FISCAL ACCOUNTABILITY REPORT
FISCAL YEARS 2014 – 2018

OFFICE OF POLICY AND MANAGEMENT
BENJAMIN BARNES, SECRETARY
NOVEMBER 25, 2013

Presentation Overview

- Summary of OPM projections
- Spending cap calculation
- Budget Reserve Fund status
- Economic factors and revenue trends
- Expenditures, major cost drivers and long-term obligations
- Five year bond projections
- Summary and conclusion

Financial Summary of Funds

in millions

	Estimated[3]	Enacted[4]	Projected		
General Fund	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Revenues[1]	$ 17,249.6	$ 17,532.7	$ 17,687.2	$ 18,406.6	$ 19,195.1
Expenditures	$ 17,113.6	17,497.6	18,299.6	18,839.1	19,571.4
Balance	$ 136.0	$ 35.1	$ (612.4)	$ (432.5)	$ (376.3)
Special Transportation Fund					
Revenues[1]	$ 1,244.5	$ 1,321.8	$ 1,486.1	$ 1,496.8	$ 1,497.5
Expenditures	1,243.2	1,322.3	1,389.4	1,448.8	1,509.4
Balance	$ 1.3	$ (0.5)	$ 96.7	$ 48.0	$ (11.9)
Other Funds[2]					
Revenues	$ 174.9	$ 175.7	$ 252.8	$ 256.7	$ 260.9
Expenditures	174.5	175.5	252.6	256.4	260.4
Balance	$ 0.4	$ 0.2	$ 0.2	$ 0.3	$ 0.5
Total All Appropriated Funds					
Revenues	$ 18,669.0	$ 19,030.2	$ 19,426.1	$ 20,160.1	$ 20,953.5
Expenditures	18,531.3	18,995.4	19,941.6	20,544.4	21,341.2
Balance	$ 137.7	$ 34.8	$ (515.5)	$ (384.3)	$ (387.7)

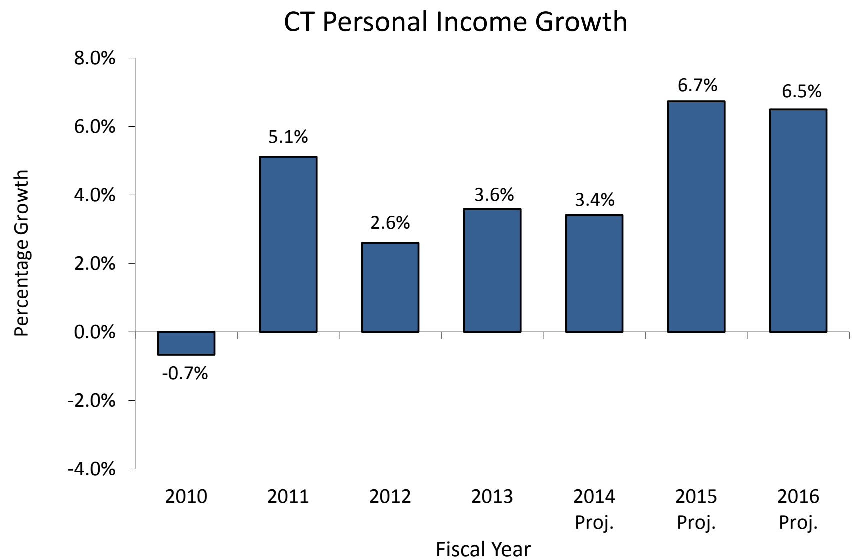
(1) Revenues reflect the November 8, 2013 consensus revenue forecast.

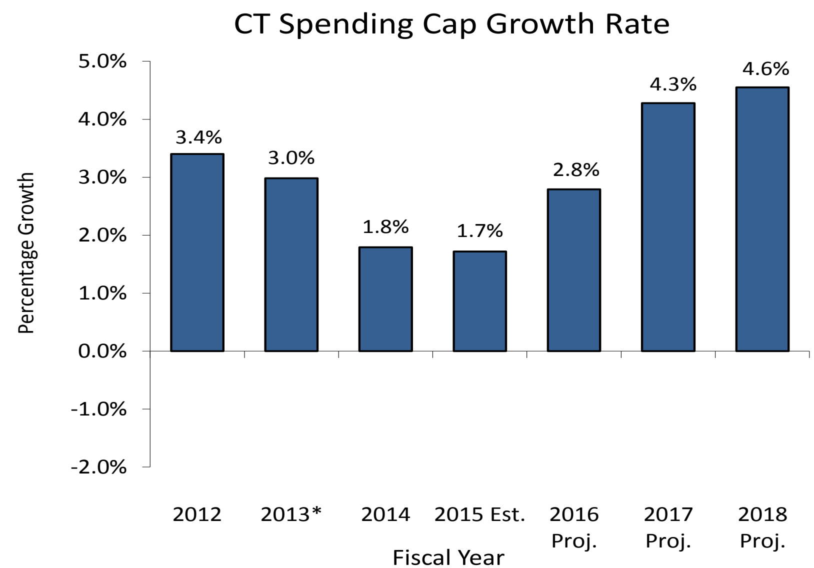
(2) Other funds include the: a) Mashantucket Pequot and Mohegan Fund, b) Soldiers, Sailors and Marines' Fund, c) Regional Market Operating Fund, d) Banking Fund, e) Insurance Fund, f) Consumer Counsel and Public Utility Control Fund, g) Workers' Compensation Fund, h) Criminal Injuries Compensation Fund.

(3) Reflects OPM Nov. 20, 2013 letter to Comptroller.

(4) FY 2015 reflects enacted budget.

Spending Cap





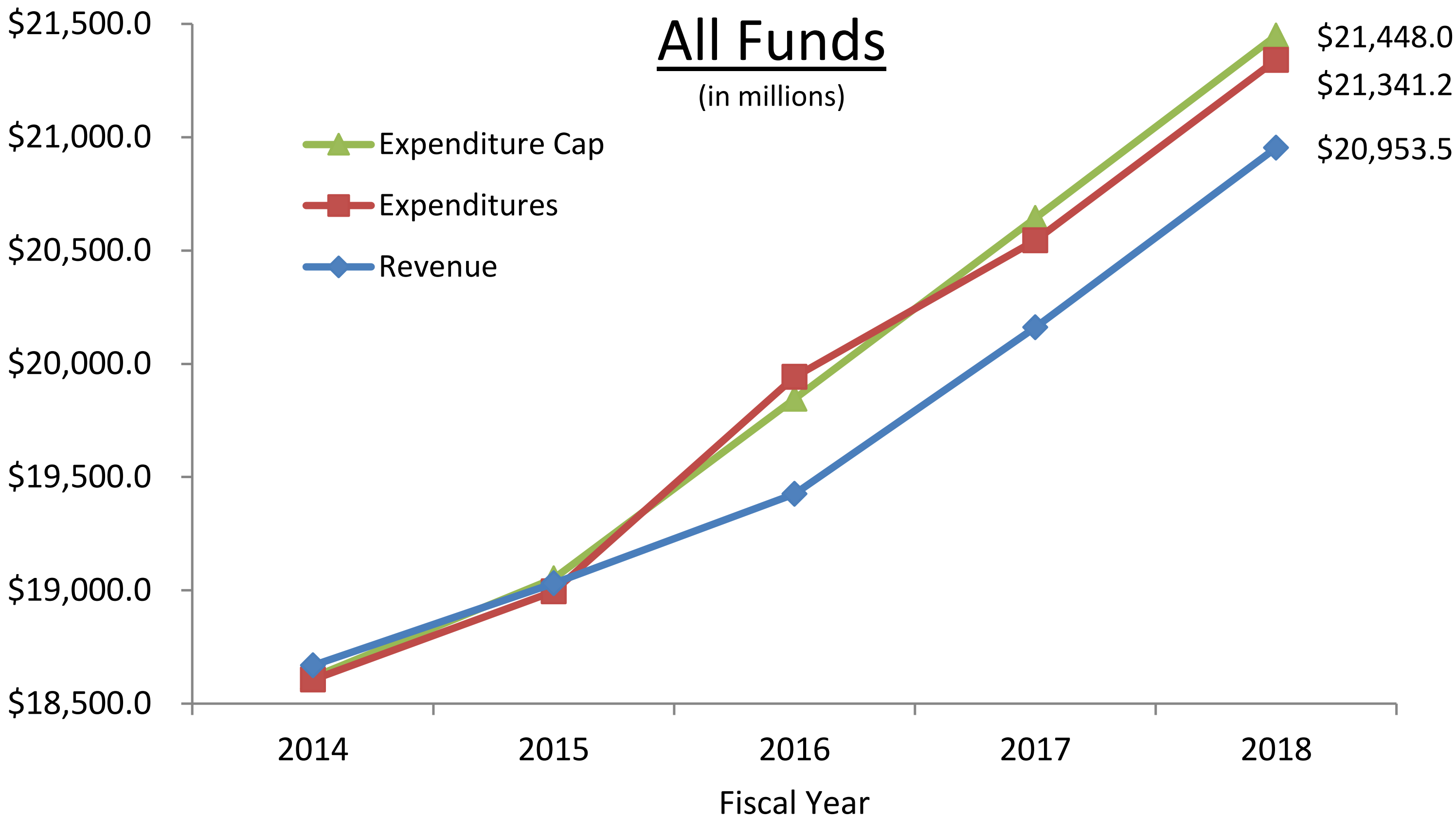
* Inflation was the limiting factor

- The adopted FY 2014 budget is $9.4 million below the cap.
- At adoption, the FY 2015 budget was $166.3 million below the cap.
- Recent revisions to personal income growth have reduced the available room under the cap in FY 2015 to $56.9 million.
- Personal income growth serves as the cap's proxy for the economy's ability to pay for government services.
- The most recent recession has resulted in the lowest allowable expenditure cap growth rates since its inception.

Spending Cap

	Enacted	Projected		
	FY 2015	FY 2016	FY 2017	FY 2018
Expenditure Cap Results				
Total All Appropriated Funds	$ 18,995.4	$ 19,941.6	$ 20,544.4	$ 21,341.2
Allowed Appropriations per Cap	19,052.3	19,845.8	20,643.0	21,448.0
Over/(Under) the Cap	$ (56.9)	$ 95.8	$ (98.6)	$ (106.8)
Revenues and the Expenditure Cap				
Revenues - All Funds		$ 19,426.1	$ 20,160.1	$ 20,953.5
Allowed Appropriations per Cap		19,845.8	20,643.0	21,448.0
Revenues Less Allowed Approps.		$ (419.7)	$ (482.9)	$ (494.5)

Outyear Cap and Balance



- Over the next three years revenues are projected to grow by $2.3 billion.
- The state's constitutional spending cap will permit growth of $2.8 billion.
- Expenditures and revenues will have to be aligned in order for the budget to remain in balance.

Economy and Revenue

General Fund Revenue Sources

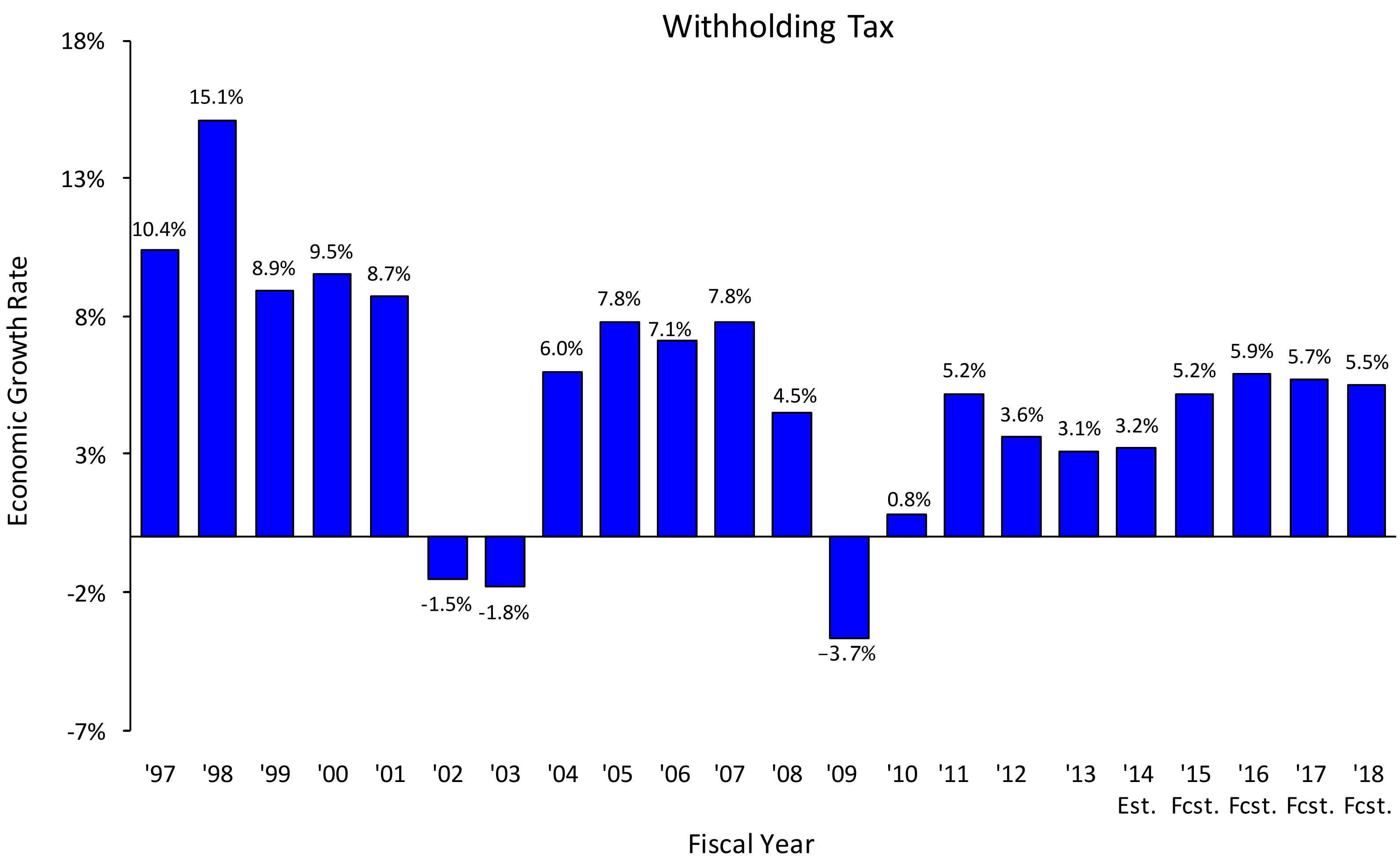
November 8, 2013 Consensus Revenue Forecast

