NEW ISSUE

RATINGS:
(See **RATINGS** herein)

$300,000,000
State of Connecticut
General Obligation Bonds (2016 Series C)
(Variable Rate Demand Bonds)

Dated: Date of Delivery **Due: May 15, 2034** **Price: 100%**

The $300,000,000 State of Connecticut General Obligation Bonds (2016 Series C) (Variable Rate Demand Bonds) (the "Bonds") will be general obligations of the State of Connecticut (the "State") and the full faith and credit of the State will be pledged for the payment of the principal of and interest on the Bonds as the same become due. See **THE BONDS - Nature of Connecticut's General Obligation** herein. Initially the Bonds will bear interest at the Weekly Rate as determined by the Remarketing Agent. **The Bonds are subject to optional redemption, mandatory sinking fund redemption and optional and mandatory tender for purchase prior to maturity as more fully described herein.**

(See inside front cover page for maturities and prices or yields.)

The Bonds may also be converted to bear interest at a Flexible Rate, Adjusted SIFMA Rate or a Fixed Rate at any time. See **THE BONDS – Description of the Bonds** herein and **Appendix I-D** hereto. Bondowners will be required to tender their Bonds for purchase upon Conversion to a different interest rate mode, as described herein and in the Bonds. **This Official Statement does not describe the Bonds after Conversion from the Weekly Rate Mode to a different interest rate mode**. **There are significant differences in the terms of the Bonds while they bear interest in an interest rate mode other than the Weekly Rate Mode described herein. Owners and prospective purchasers of the Bonds should not rely on this Official Statement for information in connection with any change of the interest rate mode of the Bonds from the Weekly Rate Mode to a different interest rate mode.**

While the Bonds bear interest at a Weekly Rate, Bondowners will have the right to tender their Bonds for purchase at the times and subject to the conditions set forth in the Bonds. Bondowners will be required to tender their Bonds for purchase upon expiration, substitution or termination of the Standby Bond Purchase Agreement (but not upon a termination occurring as a result of an Immediate Termination Event (defined herein)), and upon Conversion to a different interest rate mode, as described herein and in the Bonds.

In connection with the delivery of the Bonds the State will execute a Standby Bond Purchase Agreement with Bank of America, N.A. (the "Bank"), and U.S. Bank National Association, as tender agent, to provide funds for the purchase of Bonds bearing interest at a Weekly Rate tendered and not remarketed in an amount not to exceed the principal amount of the Bonds plus accrued interest up to 34 days at an interest rate not exceeding 9% per annum. The Standby Bond Purchase Agreement and the commitment of the Bank to purchase Bonds thereunder may be immediately and automatically terminated without notice prior to its Stated Expiration Date upon the occurrence of certain Events of Default specified therein. Bondowners shall have **NO** right to tender Bonds, and the Bonds are **NOT** subject to mandatory tender for purchase as a result of such termination. For a description of such Events of Default, see **Appendix I-D** under the heading **Standby Bond Purchase Agreement** and, in particular, the paragraphs captioned **Events of Default** and **Remedies**. See **Appendix I-D** hereto for a summary of the terms of the Standby Bond Purchase Agreement and **Appendix I-E** hereto for information relating to the Bank.

The Bonds are issuable only as fully registered bonds, without interest coupons, in denominations of $100,000 or any integral multiple of $5,000 in excess thereof. When issued, the Bonds will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Bonds. So long as Cede & Co. is the registered owner, as nominee of DTC, reference herein to the Bondowner or owner shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds. See **THE BONDS - Book-Entry-Only System** herein. Principal of and interest on the Bonds will be paid directly to DTC by U.S. Bank National Association, as Paying Agent, at its corporate trust office in Hartford, Connecticut, so long as DTC or its nominee, Cede & Co., is the Bondowner. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants, as more fully described herein.

In the opinion of Bond Counsel and Tax Counsel, rendered in reliance upon and assuming the accuracy of and continuing compliance by the State with its representations and covenants relating to certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; however, with respect to certain corporations (as defined for federal income tax purposes) subject to the federal alternative minimum tax, such interest is taken into account in computing the federal alternative minimum tax, as described under **TAX EXEMPTION OF THE BONDS** *herein.*

In the opinion of Bond Counsel and Tax Counsel, under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. See **TAX EXEMPTION OF THE BONDS** *herein.*

The Bonds are offered when, as and if issued and received by the Underwriters, subject to approval as to legality by Bond Counsel and certain other conditions. Certain legal matters will be passed upon for the State by its Disclosure Counsel. Certain legal matters will be passed upon for the State by its Tax Counsel. Certain legal matters will be passed upon for the Underwriters by Underwriters' Counsel. The Bonds are expected to be available for delivery through the facilities of DTC in New York, New York, on or about June 14, 2016.

Honorable Denise L. Nappier
Treasurer of the State of Connecticut

BofA Merrill Lynch **The Williams Capital Group, L.P.**

Dated: June 6, 2016

State of Connecticut
$300,000,000 General Obligation Bonds (2016 Series C)
(Variable Rate Demand Bonds)

Dated: Date of Delivery **Due: May 15, 2034** **Price: 100%** **CUSIP[1]: 20772JZ39**

[1] Copyright, American Bankers Association. CUSIP® is a registered trademark of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the State and are included solely for the convenience of the holders of the Bonds. The State is not responsible for the selection or use of these CUSIP numbers, does not undertake any responsibility for their accuracy, and makes no representation as to their correctness on the Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

This Official Statement is not to be construed as a contract or agreement between the State and the purchasers or holders of any of the Bonds. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the State since the date hereof. Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized. All quotations from and summaries and explanations of provisions of laws of the State contained in this Official Statement do not purport to be complete and are qualified in their entirety by reference to the official compilations thereof. All references to the Bonds and the resolutions and proceedings of the State Bond Commission relating thereto are qualified in their entirety by reference to the definitive forms of the Bonds and such resolutions. This Official Statement is submitted only in connection with the sale of the Bonds by the State and may not be reproduced or used in whole or in part for any other purpose, except as specifically authorized by the State. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations other than as contained in this Official Statement and, if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Bank of America, N.A. has no responsibility for the form and content of this Official Statement, other than solely with respect to the information set forth under the heading "**RELATED PARTIES**" and the information describing itself in Appendix I-E under the heading "INFORMATION RELATED TO BANK OF AMERICA, N.A." and has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein or omitted herefrom, other than solely with respect to the information under the heading "**RELATED PARTIES**" and describing itself in Appendix I-E under the heading "CERTAIN INFORMATION CONCERNING THE BANK".

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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SUMMARY

This Summary does not constitute a part of the Official Statement for the issuance and sale by the State of Connecticut of its $300,000,000 General Obligation Bonds (2016 Series C) (Variable Rate Demand Bonds) (the "Bonds"). This Summary is for informational purposes only and is subject in all respects to a more complete discussion contained in the Official Statement.

Security	The Bonds will be general obligation bonds of the State of Connecticut, and the full faith and credit of the State will be pledged for the payment of the principal of and interest on the Bonds as the same become due. The full faith and credit of the State is not pledged for the payment by the State of the Purchase Price for tenders of the Bonds.
Tax Exemption	In the opinion of Bond Counsel and Tax Counsel, rendered in reliance upon and assuming the accuracy of and continuing compliance by the State with its representations and covenants relating to certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; however, with respect to certain corporations (as defined for federal income tax purposes) subject to the federal alternative minimum tax, such interest is taken into account in computing the federal alternative minimum tax, as described under **TAX EXEMPTION OF THE BONDS** herein. In the opinion of Bond Counsel and Tax Counsel, under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. See **TAX EXEMPTION OF THE BONDS** herein.
Interest Payment Dates	The Bonds will bear interest initially at the Weekly Rate and interest is payable monthly on each Interest Payment Date commencing July 1, 2016. While the Bonds are in a Weekly Rate Mode, interest on the Bonds will be calculated on the basis of a 365 or 366-day year, as applicable, for the actual number of days elapsed and will be payable on each Interest Payment Date. The Bonds may be converted to bear interest at a Flexible Rate, Adjusted SIFMA Rate or a Fixed Rate at any time, at which time such Bonds will be subject to mandatory tender for purchase. See **THE BONDS** herein.
Principal Payment Dates	Principal of the Bonds is payable on May 15, 2034.
Denominations	The Bonds will be issued only in registered book-entry form, without coupons, in denominations of $100,000 or any integral multiple of $5,000 in excess thereof.
Redemption and Tender	While the Bonds are in the Weekly Rate Mode, the Bonds are subject to optional redemption prior to maturity at the election of the Treasurer at any time in whole or in part. The Bonds are further subject to mandatory sinking fund redemption, and optional and mandatory tender as specified herein.
Delivery and Clearance	The Bonds are expected to be available for delivery through the facilities of DTC in New York, New York, on or about June 14, 2016.
Paying Agent and Tender Agent	U.S. Bank National Association, 225 Asylum Street, Hartford, Connecticut 06103, is the Paying Agent and Tender Agent for the Bonds.
Remarketing Agent	Merrill Lynch, Pierce, Fenner & Smith Incorporated is serving initially as Remarketing Agent for the Bonds.
Standby Bond Purchase Agreement	While the Bonds are in a Weekly Rate Mode, the State will execute a Standby Bond Purchase Agreement with Bank of America, N.A. (the "Bank") and U.S. Bank National Association, as tender agent, pursuant to which the Bank, upon satisfaction of certain conditions set forth therein, will provide funds for the purchase of Bonds tendered and not remarketed in an amount not to exceed the principal amount of Bonds plus accrued interest up to 34 days at an interest rate not exceeding 9% per annum.
Legal Counsel	Day Pitney LLP of Hartford, Connecticut is Lead Bond Counsel; Lewis & Munday, A Professional Corporation of Detroit, Michigan with offices in Glastonbury, Connecticut is Bond Counsel with respect to the Bonds. Day Pitney LLP is Lead Disclosure Counsel and Finn Dixon & Herling LLP of Stamford, Connecticut and Soeder & Associates LLC of Hartford, Connecticut, are Co-Disclosure Counsel. Robinson & Cole LLP is Lead Tax Counsel and Finn Dixon & Herling LLP and Soeder & Associates LLC are Co-Tax Counsel. Bryant Miller Olive P.C. of Washington, D.C. and Hinckley, Allen & Snyder LLP of Hartford, Connecticut are Co-Underwriters' Counsel.
Additional Information	Additional information may be obtained upon request to the Office of the State Treasurer, Denise L. Nappier, Attn: Sarah K. Sanders, Assistant Treasurer for Debt Management, 55 Elm Street, Hartford, Connecticut 06106, (860) 702-3288.

OFFICIAL STATEMENT
$300,000,000
STATE OF CONNECTICUT
GENERAL OBLIGATION BONDS (2016 SERIES C)
(VARIABLE RATE DEMAND BONDS)

INTRODUCTION

This Official Statement, including the cover and inside front cover page, this Introduction, Part I, Part II and Part III and the Appendices thereto, of the State of Connecticut (the "State") is provided for the purpose of presenting certain information relating to the State in connection with the sale of $300,000,000 aggregate principal amount of its General Obligation Bonds (2016 Series C) (Variable Rate Demand Bonds) (the "Bonds").

Part I of this Official Statement, including the cover and inside front cover page and the Appendices thereto, contains information relating to the Bonds. Part II of this Official Statement contains information that supplements, as of its date, certain information contained in the most recent Annual Information Statement of the State. Part III of this Official Statement, including the Appendices thereto, is the most recent Annual Information Statement of the State and contains certain information about the State as of its date. The cover page, inside front cover page, this Introduction, and Parts I, II and III and the Appendices thereto should be read collectively and in their entirety.

PART I
INFORMATION CONCERNING THE BONDS

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PART I

INFORMATION CONCERNING THE BONDS
$300,000,000
STATE OF CONNECTICUT
GENERAL OBLIGATION BONDS (2016 SERIES C)
(VARIABLE RATE DEMAND BONDS)

THE BONDS

Description of the Bonds

The State of Connecticut (the "State") is issuing $300,000,000 General Obligation Bonds (2016 Series C) (Variable Rate Demand Bonds) (the "Bonds") comprised of the following issue:

$ 300,000,000 General Obligation Bonds (2016 Series C-1) (Variable Rate Demand Bonds)

The Bonds will be dated the date of delivery, and will bear interest initially at the Weekly Rate as determined by the Remarketing Agent prior to delivery of the Bonds, and thereafter at Weekly Rates payable on each Interest Payment Date until maturity or earlier redemption, or until Conversion to a Flexible Rate Mode, Adjusted SIFMA Rate Mode or Fixed Rate Mode at any time. **The Flexible Rate Mode, Adjusted SIFMA Rate Mode and Fixed Rate Mode are not described in this Official Statement. There are significant differences in the terms of the Bonds while they bear interest in an interest rate mode other than the Weekly Rate Mode described herein. Owners and prospective purchasers of the Bonds should not rely on this Official Statement for information in connection with any change of the Bonds to a different interest rate mode.** If the State decides to convert the Bonds to a Flexible Rate Mode, Adjusted SIFMA Rate Mode or Fixed Rate Mode, the Bonds will be subject to mandatory tender for purchase as described below and the State will prepare a reoffering circular or a supplement to this Official Statement which will describe the provisions of the Bonds following conversion to the Flexible Rate Mode, Adjusted SIFMA Rate Mode or Fixed Rate Mode.

While the Bonds are in a Weekly Rate Mode, interest will be calculated on the basis of a 365 or 366-day year, as applicable, for the actual number of days elapsed and will be payable on each Interest Payment Date to the registered owner as of the close of business on the Business Day preceding the Interest Payment Date. The Bonds are issuable only as fully registered bonds, without interest coupons, in denominations of $100,000 or any integral multiple of $5,000 in excess thereof.

The Bonds will be general obligation bonds of the State and the full faith and credit of the State will be pledged for the payment of the principal of and interest on the Bonds as the same become due. The Bonds will be issued pursuant to (i) the State general obligation bond procedure act (Section 3-20 of the General Statutes of Connecticut, as amended) and (ii) resolutions adopted by the State Bond Commission and other proceedings related thereto, including a Certificate of Determination of the Treasurer. See **THE BONDS - Nature of Connecticut's General Obligation** herein.

Principal of and interest on or Purchase Price of the Bonds will be paid directly to The Depository Trust Company ("DTC") by U.S. Bank National Association, as Paying Agent, so long as DTC or its nominee, Cede & Co., is the Bondowner. See **THE BONDS - Book-Entry-Only System** herein.

Concurrently with the delivery of the Bonds, the State expects to issue approximately $501,440,000 General Obligation Refunding Bonds (2016 Series B) maturing in varying amounts between May 15, 2018 and May 15, 2027. Such bonds will be described in a separate official statement of the State.

U.S. Bank National Association is serving initially as Paying Agent and Tender Agent for the Bonds.

Merrill Lynch, Pierce, Fenner & Smith Incorporated is serving initially as Remarketing Agent for the Bonds.

The Bonds are being issued for various projects and purposes and are authorized by the bond acts listed in **Appendix I-A**. The Bonds will mature on May 15, 2034. The Bonds are subject to mandatory sinking fund redemption as described below under **Sinking Fund Redemption**.

Additional Information Related to Bonds in the Weekly Rate Mode

The Bonds initially will be in the Weekly Rate Mode. Bonds in the Weekly Rate Mode bear interest at a Weekly Rate payable monthly on each Interest Payment Date. For Bonds in the Weekly Rate Mode, the Interest Payment Date is the first Business Day of each calendar month. Interest is computed on the basis of a 365- or 366-day year, as applicable, for the actual number of days elapsed. Interest is payable to the registered owners who are such registered owners on the Record Date. As long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, such payments will be made directly to DTC. See **Book-Entry-Only System** herein and ***Book-Entry Bonds*** below. The Bonds will bear interest initially at the Weekly Rate as determined by the Remarketing Agent prior to delivery of the Bonds until and including the first Wednesday which follows the date the Bonds are issued. Thereafter, the Weekly Rate shall be determined each week by the Remarketing Agent by 4:00 p.m. New York Time on each Rate Determination Date and shall take effect on each Thursday following such Rate Determination Date, regardless of whether any such Thursday is a Business Day, and be in effect to and including the following Wednesday, regardless of whether such Wednesday is a Business Day (the "Weekly Rate Period"). The Weekly Rate for each Weekly Rate Period shall be that interest rate which, in the judgment of the Remarketing Agent, would cause the Bonds to have a market value equal to 100% of the principal amount thereof (exclusive of accrued interest), taking into account prevailing market conditions as of the Rate Determination Date.

In the event the Remarketing Agent fails to determine a Weekly Rate for Bonds in the Weekly Rate Mode on any Rate Determination Date, the Bonds shall bear interest at the interest rate equal to the most recent SIFMA Rate as of the Rate Determination Date for each Weekly Period a Weekly Rate is not determined, until a new Weekly Rate is determined by the Remarketing Agent. However, in no event shall the Weekly Rate exceed the Maximum Rate. The Maximum Rate is 9% per annum. It may be adjusted upwards, but only under certain conditions.

The Remarketing Agent shall give notice of each Weekly Rate to the Paying Agent by 4:30 p.m., New York Time, on each Rate Determination Date. Such notice shall be given in writing, electronically or by telephone; provided that any telephonic notice shall be promptly confirmed in writing. The Paying Agent shall promptly notify the State and the Tender Agent of each Weekly Rate.

Certain Definitions with Respect to Bonds in the Weekly Rate Mode

"*Authorized Denomination*" means $100,000 or any integral multiple of $5,000 in excess thereof.

"*Business Day*" means any day other than (1) a Saturday or a Sunday, (2) a day on which banking institutions in the city in which the corporate trust office of the Paying Agent is located or banking institutions in New York, New York or Hartford, Connecticut, of the office of the Liquidity Facility Provider at which drawings under the Liquidity Facility, if any, are to be honored are authorized or required by law to be closed, (3) a day on which the New York Stock Exchange is closed, (4) any day that is not a U.S. Government Securities Business Day, or (5) any holiday or other day on which the business offices of the State are closed.

"Conversion" means the conversion of the interest rate on the Bonds from time to time from (i) a Weekly Rate Mode to an Adjusted SIFMA Rate Mode, Flexible Rate Mode or Fixed Rate Mode; (ii) an Adjusted SIFMA Rate Mode to a Weekly Rate Mode, Flexible Rate Mode or Fixed Rate Mode or another Adjusted SIFMA Rate Mode; (iii) a Flexible Rate Mode to an Adjusted SIFMA Rate Mode, Weekly Rate Mode or Fixed Rate Mode.

"*Conversion Date*" means for any Bond the date upon which Conversion of the interest rate on such Bond takes effect.

"Delivery Date" means June 14, 2016.

"*DTC*" means The Depository Trust Company or any substitute securities depository appointed by the State.

"*Interest Payment Date*" means initially July 1, 2016 and thereafter means the first Business Day of each calendar month following any month during which interest has accrued at a Weekly Rate.

"*Liquidity Facility*" means any liquidity facility, insurance policy, line of credit, letter of credit, standby bond purchase agreement (including the Standby Bond Purchase Agreement with the Bank) or other liquidity support or mechanism obtained, delivered, made, entered into or otherwise obtained for the purpose of providing funds for the purchase of tendered Bonds, including any liquidity facility, insurance policy, line of credit, letter of credit, standby bond purchase agreement or other liquidity support or mechanism obtained, delivered, made, entered into or otherwise obtained for the purpose of providing funds for the purchase of tendered Bonds as a replacement for or in substitution of an existing liquidity facility, insurance policy, line of credit, letter of credit, standby bond purchase agreement or other liquidity support or mechanism obtained, delivered, made, entered into or otherwise obtained for the purpose of providing funds for the purchase of tendered Bonds. Liquidity Facility shall initially mean the Standby Bond Purchase Agreement by and among the State, U.S. Bank National Association, as Tender Agent and Bank of America, N.A. dated as of June 1, 2016.

"*Liquidity Facility Provider*" means the provider of a Liquidity Facility.

"Liquidity Facility Provider Bonds" means any Bonds which are purchased and held by or for the benefit of the Liquidity Facility Provider pursuant to a Liquidity Facility.

"*Maximum Rate*" initially means 9% per annum for Bonds in the Weekly Rate Mode. The State may, in order to better assure the remarketing of the Bonds at par value, increase the Maximum Rate for the Bonds by delivering to the Remarketing Agent (i) a notice from the State Treasurer stating the amount of the adjusted Maximum Rate, (ii) an opinion of Bond Counsel, to the effect that such increase in the Maximum Rate will not adversely affect (A) the exclusion of the interest payable on the Bonds from the gross income of the owners of the Bonds for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended, and (B) the exemption of the interest on the Bonds for purposes of the Connecticut income tax on individuals, trusts and estates, (iii) an amendment to any Liquidity Facility then in effect for a Weekly Rate Mode providing that the amount that can be drawn or otherwise made available under the Liquidity Facility, if any, for the payment of interest on the Bonds is equal to 34 days' (or such other amount of days as required or permitted by the Rating Agencies) interest on the Bonds, calculated at the Maximum Rate after giving effect to such increase, and (iv) written confirmation from each Rating Agency then rating the Bonds that such increase in the Maximum Rate and any applicable maximum rate in effect for Bonds held by a Liquidity Facility Provider will not, in and of itself, result in a reduction or withdrawal of the ratings on the Bonds. The Remarketing Agent shall give written notice to the State, the Liquidity Facility Provider, if any, the Tender Agent and the Paying Agent of any increase in the Maximum Rate, promptly upon its receipt of the items referred to in this definition.

"*Mode*" means the manner in which the interest rate is determined on each Rate Determination Date, consisting of a Flexible Rate, Weekly Rate, Fixed Rate or an Adjusted SIFMA Rate.

"*Purchase Date*" means, for any Bond required to be purchased pursuant to the terms thereof, the date on which the Purchase Price is required to be paid pursuant to the Bonds.

"*Purchase Price*" means, for any Bond required to be purchased pursuant to the terms thereof, an amount equal to 100% of the principal amount thereof, plus accrued interest, if any, thereon, to the Purchase Date.

"*Rate Determination Date*" means each Wednesday, or the preceding Business Day if any such Wednesday is not a Business Day.

"*Rating Confirmation*" means a written notice from each rating agency that has, at the request of the State, a short-term rating in effect on the Bonds, that its rating on the Bonds will not be suspended, withdrawn, or reduced solely as a result of a proposed addition or substitution of the Liquidity Facility.

"*Record Date*" means 5:00 p.m. New York Time on the Business Day preceding each Interest Payment Date.

"*SIFMA Rate*" means for any day the level of the most recently effective index rate which is compiled from the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data which meet specific criteria established from time to time by the Securities Industry and Financial Markets Association ("SIFMA") and is issued on Wednesday of each week, or if any Wednesday is not a U.S. Government Securities Business Day, the next succeeding U.S. Government Securities Business Day. If such index is no longer published or otherwise not available, the SIFMA Rate for any day will mean the level of the "S&P Weekly High Grade Index" (formerly the J.J. Kenny Index) maintained by Standard & Poor's Securities Evaluations, Inc. for a 7-day maturity as published on the Adjustment Date or most recently published prior to the Adjustment Date. If at any time neither such index is available, the Calculation Agent shall use instead an index that the Calculation Agent, after consultation with the original underwriters of the Bonds or their successors, determines most closely approximates the SIFMA index.

"*U.S. Government Securities Business Day*" means any day other than (1) a Saturday or a Sunday, (2) any day on which SIFMA recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities, or (3) a day on which the Calculation Agent is required or permitted by law to close.

"*Weekly Rate*" means, for any Bond in a Weekly Rate Mode, the rate of interest thereon determined weekly in accordance with the provisions of the Bonds.

"*Weekly Rate Mode*" means the period during which the Bonds bear interest at a Weekly Rate.

Mandatory Tender of Bonds in Weekly Rate Mode

Any Bondholder, by its acceptance of the Bonds, agrees to tender its Bonds to the Tender Agent for purchase on dates on which such Bonds are subject to mandatory tender, and upon such transfer, to surrender such Bonds, properly endorsed for transfer in blank. Any notice mailed as provided herein shall be conclusively presumed to have been duly given, whether or not the Bondholder receives the notice, and the failure of such Bondholder to receive any such notice shall not affect the validity of the action described in such notice.

Bonds bearing interest at a Weekly Rate are subject to mandatory tender for purchase upon Conversion and upon the expiration, substitution or termination (but not upon the occurrence of certain events of default under the related Liquidity Facility which would result in the immediate and automatic termination of the Liquidity Facility) of a Liquidity Facility (any such event of default under a Liquidity Facility resulting in the immediate and automatic termination of the Liquidity Facility is referred to herein as an "Immediate Termination Event"). Upon the occurrence of an Immediate Termination Event, the Bonds are not subject to mandatory tender. The Tender Agent shall give notice to the Bondholders promptly after becoming aware of an Immediate Termination Event.

Mandatory Tender Upon Conversion. Bonds bearing interest at a Weekly Rate are subject to mandatory tender for purchase upon Conversion to another interest rate mode. If Bonds are to be converted from the Weekly Rate Mode to another interest rate mode, Bonds to be so converted are subject to mandatory tender for purchase on the Conversion Date at a Purchase Price equal to 100% of the principal amount of the Bonds, plus accrued interest. The State shall give written notice of such Conversion to the Tender Agent, the Paying Agent and the Remarketing Agent at least 30 days prior to the Conversion Date. The Tender Agent shall give written notice of such Conversion to the

Bondholders by first class mail or at the State's option certified mail, return receipt requested, at least 20 days prior to the Conversion Date setting forth, among other things: (a) the proposed Conversion Date; (b) that the Bonds shall be subject to mandatory tender on the Conversion Date; and (c) the conditions to Conversion, if any. If the conditions of the Conversion are not satisfied, the Conversion shall not take effect and the Bonds shall not be subject to mandatory tender, shall be returned to their Bondowners and shall remain in the Weekly Rate Mode.

