact of the housing market crisis has been enormous, lingering, and profound. Financial turmoil has severely constrained the flow of credit, resulting in the curtailment of economic activity. The overhang of inventory due to foreclosed homes and negative equity positions of many home-owners has created a negative wealth effect on spending and will continue to be a drag on the recovery of the economy. Labor force mobility has typically contributed positively to the dynamism of the American economy. However, trapped by the sluggish housing market and saddled with its negative equity, labor mobility has been infringed upon and will remain slack until housing activity rebounds. Deficit spending is not an option for cash-strapped state governments as all states, except Vermont, are required to balance their budgets. State budget shortfalls, after reaching a high of $191 billion in fiscal 2010, dropped to $130 billion in fiscal 2011. Shortfalls are expected to improve to $103 billion by fiscal 2012 and $44 billion by 2013 prior to any legislative action, according to Center on Budget and Policy Priorities. The financial condition of local governments will continue to be negatively impacted as aid from federal and state governments will remain low until their revenue base begins to grow. The U.S. deficit is estimated to remain at an elevated $1.2 trillion in 2012, down slightly from $1.3 trillion 2011.

Credit availability from investment banks and financial entities should expand as loan quality and profits improve. Consumer spending shows slow signs of recovery. The 2011 holiday shopping season started strong indicating increased consumer confidence, but dropped below expectations during the last weeks in December. In late 2011, the Federal Reserve announced it will continue with its purchases of longer-dated government securities for an estimated additional $400 billion in an attempt to lower longer-term interest rates. Moreover, Congress and the President agreed to extend last year's payroll tax cut into the first two months of 2012, with the expectation that it will be extended for the entire year. These should aid consumer spending and GDP growth into 2012. Consumption of durable goods is expected to fare better than non-durables as the economy and the flow of credit continue to improve with interest rates still at favorably low levels. As the economy regains traction and consumer confidence is gradually rebuilt, spending on vehicles and housing should rise. The American motor vehicle industry will continue to recover after the bankruptcy of both General Motors and Chrysler.

Business fixed investment including software and equipment, inventory, and construction is expected to increase as the economy continues to expand. Profits are expected to rise after years of cost control, low interest rates, supportive federal policies and continued economic recovery.

The Connecticut Economy (History)

A comparison of the original forecasts for Connecticut's personal income, nonagricultural employment and unemployment rates with actual figures for fiscal 2009 through 2011 and the current forecast for fiscal 2012 is presented in the following table.

TABLE 90
HISTORICAL COMPARISON OF CONNECTICUT ECONOMIC INDICATORS

Fiscal Year		Personal Income	Nonagricultural Employment	Unemployment Rate
2009	12/07 Forecast	$199.2 Billion	1,708.5 Thousand	4.8%
	Actual	$196.1 Billion	1,665.0 Thousand	7.0%
	Difference	($3.1) Billion	(43.5) Thousand	2.2%
2010	12/08 Forecast	$201.3 Billion	1,634.1 Thousand	8.0%
	Actual	$192.3 Billion	1,606.0 Thousand	9.0%
	Difference	($9.0) Billion	(28.1) Thousand	1.0%
2011	12/09 Forecast	$198.9 Billion	1,617.6 Thousand	9.3%
	Actual	$201.8 Billion	1,618.6 Thousand	9.1%
	Difference	$2.9 Billion	1.0 Thousand	(0.2)%
2012	12/10 Forecast	$203.0 Billion	1,622.0 Thousand	9.1%
	Latest Forecast	$208.4 Billion	1,626.8 Thousand	8.5%
	Difference	$5.4 Billion	4.8 Thousand	(0.6)%

Approximately five years ago, early signs of softness began to appear in the economy as we entered into what has been described as the Great Recession, linked to national issues of sub-prime loans, credit tightening and dramatic job losses. The unemployment rate reached a low in March of 2006, when the initial rumblings of economic problems began to emerge, followed

by the number of employed in Connecticut reaching a peak in March of 2008. By January of 2010 Connecticut had lost 119,200 jobs and the unemployment rate continued rising until it peaked at 9.2% in March of 2010.

The following table compares nonagricultural employment and its two major components for the U.S. and Connecticut since the last peak in employment, in December of 2007 for the nation and in March of 2008 for Connecticut, as the state entered the most recent recession.

In the forty-five months since employment peaked in March of 2008, the state has lost more than 84,000 jobs, or 4.9% of the total number of jobs existing at the peak. At the lowest level of employment, in January of 2010, the state had lost a total of approximately 119,200 jobs, or 7.0%. In comparison, at the low point of the last recession, the state lost a total of 61,200 jobs, or 3.6% of the July, 2000, peak. Since bottoming out in January of 2010, the state has added 34,300 jobs over the past twenty-four months. Also, Connecticut has, so far, lost a greater percentage of its total peak workforce than the nation, which has lost 4.4%, even though the national workforce level peaked three months before the state.

TABLE 91
UNITED STATES & CONNECTICUT CHANGE IN EMPLOYMENT
(In Thousands, Seasonally Adjusted)

Most Recent Recession

	United States				Connecticut			
	12/07	12/11	Change	% Chg.	3/08	12/11	Change	% Chg.
Mfg. Empl.	13,726	11,790	(1,936)	(14.1%)	188	166	(22)	(11.7%)
NonMfg. Empl.	124,225	120,110	(4,115)	(3.3%)	1,524	1,462	(62)	(4.1%)
NonAgr. Empl.	137,951	131,900	(6,051)	(4.4%)	1,712	1,628	(84)	(4.9%)

The table and chart below provide a breakdown of the employment totals and changes, in thousands of jobs, for each sector and the corresponding impact on the unemployment rate in state labor market areas (LMA), since employment last peaked in March of 2008.

Connecticut Employment
(Seasonally Adjusted)

Sectors	Mar. '08	Dec. '11	Chg.
Trade, Transp. & Utilities	313.7	295.2	(18.1)
Manufacturing	188.6	165.8	(22.6)
Construction & Mining	68.6	49.1	(19.9)
Fin., Ins. & Real Estate	144.6	131.2	(13.5)
Information	38.1	32.0	(6.2)
Services	705.8	711.8	6.4
Government *	252.6	242.2	(10.3)
Total	1,711.5	1,627.3	(84.2)

Selected LMA Unemployment Rates
(Not Seasonally Adjusted)

LMA	Mar. '08	Dec. '11	Chg.
Waterbury	7.3%	9.8%	2.5%
Brdgprt/Stmfrd	4.7%	7.1%	2.4%
Hartford	5.4%	7.6%	2.2%
Danielson	6.3%	8.7%	2.4%
Torrington	5.5%	7.2%	1.7%
New London	5.0%	8.0%	3.0%
New Haven	5.4%	8.0%	2.6%
Danbury	4.2%	6.0%	1.8%
Enfield	5.2%	7.0%	1.8%

* Includes Native American tribal government employment, including casino employment, and federal, state and local government.

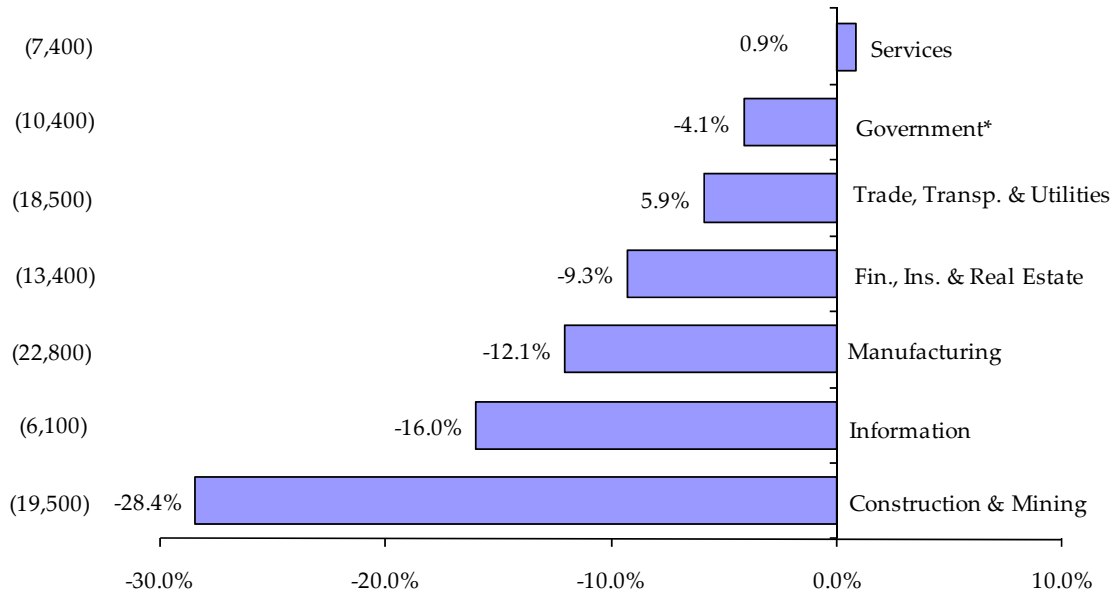
The following table shows the impact of prior recessionary periods on the state. This shows that the recovery of jobs lost took longer than might have been expected once the economy began expanding.

RECESSIONS IMPACT ON CONNECTICUT'S LABOR MARKET

Employment Peak To Trough	Jobs Lost As A Percent Of Total Jobs	Months From Peak To Trough	Months From Peak To Regaining Peak
Jun. '70 - Jan. '71	6.1%	8	34
Jun. '74 - Sept. '75	6.3%	20	38
Jun. '80- Aug. '80	2.8%	2	5
Dec. '81 - Feb. '83	2.5%	14	21
Feb. '89 - Dec. '92	9.3%	46	130
Jul. '00 - Sept. '03	3.7%	38	87
Average	**5.1%**	**21**	**53**
Mar. '08 – Jan. '10	7.0%	22	*

* Assumes that the latest peak of the labor market was reached in March of 2008, and the low point of the current recession occurred in January of 2010 at an employment level of 1,593,500 jobs with a total loss of 119,200 jobs.

CONNECTICUT EMPLOYMENT
Percent Change In Employment By Sector And Jobs Gained/(Lost)
(From March 2008 to December 2011)



*Government includes employees of Sovereign Tribal Nations in casinos and federal, state and local governments.

Personal income in Connecticut grew by 4.9% in fiscal 2011, while the rate for the nation was growth of 5.3%. After adjusting for inflation, Connecticut's real per capita personal income

grew by 2.4% in fiscal year 2011, which followed a drop of 3.4% in 2010. However, Connecticut per capita personal income still remains well above the U.S. average by 37.9%.

Mortgage rates have remained low from an historical perspective. The number of housing permits in calendar year 2010 was up 3.9% compared to the year before, with positive growth in Hartford, Litchfield, New Haven and Windham counties. The number of housing starts in fiscal year 2011 was down 4.6% from fiscal 2010, following a slight increase in growth of 0.3% in fiscal 2010. The median price of homes in the state, which dropped 11.6% in calendar year 2009, grew by 4.3% in calendar year 2010 and marked the first increase since the recession began in 2007. Because housing construction and prices did not reach quite the frenzied levels of other parts of the country earlier in the 2000s, the impact of the sub-prime mortgage issue in Connecticut has been less severe than in most other states, but the full impact of lower prices and reduced sales is being felt and will continue for some time.

Finally, Connecticut's personal income tax revenues, after growing 3.1% the previous year, grew 10.0% in fiscal 2011, as estimated and final payments, which include capital gains, grew 16.3% compared to the prior year, after growing 3.5% in 2010. When combined with changes in all the other taxes, total tax receipts grew year-over year by 8.9% after increasing 1.7% in the prior year. Total General Fund revenues adjusted to remove the impact of tax changes and other one-time factors increased by 10% in fiscal year 2011.

The Connecticut Economy (Forecast)

Any attempt to forecast the economic outlook for the state over the next few years must factor in certain considerations which are not easily quantified, at least at this time: prices for fuels, and energy in general, are expected to rise; borrowing costs are expected to remain stable, for those who can get credit; and federal fiscal policy in response to America's burgeoning debt. This latter issue likely poses the more immediate threat on two fronts. First, given the state's relative wealth, any reform of the nation's tax policies and the progressive nature of the federal income tax will likely disproptionately affect the Connecticut citizenry. Secondarily, on the expenditure side of the federal budget, this past year's failed attempt to address federal budget imbalance has triggered automatic across the board reductions expected to total $984 billion over nine fiscal years beginning in federal fiscal year 2013. The impact on Connecticut will be twofold. First, direct grants and reimbursements to local governments are expected to be reduced. Second, defense related expenditures will also be reduced. As mentioned earlier in this report, Connecticut ranks second in the nation for defense contract awards per capita and eighth in actual dollars. Furthermore, these awards are primarily for procurement type contracts which are likely to bear a larger proportion of any cuts.