(In Millions)

	FY 2014	% of Total	FY 2015	% of Total	FY 2016	% of Total	FY 2017	% of Total	FY 2018	% of Total
Personal Income Tax	$ 8,808.8	51.1%	$ 9,399.8	53.6%	$ 9,959.5	56.3%	$ 10,558.8	57.4%	$ 11,171.4	58.2%
Sales & Use Tax	4,074.0	23.6%	4,197.9	23.9%	4,236.1	24.0%	4,408.7	24.0%	4,581.4	23.9%
Federal Grants	1,310.5	7.6%	1,211.5	6.9%	1,207.9	6.8%	1,224.4	6.7%	1,252.5	6.5%
Corporation Tax	753.5	4.4%	763.4	4.4%	686.1	3.9%	734.0	4.0%	716.5	3.7%
Health Provider Tax	512.0	3.0%	514.5	2.9%	516.9	2.9%	519.4	2.8%	521.9	2.7%
Cigarette Tax	390.4	2.3%	378.8	2.2%	368.1	2.1%	357.8	1.9%	347.8	1.8%
Special Revenue	313.9	1.8%	338.5	1.9%	344.1	1.9%	354.8	1.9%	365.7	1.9%
All Other	1,086.5	6.3%	728.3	4.2%	368.5	2.1%	248.7	1.4%	237.9	1.2%
Total	$ 17,249.6	100.0%	$ 17,532.7	100.0%	$ 17,687.2	100.0%	$ 18,406.6	100.0%	$ 19,195.1	100.0%

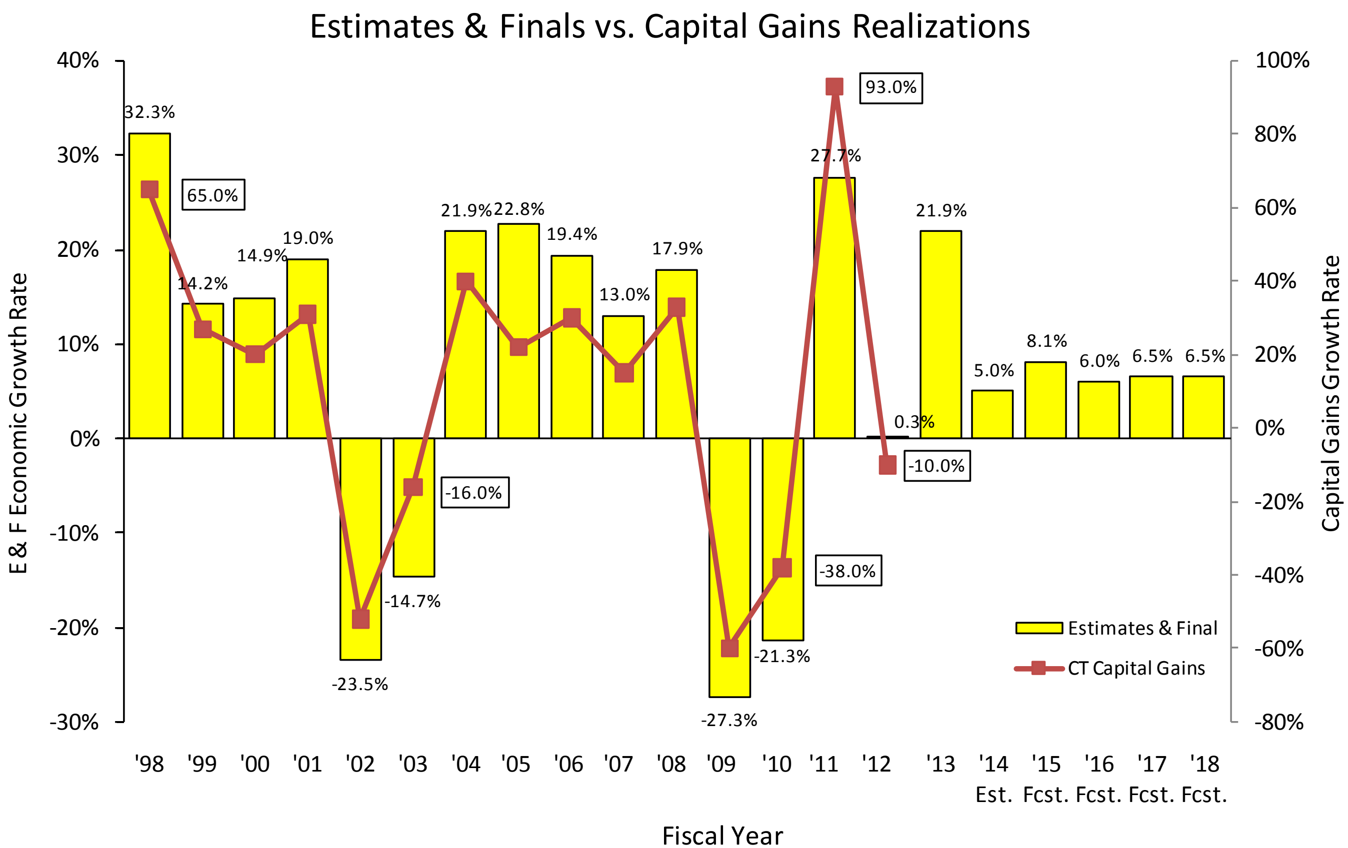
Personal Income Tax Trends

Economic Growth Rates



Income Tax

Highly Dependent Upon Capital Gains

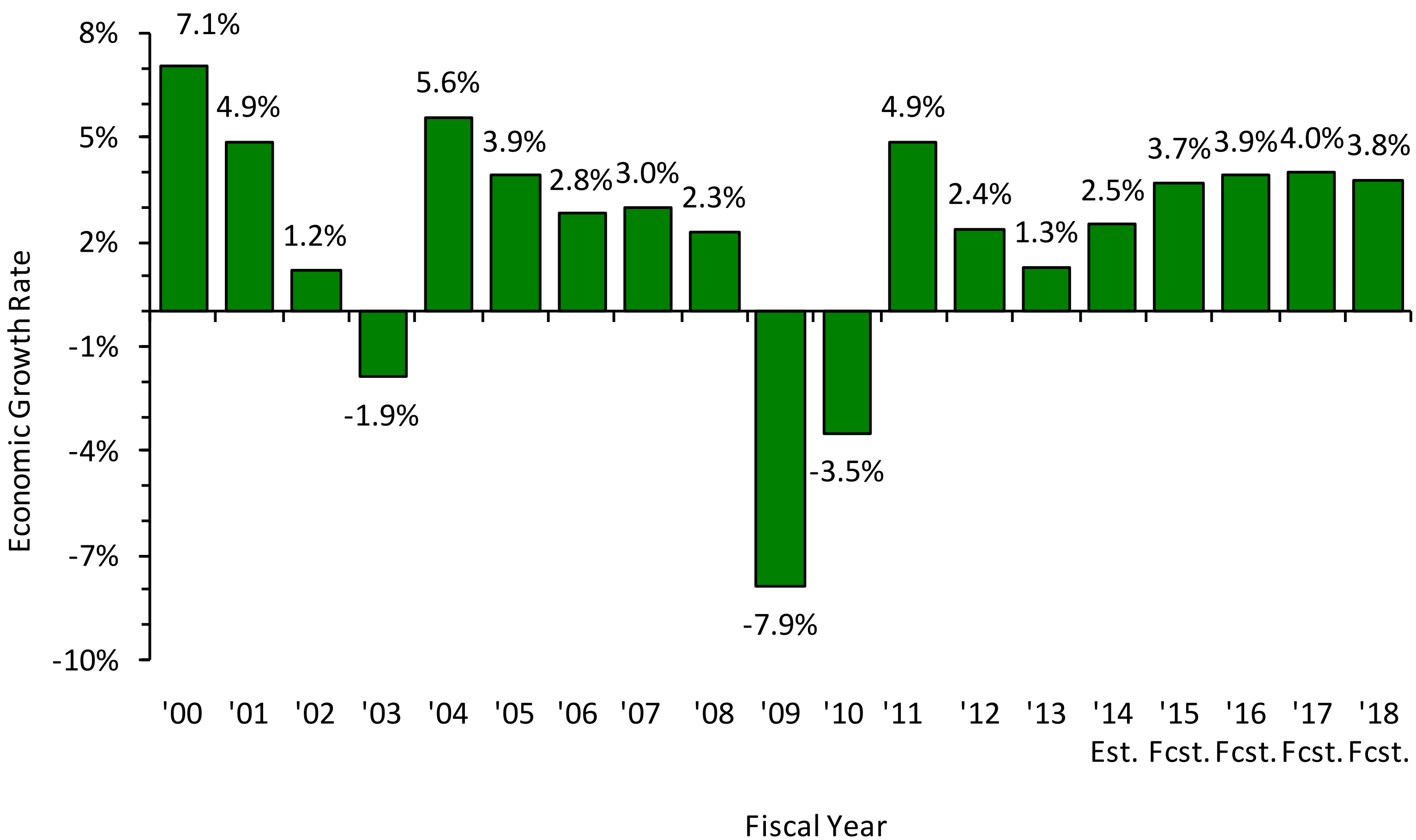


Note: Capital Gains are for the immediately preceding calendar year.

- Over the past 15 years Connecticut's income tax revenue has fluctuated dramatically due to the performance of the stock market and two recessions.
- Unfortunately, a record high year for capital gains realizations can be immediately followed by a record low year, creating extreme volatility in state finances.