Mandatory Tender Upon Expiration, Substitution or Termination of Liquidity Facility. The Bonds are subject to mandatory tender for purchase on the Business Day which is at least five days before (i) the stated expiration date of a Liquidity Facility, if any, or the substitution of a Liquidity Facility, unless such substitution is occurring and a Rating Confirmation has been received by the State in such case the Bonds shall be subject to mandatory tender for purchase on the effective date of such substitute Liquidity Facility; or (ii) the date set forth in a termination notice as the date the Liquidity Facility is to be terminated as a result of the occurrence of certain events of default under such Liquidity Facility. See **Appendix I-D** under the heading **Standby Bond Purchase Agreement** and paragraph (b) under the caption **Remedies** for a reference to the list of events of default for which the Bank may elect to give a termination notice. The Bonds are also subject to mandatory tender for purchase on the Business Day which is at least five (5) days before an alternate Liquidity Facility is scheduled to become effective with respect to such Bonds, whether or not such alternate Liquidity Facility actually becomes effective on such date. The Purchase Price for such tenders shall equal 100% of the principal amount of the Bonds, plus accrued interest. The Tender Agent, at the request of the State, shall give written notice to Bondholders at least fifteen (15) days prior to such mandatory tender date.

Optional Tender of Bonds in Weekly Rate Mode

Bonds in the Weekly Rate Mode may only be tendered for purchase at the option of the Bondholder so long as a Liquidity Facility is in full force and effect and no event of default resulting in an immediate termination of the Liquidity Facility shall have occurred under the Liquidity Facility, at a Purchase Price equal to 100% of the principal amount thereof, plus accrued interest, if any, payable in immediately available funds upon written or telephonic notice (promptly confirmed in writing) of tender to the Remarketing Agent and the Tender Agent not later than 3:00 p.m., New York Time, on a Business Day not fewer than seven days prior to the Purchase Date. The Purchase Date may be any Business Day prior to conversion of the Bonds to a Flexible Rate Mode, Adjusted SIFMA Rate Mode or Fixed Rate Mode.

Notice of Tender. While the Bonds are in a Weekly Rate Mode, at any time that a Bondholder has a right to tender a Bond for purchase (other than by mandatory tender as described herein), the Bondholder shall, in addition to delivering the Bond on or before the appropriate Purchase Date, give to the Remarketing Agent and the Tender Agent notice of such tender. Each such notice of tender shall:

(i) be delivered in writing or by telephone (and promptly confirmed in writing) to the Remarketing Agent and Tender Agent at its corporate trust office by 3:00 p.m., New York Time, on a Business Day not fewer than seven days prior to the Purchase Date, which may be any Business Day prior to conversion of the Bonds to a Flexible Rate Mode, Adjusted SIFMA Rate Mode or Fixed Rate Mode, and be in a form satisfactory to the Remarketing Agent;

(ii) state, whether delivered in writing or by telephone, (A) the principal amount of the Bond to which it relates, (B) that the Bondholder irrevocably demands purchase of such Bond or of a specified portion thereof in an amount which is an Authorized Denomination and which leaves the retained portion of the Bond in an amount which is an Authorized Denomination, (C) the date on which such Bond or portion thereof is to be purchased, and (D) payment instructions with respect to the Purchase Price; and

(iii) automatically constitute, whether delivered in writing or by telephone, (A) an irrevocable offer to sell the Bond (or portion thereof) to which it relates on the Purchase Date at a Purchase Price equal to the principal amount of such Bond (or portion thereof) plus any interest thereon accrued and unpaid as of the Purchase Date, (B) an irrevocable authorization and instruction to the Tender Agent to effect transfer of such Bond (or portion thereof) upon payment of the Purchase Price to the Tender Agent on the Purchase Date, (C) an irrevocable authorization and instruction to the Tender Agent to effect the exchange of the Bond to be purchased in whole or in part for other Bonds in an equal aggregate principal amount so as to facilitate the sale of such Bond (or portion thereof), and (D) an acknowledgment that such Bondholder will have no further rights with respect to such Bond (or portion thereof) upon payment of the Purchase Price thereof to the Tender Agent on the Purchase Date, except for the right of such Bondholder to receive such Purchase Price upon surrender of such Bond to the Tender Agent.

The determination of the Remarketing Agent as to whether a notice of tender has been properly delivered shall be conclusive and binding upon the Bondholder.

Tender of Portions of Bonds. In the event a Bondholder files with the Remarketing Agent and the Tender Agent a tender notice with respect to a portion of a Bond in an Authorized Denomination, such Bondholder shall be required to deliver such Bond to the Tender Agent along with the tender notice. The Tender Agent shall pay the Purchase Price for such portion as provided herein and the Paying Agent shall issue in the name of such Bondholder a new Bond in the amount not so purchased, which Bond the Tender Agent shall forward to such Bondholder. Notwithstanding anything to the contrary contained herein, no Bondholder shall be entitled to tender a portion of such Bond for purchase unless the portion of such Bond not to be so purchased shall be in an Authorized Denomination.

Additional Provisions Related to Tendered Bonds

Delivery and Payment for Tendered Bonds. The Tender Agent, on behalf of the State, shall purchase any Bonds properly tendered for purchase in accordance with the provisions of the Bonds. Delivery to the Tender Agent of Bonds to be tendered for purchase, upon both optional tender and mandatory tender, together with wire payment instructions satisfactory to the Tender Agent, is required to be made by 10:00 a.m., New York Time, on the Business Day which is the Purchase Date in order for tendering Bondholders to be paid in immediately available funds by 4:00 p.m., New York Time, on such day. If the Bonds are delivered after 10:00 a.m., New York Time, payment will be made on the next Business Day without any additional accrued interest. Bonds which are required to be tendered for purchase, upon both optional tender and mandatory tender, shall cease bearing interest from and after the date tender is required regardless of whether such Bonds are presented for payment and Bondholders shall have no further rights with respect to such Bonds other than the right to receive payment of the Purchase Price upon surrender of the Bonds.

Inadequate Funds for Tender. If the funds available for purchase of Bonds backed by a Liquidity Facility then in effect are inadequate for the purchase of all such Bonds tendered on any tender date, then the Bondowners shall not have the right to require the State to purchase the Bond and the Tender Agent shall give written notice to all the Bondowners. However, the Bondowners may submit their Bonds for remarketing pursuant to the procedures described in the Bonds and in the Remarketing Agreement. Any such Bonds that cannot be remarketed shall immediately be returned to the owners thereof and shall bear interest from such tender date at the Maximum Rate. If an event of default resulting in an immediate termination of the Liquidity Facility shall have occurred under a Liquidity Facility, Bondholders shall not have the right to tender their Bonds for purchase.

Procedure for Purchase of Bonds. On the date any Bonds are to be purchased, the Tender Agent, or the Remarketing Agent (so long as all of the tendered Bonds have been remarketed), as the case may be, shall purchase, but only from the funds and in the order of priority listed below, such Bonds (other than Liquidity Facility Provider Bonds or Bonds owned by or on behalf of or for the account of the State) at the Purchase Price thereof:

(a) Moneys derived from the remarketing of the Bonds; and

(b) Any amounts derived from a draw under the Standby Bond Purchase Agreement or a substitute Liquidity Facility, if applicable; and

(c) Amounts on deposit in the General Fund of the State appropriated and available therefor.

Any amounts held pursuant to paragraph (a) or (b) above shall be held uninvested until applied as provided herein.

By 3:00 p.m. (New York Time) on the Business Day prior to the Purchase Date, the Remarketing Agent shall provide to the Liquidity Facility Provider and the Tender Agent a notice from the Remarketing Agent setting forth the principal amount of Bonds that have not been remarketed by the Remarketing Agent.

By 12:00 p.m. (New York Time) on the Purchase Date, the Tender Agent shall provide to the Liquidity Facility Provider a notice from the Tender Agent indicating the exact amounts that will be required to be paid by the Liquidity Facility Provider, in order to pay the Purchase Price of all tendered Bonds that have not been remarketed at or prior to such time; and

By 12:00 p.m. (New York Time) on each Purchase Date the Tender Agent shall promptly take all action in accordance with the Liquidity Facility necessary to draw under the Liquidity Facility an amount sufficient to pay the Purchase Price of the Bonds on the Purchase Date for which the Tender Agent has not received moneys from the Remarketing Agent from remarketed Bonds.

On the Purchase Date, the Tender Agent shall make provision for the account of the Liquidity Facility Provider at DTC or its custodian, as the case may be, to be credited such that the Liquidity Facility Provider becomes the beneficial owner of the tendered Bonds that have not been remarketed and have been purchased by the Liquidity Facility Provider in accordance with the standing procedures of DTC.

Purchase Fund.

(A) *Purchase Fund.* The Tender Agent shall establish and maintain a special fund designated as the "Purchase Fund," and within such fund two separate accounts designated, respectively, as the "Remarketing Proceeds Account" and the "Purchase Account." The money in the Purchase Fund shall be held and applied solely as provided in this section.

The Tender Agent shall deposit all moneys derived from the remarketing of Bonds into the Remarketing Proceeds Account and shall hold all such moneys for the exclusive benefit of the Person that shall have so delivered such moneys until the Bonds purchased with such moneys shall have been delivered to it for the account of such Person and, thereafter, for the benefit of the Bondholders tendering such Bonds.

The Tender Agent shall deposit (i) all moneys derived from a draw against a Liquidity Facility, if applicable, and (ii) all amounts delivered to it hereunder from a payment by or on behalf of the State from amounts on deposit in the General Fund of the State appropriated and available for the purchase of Bonds, into the Purchase Account and shall hold all such moneys for the exclusive benefit of the State until the Bonds purchased with such moneys shall have been delivered to or for the account of the State and, after such delivery, the Tender Agent shall hold such funds exclusively for the benefit of the Bondholders tendering such Bonds.

Moneys in the Remarketing Proceeds Account and the Purchase Account shall be held by the Tender Agent and shall remain uninvested. The State shall not have any right, title or interest in or to any moneys held in the Purchase Fund, except as noted above.

(B) *Payment of Purchase Price.* At or before close of business New York City time on the Purchase Date and upon receipt by the Tender Agent of the aggregate Purchase Price of the tendered Bonds, the Tender Agent shall pay the Purchase Price of such Bonds to the Bondholders by bank wire transfer in immediately available funds. The Tender Agent shall pay the Purchase Price from the following accounts and in the following order of priority: (1) the Remarketing Proceeds Account to the extent funds are available therein, and (2) the Purchase Account. If at close of business New York City time on any Purchase Date of Bonds any balance remains in the Purchase Account in excess of any unsatisfied purchase obligation, such excess shall, if such excess was received pursuant to a draw on the Liquidity Facility, be promptly returned to the Liquidity Facility Provider and otherwise be promptly returned to the State.

(C) *Delivery of Bonds.* On the Purchase Date, the Tender Agent shall direct the Paying Agent to execute and deliver all Bonds purchased on any Purchase Date as follows: (1) Bonds purchased and remarketed by the Remarketing Agent shall be registered and made available to the Remarketing Agent by 2:30 p.m. New York City time in accordance with the instructions of the Remarketing Agent; and (2) Bonds purchased with amounts paid by or on behalf of the State shall be delivered to the designated DTC participant on or before 2:30 p.m. New York City time.

(D) *No Purchases or Sales After Payment Default.* Anything in the Bonds to the contrary notwithstanding, if there shall have occurred and be continuing a default in payment of principal or interest on a Bond when due, then the Remarketing Agent shall not remarket any Bonds.

Non-Delivery of Bonds. In the event that any Bonds required to be tendered or with respect to which a tender notice has been sent are not delivered to the Tender Agent at the time, in the manner and at the place required, the undelivered Bonds will be deemed to have been tendered and purchased by the Tender Agent, and interest accruing on such Bonds on and after the applicable Purchase Date shall no longer be payable to the prior Bondholders thereof. Such prior Bondholders shall have recourse solely to the funds held by the Tender Agent for the purchase of the undelivered Bonds, and the Tender Agent and Paying Agent shall not recognize any further transfer of such undelivered Bonds by such prior Bondholders. The Paying Agent or Tender Agent, as the case may be, shall register the transfer of such Bonds to the purchaser thereof and shall issue a new Bond and deliver the same pursuant to the Bonds, notwithstanding such non-delivery.

The Tender Agent shall at the end of the fifth Business Day after each date upon which Bonds are deemed tendered, deposit with the Paying Agent all funds then held by the Tender Agent by virtue of the fact that Bonds deemed tendered on such date were not presented for purchase to the Tender Agent in accordance with the provisions thereof. The Paying Agent shall set aside such amount on its books and hold the same for the payment to the prior Bondholders of such Bonds of the purchase price thereof. Any such moneys which remain unclaimed for two years after the date such moneys were so deposited with the Paying Agent shall at the written request of the State be paid by the Paying Agent to the State as its absolute property and free from any lien or trust, and the Paying Agent shall thereupon be released and discharged with respect thereto and the prior Bondholders of such Bonds shall look only to the State for the payment of the purchase price of such Bonds.

Tender Agent Duties. The Tender Agent agrees to: (a) hold all Bonds properly tendered to it for purchase as agent and bailee of, and for the benefit of, the respective Bondholders which shall have so tendered such Bonds until moneys representing the purchase price of such Bonds shall have been delivered to or for the account of or to the order of such Bondholders; (b) hold all moneys delivered to it for the purchase of Bonds as agent and bailee of, and for the benefit of, the purchaser which shall have so delivered such moneys, until the Bonds purchased with such moneys shall have been delivered to or for the account of such purchaser; (c) keep such books and records as shall be consistent with industry practice and make such books and records available for inspection by the other parties; (d) provide to the Paying Agent a list of the names and addresses of registered owners of such Bonds as soon as practicable after the close of business on each Record Date, but in each case, no later than 1:00 p.m., New York Time, on the applicable Interest Payment Date; (e) give notices as required at the times and in the manner specified in the Bonds; and (f) in accordance with the terms and provisions of any agreement entered into with the Liquidity Facility Provider, if any, hold all Bonds purchased by the Liquidity Facility Provider, if any, and delivered to it for the benefit of the Liquidity Facility Provider on behalf of the Liquidity Facility Provider upon payment therefor or until such Bonds are deemed tendered.

Upon receipt by the Tender Agent of any tender notice or upon receipt by the Tender Agent of any Bonds delivered pursuant to such tender notice for purchase, the Tender Agent shall, upon request, deliver to the party delivering the tender notice and the Bonds, written evidence of the Tender Agent's receipt of such tender notice or Bonds. The Tender Agent shall promptly return any tender notice (together with the Bonds submitted in connection therewith) that is incomplete or improperly completed or not delivered by the date and time required hereunder to the party submitting such notice upon surrender of the receipt, if any, issued therefor. The Tender Agent's determination of whether a tender notice is properly completed or delivered on a timely basis shall be binding on the State and the holder of the Bonds submitted therewith.

Any successor Tender Agent shall be a commercial bank having trust powers or a trust company or a national banking association, having a capital and surplus aggregating at least $50,000,000 and authorized by law to perform all the duties imposed upon it hereby and shall be rated Baa3 or higher by Moody's. The Tender Agent may at any time resign and be discharged of the duties and obligations created hereby by giving at least sixty (60) days' notice to the State. The Tender Agent may be removed at any time by the State upon at least thirty (30) days' notice. No such resignation or removal shall take effect until the appointment of, and the acceptance of such appointment by, a successor Tender Agent. Successor Tender Agents may be appointed from time to time by the State. Upon the resignation or removal of the Tender Agent, the Tender Agent shall deliver any Bonds and moneys held by it in such capacity to its successor.

The Tender Agent upon receipt of any notice, resolution, request, consent, order, certificate, report, opinion, bond, or other paper or document furnished to it pursuant to any provision of the Bonds shall examine such instrument to determine whether it conforms to the requirements hereof and shall, in the absence of gross negligence or willful misconduct on the part of the Tender Agent, be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. The Tender Agent may consult with counsel and the written opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

Whenever the Tender Agent shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of the State, and such certificate shall be full warrant for any action taken or suffered in good faith under the provisions hereof upon the faith thereof; but in its discretion the Tender Agent may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as it may deem reasonable.

In the event that the Tender Agent is required to act pursuant to the terms hereof upon the receipt of telephonic notice, such notice shall be promptly confirmed in writing. If such notice shall not be so confirmed, the Tender Agent shall be entitled to rely upon such telephonic notice for all purposes whatsoever.

In receiving Bonds hereunder, the Tender Agent shall be acting as a conduit and shall not be purchasing such Bonds for its own account.

Optional Redemption of Bonds in the Weekly Rate Mode

(i) The Bonds in the Weekly Rate Mode are subject to optional redemption prior to maturity at the election of the Treasurer without notice on any optional or mandatory tender date for the Bonds.

(ii) The State also has the obligaton to redeem any Bonds held by or for the benefit of any Liquidity Facility Provider without notice and prior to any other Bonds.

(iii) The Bonds are also subject to redemption, at the election of the Treasurer, at any time, in whole or in part prior to maturity. Notice of redemption shall be mailed not less than twenty (20) nor more than sixty (60) days prior to the redemption date to the registered owners of such Bonds at such Bondowner's address as it appears on the registration books of the State. So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, all notices of redemption will be sent only to DTC.

The redeemed Bonds may be in such Series (but by lot among Bonds of a Series) as the Treasurer may determine. The redemption price (expressed as percentages of the principal amounts of Bonds to be redeemed) will be 100% of the principal amount of the Bonds to be redeemed plus interest accrued and unpaid to the redemption date.

Mandatory Sinking Fund Redemption

The Bonds are subject to mandatory sinking fund redemption in part by lot at a redemption price equal to one hundred percent (100%) of the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date specified for redemption on May 15 in each of the years set forth in the following table, in the principal amount specified in each of such years:

Sinking Fund Payments

Year	Total
2019	$ 11,765,000
2020	20,230,000
2021	26,540,000
2024	11,990,000
2025	27,945,000
2026	18,620,000
2027	30,840,000
2028	42,400,000
2029	17,760,000
2030	27,235,000
2031	27,000,000
2033	18,675,000
2034*	19,000,000
TOTAL:	$ 300,000,000

*Stated Maturity.

The State, at its option, may credit against any mandatory sinking fund redemption Bonds which have been purchased and canceled by the State or which have been redeemed and not previously applied as a credit against any mandatory sinking fund redemption requirement.

To the extent there are Bonds held by or for the benefit of the Bank, such Bonds shall be first entitled to the benefits of any mandatory sinking fund redemption. So long as DTC or a successor securities depository is the sole registered owner of the Bonds, partial redemptions will be done in accordance with DTC procedures. It is the State's intent that redemption allocations made by DTC, the DTC Participants or such other intermediaries that may exist between the State and the Beneficial Owners be made by lot. If the Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the Bonds, the particular Bonds or portions thereof to be redeemed shall be selected by lot in accordance with DTC procedures, provided that, so long as such Bonds of a series are held in book-entry form, the selection for redemption of such Bonds shall be made in accordance with the operational arrangements of DTC then in effect.

Notice of Redemption

Notice of redemption shall be mailed not less than twenty (20) nor more than sixty (60) days prior to the redemption date to the registered owner of such Bond at such Bondowner's address as it appears on the registration books of the State. However, no notice of redemption is required for Bonds to be redeemed on any optional or mandatory tender dates or for Bonds to be redeemed which are held by or for the benefit of the Bank. So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, all notices of redemption will be sent only to DTC.

Remarketing Agreement

The Remarketing Agent is required to use its best efforts to remarket the Bonds properly tendered for purchase. Merrill Lynch, Pierce, Fenner & Smith Incorporated will serve as the initial Remarketing Agent for the Bonds.

The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing Bonds that are optionally or mandatorily tendered by the owners thereof, all as further described in this Official Statement. The Remarketing Agent is appointed by the issuer and is paid by the issuer for its services. As a result, the interests of the Remarketing Agent may differ from those of existing holders and potential purchasers of Bonds.

The Remarketing Agent is permitted, but not obligated, to purchase tendered Bonds for its own account. The Remarketing Agent, in its sole discretion, routinely acquires tendered Bonds for its own inventory in order to achieve a successful remarketing of the Bonds (i.e., because there otherwise are not enough buyers to purchase the Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Bonds by routinely purchasing and selling Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Bonds. The Remarketing Agent may also sell any Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Bonds. The purchase of Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Bonds in the market than is actually the case. The practices described above also may reduce the supply of Bonds that may be tendered in a remarketing.

The Remarketing Agent is required to determine on the Rate Determination Date the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Bonds at par plus accrued interest, if any. The interest rate will reflect, among other factors, the level of market demand for the Bonds (including whether the Remarketing Agent is willing to purchase Bonds for its own account). There may or may not be Bonds tendered and remarketed on a Rate Determination Date, the Remarketing Agent may or may not be able to remarket any Bonds tendered for purchase on such date at par and the Remarketing Agent may sell Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Bonds at the remarketing price. In the event the Remarketing Agent owns any Bonds for its own account, the Remarketing Agent may, in its sole discretion in a secondary market transaction outside the tender process, offer the Bonds on any date, including the Rate Determination Date, at a discount to par to some investors.

While the Remarketing Agent may buy and sell Bonds, it is not obligated to do so and may cease doing so at any time without notice. Thus, investors who purchase the Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Bonds other than by tendering the Bonds in accordance with the tender process. The Liquidity Facility is not available to purchase Bonds other than those tendered in accordance with a sale of Bonds by the bondholder to the Remarketing Agent. The Liquidity Facility will only be drawn when such Bonds have been properly tendered in accordance with the terms of the transaction.

Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been name, subject to the terms of the Remarketing Agreement.

Standby Bond Purchase Agreement

The Standby Bond Purchase Agreement provides that the Bank agrees to purchase any unremarketed tendered Bonds from time to time in an amount not to exceed the principal amount thereof plus (while the Bonds are in a Weekly Rate Mode) accrued interest thereon in an amount up to 34 days at an interest rate not exceeding 9% per annum, subject to the terms and provisions set forth in the Standby Bond Purchase Agreement. See **Appendix I-D - Summary of the Standby Bond Purchase Agreement**. For information concerning the Bank, see **Appendix I-E - Information Relating to Bank of America, N.A.** All information concerning the Bank has been provided by the Bank, and the State is not responsible for its accuracy or completeness.

The Standby Bond Purchase Agreement may be terminated prior to its Stated Expiration Date immediately and automatically upon the occurrence of an Immediate Termination Event for which no termination notice is required. In the event of an Immediate Termination Event, Bondowners have **NO** right to tender Bonds, and the Bonds are **NOT** subject to mandatory tender for purchase solely as a result of such Immediate Termination Event. The Tender Agent shall give notice to the bondholders promptly after becoming aware of the early termination of the Standby Bond Purchase Agreement. See in **Appendix I-D** under the heading **Standby Bond Purchase Agreement** the paragraphs captioned **Events of Default** and **Remedies** and paragraph (a) under Remedies for a reference to the Immediate Termination Events of default for which no termination notice is required to be given.

Nature of Connecticut's General Obligation

Each Bond when duly issued and paid for will constitute a contract between the State and the owner thereof.

The State general obligation bond procedure act, pursuant to which the Bonds are issued, provides that the Bonds shall be general obligations of the State and that the full faith and credit of the State are pledged for the payment of the principal of and interest on said Bonds as the same become due. The full faith and credit of the State is not pledged for the payment by the State of the Purchase Price for tenders of the Bonds. Such act further provides that, as part of the contract of the State with the owners of said Bonds, appropriation of all amounts necessary for the punctual payment of such principal and interest is made, and the Treasurer shall pay such principal and interest as the same become due.

The doctrine of governmental immunity (the right of a state not to be sued without its consent) applies to the State, however, legislation gives jurisdiction to the Connecticut courts to enter judgment against the State founded upon any express contract between the State and the purchasers and subsequent owners and transferees of bonds and notes issued by the State, including the Bonds, reserving to the State all legal defenses except governmental immunity.

In the opinion of Bond Counsel, the above provisions impose a clear legal duty on the Treasurer to pay principal of and interest on the Bonds when due and, in the event of failure by the State to make such payment when due, a bondowner may sue the Treasurer to compel such payment from any monies available. Chapter 9 of Title 11 of the United States Code does not apply to the State of Connecticut or any other U.S. state.

For the payment of principal of or interest on the Bonds, the State, acting through the General Assembly, has the power to levy ad valorem taxes on all taxable property in the State without limitation as to rate or amount. The State does not presently levy such a tax.

The State has never defaulted in the punctual payment of principal or interest on any general obligation indebtedness and has never attempted to prevent or delay such required payments.