Moving forward, the state is expected to continue to experience continued slow improvement, like the rest of the nation, which emerged from recession in June of 2009. Employment in the state has bottomed out and has been experiencing a very slow rate of growth. Total nonagricultural employment is projected to increase 0.5%, 0.4% and 1.5%, respectively, during fiscal years 2012, 2013 and 2014, having risen by 0.8% in fiscal year 2011. Surprisingly, manufacturing employment, where the vast majority of job losses were concentrated during the early-2000s recession and subsequent weak recovery, is predicted to grow at a faster rate than total nonagricultural employment through fiscal years 2012 and 2013. Employment growth is expected to accelerate in fiscal year 2012, but not see substantial improvement until the end of

fiscal year 2014 in any sectors except health and education services, professional and businesses services and information services.

While national forecasts of productivity gains are respectable, corporate earnings are expected to continue the build on the strong growth they have already experienced, as industrial production continues to rise. In Connecticut it is projected that existing single family median housing values are to decline 2.6% during fiscal year 2012 and grow 1.1% and 5.9%, respectively, in fiscal years 2013 and 2014. While federal taxes have remained lower since being cut in 2001, disposable income is projected to grow and as credit availability expands, it remains to be seen whether consumers will revert to their pre-recession spending pace, as consumer confidence continues to improve. Personal income is projected to grow by 4.1% and 5.8%, respectively, in fiscal years 2013 and 2014 and outpace inflation. The unemployment rate in the state, which stood at 4.4% in fiscal year 2007 and is projected to average 8.5% in fiscal 2012, according to latest estimates, is expected to fall to 8.1% in fiscal year 2013 and 7.6% in fiscal year 2014.

Connecticut's population growth during the forecast period is estimated to be moderate, and remain below the national growth rate, based upon the trend of the last several years. In the next couple of years, the supply of labor will be more than adequate to meet demand. However, long-term demand for skilled workers will have to be met by a rise in the state's trained labor force. Once sustained economic growth resumes, shortages of skilled workers could develop as typically happens when the economy approaches full employment.

The forecast for the most widely used economic indicators for Connecticut's economy is shown below.

01/12 Forecast	Fiscal Year 2013	Fiscal Year 2014
Personal Income	$217.0 Billion	$229.5 Billion
Nonagricultural Employment	1,626.8 Thousand	1,633.1 Thousand
Unemployment Rate	8.1%	7.6%

Many of the negative trends discussed the last two years have bottomed out and are on the upswing. Personal income will continue growing, and housing sales and prices have showed signs of improvement. However, major risk factors remain.

There are reasons to be cautiously optimistic about the near- to intermediate-term employment situation even though it will likely be some time before a strong recovery is in sight, with projections showing employment not regaining previous peak levels until 2015.

The following tables provide historical and forecasted values for the major economic variables used in revenue forecasting for the United States and Connecticut.

TABLE 92
UNEMPLOYMENT RATES
Seasonally Adjusted

Fiscal Year	Quarters	United States	Connecticut	
2010	1	9.6%	8.6%	
	2	9.9%	8.9%	
	3	9.8%	9.2%	
	4	9.6%	9.1%	
2011	1	9.5%	9.1%	
	2	9.6%	9.1%	
	3	9.0%	9.0%	
	4	9.0%	9.1%	
2012	1	9.1%	9.0%	
	2	8.7%	8.4%	
	3	8.7%	8.3%	Start of Forecast
	4	8.7%	8.3%	
2013	1	8.7%	8.2%	
	2	8.6%	8.1%	
	3	8.5%	8.1%	
	4	8.5%	8.0%	
2014	1	8.4%	8.0%	
	2	8.1%	7.7%	
	3	7.7%	7.4%	
	4	7.3%	7.1%	

Source of Historical Data: U.S. Bureau of Labor Statistics, Connecticut State Labor Department

TABLE 93
Comparison of Connecticut's Personal Income Versus U.S. GDP and Personal Income
(Seasonally Adjusted in Billions of Dollars)

	Connecticut		United States		United States	
Fiscal Year	Personal Income	% Change Year Ago	Personal Income	% Change Year Ago	GDP	% Change Year Ago
2003	149.965	0.5	9,179.2	2.5	10,841.9	3.8
2004	155.767	3.9	9,631.0	4.9	11,505.7	6.1
2005	165.474	6.2	10,211.9	6.0	12,230.5	6.3
2006	176.413	6.6	10,887.3	6.6	13,030.5	6.5
2007	191.031	8.3	11,598.8	6.5	13,688.1	5.0
2008	200.856	5.1	12,270.8	5.8	14,267.2	4.2
2009	196.103	-2.4	12,190.5	-0.7	14,056.2	-1.5
2010	192.295	-1.9	12,068.9	-1.0	14,188.4	0.9
2011	201.803	4.9	12,708.3	5.3	14,810.3	4.4
2012 (E)	208.406	3.3	13,132.3	3.3	15,410.0	4.1
2013 (P)	217.005	4.1	13,787.8	5.0	16,128.6	4.7
2014 (P)	229.508	5.8	14,585.7	5.8	17,105.6	6.1

(E) = Estimated / (P) = Projected

Source of Historical Data: U.S. Bureau of Economic Analysis

TABLE 94
STATE OF CONNECTICUT
Annualized Personal Income & Nonagricultural Employment

Fiscal Year		Personal Income (in mill. $)	% Change Year Ago	Nonagricultural Employment (in thousands)	% Change Year Ago	
2010	1	189,450	-6.6	1,613.50	-4.9	
	2	190,878	-3.9	1,606.70	-4.3	
	3	192,137	0.2	1,594.83	-3.7	
	4	196,714	2.8	1,609.10	-1.2	
	Average	**192,295**	**-1.9**	**1,606.03**	**-3.5**	
2011	1	197,644	4.3	1,612.73	-0.1	
	2	198,704	4.1	1,619.17	0.8	
	3	204,117	6.2	1,619.60	1.6	
	4	206,747	5.1	1,623.03	0.9	
	Average	**201,803**	**4.9**	**1,618.63**	**0.8**	
2012	1	206,583	4.5	1,621.63	0.6	
	2	207,211	4.3	1,628.70	0.6	Start of Forecast
	3	208,850	2.3	1,628.89	0.6	
	4	210,978	2.1	1,628.16	0.3	
	Average	**208,406**	**3.3**	**1,626.85**	**0.5**	
2013	1	213,445	3.3	1,629.42	0.5	
	2	216,017	4.3	1,630.50	0.1	
	3	217,576	4.2	1,633.56	0.3	
	4	220,984	4.7	1,638.93	0.7	
	Average	**217,005**	**4.1**	**1,633.10**	**0.4**	
2014	1	224,366	5.1	1,645.06	1.0	
	2	227,719	5.4	1,652.83	1.4	
	3	231,124	6.2	1,661.64	1.7	
	4	234,823	6.3	1,672.95	2.1	
	Average	**229,508**	**5.8**	**1,658.12**	**1.5**	

TABLE 95
U.S. CONSUMER PRICE INDEX, SEASONALLY ADJUSTED
(1982-84 = 100)

Fiscal Year		Consumer Price Index	% Change Year Ago	
2010	1	215.42	-1.6	
	2	216.85	1.5	
	3	217.54	2.4	
	4	217.27	1.8	
	Average	**216.77**	**1.0**	
2011	1	218.04	1.2	
	2	219.47	1.2	
	3	222.27	2.2	
	4	224.51	3.3	
	Average	**221.07**	**2.0**	
2012	1	226.22	3.8	
	2	226.93	3.4	
	3	228.19	2.7	Start of Forecast
	4	229.19	2.1	
	Average	**227.63**	**3.0**	
2013	1	230.28	1.8	
	2	231.27	1.9	
	3	232.39	1.8	
	4	233.87	2.0	
	Average	**231.95**	**1.9**	
2014	1	235.54	2.3	
	2	237.19	2.6	
	3	238.94	2.8	
	4	240.79	3.0	
	Average	**238.11**	**2.7**	

Source of Historical Data: U.S. Bureau of Labor Statistics

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REVENUE FORECAST

The following Table shows the actual General Fund Revenue collections for fiscal 2011, and estimated revenue collections for fiscal 2012 and projected revenue collections for fiscal 2013 by major sources.

TABLE 96
STATE OF CONNECTICUT - GENERAL FUND REVENUES
(In Millions of Dollars)

	Actual Revenue FY 2011	Projected Revenue At Rates FY 2012	Propose Revenue Changes FY 2012	Net Projected Revenue FY 2012
Taxes				
Personal Income Tax	$ 7,246.4	$ 8,381.0	$ -	$ 8,381.0
Sales & Use Tax	3,353.2	3,880.5	-	3,880.5
Corporation Tax	794.5	707.7	-	707.7
Public Service Tax	269.8	268.7	-	268.7
Inheritance & Estate Tax	237.6	158.0	-	158.0
Insurance Companies Tax	220.6	228.8	-	228.8
Cigarette Tax	404.1	443.8	-	443.8
Real Estate Conveyance Tax	94.8	92.1	-	92.1
Oil Companies Tax	169.2	136.6	-	136.6
Electric Generation Tax	0.0	71.0	-	71.0
Alcoholic Beverages	48.9	54.9	-	54.9
Admissions and Dues	34.5	36.5	-	36.5
Health Provider Tax	0.0	525.9	-	525.9
Miscellaneous	140.5	16.3	-	16.3
Total Taxes	$ 13,014.1	$ 15,001.8	$ -	$ 15,001.8
Less Refunds of Taxes	(956.1)	(873.6)	-	(873.6)
Less Earned Income Tax Credit	0.0	(110.2)	-	(110.2)
Less R&D Credit Exchange	(8.6)	(9.0)	-	(9.0)
TOTAL - Taxes Less Refunds	$ 12,049.5	$ 14,009.0	$ -	$ 14,009.0
Other Revenues				
Transfers Special Revenue	$ 293.1	$ 297.8	$ -	$ 297.8
Indian Gaming Payments	359.6	342.4	-	342.4
License, Permits, Fees	250.4	269.9	-	269.9
Sales of Commodities & Services	35.5	36.4	-	36.4
Rents, Fines & Escheats	157.8	123.7	-	123.7
Investment Income	0.0	2.0	-	2.0
Miscellaneous	178.7	168.0	-	168.0
Less Refunds of Payments	(1.9)	(81.4)	-	(81.4)
TOTAL - Other Revenues	$ 1,273.3	$ 1,158.8	$ -	$ 1,158.8
Other Sources				
Federal Grants	$ 4,235.2	$ 3,572.8	$ -	$ 3,572.8
Transfer From Tobacco	95.3	96.1	-	96.1
Transfers From/(To) Other Funds	54.2	(142.8)	-	(142.8)
TOTAL - Other Sources	$ 4,384.7	$ 3,526.1	$ -	3,526.1
TOTAL - General Fund	$ 17,707.5	$ 18,693.9	$ -	$ 18,693.9

	Projected Revenue At Current Rates FY 2013	Proposed Revenue Changes FY 2013	Net Projected Revenue FY 2013
$	8,773.1	$ 6.0	$ 8,779.1
	4,050.7	11.1	4,061.8
	777.5	2.0	779.5
	275.2	-	275.2
	151.8	-	151.8
	227.8	-	227.8
	425.9	-	425.9
	96.7	-	96.7
	165.7	-	165.7
	71.0	-	71.0
	55.0	2.6	57.6
	39.6	-	39.6
	530.7	-	530.7
	16.3	-	16.3
$	15,657.0	$ 21.7	$ 15,678.7
	(944.2)	-	(944.2)
	(116.5)	-	(116.5)
	(9.5)	-	(9.5)
$	14,586.8	$ 21.7	$ 14,608.5
$	299.3	$ -	$ 299.3
	347.7	-	347.7
	253.5	11.7	265.2
	37.3	-	37.3
	116.7	-	116.7
	2.6	-	2.6
	169.1	-	169.1
	(50.0)	-	(50.0)
$	1,176.2	$ 11.7	$ 1,187.9
$	3,680.8	$ (17.7)	$ 3,663.1
	93.1	-	93.1
	(234.6)	-	(234.6)
$	3,539.3	$ (17.7)	$ 3,521.6
$	19,302.3	$ 15.7	$ 19,318.0

Explanation of Changes

Personal Income Tax
Increase compliance with state tax laws by enhancing the audit and collection functions at the Department of Revenue Services.

Sales Tax
Expand hours of permitted alcoholic beverage sales, including Sunday sales. Increase compliance with state tax laws by enhancing the audit and collection functions at the Department of Revenue Services.