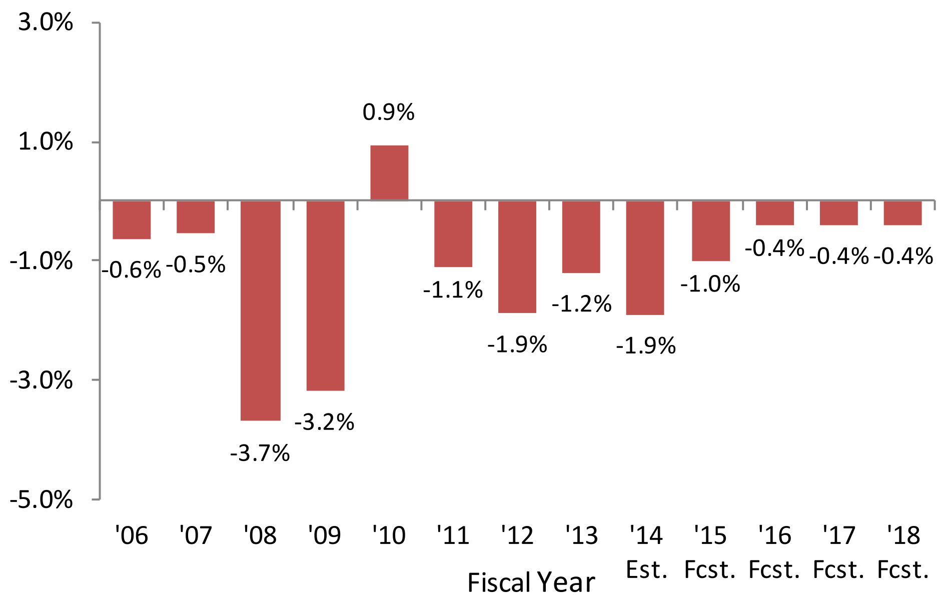
Sales Tax Trends

Economic Growth Rates



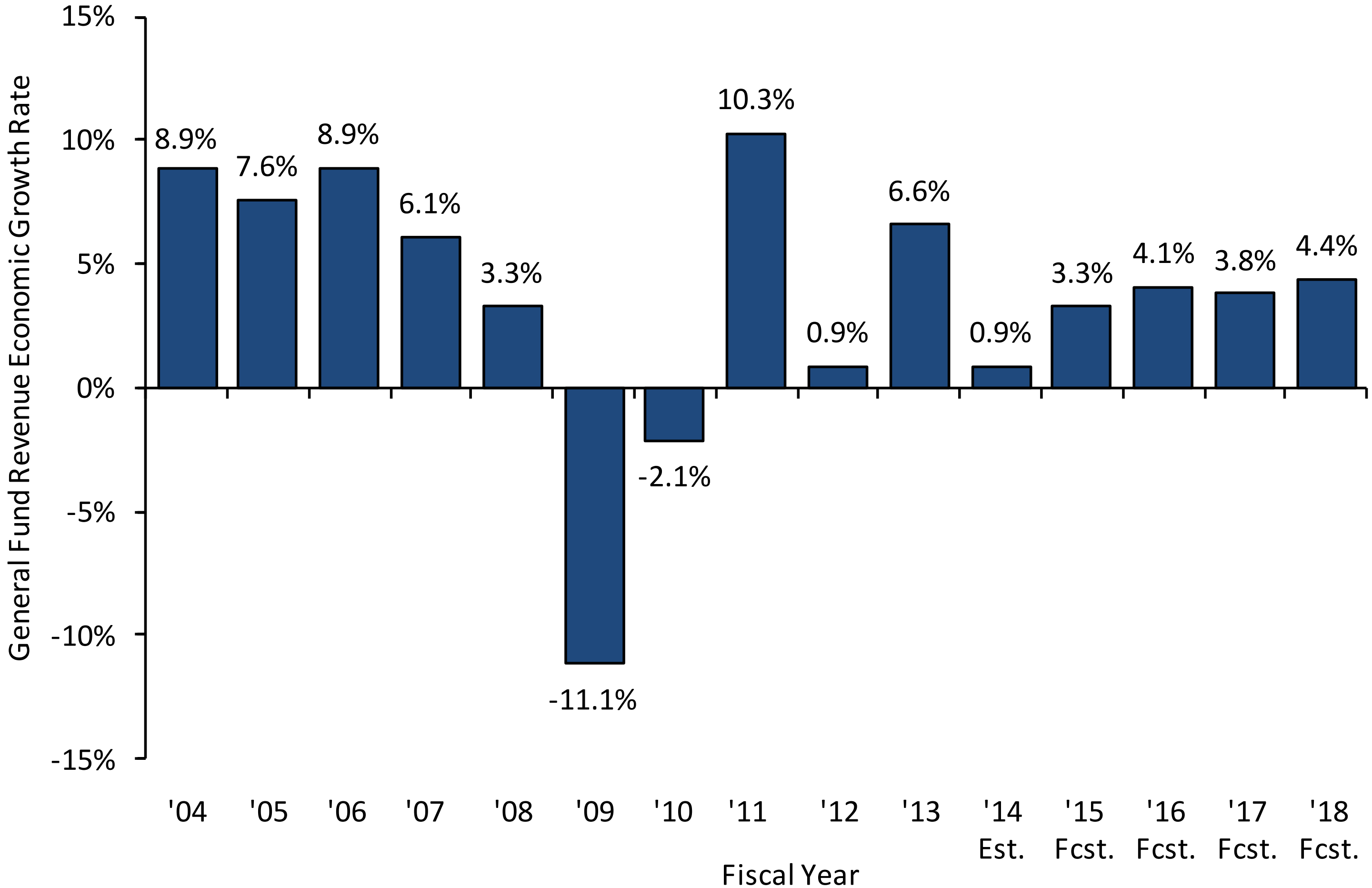
Declining Motor Fuels Consumption

Economic Growth Rates of the Motor Fuels Tax

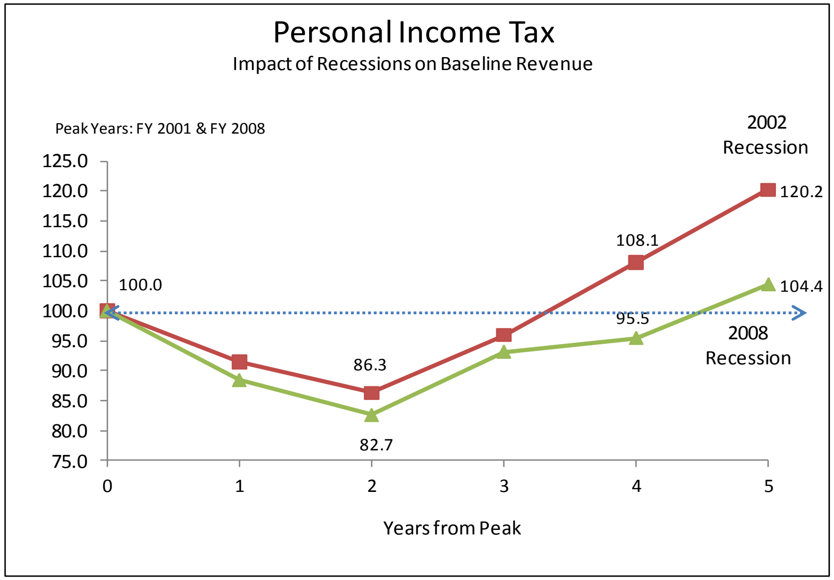


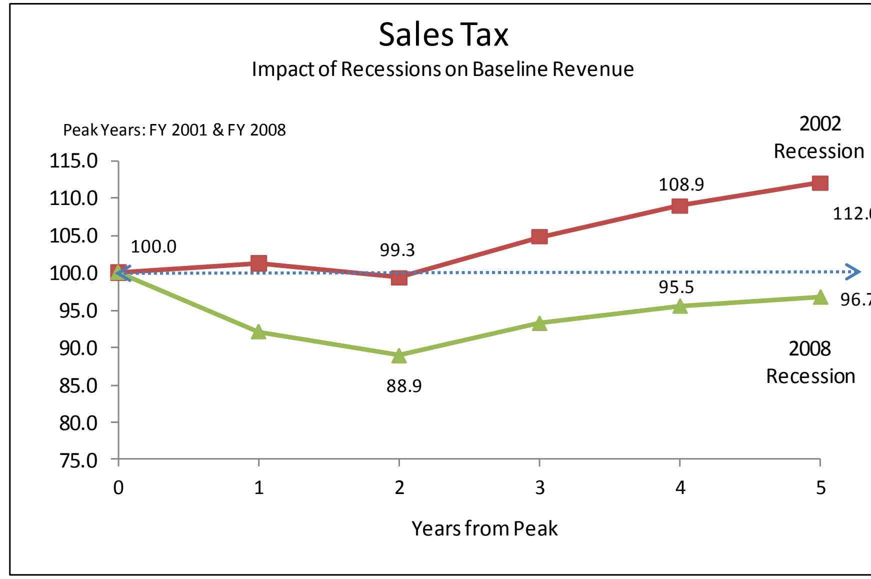
- Consumers began to curtail consumption as prices began to rise.
- From FY 2006 through FY 2013, the cumulative decline in Motor Fuels tax revenue is 10.3%.
- For this revenue source this is not just a cyclical change, but a major structural change on the part of consumers.
- In FY 2013, Motor Fuels tax revenue equaled 40.7% of the total revenue of the Special Transportation Fund which is down from 55.4% in FY 2003. Declining growth in motor fuels revenue has led to an increasing reliance on other revenue sources to support the fund, including transfers from the General Fund.

General Fund Economic Growth Rates



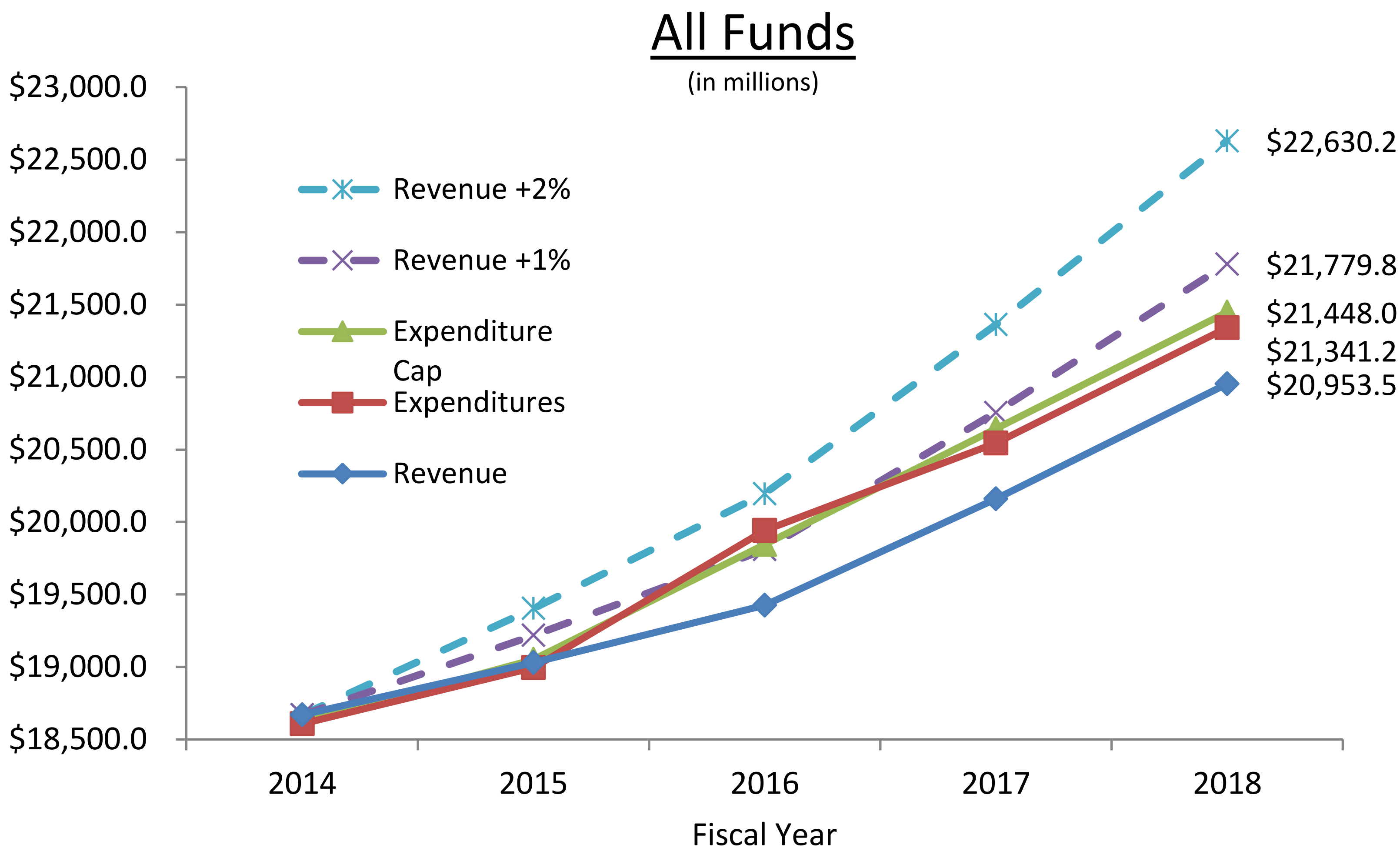
Slow Economic Recovery





- For the two most recent recessions, revenue peaked in FY 2001 and FY 2008, respectively.
- Unlike the prior recession, Sales Tax revenue has yet to exceed its previous peak.
- If this recovery had been similar to the 2003 recovery, Income Tax revenue would be $1.3 billion higher, while Sales Tax revenue would be $600 million higher.

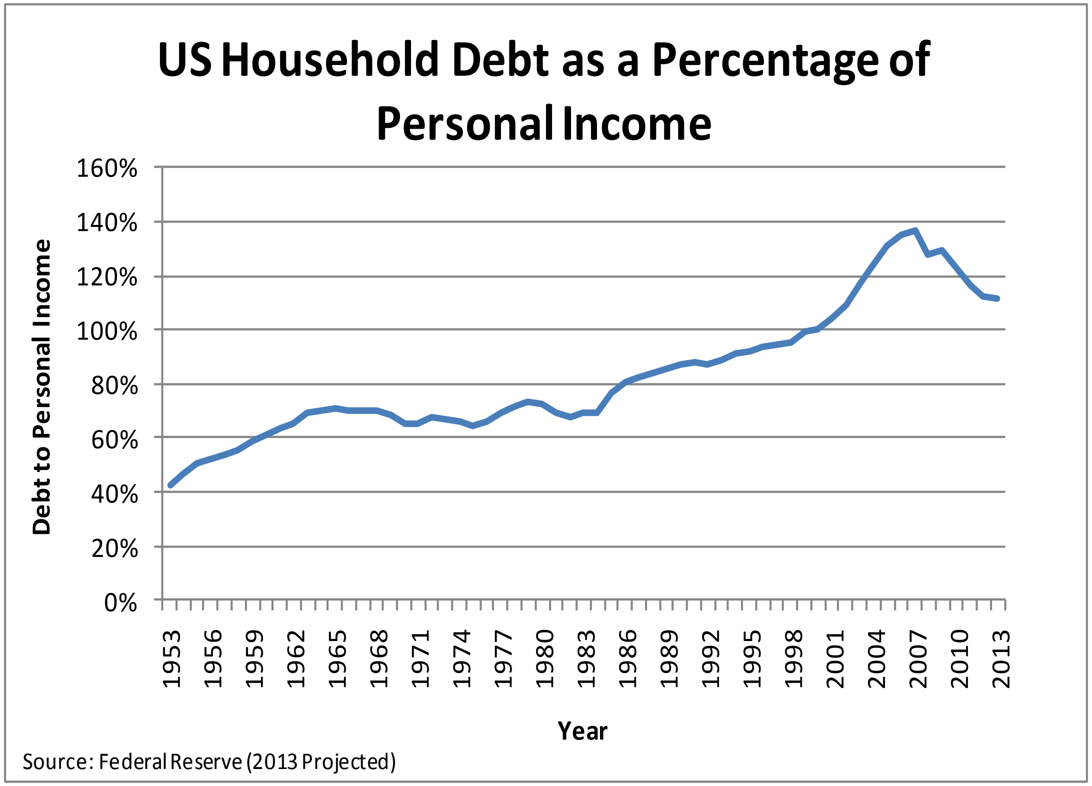
Outyear Cap and Balance – Sensitivity Analysis



Tepid Income Growth (US)

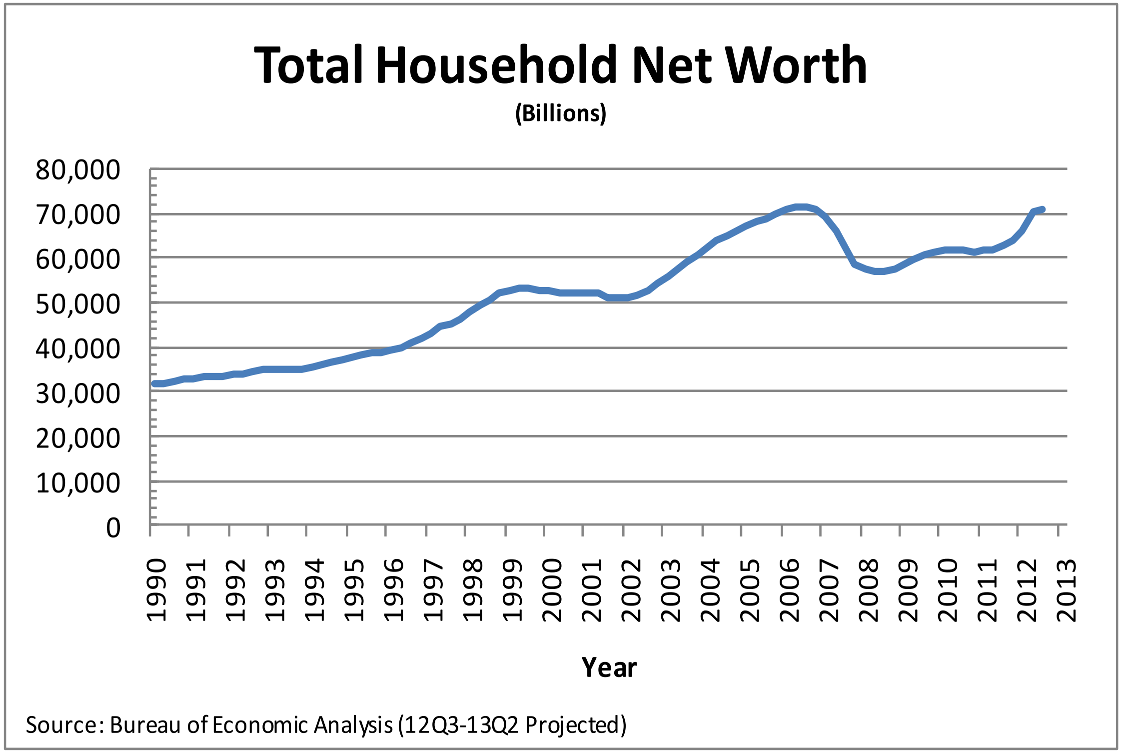
- From its peak in 2008, Qtr. 2, U.S. real personal income had declined $469 billion, or 3.8% by 2009, Qtr. 4.
- From its peak in 2008 Q2 to 2013 Q2, there has been a 5.4% growth in U.S. real personal income, or 1% annually.