Book-Entry-Only System

The Depository Trust Company, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One or more fully-registered Bond certificates will be issued for each maturity and interest rate of a given series of the Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at **www.dtcc.com**.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmations from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on, and redemption premium, if any, with respect to the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the State or the Paying Agent, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest, and redemption premium, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the State or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The State may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

Book-Entry Bonds. For so long as the Bonds are registered in the name of Cede & Co., as nominee for DTC, the tender option rights of Bondholders described above may be exercised only by a Direct Participant of DTC acting directly or indirectly on behalf of a Beneficial Owner of Bonds by giving notice of its election to tender Bonds or portions thereof at the times and in the manner described above. Beneficial Owners will not have any rights to tender Bonds directly to the Tender Agent. Procedures under which a Beneficial Owner may direct a Direct Participant of DTC or an Indirect Participant of DTC acting through a Direct Participant of DTC to exercise a tender option right in respect of any Bonds or portions thereof shall be governed by standing instructions and customary practices determined by such Direct Participant or Indirect Participant.

For so long as the Bonds are registered in the name of Cede & Co., as nominee for DTC, notices of mandatory tender for purchase of Bonds shall be given to DTC only, and neither the State, the Tender Agent, the Underwriter nor the Remarketing Agent shall have any responsibility for the delivery of any of such notices by DTC to any Direct Participants of DTC, by any Direct Participants to any Indirect Participants of DTC or by any Direct Participants or Indirect Participants to Beneficial Owners of the Bonds.

For so long as the Bonds are registered in the name of Cede & Co., as nominee for DTC, delivery of Bonds required to be tendered for purchase shall be effected by the transfer by a Direct Participant on the applicable Purchase Date of a book entry credit to the account of the Tender Agent of a beneficial interest in such Bonds or portions thereof required to be tendered for purchase on that date.

For so long as the Bonds are registered in the name of Cede & Co., as nominee for DTC, payment of the Purchase Price shall be paid directly to DTC. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants.

The information in this section concerning DTC and DTC's book-entry system has been provided by DTC. The State and the Underwriters take no responsibility for the accuracy thereof.

Sources and Uses of Bond Proceeds

Proceeds of the Bonds are to be applied as follows:

Sources:	
Par Amount of Bonds	$ 300,000,000.00
State's Contribution	445,965.68
Total Sources	$ 300,445,965.68
Uses:	
Project Fund Deposit	$ 300,000,000.00
Costs of Issuance	262,028.35
Underwriters' Fee	183,937.33
Total Uses	$ 300,445,965.68

LEGALITY FOR INVESTMENT

Under existing State law, the Bonds are legal investments for the State and for municipalities, regional school districts, fire districts, and any municipal corporation or authority authorized to issue bonds, notes or other obligations, State chartered or organized insurance companies, bank and trust companies, savings banks, savings and loan associations and credit unions, as well as executors, administrators, trustees and certain other fiduciaries. Subject to any contrary provisions in any agreement with noteholders or bondholders or other contract, the Bonds also are legal investments for virtually all public authorities in the State.

The Bonds may be accepted by the Comptroller as a substitution for amounts paid as retainage under any State contract or subcontract.

RATINGS

Moody's Investors Service ("Moody's"), S&P Global Ratings ("S&P") and Fitch Ratings ("Fitch") have assigned their long and short-term ratings of Aa3/VMIG1, AA-/A-1, and AA-/F1, respectively, to the Bonds. Kroll Bond Rating Agency, Inc.("Kroll") has assigned the Bonds a long-term rating of AA. Fitch and S&P have assigned a "stable" credit outlook on the State's general obligation debt. Moody's and Kroll have assigned a "negative" credit outlook on the State's general obligation debt. Each such rating and credit outlook reflects only the views of the respective rating agency, and an explanation of the significance of such rating and credit outlook may be obtained from such rating agency. There is no assurance that such ratings will continue for any given period of time or that they will not be revised or withdrawn entirely by such rating agency if in the judgment of such rating agency circumstances so warrant. A downward revision or withdrawal of any such rating may have an adverse effect on the market prices of the Bonds.

TAX EXEMPTION OF THE BONDS

Opinion of Bond Counsel and Tax Counsel - Federal Tax Exemption

In the opinion of Bond Counsel and Tax Counsel, under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; however, with respect to certain corporations (as defined for federal income tax purposes) subject to the federal alternative minimum tax, such interest is taken into account in computing the federal alternative minimum tax.

Bond Counsel's and Tax Counsel's opinions with respect to the Bonds will be rendered in reliance upon and assuming the accuracy of and continuing compliance by the State with its representations and covenants relating to certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"). The Code establishes certain requirements that must be met at and subsequent to the issuance of the Bonds in order that interest on the Bonds be and remain excluded from gross income of the owners thereof for federal income tax purposes. Failure to comply with the continuing requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of their issuance irrespective of the date on which such noncompliance occurs. In the Tax Compliance Agreement and the Tax Certificate, which will be delivered concurrently with the issuance of the Bonds, the State will covenant to comply with certain provisions of the Code and will make certain representations designed to assure compliance with such requirements of the Code.

Pursuant to Section 3-20 of the General Statutes of the State, as amended, the State covenants that it will at all times comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds to ensure that interest on the Bonds will be excluded from the gross income of the owners thereof for federal income tax purposes, including covenants regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds.

No other opinion is expressed by Bond Counsel or Tax Counsel regarding the federal tax consequences of the ownership of, or the receipt or accrual of interest on, the Bonds.

Other Federal Tax Matters

In addition to the matters addressed above, prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations, such as the Bonds, may result in collateral federal income tax consequences to certain taxpayers, including without limitation, taxpayers eligible for the earned income credit, recipients of Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, certain insurance companies, certain S corporations with excess net passive income, and foreign corporations subject to the branch profits tax. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability and impact of such consequences. Prospective purchasers of the Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

State Taxes

In the opinion of Bond Counsel and Tax Counsel, under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

Interest on the Bonds is included in gross income for purposes of the Connecticut corporation business tax.

Owners of the Bonds should consult their tax advisors with respect to other applicable state and local tax consequences of ownership of the Bonds and the disposition thereof.

General

The opinions of Bond Counsel and Tax Counsel are rendered as of their date and Bond Counsel and Tax Counsel assume no obligation to update or supplement their opinions to reflect any facts or circumstances that may come to their attention or any changes in law or the interpretation thereof that may occur after the date of their opinions.

Federal, state or local legislation, administrative pronouncements or court decisions may affect the tax-exempt status of interest on the Bonds, gain from the sale or other disposition of the Bonds, the market value of the Bonds, or the marketability of the Bonds, or otherwise prevent the owners of the Bonds from realizing the full current benefit of the exclusion from gross income of the interest thereon. For example, federal legislative proposals have been made recently and in recent years that would, among other things, limit the exclusion from gross income of interest on obligations such as the Bonds for higher-income taxpayers. If enacted into law, such proposals could affect the tax exemption of interest on the Bonds or the market price for, or marketability of, the Bonds. No assurance can be given with respect to the impact of future legislation on the Bonds. Prospective purchasers of the Bonds should consult their own tax and financial advisors regarding such matters.

The discussion above does not purport to address all aspects of federal, state or local taxation that may be relevant to a particular owner of a Bond. Prospective owners of the Bonds, particularly those who may be subject to special rules, are advised to consult their tax advisors regarding the federal, state and local tax consequences of owning and disposing of the Bonds.

CONTINUING DISCLOSURE AGREEMENT

The General Statutes of Connecticut give the State the specific authority to enter into continuing disclosure agreements in accordance with the requirements of Securities and Exchange Commission Rule 15c2-12 (the "Rule"). The State will enter into a Continuing Disclosure Agreement with respect to the Bonds for the benefit of the beneficial owners of the Bonds, substantially in the form attached as **Appendix I-C** to this Official Statement (the "Continuing Disclosure Agreement"), pursuant to which the State will agree to provide or cause to be provided, in accordance with the requirements of the Rule: (i) certain annual financial information and operating data, (ii) in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of certain events with respect to the Bonds, and (iii) timely notice of a failure by the State to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement. The Underwriters' obligation to purchase the Bonds shall be conditioned upon their receiving, at or prior to the delivery of the Bonds, an executed copy of the Continuing Disclosure Agreement.

To its knowledge, in the last five years the State has not failed to comply in any material respect with its undertakings pursuant to a continuing disclosure agreement executed by the State. Certain prior annual reports of the State and other required reports are available from the Electronic Municipal Market Access website ("EMMA") of the Municipal Securities Rulemaking Board (the "MSRB"), or such other website as may be designated from time to time by the MSRB or the Securities and Exchange Commission. Filings through EMMA are linked to particular obligations by a 9-digit CUSIP number, based on base (6-digit) CUSIP numbers, which are subject to being changed after the issuance of obligations as a result of various actions. The State has entered into continuing disclosure agreements requiring filings to be made with respect to thousands of CUSIP numbers. Most filings by the State through EMMA, such as annual reports, are made using the base 6-digit CUSIP numbers. Although the State endeavors through this process to link each report filed through EMMA to the correct CUSIP number (including those assigned without its knowledge), there can be no guarantee of complete accuracy in this process, given the large number of 9-digit CUSIP numbers assigned to the State's obligations. The State does not believe an inaccuracy resulting from such CUSIP process is a material failure to comply with its continuing disclosure obligations.

DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS

State Treasurer's Certificate

Upon delivery of the Bonds, the State shall furnish a certificate of the Treasurer, dated the date of delivery of the Bonds, stating that the Official Statement, as of its date, did not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading and that there has been no material adverse change (other than in the ordinary course of the operations of the State) in the financial condition of the State from that set forth in or contemplated by this Official Statement. In providing such certificate, the Treasurer will state that she has not undertaken independently to verify information obtained or derived from various publications of agencies of the Federal government and presented in **Appendix III-B** to this Official Statement under the caption **STATE ECONOMY**.

Absence of Litigation

Upon delivery of the Bonds, the State shall furnish a certificate of the Attorney General of the State, dated the date of delivery of the Bonds, to the effect that there is no controversy or litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the application of monies to the payment of the Bonds. In addition, such certificate shall state that, except as disclosed in this Official Statement, there is no controversy or litigation of any nature now pending by or against the State which, in the opinion of the Attorney General, will be finally determined so as to result individually or in the aggregate in a final judgment against the State which would materially adversely affect its financial condition or the power of the State to levy, collect and enforce the collection of taxes or other revenues for the payment of its bonds.

Approving Opinions of Bond Counsel and Opinions of Disclosure Counsel, Tax Counsel and Underwriters' Counsel

The State Treasurer, with the approval of the Attorney General of the State of Connecticut, has appointed the following firm to serve as Bond Counsel with respect to the Bonds, and delivery of the Bonds will be subject to the approving opinion of Bond Counsel as follows:

(a) Lewis & Munday, A Professional Corporation with respect to the $300,000,000 General Obligation Bonds (2016 Series C-1) (Variable Rate Demand Bonds).

The opinion of Bond Counsel with respect to the Bonds will be substantially in the form included as **Appendix I-B** to this Official Statement.

Certain legal matters will be passed upon for the State by its Disclosure Counsel, Day Pitney LLP of Hartford, Connecticut. In addition, the firms of Finn Dixon & Herling LLP of Stamford, Connecticut and Soeder & Associates LLC of Hartford, Connecticut, serve as Co-Disclosure Counsel.

Certain legal matters will be passed upon for the State by its Tax Counsel, Robinson & Cole LLP of Hartford, Connecticut. In addition, the firms of Finn Dixon & Herling LLP and Soeder & Associates LLC serve as Co-Tax Counsel.

Certain legal matters will be passed upon for the Underwriters by their co-counsel, Bryant Miller Olive P.C. of Washington, D.C. and Hinckley, Allen & Snyder LLP of Hartford, Connecticut.

FINANCIAL ADVISOR

The State has appointed Acacia Financial Group, Inc. and A.C. Advisory, Inc. to serve as co-financial advisors to assist the State in the issuance of the Bonds.

UNDERWRITING

The aggregate initial offering price of the Bonds to the public is $300,000,000 plus accrued interest, if any. The Underwriters and the State expect to execute a Contract of Purchase on or about June 13, 2016, pursuant to which the Underwriters will jointly and severally agree, subject to certain conditions precedent to closing, to purchase the Bonds from the State at an aggregate purchase price of $300,000,000. In lieu of an underwriters' discount the State will pay the Underwriters a fee of $183,937.33. The Underwriters will be obligated to purchase all the Bonds, if any such Bonds are purchased. The Bonds may be offered and sold to certain dealers (including unit investment trusts and other affiliated portfolios of certain underwriters and other dealers depositing the Bonds into investment trusts) at prices lower than such initial public offering prices, and such initial public offering prices may be changed, from time to time, by the Underwriters.

RELATED PARTIES

Merrill Lynch, Pierce, Fenner & Smith Incorporated, an Underwriter and the Remarketing Agent for the Bonds, and Bank of America, N.A, the liquidity facility provider for the Bonds, are both wholly-owned, indirect subsidiaries of Bank of America Corporation.

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ADDITIONAL INFORMATION

It is the present policy of the State to make available, upon request to the Office of the State Treasurer, electronic copies of this Official Statement or parts hereof and subsequent official statements or parts thereof relating to the issuance of its general obligation bonds.

Additional information may be obtained upon request to the Office of the State Treasurer, Attn: Sarah K. Sanders, Assistant Treasurer for Debt Management, 55 Elm Street, Hartford, Connecticut 06106, (860) 702-3288.

STATE OF CONNECTICUT

Dated at Hartford, Connecticut
this 6th day of June, 2016

/s/ Denise L. Nappier
Denise L. Nappier
State Treasurer

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Appendix I-A

TABLE OF STATUTORY AUTHORIZATIONS

Each series of Bonds includes the following authorizations, which have been consolidated for purposes of sale:

A. $ 300,000,000.00 General Obligation Bonds (2016 Series C-1) (Variable Rate Demand Bonds)

1. $ 300,000,000.00 School Construction Bonds (Series YYYY) authorized by Chapter 173 of the General Statutes of the State of Connecticut, as amended.

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Appendix I-B

FORM OF BOND COUNSEL OPINION

The opinion of Bond Counsel will be dated the date of original issuance of the Bonds and will be substantially in the following form:

Honorable Denise L. Nappier
Treasurer, State of Connecticut
Hartford, Connecticut

We have examined a record of proceedings relative to the issuance of $300,000,000 General Obligation Bonds (2016 Series C-1) (Variable Rate Demand Bonds) of the State of Connecticut (the "Bonds").

The Bonds are dated as of the date of delivery, mature on May 15, 2034 and bear interest from their dated date, payable on each Interest Payment Date until maturity or earlier redemption, at the Weekly Rate as in effect from time to time as provided in the Bonds until converted to another interest rate mode as provided in the Bonds.

The Bonds are subject to mandatory sinking fund redemption in part by lot at a redemption price equal to one hundred percent (100%) of the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date specified for redemption, on May 15 in each of the years set forth in the following table, in the principal amount specified in each of such years:

Year	Sinking Fund Payments
2019	$ 11,765,000
2020	20,230,000
2021	26,540,000
2024	11,990,000
2025	27,945,000
2026	18,620,000
2027	30,840,000
2028	42,400,000
2029	17,760,000
2030	27,235,000
2031	27,000,000
2033	18,675,000
2034*	19,000,000

*Stated Maturity.

The State, at its option, may credit against any mandatory sinking fund redemption bonds which have been purchased and canceled by the State or which have been redeemed and not theretofore applied as a credit against any mandatory sinking fund redemption requirement.

The Bonds are payable as to principal and redemption price, if any, at the office of U.S. Bank National Association, in Hartford, Connecticut. Interest on the Bonds is payable to the person in whose name such bond is registered as of the Record Date by check mailed to such registered owner at such owner's address as shown on the registration books kept by the State or its designated agent.

The Bonds are subject to redemption and optional and mandatory tender for purchase prior to maturity as therein provided.

The Bonds are comprised of the following issue of bonds which were authorized by the following statutory provision and have been consolidated as a single issue:

$ 300,000,000.00	School Construction Bonds (Series YYYY) authorized by Chapter 173 of the General Statutes of the State of Connecticut, as amended.

The Bonds are issued under and pursuant to proceedings taken in accordance with Section 3-20 of the General Statutes of Connecticut, Revision of 1958, as amended, resolutions adopted by the State Bond Commission including a resolution adopted on December 11, 2015 and proceedings taken in conformity therewith, including a Certificate of Determination executed by the State Treasurer and filed with the Secretary of the State Bond Commission, a Tax Certificate and a Tax Compliance Agreement.

The Bonds are issuable in the form of registered bonds without coupons in denominations of $100,000 or any integral multiple of $5,000 in excess thereof, not exceeding the aggregate principal amount of Bonds maturing in any year. The Bonds are originally registered in the name of Cede & Co., as nominee of The Depository Trust Company, for the purpose of effecting a book-entry system for the ownership and transfer of the Bonds.

As to questions of fact material to our opinion we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement and certain matters which are the subject of a supplemental opinion provided by us to the State).

We are of the opinion that the Bonds, when duly certified by U.S. Bank National Association, will be valid and legally binding general obligations of the State of Connecticut for the payment of the principal of and interest on which the full faith and credit of the State are pledged, and that the State, acting through the General Assembly, has the power to levy ad valorem taxes upon all taxable property within the State without limitation as to rate or amount to pay the principal and interest thereof. We are further of the opinion that the Tax Compliance Agreement is a valid and binding agreement of the State and that the Tax Certificate and the Tax Compliance Agreement were duly authorized by the State.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met at and subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be excluded from gross income for federal income tax purposes. In the Tax Compliance Agreement and the Tax Certificate, the State has made covenants and representations designed to assure compliance with such requirements of the Code. The State has covenanted in the Tax Compliance Agreement that it will at all times comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds to ensure that interest on the Bonds shall be excluded from the gross income of the owners thereof for federal income tax purposes, retroactively to the date of issue or otherwise, including covenants regarding, among other matters, the use, expenditure and investment of the proceeds of the Bonds, and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds.

We are of the opinion that, under existing law, interest on the Bonds (a) is excluded from gross income for federal income tax purposes, and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, with respect to certain corporations (as defined for federal income tax purposes) subject to the federal alternative minimum tax, such interest is taken into account in computing the federal alternative minimum tax.

In rendering the foregoing opinions regarding the federal income tax treatment of interest on the Bonds, we have relied upon and assumed (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate and the Tax Compliance Agreement, and (ii) the continuing compliance by the State, with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, or continues to be, excluded from gross income for federal income tax purposes, as provided in the covenants set forth in the Tax Compliance Agreement as to such matters.

We are further of the opinion that, under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax.

We express no opinion regarding other federal or state tax consequences of the ownership of or receipt or accrual of interest on the Bonds.

Respectfully yours,

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FORM OF CONTINUING DISCLOSURE AGREEMENT

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the State will agree, pursuant to a Continuing Disclosure Agreement for the Bonds to be executed by the State substantially in the following form, to provide, or cause to be provided, (i) certain annual financial information and operating data, (ii) in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of certain events with respect to the Bonds, and (iii) timely notice of a failure by the State to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement for the Bonds.

Continuing Disclosure Agreement

This Continuing Disclosure Agreement ("Agreement") is made as of the 14th day of June, 2016 by the State of Connecticut (the "State") acting by its undersigned officer, duly authorized, in connection with the issuance of $300,000,000 General Obligation Bonds (2016 Series C) (Variable Rate Demand Bonds) (the "Bonds") dated as of the date hereof, for the benefit of the beneficial owners from time to time of the Bonds.

Section 1. Definitions. For purposes of this Agreement, the following capitalized terms shall have the following meanings:

"Final Official Statement" means the official statement of the State dated June 6, 2016 prepared in connection with the Bonds.

"MSRB" means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934 as amended, or any successor thereto.

"Repository" means the MSRB or any other information repository established pursuant to the Rule as amended from time to time.

"Rule" means rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Agreement.

"SEC" means the Securities and Exchange Commission of the United States, or any successor thereto.

Section 2. Annual Financial Information.

(a) The State agrees to provide or cause to be provided to each Repository, in accordance with the provisions of the Rule and of this Agreement, annual financial information and operating data (commencing with information and data for the fiscal year ending June 30, 2016) as follows:

(i) Financial statements of the State's general fund, special revenue funds, debt service funds, capital projects funds, enterprise funds, internal service funds and trust and agency (fiduciary) funds and the general long-term debt account group for the prior fiscal year, which statements shall be prepared in accordance with generally accepted accounting principles or mandated state statutory principles as in effect from time to time. As of the date of this Agreement, the State is required to prepare financial statements of its various funds and accounts on a budgeted basis (i.e., on the basis of the modified cash method of accounting as described in Part III to the Final Official Statement, under the caption **FINANCIAL PROCEDURES - Accounting Procedures)**. As of the date of this Agreement, the State also prepares its financial statements in accordance with generally accepted accounting principles but is not required to do so. The financial statements will be audited.

(ii) To the extent not included in the financial statements described in (i) above, the financial information and operating data within the meaning of the Rule described below (with references to the Final Official Statement); provided, however, that references to the Final Official Statement for the Bonds as a means of identifying such financial information and operating data shall not prevent the State from reorganizing such material in subsequent official statements or annual information reports:

1. Until such time as the State's only method of presenting its financial statements is substantially in accordance with generally accepted accounting principles ("GAAP"):

   a. General Fund - Summary of Operating Results - Budgetary (Modified Cash/Statutory) Basis (for most recent fiscal year) (See Table 2 and Appendices III-D-6 and III-D-7).

   b. General Fund - Summary of Operating Results - Budgetary (Modified Cash/Statutory) Basis vs. GAAP Basis (for most recent fiscal year) (See Table 3).

   c. General Fund - Unreserved Fund Balance - Budgetary (Modified Cash/Statutory) Basis as of the end of the most recent fiscal year) (See Table 4 and Appendices III-D-4 and III-D-5).

   d. General Fund - Unreserved Fund Balance - Budgetary (Modified Cash/Statutory) Basis vs. GAAP Basis (as of the end of the most recent fiscal year) (See Table 5).

2. Statutory Debt Limit (as of end of most recent fiscal year or a later date) (See Table 7).

3. Direct General Obligation Indebtedness - Principal Amount Outstanding (as of end of most recent fiscal year or a later date) (See Table 8).

4. Summary of Principal, Mandatory Sinking Fund Payments, and Interest on Long-Term Direct General Obligation Debt (as of end of most recent fiscal year or a later date) (See Table 10).

5. Outstanding Long-Term Direct General Obligation Debt (as of end of most recent fiscal year) (See Table 11).

6. Authorized But Unissued Direct General Obligation Debt (as of end of most recent fiscal year or a later date) (See Table 12).

7. Statutory General Obligation Bond Authorizations and Reductions (for recent fiscal years, if any legislative action) (See Table 13).

8. Special Capital Reserve Fund Debt (as of end of most recent fiscal year or a later date) (See Table 16).

9. Funding status of the State Employees' Retirement Fund and the Teachers' Retirement Fund.

(b) The financial statements and other financial information and operating data described above will be provided on or before the date eight months after the close of the fiscal year for which such information is being provided. The State's fiscal year currently ends on June 30.

(c) Annual financial information and operating data may be provided in whole or in part by cross-reference to other documents available to the public on the MSRB's Internet Web site referenced in the Rule as amended from time to time or filed with the SEC. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report or an annual information statement of the State.

(d) The State reserves the right (i) to provide financial statements which are not audited if no longer required by law, (ii) to modify from time to time the format of the presentation of such information or data, and (iii) to modify the accounting principles it follows to the extent required by law, by changes in generally accepted accounting principles, or by changes in mandated state statutory principles as in effect from time to time; provided that the State agrees that the exercise of any such right will be done in a manner consistent with the Rule.

Section 3. Notice of Certain Events.

The State agrees to provide or cause to be provided, in a timely manner not in excess of ten business days after the occurrence of the event, to each Repository notice of the occurrence of any of the following events with respect to the Bonds:

(a) principal and interest payment delinquencies;
(b) non-payment related defaults, if material;
(c) unscheduled draws on debt service reserves reflecting financial difficulties;
(d) unscheduled draws on credit enhancements reflecting financial difficulties;
(e) substitution of credit or liquidity providers, or their failure to perform;
(f) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
(g) modifications to rights of holders of the Bonds, if material;
(h) Bond calls, if material, and tender offers;
(i) Bond defeasances;
(j) release, substitution, or sale of property securing repayment of the Bonds, if material;
(k) rating changes;
(l) bankruptcy, insolvency, receivership or similar event of the State;
(m) the consummation of a merger, consolidation, or acquisition involving the State or the sale of all or substantially all of the assets of the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
(n) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Section 4. Notice of Failure to Provide Annual Financial Information.

The State agrees to provide or cause to be provided, in a timely manner, to each Repository notice of any failure by the State to provide annual financial information as set forth in Section 2(a) hereof on or before the date set forth in Section 2(b) hereof.

Section 5. Use of Agents.

Annual financial information and operating data and notices to be provided pursuant to this Agreement may be provided by the State or by any agents which may be employed by the State for such purpose from time to time.

Section 6. Termination.

The obligations of the State under this Agreement shall terminate upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Bonds, or (ii) such time as the State ceases to be an obligated person with respect to the Bonds within the meaning of the Rule.

Section 7. Enforcement.

The State acknowledges that its undertakings set forth in this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Bonds. In the event the State shall fail to perform its duties hereunder, the State shall have the option to cure such failure within a reasonable time (but not exceeding 30 days with respect to the undertakings set forth in Section 2 of this Agreement or five business days with respect to the undertakings set forth in Sections 3 and 4 of this Agreement) from the time the State's Assistant Treasurer for Debt Management, or a successor, receives written notice from any beneficial owner of the Bonds of such failure. The present address of the Assistant Treasurer for Debt Management is 55 Elm Street, 6th Floor, Hartford, Connecticut 06106.