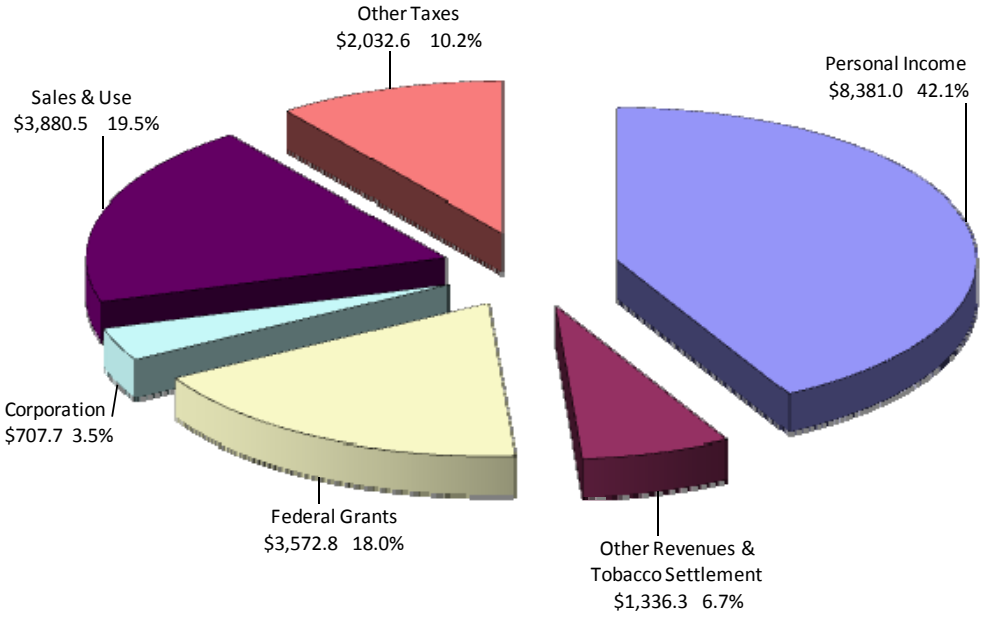
Corporation Tax
Increase compliance with state tax laws by enhancing the audit and collection functions at the Department of Revenue Services.

Alcoholic Beverages Tax
Expand hours of permitted alcoholic beverage sales, including Sunday sales.

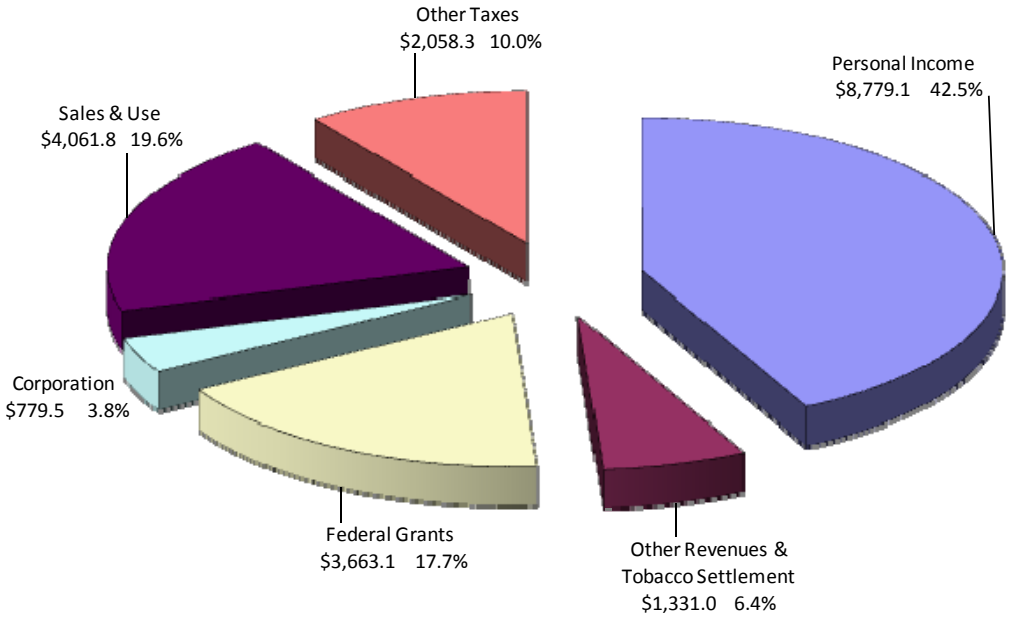
License, Permits, and Fees
Expand childhood vaccine program.

Federal Grants
Impact of recommended expenditure changes.

GENERAL FUND
FISCAL YEAR 2012 – TOTAL $18,693.9 MILLION*



GENERAL FUND
FISCAL YEAR 2013 – TOTAL $19,318.0 MILLION*



* Refunds of Taxes are estimated at $873.6M for FY 2012 and $944.2M for FY 2013, Earned Income Tax Credit are estimated at $110.2M for FY 2012 and $116.5M for FY 2013, R&D Credit Exchange are estimated at $9.0M for FY 2012 and $9.5 M for FY 2013, Refunds of Payments are estimated at $81.4M for FY 2012 and $50.0M for FY 2013, Transfers to the Mashantucket-Pequot and Mohegan Fund are $61.8M for both FY 2012 and FY 2013. Transfers to Other Funds are $81.6M in FY 2012 and $172.8M in FY 2013. Transfers from Other Funds are $0.6M in FY 2012.

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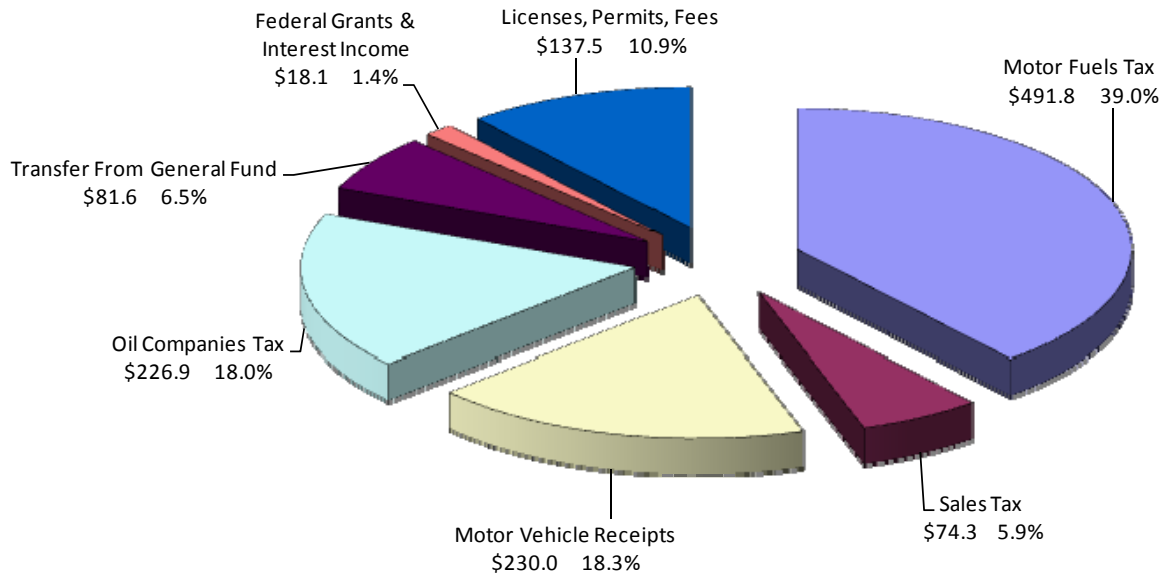
TABLE 97
STATE OF CONNECTICUT
SPECIAL TRANSPORTATION FUND REVENUES
(In Millions of Dollars)

	Actual Revenue FY 2011	Projected Revenue Current Rates FY 2012	Proposed Revenue Changes FY 2012	Net Projected Revenue FY 2012
Taxes				
Motor Fuels Tax	$ 483.5	$ 491.8	$ -	$ 491.8
Oil Companies Tax	165.3	226.9	-	226.9
Sales Tax DMV	71.9	74.3	-	74.3
Less Refunds of Taxes	(6.8)	(7.4)	-	(7.4)
TOTAL - Taxes Less Refunds	$ 713.9	$ 785.6	$ -	$ 785.6
Other Sources				
Motor Vehicle Receipts	$ 220.1	$ 230.0	$ -	$ 230.0
Licenses, Permits & Fees	135.5	137.5	-	137.5
Interest Income	5.5	5.0	-	5.0
Federal Grants	9.4	13.1	-	13.1
Transfers From (To) Other Funds	101.1	75.1	-	75.1
Transfer To TSB	(15.3)	(15.0)	-	(15.0)
Less Refunds of Payments	(3.0)	(3.5)	-	(3.5)
TOTAL - Other Sources	$ 453.3	$ 442.2	$ -	$ 442.2
TOTAL – S.T.F.	$ 1,167.2	$ 1,227.8	$ -	$ 1,227.8

FISCAL YEAR 2012 - TOTAL $1,227.8 MILLION*



* Refunds of Taxes are estimated at $7.4M, Transfer to the Emissions Fund is estimated at $6.5M, Refunds of Payments are estimated at $3.5M and Transfer to Transportation Strategy Board is estimated at $15.0M in fiscal 2012.

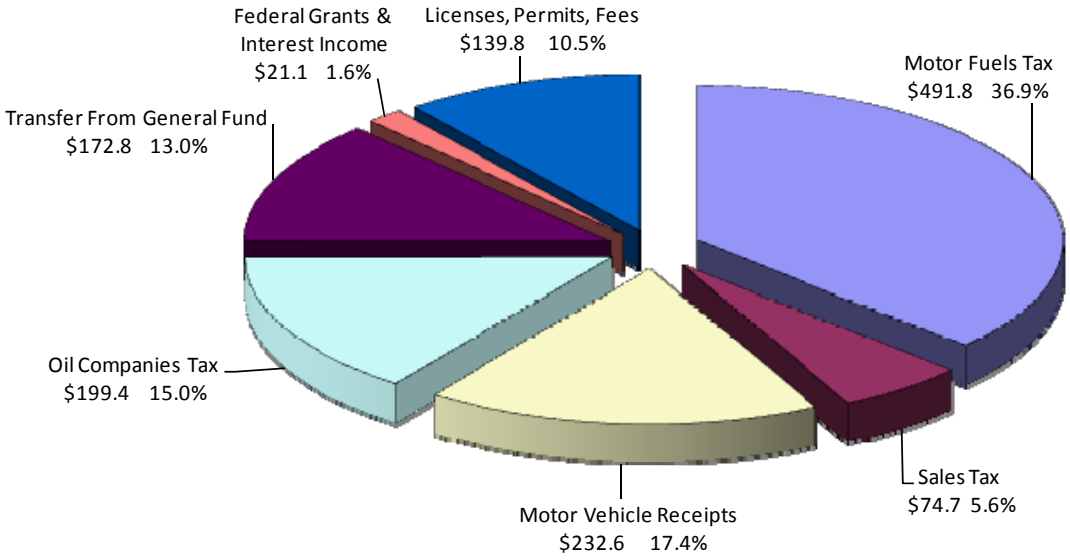
	Projected Revenue Current Rates FY 2013	Proposed Revenue Changes FY 2013	Net Projected Revenue FY 2013
	$ 491.8	$ -	$ 491.8
	199.4	-	199.4
	74.7	-	74.7
	(7.5)	-	(7.5)
	$ 758.4	$ -	$ 758.4
	$ 232.6	$ -	$ 232.6
	139.7	0.1	139.8
	8.0	-	8.0
	13.1	-	13.1
	166.3	-	166.3
	(15.0)	-	(15.0)
	(3.6)	-	(3.6)
	$ 541.1	$ 0.1	$ 541.2
	$ 1,299.5	$ 0.1	$ 1,299.6

Explanation of Changes

License, Permits, Fees

Increase Outdoor Advertising Permit Fee.

FISCAL YEAR 2013 - TOTAL $1,299.6 MILLION*



* Refunds of Taxes are estimated at $7.5M, Transfer to the Emissions Fund is estimated at $6.5M, Refunds of Payments are estimated at $3.6M and Transfer to Transportation Strategy Board is estimated at $15.0M in fiscal 2013.

IMPACT OF THE GOVERNOR'S BUDGET ON THE STATE'S ECONOMY

The traditional purpose of a governmental budget is threefold: it outlines necessary and desirable public services; it estimates how much these services will cost; and it defines the resources that are required to provide these services. The budget is a fundamental policy document of every level of government. As proposed, enacted and implemented, it represents a consensus regarding what government realistically can and ought to do.

The economic implications of governmental budgets are significant. Government expenditures and investment, including federal, state and local governments, are an important dimension of the national economy, accounting for 20.1% of the Gross Domestic Product. The spending and tax policies of government profoundly influence the performance of the economy. Because the Governor's budget accounts for 9.0% of the Gross State Product, it is inevitable that state government's expenditure and revenue actions influence the state's economy.

Expenditure Actions

Education and Workforce

Knowledge is the key to participating in the economy today and in the future. As many have stated, we are now in a knowledge economy where economic activity is based on intellectual resources. This applies whether we are speaking of manufacturing or services because to a greater degree than ever before, increased and sustained knowledge is necessary in both sectors.