Consumer Debt (US)



- After reaching unsustainable levels, U.S. households have begun to address their debt.
- However, debt remains at elevated levels.
- At this rate it will take 10 years to reach the 1952-1990 average of 65%
- Despite historically low interest rates, which would normally be an incentive to borrow more, households continue to deleverage.
- This reduction in debt combined with the increase in the savings rate is equivalent to 1.8% annually of U.S. GDP.

Depressed Household Net Worth (US)



- Household net worth for all Americans peaked at $71,372 billion in 2007 Q2.
- The financial crisis wiped-out 20% of households' total net worth, from peak to trough.
- Even today, U.S. household net worth remains 1% below the 2007 peak. This has had a negative impact on consumers' ability to borrow against their assets and consumer confidence via the "wealth effect" during the recovery.

Expenditures:

Major Cost Drivers &

Long Term Obligations

FY 2014 General Fund Deficiencies

(in millions)

	FY 2014
Dept. of Administrative Services	$8.0
Dept. of Emergency Services and Public Protection	3.0
Dept. of Education	9.0
Public Defenders Services Commission	3.2
Total	$23.2

As of OPM letter to Comptroller, Nov. 20, 2013.

- Unlike recent years since the Great Recession began, relatively minor shortfalls are forecast for FY 2014.
- As of Nov. 20, 3013, OPM is forecasting lapses of $98.3 million beyond budgeted levels, more than offsetting the shortfalls noted above.

Summary of Appropriated Fund Projections – General Fund

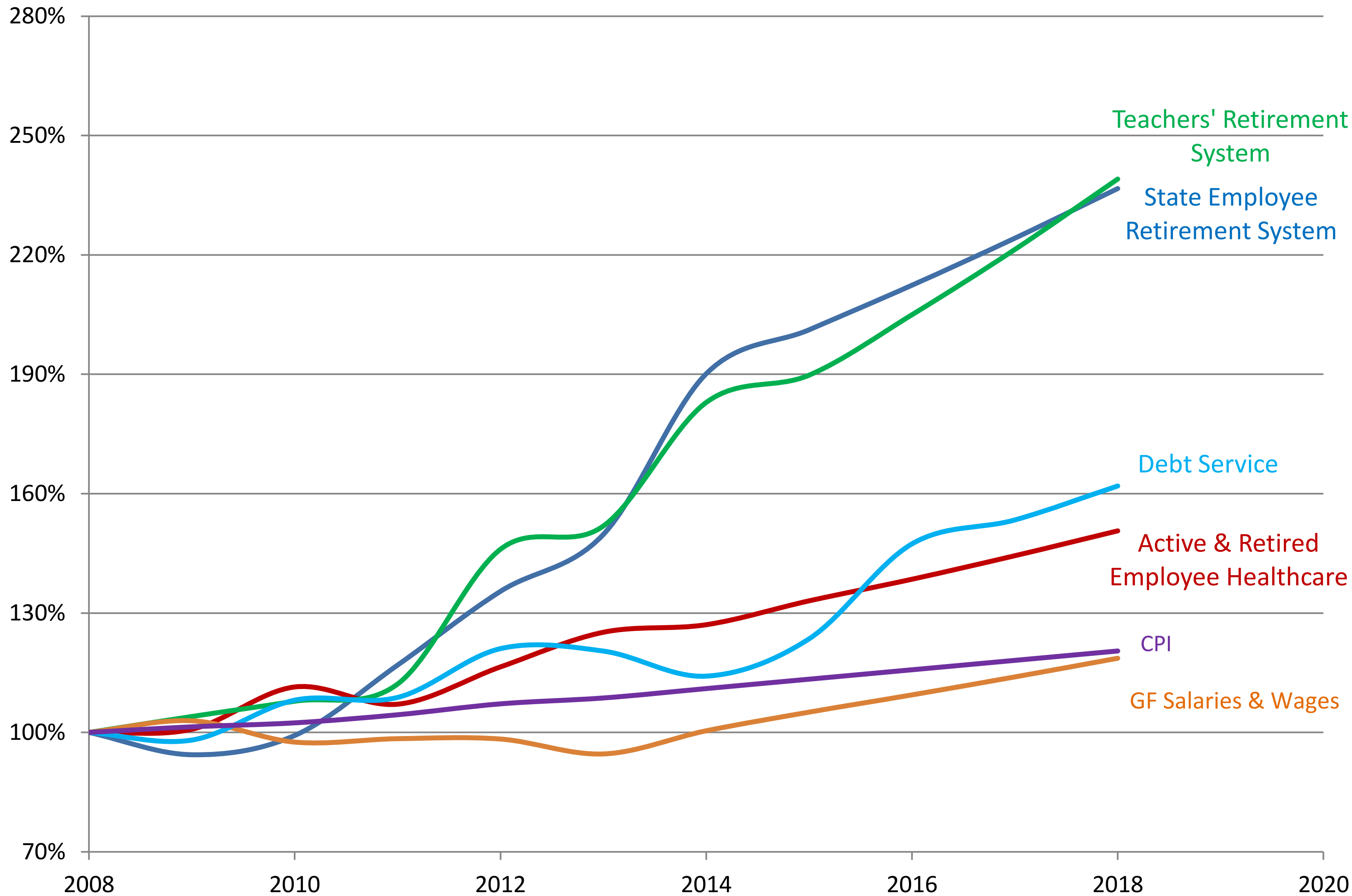
In Millions	Estimated	Enacted	Projected		
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
DSS - Medicaid	2,476.6	2,289.6	2,378.6	2,485.0	2,597.0
STATEWIDE - Personal Services	2,210.5	2,315.7	2,411.3	2,510.7	2,614.1
SDE - Education Equalization Grants	2,066.6	2,122.9	2,122.9	2,122.9	2,122.9
OTT - Debt Service	1,419.0	1,554.9	1,913.4	1,999.0	2,089.2
TRB - Retirement Contributions	948.5	984.1	1,062.8	1,147.9	1,239.7
OSC - Employee Retirement Contribution	916.0	969.3	1,023.3	1,080.2	1,140.3
OSC - State Employees Health Serv Cost	615.9	651.0	677.9	707.6	739.4
OSC - Retired Employee Health Serv Cost	548.7	568.6	591.5	615.9	641.4
STATEWIDE - Other Expenses	482.4	483.8	483.8	483.8	483.8
DDS - Community Residential Services	435.2	453.6	456.6	458.4	460.2
SDE - Magnet Schools	274.4	281.3	281.3	281.3	281.3
OSC - Employers Social Security Tax	220.9	235.6	240.7	246.7	253.3
DDS - Employment Opportunities & Day Svcs	212.8	222.9	222.9	222.9	222.9
UOC - Operating Expenses	202.1	229.1	247.9	268.1	284.4
BOR - Regional Community - Technical Colleges	148.7	155.9	155.9	155.9	155.9
BOR - Connecticut State University	148.6	155.5	155.5	155.5	155.5
SDE - Regional Vocational-Technical School Sys	146.6	155.6	161.0	166.5	172.3
OTT - Pension Obligation Bonds - TRB	145.1	133.9	132.9	119.8	140.4
SDE - Excess Cost - Student Based	139.8	139.8	139.8	139.8	139.8
DCF - Board and Care - Residential	131.4	142.1	132.5	132.3	132.3
OTT - UConn 2000 - Debt Service	121.3	156.0	155.9	173.5	190.6
UHC - Operating Expenses	125.1	135.4	134.2	131.1	130.5
OSC - Other Post Employment Benefits	0.0	0.0	0.0	0.0	129.5
STATEWIDE - ALL OTHER	3,106.4	3,119.4	3,168.0	3,185.4	3,205.7
General Fund - Gross	**17,251.6**	**17,656.1**	**18,450.7**	**18,990.2**	**19,722.4**
Total Lapses	-137.9	-158.5	-151.0	-151.0	-151.0
General Fund - Net	**17,113.6**	**17,497.6**	**18,299.6**	**18,839.1**	**19,571.4**

Summary of Appropriated Fund Projections – Other Funds

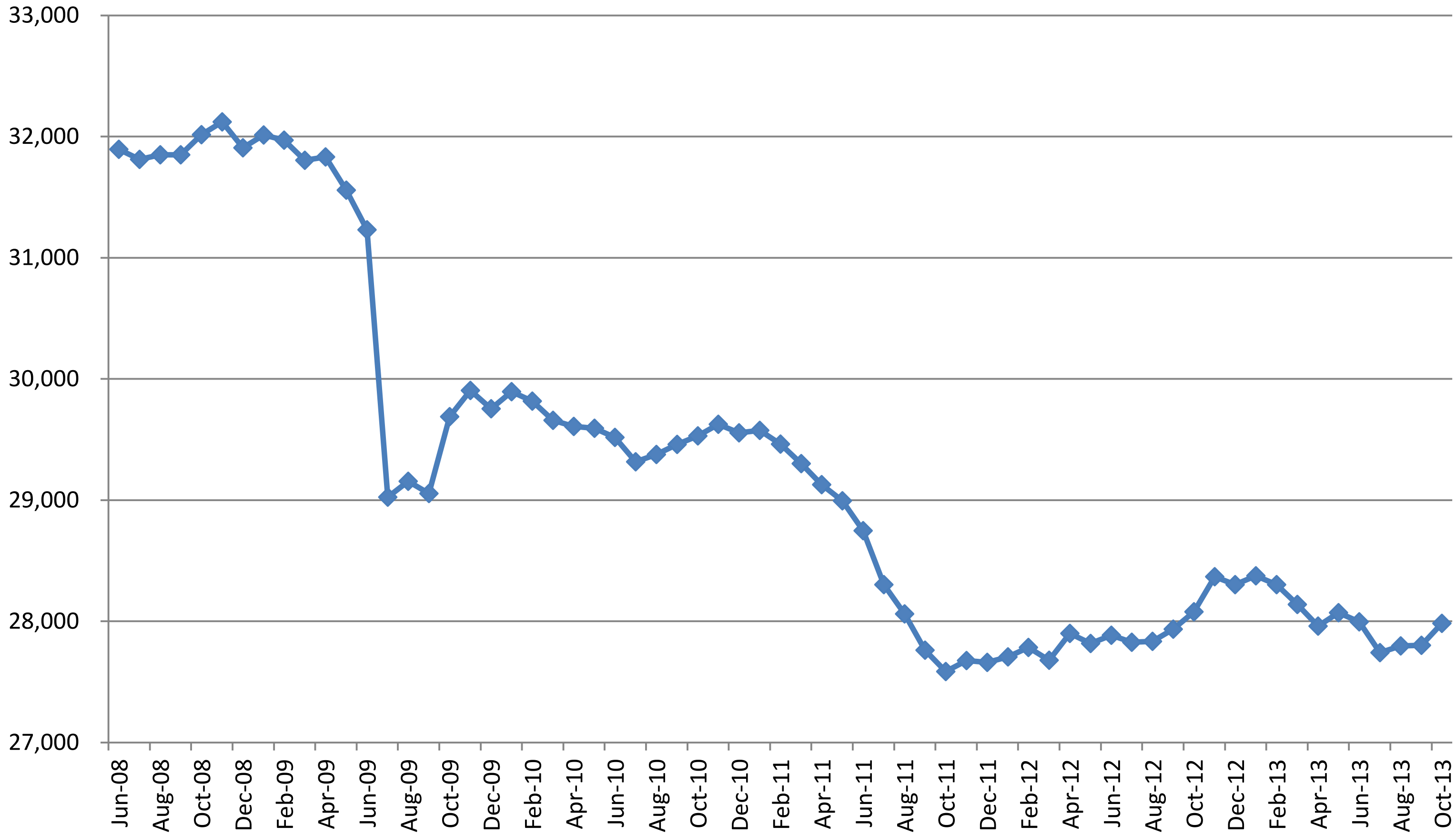
In Millions	Estimated	Enacted	Projected		
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
SPECIAL TRANSPORTATION FUND - Gross	1,244.1	1,333.3	1,400.4	1,459.8	1,520.4
Unallocated Lapse	(0.9)	(11.0)	(11.0)	(11.0)	(11.0)
Special Transportation Fund - Net	1,243.2	1,322.3	1,389.4	1,448.8	1,509.4
BANKING FUND	26.6	27.8	28.8	29.8	30.9
INSURANCE FUND	30.7	32.0	33.1	34.2	35.4
CONSUMER COUNSEL/PUBLIC UTILITY FUND	24.9	25.4	26.3	27.2	28.2
WORKERS' COMPENSATION FUND	23.2	24.8	25.6	26.4	27.1
MASHANTUCKET PEQUOT AND MOHEGAN FUND	61.8	61.8	135.0	135.0	135.0
SOLDIERS, SAILORS AND MARINES' FUND	3.1	0.0	0.0	0.0	0.0
REGIONAL MARKET OPERATION FUND	0.9	0.9	1.0	1.0	1.0
CRIMINAL INJURIES COMPENSATION FUND	3.4	2.8	2.8	2.8	2.8
TOTAL ALL FUNDS - NET	**18,531.4**	**18,995.4**	**19,941.6**	**20,544.4**	**21,341.2**