In the event the State does not cure such failure within the time specified above, the beneficial owner of any Bonds shall be entitled only to the remedy of specific performance. The State expressly acknowledges and the beneficial owners are hereby deemed to expressly agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Bonds.

Section 8. Miscellaneous.

(a) All documents provided by the State to a Repository pursuant to the State's undertakings set forth in Sections 2, 3 and 4 of this Agreement shall be in an electronic format as prescribed by the MSRB from time to time and shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(b) The State shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided however, nothing in this Agreement shall be construed as prohibiting the State from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Bonds. If the State elects to provide any such additional information, data or notices, the State shall have no obligation under this Agreement to update or continue to provide further additional information, data or notices of the type so provided.

(c) This Agreement shall be governed by the laws of the State of Connecticut.

(d) Notwithstanding any other provision of this Agreement, the State may amend this Agreement, and any provision of this Agreement may be waived, if (i) such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the State, (ii) the provisions of the Agreement as so amended or waived would have complied with the requirements of the Rule, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances, in each case as of the date of such amendment to the Agreement or waiver, and (iii) such amendment or waiver is supported by either an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds or an approving vote by the holders of not less than 60% of the aggregate principal amount of the Bonds then outstanding. A copy of any such amendment or waiver will be filed in a timely manner with each Repository. The annual financial information provided on the first date following adoption of any such amendment or waiver will explain, in narrative form, the reasons for the amendment or waiver.

(e) This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but such counterparts shall together constitute but one and the same instrument.

STATE OF CONNECTICUT

By ______________________________________
Denise L. Nappier
Treasurer

SUMMARY OF THE STANDBY BOND PURCHASE AGREEMENT

The following is a summary of the Standby Bond Purchase Agreement. The summary is not to be regarded as a full statement of the terms of the Bonds, or the Standby Bond Purchase Agreement, accordingly, is qualified by reference to the Bonds and the Standby Bond Purchase Agreement and is subject to the full text thereof.

STANDBY BOND PURCHASE AGREEMENT

The initial Standby Bond Purchase Agreement is by and among the **State of Connecticut** (the "Borrower"), U.S. Bank National Association, as tender agent, and **Bank of America, N.A**. (the "Bank"), acting through its New York Branch.

In addition to the definitions included within the Official Statement, terms used herein but not otherwise defined shall have the meaning assigned to them in the Standby Bond Purchase Agreement. In the event of any conflict between the definitions included within the Official Statement and the definitions included within the Standby Bond Purchase Agreement, for the purposes of this Appendix I-D, the Standby Bond Purchase Agreement shall control.

Commitment to Purchase Bonds.

Subject to the terms and conditions of the Standby Bond Purchase Agreement, the Bank agrees to purchase unremarketed Bonds pursuant to the Standby Bond Purchase Agreement, from time to time on a Purchase Date during the Purchase Period, at the Purchase Price, with immediately available funds, in each case, only if such Bonds bear interest at a Weekly Interest Rate and are not Bank Bonds or Bonds held for the benefit of or owned by or on behalf of or for the account of the Borrower or any of its affiliates or their successors and assigns, which are tendered or deemed tendered pursuant to an optional or mandatory tender of the Bonds and not remarketed by the Remarketing Agent (such unremarketed Bonds are *"Tendered Bonds"*). The Bank will pay said Purchase Price with its own funds. The aggregate principal amount of any unremarketed Tendered Bonds purchased on any Purchase Date shall be an denomination of One Hundred Thousand Dollars ($100,000) or any integral multiple of Five Thousand Dollars ($5,000) in excess thereof and, in any case, the aggregate principal amount of all unremarketed Tendered Bonds purchased on any Purchase Date shall not exceed the Available Principal Commitment (calculated without giving effect to any purchase of Bonds by the Bank on such date) at 12:00 Noon (Hartford, Connecticut time) on such date. The aggregate amount of accrued and unpaid interest paid as part of the Purchase Price of such Tendered Bonds (the *"Interest Component"*) shall not exceed the lesser of (i) the Available Interest Commitment on such date or (ii) the actual aggregate amount of interest accrued on such purchased Bonds to such Purchase Date. Notwithstanding anything to the contrary contained herein or in the Standby Bond Purchase Agreement, only unremarketed Tendered Bonds shall be entitled to the benefits of the Standby Bond Purchase Agreement.

The Purchase Period means the period from the Effective Date of the Standby Bond Purchase Agreement to and including the earliest to occur of (a) the Stated Expiration Date, (b) the first Business Day upon which no Bonds remain Outstanding, (c) the Termination Date, (d) the Business Day on which an Alternate Liquidity Facility becomes effective and (e) the date on which the Available Commitment has been reduced to zero and not increased by the principal amount of Bonds remarketed by the Remarketing Agent or terminated in accordance with the terms of the Standby Bond Purchase Agreement; provided, that (i) with respect to clause (a) of this paragraph, if the Stated Expiration Date is not a Business Day, the Purchase Period shall end on the immediately preceding Business Day and (ii) with respect to clauses (b), (c), (d) and (e) of this paragraph, if such date is not a Business Day, the Purchase Period shall end on the immediately succeeding Business Day.

The Stated Expiration Date shall be 5:00 p.m. (Hartford, Connecticut time) on June 13, 2019, or if such day is not a Business Day, the Purchase Period shall end on the immediately preceding Business Day, or any extension thereof by the Bank pursuant to the Standby Bond Purchase Agreement.

Bank's Rights as Bond Owner.

It is expressly understood and agreed by the Borrower that during such time as the Bank holds any Bank Bond, the Bank shall have all rights granted to Owners under the Bonds as well as any additional rights as may be granted to the Bank under the Standby Bond Purchase Agreement or under any of the Bond Documents except to the extent such rights and privileges conflict with the Standby Bond Purchase Agreement, in which case the terms of the Standby Bond Purchase Agreement shall prevail and govern. Upon purchasing Bank Bonds, Bank Bondowners shall be recognized by the Borrower, the Tender Agent and the Custodian as the true and lawful owners (or, in the case of Book Entry Bonds, beneficial owners) of such Bank Bonds, free from any claims, liens, security interests, equitable interests and other interests of the Borrower, except as such interests might exist under the terms of the Bank Bonds with respect to all owners (or, in the case of Book Entry Bonds, beneficial owners) of the Bonds.

Resale of Bank Bonds.

The Bank expressly reserves the right to sell, at any time, Bank Bonds subject, however, to the express terms of the Standby Bond Purchase Agreement and the Resolution. The Bank agrees that such sales (other than certain sales made pursuant to the Standby Bond Purchase Agreement) will be made only to institutional investors or other entities or individuals which customarily purchase commercial paper or tax-exempt securities in large denominations. The Bank agrees to notify in writing the Borrower, the Tender Agent and the Remarketing Agent promptly of any such sale (other than certain sales made pursuant to the Standby Bond Purchase Agreement) and, if such Bank Bond is a Book Entry Bond, specifying the account at DTC to which such Bank Bond is credited, and to notify the transferee in writing (y) that such Bond is no longer an Eligible Bond so long as it remains a Bank Bond and (z) there may not be a short-term investment rating assigned to such Bond so long as it remains a Bank Bond although there may be a long-term investment rating assigned thereto. Any Bank Bondowner purchasing a Bank Bond from the Bank shall be deemed to have agreed (i) not to sell such Bank Bond to any Person except the Bank, a Purchaser identified by the Remarketing Agent pursuant to the Standby Bond Purchase Agreement or other institutional investors or other entities or individuals which customarily purchase commercial paper or tax-exempt securities in large denominations and (ii) if such Bank Bond is a Book Entry Bond, to give all notices in the manner and by the time required by DTC to exclude such Bank Bond from being subject to mandatory purchase under the Certificate of Determination while it remains a Bank Bond. Prior to selling a Bank Bond to a Bank Bondowner, the Bank shall obtain a written acknowledgment from such Bank Bondowner stating that such Bank Bondowner has no right to tender the Bank Bond except as provided in the Standby Bond Purchase Agreement.

Bank Bonds.

Any Bonds purchased by the Bank pursuant to the Standby Bond Purchase Agreement shall thereupon constitute Bank Bonds and have all of the characteristics of Bank Bonds as set forth in the Standby Bond Purchase Agreement and in the Resolution. All Bank Bonds shall bear interest at the Bank Rate as described below:

(a) Bank Bonds, from the date purchased by the Bank until such Bank Bonds are paid in full or remarketed in accordance with the Standby Bond Purchase Agreement, shall bear interest at the Bank Rate and shall be due and payable as provided in the Standby Bond Purchase Agreement and in the Bonds; *provided, however,* in any event, that (x) after the occurrence and during the continuance of an Event of Default, the Bank Bonds shall bear interest at the Default Rate, and (y) at no time shall the Bank Bonds bear interest in excess of the Highest Rate, subject to the terms of the Standby Bond Purchase Agreement.

(b) Interest on Bank Bonds payable under the Standby Bond Purchase Agreement shall be computed on the basis of the actual number of days elapsed over a year of three hundred sixty-five (365) days and fees and other amounts payable under the Standby Bond Purchase Agreement or under the Fee Letter shall be computed on the basis of the actual number of days elapsed over a year of three hundred sixty (360) days.

Fees and Default Interest.

The *"Default Rate"* means a fluctuating per annum rate of interest, computed on the basis of the actual number of days elapsed and a three hundred sixty-five (365)day year, as applicable, equal to the sum of the Bank Rate as from time to time in effect plus three percent (3.0%) per annum.

Termination, Reduction, and Reinstatement of the Available Commitment.

The amount of the Available Principal Commitment shall be reduced by an amount equal to (i) the amount of any drawing made under the Standby Bond Purchase Agreement to pay the unpaid principal portion of the Purchase Price of Tendered Bonds which has not been reinstated as provided in the Standby Bond Purchase Agreement, and (ii) any redemption, prepayment or other payment of all or any portion of the principal amount of the Bonds by reason of redemption, prepayment, maturity, acceleration, defeasance or otherwise (other than any such redemption, prepayment, maturity, defeasance or other payment in respect of Bank Bonds currently held by the Bank). In addition, the Available Commitment shall terminate on the last day of the Purchase Period.

Termination by Delivery of Alternate Liquidity Facility.

The Available Commitment shall automatically terminate on the Business Day on which an Alternate Liquidity Facility becomes effective.

Extension of Commitment.

No earlier than one hundred fifty (150) days and no later than ninety (90) days prior to the Stated Expiration Date, the Borrower may, by written notice to the Bank (with a copy to the Tender Agent), request that the Stated Expiration Date be extended. The Bank shall notify the Borrower (with a copy to the Tender Agent) of its decision whether or not to extend the Stated Expiration Date within thirty (30) days of receipt of such written notice from the Borrower, it being understood and agreed that the failure of the Bank to notify the Borrower of any decision within such period shall be deemed to be a rejection of such request by the Bank and that the Bank shall not incur any liability or responsibility whatsoever by reason of the Bank's failure to notify the Borrower of its decision within such period. If the Bank rejects (or is deemed to reject) any such request, the Stated Expiration Date shall not be extended pursuant to such request.

Conditions Precedent to Each Purchase of Tendered Bonds.

The obligation of the Bank to purchase Tendered Bonds under the Standby Bond Purchase Agreement on any date is subject to the satisfaction of the following conditions precedent:

(a) the Bank shall have received a timely Notice of Bank Purchase from the Tender Agent in accordance with the Standby Bond Purchase Agreement;

(b) the Tendered Bonds are required to be purchased pursuant to the optional or mandatory tender provisions of the Bonds and the Certificate of Determination; and

(c) No Special Event of Default shall have occurred and be continuing, and the Purchase Period shall not have expired.

Events of Default.

(a) *Events of Default not Permitting Immediate Termination.*

(i) the Borrower shall fail to pay when due any amount payable under the Standby Bond Purchase Agreement (other than the principal of or interest on Bank Bonds) or under the Fee Letter within ten (10) days of the Borrower's receipt of notice thereof or under any Bond Document beyond any period of grace granted thereunder;

(ii) (A) the Borrower shall default in the due performance or observance of any of the certain specified covenants set forth in the Standby Bond Purchase Agreement; or (B) the Borrower shall fail to observe or perform any covenant or agreement contained (or incorporated by reference) in the Standby Bond Purchase Agreement (other than those referred to in any other Event of Default under the Standby Bond Purchase Agreement) or any Bond Document to which it is a party for thirty (30) days after written notice thereof has been given to it by the Bank;

(iii) any representation, warranty, certification or statement made by the Borrower in (or incorporated by reference in) the Standby Bond Purchase Agreement or any Bond Document to which the Borrower is a party or in any certificate, financial statement or other document delivered by the Borrower pursuant to the Standby Bond Purchase Agreement or any Bond Document shall prove to have been incorrect in any material respect when made (or deemed made);

(iv) pursuant to the provisions of any such resolution, indenture, contract or instrument, the maturity of any such Material Indebtedness (as defined in the Standby Bond Purchaser Agreement) (other than the Bonds or Bank Bonds) shall have been or may be accelerated or may be required to be prepaid prior to the stated maturity thereof;

(v) the long-term rating assigned by Moody's, Fitch, Kroll or S&P to the Bonds or any other Material Indebtedness (without regard to third party credit enhancement) is suspended or withdrawn for credit related issues or reduced below "Baa2" by Moody's (or its equivalent), "BBB" by Fitch (or its equivalent), "BBB" by S&P (or its equivalent) or "BBB" by Kroll (or its equivalent), respectively;

(vi) any "event of default" under any of the other Bond Documents which is not cured within any applicable cure period shall occur which, if not cured, would give rise to remedies available thereunder;

(vii) a ruling, assessment, notice of deficiency or technical advice by the Internal Revenue Service shall be rendered to the effect that interest on the Bonds is includable in the gross income of the holder(s) or owner(s) of such Bonds and either (A) the Borrower, after it has been notified by the Internal Revenue Service, shall not challenge such ruling, assessment, notice or advice in a court of law during the period within which such challenge is permitted or (B) the Borrower shall challenge such ruling, assessment, notice or advice and a court of law shall make a determination, not subject to appeal or review by another court of law, that such ruling, assessment, notice or advice is correctly rendered;

(viii) (A) any material provision of the Act, the Resolution or any other Bond Document (other than an provision referred to in paragraph (iii) under the subcaption "*Events of Default Permitting Immediate Termination.*" below) shall at any time, and for any reason, cease to be valid and binding on the Borrower or shall be declared to be null and void, invalid or unenforceable as the result of a final nonappealable judgment by any federal or state court or as a result of any legislative or administrative action by any Governmental Authority having jurisdiction over the Borrower; (B) the Borrower repudiates or otherwise denies that it has any further liability or obligation under or with respect to any material provision of the Act, the Resolution or any other Bond Document (other than an provision referred to in paragraph (iii) under the subcaption "*Events of Default Permitting Immediate Termination.*" below); (C) any Governmental Authority with jurisdiction to rule on the validity or enforceability of any material provision of the Act, the Resolution or any other Bond Document (other than an provision referred to in paragraph (iii) under the subcaption "*Events of Default Permitting Immediate Termination.*" below) shall find or rule, in a judicial or administrative proceeding, that any such provision is not valid or not binding on, or enforceable against, the Borrower; or (D) the Borrower contests in a judicial or administrative proceeding the validity or enforceability of any material provision of the Standby Bond Purchase Agreement, the Act, the Resolution or any other Bond Document (other than an provision referred to in paragraph (iii) under the subcaption "*Events of Default Permitting Immediate Termination.*" below);

(ix) one or more final, non-appealable money judgment(s) or order(s) for the payment of money shall be entered by a court or other regulatory body of competent jurisdiction against the Borrower in an amount in excess of fifty million dollars ($50,000,000) or more and the Borrower shall have failed to satisfy said money judgment from and after the first date when said judgment shall become enforceable and subject to collection in accordance with its terms and such judgment or order shall continue unsatisfied and unstayed for a period of ninety (90) days; or

(x) the Borrower shall fail to pay, or cause to be paid, when due the principal of or interest on any Bank Bond as a result of an acceleration of the principal of and interest on Bank Bonds in accordance with the Standby Bond Purchase Agreement solely by reason of an Event of Default described under the subcaption "*Events of Default not Permitting Immediate Termination.*" above;

(b) *Events of Default Permitting Immediate Termination.*

(i) (A) the failure to pay when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise in accordance with its terms) any installment of principal, interest or premium payable on the Bonds, including any Bank Bond (or any general obligation bonds ranking on a parity therewith); *provided, however,* that it shall not constitute an Event of Default under this clause (A) of this paragraph (i) under the subcaption *"Events of Default Permitting Immediate Termination"* if there is a failure to pay when due any installment of principal, interest, or premium payable on the Bank Bonds solely as a result of an acceleration of the principal of and interest on Bank Bonds in accordance with the provisions under the caption *"***Remedies***"* below by reason of an Event of Default described in under the subcaption *"Events of Default Not Permitted Immediate Termination"* or (B) the Borrower shall fail to pay the principal, interest or premium payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise in accordance with its terms) on any Modified Material Indebtedness (other than the Bonds and Bank Bonds), and such failure shall continue beyond any applicable period of grace specified in any underlying resolution, indenture, contract or instrument providing for the creation of or concerning such Modified Material Indebtedness; *provided, however,* that it shall not constitute an Event of Default under this clause (B) of this paragraph (i) under the subcaption *"Events of Default Permitting Immediate Termination"* if there is a failure to pay when due any installment of principal, interest, or premium payable on any Modified Material Indebtedness solely as a result of an acceleration of the principal of and interest on such Modified Material Indebtedness by reason of an event of default with respect to such Modified Material Indebtedness similar to any of the Events of Default described in under the subcaption *"Events of Default Not Permitted Immediate Termination"* above;

(ii) (A) the Borrower shall commence any case, proceeding or other action (1) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, including the Bonds and any Bank Bonds, or (2) seeking appointment of a receiver, trustee, liquidator custodian or other similar official for it or for all or any substantial part of its assets; or (B) there shall be commenced against the Borrower any case, proceeding or other action of a nature referred to in clause (a) above which (x) results in an order for such relief or in the appointment of a receiver or similar official or (y) remains undismissed, undischarged or unbonded for a period of sixty (60) days from the commencement thereof; or (C) there shall be commenced against the Borrower any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets, which (x) results in the entry of an order for any such relief or (y) which shall not have been vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the commencement thereof; or (D) the Borrower shall make a general assignment for the benefit of its creditors; or (E) the Borrower shall admit in writing its inability to pay its indebtedness as it becomes due; or (F) the Borrower becomes insolvent within the meaning of Section 101(32) of the Bankruptcy Code; (G) the Borrower shall take any action in furtherance of, or indicating its consent to, approval of or acquiescence in, any of the acts set forth in any of clauses (A), (B), (C), (D), (E) or (F) above; or (H) a debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction on the payment of all Material Indebtedness of the Borrower or the Bank Bonds shall have been (x) declared or announced (whether or not in writing) by the Borrower or (y) imposed, declared or announced (whether or not in writing) as a result of a finding, ruling or other determination by a Governmental Authority having jurisdiction over the Borrower;

(iii) (A) any provision of the Standby Bond Purchase Agreement, the Act, the Resolution or the Bonds relating to (1) the payment, when due, of the principal or interest payable on all Modified Material Indebtedness or any Bonds or Bank Bonds or (2) the pledge of the full faith and credit of the Borrower supporting all Modified Material Indebtedness or the Bonds or any Bank Bonds shall at any time, and for any reason, cease to be valid and binding on the Borrower or shall be declared to be null and void, invalid or unenforceable as the result of a final non-appealable judgment by any federal or state court or as a result of any legislative or administrative action by any Governmental Authority having jurisdiction over the Borrower; (B) the Borrower, acting through an official of the Borrower having authority to do so, repudiates or otherwise publicly denies that it has any further liability or obligation under or with respect to any provision of the Standby Bond Purchase Agreement, the Act, the Resolution or the Bonds (including the Bonds or any Bank Bonds) relating to (1) the payment, when due, of the principal or interest payable on all Material Indebtedness or any Bonds or Bank

Bonds or (2) the pledge of the full faith and credit of the Borrower supporting all Modified Material Indebtedness or any Bonds or Bank Bonds; (C) the Borrower, acting through an official of the Borrower having authority to do so, repudiates or otherwise publicly denies that it has any further liability or obligation under the Bonds, or the Bonds shall at any time and for any reason cease to be a general obligation of the Borrower as determined by any Governmental Authority having jurisdiction over the Borrower; (D) any Governmental Authority with jurisdiction to rule on the validity or enforceability of the Standby Bond Purchase Agreement, the Act, the Resolution, or the Bonds or Bank Bonds shall find or rule, in a judicial or administrative proceeding, that any provision of any of the foregoing relating to (1) the payment, when due, of the principal or interest payable on all Modified Material Indebtedness or any Bonds or any Bank Bonds or (2) the pledge of the full faith and credit of the Borrower supporting all Modified Material Indebtedness or any Bonds or Bank Bonds is not valid or not binding on, or enforceable against, the Borrower; or (E) the Borrower (1) makes a claim in a judicial or administrative proceeding that the Borrower has no further liability or obligation under the Standby Bond Purchase Agreement, the Act, the Resolution or the Bonds or Bank Bonds), as and to the extent such entity has obligations thereunder, to pay, when due, the principal or interest payable on the Bonds or Bank Bonds, as applicable, or (2) contests in a judicial or administrative proceeding the validity or enforceability of any provision of the Standby Bond Purchase Agreement, the Act, the Resolution or the Bonds or Bank Bonds relating to (x) the payment, when due, of the principal or interest payable on all Modified Material Indebtedness or any Bonds or Bank Bonds or (y) the pledge of the full faith and credit of the Borrower supporting the Modified Material Indebtedness or any Bonds or Bank Bonds; or

(iv) the long-term rating (without regard to third party credit enhancement) assigned by each of the Rating Agencies then rating the Bonds or any other Modified Material Indebtedness of the Borrower then rated by such Rating Agencies shall each be withdrawn or suspended for credit-related issues by each of the Rating Agencies then rating the Bonds, or reduced below "Baa3" by Moody's, below "BBB-" by S&P, below "BBB-" by Fitch and below "BBB-" by Kroll, as the case may be;

then, and in any such event, the Bank may take any one or more of the actions described in under the caption "Remedies" below.

Remedies.

(a) In the case of an Event of Default as specified in paragraphs (i), (ii), (iii) or (iv) under the subcaption "*Events of Default Permitting Immediate Termination.*" above (each, a *"Special Event of Default"*), the Available Commitment shall immediately be reduced to zero, in which case, the obligations of the Bank under the Standby Bond Purchase Agreement (including but not limited to the obligation of the Bank to purchase Tendered Bonds) shall immediately terminate and expire without requirement of notice by the Bank and, thereafter, the Bank shall be under no obligation to purchase Bonds. After such termination or expiration, the Bank shall notify the Borrower, the Tender Agent and the Remarketing Agent of such termination or expiration in writing; *provided, however,* that the Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the termination of the Bank's Available Commitment and of its obligation to purchase Bonds pursuant to the Standby Bond Purchase Agreement.

(b) In the case of any Event of Default as specified above, the Bank shall have all remedies provided at law or equity, including, without limitation, specific performance, and may also (i) give written notice of such Event of Default and termination of the Standby Bond Purchase Agreement (a *"Notice of Termination Date"*) to the Borrower, the Tender Agent and the Remarketing Agent requesting a Default Tender (as defined in the Standby Bond Purchase Agreement), (ii) exercise any right or remedy available to it under any other provision of the Standby Bond Purchase Agreement; or (iii) exercise any other rights or remedies available under any Bond Document, any other agreement or at law or in equity. The obligation of the Bank to purchase Bonds shall terminate on the thirtieth (30th) day (or, if such day is not a Business Day, the next following Business Day) after such Notice of Termination Date is received by the Tender Agent and, on such date, (i) the Available Commitment shall terminate and the Bank shall be under no obligation under the Standby Bond Purchase Agreement to purchase Bonds and (ii) the Bank Bonds will be subject to mandatory redemption in accordance with the terms of the Standby Bond Purchase Agreement. Notwithstanding anything to the contrary in the Standby Bond Purchase Agreement, no failure or delay by the Bank in exercising any right, power or privilege under the Standby Bond Purchase Agreement, under the Resolution, the Bonds (including any Bank Bonds) or any other Bond Document and no course of dealing between the Borrower and the Bank shall operate as a waiver under the Standby Bond Purchase Agreement or thereof nor shall any single or partial exercise hereof or thereof preclude any other or further exercise under the Standby Bond Purchase Agreement or thereof or the exercise of any other right, power or privilege. The rights and remedies in the Standby Bond Purchase Agreement provided shall be cumulative and not exclusive of any rights or remedies which the Bank would otherwise have.

(c) In addition to the foregoing, upon the occurrence of any Event of Default under the Standby Bond Purchase Agreement, all Bank Obligations due and payable under the Standby Bond Purchase Agreement shall bear interest at the Default Rate.

(d) The Borrower agrees to pay to the Bank on demand all expenses incurred or paid by the Bank, including reasonable attorneys' fees, disbursements, and court costs, in connection with any Default under the Standby Bond Purchase Agreement or in connection with of any of the terms of the Standby Bond Purchase Agreement or any of the Bond Documents.