The Governor is proposing significant education investments this session in order to improve the foundations for all to participate successfully in the knowledge economy. Students who gain the knowledge in elementary and secondary school to go on to higher education will be able to command higher wages based on the increased productivity that their increased knowledge brings. This will lead to a higher standard of living for everyone in Connecticut.

Elementary, Secondary and Early Childhood Education

For the Midterm FY 2013 Budget, Governor Malloy has outlined six priorities for education reform, which will help the state narrow the achievement gap and help restore Connecticut as the model for creating academic excellence for all. In total, the Governor recommends new spending in the State Department of Education (SDE) by over $128 million during FY 2013 in support of these six priorities.

Priority 1 - Enhance families' access to high-quality early childhood education opportunities

The Governor's budget includes $4 million in funding for additional school readiness slots to increase access to this program. His budget also includes $5 million in bond funds to develop a Tiered Quality Rating and Information System (TQRIS) for Early Childhood and $3 million in professional development and incentives for using the new system.

Priority 2 -Authorize the intensive interventions and enable the supports necessary to turn around Connecticut's lowest-performing schools and districts

The proposed budget includes $22.9 million in funding to create a network of the lowest performing schools and give SDE significant latitude to intervene and provide new management and provide eligibility to teachers and school leaders for significant compensation and other incentives.

Priority 3 - Expands the availability of high-quality school models, including traditional schools, magnets, charters, and others

The Governor's budget includes additional funding to expand and replicate high quality schools such as Charter Schools, Magnet Schools and CommPACT schools. The Charter School formula will be integrated, with additional funding, into the Education Cost Sharing (ECS) formula to ensure financial security for those schools. New funding is recommended for the Vocational Agriculture program as well for a competitive grant that aims at increasing the percent of students coming from Priority School Districts and increasing overall enrollment.

Priority 4 - Unleashes innovation by removing red tape and other barriers to success, especially in high-performing schools and districts

Teacher certification is the biggest red tape concern for school districts. The Governor is recommending an overhaul of the certification process, which includes eliminating the continuing education requirements, eliminating the Master's degree requirement for attaining a professional certificate and expanding reciprocity with educators who are certified in out-of-state institutions of higher education and Alternative Route to Certification programs through a Commissioner's waiver. The Governor also recommends that a Red Tape Council be established to remove outmoded and unnecessary rules.

Priority 5 - Ensures that our schools are home to the very best teachers and principals – working within a fair system that values skill and effectiveness over seniority and tenure

The Governor's recommended budget includes funding in the Office of Financial and Academic Affairs for Higher Education to attract the best teachers by awarding loan forgiveness funding to the teachers graduating from the top education preparation schools to teach in Connecticut's lowest performing schools. The budget also includes funding to recruit and develop the best education professionals and create a performance based system for tenure, in which teachers will have to demonstrate proficiency. The budget includes funding for the development of the evaluation system as well as training for teachers, evaluators and school and district leaders on the new evaluation tools.

Priority 6 - Delivers more resources, targeted to districts with the greatest need – provided that they embrace key reforms that position our students for success

The Governor is recommending $50 million in additional general ECS funding. For the lowest performing districts, this new funding will be conditioned on schools achieving the following reforms: increasing school learning time, recruitment and compensation of the most effective teachers and leaders, partnering with at least one district to achieve 1% savings and training school leaders and evaluators in the new evaluation model. Districts could also coordinate

support services, coordinate with early education providers, develop an interim assessment system or provide reading support for all grade 8 students reading below grade level.

Higher Education

The Governor recognizes that higher education creates research and technology jobs, generates revenue and keeps Connecticut's talented young people here in the state. His budget includes funding to support additional faculty at the University of Connecticut while helping the university remain competitive with the top 20 public institutions of higher education, and ensuring its continued affordability for students.

Housing

The proposed budget emphasizes the Governor's commitment to housing and makes changes to many housing support programs. The housing programs currently located in various state agencies will be combined within the Department of Economic and Community Development (DECD) in order to provide coordinated leadership for policies and programs. This centralized initiative will make housing a priority in the state of Connecticut by transferring housing services and support programs from the Department of Social Services (DSS) and the Department of Children and Families (DCF), and combining them with existing housing development and support programs in DECD in order to provide greater benefits to state residents.

By providing additional capital and operating funds, about 50 new congregate housing units can be constructed or rehabilitated to provide additional housing for elderly residents, thereby preventing many of them from premature placement in nursing homes or other higher level of care facilities.

Funding for 150 Rental Assistance Program (RAP) project-based vouchers have been added in order to address the state's affordable housing production gap by pairing this funding with additional capital funding in order to produce 1,600 units of newly constructed or rehabilitated affordable housing. In addition, funding for 150 Rental Assistance Program (RAP) vouchers has been added to the budget to provide an additional 150 units of scattered site supportive housing.

The benefit of providing increased housing opportunities for our citizens will spur growth, create jobs, improve livelihoods and strengthen communities for all during these difficult economic times.

Pension Reform

One of the most significant unfunded liabilities facing Connecticut relates to the state's pension fund with more than $11.7 billion in unfunded commitments as of the June 30, 2010 valuation of that fund. Currently, the funded ratio for the Connecticut's State Employee Retirement System (SERS) stands at less than 48%, one of the lowest in the nation. Furthermore, under the current payment schedule SERS would not obtain 100% funding until 2032 and would require large contributions in the final years. The final year payment will reach nearly $4.5 billion – more than four times the current payment – to fully fund the system under the current structure.

Governor Malloy proposes a change to the pension funding schedule that will prevent a dramatic spike in the state's required contributions and avoid a potential future fiscal crisis. The Governor's proposal includes: 1) Eliminating the SEBAC IV and V provisions related to pension funding which were adopted to reduce pension contributions and defer payments into the future totaling approximately $125 million annually; 2) Appropriating additional funds over and above the Annually Required Contribution, beginning in FY 2014, to achieve 80% funding in FY 2025 (approx. $177.3 million); and 3) Amending the spending cap to exclude pension contributions in excess of the Annually Required Contribution.

Under the Governor's proposal, restructuring the payment schedule will save the state $5.8 billion over the next 20 years, allowing the fund to reach 100% funding in FY 2032 and ensuring no payment exceeds $2.05 billion.

Health and Human Services

In the area of health and human services, the budget maintains Governor Malloy's commitment to preserve the safety net and fund growth where required. Over $58.2 million was added to reflect anticipated increases in utilization and caseload for various programs in the Departments of Social Services, Developmental Services and Mental Health and Addiction Services.

While the Governor is committed to serving the state's most needy citizens, he does not want to use scarce resources to provide services to individuals who could otherwise pay for them. This is the rationale for combined savings of $22.5 million across the Departments of Social Services and Mental Health and Addiction Services to reflect a new federal waiver for the Medicaid for Low-Income Adults (LIA) program. The waiver will allow for the establishment of different eligibility rules and benefit limits than are permitted today under the Medicaid state plan. Specifically, the waiver will permit DSS to consider the applicant's household assets in determining eligibility. An asset limit of $25,000, excluding the applicant's primary residence and a single vehicle, is proposed. This is a significant increase over the level previously in place under the State Administered General Assistance (SAGA) program, which had an asset limit of $1,000. The department will also consider the income and assets of the parents of an applicant who is under age 26, when the applicant resides with one or both parents or when the applicant is claimed by one or both parents as a tax dependent. The Governor feels that families, who can cover dependent children on their private insurance, should. Together, these changes will help to ensure that households with sufficient financial resources are not receiving publicly subsidized medical assistance. Applicants residing in households affected by these changes will be afforded the opportunity to obtain coverage under the Charter Oak Health Plan, which currently provides comprehensive health insurance coverage for less than $5,500 per year. The proposed waiver will also introduce an alternative benefit package, which will establish limits on coverage for certain services. Nursing facility stays will be reduced to 90 days per admission; home health, independent therapy and physician services will be subject to visit limits; and medical equipment, devices and supplies – other than wheelchairs – will be subject to a dollar limit. In the case of nursing facility and home health services, the coverage will remain at or above the coverage formerly available under SAGA. Some individuals with exceptional medical conditions may be exempt from certain benefit restrictions.

Changes are also being proposed to achieve efficiencies in Voluntary Services programs operated by the Departments of Children and Families and Developmental Services. Maximized insurance reimbursement on behalf of served children and youth will be achieved from creating a new position under the Office of Healthcare Advocate to pursue appeals of denials of insurance coverage. State resources will more appropriately be oriented to uninsured clients and services.

The Governor is also dedicating funds to expand the state's childhood vaccine purchase program, which provides vaccines at significantly reduced cost. Three new vaccines will be available through this universal access program – pneumococcal conjugate, influenza, and hepatitis A. These three vaccines are required for day care enrollment, and both hepatitis A and influenza are required for pre-kindergarten enrollment. The Governor is recommending further assessment of implications of and options for expanding the program to include other Centers for Disease Control-recommended vaccines, the equity of the current assessment methodology by which the program is funded, as well as the impact of establishing a healthcare provider mandate to require universal participation in the childhood vaccination program.

A 1% cost of living adjustment is being funded for private providers of health and human services effective January 1, 2013.

The budget provides additional support for the Money Follows the Person (MFP) Rebalancing Demonstration. Under MFP, the federal government encourages states to reduce their reliance on institutional care for Medicaid recipients by transitioning individuals out of institutional settings and into community settings with appropriate supports. The budget includes several initiatives that align long-term services and supports with consumer choice and control in order to improve the quality of life for Medicaid participants by increasing options and reducing unnecessary expenses and institutionalization. The budget includes $300,000 to create a standardized level of care evaluation and assessment process across all long-term services and supports. Funding of $400,000 is being recommended to develop a marketing plan to increase awareness of the opportunities for direct care workers and provide job assistance and re-training activities. The budget includes $20.5 million in savings resulting from various changes to medication administration policies designed to reduce the cost of care plans. The budget also strengthens the state's rebalancing efforts by adding adult family living and independent support broker to the menu of services available under some of the department's programs. Recognizing the shift away from institutional care, Governor Malloy's budget includes $10 million in bond funding and $3 million in general fund support to help nursing facilities "right-size" by diversifying, downsizing and/or modernizing. The new funding will help nursing facilities diversify their business model consistent with the state's strategic right-sizing plan. The Governor's budget also includes $1.0 million in bond funds for modifications of existing housing. These funds will create additional accessible housing, allowing individuals who are institutionalized to transition to their family homes or apartments which are not currently accessible. The budget expands the number of individuals that can be served under the private pay assisted living pilot from 75 to 125. In addition, to further promote aging in place and prevent premature institutionalization of the growing elderly population in the state, the Governor is recommending $12.5 million in capital funding to re-invigorate the state's congregate housing program.

On January 1, 2012, the Department of Social Services launched the new HUSKY Health program, an innovative model of care management for all of the department's medical assistance recipients. Under this new model, DSS is contracting with a medical administrative services organization (ASO) to provide a broad range of member and provider services and supports. The ASO is responsible for helping to improve client care experiences, quality of service and overall cost-effectiveness. The ASO will provide a wide range of services, such as member services, health education and intensive care management for those clients with exceptional health challenges, and will also be responsible for utilization management, quality management, health data analytics and reporting. The ASO will authorize and manage the medical health services for all HUSKY A, HUSKY B, and Charter Oak Health Plan clients, whose services were previously administered by one of three managed care organizations, as well as the Medicaid Aged, Blind and Disabled (ABD) and Low-Income Adult (LIA) populations, which are now referred to as HUSKY C and HUSKY D, respectively.

General Government

Governor Malloy, in continuing his efforts to restructure state government, has proposed to consolidate the Department of Construction Services with the Department of Administrative Services. This further realignment of agencies will allow for the identification of additional efficiencies and state agency process improvements.

The area of public transportation is being addressed through several initiatives in the Department of Transportation. The Governor has expanded Shore Line East services during the weekend and has added expanded nighttime bus services in Waterbury. In addition, funding is being increased by $5 million to be used for non-bondable transportation projects to ensure that efforts in this area remain at a level comparable to the prior fiscal year.

The Department of Emergency Services and Public Protection will be expanding and enhancing the forensic laboratory in order to become accredited. Thirty-two additional staff will be added to allow for increased processing of evidence which will allow for investigations and court cases to proceed in a timely manner.

In the aftermath of the two extreme weather events in the fall of 2011, Governor Malloy ordered a review and evaluation of Connecticut's approach to the prevention, planning and mitigation of impacts associated with emergencies and natural disasters that can reasonably be anticipated to affect our State. To this end, additional funds have been included in the Governor's Recommended Budget Adjustments. Funding to address tree trimming along Connecticut's roadways has been increased from $500,000 in the adopted budget to a total of $2.5 million in FY 2013. In addition, $500,000 has been provided to conduct emergency response training and exercises for municipalities, utilities and the state. Through these initiatives, the state will be better positioned in the event of future emergencies.