General Fund Cost Drivers

Growth in Budget Components Relative to FY 2008

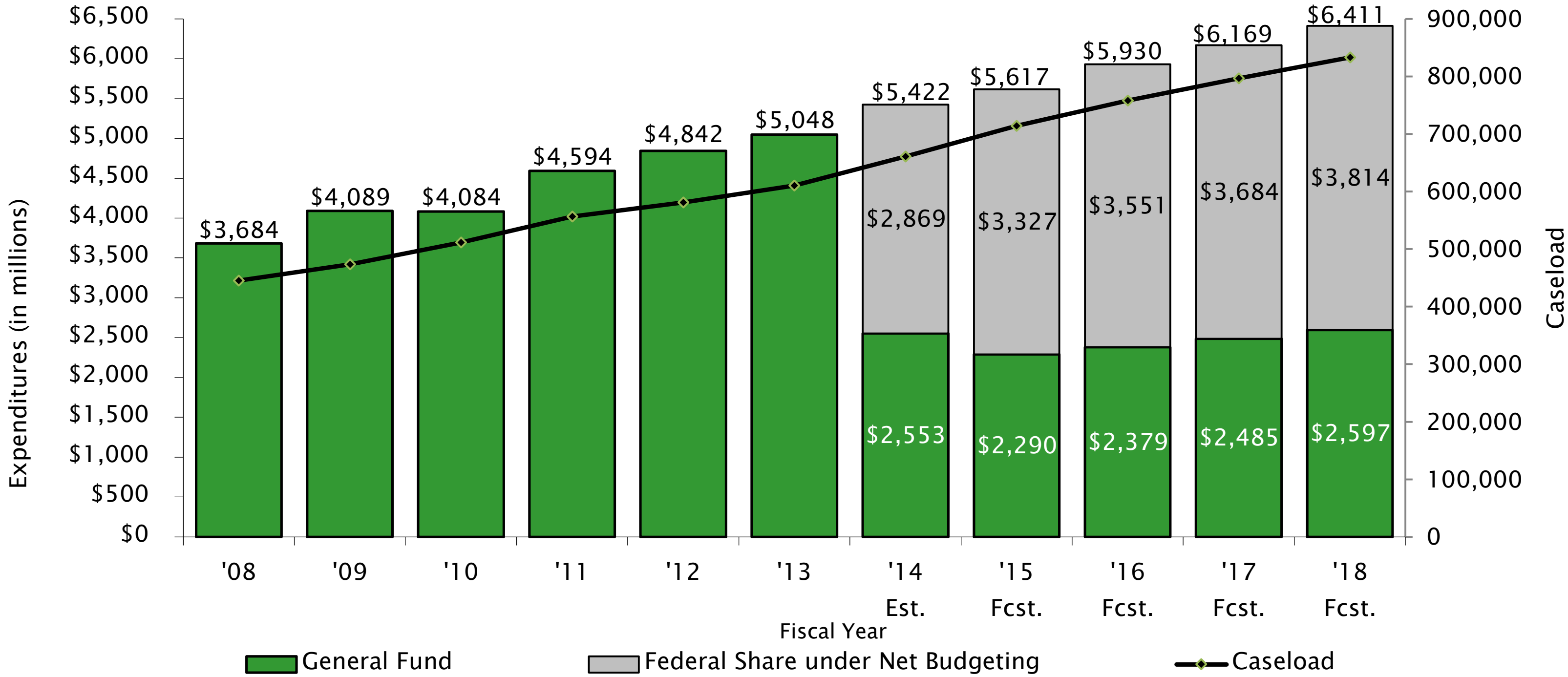


Reduction in Executive Branch Workforce



Based on full-time Executive Branch employees on the last payroll of each month; includes all appropriated funds, excludes constituent units of higher education.

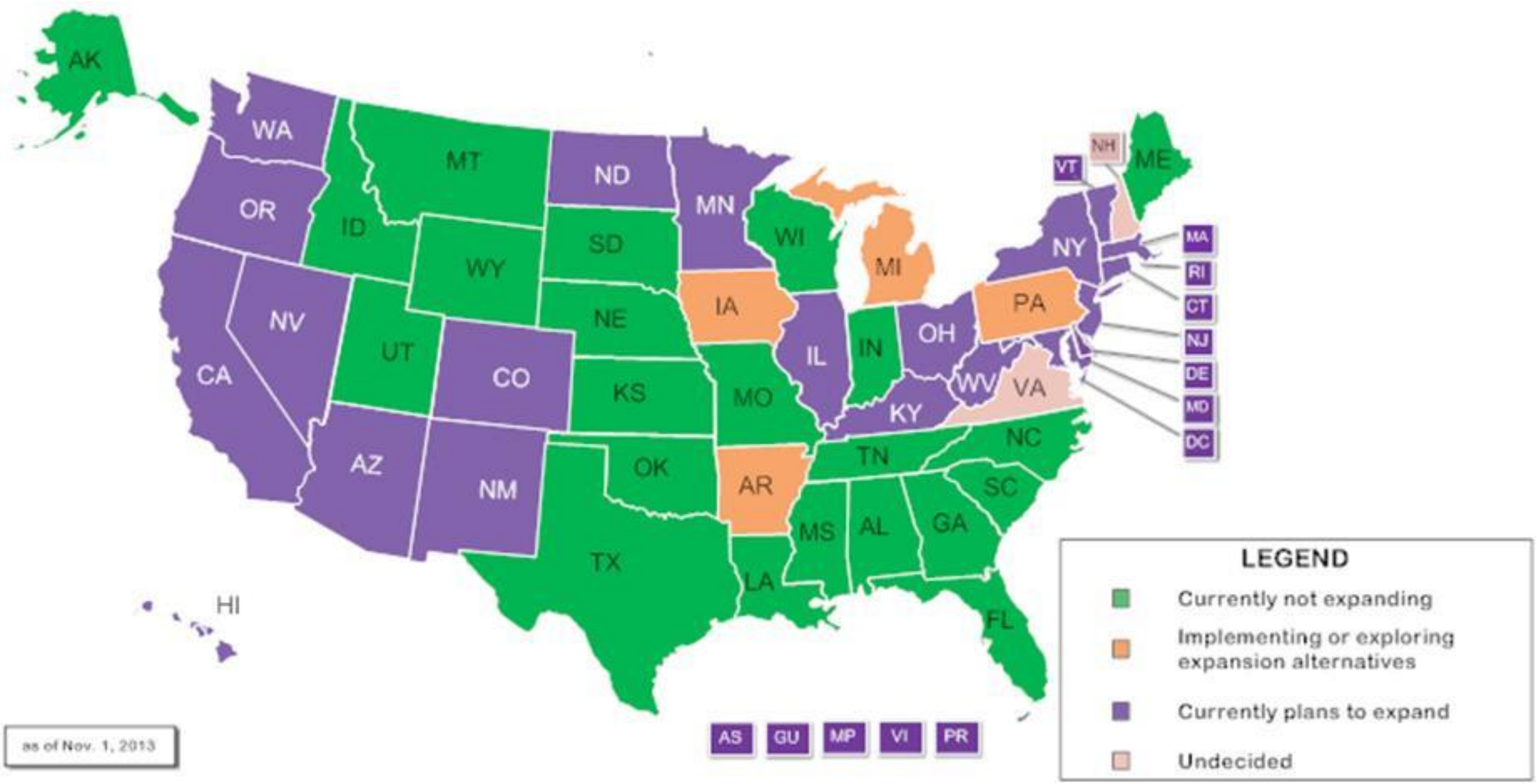
Department of Social Services - Medicaid



- Unlike prior budgets, the adopted budget "net appropriates" the Medicaid account in the Department of Social Services.
- Increases in “Federal Share under Net Budgeting” reflect the impact of federal health care reform, which expands Medicaid coverage to childless adults with income up to 133% of the federal poverty level beginning January 1, 2014. (Costs are 100% federally reimbursed through 2016, after which reimbursement is phased down to 90% in 2020.)

Health Care Reform

Medicaid Expansion States

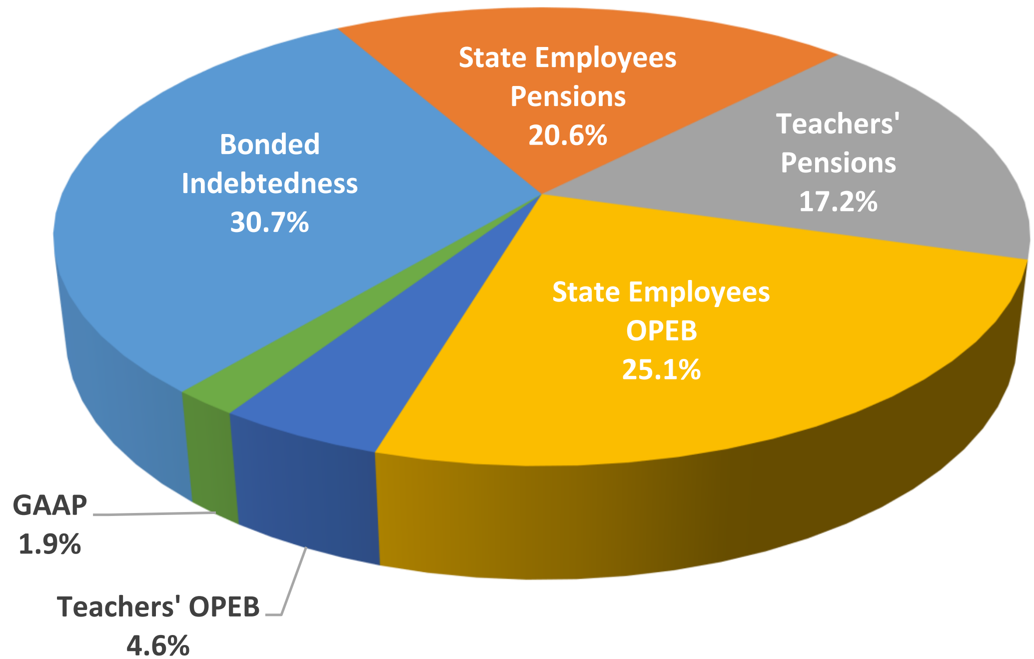


Source: http://www.ncsl.org/research/health/affordable-care-act-expansion.aspx

Health Care Reform –
Affordable Care Act

- Medicaid eligibility for childless adults
  - Increased to 133% of the federal poverty level effective Jan. 1, 2014
  - 100% federally reimbursed through 2016, phasing down to 90% in 2020
- Health insurance exchanges to offer coverage options effective Jan. 1, 2014
- Medicaid rates for primary care providers
  - Increased to Medicare levels in 2013 and 2014
  - 100% federally reimbursed
- Financial incentives to increase the proportion of Medicaid spending on home and community-based services
- State Innovation Models (SIM)
  - Development and testing of models for multi-payer payment and health care delivery system transformation

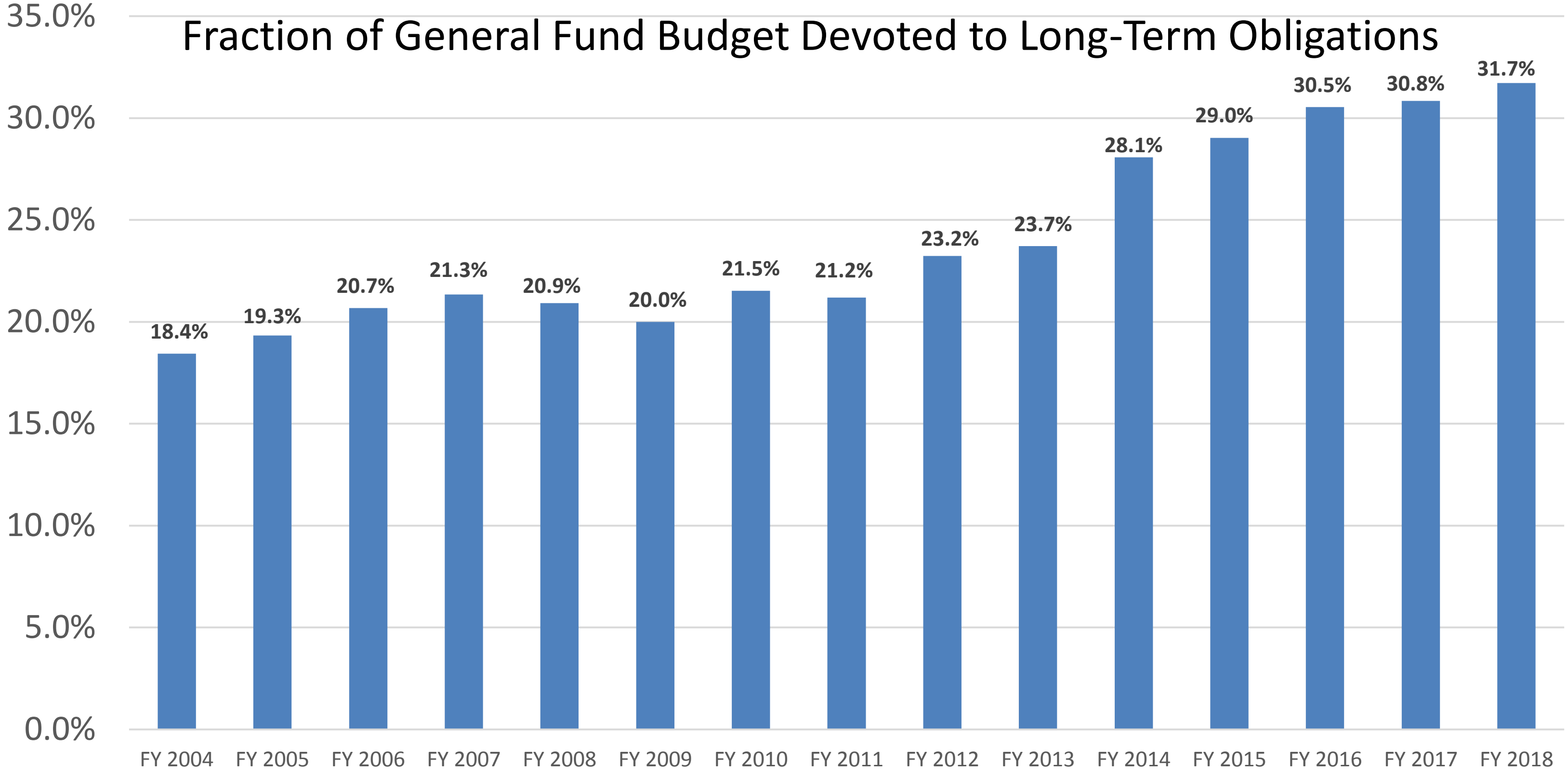
Long Term Obligations



• Bonded Indebtedness – as of 7/31/13	$19.8B
• State Employees Pensions – as of 6/30/12	$13.3B
• Teachers’ Pensions – as of 6/30/12	$11.1B
• State Employees Post Retirement Hlth & Life (OPEB) – as of 6/30/12	$16.2B
• Teachers’ Post Retirement Health and Life (OPEB) – as of 6/30/12	$ 3.0B
• Cumulative GAAP Deficit (General Fund Unassigned) – as of 10/13	$ 1.2B
Total Unfunded Long-Term Obligations	$64.6B