The rights and remedies of the Bank specified herein are for the sole and exclusive benefit, use and protection of the Bank, and the Bank is entitled, but shall have no duty or obligation to the Borrower, the Tender Agent, the Paying Agent, the Owners of the Bonds or otherwise, (i) to exercise or to refrain from exercising any right or remedy reserved to the Bank under the Standby Bond Purchase Agreement or (ii) to cause the Tender Agent, the Paying Agent, or any other party to exercise or to refrain from exercising any right or remedy available to it under any of the Bond Documents.

The Bank acknowledges that it has no right to accelerate Bank Bonds pursuant to the terms of the Standby Bond Purchase Agreement.

CERTAIN INFORMATION CONCERNING THE BANK

Bank of America, N.A. (the *"Bank)* is a national banking association organized under the laws of the United States, with its principal executive offices located in Charlotte, North Carolina. The Bank is a wholly-owned indirect subsidiary of Bank of America Corporation (the *"Corporation")* and is engaged in a general consumer banking, commercial banking and trust business, offering a wide range of commercial, corporate, international, financial market, retail and fiduciary banking services. As of March 31, 2016, the Bank had consolidated assets of $1.65 trillion, consolidated deposits of $1.298 trillion and stockholder's equity of $208.15 billion based on regulatory accounting principles.

The Corporation is a bank holding company and a financial holding company, with its principal executive offices located in Charlotte, North Carolina. Additional information regarding the Corporation is set forth in its Annual Report on Form 10-K for the fiscal year ended December 31, 2015, together with its subsequent periodic and current reports filed with the Securities and Exchange Commission (the "SEC").

Filings can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549, United States, at prescribed rates. In addition, the SEC maintains a website at http://www.sec.gov which contains reports, proxy statements and other information regarding registrants that file such information electronically with the SEC.

The information concerning the Corporation and the Bank is furnished solely to provide limited introductory information and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the referenced documents and financial statements referenced therein.

The Bank will provide copies of the most recent Bank of America Corporation Annual Report on Form 10-K, any subsequent reports on Form 10-Q, and any required reports on Form 8-K (in each case as filed with the SEC pursuant to the Exchange Act), and the publicly available portions of the most recent quarterly Call Report of the Bank delivered to the Comptroller of the Currency, without charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed to:

Bank of America Corporate Communications
100 North Tryon St, 18th Floor
Charlotte, North Carolina 28255
Attention: Corporate Communication

PAYMENTS OF THE PURCHASE PRICE OF THE BONDS WILL BE MADE FROM DRAWINGS UNDER THE STANDBY BOND PURCHASE AGREEMENT IF REMARKETING PROCEEDS ARE NOT AVAILABLE. ALTHOUGH THE STANDBY BOND PURCHASE AGREEMENT IS A BINDING OBLIGATION OF THE BANK,THE BONDS ARE NOT DEPOSITS OR OBLIGATIONS OF THE CORPORATION OR ANY OF ITS AFFILIATED BANKS AND ARE NOT GUARANTEED BY ANY OF THESE ENTITIES. THE BONDS ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY AND AR E SUBJECT TO CERTAIN INVESTMENT RISKS, INCLUDING POSSIBLE LOSS OF THE PRINCIPAL AMOUNT INVESTED.

The delivery of this information shall not create any implication that there has been no change in the affairs of the Corporation or the Bank since the date of the most recent filings referenced herein, or that the information contained or referred to in this Appendix I-E is correct as of any time subsequent to the referenced date.

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PART II

INFORMATION SUPPLEMENT

OF THE STATE OF CONNECTICUT

JUNE 6, 2016

The Annual Information Statement of the State of Connecticut (the "State"), dated February 24, 2016, appears in this Official Statement as **Part III** and contains information through February 24, 2016. The State expects to provide an updating Information Supplement from time to time in the future, which will appear in this location as Part II of future Official Statements or Reoffering Circulars of the State.

This Information Supplement updates certain information in the February 24, 2016 Annual Information Statement through June 6, 2016. The information in this **Part II** and **Part III** is subject to change without notice, and investors should not assume that there has been no change in the affairs of the State since the date of this **Part II**.

STATE GENERAL FUND

Page III-34. The information under the section "**Fiscal Year 2016 Operations**" is supplemented with the following information and the table titled "**OPM and Comptroller Estimates Fiscal Year 2016 (in Millions)**" under the heading **Fiscal Year 2016 Operations** is revised as follows:

OPM and Comptroller Estimates Fiscal Year 2016
(in Millions)

	OPM's Report			Comptroller's Report		
Period Ending:	**Revenues**	**Expenditures**[(a)]	**Surplus/ (deficit)**	**Revenues**	**Expenditures**[(a)]	**Surplus/ (deficit)**
January 31, 2016	$18,053.9	$18,073.8	$ (19.9)	$17,853.9[(b)]	$18,073.8[(b)]	$(219.9)[(b)]
February 29, 2016	17,875.9	18,006.7	(130.8)[(c)]	17,941.7[(d)]	17,941.7[(d)]	0.0[(d)]
March 31, 2016	17,732.4	17,991.5	(259.1)[(e)]	17,732.4	17,991.5	(259.1)
April 30, 2016	17,732.4	17,991.5	(259.1)	17,732.4	17,991.5	(259.1)

(a) Expenditures include net appropriations continued and estimated lapses and miscellaneous adjustments.
(b) Figures are derived from the Comptroller's letter accompanying his March 1, 2016 Comptroller's Report. The Comptroller noted that the Legislature's Office of Fiscal Analysis issued a revenue briefing that reduced the January 2016 consensus income tax estimate for Fiscal Year 2016 by $200 million and he was in agreement with that adjustment. In addition, he noted that he was in agreement with OPM's General Fund spending estimates.
(c) Estimates reflect rescissions announced on March 16, 2016 pursuant to Connecticut General Statutes Section 4-85. The Secretary of OPM noted that revenue performance through the remainder of the year, particularly April 1, will be the most important factor in determining year end results. Estimates are prior to the passage of Senate Bill 474 on March 29, 2016.
(d) Estimates are derived from Comptroller's letter dated April 1, 2016 and reflects passage of Senate Bill 474.
(e) Pursuant to OPM's letter dated May 1, 2016 which updates its letter of April 20, 2016 to reflect revenue revisions resulting from the April 29, 2016 consensus revenue estimates discussed below.

On May 25, 2016, the Legislature's Office of Fiscal Analysis projected a deficit in the General Fund of $266.9 million for Fiscal Year 2016.

The next monthly report of OPM is expected on June 20, 2016 and the next monthly report of the Comptroller is expected on July 1, 2016. The above projections are only estimates and no assurances can be given that future events will materialize as estimated, or that subsequent estimates or adjustments by OPM, the Comptroller or other State agencies will not reflect changes in the estimated or final result of Fiscal Year 2016 operations of the General Fund. In addition, adjustments or audit or actions of the State may also result in changes in the final result of Fiscal Year 2016 operations of the General Fund.

On March 22, 2016 the Connecticut General Assembly passed, and the Governor signed into law, Senate Bill 474 (SB 474). This bill reflects a bipartisan deficit mitigation plan that, along with administrative actions, addressed the $219.9 million shortfall projected for Fiscal Year 2016 by the Comptroller on March 1, 2016. SB 474 reduced the Fiscal Year 2016 budget by $192.2 million. Savings of $108 million are achieved through expenditure reductions in the Executive ($97.4 million), Legislative ($1.0 million), and Judicial ($9.6 million) branches of State government. Limits on expenditure carryforwards resulted in another $15.0 million in savings in Fiscal Year 2016. The remaining $69.2 million of the total $192.2 million was achieved through one-time transfers from other funds to the General Fund. Administrative actions were expected to result in additional budget reductions of $27.8 million, resulting in a total of $220.0 million in savings in Fiscal Year 2016. SB 474 does not address the additional deficit estimates projected after March 1, 2016.

Page III-34. The information under caption ***Consensus Revenue Estimates*** under the section "**Forecasted Operation**" is replaced with the following:

Consensus Revenue Estimates. Pursuant to Section 2-36c of the Connecticut General Statutes, on April 29, 2016, OPM and the Legislature's Office of Fiscal Analysis issued their consensus revision to their January 15, 2016 consensus revenue estimates for the current fiscal year and the three ensuing fiscal years as follows:

General Fund Consensus Revenue Estimate
(in Millions)

Fiscal Year	2016	2017	2018	2019	2020
Revenue Estimate January 15, 2016	$18,053.9	$18,150.5	$18,321.9	$18,822.7	$19,385.6
Revenue Estimate April 29, 2016	17,732.4	17,750.4	17,847.7	18,300.1	18,824.5
Amount Changed	(321.5)	(400.1)	(474.2)	(522.6)	(561.1)

The projections in the consensus revenue estimates are only estimates and no assurances can be given that future events will materialize as estimated or that subsequent estimates, adjustments or actions of the State will not indicate changes in the final results of the fiscal years reported.

Page III-35. The following information supplements the information under the heading **Governor's Midterm Budget Revisions for Fiscal Year 2017**:

The General Assembly passed Senate Bill No. 501 as amended which makes mid-term budget revisions for Fiscal Year 2017 along with additional legislation to implement the budget and policy changes reflected in the budget. Based upon the most recent consensus revenue estimate issued on April 29, 2016 by the Office of Policy and Management and the legislature's Office of Fiscal Analysis and adjusted for policy changes contained in the budget, revenues are anticipated to be $17,886.7 million, expenditures are anticipated to be $17,886.5 million, and the revised budget is estimated to result in a General Fund surplus of $0.2 million for Fiscal Year 2017 and would be approximately $612.8 million below the expenditure cap.

The revised Fiscal Year 2017 budget includes policy changes that are projected to result in approximately $136.3 million in additional revenue above the consensus revenue forecast. The most significant change includes:

- A reduction in sales and use tax revenue transfers to both the Municipal Revenue Sharing Account and the Special Transportation Fund.

The revised budget represents a reduction in appropriations of approximately $824.7 million compared to the originally adopted budget for Fiscal Year 2017. The more significant changes include:

- Across-the-board reductions to funding for personal services ($255.0 million) and other expenses ($50.0 million)
- Fringe benefits reductions, principally as a result of the personnel reductions noted above ($70.5 million),
- Funding eliminations for wage increases ($67.6 million)
- Block grant reductions for higher education ($54.5 million),
- Funding reductions for municipal payment in lieu of taxes grants, public school and non-public school transportation grants, adult education, and education cost sharing grants (net of the originally budgeted lapse) ($68.3 million) and
- Reduced hospital supplemental grant payments ($44 million).

The Governor signed such bill, however he exercised his line-item veto authority for amounts totaling $22.5 million in appropriations in order to offset projected savings anticipated from proposed legislation which was not passed by the General Assembly.

Pursuant to Senate Bill No. 503 which was passed by the General Assembly and signed into law by the Governor, the revised Fiscal Year 2017 budget includes cancellations of $1,000.9 million in general obligation bond authorizations and authorizations of $358.6 million in general obligation bond authorizations, resulting in a net decrease of $642.3 million in general obligation bond authorizations to take effect in Fiscal Year 2017. It also includes an increase of $68.6 million in special tax obligation bonds to take effect in Fiscal Year 2017.

The midterm budget adjustments have been reflected in **Appendix III-E** to this Annual Information Statement but do not include the adjustments made by the Governor's line-item veto discussed above.

STATE DEBT

Page III-44, Table 7; page III-48, Table 8; Page III-51, Table 10; Page III-53, Table 12. The following information supplements the information included in such pages and tables:

On March 30, 2016 the State issued $550,000,000 General Obligation Bonds (2016 Series A) maturing in varying amounts between March 15, 2017 and March 15, 2036 and bearing interest at rates ranging from 2.00% per annum to 5.00% per annum to finance various projects and purposes.

On April 21, 2016 the University of Connecticut issued $341,935,000 University of Connecticut General Obligation Bonds consisting of (i) $261,510,000 General Obligation Bonds, 2016 Series A maturing in varying amounts between March 15, 2017 and March 15, 2036 and bearing interest at rates ranging from 3.00% per annum to 5.00% per annum to finance various projects and purposes and (ii) $80,425,000 General Obligation Bonds, 2016 Refunding Series A maturing in varying amounts between March 15, 2017 and March 15, 2027 and bearing interest at rates ranging from 4.00% per annum to 5.00% per annum to refund all or a portion of selected maturities of certain outstanding bonds issued by the University of Connecticut.

LITIGATION

Page III-96. The following sentence is added to the end of the information under the caption ***American Indian Tribes***:

The Historical Eastern Pequot Tribe has filed a petition with the federal Bureau of Indian Affairs seeking to be acknowledged as a federal American Indian Tribe.

APPENDIX III-B

Page III-B-17. The following information supplements the information included in **TABLE B-18**:

TABLE B-18

Unemployment Rate

	Unemployment Rate		
Calendar Year	**Connecticut**	**New England**	**United States**
2015	5.6%	4.7%	5.3%

SOURCE: Connecticut State Labor Department
Federal Reserve Bank of Boston
United States Department of Labor, Bureau of Labor Statistics

APPENDIX III-E

APPENDIX III-E to this Part II reflects the adopted budgets for Fiscal Years 2015 through 2017, the final financial results for Fiscal Year 2015 and the estimated budget for Fiscal Year 2016 (as of the period ending March 31, 2016).

GENERAL FUND REVENUES AND EXPENDITURES
REVISED ADOPTED BUDGET AND FINAL FINANCIAL RESULTS FOR FISCAL YEAR 2015
ADOPTED AND ESTIMATED BUDGET FOR FISCAL YEAR 2016
REVISED ADOPTED BUDGET FOR FISCAL YEAR 2017
(In Millions)

	Revised Adopted Budget Fiscal Year 2015[d]	Financial Results Fiscal Year 2015[f]	Adopted Budget Fiscal Year 2016[h]	Estimated Budget Fiscal Year 2016[i]	Revised Adopted Budget Fiscal Year 2017[j]
Revenues					
Taxes					
Personal Income Tax	$ 9,264.5	$ 9,151.0	$9,834.4	$9,275.0	$ 9,519.0
Sales & Use	4,167.4	4,205.1	4,121.1	4,220.3	4,328.7
Corporation	704.3	814.8	902.2	884.4	839.3
Public Service	295.6	276.8	308.0	275.8	283.9
Inheritance & Estate	173.0	176.8	173.4	217.4	174.6
Insurance Companies	256.2	220.6	243.8	242.0	245.4
Cigarettes	360.9	358.7	361.2	368.4	371.1
Real Estate Conveyance	186.9	186.0	194.7	196.7	201.8
Oil Companies[a]	34.8	--	--	--	--
Alcoholic Beverages	60.7	61.7	61.7	61.7	62.2
Admissions and Dues	38.3	38.4	38.3	38.3	39.0
Health Provider Tax	509.5	454.9	676.9	679.7	683.4
Miscellaneous	95.2[g]	19.1	20.8	19.7	20.1
Total Taxes	$16,147.2	$15,963.9	$16,936.5	$16,479.4	$16,768.5
Less Refunds of Taxes	(1,105.1)	(1,064.0)	(1,090.4)	(1,101.4)	(1,106.5)
Less Earned Income Tax	(120.7)	(99.6)	(127.4)	(127.4)	(133.6)
Less R&D Credit Exchange	(6.8)	(7.9)	(7.1)	(7.1)	(8.5)
Net Taxes	$14,914.6	$14,792.4	$15,711.6	$15,243.5	$15,519.9
Other Revenues					
Transfers- Special Revenues	$ 323.1	$ 323.3	$ 343.4	$ 336.4	$ 355.5
Indian Gaming Payments	278.5	268.0	258.8	266.9	267.0
Licenses, Permits, Fees	256.2	257.4	308.5	292.9	269.2
Sales of Commodities & Services	43.5	35.8	38.0	41.6	42.6
Rents, Fines & Escheats	118.4	168.7	126.0	126.0	128.0
Investment Income	0.6	0.9	2.5	1.6	3.8
Miscellaneous	161.9	185.0	171.3	176.8	219.0
Less Refunds of Payments	(72.9)	(64.3)	(74.2)	(65.2)	(66.1)
Total Other Revenue	$ 1,109.3	$ 1,174.8	$ 1,174.3	$ 1,177.0	$ 1,219.0
Other Sources					
Federal Grants	$ 1,299.6	$ 1,241.2	$ 1,265.2	$ 1,185.6	$ 1,257.6
Transfers to the Resources of the General Fund	--	38.0	--	--	--
Transfers from Tobacco Settlement Funds	120.0	97.4	106.6	110.6	108.5
Transfers to the Resources of STF[a]	--	--	--		--
Transfers to Other Funds[b]	14.6	(61.8)	(95.4)	15.7	(218.3)
GAAP Conversion Bond proceeds	--	--	--		--
Total Other Sources	$ 1,434.1	$ 1,314.8	$ 1,276.5	$ 1,311.9	$ 1,147.8
Total Budgeted Revenue[c]	$17,458.0	$17,282.0	$18,162.4	$17,732.4	$17,886.7

Appropriations/ Expenditures	Revised Adopted Budget Fiscal Year 2015[(d)]	Financial Results Fiscal Year 2015[(f)]	Adopted Budget Fiscal Year 2016[(h)]	Estimated Budget Fiscal Year 2016[(i)]	Revised Adopted Budget Fiscal Year 2017[(j)]
Legislative	$ 86.7	$ 74.5	$ 83.9	$ 76.7	$ 74.1
General Government	680.0	661.9	670.0	655.0	602.2
Regulation & Protection	276.6	287.8	301.0	293.5	278.8
Conservation & Development	216.3	204.2	211.3	198.5	194.8
Health & Hospitals	1,802.7	1,784.9	1,817.4	1,803.4	1,217.0
Human Services	3,026.9	3,076.6	3,196.2	3,138.0	3,708.8
Education, Libraries & Museums	5,075.3	5,029.8	5,166.4	5,140.8	5,067.8
Corrections	1,493.1	1,477.1	1,514.8	1,492.5	1,417.9
Judicial	601.9	593.7	625.4	605.3	593.9
Non- Functional					
Debt Service	1,784.2[(e)]	1,691.5[(e)]	1,937.6[(e)]	1,972.6	2,063.1[(e)]
Miscellaneous	2,546.2	2,516.8	2,838.1	2,795.3	2,857.4
Subtotal	$ 17,589.8	$17,398.7	$18,362.1	$18,171.6	$ 18,075.8
Other Reductions and Lapses	(132.1)	--	(200.6)	(180.2)	(189.3)
Net Appropriations/ Expenditures	$ 17,457.7	$17,398.7	$ 18,161.6	$17,991.5	$17,886.4
Surplus (or Deficit) from Operations	0.3	(116.7)	0.8	(259.1)	0.2
Miscellaneous Adjustments	--	3.5	--	--	--
Reserve for Future Fiscal Years	--	--	--	--	--
Reserve for GAAP Conversions	--	--	--	--	--
Reserve from Reserved Fund Balance	--	--	--	--	--
Balance[(c)]	$ 0.3	$ (113.2)	$ 0.8	$ (259.1)	$ 0.2

NOTE: Columns may not add due to rounding.

(a) Per subsection 91 of Public Act No. 15-244, beginning in Fiscal Year 2016, all revenue from the oil companies tax will be deposited to the Special Transportation Fund.

(b) Includes transfers to the Mashantucket Pequot Fund for grants to towns. The amounts for Fiscal Years 2015 through 2016 include transfers of $61.8 million in each year to the Mashantucket Pequot Fund for grants to towns. In Fiscal Year 2017 this amount was reduced to $58.1 million. The transfers for Fiscal Year 2015 include: $30.0 million from the Fiscal Year 2013 surplus.

(c) Does not include revenues or expenditures with respect to Restricted Accounts and Federal & Other Grants, which are not included in this Appendix. The amount of such expenditures is generally the same as the amount of grants received. Per Section 4-30a of the Connecticut General Statutes, after the accounts for the General Fund have been closed for each fiscal year and the Comptroller has determined the amount of unappropriated surplus in said fund, after any amounts required by provision of law to be transferred for other purposes have been deducted, the amount of such surplus shall be transferred by the State Treasurer to the Budget Reserve Fund.

(d) Per Public Act No. 14-47 and Public Act No. 14-217 and Public Act No. 15-244.

(e) Sections 90 and 91 of Public Act No. 13-184 extend the maturity of the 2009 Economic Recovery Notes from Fiscal Year 2016 to Fiscal Year 2018.

(f) Per the Comptroller's audited financial results for Fiscal Year 2015 as adjusted by the Office of Policy and Management to exclude expenditures of appropriations carried over from the prior fiscal year and to include expenditures of appropriations carried into the next fiscal year.

(g) The adopted budget for Fiscal Year 2015 included $75 million from a Department of Revenue Services enhanced Tax Collections Initiative.

(h) Per Public Act No. 15-244, as amended by various implementer legislation and as amended by Public Act No. 15-05 of the June Special Session. These amounts do not include updates to revenues and expenditures made at the December 8, 2015 Special Session of the General Assembly which provided for (i) $137.5 million in additional revenue in Fiscal Year 2016 and a reduction of $17.5 million in revenue in Fiscal Year 2017 and (ii) a reduction in appropriated expenditures by $195.8 million in both Fiscal Year 2016 and 2017.

(i) Estimates reflect the April 29, 2016 Office of Policy and Management's letter to the State Comptroller as of the period ending March 31, 2016.

(j) Per SB 501 as amended and SB 502 as amended in the May 2017 Special Session. Such amounts do not reflect the Governor's line-item veto of $22.5 million in appropriations.

NOTE: The information in **Appendix III-E** of this **Part II** contains projections and no assurances can be given that subsequent projections or adjustments will not result in changes in the items of revenue and expenditure and in the final result of the operations of the General Fund. Changes may also occur as the result of legislative action adjusting the budget or taking other actions which impact revenues or expenditures.

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PART III
ANNUAL INFORMATION STATEMENT
STATE OF CONNECTICUT

FEBRUARY 24, 2016

This Annual Information Statement of the State of Connecticut (the "State") contains information through February 24, 2016. For information about the State after February 24, 2016, the State expects to update this Annual Information Statement from time to time. This Annual Information Statement and any appendices attached hereto, should be read collectively and in their entirety.

This Annual Information Statement contains the State's June 30, 2015 audited financial statements prepared using the guidance of Generally Accepted Accounting Principles ("GAAP") as prescribed by the Governmental Accounting Standards Board and June 30, 2015 audited legal accounting basis financial statements. The State expects generally to update certain information contained in this Annual Information Statement from time to time. Such updates are expected to include certain interim financial information prepared on a statutory basis, but are not expected to include interim financial information prepared in accordance with GAAP.

The State's fiscal year begins on July 1 and ends on June 30. References to "Fiscal Year" throughout this Annual Information Statement refer to the referenced fiscal year ending June 30. For example, Fiscal Year 2015 refers to the fiscal year beginning July 1, 2014 and ending June 30, 2015.

This Annual Information Statement may be obtained electronically, by contacting the Office of the State Treasurer, Attn.: Assistant Treasurer for Debt Management, 55 Elm Street, Hartford, Connecticut 06106, (860) 702-3288.

Constitutional Elected Officers	
Governor *	**Dannel P. Malloy**
Lieutenant Governor	**Nancy S. Wyman**
Secretary of the State	**Denise W. Merrill**
Treasurer *	**Denise L. Nappier**
Comptroller *	**Kevin P. Lembo**
Attorney General *	**George C. Jepsen**
Executive Branch Officers	
Secretary of the Office of Policy and Management *	**Benjamin Barnes**
Commissioner of Administrative Services *	**Melody A. Currey**
Commissioner of Transportation	**James P. Redeker**
Legislative Branch Officers	
President Pro Tempore of the Senate	**Sen. Martin M. Looney**
Speaker of the House of Representatives	**Rep. J. Brendan Sharkey**
Co-chairpersons of the Joint Standing Committee on Finance, Revenue and Bonding *	**Sen. John W. Fonfara** **Rep. Jeffrey J. Berger**
Ranking Minority Members of the Joint Standing Committee on Finance, Revenue and Bonding *	**Sen. L. Scott Frantz** **Rep. Christopher Davis**
Auditors of Public Accounts	**John C. Geragosian** **Robert M. Ward**

* Denotes member of the State Bond Commission

PART III

FEBRUARY 24, 2016

ANNUAL INFORMATION STATEMENT OF THE STATE OF CONNECTICUT

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PART III

FEBRUARY 24, 2016

ANNUAL INFORMATION STATEMENT OF THE STATE OF CONNECTICUT

INDEX TO TABLES

INTRODUCTION

This Annual Information Statement of the State of Connecticut (the "State") contains certain information that a potential investor might consider material in reaching a decision to invest in securities of the State. All quotations from and summaries and explanations of provisions of laws of the State contained in this Annual Information Statement do not purport to be complete and are qualified in their entirety by reference to such provisions of law.

The information included in this Annual Information Statement is organized as follows:

The State of Connecticut comprises a brief introductory summary of the governmental organization of the State and the services it provides, as well as a historical overview of the State's economic performance. A more detailed discussion of these topics, including additional information, is contained in **Appendices III-A** and **III-B** to this Annual Information Statement.

Financial Procedures discusses the legal and administrative processes, procedures, controls and policies that generally apply to all State funds.

State General Fund discusses the State's General Fund, which is the source of financing for most operating activity of the State. The discussion includes both prospective and historical information about the General Fund. Additional information regarding General Fund activity is included in **Appendices III-C, III-D** and **III-E** to this Annual Information Statement.