The State of Connecticut is designing and implementing a comprehensive information technology system to facilitate the sharing of information between state agencies, departments, boards and commissions having any cognizance over matters relating to law enforcement and criminal justice, and local police departments and law enforcement officials. This system will integrate other criminal justice information systems including the offender based tracking

system (OBTS) and the Connecticut impaired driving records information system (CIDRIS) into a the new Connecticut information sharing system (CISS). In support of this project, Governor Malloy has provided funding to allow for the continued development of CISS and to maintain OBTS and CIDRIS to ensure that the data is not compromised when the systems are merged. The budget includes funding for staff to assist with implementation of CISS as well as funding for consultants to assist with the ongoing maintenance of CIDRIS and OBTS. Bonding in the amount of $24 million is available for this initiative which is expected to be fully operational in 2017.

Capital Actions

Governor Malloy is proposing $405.8 million of midterm adjustments to the capital budget, with continued focus on funding projects and programs that create and retain jobs in the state. The adjustments emphasize significant investments in state facilities, transportation infrastructure, the environment, housing and education.

The adjustments are in addition to previously enacted general obligation bond authorizations of $2.038 billion and $515.2 million in special tax obligation bond authorization for transportation purposes for fiscal year 2013.

The Governor's proposed midterm adjustments include:

- An additional $92.5 million for state facility infrastructure;
- New funding of $50 million for capital investments in information technology to enhance the efficiency and effectiveness of state agencies and programs;
- An additional $26.2 million for construction at regional fire training schools;
- New funding of $5 million for a pilot program to establish energy microgrids to support critical municipal infrastructure;
- New Funding of $5 million for the underground storage tank petroleum clean-up program;
- An additional $62.5 million for housing projects and programs, including congregate housing and improvements to the aging state-owned public housing portfolio;
- New funding of $10 million to assist nursing homes with conversion to other purposes;
- An additional $9.1 million for ongoing start-up costs for interdistrict magnet schools in compliance with Sheff v. O'Neill;
- New funding of $50 million for capital improvements, technology and equipment to improve low performing schools and to replicate high performing school models statewide; and
- An additional $90 million in special tax obligation bonds for bridge improvements.

Revenue Actions

Last year Governor Malloy proposed, and the General Assembly passed, major changes to both the state's revenue and spending policies in order to restore structural balance to the state's budget. The Governor's changes closed a $3.2 billion current services gap in FY 2012, one of the largest shortfalls in our country. The objectives the Governor sought with changes on the revenue side of the budget last year were fourfold: first, any changes must maintain the state's

economic competitiveness; second, the state must maximize federal reimbursement wherever possible; third, in order not to inhibit job growth, tax increases on the business sector should be minimized; and fourth, any revenue changes must be recurring in nature, i.e., no one-shot or temporary solutions. Given the enormity of the policy decisions enacted last year, the Governor is proposing very limited changes that impact revenue for his proposed mid-term budget revisions for FY 2013.

First, the Governor is seeking to modernize Connecticut's liquor laws. In order to help Connecticut's businesses stay competitive with neighboring states, Governor Malloy will introduce legislation as part of his budget proposal to update state laws regulating the sale of alcohol, some of which date back to Prohibition. The most recognizable proposal would allow the sale of alcohol on Sundays, certain holidays, and on Mondays that come after Sunday holidays. Other provisions, which are designed to be "consumer-friendly," include the elimination of minimum pricing, allowing package stores to sell complimentary products, and revisions to various permitting requirements that give businesses more flexibility to remain competitive. These changes are expected to result in additional general fund revenue of $8.7 million in FY 2013.

Second, continuing on the one of the Governor's themes from last year, this budget proposal seeks the preservation and maximization of federal revenue. In order to gain millions of dollars in new federal revenue, numerous Medicaid state plan amendments and waivers have been submitted or are in the process of being submitted to the federal government while initiatives not requiring federal approval are being operationalized by impacted state agencies. While much effort goes into maximizing revenue, equal or greater effort is going into preserving existing sources of federal reimbursement. The Federal Centers for Medicare and Medicaid Services has strengthened its compliance activities, resulting in significantly greater scrutiny of all state claims. Department of Social Services (DSS) 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. DSS is hiring additional staff to oversee these projects and analyze the fiscal implications.

Third, the Governor wants to ensure that existing state tax laws are upheld and that revenues lost to non-compliance with those laws are minimized. To that end, he is recommending additional staffing at the Department of Revenue Services (DRS) to enhance their current auditing and collection functions. These initiatives are expected to yield an additional $13 million in FY 2013.

Conclusion

The recommended adjustments to the FY 2013 budget are a continuation of Governor Malloy's commitment to a fiscally responsible state government which will address the areas that require attention and reform. With these proposals, Governor Malloy has attempted to build upon the fiscal stability established last year while expanding economic growth and opportunity for our citizens.

A P P E N D I X

Connecticut Resident Population Census Counts

	Population 2000	Rank	Population 2010	Rank	2000-2010 Change	% Chg.
Total	3,405,565		3,577,845		172,280	5.1
Andover	3,036	147	3,305	147	269	8.9
Ansonia	18,554	57	19,283	60	729	3.9
Ashford	4,098	135	4,319	136	221	5.4
Avon	15,832	68	18,145	65	2,313	14.6
Barkhamsted	3,494	143	3,807	141	313	9.0
Beacon Falls	5,246	125	6,062	123	816	15.6
Berlin	18,215	59	19,901	54	1,686	9.3
Bethany	5,040	126	5,578	126	538	10.7
Bethel	18,067	61	18,600	62	533	3.0
Bethlehem	3,422	144	3,616	143	194	5.7
Bloomfield	19,587	52	20,525	52	938	4.8
Bolton	5,017	127	4,977	131	-40	-0.8
Bozrah	2,357	153	2,631	152	274	11.6
Branford	28,683	32	28,000	37	-683	-2.4
Bridgeport	139,529	1	144,355	1	4,826	3.5
Bridgewater	1,824	160	1,725	163	-99	-5.4
Bristol	60,062	11	60,510	13	448	0.7
Brookfield	15,664	69	16,470	71	806	5.1
Brooklyn	7,173	113	8,228	110	1,055	14.7
Burlington	8,190	108	9,329	104	1,139	13.9
Canaan	1,081	168	1,238	168	157	14.5
Canterbury	4,692	130	5,144	130	452	9.6
Canton	8,840	101	10,337	95	1,497	16.9
Chaplin	2,250	156	2,311	156	61	2.7
Cheshire	28,543	33	29,260	33	717	2.5
Chester	3,743	141	3,991	139	248	6.6
Clinton	13,094	81	13,254	82	160	1.2
Colchester	14,551	74	16,092	72	1,541	10.6
Colebrook	1,471	165	1,486	165	15	1.0
Columbia	4,971	129	5,495	127	524	10.5
Cornwall	1,434	166	1,419	167	-15	-1.0
Coventry	11,504	87	12,453	87	949	8.2
Cromwell	12,871	83	14,038	79	1,167	9.1
Danbury	74,848	7	81,056	7	6,208	8.3
Darien	19,607	51	20,750	51	1,143	5.8
Deep River	4,610	133	4,625	133	15	0.3
Derby	12,391	84	12,909	84	518	4.2
Durham	6,627	116	7,406	116	779	11.8
East Granby	4,745	132	5,155	129	410	8.6
East Haddam	8,333	105	9,141	106	808	9.7
East Hampton	13,352	78	12,999	83	-353	-2.6
East Hartford	49,575	19	51,318	19	1,743	3.5
East Haven	28,189	35	29,267	32	1,078	3.8

Connecticut Resident Population Census Counts

	Population 2000	Rank	Population 2010	Rank	2000-2010 Change	% Chg.
East Lyme	18,118	60	19,184	61	1,066	5.9
East Windsor	9,818	94	11,201	94	1,383	14.1
Eastford	1,618	163	1,751	161	133	8.2
Easton	7,272	111	7,484	115	212	2.9
Ellington	12,921	82	15,679	74	2,758	21.3
Enfield	45,212	20	44,635	22	-577	-1.3
Essex	6,505	117	6,684	120	179	2.8
Fairfield	57,340	13	59,413	14	2,073	3.6
Farmington	23,641	45	25,368	44	1,727	7.3
Franklin	1,835	159	1,922	159	87	4.7
Glastonbury	31,876	29	34,467	29	2,591	8.1
Goshen	2,697	151	2,982	148	285	10.6
Granby	10,347	93	11,292	92	945	9.1
Greenwich	61,101	9	61,119	10	18	0.0
Griswold	10,807	89	11,977	90	1,170	10.8
Groton	39,907	23	40,125	25	218	.5
Guilford	21,398	49	22,411	50	1,013	4.7
Haddam	7,157	114	8,376	109	1,219	17.0
Hamden	56,913	14	61,054	11	4,141	7.3
Hampton	1,758	161	1,864	160	106	6.0
Hartford	124,121	2	124,744	3	623	0.5
Hartland	2,012	158	2,114	158	102	5.1
Harwinton	5,283	124	5,651	125	368	7.0
Hebron	8,610	104	9,704	99	1,094	12.7
Kent	2,858	150	2,979	149	121	4.2
Killingly	16,472	67	17,411	68	939	5.7
Killingworth	6,018	121	6,531	121	513	8.5
Lebanon	6,907	115	7,316	117	409	5.9
Ledyard	14,687	72	15,055	77	368	2.5
Lisbon	4,069	136	4,345	135	276	6.8
Litchfield	8,316	106	8,462	108	146	1.8
Lyme	2,016	157	2,409	154	393	19.5
Madison	17,858	64	18,266	64	408	2.3
Manchester	54,740	15	58,354	15	3,614	6.6
Mansfield	20,720	50	26,685	41	5,965	28.8
Marlborough	5,709	123	6,406	122	697	12.2
Meriden	58,244	12	60,936	12	2,692	4.6
Middlebury	6,451	118	7,606	113	1,155	17.9
Middlefield	4,203	134	4,430	134	227	5.4
Middletown	43,167	21	47,697	20	4,530	10.5
Milford	52,305	17	52,759	17	454	0.9
Monroe	19,247	54	19,466	59	219	1.1
Montville	18,546	58	19,594	57	1,048	5.7
Morris	2,301	155	2,390	155	89	3.9

Connecticut Resident Population Census Counts

	Population 2000	Rank	Population 2010	Rank	2000-2010 Change	% Chg.
Naugatuck	30,989	30	31,880	30	891	2.9
New Britain	71,538	8	73,253	8	1,715	2.4
New Canaan	19,395	53	19,732	56	337	1.7
New Fairfield	13,953	75	13,871	81	-82	-0.6
New Hartford	6,088	120	6,994	118	906	14.9
New Haven	123,626	3	129,946	2	6,320	5.1
New London	25,671	41	27,643	38	1,972	7.7
New Milford	27,121	37	28,145	36	1,024	3.8
Newington	29,306	31	30,599	31	1,293	4.4
Newtown	25,031	42	27,605	39	2,574	10.3
Norfolk	1,660	162	1,711	164	51	3.1
North Branford	13,906	76	14,399	78	493	3.5
North Canaan	3,350	145	3,320	146	-30	-0.9
North Haven	23,035	39	24,106	47	1,071	4.6
North Stonington	4,991	128	5,298	128	307	6.2
Norwalk	82,951	6	85,653	6	2,702	3.3
Norwich	36,117	26	40,605	24	4,488	12.4
Old Lyme	7,406	110	7,605	114	199	2.7
Old Saybrook	10,367	92	10,224	96	-143	-1.4
Orange	13,233	79	13,968	80	735	5.6
Oxford	9,821	96	12,749	85	2,928	29.8
Plainfield	14,619	73	15,428	75	809	5.5
Plainville	17,328	66	17,724	67	396	2.3
Plymouth	11,634	86	12,246	88	612	5.3
Pomfret	3,798	140	4,265	137	467	12.3
Portland	8,732	102	9,522	101	790	9.0
Preston	4,688	131	4,725	132	37	0.8
Prospect	8,707	103	9,415	103	708	8.1
Putnam	9,002	98	9,602	100	600	6.7
Redding	8,270	107	9,174	105	904	10.9
Ridgefield	23,643	44	24,652	46	1,009	4.3
Rocky Hill	17,966	62	19,754	55	1,788	10.0
Roxbury	2,136	154	2,265	157	129	6.0
Salem	3,858	138	4,153	138	295	7.6
Salisbury	3,977	137	3,735	142	-242	-6.1
Scotland	1,556	164	1,732	162	176	11.3
Seymour	15,454	70	16,556	70	1,102	7.1
Sharon	2,968	149	2,774	151	-194	-6.5
Shelton	38,101	25	39,580	26	1,479	3.9
Sherman	3,827	139	3,574	145	-253	-6.6
Simsbury	23,234	47	23,507	48	273	1.2
Somers	10,417	91	11,469	91	1,052	10.1
South Windsor	24,412	43	25,751	43	1,339	5.5
Southbury	18,567	56	19,943	53	1,376	7.4