Long Term Obligations –

Growing Share of General Fund Budget

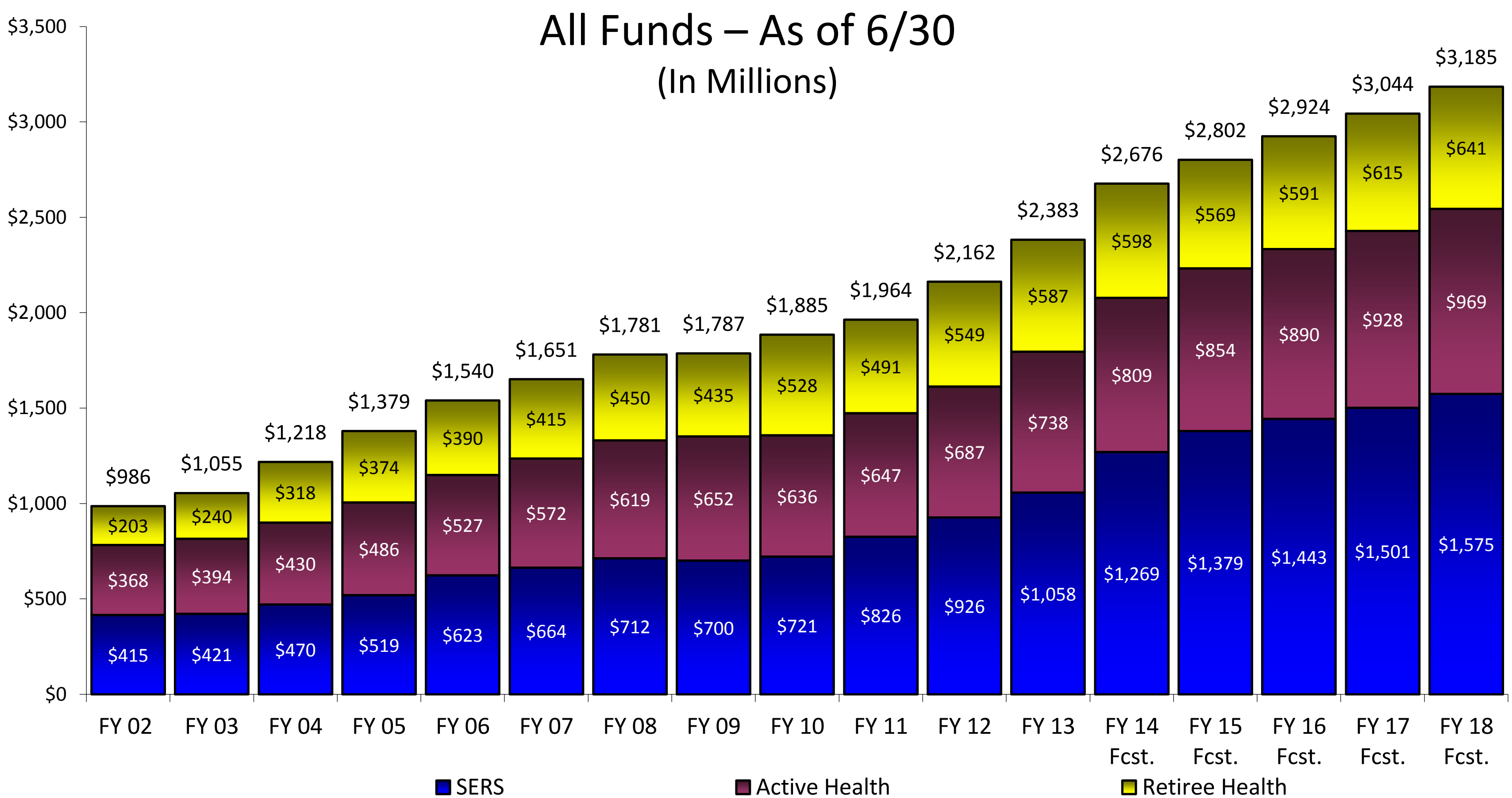


- Includes debt service, payoff of the cumulative GAAP deficit beginning in FY 2016, pension and retiree healthcare costs for state employees and teachers, and matching state OPEB contributions starting in FY 2018.
- Increase beginning in FY 2014 is partly due to the net budgeting of Medicaid, including the federal share of the Medicaid program, which accounts for an increase of approximately 5% in the long-term share.

Long Term Obligations – Steps Have Been Taken

- Steps have been taken to address all of the state’s long term liabilities
  - SERS: various changes to benefits, more conservative actuarial assumptions, increased ARC payments
  - TRS: POBs and disciplined approach to ARC payments
  - OPEB: beginning stages of trust fund vs. pay-as-you-go; contributions by employees and employer
  - Debt Service: continued commitment to reasonable debt service expenditures as proportion of budget
  - GAAP: bonds and appropriations to address cumulative shortfall; appropriations and budgeting approach to addressing any future GAAP shortfalls

State Employees Pension & Health Insurance

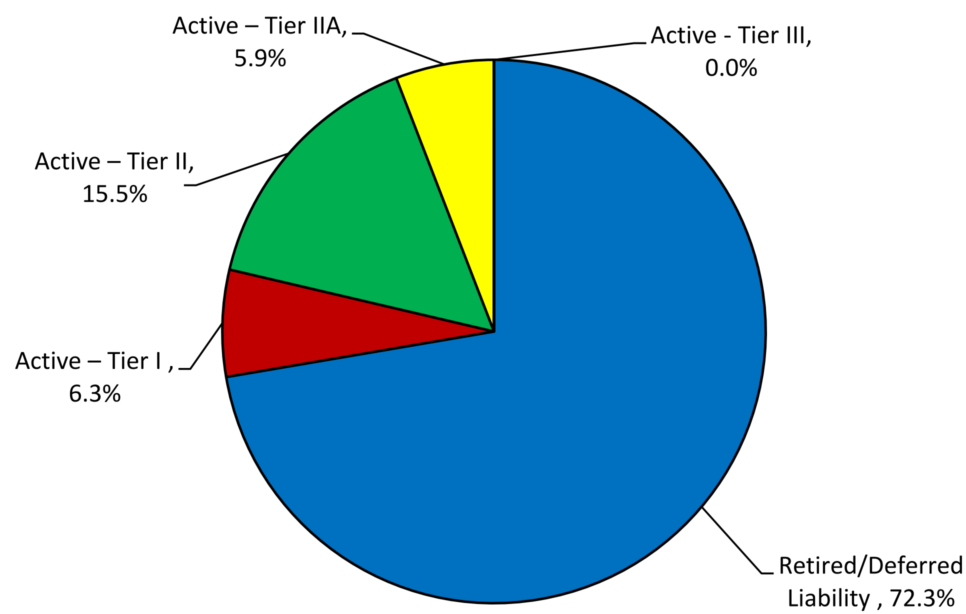


Note: Retiree Health includes offsets for the Medicare Part D Employer Subsidy in FYs 2007 through 2012. SERS includes payment deferrals in FYs 2009 through 2011.

State Employees Retirement System

Components of Pension Liability

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



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

State Employees Retirement System Contributions

Fiscal Year	Actuarially Required Employer Contribution (millions)	Actual/Est. Employer Contribution (millions)	Percent	Rate of Return Market Value Basis
2001-02	$415	$415	100%	-6.60%
2002-03	$426	$421	99%	1.90%
2003-04	$474	$470	99%	15.20%
2004-05	$516	$516	100%	10.50%
2005-06	$623	$623	100%	11.00%
2006-07	$664	$664	100%	17.10%
2007-08	$717	$712	99%	-4.80%
2008-09	$754	$700	93%	-18.30%
2009-10	$897	$721	80%	12.90%
2010-11	$944	$826	88%	21.20%
2011-12	$926	$926	100%	-0.90%
2012-13	$1,060	$1,060	100%	11.90%
2013-14 est.	$1,269	$1,269	100%	
2014-15 est.	$1,379	$1,379	100%	
2015-16 est.	$1,443	$1,443	100%	
2016-17 est.	$1,501	$1,501	100%	
2017-18 est.	$1,575	$1,575	100%	

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

SERS (cont'd)

- SEBAC 2011 changes
  - New Tier III for individuals hired after 6/30/11
    - Normal Retirement eligibility age 63 and 25 YOS or age 65 and 10 YOS and salary based on final five year average;
    - Haz. Duty 20 Years of HD service and age 50 or 25 Years of HD Service regardless of age and salary based on final five year average pay;
    - Early Retirement age 60 and 15 YOS;
    - Ten year cliff vesting.
  - For current employees who retire after 6/30/2022, Normal Retirement eligibility increase from age 60 and 25 YOS or age 62 and 10 YOS to age 63 and 25 YOS or age 65 and 10 YOS. By 7/1/13, present employees may elect to pay the actuarial pension costs of maintaining the normal retirement eligibility that exists in the present plan which is scheduled to change effective July 1, 2022.
  - Change the minimum COLA for individuals who retire after 9/2/11 from 2.5% to 2.0%.
  - Change the Early retirement reduction factor from 3% to 6% for each year before eligible to take Normal Retirement.
  - Cap salary that can be considered as part of an individual's pension benefit as provided under the Internal Revenue Code.
  - Pension savings due to 2 year wage freeze.

SERS (cont'd)

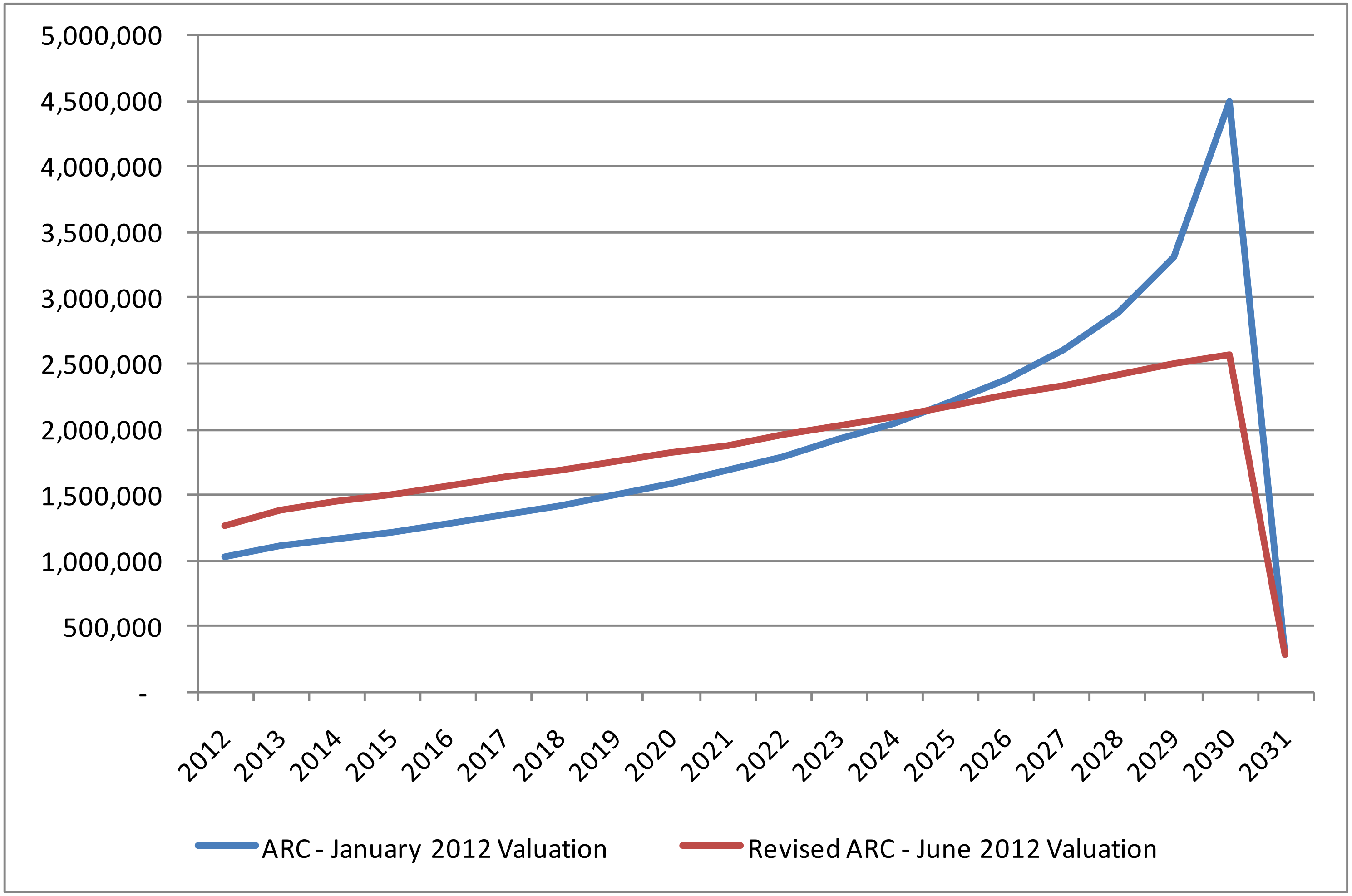
- Eliminated SEBAC IV & V adjustments to pension ARC, which created back-loaded amortization schedule (see next slide)

- Revised actuarial assumptions
  - Economic Assumption Changes
    - Decreased assumed investment return from 8.25% to 8.00%
    - Decreased assumed price and wage inflation from 3.0% and 4.0% to 2.75% and 3.75% respectively.
  - Demographic Assumption Changes
    - Adopted more conservative estimates for withdrawal from active service rates, disability retirement rates, and mortality rates.

- These changes had the impact of reducing the calculated funding ratio from 47.9% to 45.3% and increasing our ARC for FY 2014 by about 10.6%.