State Debt describes the procedures for the authorization of the State to incur debt and the various ways in which the State may borrow funds to finance State functions and capital projects. This section provides both current and historical information about the State's borrowing practices and State indebtedness.

Other Funds, Debt and Liabilities provides an overview of certain obligations of the State that are not accounted for in the General Fund but that are contingent liabilities of the State. These include the budget and debt of the Special Transportation Fund, certain special revenue funds and debt, contingent liability debt, and other debt service and contractual commitments. Certain additional information regarding these other funds, debt and liabilities of the State is included in **Appendix III-C** to this Annual Information Statement.

Pension and Retirement Systems describes the major pension and retirement systems of the State. Additional information regarding these systems is included in **Appendix III-C** to this Annual Information Statement.

Litigation comprises a summary of pending legal actions in which the fiscal impact of an adverse decision may not be determined at this time and the Attorney General is unable to opine that a final judgment against the State in such suits would not materially adversely affect the State's financial position.

Other Matters includes additional matters that do not fall within the other headings.

Appendices III-A through III-E to this Annual Information Statement contain detailed information relating to the information summarized in the Annual Information Statement and should be read in their entirety with the other information contained therein.

The Annual Information Statement speaks only as of its date. For information about the State after February 24, 2016, the State expects to update this Annual Information Statement from time to time in a Part II Information Supplement and the reader should refer to Part II and Part III collectively and in their entirety. This Annual Information Statement and any appendices attached hereto should be read collectively and in their entirety.

FORWARD-LOOKING INFORMATION AND BONDHOLDER CONSIDERATIONS

This Annual Information Statement includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Without limiting the foregoing, the words “may,” “believe,” “could,” “might,” “possible,” “potential,” “project,” “will,” “should,” “expect,” “intend,” “plan,” “predict,” “anticipate,” “estimate,” “approximate,” “contemplate,” “continue,” “target,” “goal” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these words. All forward-looking statements included in this Annual Information Statement are based on information available to the State up to, and including, the date of this document, and the State assumes no obligation to update any such forward-looking statements to reflect events or circumstances that arise after the date hereof or after the date of any report containing such forward-looking statement, as applicable. Actual results could differ materially from those anticipated in these forward-looking statements as a result of certain important factors, including, but not limited to, those contained in this Annual Information Statement. Investors should carefully review those factors.

Actual results could vary significantly from estimates and projections for many reasons including the effect of and from, future federal budgetary matters, including federal grants and other forms of financial aid to the State; macroeconomic economic and business developments, both for the country as a whole and particularly affecting the State; future energy costs; health care related matters including Medicaid reimbursements; federal defense spending; financial services industry; litigation or arbitration; natural disasters and other acts of God; and changes in retirement rates, inflation rates, interest rates, increases in healthcare costs, longevity rates and other factors used in estimating future obligations of the State; among others.

THE STATE OF CONNECTICUT

Governmental Organization and Services

The State Constitution divides the functions and powers of State government into three distinct branches, referred to in the Constitution as "departments". The State government's legislative, executive and judicial functions and powers are vested in the legislative department, the executive department and the judicial department, respectively.

In addition to the State government, a number of other governmental bodies exist in Connecticut. These bodies include: State-wide and regional special purpose authorities, districts and similar bodies, 169 cities and towns, and numerous local special purpose authorities, districts and similar bodies. County government was functionally abolished in Connecticut in 1960. Local governmental functions are generally performed by the 169 cities and towns, or by special purpose authorities, districts and similar bodies located within these cities and towns. In certain instances, regional bodies perform governmental functions that would otherwise be performed at the local or county level.

Services provided by the State or financed through State appropriations are classified under a major government function heading or are classified as "non-functional". The major function headings accounted for in the General Fund are: Human Services; Education, Libraries and Museums; Health and Hospitals; Corrections; General Government; Judicial; Regulation and Protection; Conservation and Development; Legislative; and Non-Functional (debt service and miscellaneous expenditures including fringe benefits). These function headings apply to the General Fund as well as to other funds of the State that are used to account for appropriated moneys. State expenditures for the Department of Transportation are primarily paid from the Transportation Fund, not the General Fund. For budgetary purposes, State agencies, boards, commissions and other bodies are each assigned to one of the function headings.

A detailed discussion of the organization of State government, including information on state employees, as well as services provided at the various levels of government in the State, is included as **Appendix III-A** to this Annual Information Statement.

State Economy

Connecticut is a highly developed and urbanized state. It is situated directly between the financial centers of Boston and New York. Connecticut is located on the northeast coast and is the southernmost of the New England States. It is bordered by Long Island Sound, New York, Massachusetts and Rhode Island. More than one-quarter of the total population of the United States and more than 50% of the Canadian population live within 500 miles of the State. The State's population growth rate trailed the national average during the past four decades, but from 2006 to 2015, within New England, only Massachusetts experienced growth higher than Connecticut. The State has extensive transportation and utility services to support its economy.

Connecticut's economic performance is measured by personal income, which has been among the highest in the nation on a per capita basis, and gross state product (the market value of all final goods and services produced by labor and property located within the State), which has demonstrated slower growth over the last five years than the New England region and the nation. Connecticut's nonagricultural employment reached a high in March of 2008 with 1,699,000 persons employed, but began declining with the onset of the recession falling to 1,607,000 jobs in 2010, and has since risen to 1,665,700.

A detailed summary of economic resources including population information and services, and economic performance indicators, including personal income, gross state product and employment in the State is included as **Appendix III-B** to this Annual Information Statement.

FINANCIAL PROCEDURES

The State has in place a number of constitutional provisions, statutes, regulations, and administrative policies and procedures that bear on fiscal management and accountability. These include provisions that limit debt and expenditures. They also lay out a sequence for planning future budgets by both the executive and legislative branches, the development and adoption of a biennial budget, and monitoring of the State's financial position against the current budget. Taken as a whole, the State believes these provisions provide sound fiscal management and accountability. These provisions include the following elements, each of which are explained in more detail in the text that follows:

Budget Discipline

Balanced Budget Requirement	The State Constitution provides that the General Assembly may not authorize General Fund expenditures in excess of General Fund revenues.	See **The Budgetary Process –** ***Balanced Budget Requirement***
Biennial Budget	The budget covers a two year period and the power to propose, enact, and implement such budget rests with the Governor and General Assembly.	See **The Budgetary Process –** ***Biennium Budget***
Budget Reserve Fund	By statute, any General Fund surplus is directed to the Budget Reserve Fund until such fund equals 10% of annual expenditures, unless otherwise directed by law. Legislation is passed from time to time that assigns different uses to such surpluses.	See **Financial Controls –** ***Unappropriated Surplus – Budget Reserve Fund***

Financial Controls

Spending Cap and Controls	The General Assembly is prohibited from increasing expenditures from year to year by a percentage exceeding the greater of the percentage increase in personal income or the percentage increase in inflation, with certain exceptions. The legislative and executive branch each have other tools to control spending, including the appropriations process, encumbrance requirements, agency expenditure plans, and authority to reduce allotments.	See **The Budgetary Process** See **Financial Controls**
Debt Limit	By statute, the State may not authorize general obligation debt in excess of a multiple of 1.6 of General Fund tax receipts, subject to statutory exceptions. The Treasurer certifies as to the debt limit in connection with each authorization of debt by the General Assembly and the State Bond Commission.	See **STATE DEBT – State Direct General Obligation Debt –** ***Statutory Debt Limit***
Line Item Veto	Under the State Constitution, the Governor has the power to veto any line of any itemized appropriations bill while at the same time approving the remainder of the bill.	See **The Budgetary Process –** ***Line Item Veto***
Rescission Authority and Deficit Mitigation	The Governor is required to propose mitigation plans should projections indicate a General Fund deficit greater than 1%. The Governor is authorized to reduce allotments and may make further reductions with legislative backing.	See **Financial Controls –** ***Governor's Role***
Transition to GAAP	The State is in the process of transitioning from the use of a modified cash basis of accounting to the application of Generally Accepted Accounting Principles, as prescribed by the Government Accounting Standards Board.	See **Accounting Procedures – Transition to GAAP**

Forecasting and Monitoring

Regular Revenue Forecasting, Monitoring of Fiscal Progress and Multiple-Year Planning Tools	Monthly reports from the Comptroller and the Office of Policy and Management within the executive branch, and periodic reports from other governmental entities, including the legislature's Office of Fiscal Analysis.	See **The Budgetary Process –** ***Consensus Revenue Estimates*** and ***Fiscal Accountability Report*** See **Financial Controls –** ***Comptroller's Role***

The Budgetary Process

Balanced Budget Requirement. In November 1992 electors approved an amendment to the State Constitution providing that the amount of general budget expenditures authorized for any fiscal year shall not exceed the estimated amount of revenue for such fiscal year. This amendment also provides a framework for a cap on budget expenditures. The General Assembly is precluded from authorizing an increase in general budget expenditures for any fiscal year above the amount of general budget expenditures authorized for the previous fiscal year by a percentage that exceeds the greater of the percentage increase in personal income or the percentage increase in inflation unless the Governor declares an emergency or the existence of extraordinary circumstances and at least three-fifths of the members of each house of the General Assembly vote to exceed such limit for the purposes of such emergency or extraordinary circumstances. The constitutional limitation on general budget expenditures does not include expenditures for the payment of bonds, notes or other evidences of indebtedness. There is no statutory or constitutional prohibition against bonding for general budget expenditures.

In 1996, the Connecticut Supreme Court ruled in *Nielson v. State* that the provisions of the constitutional budget cap require the passage of additional legislation by a three-fifths majority in each house of the General Assembly for implementation of the cap, which has not yet occurred. Legislation enacted in December 2015 established a spending cap commission to create proposed definitions for the constitutional budget cap. The commission is required to submit their proposed definitions by December 1, 2016 to a committee of the General Assembly. The enactment of any proposed definitions will require the vote of three-fifths members of each house to the General Assembly. In the interim, the General Assembly has been following a provision of the General Statutes that contains the same budget cap as the constitutional amendment. In addition to the exclusion of debt service from the budget cap, this statute also excludes statutory grants to distressed municipalities, expenditures to implement federal mandates and court orders in the first fiscal year in which such expenditures are authorized, and payments from surplus for certain debt retirement and additional state employee pension contributions.

In an opinion dated November 17, 2015, the Attorney General of the State concluded that unless and until the General Assembly adopts, by the necessary three-fifths vote of the members of each house of the General Assembly, the definitions required by the constitutional spending cap, the constitutional spending cap has no legal effect. The Attorney General further concluded that a court would likely hold that the General Assembly could exceed the statutory spending cap by a majority vote.

Biennium Budget. The State's fiscal year begins on July 1 and ends on June 30. The General Statutes require that the budgetary process be on a biennium basis. The Governor is required to transmit a budget document to the General Assembly in February of each odd-numbered year setting forth the financial program for the ensuing biennium with a separate budget for each of the two fiscal years and a report that sets forth estimated revenues and expenditures for the three fiscal years after the biennium to which the budget document relates. In each even-numbered year, the Governor must prepare a report on the status of the budget enacted in the previous year with any recommendations for adjustments and revisions, and a report, with revisions, if any, that sets forth estimated revenues and expenditures for the three fiscal years after the biennium in progress.

Budget Document. By statute, the budget document shall contain the Governor's budget message, the Governor's program for meeting the expenditure needs of the State, as well as financial statements detailing the condition of State debt, the financial position of all major State operating funds, recommended appropriations and State revenues on an actual basis for the last completed fiscal year and on an estimated basis for the fiscal year in progress and the fiscal years to which the budget relates. If a budget deficit or surplus is projected, the Governor will recommend the manner in which the deficit will be met or surplus used. The budget document also includes the Governor's recommended appropriations from the General Fund and all special and agency funds. Appropriations are set forth for meeting the cost of each major function and program. An accounting of federal funds and recommendations for the capital program are also included. In addition, based on the consensus revenues described below under ***Consensus Revenue Estimates***, the budget document consists of drafts of appropriations and revenue bills to carry out the Governor's budget recommendations. Finally, the budget document contains the Governor's recommendations concerning the State's economy and analysis of the impact on the economy of the proposed spending and revenue programs.

Preparation of the Budget. Formulation of the budget document commences with the preparation of estimates of expenditure requirements for each fiscal year of the next biennium by the administrative head of each budgeted agency. These estimates are submitted on or before September 1 of each even-numbered year to OPM and to the joint legislative standing committee on appropriations and the committee having cognizance of matters relating to such budgeted agency. On or before September 1 of each odd-numbered year, each agency submits its recommended adjustments or revisions of such estimates. In addition, the administrative head of each budgeted agency transmits to the Legislature's Office of Fiscal Analysis copies of the respective agency's monthly status reports relating to finances, personnel, and nonappropriated moneys. A detailed statement showing revenue and estimated revenue for the current fiscal year and estimated revenue for the next fiscal year, and in the even-numbered year, for the next biennium, must also be submitted by such agency heads to OPM on or before September 1 and the joint legislative standing committee on finance on or before November 15. Upon receipt of such agency reports, it is OPM's practice to prepare a preliminary budget report.

Adoption of the Budget. The budget document, as finally developed by the Governor with the assistance of OPM, is published and transmitted to the General Assembly in February of each odd-numbered year. A report summarizing recommended adjustments or revisions is submitted by the Governor to the General Assembly on the day on which the General Assembly first convenes in even-numbered years. The Governor or a representative then appears before the appropriate committee of the General Assembly to explain and address questions concerning the budget document or related reports. Prior to June 30 of each odd-numbered year, the General Assembly enacts legislation making appropriations for the next two fiscal years and setting forth revenue estimates for those years.

Line Item Veto. Under the State Constitution, the Governor has the power to veto any line of any itemized appropriations bill while at the same time approving the remainder of the bill. A statement identifying the items so disapproved and explaining the reasons therefor must be transmitted with the bill to the Secretary of the State and, when in session, the General Assembly. The General Assembly may separately reconsider and repass such disapproved appropriation items by a two-thirds vote of each house.

Consensus Revenue Estimates. OPM and the Legislature's Office of Fiscal Analysis are required by statute to issue consensus revenue estimates each year by November 10. The estimates must cover a five-year period that includes the current biennium and the three following fiscal years. It also requires the two offices, by January 15 and April 30 each year, to issue either (1) a consensus revision of their previous estimate or (2) a statement that no revision is needed. If the two agencies cannot arrive at a consensus estimate, they must issue separate ones. In such a case, the Comptroller must issue the consensus estimate based upon the separate estimates. The Comptroller's estimate must equal one of the separate estimates or fall between the two.

Fiscal Accountability Report. By November fifteenth annually, the Secretary of OPM and the Director of the Legislature's Office of Fiscal Analysis each submit the following to the joint standing committees of the General Assembly having cognizance of matters relating to appropriations and the budgets of State agencies and to finance, revenue and bonding: (1) an estimate of State revenues, expenditures and ending balance for each fund for the current biennium and the next ensuing three fiscal years, and the assumptions on which such estimates are based; (2) the projected tax credits to be used in the current biennium and the next ensuing three fiscal years, and the assumptions on which such projections are based; (3) a summary of any estimated deficiencies in the current fiscal year, the reasons for such deficiencies, and the assumptions upon which such estimates are based; (4) the projected balance in the Budget Reserve Fund at the end of each uncompleted fiscal year of the current biennium and the next ensuing three fiscal years; (5) the projected bond authorizations, allocations and issuances in each of the next ensuing five fiscal years and their impact on the debt service of the major funds of the State; (6) an analysis of revenue and expenditure trends and of the major cost drivers affecting State spending, including identification of any areas of concern and efforts undertaken to address such areas, including efforts to obtain federal funds; and (7) an analysis of possible uses of surplus funds, including the Budget Reserve Fund, debt retirement and funding of pension liabilities.

By November 30, annually, the legislative committees then meet with the Secretary of OPM and the Director of the Legislature's Office of Fiscal Analysis to consider the submitted reports.

Financial Controls

Expenditures. The financial control procedures utilized by the State in the expenditure of State funds are described below and may be generally summarized as follows: initially, the legislature appropriates funds for a particular purpose; such funds must then be allotted for such purpose by the Governor; and thereafter such funds are encumbered by the Comptroller upon the request of the responsible State agency. Once this appropriation, allotment and encumbrance procedure (which may be modified as described below) has been completed, State funds are paid by the Treasurer upon a warrant, draft or order of the Comptroller drawn at the request of the responsible agency. Certain receivables from the federal government or other sources do not require allotment by the Governor.

> ***Governor's Role in Expenditure Control.*** Before an appropriation for a budgeted agency becomes available for expenditure, the agency must submit to the Governor, through the Secretary of OPM, not less than 20 days before the beginning of the fiscal year for which the appropriation is made, a requisition for the allotment of funds needed for each quarter of the fiscal year. Appropriations for capital outlays may be allotted in any manner the Governor deems advisable. The Governor may reduce the budget allotment request by not more than three percent of the total appropriation from any fund or not more than five percent of any appropriation under certain circumstances. Such allotments are subject to further modification by the Governor throughout the course of the fiscal year if conditions warrant. If the cumulative monthly financial statement issued by the Comptroller indicates a projected General Fund deficit greater than one per cent of the total of General Fund appropriations, the Governor is required, within thirty days of such statement date, to file a report with the joint standing committees of the General Assembly on appropriations and on finance, revenue and bonding. The report shall include a plan that the Governor shall implement to modify agency allotments to the extent necessary to prevent a deficit. The Governor is not authorized to reduce allotment requisitions or allotments in force concerning aid to municipalities or any budgeted agency of the legislative or judicial branch, except that the Governor may propose an aggregate allotment reduction of a specified amount for the legislative or judicial branch.
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> ***Comptroller's Role in Expenditure Control.*** The Comptroller is responsible for keeping an account in connection with each appropriation. No warrant, draft or order may be issued by the Comptroller in excess of the available balance of the applicable account unless the General Assembly has passed a deficiency bill for the purpose or unless such appropriation has been increased by the Governor in the limited circumstances of emergency expenditures or allotment modifications as authorized by statute. The Comptroller is required to issue cumulative monthly financial reports

concerning the State General Fund on or before the first day of the following month. OPM provides estimates to the Comptroller by the twentieth day of each month of the revenues and expenditures for the current fiscal year for use by the Comptroller in preparing the Comptroller's monthly report.

Treasurer's Role in Expenditure Control. The Treasurer is required to honor all warrants, drafts and orders properly drawn by the Comptroller. Payments of principal or interest of State bonds and payments of interest on funds held by the Treasurer on which the Treasurer is required to pay interest do not require specific appropriations.

By statute, the Treasurer may not pay compensation, expenses or fees or otherwise enter into contractual arrangements with any firm providing legal services, investment banking services, investment advisory services, underwriting services, financial advisory services or brokerage firm services if such firm, through its political committee or certain managerial level officers or employees, makes or solicits contributions to any committee established by a candidate for nomination or election to the Office of Treasurer of the State. The statute also prohibits the making or solicitation of contributions by such firms.

Use of Appropriations. No appropriation or part thereof may be used for any purpose other than for the purpose for which it was made, except with respect to certain transfers and revisions of appropriations permitted to be made by the Governor with the concurrence of the Finance Advisory Committee, composed of members of the executive and legislative departments. Civil sanctions may be imposed pursuant to statute upon persons who willfully expend or authorize the expenditure of State funds for any purpose in excess of the amount specifically appropriated for such purpose.

Unexpended Appropriations. All unexpended balances of appropriations for each fiscal year lapse on the last day of such fiscal year and revert to the unappropriated surplus of the fund from which the appropriations were made, except for certain continuing appropriations. Such continuing appropriations include those continuing into the succeeding fiscal year to permit the liquidation of obligations of the prior fiscal year in the case of programs that were not renewed the succeeding fiscal year; those continuing for the entire succeeding fiscal year in the case of highway and other capital construction projects, and limited amounts for certain special programs.

Unappropriated Surplus – Budget Reserve Fund. The State Constitution provides that any resulting unappropriated surplus shall be used to fund a budget reserve fund, to reduce bonded indebtedness or for any other purpose authorized by at least three-fifths of each house of the General Assembly. The General Statutes provide that the Treasurer shall transfer any unappropriated surplus in the General Fund to a budget reserve fund, unless otherwise directed by law. When the amount in the budget reserve fund in any fiscal year equals 10% of the net General Fund appropriations, no further transfers shall be made by the Treasurer. Effective July 1, 2019 the maximum cap on the total allowable deposits is raised to 15% of the net General Fund appropriation. Commencing in Fiscal Year 2020, an automatic funding mechanism is triggered when certain revenue sources exceed an average historical growth rate; and commencing in Fiscal Year 2021 as deposits to the budget reserve fund rise, a portion of those increases are to be diverted to the State Employees Retirement Fund according to a formula set forth in the general statutes.

Notwithstanding the above, legislation is passed from time to time that assigns different uses to such surpluses. Legislation enacted in 2013 provided for the transfer of up to $220.8 million of the Fiscal Year 2013 surplus to be used in the 2014-2015 biennium prior to any deposits to the budget reserve fund. Fiscal Year 2015 ended with a deficit of $113.2 million. This deficit was eliminated through a transfer from the budget reserve fund. The balance in the budget reserve fund as of June 30, 2015 is $406.0 million.

Revenues. The Treasurer superintends the collection and receipt of all taxes and revenues belonging to the State and is authorized to deposit the same in any qualified public depository as defined by statute. Each State department, institution, board, commission or other State agency and any official or employee thereof that receives any money for revenue of the State must, within 24 hours of its receipt or within seven days of receipt for amounts less than $500, account for and pay the same to the Treasurer or, with the approval of the Treasurer and the Comptroller, deposit the same in an account in a qualified public depository in the name of the State or in the name of the public official as such official. The Treasurer is authorized to make exceptions to the limitations on amounts and timing of payments or deposits or reporting of receipts provided the Treasurer files a written statement of such exception with the Comptroller and the State's Auditors of Public Accounts. Any public official who deposits funds or moneys in an account in the name of the State or in such official's name must submit a list of all such accounts as of the preceding June 30 to the Treasurer and the Comptroller not later than September 1 of each year.

Accounting Procedures

Books and Records. The State uses an enterprise resource planning system called Core-CT to address its automated financial accounting and human resources needs. This statewide system uses technology to manage financial transaction activities ranging from contracting and purchasing to payment and reporting. The State's financial applications are fully integrated with human resources, providing a single comprehensive management and reporting system. Core-CT is currently the book of record for all of the Comptroller's monthly and annual financial reports and provides formatted reports to all State agencies. Core-CT also provides a data warehouse used to develop custom reporting. Core-CT is fully implemented and stabilized with updates completed on a routine basis.

Financial Reporting. For a number of years, the State has prepared annual financial statements in two ways: financial statements prepared using the guidance of Generally Accepted Accounting Principles ("GAAP"), as prescribed by the Government Accounting Standards Board ("GASB"), and financial statements prepared on a statutory basis (that is, following the adopted budget). As described below, the State transitioned to both budgeting and statutory financial statement reporting more in line with GAAP standards.

The State was not required to prepare financial statements in accordance with GAAP. However, since 1988 the State has issued comprehensive annual financial reports in accordance with the guidelines established by the Governmental Accounting Standards Board. These reports include audited annual financial statements prepared using the guidance of GAAP. The State does not prepare GAAP statements on an interim basis.

Financial statements of the State are also prepared annually on a statutory basis of accounting for all civil list funds. The Comptroller prepares the statements for submission to the Governor by September 30 of each year, unless extended by State law. The State's Auditors of Public Accounts must audit the books and accounts of the Treasurer and the Comptroller at least annually and have discretion to audit them at more frequent intervals.

As specifically permitted by statute or decision of the Comptroller, the only present modifications from the cash basis in recording revenues under the statutory basis are: (1) the accrual of sales and use taxes to be received for the calendar quarter ending at the close of such fiscal year as estimated by the Secretary of OPM; (2) the accrual of cigarette tax revenue received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (3) the accrual of alcoholic beverage tax revenue received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (4) the accrual of motor fuels tax revenue and motor carrier road tax revenue on all fuel sold or used prior to the end of such fiscal year and received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (5) the accrual of utility company tax revenue and tax revenue on gross earnings from the sale of petroleum products which is received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (6) pursuant to the Comptroller's constitutional powers under Section 24, Article Fourth of the Connecticut State Constitution and his statutory powers under Public Act No. 08-111, the accrual of corporation business tax revenue received by the Department of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (7) the accrual of income tax revenue received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (8) the accrual of nursing home provider tax received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (9) the accrual of payments received from any Indian tribe, pursuant to a memorandum of understanding, received by the Treasurer no later than the last day of July immediately following the end of such fiscal year; (10) the accrual of real estate conveyance tax revenue received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (11) the recording as grants receivable of certain amounts of restricted grants for which the State has the contractual right to be reimbursed by the federal government or other parties; (12) the accrual of hospital provider tax received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; (13) the accrual of intermediate care use fee received by the Commissioner of Revenue Services no later than five business days after the last day of July immediately following the end of such fiscal year; and (14) the accrual of the amount of the outstanding balances required to be paid to the State for bottle deposits pursuant to Section 22a-245a of the General Statutes, and that is received by the State no later than five business days after the last day of July immediately following the end of such fiscal year.

Expenditures are recorded in the fiscal year in which the payment is processed. In addition, there is a recording of expenditure accruals to the fiscal year in which specific goods and services are received even though payment is not processed until the next fiscal year. Such accrued expenditures include State of Connecticut payroll expenses, general agency operating expenses, and Medicaid expenses. Certain appropriations that have not lapsed are reflected in the balance sheet through a reserve for continuing appropriations.