Connecticut Resident Population Census Counts

	Population 2000	Rank	Population 2010	Rank	2000-2010 Change	% Chg.
Southington	39,728	24	43,130	23	3,402	8.6
Sprague	2,971	148	2,979	150	8	0.3
Stafford	11,307	88	12,097	89	790	7.0
Stamford	117,083	4	122,867	4	5,784	4.9
Sterling	3,099	146	3,848	140	749	24.2
Stonington	17,906	63	18,559	63	653	3.6
Stratford	49,976	18	51,437	18	1,461	2.9
Suffield	13,552	77	15,789	73	2,237	16.5
Thomaston	7,503	109	7,892	112	389	5.2
Thompson	8,878	100	9,474	102	596	6.7
Tolland	13,146	80	15,086	76	1,940	14.8
Torrington	35,202	27	36,438	27	1,236	3.5
Trumbull	34,243	28	36,062	28	1,819	5.3
Union	693	169	855	169	162	23.4
Vernon	28,063	36	29,205	34	1,142	4.1
Voluntown	2,528	152	2,608	153	80	3.2
Wallingford	43,026	22	45,182	21	2,156	5.0
Warren	1,254	167	1,469	166	215	17.1
Washington	3,596	142	3,586	144	-10	-0.3
Waterbury	107,271	5	110,429	5	3,158	2.9
Waterford	19,152	55	19,540	58	388	2.0
Watertown	21,661	48	22,526	49	865	4.0
West Hartford	61,046	10	63,362	9	2,316	3.8
West Haven	52,360	16	55,662	16	3,302	6.3
Westbrook	6,292	119	6,949	119	657	10.4
Weston	10,037	95	10,179	97	142	1.4
Westport	25,749	40	26,393	42	644	2.5
Wethersfield	26,271	38	26,695	40	424	1.6
Willington	5,959	122	6,035	124	76	1.3
Wilton	17,633	65	18,053	66	420	2.4
Winchester	10,664	90	11,254	93	590	5.5
Windham	22,857	46	25,321	45	2,464	10.8
Windsor	28,237	34	29,060	35	823	2.9
Windsor Locks	12,043	85	12,502	86	459	3.8
Wolcott	15,215	71	16,692	69	1,477	9.7
Woodbridge	8,983	99	8,989	107	6	0.1
Woodbury	9,198	97	9,995	98	797	8.7
Woodstock	7,221	112	7,986	111	765	10.6

Source: U.S. Bureau of the Census, April 1, 2000 & 2010

MAJOR U.S. ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 1
U.S. ECONOMIC VARIABLES

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Gross Domestic Product ($B)	10,444.7	10,841.9	11,505.7	12,230.5	13,030.5	13,688.1	14,267.2	14,056.2	14,188.4	14,810.3
Percent Change	2.9%	3.8%	6.1%	6.3%	6.5%	5.0%	4.2%	-1.5%	0.9%	4.4%
Real GDP	11,423.9	11,638.4	12,070.8	12,439.9	12,812.8	13,054.6	13,293.3	12,843.7	12,876.1	13,213.9
Percent Change	1.0%	1.9%	3.7%	3.1%	3.0%	1.9%	1.8%	-3.4%	0.3%	2.6%
GDP Deflator (2000=100)	91.4	93.2	95.3	98.3	101.7	104.8	107.3	109.4	110.2	112.1
Percent Change	1.8%	1.9%	2.3%	3.1%	3.4%	3.1%	2.4%	2.0%	0.7%	1.7%
Housing Starts (K)	1,645.9	1,729.2	1,945.3	2,016.3	2,036.0	1,546.2	1,132.4	646.3	593.2	569.4
Percent Change	4.8%	5.1%	12.5%	3.7%	1.0%	-24.1%	-26.8%	-42.9%	-8.2%	-4.0%
Unemployment Rate	5.5%	5.9%	5.8%	5.3%	4.8%	4.5%	4.9%	7.6%	9.7%	9.3%
New Vehicle Sales (M)	16.96	16.64	16.81	17.04	16.76	16.33	15.34	10.64	11.18	12.24
Percent Change	0.4%	-1.9%	1.0%	1.3%	-1.7%	-2.6%	-6.1%	-30.6%	5.1%	9.5%
Consumer Price Index ('82-'84=100)	178.2	182.1	186.1	191.7	198.9	204.1	211.7	214.6	216.8	221.1
Percent Change	1.8%	2.2%	2.2%	3.0%	3.8%	2.6%	3.7%	1.4%	1.0%	2.0%
Industrial Production Index ('02=100)	88.1	89.9	91.1	94.1	96.2	98.7	99.8	89.3	87.3	92.1
Percent Change	-3.4%	2.0%	1.3%	3.3%	2.2%	2.6%	1.2%	-10.5%	-2.3%	5.6%
Personal Income ($B)	8,942.8	9,177.9	9,619.0	10,205.7	10,874.7	11,586.9	12,263.8	12,176.7	12,052.3	12,691.3
Percent Change	2.0%	2.6%	4.8%	6.1%	6.6%	6.5%	5.9%	-0.7%	-1.0%	5.4%
Real Personal Income ($B in 82-84=100)	5,019.4	5,040.3	5,168.5	5,323.8	5,466.3	5,676.7	5,793.5	5,672.9	5,559.9	5,740.8
Percent Change	0.2%	0.4%	2.5%	3.0%	2.7%	3.9%	2.1%	-2.1%	-2.0%	3.3%
Disposable Personal Income ($B)	7,845.3	8,147.4	8,631.6	9,083.8	9,602.4	10,177.0	10,795.0	10,897.2	10,926.7	11,404.3
Percent Change	4.6%	3.9%	5.9%	5.2%	5.7%	6.0%	6.1%	0.9%	0.3%	4.4%
Disposable Personal Income ($B in 1996$)	8,531.2	8,689.3	9,012.9	9,229.3	9,455.3	9,786.1	10,052.4	10,002.5	9,901.3	10,154.8
Percent Change	3.4%	1.9%	3.7%	2.4%	2.4%	3.5%	2.7%	-0.5%	-1.0%	2.6%

MAJOR U.S. ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 2
U.S. PERSONAL INCOME
(BILLIONS OF DOLLARS)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Personal Income	8,942.8	9,177.9	9,619.0	10,205.7	10,874.7	11,586.9	12,263.8	12,176.7	12,052.3	12,691.3
Percent Change	2.0%	2.6%	4.8%	6.1%	6.6%	6.5%	5.8%	-0.7%	-1.0%	5.3%
Wages & Salaries	4,951.3	5,041.1	5,259.5	5,562.5	5,884.2	6,245.3	6,521.1	6,395.8	6,298.1	6,523.6
Percent Change	0.5%	1.8%	4.3%	5.8%	5.8%	6.1%	4.4%	-1.9%	-1.5%	3.6%
Manufacturing Income	689.5	672.4	679.2	705.4	726.1	746.0	751.6	699.7	658.3	692.2
Percent Change	-6.4%	-2.5%	1.0%	3.8%	2.9%	2.7%	0.7%	-6.9%	-5.9%	5.1%
Nonmanufacturing Inc.	4,261.7	4,368.7	4,580.3	4,857.1	5,158.1	5,499.3	5,769.5	5,696.0	5,639.8	5,831.4
Percent Change	1.7%	2.5%	4.8%	6.0%	6.2%	6.6%	4.9%	-1.3%	-1.0%	3.4%
Other Labor Income	1,058.9	1,168.2	1,250.3	1,312.4	1,377.1	1,414.1	1,470.7	1,523.5	1,532.7	1,573.1
Percent Change	6.9%	10.3%	7.0%	5.0%	4.9%	2.7%	4.0%	3.6%	0.6%	2.6%
Proprietor's Income	877.2	901.3	986.4	1,051.0	1,109.6	1,116.2	1,102.3	1,009.5	971.3	1,085.2
Percent Change	3.0%	2.8%	9.4%	6.5%	5.6%	0.6%	-1.2%	-8.4%	-3.8%	11.7%
Farm Income	21.8	28.3	46.2	45.7	35.6	32.7	49.2	41.8	42.8	63.0
Percent Change	-29.8%	30.1%	63.2%	-1.2%	-22.1%	-8.0%	50.3%	-15.1%	2.6%	47.0%
Nonfarm Income	855.4	873.0	940.2	1,005.4	1,074.1	1,083.5	1,053.2	967.7	928.4	1,022.2
Percent Change	4.3%	2.1%	7.7%	6.9%	6.8%	0.9%	-2.8%	-8.1%	-4.1%	10.1%
Rental Income	233.6	207.0	201.0	191.1	163.8	133.4	180.0	274.4	334.6	372.4
Percent Change	5.0%	-11.4%	-2.9%	-4.9%	-14.3%	-18.5%	34.9%	52.4%	21.9%	11.3%
Personal Dividend Inc.	381.8	403.7	475.1	561.1	621.0	758.0	811.3	683.7	634.6	763.1
Percent Change	1.9%	5.7%	17.7%	18.1%	10.7%	22.1%	7.0%	-15.7%	-7.2%	20.3%
Personal Interest Income	945.6	898.6	867.2	908.3	1,061.4	1,192.0	1,345.3	1,269.5	1,037.8	998.5
Percent Change	-4.4%	-5.0%	-3.5%	4.7%	16.8%	12.3%	12.9%	-5.6%	-18.2%	-3.8%
Transfer Payments	1,239.5	1,310.6	1,379.7	1,461.6	1,553.4	1,663.3	1,802.2	1,994.8	2,212.3	2,326.5
Percent Change	9.4%	5.7%	5.3%	5.9%	6.3%	7.1%	8.3%	10.7%	10.9%	5.2%

MAJOR U.S. ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 3
U.S. PERSONAL INCOME AND ITS DISPOSITION
(BILLIONS OF DOLLARS)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Less:										
Contributions to										
Social Insurance	740.5	762.1	802.0	850.5	899.2	940.6	976.7	976.5	971.3	953.6
Percent Change	2.3%	2.9%	5.2%	6.1%	5.7%	4.6%	3.8%	0.0%	-0.5%	-1.8%
Equals:										
Personal Income	8,942.8	9,177.9	9,619.0	10,205.7	10,874.7	11,586.9	12,263.8	12,176.7	12,052.3	12,691.3
Percent Change	2.0%	2.6%	4.8%	6.1%	6.6%	6.5%	5.8%	-0.7%	-1.0%	5.3%
Less:										
Personal Taxes	1,112.7	1,031.9	999.4	1,128.0	1,284.9	1,421.7	1,475.8	1,293.3	1,142.2	1,304.0
Percent Change	-12.7%	-7.3%	-3.1%	12.9%	13.9%	10.7%	3.8%	-12.4%	-11.7%	14.2%
Equals:										
Disposable Personal Inc.	7,845.3	8,147.4	8,631.6	9,083.8	9,602.4	10,177.0	10,795.0	10,897.2	10,926.7	11,404.3
Percent Change	4.6%	3.9%	5.9%	5.2%	5.7%	6.0%	6.1%	0.9%	0.3%	4.4%
Less:										
Personal Outlays	7,574.1	7,888.5	8,324.0	8,845.6	9,408.4	9,917.3	10,387.0	10,270.8	10,405.2	10,817.0
Percent Change	3.7%	4.2%	5.5%	6.3%	6.4%	5.4%	4.7%	-1.1%	1.3%	4.0%
Equals:										
Personal Savings	271.2	258.9	307.6	238.2	194.0	259.6	407.9	626.3	521.5	587.3
Percent Change	39.8%	-4.5%	18.8%	-22.6%	-18.5%	33.8%	57.1%	53.5%	-16.7%	12.6%
Personal Savings Rate	3.4%	3.2%	3.6%	2.7%	2.0%	2.5%	3.7%	5.7%	4.8%	5.1%