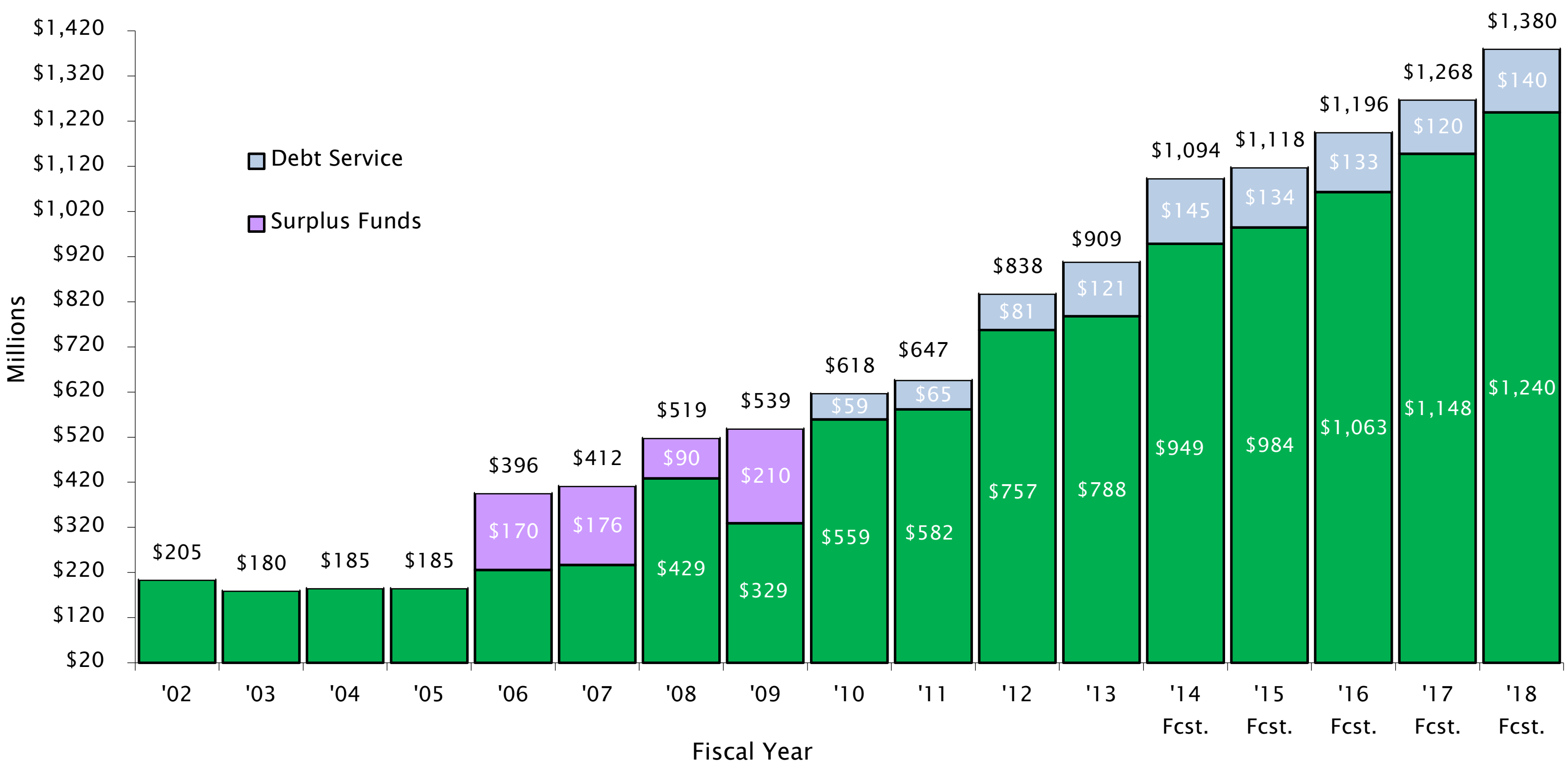
SERS (cont'd)

Flatter, more sustainable pension ARC ($000)



Revised ARC reflects elimination of SEBAC IV & V adjustments and changes in actuarial assumptions. Year reflects valuation year; valuation year 2012 figures correspond to Fiscal Year 2014 budget impact.

Teachers' Retirement System Contributions

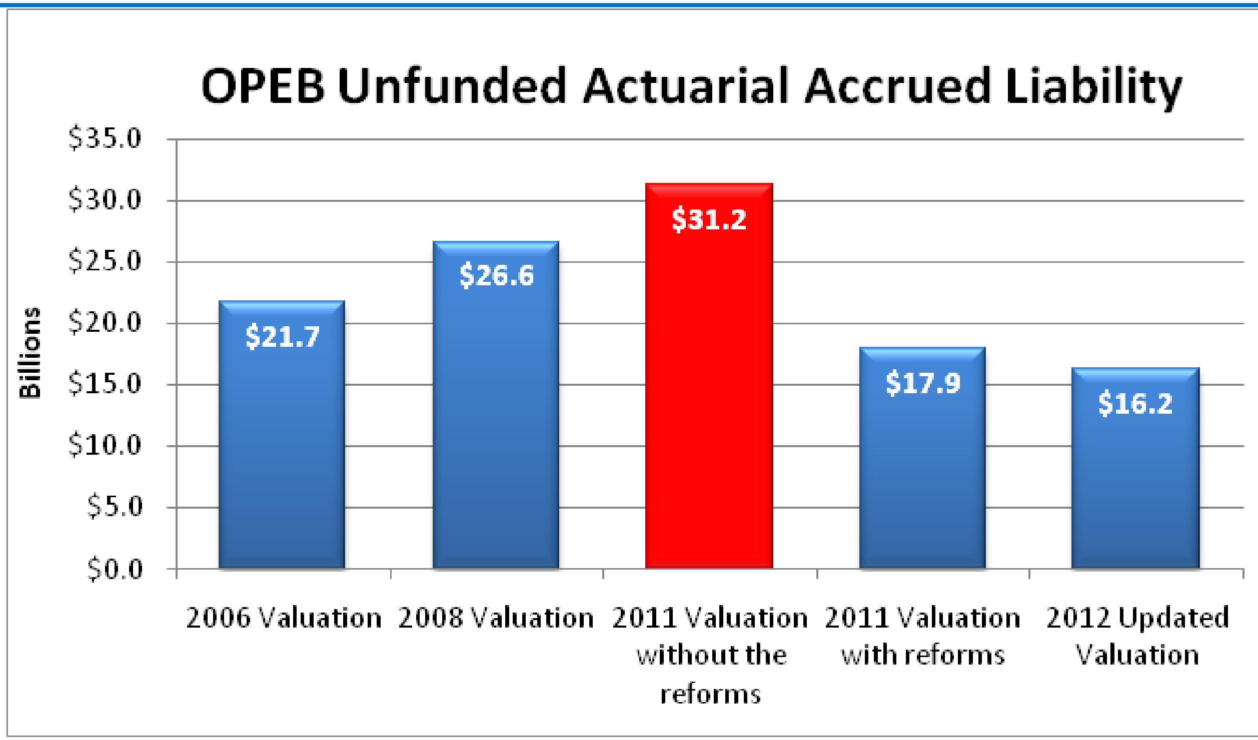


FY 2010 and beyond include debt service on the $2.3 billion in pension obligation bonds issued on April 30, 2008 on behalf of the Teachers' Retirement System.

Teachers' Retirement System

- $2 billion pension obligation bond (POB) issued in April 2008.
- Bond covenant requires the state to fully fund the ARC for as long as POBs remain outstanding.
- The average cost of POBs is 5.88 percent, and based on 2012 projections, there is an 88 percent probability of exceeding that borrowing cost when the bonds mature in 2032.
- By continuing a disciplined approach to paying the ARC and the debt service on the POBs, the unfunded liability in the TRS will diminish over time.

Other Post Employment Benefits



- The 2012 updated OPEB valuation, received in April of 2013, showed another significant reduction in the state's unfunded liability. This builds upon the prior reduction of $13.3 billion due to the OPEB reforms negotiated in the 2009 and 2011 SEBAC agreements. The updated actuarial report reflects:
  - SEBAC 2009 and 2011
  - Reduction in health care cost trends
  - New prescription drug contract expected to reduce drug costs by 11%
  - Conversion of the Medicare-age prescription drug program to an Employer Group Waiver Program.

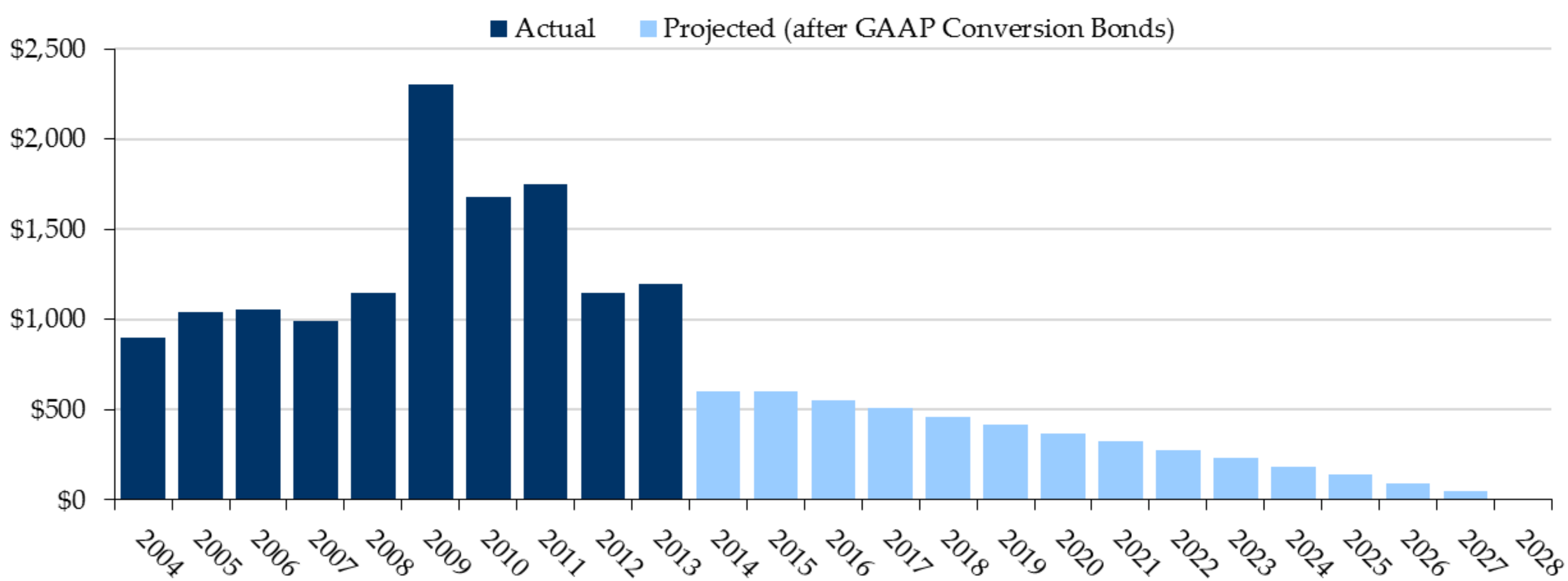
OPEB (cont'd)

- Recent Reforms:
  - The 2009 and 2011 SEBAC agreements require:
    - 3% contribution to Retiree Health Care Trust Fund for all health care eligible employees, with phased in implementation.
    - State match of employee OPEB contributions beginning July 1, 2017.
    - Greater premium share for individuals who elect early retirement.
- The valuation as of June 30, 2011 (issued in May of 2012) reflects the reforms mentioned above and the corresponding impact on the OPEB liability.
- Based on the most recent valuation, the OPEB trust fund contained $49.6 million in net assets as of June 30, 2011.
- Deposits to the OPEB Trust Fund:
  - State Contributions:
    - $10 million in FY 2008 and $14.5 million in FY 2011.
  - Employee Contributions:
    - $1.4 million in FY 2010, $21.6 million in FY 2011 and $25.0 million in FY 2012.

GAAP

- The State's plan to address the cumulative GAAP deficit:
  - Issuance of approximately $560 million of General Obligation, GAAP Conversion Bonds to be amortized through 2028
  - Fund the remaining accumulated GAAP deficit over time through amounts deemed appropriated (approximately $46 million annually from 2016 to 2028)