The statutory basis of accounting used for budgetary financial reporting and the modified accrual basis used for GAAP financial reporting are different and, as a result, often produce varying financial results, primarily because of differences in the recognition of revenues and expenditures. As described below under "Transition to GAAP", commencing in Fiscal Year 2014 appropriations have been made in line with the accrual of expenses for GAAP purposes, and the differences between the two methods are less significant than in past years.

The audited budgetary/statutory basis financial statements for the fiscal year ending June 30, 2015 and the audited financial statements of the State prepared using the guidance of GAAP for the fiscal year ending June 30, 2015 appear in **Parts III-C** and **III-D**.

Transition to GAAP. Legislation passed in 2011 directed the transition from the previously used modified cash basis of accounting to GAAP. This legislation required that the budget, commencing with Fiscal Year 2014, be prepared in accordance with GAAP, commonly referred to as GAAP budgeting. While GASB does not prescribe standards for GAAP budgeting, the State interprets the policy objectives of GAAP budgeting to authorize expenditures in line with the accrual of the expenditures for GAAP purposes, estimate revenues in line with the accrual of revenues for GAAP purposes, eliminate or mitigate the growth of the GAAP deficit (discussed below) reported in the comprehensive annual financial report, and in future years eliminate the GAAP deficit. The Secretary of OPM initiated a process intended to result in the implementation of the use of GAAP accrual principles with respect to the preparation of the biennial budget. This transition included changing the meaning of a deficit as it relates to the requirement that the Governor's budget includes recommendations to the General Assembly regarding the manner in which any deficit shall be met. Commencing in Fiscal Year 2014, the Governor accounts for the amount necessary to extinguish any unreserved negative balance in each budgeted fund as addressed in the most recently issued statutory basis (GAAP based budgeting) annual financial report issued by the Comptroller, prior to the start of the biennium in the budget document transmitted to the General Assembly.

The Comptroller initiated a process intended to result in the implementation of the policy objectives of GAAP with respect to the preparation and maintenance of the biennial budget and the annual financial statements of the State previously prepared on a modified cash basis. The Comptroller established an opening combined balance sheet for each appropriated fund reflecting GAAP accrual principles. This combined balance sheet reflected as a deferred charge the accumulated deficit in the General Fund on June 30, 2013 of $1,217.1 million, as determined on the modified accrual basis of GAAP and identified in the comprehensive annual financial report of the State as the unassigned fund balance in the General Fund, commonly referred to as the accumulated GAAP deficit. Such deferred charge is required to be amortized in equal increments in each fiscal year of each biennial budget commencing with the fiscal year ended June 30, 2016, and for the next succeeding twelve fiscal years. Additionally, the unreserved negative balance in the General Fund reported in the comprehensive annual financial report of the State for Fiscal Year 2014, reduced by (i) the negative unassigned balance of the General Fund for Fiscal Year 2013 and (ii) any funds from resources deposited in the General Fund for the purpose of reducing the negative unassigned balance of the General Fund, resulting in $108.7 million, is required to be amortized in equal increments in each fiscal year of each biennial budget commencing with Fiscal Year 2017 and for the succeeding 11 fiscal years.

The Comptroller is required by statute to submit its annual report to the Governor by September 30th in accordance with GAAP. However, the financial results reported in the Comptroller's financial statements for Fiscal Year 2014 have been prepared in accordance with specific budgetary basis accounting standards set forth by statute which incorporate new budgeted expenditure accruals consistent with specific statutory reporting requirements. Specifically, commencing in Fiscal Year 2015,

- Appropriations were made to budgeted State agencies and to the non-functional spending group in order to account for expense accruals. The new appropriation accruals were posted exclusively to the budgeted funds, which include the General Fund, Transportation Fund and the other special revenue funds that received legal appropriations within Public Act No. 13-184 as adjusted by Public Act No. 13-247. The accruals relate to payments that were made after the close of the fiscal year on June 30th but are directly related to obligations incurred within that fiscal year.

- Revenues within the Fiscal Year 2015 report are recognized when received except in the General and Transportation Fund. Certain accrued taxes and Indian Gaming Payments within these funds are recognized within a statutory accrual period that is accepted by the Comptroller.

- In addition, as part of a two-part plan, the State issued bonds in October 2013 in the amount of $560.43 million generating net proceeds of approximately $600 million, which was deposited in the General Fund and applied to reduce the accumulated GAAP deficit ("GAAP Bonds"). The second part of the plan was additional legislation that deemed appropriated the amounts needed to amortize the difference between the remaining accumulated GAAP deficit in each year from Fiscal Year 2016 to Fiscal Year 2028. Finally, the GAAP Bonds contain a contractual covenant with bondholders that no future action of the General Assembly shall diminish the appropriation so long as the GAAP Bonds are outstanding, unless the Governor declares an emergency or there are other extraordinary circumstances. While delaying the amortization of the accumulated GAAP deficit, this plan is intended to result in the elimination of the accumulated GAAP deficit as of June 30, 2013 by the end of Fiscal Year 2028. Although the State's two-part plan has resulted in the reduction of the overall GAAP deficit and the mitigation of its growth, the GAAP deficit has continued to grow over time largely due to the growth in spending accruals within the budgeted funds. As described above, the increase in the accumulated GAAP deficit incurred between Fiscal Year 2013 and Fiscal Year 2014 of $108.7 million will be amortized over a twelve year period commencing in Fiscal Year 2017.

The statutory balanced budget provisions were amended to require that future budgets include the amount necessary to eliminate any unassigned negative balance arising after June 30, 2013 as reported in the Comptroller's most recently issued statutory basis (GAAP based budgeting) annual financial report.

Investment and Cash Management

The Treasurer has the investment responsibility for all funds of the State and functions as the trustee of all State pension, retirement and trust funds. The Treasurer is authorized to invest funds under the control of the Treasurer, subject to certain conditions, including in certain circumstances the approval of the Investment Advisory Council, in a variety of investments allowed by statute. The Treasurer is required to report by December 31 annually to the Governor and the Investment Advisory Council as to the activities of the Office of the Treasurer for the preceding fiscal year.

Cash Management. The cash management system and the investment by the Treasurer of State monies, other than monies invested on a longer-term basis, including pension and certain trust funds, are based on the concept of available cash. Available cash consists of the State's common cash pool and funds invested in certain accounts in the Short-Term Investment Fund ("STIF"), including proceeds of various State bonding programs and miscellaneous other STIF accounts. The common cash pool is comprised of the operating cash of most State funds, including the General Fund and the Budget Reserve Fund, and is held or invested in bank deposits, STIF, and other short term investments. It is the State's practice, pursuant to a longstanding and established policy, to permit temporary inter-fund transfers to the common cash pool as needed to address mismatches in the timing of receipts and disbursements. This cash management policy is intended to provide flexibility for expenditures to occur when they are needed without the need to resort to short-term financing mechanisms that could impose additional costs on the State. Cash transferred pursuant to these temporary inter-fund transfers is returned as cash pool balances allow. The State's available cash varies from day to day. The average week-ending balances of available cash for Fiscal Year 2015 exceeded approximately $1.5 billion.

In addition, the Treasurer has the authority to establish, and has in the past established, lines of credit and other short-term financing mechanisms to secure the availability of cash. In each of 2009 and 2012 the Treasurer arranged a 364-day revolving credit facility in the amount of $580 million and $300 million respectively, neither of which was ever drawn upon or extended beyond its 364-day term. See **STATE DEBT** – ***Type of Direct General Obligation Debt*** – ***Certain Short-Term Borrowings***.

On a daily basis, the Treasurer calculates expected cash receipts and disbursements, necessary bank balances, and amounts available for investment. The Treasurer is required to submit a monthly report to certain legislative members and the Office of Fiscal Analysis which includes among other items, a weekly list of the State's cash balance, a year to date total of authorized but unissued bonds, debt instruments or commercial paper of the State, and the amounts in the State's common cash pool.

Short-Term Investment Fund. STIF is a combined investment pool of high quality, short-term money market instruments, which is an investment vehicle for the temporarily surplus cash of all funds for which the Treasurer is custodian and/or trustee, except certain bond funds, State pension funds and selected trust funds. All agencies, instrumentalities and political subdivisions of the State are permitted to invest in STIF. The State is responsible to these governmental entities to manage their deposits and accumulated earnings in a prudent manner. Individual participants in STIF can add or withdraw monies on a daily basis with interest earned from date of deposit to date of withdrawal. The primary investment objectives of STIF are the preservation of principal and the provision of liquidity to meet participants' daily cash flow needs, while seeking to earn competitive yields. STIF is managed in accordance with the investment guidelines established by the Treasurer and the investment restrictions of Section 3-27d of the Connecticut General Statutes ("CGS"). These investment guidelines prohibit investment in derivative securities other than floating rate securities that vary in the same direction as individual short-term money market indices, and limit the ability to enter into reverse repurchase agreements to amounts not to exceed five percent (5%) of the STIF's net assets at the time of execution. STIF is rated "AAAm" by Standard & Poor's.

Other Funds. Other State monies are held in certain other funds. Up to $100 million of the State's operating cash may be invested in certificates of deposit of community banks and credit unions, pursuant to

Section 3-24k of the CGS. In addition, investments are made in individual securities pursuant to Section 3-31a of the CGS. Allowable investments under Section 3-31a of the CGS include United States government and agency obligations, shares or interests in an investment company or investment trust registered under the Investment Company Act of 1940, whose portfolio is limited to obligations of the United States, its agencies or instrumentalities, or repurchase agreements collateralized by such obligations, certificates of deposit, commercial paper, savings accounts, and bank acceptances. The Treasurer has adopted guidelines for investments made under Section 3-31a of the CGS, which specify credit and diversification standards, and limit individual security maturities to three years and the total amount invested to $900 million. Pursuant to Section 3-28a of the CGS and guidelines adopted by the Treasurer, the Treasurer is authorized to invest funds of the Medium-Term Investment Fund in obligations of the United States government and its agencies and instrumentalities, certificates of deposit, commercial paper, corporate debt securities, savings accounts and bankers acceptances, repurchase agreements collateralized by such securities and investment funds or pools comprised of securities in which the Medium-Term Investment Fund may directly invest.

Investment and Payment of Bond Proceeds. Proceeds of bonds are accounted for in various bond funds. Generally, all invested assets of the bond funds are invested in STIF. Bond proceeds are expended in accordance with the authorization and allotment procedure of the State Bond Commission and the Governor, respectively. Assets of the bond funds may from time to time be transferred temporarily to the common cash pool in accordance with the State's overall cash flow needs. Under the State's accounting system, transfer of the assets of the bond funds to the common cash pool is reflected in the accounts of the bond funds as an uninvested cash balance. That accounting balance can be reduced only when an approved payment for an expenditure is charged to the bond funds. In no case does the temporary transfer of bond fund assets to the common cash pool alter the timing or the extent of expenditures for the purposes for which the bonds were issued.

Investment Advisory Council. Trust fund investments by the Treasurer are reviewed by the Investment Advisory Council, comprised of the Treasurer and the Secretary of OPM as *ex-officio* members, five members of the public with experience in investment matters, three representatives of the teachers' union and two representatives of the State employees' unions. The Treasurer, with the approval of the Council, adopts an Investment Policy Statement for trust funds. Under certain limited circumstances, all private equity or real estate investments require approval of the Investment Advisory Council. The Governor may direct the Treasurer to change any investments when, in the judgment of the Council, such action is in the best interest of the State. At the close of each fiscal year, a report is submitted to the Governor on the value of all security investments of the State.

Investment of Pension Funds. Twelve investment funds serve as the investment medium for the various pension, retirement and trust funds of which the Treasurer is the trustee. They are the Mutual Equity Fund, the Developed Markets International Stock Fund, the Emerging Markets International Stock Fund, the Core Fixed Income Fund, the Inflation Linked Bond Fund, the Emerging Markets Debt Fund, the High Yield Debt Fund, the Private Investment Fund, the Real Estate Fund, the Liquidity Investment Fund, the Commercial Mortgage Fund, and the Alternative Investment Fund. The pension, retirement and trust funds acquire units, in varying proportions depending on the investment policies of the funds, in one or more of the twelve investment funds. By statute no more than 60% of any of the State's trust funds may be invested in common stock and if market fluctuations cause this limit to be exceeded, after six months no more than 65% of the State's trust funds may remain invested in common stock. Other than these limits, the statutes of the State permit investment in securities under the "Prudent Investor" rule. See also **PENSION AND RETIREMENT SYSTEMS** herein.

STATE GENERAL FUND

The State finances most of its operations through its General Fund. Certain State functions, such as the State's transportation budget, are financed through other State funds. See **OTHER FUNDS, DEBT AND LIABILITIES** herein. For budgetary purposes, the State's General Fund has been accounted for in accordance with accounting standards prescribed by statutes ("budgetary-basis") . The State has not been required by law to prepare generally accepted accounting principles ("GAAP") financial statements, although it has prepared such statements annually since 1988. Legislation was passed in 2011 which facilitated a transition from the prior modified cash basis of accounting to a statutory basis of accounting that incorporates certain policy objectives of GAAP. For an explanation of the differences between the budgetary-basis and GAAP based accounting and a discussion of the transition to GAAP, see **FINANCIAL PROCEDURES — Accounting Procedures** herein.

GAAP based audited financial statements for all civil list funds of the State for Fiscal Year 2015 are included as **Appendix III-C** to this Annual Information Statement. Budgetary-basis audited financial statements for the General Fund for Fiscal Years 2011 through 2015 are included in **Appendix III-D** to this Annual Information Statement. The adopted budget and final financial budgetary-basis results for Fiscal Year 2015, the adopted budget and estimated (as of December 31, 2015) budget for Fiscal Year 2016, and the adopted budget for Fiscal Year 2017 are included as **Appendix III-E** to this Annual Information Statement. Unless otherwise stated, amounts set forth in the discussion that follows under this caption **STATE GENERAL FUND** refer to such amounts as calculated on the budgetary-basis of accounting.

General Fund Revenues

Forecasted, Adopted and Historical Revenues

Procedure For Forecasting Revenues. Revenues are forecast by the Legislature in adopting a budget and by the executive branch in proposing a budget and tracking performance through the year and for other planning purposes. Revenue forecasting in Connecticut incorporates a blend of econometric modeling and economic advice obtained from an array of expert sources. Some of these major sources include: "Blue Chip Economic Indicators", which is a compilation of the consensus forecast for major national economic indicators from the top 50 economic and financial institutions and IHS Global Inc., a nationally recognized econometric forecasting firm.

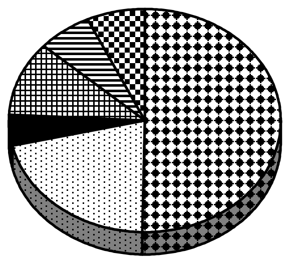
Because of the vast number of variables that can impact the revenue forecast, the State considers forecasting to be a process and not a product. While the economic data from available sources is analyzed and used to anticipate overall direction and trends, the revenue forecast is generated through a consensus interpretation of all available data. Annual revenue estimates from the beginning of each year attempt to account for possible variations in economic activity during the year. Periodic economic data, such as seasonal adjustments to estimated personal income growth, or a monthly drop in employment, are analyzed on an on-going basis. Adjustments are made when the aggregate values of such changes deviate beyond tolerance levels derived from aggregate and historical estimates. The State believes that the process followed in developing Connecticut's revenue forecast is consistent with approaches taken in many other states.

Fiscal Year 2016 and 2017 Adopted Revenues. General Fund revenues are forecasted by the Legislature at the adoption of the revised budgets for Fiscal Years 2016 and 2017 ("Adopted Revenues") and are reflected in **Appendix III-E** to this Annual Information Statement.

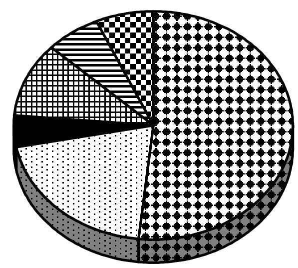
General Fund revenues are derived primarily from the collection of State taxes, including the personal income tax, the sales and use tax and the corporation business tax. The State, as of the adoption date, expected to derive approximately 86.6 percent and 87.0 percent of its General Fund revenues from taxes during Fiscal Year 2016 and Fiscal Year 2017, respectively. A summary of anticipated General Fund revenue sources based on the Adopted Revenues for Fiscal Years 2016 and 2017, is set forth below:

Adopted General Fund Revenues (In Millions)

Adopted Revenues
Fiscal Year 2016
$18,162.4 [(a)]



Adopted Revenues
Fiscal Year 2017
$18,713.6 [(a)]



Personal Income Tax	$ 9,834.4	50.3%
Sales and Use Tax	4,121.1	21.1%
Corporate Business Tax	902.2	4.6%
Other Taxes[(b)]	2,078.8	10.6%
Unrestricted Federal Grants	1,265.2	6.5%
Other Non-Tax Revenues[(c)]	1,355.1	6.9%

Personal Income Tax	$ 10,357.2	51.6%
Sales and Use Tax	4,084.7	20.3%
Corporate Business Tax	910.7	4.5%
Other Taxes[(b)]	2,108.2	10.5%
Unrestricted Federal Grants	1,252.7	6.2%
Other Non-Tax Revenues[(c)]	1,363.1	6.8%

Note: Totals may not add to 100% due to rounding.

(a) The pie charts reflect the total of the listed tax and revenue amounts of $19,556.8 million for Fiscal Year 2016 and $20,076.6 million for Fiscal Year 2017, while the references in the title of the pie charts reflect reductions from tax refunds, R&D Credit Exchange and transfers to other funds of $1,394.4 million for Fiscal Year 2016 and $1,362.9 million for Fiscal Year 2017. The pie chart does not include updates to revenues made at the December 8, 2015 Special Session of the General Assembly which provided for $137.5 million in additional revenue in Fiscal Year 2016 and a reduction of $17.5 million in revenues in Fiscal Year 2017. See **Appendix III-E** for anticipated adjustments to adopted tax revenues.

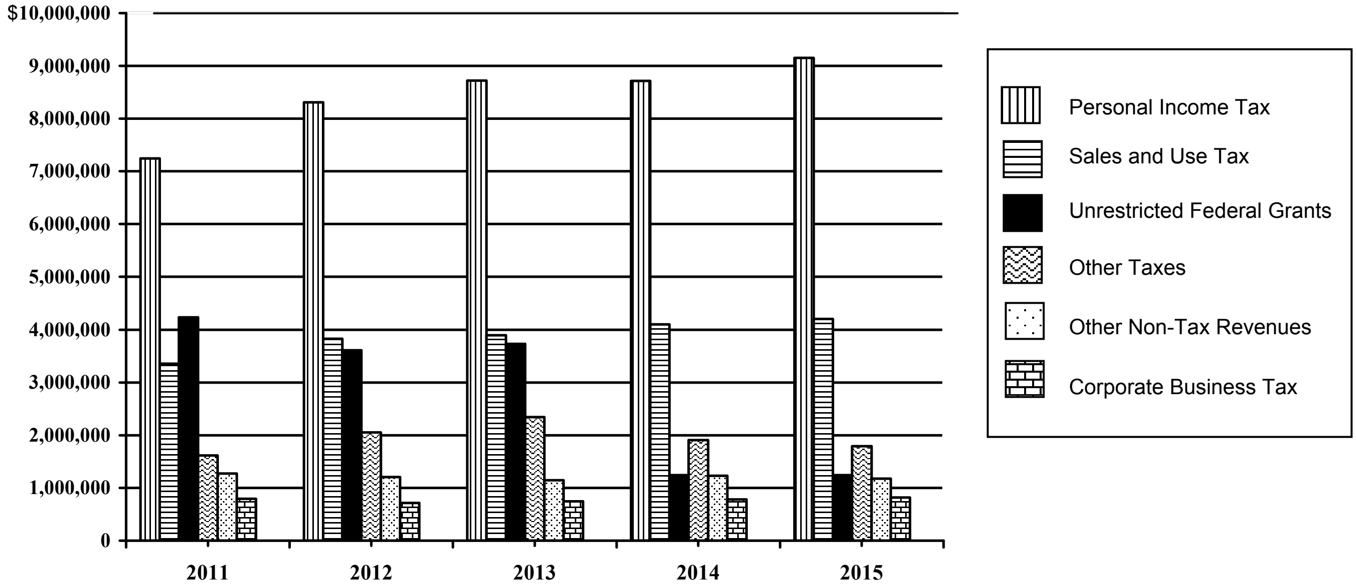
(b) Other taxes are comprised of inheritance and estate taxes; taxes on gross receipts of public service corporations, on net direct premiums of insurance companies, on cigarettes and alcoholic beverages, on real estate transfers, on admissions and dues, on healthcare providers, and other miscellaneous taxes. See **Appendix III-E**.

(c) Other non-tax revenues are comprised of special revenue transfers; Indian gaming payments; licenses, permits and fees; sales of commodities and services; rents, fines and escheats; investment income; other miscellaneous revenues; designated Tobacco Settlement Revenues and special transfers to the resources of the General Fund. See **Appendix III-E**.

SOURCE: Public Act No. 15-244, as amended by Public Act No. 15-05 of the June Special Session.

Historical General Fund Revenues. Actual General Fund revenues for Fiscal Years 2011 through 2015 are set forth in **Appendix III-D** to this Annual Information Statement. A summary of the composition of General Fund gross revenues for the last five fiscal years is illustrated below:

General Fund Revenues[(a)]
Fiscal Year Ending June 30
(In Thousands)



	2011	2012	2013	2014	2015
Taxes:					
Personal Income Tax	$ 7,246,431	$ 8,310,820	$ 8,719,245	$ 8,718,659	$ 9,151,037
Sales Tax	3,353,230	3,830,117	3,896,998	4,100,564	4,205,051
Corporate Business Tax	794,473	716,522	742,515	782,239	814,805
Other Taxes[(b)]	1,619,985	2,055,644	2,343,005	1,909,126	1,792,973
Subtotal	$13,014,119	$14,913,103	$15,701,763	$15,510,588	$15,963,866
R & D Credit Exchange	(8,598)	(3,563)	(4,086)	(5,055)	(7,878)
Refunds of Taxes	(956,054)	(1,105,171)	(1,144,993)	(1,182,397)	(1,163,639)
Total Net Taxes	$12,049,467	$13,804,369	$14,552,684	$14,323,136	$14,792,349
Other Revenue:					
Federal Grants (Unrestricted)	$ 4,235,178	$ 3,607,163	$ 3,733,909	$ 1,243,861[(e)]	$ 1,241,244[(e)]
Other Non-Tax Revenues[(c)]	1,273,290	1,207,800	1,143,366	1,229,032	1,174,912
Transfers to Other Funds	(61,800)	(61,800)	(128,028)	(61,800)	(61,780)
Transfers from Other Funds	211,319	4,101	103,100	873,828[(f)]	135,313
Total Other Revenues	$ 5,657,987	$ 4,757,264	$ 4,852,347	$ 3,284,921	$ 2,489,689
Total Revenues	$17,707,454[(d)]	$18,561,633	$19,405,031	$17,608,057	$17,282,038

(a) The bar graph reflects the gross listed tax and revenue amounts and does not reflect the listed adjustments for tax credits and refunds and transfers to or from other funds. See **Appendix III-D** for adjustments to revenues.

(b) Other taxes are comprised of inheritance and estate taxes; taxes on gross receipts of public service corporations, on net direct premiums of insurance companies, on oil companies, on cigarettes and alcoholic beverages, on real estate transfers, on admissions and dues, on healthcare providers; electric generation and other miscellaneous taxes.

(c) Other non-tax revenues are comprised of special revenue transfers; Indian gaming payments; licenses, permits and fees; sales of commodities and services; rents, fines and escheats; investment income; other miscellaneous revenues; designated Tobacco Settlement Revenues and special transfers to the resources of the General Fund less refunds of payments.

(d) Totals do not include the release of the reserved fund balance in the amount of $449,868,589.

(e) Beginning with Fiscal Year 2014, the State significantly altered the manner in which it handles federal Medicaid grants for budget and accounting purposes. Previously, the State appropriated Medicaid expenditures on a gross basis within the Department of Social Services, and reflected any federal reimbursements related to those expenditures as revenues, resulting in both the State and federal share of Medicaid costs being included in the State appropriation for Medicaid. Beginning with Fiscal Year 2014, the State commenced net budgeting Medicaid expenditures within the Department of Social Services, resulting in only the State's share of Medicaid expenditures being appropriated.

(f) The Fiscal Year 2014 amount includes $598.5 million in GAAP Conversion Bonds, the proceeds of which were used to reduce the cumulative GAAP deficit of the state.

SOURCE: 2011, 2012, 2013, 2014 and 2015 Annual Reports of the State Comptroller.

Components of Revenue

Personal Income Tax. The State imposes a Personal Income Tax on the 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. The current tax is imposed on a graduated scale, with a maximum rate of 6.99%, on Connecticut taxable income. Depending on federal income tax filing status, the taxable year and Connecticut adjusted gross income, personal exemptions are available to taxpayers, ranging from $12,000 to $24,000, with the lower-end of the range increasing annually to $15,000 by taxable year 2016 for certain taxpayers. In addition, tax credits ranging from 1% to 75% of a taxpayer's Connecticut tax liability are also available depending upon federal income tax filing status, the taxable year and Connecticut adjusted gross income. Such exemptions and tax credits are phased out at higher income levels. Under the current structure, the top rate increases to 6.99% with a rate of 3% applicable to taxable income up to certain amounts. The first $20,000 of taxable income for a joint filer and the first $10,000 of taxable income for a single filer is taxed at the 3% rate, rising thereafter to 6.99%. Lower rates are phased out for all filers who exceed certain income thresholds. An income tax credit for property taxes paid of $500 per filer for tax years beginning on or after January 1, 2006, was decreased to $300 per filer for tax years beginning on or after January 1, 2011, and to $200 per filer for tax years beginning on or after January 1, 2016. Taxpayers also are subject to a Connecticut minimum tax, based on their liability, if any, for payment of the federal alternative minimum tax. Neither the personal exemption nor the tax credits described above are available to trusts or estates.