MAJOR U.S. ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 4
U.S. EMPLOYMENT AND THE LABOR FORCE
(MILLIONS OF JOBS)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Establishment Employ.	130.9	130.1	130.5	132.5	135.0	137.0	137.7	133.9	129.7	130.4
Percent Change	-1.0%	-0.6%	0.3%	1.5%	1.9%	1.4%	0.6%	-2.8%	-3.1%	0.6%
Manufacturing	15.7	14.9	14.3	14.3	14.2	14.0	13.7	12.7	11.5	11.6
Percent Change	-7.7%	-5.5%	-3.7%	-0.3%	-0.6%	-1.2%	-2.3%	-7.7%	-8.9%	0.8%
Nonmanufacturing	115.1	115.2	116.1	118.2	120.8	122.9	124.0	121.2	118.1	118.8
Percent Change	-0.1%	0.1%	0.8%	1.8%	2.2%	1.8%	0.9%	-2.2%	-2.5%	0.5%
Construction & Mining	7.4	7.3	7.4	7.7	8.2	8.4	8.2	7.4	6.3	6.3
Percent Change	-0.8%	-1.3%	2.0%	4.4%	6.2%	2.2%	-2.3%	-10.3%	-14.0%	-1.2%
Information	3.5	3.3	3.1	3.1	3.1	3.0	3.0	2.9	2.7	2.7
Percent Change	-4.6%	-6.5%	-4.0%	-2.2%	-0.9%	-0.7%	-0.3%	-4.1%	-5.4%	-1.8%
Public Utility, Trade & Transportation	25.7	25.4	25.4	25.7	26.1	26.5	26.6	25.6	24.6	24.7
Percent Change	-2.0%	-1.2%	-0.1%	1.5%	1.6%	1.2%	0.6%	-3.9%	-3.8%	0.5%
Finance, Insurance & Real Estate	7.8	7.9	8.0	8.1	8.3	8.3	8.2	8.0	7.7	7.6
Percent Change	1.0%	1.1%	1.2%	0.9%	2.2%	1.0%	-1.3%	-3.3%	-3.6%	-0.8%
Services	49.4	49.8	50.7	51.8	53.3	54.6	55.6	54.8	54.2	55.2
Percent Change	0.3%	0.8%	1.7%	2.4%	2.7%	2.5%	1.8%	-1.3%	-1.2%	1.9%
Professional & Business	16.1	15.9	16.2	16.6	17.3	17.8	18.0	17.1	16.5	16.9
Percent Change	-3.6%	-1.3%	1.4%	3.0%	3.9%	3.0%	1.0%	-4.7%	-3.6%	2.5%
Education & Health	15.9	16.4	16.8	17.1	17.6	18.1	18.6	19.0	19.4	19.8
Percent Change	3.8%	3.0%	2.0%	2.3%	2.7%	2.6%	2.9%	2.4%	1.7%	2.1%
Leisure & Hospitality	12.0	12.1	12.3	12.7	12.9	13.3	13.5	13.2	13.0	13.1
Percent Change	0.1%	0.6%	2.1%	2.6%	2.3%	2.6%	1.6%	-1.9%	-1.9%	0.9%
Other Services	5.3	5.4	5.4	5.4	5.4	5.5	5.5	5.4	5.3	5.4
Percent Change	2.5%	1.2%	0.3%	-0.2%	0.3%	1.0%	0.9%	-1.3%	-1.9%	1.5%
Government	21.4	21.6	21.6	21.7	21.9	22.1	22.4	22.6	22.6	22.2
Percent Change	2.3%	1.1%	-0.1%	0.6%	0.8%	1.0%	1.1%	1.0%	0.0%	-1.4%
Civilian Labor Force	144.3	145.7	146.8	148.2	150.4	152.4	153.7	154.6	153.9	153.7
Percent Change	0.8%	1.0%	0.7%	1.0%	1.4%	1.4%	0.8%	0.6%	-0.4%	-0.2%
Unemployment Rate	5.5%	5.9%	5.8%	5.3%	4.8%	4.5%	4.9%	7.6%	9.7%	9.3%

MAJOR U.S. ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 5
CONSUMER PRICE INDEXES
(1982-1984 = 100)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
All Items – Urban Consumers	178.2	182.1	186.1	191.7	198.9	204.1	211.7	214.6	216.8	221.1
Percent Change	1.8%	2.2%	2.2%	3.0%	3.8%	2.6%	3.7%	1.4%	1.0%	2.0%
Food & Beverages	175.6	178.1	183.6	189.1	193.4	198.9	208.1	218.2	218.6	223.1
Percent Change	2.8%	1.4%	3.1%	3.0%	2.3%	2.9%	4.6%	4.8%	0.2%	2.0%
Housing	178.2	182.6	186.9	192.4	199.6	206.5	212.8	217.6	216.5	217.2
Percent Change	2.8%	2.5%	2.3%	3.0%	3.7%	3.5%	3.1%	2.2%	-0.5%	0.3%
Energy	121.0	130.3	142.0	159.7	194.2	198.7	226.6	208.3	206.5	227.9
Percent Change	-8.0%	7.7%	8.9%	12.5%	21.6%	2.3%	14.1%	-8.1%	-0.8%	10.3%
Commodities	149.6	150.7	152.4	156.9	163.1	165.0	172.0	170.9	173.2	178.7
Percent Change	-0.6%	0.7%	1.1%	3.0%	3.9%	1.2%	4.2%	-0.6%	1.3%	3.2%
Apparel	125.3	122.1	120.7	120.2	119.2	119.6	118.6	119.4	120.0	119.7
Percent Change	-2.8%	-2.5%	-1.2%	-0.4%	-0.8%	0.3%	-0.8%	0.6%	0.5%	-0.3%
Transportation	151.9	156.2	159.3	167.0	179.8	181.2	192.8	182.6	189.0	202.9
Percent Change	-2.1%	2.8%	2.0%	4.9%	7.7%	0.7%	6.4%	-5.3%	3.5%	7.3%
Services	206.5	213.2	219.5	226.2	234.6	242.9	251.0	258.1	260.1	263.2
Percent Change	3.5%	3.3%	3.0%	3.0%	3.7%	3.6%	3.4%	2.8%	0.8%	1.2%
Medical Care	278.9	291.6	303.5	316.7	329.7	343.0	358.7	369.4	382.2	394.0
Percent Change	4.6%	4.5%	4.1%	4.3%	4.1%	4.0%	4.6%	3.0%	3.5%	3.1%
Other Goods & Services	288.6	296.6	301.4	308.9	317.6	327.5	338.9	355.3	376.9	384.6
Percent Change	4.5%	2.8%	1.6%	2.5%	2.8%	3.1%	3.5%	4.8%	6.1%	2.0%

MAJOR CONNECTICUT ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 6
PERSONAL INCOME
(BILLIONS OF DOLLARS)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Personal Income	149.20	149.96	155.77	165.47	176.41	191.03	200.86	196.10	192.29	201.80
Percent Change	1.2%	0.5%	3.9%	6.2%	6.6%	8.3%	5.1%	-2.4%	-1.9%	4.9%
Disposable Personal Income	123.86	127.51	133.46	139.89	147.63	158.45	165.93	168.35	171.31	176.14
Percent Change	4.6%	2.9%	4.7%	4.8%	5.5%	7.3%	4.7%	1.5%	1.8%	2.8%
Total Wages	84.29	84.13	87.37	92.43	97.01	102.70	106.78	103.45	102.04	106.08
Percent Change	-1.3%	-0.2%	3.9%	5.8%	5.0%	5.9%	4.0%	-3.1%	-1.4%	4.0%
Manufacturing Wages	12.78	12.26	12.47	12.90	13.14	13.61	14.02	13.23	12.50	13.32
Percent Change	-8.1%	-4.1%	1.7%	3.5%	1.8%	3.6%	3.0%	-5.6%	-5.5%	6.5%
Nonmanufacturing Wages	71.51	71.87	74.91	79.53	83.88	89.09	92.76	90.22	89.54	92.76
Percent Change	0.1%	0.5%	4.2%	6.2%	5.5%	6.2%	4.1%	-2.7%	-0.8%	3.6%
Other Labor Income	17.22	18.81	19.64	20.89	21.74	22.37	23.94	24.03	23.44	24.27
Percent Change	6.9%	9.2%	4.4%	6.3%	4.1%	2.9%	7.0%	0.4%	-2.5%	3.6%
Proprietor's Income	16.55	16.79	17.50	18.52	19.71	20.07	18.76	17.13	17.27	18.66
Percent Change	5.7%	1.4%	4.3%	5.8%	6.4%	1.8%	-6.5%	-8.7%	0.8%	8.0%
Property Income	26.34	25.15	25.95	27.94	32.02	39.02	43.52	40.55	36.01	37.86
Percent Change	0.0%	-4.5%	3.2%	7.6%	14.6%	21.8%	11.5%	-6.8%	-11.2%	5.1%
Transfer Payments Less Social Insurance	4.80	5.09	5.30	5.70	5.93	6.87	7.85	10.94	13.55	14.94
Percent Change	21.7%	6.0%	4.1%	7.6%	4.0%	15.9%	14.3%	39.3%	23.8%	10.3%
Transfer Payments	16.40	17.13	17.72	18.76	19.46	20.90	22.47	25.60	28.19	29.17
Percent Change	6.8%	4.4%	3.5%	5.9%	3.8%	7.4%	7.5%	13.9%	10.1%	3.4%
Social Insurance	11.60	12.03	12.42	13.06	13.53	14.03	14.62	14.66	14.65	14.23
Percent Change	1.7%	3.7%	3.2%	5.1%	3.6%	3.7%	4.2%	0.3%	-0.1%	-2.9%

MAJOR CONNECTICUT ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 7
DEFLATED PERSONAL INCOME
(BILLIONS OF DOLLARS)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Personal Income	163.20	160.99	163.43	168.32	173.48	182.20	187.15	179.18	174.52	180.05
Percent Change	-0.6%	-1.4%	1.5%	3.0%	3.1%	5.0%	2.7%	-4.3%	-2.6%	3.2%
Disposable Personal Income	135.47	136.88	140.02	142.30	145.18	151.13	154.60	153.82	155.47	157.16
Percent Change	2.7%	1.0%	2.3%	1.6%	2.0%	4.1%	2.3%	-0.5%	1.1%	1.1%
Total Wages	92.20	90.31	91.67	94.02	95.40	97.95	99.49	94.52	92.61	94.65
Percent Change	-3.0%	-2.0%	1.5%	2.6%	1.5%	2.7%	1.6%	-5.0%	-2.0%	2.2%
Manufacturing Wages	13.98	13.16	13.08	13.12	12.92	12.98	13.06	12.09	11.35	11.89
Percent Change	0.4%	0.4%	0.4%	0.3%	-1.5%	0.4%	0.6%	-7.4%	-6.1%	4.7%
Nonmanufacturing Wages	78.22	77.15	78.59	80.90	82.48	84.98	86.43	82.43	81.26	82.76
Percent Change	-1.7%	-1.4%	1.9%	2.9%	2.0%	3.0%	1.7%	-4.6%	-1.4%	1.9%
Other Labor Income	18.84	20.20	20.61	21.24	21.38	21.34	22.30	21.95	21.27	21.65
Percent Change	4.9%	7.2%	2.0%	3.1%	0.6%	-0.2%	4.5%	-1.6%	-3.1%	1.8%
Proprietor's Income	18.10	18.02	18.36	18.84	19.38	19.14	17.48	15.65	15.67	16.65
Percent Change	3.9%	-0.5%	1.9%	2.6%	2.9%	-1.3%	-8.6%	-10.5%	0.1%	6.2%
Property Income	28.81	27.00	27.23	28.42	31.49	37.21	40.55	37.05	32.68	33.78
Percent Change	-1.8%	-6.3%	0.9%	4.4%	10.8%	18.2%	9.0%	-8.6%	-11.8%	3.4%
Transfer Payments Less Social Insurance	5.25	5.47	5.56	5.80	5.83	6.56	7.32	10.00	12.29	13.33
Percent Change	19.6%	4.1%	1.8%	4.3%	0.5%	12.4%	11.6%	36.6%	23.0%	8.4%
Transfer Payments	17.94	18.38	18.59	19.08	19.14	19.94	20.94	23.39	25.59	26.02
Percent Change	4.9%	2.5%	1.1%	2.6%	0.3%	4.2%	5.0%	11.7%	9.4%	1.7%
Social Insurance	12.69	12.92	13.03	13.28	13.31	13.38	13.62	13.39	13.29	12.69
Percent Change	-0.2%	1.8%	0.8%	1.9%	0.2%	0.6%	1.8%	-1.7%	-0.7%	-4.5%

Note: All categories are deflated by GDP Price Index (2000 = 100).