General Fund Accumulated GAAP Deficit *($ in millions)*

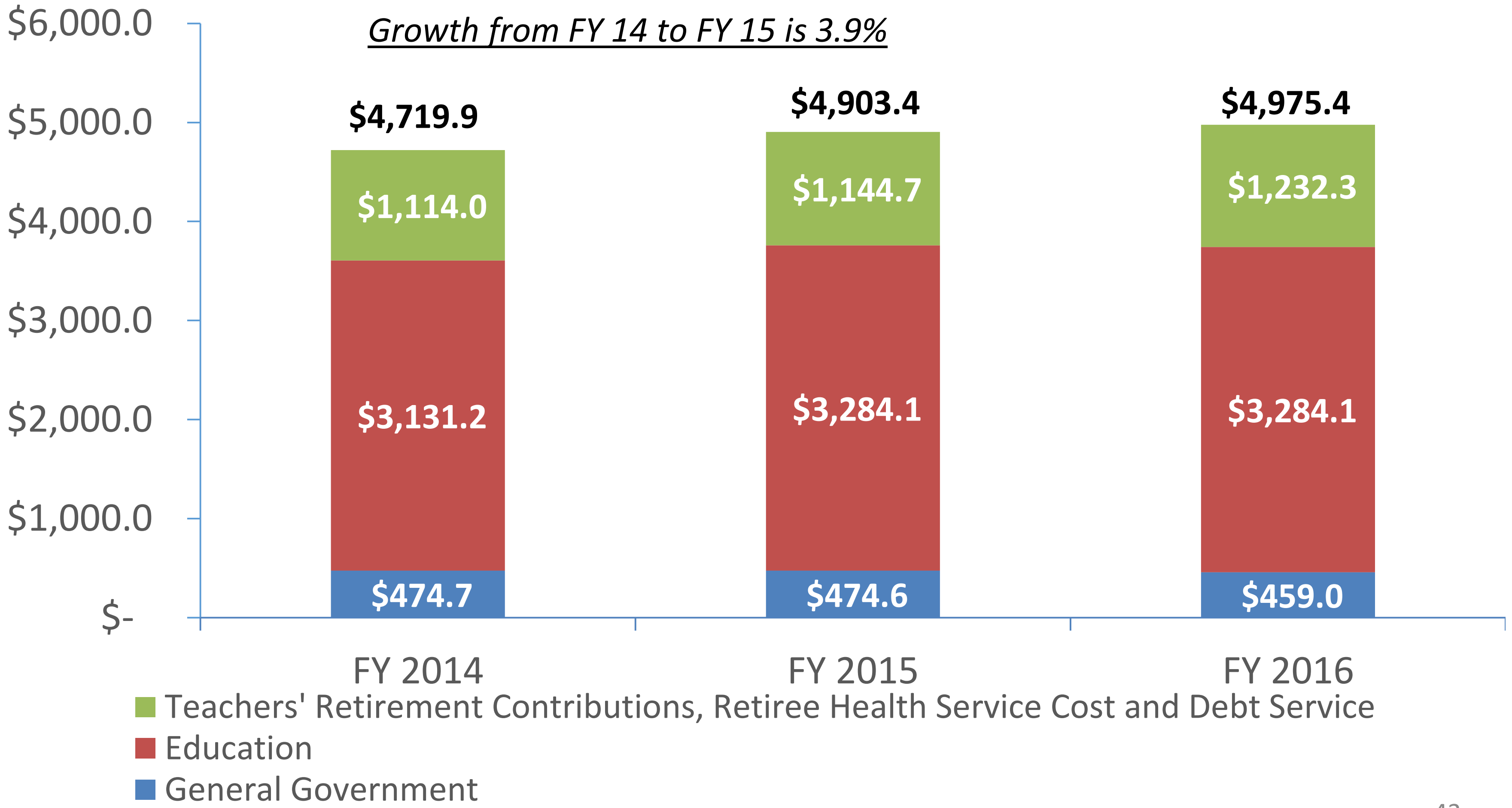


GAAP (cont'd)

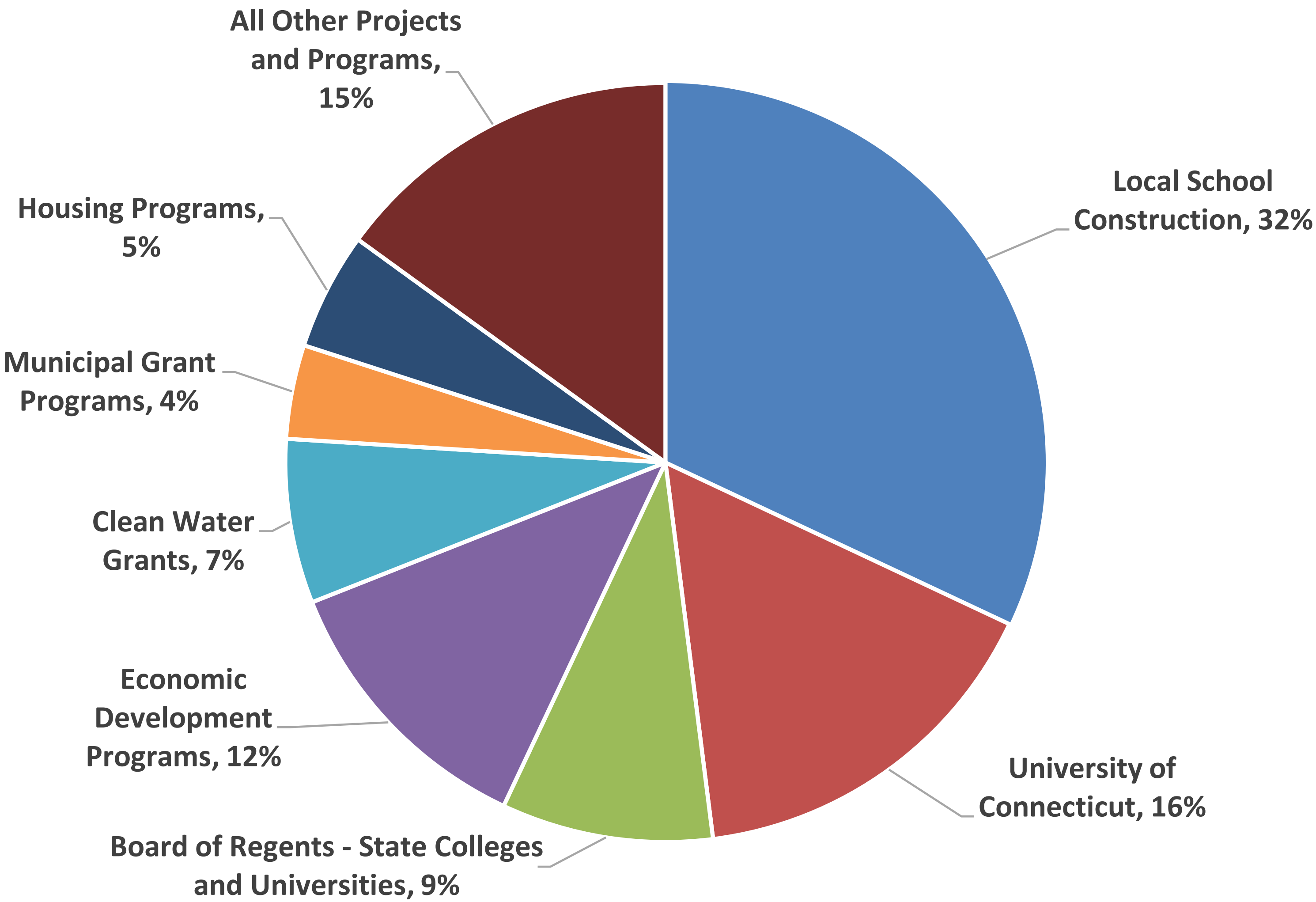
- Bond covenants are required by the GAAP bonding legislation
  - Annual debt service of GAAP Conversion Bonds is deemed appropriated
  - Annual appropriation of non-bonded portion of the accumulated GAAP deficit is also deemed appropriated
  - GAAP Conversion Bond proceeds cannot be counted as General Fund revenue
  - GAAP Conversion Bonds must be repaid over 15 years
- Appropriations to cover accruals starting in FY 2014 (to cover difference between cash basis budgeting and modified accrual basis)
- Requirement to address any future GAAP shortfall from operations in succeeding year's budget

State Aid to or on Behalf of Local Governments

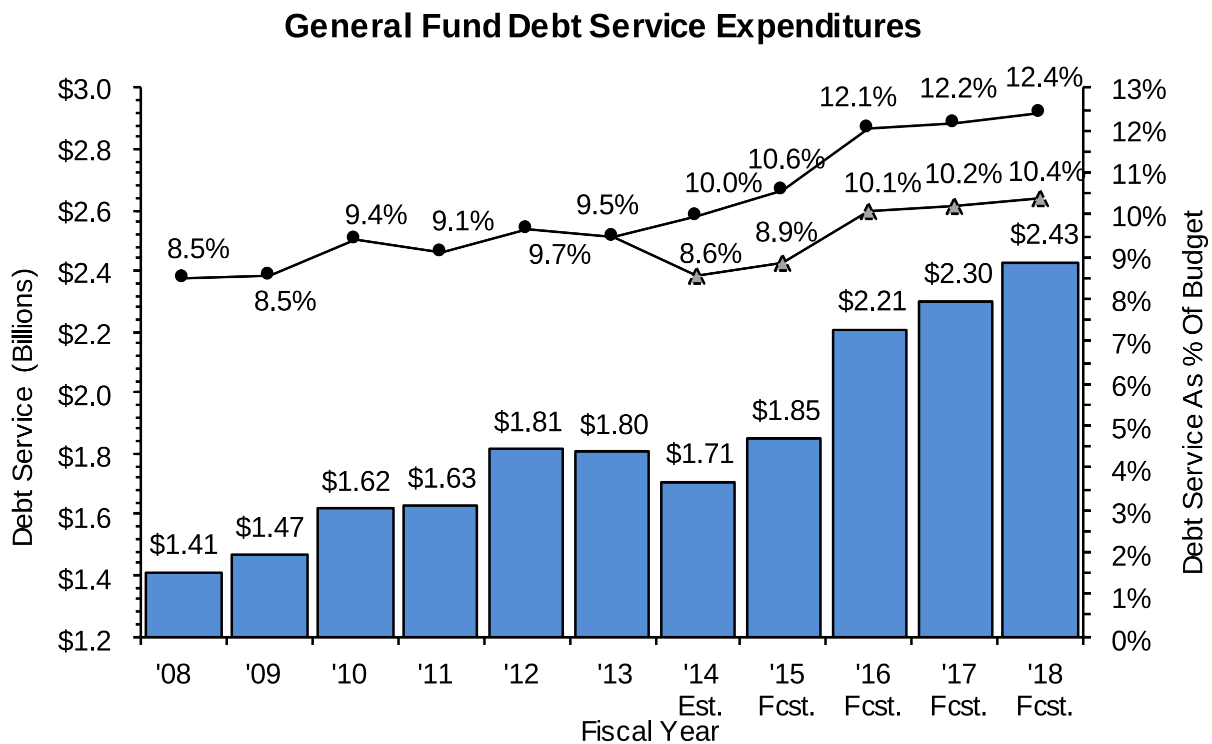
(In Millions)



Projected GO Bond Allocations FY 2014 – FY 2018



Impact of State Bonded Indebtedness



- Debt Service as a percentage of the General Fund budget has remained fairly steady.
- The secondary debt service percentage line (FY 2014-18, indicated with triangular tick marks) adjusts for the net budgeting approach to Medicaid expenditures; debt service would continue at about 10% of the General Fund budget.

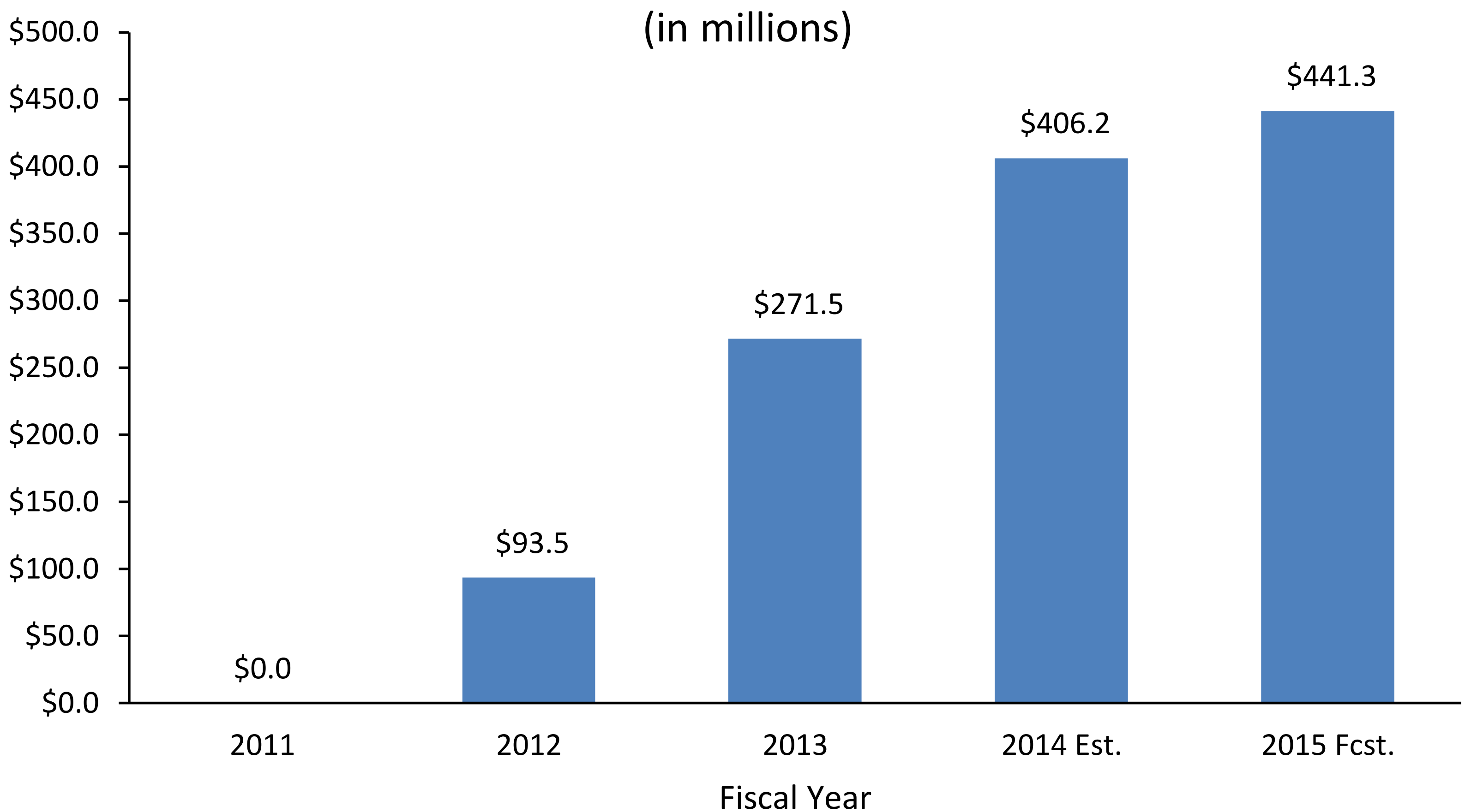
State and Local Debt Burden - 2011

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

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

- Connecticut's state and local debt burden ranks 24th in the nation in 2011 as a percentage of personal income.
- The state's burden as a percentage of personal income is lower than its three neighboring states.

Budget Reserve Fund Balance



- Deposits in FYs 2012 and 2013 and estimated surpluses from operations in FYs 2014 and 2015 have allowed the state to begin to build reserves.

Conclusion

- Connecticut’s economy is slowly recovering.
  - Continued recovery will stabilize Connecticut’s fiscal outlook.
  - Progress has been made in addressing long term liabilities.
  - General Fund operating surpluses in FYs 2013, 2014 and 2015.
  - Surplus operations have allowed Connecticut to begin to rebuild the Rainy Day Fund.
- Governor Malloy is committed to ensuring the state continues to live within its means.