MAJOR CONNECTICUT ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 8
MANUFACTURING EMPLOYMENT
(THOUSANDS -Seasonally Adjusted)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Manufacturing	218.31	204.88	197.56	196.68	194.11	192.44	189.23	180.42	166.23	166.85
Percent Change	-6.6%	-6.2%	-3.6%	-0.4%	-1.3%	-0.9%	-1.7%	-4.7%	-7.9%	0.4%
Electronic & Electrical	31.39	27.77	25.99	25.80	25.11	25.07	25.25	24.60	22.86	23.29
Percent Change	-11.5%	-11.5%	-6.4%	-0.7%	-2.7%	-0.2%	0.7%	-2.6%	-7.1%	1.9%
Metals Manufacturing	44.80	41.90	40.74	41.31	41.07	40.82	40.38	37.98	33.69	33.77
Percent Change	-8.9%	-6.5%	-2.8%	1.4%	-0.6%	-0.6%	-1.1%	-5.9%	-11.3%	0.2%
Industrial Machinery	21.23	19.51	18.65	18.35	17.99	18.15	18.00	17.03	15.36	14.98
Percent Change	-9.0%	-8.1%	-4.4%	-1.7%	-1.9%	0.9%	-0.8%	-5.4%	-9.8%	-2.5%
Transportation Equip.	46.34	44.18	43.06	43.31	43.60	43.51	43.93	43.94	42.42	42.68
Percent Change	-1.3%	-4.7%	-2.5%	0.6%	0.7%	-0.2%	1.0%	0.0%	-3.5%	0.6%
Chemical, Plast. & Rub.	27.89	26.52	25.51	25.21	24.57	23.59	22.13	20.30	18.56	18.69
Percent Change	-5.4%	-4.9%	-3.8%	-1.2%	-2.5%	-4.0%	-6.2%	-8.2%	-8.6%	0.7%
Printing, Publ. & Textile	21.73	19.86	19.23	18.51	17.62	17.29	16.66	14.89	12.80	12.63
Percent Change	-9.1%	-8.6%	-3.2%	-3.7%	-4.8%	-1.9%	-3.7%	-10.6%	-14.0%	-1.3%
Food, Bev. & Tobacco	8.61	8.79	8.44	8.44	8.60	8.51	8.01	7.75	7.99	8.28
Percent Change	0.9%	2.1%	-4.0%	0.0%	1.9%	-1.1%	-5.8%	-3.2%	3.0%	3.7%
Miscellaneous	16.31	16.34	15.93	15.75	15.54	15.50	14.88	13.93	12.56	12.53
Percent Change	-3.6%	0.2%	-2.5%	-1.2%	-1.3%	-0.3%	-4.0%	-6.4%	-9.8%	-0.2%

MAJOR CONNECTICUT ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 9
NONMANUFACTURING EMPLOYMENT
(THOUSANDS -Seasonally Adjusted)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Nonmanufacturing	1,457.2	1,447.5	1,445.8	1,460.4	1,476.5	1,497.2	1,516.8	1,484.6	1,439.8	1,451.8
Percent Change	0.0%	-0.7%	-0.1%	1.0%	1.1%	1.4%	1.3%	-2.1%	-3.0%	0.8%
Construction & Mining	65.82	62.39	64.42	67.23	67.14	68.53	69.02	60.47	51.75	50.50
Percent Change	-0.2%	-5.2%	3.3%	4.3%	-0.1%	2.1%	0.7%	-12.4%	-14.4%	-2.4%
Information	42.64	40.09	39.13	38.68	37.82	38.06	38.50	36.37	32.46	31.65
Percent Change	-8.2%	-6.0%	-2.4%	-1.1%	-2.2%	0.6%	1.2%	-5.5%	-10.8%	-2.5%
Utilities	9.07	8.92	8.70	8.65	8.31	8.14	8.34	8.69	8.15	7.84
Percent Change	-4.3%	-1.7%	-2.4%	-0.6%	-4.0%	-2.0%	2.5%	4.2%	-6.3%	-3.7%
Transportation	40.30	39.85	40.41	42.77	43.98	44.07	44.14	42.97	40.79	40.69
Percent Change	-4.0%	-1.1%	1.4%	5.9%	2.8%	0.2%	0.1%	-2.7%	-5.1%	-0.2%
Wholesale Trade	66.58	65.75	65.57	65.91	67.18	67.73	69.15	67.34	63.13	63.06
Percent Change	-2.3%	-1.2%	-0.3%	0.5%	1.9%	0.8%	2.1%	-2.6%	-6.3%	-0.1%
Retail Trade	195.18	192.46	191.19	192.72	191.41	191.07	190.90	182.51	177.40	178.48
Percent Change	-0.3%	-1.4%	-0.7%	0.8%	-0.7%	-0.2%	-0.1%	-4.4%	-2.8%	0.6%
Finance & Insurance	122.21	122.54	121.15	120.75	122.31	123.81	123.25	121.03	116.48	115.97
Percent Change	0.4%	0.3%	-1.1%	-0.3%	1.3%	1.2%	-0.5%	-1.8%	-3.8%	-0.4%
Real Estate	20.67	20.28	20.22	20.52	21.02	21.17	20.82	19.87	18.95	19.09
Percent Change	-4.2%	-1.9%	-0.3%	1.5%	2.4%	0.8%	-1.7%	-4.6%	-4.6%	0.7%
Professional & Business	205.97	199.02	196.42	197.86	202.53	205.42	207.48	196.80	187.47	193.68
Percent Change	-3.8%	-3.4%	-1.3%	0.7%	2.4%	1.4%	1.0%	-5.1%	-4.7%	3.3%
Education & Health	256.57	262.17	266.23	271.01	276.05	283.78	292.23	299.92	304.24	311.28
Percent Change	3.5%	2.2%	1.5%	1.8%	1.9%	2.8%	3.0%	2.6%	1.4%	2.3%
Leisure & Hospitality	121.08	123.51	126.62	128.73	130.77	133.98	137.37	135.23	132.75	135.02
Percent Change	0.5%	2.0%	2.5%	1.7%	1.6%	2.5%	2.5%	-1.6%	-1.8%	1.7%
Other Services	62.89	62.38	62.27	62.65	63.08	64.27	63.88	62.11	60.57	60.80
Percent Change	2.1%	-0.8%	-0.2%	0.6%	0.7%	1.9%	-0.6%	-2.8%	-2.5%	0.4%
Federal Government	21.38	21.15	20.38	19.95	19.76	19.62	19.58	19.50	19.78	18.32
Percent Change	-3.2%	-1.1%	-3.6%	-2.1%	-1.0%	-0.7%	-0.2%	-0.4%	1.5%	-7.4%
State & Local Gov't.	226.81	227.02	223.12	222.95	225.12	227.58	232.13	231.82	225.89	225.42
Percent Change	3.1%	0.1%	-1.7%	-0.1%	1.0%	1.1%	2.0%	-0.1%	-2.6%	-0.2%

MAJOR CONNECTICUT ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 10
LABOR FORCE & OTHER ECONOMIC INDICATORS
(THOUSANDS -Seasonally Adjusted)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Labor Force	1,755.6	1,788.8	1,791.3	1,795.3	1,815.7	1,838.6	1,856.8	1,881.0	1,892.5	1,895.9
Percent Change	1.1%	1.9%	0.1%	0.2%	1.1%	1.3%	1.0%	1.3%	0.6%	0.2%
Nonagricultural Employment	1,675.5	1,652.4	1,643.4	1,657.0	1,670.6	1,689.7	1,706.0	1,665.0	1,606.0	1,618.6
Percent Change	-0.9%	-1.4%	-0.5%	0.8%	0.8%	1.1%	1.0%	-2.4%	-3.5%	0.8%
Residential Employment	1,691.8	1,696.3	1,697.5	1,708.2	1,731.6	1,757.1	1,765.1	1,749.5	1,722.8	1,723.7
Percent Change	0.0%	0.3%	0.1%	0.6%	1.4%	1.5%	0.5%	-0.9%	-1.5%	0.1%
Unemployed	63.8	92.5	93.8	87.1	84.1	81.5	91.7	131.6	169.7	172.2
Percent Change	46.7%	44.9%	1.5%	-7.2%	-3.4%	-3.1%	12.5%	43.5%	29.0%	1.5%
Unemployment Rate	3.6%	5.2%	5.2%	4.9%	4.6%	4.5%	4.9%	7.0%	9.0%	9.1%
Households	1,319.0	1,329.7	1,336.7	1,340.3	1,345.1	1,349.3	1,355.9	1,363.7	1,370.6	1,377.0
Percent Change	0.7%	0.8%	0.5%	0.3%	0.4%	0.3%	0.5%	0.6%	0.5%	0.5%
Housing Starts	9,215.4	8,547.8	9,800.6	11,597.4	11,127.5	8,539.3	6,279.2	3,635.2	3,645.0	3,471.0
Percent Change	7.2%	-7.2%	14.7%	18.3%	-4.1%	-23.3%	-26.5%	-42.1%	0.3%	-4.8%
Single Family	8,268.3	7,326.5	7,880.1	9,634.0	9,186.3	6,953.6	4,609.2	2,416.2	2,729.3	2,539.9
Percent Change	12.5%	-11.4%	7.6%	22.3%	-4.6%	-24.3%	-33.7%	-47.6%	13.0%	-6.9%
Multi Family	947.1	1,221.4	1,920.5	1,963.4	1,941.2	1,585.7	1,670.0	1,219.0	915.7	931.0
Percent Change	-24.0%	29.0%	57.2%	2.2%	-1.1%	-18.3%	5.3%	-27.0%	-24.9%	1.7%
New Car Registrations	231.8	227.4	254.8	228.1	230.5	212.8	212.4	155.5	148.6	183.5
Percent Change	-5.4%	-1.9%	12.0%	-10.5%	1.1%	-7.7%	-0.2%	-26.8%	-4.4%	23.5%

Note: Connecticut housing starts are already in thousands.

MAJOR CONNECTICUT ECONOMIC INDICATORS - FISCAL YEAR BASIS

TABLE 11
ANALYTICS

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Wages/Total Income	56.49%	56.10%	56.09%	55.86%	54.99%	53.76%	53.16%	52.75%	53.06%	52.57%
Other Labor Income /Total Income	11.54%	12.55%	12.61%	12.62%	12.32%	11.71%	11.92%	12.25%	12.19%	12.03%
Social Insurance /Total Income	7.77%	8.03%	7.97%	7.89%	7.67%	7.34%	7.28%	7.47%	7.62%	7.05%
Transfer Payments /Total Income	10.99%	11.42%	11.38%	11.34%	11.03%	10.94%	11.19%	13.06%	14.66%	14.45%
Proprietor's Income /Total Income	11.09%	11.19%	11.24%	11.19%	11.17%	10.50%	9.34%	8.74%	8.98%	9.24%
Property Income /Total Income	17.65%	16.77%	16.66%	16.88%	18.15%	20.42%	21.67%	20.68%	18.72%	18.76%
Average Wages (Thousands in 2000 $)	56.55	57.39	57.82	57.79	57.83	57.84	57.40	57.34	59.59	57.90
Average Mfg. Wages (Thousands in 2000 $)	64.03	64.23	66.20	66.71	66.55	67.43	69.02	67.02	68.27	71.23
Average Nonmfg. Wages (Thousands in 2000 $)	55.40	56.37	56.63	56.56	56.67	56.61	55.98	56.15	58.55	56.39
Manufacturing Share of Non-Agricultural Employment	13.39%	13.02%	12.46%	12.09%	11.77%	11.36%	10.92%	10.94%	10.70%	10.21%
Residential Employment /Total Nonagricultural	1.038	1.078	1.071	1.050	1.050	1.038	1.018	1.061	1.109	1.055

MAJOR CONNECTICUT REGIONAL ECONOMIC INDICATORS - CALENDAR YEAR BASIS

TABLE 12
PERSONAL INCOME (MILLIONS-Seasonally Adjusted Annual Rate)

BRIDGEPORT-STAMFORD-NORWALK

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Personal Income	54,761.4	53,528.3	53,393.0	58,071.4	61,062.1	68,194.0	71,921.5	71,236.5	67,388.3	69,864.7
Percent Change	3.9%	-2.3%	-0.3%	8.8%	5.1%	11.7%	5.5%	-1.0%	-5.4%	3.7%
Total Wages	28,277.8	26,958.8	27,647.2	29,406.4	31,140.0	33,315.0	36,136.1	35,843.3	32,874.8	34,142.7
Percent Change	2.5%	-4.7%	2.6%	6.4%	5.9%	7.0%	8.5%	-0.8%	-8.3%	3.9%

HARTFORD-WEST HARTFORD-EAST HARTFORD

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Personal Income	45,024.2	45,398.7	46,577.7	49,044.4	51,420.9	55,444.0	59,891.9	61,636.3	60,609.6	62,202.0
Percent Change	4.8%	0.8%	2.6%	5.3%	4.8%	7.8%	8.0%	2.9%	-1.7%	2.6%
Total Wages	28,167.5	28,152.0	28,524.6	30,294.5	31,733.1	33,190.6	35,425.2	35,829.9	34,531.3	35,172.2
Percent Change	3.9%	-0.1%	1.3%	6.2%	4.7%	4.6%	6.7%	1.1%	-3.6%	1.9%

NEW LONDON-NORWICH, CT-RI

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Personal Income	9,172.2	9,518.5	9,882.5	10,349.0	10,640.3	11,315.5	12,221.2	12,596.4	12,499.0	12,704.7
Percent Change	6.3%	3.8%	3.8%	4.7%	2.8%	6.3%	8.0%	3.1%	-0.8%	1.6%
Total Wages	5,274.3	5,465.6	5,629.2	5,863.3	6,057.7	6,300.5	6,621.9	6,870.8	6,724.4	6,720.3
Percent Change	6.3%	3.6%	3.0%	4.2%	3.3%	4.0%	5.1%	3.8%	-2.1%	-0.1%