Sales and Use Taxes. A 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 (a) retail sales of tangible personal property, (b) the rendering of certain services, (c) the leasing or rental of tangible personal property, (d) the production, fabrication, processing, printing, or imprinting of tangible personal property to special order or with materials furnished by the consumer, (e) the furnishing, preparation or serving of food, meals, or drinks, and (f) hotel or lodging house rooms for a period not exceeding thirty consecutive calendar days. A Use Tax is imposed, with certain exceptions, on the consideration paid for certain services or purchases or rentals of tangible personal property used within the State pursuant to a transaction not subject to the Sales Tax. The tax rate for each of the Sales and Use Taxes is 6.35%. A separate rate of 15% is charged on the occupancy of hotel rooms. Various exemptions from the Sales and Use Taxes are provided, based on the nature, use or price of the property or services involved or the identity of the purchaser. Tax returns and accompanying payments with respect to these taxes are generally due monthly on or before the last day of the month next succeeding the taxable month.

Corporation Business Taxes. A Corporation Business Tax is imposed on any corporation, joint stock company or association, any dissolved corporation that continues to conduct business, any electric distribution company or fiduciary of any of the foregoing that carries on or has the right to carry on business within the State, owns or leases property, maintains an office within the State, or is a general partner in a partnership or a limited partner in a limited partnership, except an investment partnership, which does business, owns or leases property or maintains an office within the State. Certain financial services companies and domestic insurance companies are exempt from this tax. Corporations compute their tax liability under three methods, determine which calculation produces the greatest tax, and pay that amount to the State.

- The first method of computing the Corporation Business Tax 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. The Income-Base Tax is at a rate of 7.5% for taxable years commencing on and after January 1, 2000.
- The second method of computing the Corporation Business Tax is a tax on capital. This tax is determined either as a specific maximum dollar amount or at a flat rate on a defined base, usually related in whole or in part to the corporation's capital stock and balance sheet surplus, profit and deficit.

- The third method of computing the Corporation Business Tax is a minimum tax in the amount of $250.

The State limits corporation credits from reducing tax liability by more than 50.01% for most credits. The State imposed a corporation business tax surcharge of 10% for income years 2009, 2010 and 2011 for businesses with over $100 million in federal adjusted gross income, and increased it to 20% for tax years 2012 through 2017. Under current law, the surcharge will decrease to 10% for income year 2018 and phase out completely for income year 2019.

A $250 charge is levied on LLCs, LLPs and S corporations. The tax extends to single-member LLCs that are not considered entities separate from their owners for federal tax purposes. Beginning with taxable year 2013, this tax is due biennially.

Other Taxes. Other tax revenues are derived from inheritance and estate taxes; taxes on gross receipts of public service corporations, on net direct premiums of insurance companies, on cigarettes and alcoholic beverages, on real estate transfers, on admissions and dues, on healthcare providers; and other miscellaneous taxes.

Federal Grants. Depending upon the particular program being funded, federal grants-in-aid are normally conditioned, to some degree, on resources provided by the State. Most unrestricted federal grant revenue is based on expenditures. The largest components of federal grants in Fiscal Year 2015 were related to medical assistance provided to low income individuals under Medicaid and temporary assistance for needy families. The State also receives certain restricted federal grants that are not reflected in annual appropriations but that nonetheless are accounted for in the General Fund. In addition, the State receives certain federal grants that are not accounted for in the General Fund but are allocated to the Special Transportation Fund, various Capital Project Funds and other funds.

For the periods presented in this Annual Information Statement, three matters affect comparability.

- The American Recovery and Reinvestment Act ("ARRA") provided the State with increased Medicaid and Title IV-E (foster care) grants as well as new funding for education, transportation, and other general government functions in Fiscal Years 2009, 2010 and 2011.

- Beginning with Fiscal Year 2014, the State significantly altered the manner in which it handles federal Medicaid grants for budget and accounting purposes. Previously, the State appropriated Medicaid expenditures on a gross basis within the Department of Social Services, and reflected any federal reimbursements related to those expenditures as revenues, resulting in both the State and federal share of Medicaid costs being included in the State appropriation for Medicaid. Beginning with Fiscal Year 2014, the State commenced net budgeting Medicaid expenditures within the Department of Social Services, resulting in only the State's share of Medicaid expenditures being appropriated. These changes reduced both appropriations and revenues by $2,768.7 million in Fiscal Year 2014 and $3,204.9 million in Fiscal Year 2015, compared to the prior method.

- Beginning January 1, 2014, the federal Affordable Care Act increased income eligibility under Medicaid from 53% of the federal poverty level to 133% of the federal poverty level, referred to as Medicaid expansion. The expansion of Medicaid will be off-budget and funded entirely from federal revenue. Effective April 1, 2010, Connecticut was the first state in the nation to expand its Medicaid program under the Affordable Care Act by extending Medicaid coverage to low-income childless adults with incomes up to 53% of the federal poverty level. Until that time, the State operated a more limited health benefit program serving approximately 45,000 low-income adults. Enrollment under the April 1, 2010 expansion greatly exceeded expectations and led to a doubling of the previous program's caseload in only three years, resulting in considerable unbudgeted costs that the State was forced to address mid-year. Beginning January 1, 2014, the federal government assumed full financial responsibility for costs associated with serving these populations under the Affordable Care Act. As a result, it is expected that this shift will mean not only that the State will realize annualized net budgetary savings of more than $400 million, but will also eliminate from State budgetary responsibility the program component that has been the least predictable and the most responsible for expenditure overruns for the past three years.

Other Non-Tax Revenues. Other non-tax revenues are derived from special revenue transfers; Indian gaming payments; licenses, permits and fees; sales of commodities and services; rents, fines and escheats; investment income; other miscellaneous revenue sources; and designated Tobacco Settlement Revenues.

General Fund Expenditures

Appropriated and Historical Expenditures

Fiscal Year 2016 and 2017 Appropriated Expenditures. State expenditures are categorized for budget and appropriation purposes under ten functional headings, with expenditures by agency generally shown as subheadings in the following functional categories, listed in order of magnitude of expenditure for the current budget biennium: Human Services; Education, Libraries and Museums; Non-Functional (debt service and miscellaneous expenditures including fringe benefits); Health and Hospitals; Corrections; General Government; Judicial; Regulation and Protection; Conservation and Development; and Legislative. State expenditures for Department of Transportation functions are generally paid from the Special Transportation Fund, although minor expenditures for transportation related expenditures are occasionally paid from the General Fund. See – **OTHER FUNDS, DEBT AND LIABILITIES - Special Transportation Fund and Debt** herein.

The final financial budgetary-basis results for Fiscal Year 2015, the adopted and estimated (as of December 31, 2015) budget for Fiscal Year 2016 and the adopted budget for Fiscal Year 2017 are included as **Appendix III-E** to this Annual Information Statement. A summary of appropriated General Fund expenditures for Fiscal Years 2016 and 2017 is set forth below.

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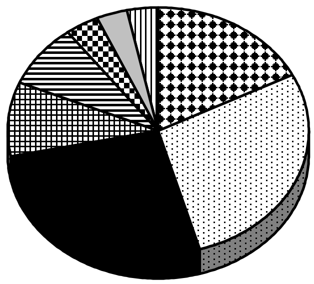
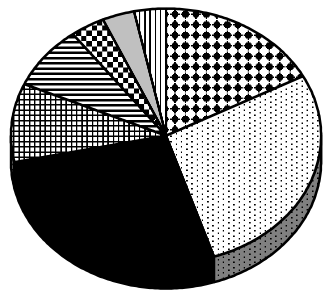
Appropriated General Fund Expenditures (In Millions)

Appropriated Expenditures
Fiscal Year 2016
$18,161.6 [(a)]



Appropriated Expenditures
Fiscal Year 2017
$18,711.2 [(a)]



Human Services	$ 3,196.2	17.4%	$ 3,273.8	17.3%
Education, Libraries and Museums	5,166.4	28.1%	5,242.5	27.7%
Non-Functional	4,775.7	26.0%	5,066.9	26.8%
Health and Hospitals	1,817.4	9.9%	1,872.7	9.9%
Corrections	1,514.8	8.3%	1,524.2	8.1%
General Government	670.0	3.7%	680.5	3.6%
Judicial	625.4	3.4%	647.7	3.4%
Other Expenditures[(b)]	596.2	3.2%	608.6	3.2%

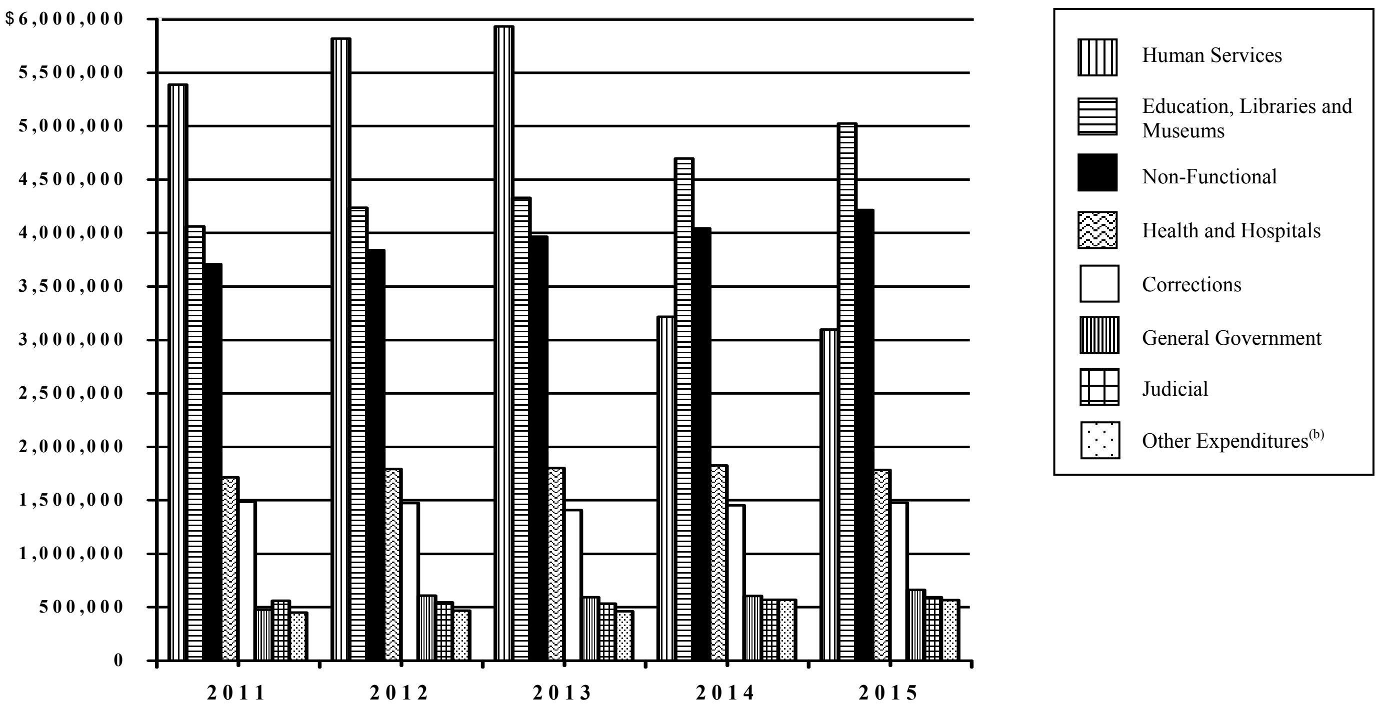
(a) The pie charts reflect the total listed expenditures of $18,362.1 million for Fiscal Year 2016 and $18,916.9 million for Fiscal Year 2017, while the references in the title of the pie charts reflect adjustments for unallocated lapses of $200.5 million for Fiscal Year 2016 and $205.7 million for Fiscal Year 2017. The pie chart does not include updates to expenditures made at the December 8, 2015 Special Session of the General Assembly which reduced appropriated expenditures by $195.8 million in both Fiscal Years 2016 and 2017. See **Appendix III-E** for anticipated adjustments to appropriated expenditures.

(b) Other expenditures are comprised of appropriations for Regulation and Protection; Conservation and Development; and Legislative.

SOURCE: Public Act No. 15-244, as amended by Public Act No. 15-5 of the June Special Session.

Historical General Fund Expenditures. Actual General Fund expenditures for Fiscal Years 2011 through 2015 are set forth in **Appendix III-D** to this Annual Information Statement. A summary of the composition of General Fund expenditures for the last five fiscal years is illustrated below:

General Fund Expenditures By Function[(a)]
Fiscal Year Ending June 30
(In Thousands)



	2011	2012	2013	2014	2015
Human Services	$ 5,387,535	$ 5,817,369	$ 5,931,567	$ 3,215,827[(c)]	$ 3,095,929[(c)]
Education, Libraries and Museums	4,060,467	4,235,428	4,328,894	4,695,646	5,025,391
Non-Functional	3,709,293	3,841,292	3,965,211	4,042,481	4,215,341
Health and Hospitals	1,715,670	1,792,435	1,801,952	1,827,308	1,785,337
Corrections	1,484,364	1,472,685	1,408,761	1,454,442	1,476,753
General Government	476,090	609,239	593,367	605,677	661,000
Judicial	559,912	545,650	534,512	569,056	593,314
Other Expenditures[(b)]	451,793	467,536	461,403	569,607	566,624
Totals	$17,845,124	$18,781,634	$19,025,667	$16,980,044	$17,419,689

(a) The bar graphs and amounts listed do not reflect the offsetting effect of restricted federal and other grants. See **Appendix III-D**.

(b) Other expenditures are comprised of appropriations for Regulation and Protection, Conservation and Development; and Legislative.

(c) Beginning with Fiscal Year 2014, the State significantly altered the manner in which it handles federal Medicaid grants for budget and accounting purposes. Previously, the State appropriated Medicaid expenditures on a gross basis within the Department of Social Services, and reflected any federal reimbursements related to those expenditures as revenues, resulting in both the State and federal share of Medicaid costs being included in the State appropriation for Medicaid. Beginning with Fiscal Year 2014, the State commenced net budgeting Medicaid expenditures within the Department of Social Services, resulting in only the State's share of Medicaid expenditures being appropriated.

SOURCE: 2011, 2012, 2013, 2014 and 2015 Annual Reports of the State Comptroller.

Components of Expenditures

Human Services. Virtually all of the State expenditures for Human Services are allocated to the Department of Social Services for various programs and services, including Medicaid payments, Temporary Assistance to Families, and General Assistance payments. Beginning with Fiscal Year 2014, the State significantly altered the manner in which it appropriates for Medicaid. Previously, the State appropriated Medicaid expenditures on a gross basis within the Department of Social Services, and reflected any federal reimbursements related to those expenditures as revenues, resulting in both the State and federal share of Medicaid costs being included in the State appropriation for Medicaid. Beginning with Fiscal Year 2014, the State commenced net budgeting Medicaid expenditures within the Department of Social Services, resulting in only the State's share of payments to private Medicaid providers being appropriated. These changes reduced both appropriations and revenues by $2,768.7 million in Fiscal Year 2014 and $3,204.9 million in Fiscal Year 2015 compared to current services.

Education, Libraries and Museums. The majority of State expenditures for Education, Libraries and Museums is allocated to the Department of Education, the largest share of which consists of payments to local governments. The remaining consists of expenditures for higher education (including the University of Connecticut, the Board of Regents and Financial & Academic Affairs for Higher Education), the Office of Early Childhood Education, the Teachers' Retirement Board and the State Library.

Non-Functional. Non-Functional State expenditures consist of debt service payments, State employee fringe benefit accounts and other miscellaneous appropriations.

Health and Hospitals. State expenditures for Health and Hospitals are allocated primarily for programs and services provided by the State Departments of Public Health, Developmental Services, and Mental Health and Addiction Services.

Corrections. Appropriations to the State Department of Correction and the Department of Children and Families comprise the largest portion of State expenditures for Corrections.

General Government. State expenditures for General Government may be classified into three categories: executive, financial administration and legal, the largest of which is expenditures for financial administration. Such expenditures are primarily for salaries and other miscellaneous expenses of various State departments.

Judicial. Judicial expenditures are comprised of salaries, expenses and payments for special programs of the Judicial Department and the Public Defender Services Commission.

Regulation and Protection. State expenditures for Regulation and Protection consist primarily of appropriations for the Department of Public Safety for salaries, equipment, training and other services and expenses. Other agencies and programs for which appropriations are made include the Police Officer Standards and Training Council, the Board of Firearms Permit Examiners, the Military Department, the Commission on Fire Prevention and Control, the Department of Consumer Protection, the Department of Labor, the Commission on Human Rights and Opportunities, the Office of Protection and Advocacy for Persons with Disabilities, and the Office of the Child Advocate.

Conservation and Development. State expenditures for Conservation and Development fall into three general categories: agriculture; development of housing, historical sites, commerce and industry; and environment.

Legislative. Legislative expenditures are comprised primarily of salaries, equipment and other expenses necessary for Legislative Management and the Auditors of Public Accounts.

Expenditures by Type

General Fund appropriations and the corresponding State expenditures are categorized for both administrative and budgetary purposes based on the type of appropriation. Appropriation account types may be grouped conceptually into two broad categories: payments to third parties and costs of State administration. Payments to third parties consist of two major appropriation account types: payments to local governments and payments to parties other than local governments (which include debt service payments for purposes of **Table 1**; see footnote g to **Table 1** below). Such payments to third parties amount to approximately 58.2% of total General Fund expenditures for Fiscal Year 2015. Costs of State administration consist of three major appropriation account types: personal services, equipment, and other expenses. These expenditures are used directly to operate the facilities and programs of State agencies and include such items as salaries, wages, pension and other benefits for State employees; utility and fuel costs; food; institutional and office supplies; equipment; rent for office space and other facilities; and other current expenses. Appropriations for costs of State administration represent approximately 56.8% of all General Fund appropriations under the revised adopted budget for Fiscal Year 2016.

Appropriations categorized as payments to third parties are generally referred to for budgetary purposes as "fixed charges." Contractually required payments to third parties include debt service payments. Statutorily required payments to third parties include grants to local governments and individual beneficiaries under a wide variety of programs established by statute. The amount of such payments is generally either specifically set forth in the statutes for such payment or is calculated in accordance with a formula set forth in such statutes. Despite the characterization of these statutorily determined payments to third parties as "fixed charges," the Governor's budgetary recommendations routinely include proposed modifications in the amounts and formulas for calculating the amounts of such appropriations, and such modifications are often adopted by the General Assembly. A summary of fixed charges is shown below. This summary includes a breakdown of total fixed charges into payments to local governments and total payments, as well as information as to the most significant types of expenditures in each category.

TABLE 1[(a)(b)]

Fixed Charges - General Fund
Summarized by Function of Government and Expenditure Category
Including Major Expenditure Items
(In Thousands of Dollars)

	Fiscal Year 2014 (Actual)		Fiscal Year 2015 (Unaudited)		Fiscal Year 2016 (Appropriated)	
	Total Payments	**Payments to Local Governments**	**Total Payments**	**Payments to Local Governments**	**Total Payments**	**Payments to Local Governments**
LEGISLATIVE						
Total – Legislative	545	0	220	0	574	0
GENERAL GOVERNMENT						
Tax Relief for Elderly Renters[(c)]	0	0	25,305	0	26,700	0
Property Tax Relief Elderly Circuit Breaker	20,506	20,506	20,506	20,506	20,506	20,506
Reimbursement to Towns for Loss of Taxes on State Property[(e)]	73,642	73,642	83,642	83,642	83,642	83,642
Reimbursement to Towns for Loss of Taxes on Private Tax-exempt Property	115,432	115,432	125,432	125,432	125,432	125,432
Undesignated	14,845	14,360	15,285	14,817	9,862	9,290
Total – General Government	224,424	223,939	270,169	244,396	266,142	238,869

	Fiscal Year 2014 (Actual)		Fiscal Year 2015 (Unaudited)		Fiscal Year 2016 (Appropriated)	
	Total Payments	Payments to Local Governments	Total Payments	Payments to Local Governments	Total Payments	Payments to Local Governments
REGULATION AND PROTECTION						
Total - Regulation and Protection	1,032	0	995	0	925	0
CONSERVATION AND DEVELOPMENT						
Total - Conservation and Development	102,406	8,584	88,041	8,256	94,390	5,893
HEALTH AND HOSPITALS						
Employment Opportunities and Day Services (Dept. of Developmental Services)	212,128	0	215,982	0	227,626	0
Community Residential Services (Dept. of Developmental Services)	440,306	0	463,611	0	483,872	0
Grants for Substance Abuse Services	20,596	0	17,567	0	22,668	0
Grants for Mental Health Services	66,135	0	58,910	0	72,280	0
Undesignated	40,359	16,599	40,174	16,319	34,539	16,206
Total - Health and Hospitals	779,524	16,599	796,244	16,319	840,986	16,206
HUMAN SERVICES						
Medicaid[d]	2,451,457	0	2,347,719	0	2,468,416	0
Old Age Assistance	36,631	0	37,321	0	37,944	0
Aid to the Disabled	60,396	0	59,933	0	61,116	0
Temporary Assistance to Families – TANF	107,076	0	102,478	0	99,425	0
Medicaid - Disproportionate Share - Mental Health	108,935	0	108,935	0	108,935	0
Connecticut Home Care Program	44,499	0	43,114	0	43,430	0
Child Care Services - TANF/CCDBG	96,452	0	5,000	0	0	0
Housing/Homeless Services	5,211	0	5,211	0	0	0
State Administered General Assistance	19,026	0	22,702	0	23,155	0
Undesignated	49,016	227	57,899	216	48,161	204
Total - Human Services	2,978,698	227	2,790,312	216	2,890,582	204
EDUCATION, LIBRARIES AND MUSEUMS						
Adult Education	19,983	19,983	20,004	20,004	21,035	21,035
Transportation of School Children	24,885	24,885	24,885	24,885	23,329	23,329
Education Equalization Grants	2,067,196	2,067,196	2,122,677	2,122,677	2,155,834	2,155,834
Priority School Districts	47,427	47,427	46,947	46,947	43,747	43,747
Excess Cost - Student Based	139,806	139,806	139,830	139,830	139,806	139,806
Open Choice Program	30,488	30,488	32,990	32,990	38,296	38,296
Magnet Schools	287,172	287,172	310,660	310,660	328,420	328,420
Child Care Services – TANF/CCDBG[e]	0	0	104,776	0	120,930	0
Connecticut Aid for Public College Students	39,642	0	40,993	0	39,638	0
Teachers' Retirement Contributions	948,540	0	984,110	0	975,578	0
Undesignated	169,954	116,884	183,131	127,633	187,951	129,829
Total – Education	3,775,093	2,733,841	4,011,003	2,825,626	4,074,565	2,880,296

	Fiscal Year 2014 (Actual)		Fiscal Year 2015 (Unaudited)		Fiscal Year 2016 (Appropriated)	
	Total Payments	Payments to Local Governments	Total Payments	Payments to Local Governments	Total Payments	Payments to Local Governments
CORRECTIONS						
Community Support Services (Dept. of Correction)	41,276	0	41,276	0	41,441	0
Board and Care for Children – Adoption	91,012	0	91,617	0	94,612	0
Board and Care for Children – Foster	114,360	0	125,896	0	125,159	0
Board and Care for Children – Residential	125,565	0	111,327	0	107,831	0
Community KidCare	32,410	0	35,276	0	40,126	0
Undesignated	93,668	0	93,517	0	104,228	0
Total – Corrections	498,290	0	498,907	0	513,396	0
NON FUNCTIONAL						
Debt Service (Including UConn 2000 and CHEFA Day Care Security and Teachers' Retirement Pension Obligation Bonds)[f]	1,646,150	0	1,691,528	0	1,937,570	0
Undesignated	0	0	0	0	0	0
Total - Non Functional	1,646,150	0	1,691,528	0	1,937,570	0
Total – Fixed Charges	10,006,163	2,983,190	10,147,419	3,094,813	10,619,130	3,141,469

(a) Table 1 includes actual fixed charge expenditures for Fiscal Year 2014, unaudited fixed charge expenditures for Fiscal Year 2015, and appropriated fixed charge expenditures for Fiscal Year 2016.

(b) In Fiscal Year 2014 two new agencies were created, the Department of Housing and the Office of Early Childhood. The Department of Housing was created from programs found in the Department of Economic and Community Development and Department of Social Services. The Office of Early Childhood was created from programs found in the State Department of Education.

(c) In Fiscal Year 2014 Tax Relief for Elderly were moved from General Government to Conservation and Development (DOH). In Fiscal Year 2015 this change was reversed.

(d) Beginning in Fiscal Year 2014 the State commenced net budgeting of Medicaid. This reduced appropriated revenues and expenditures by $2,768.7 million in Fiscal Year 2014.

(e) In Fiscal Year 2015 Child Care Services – TANF/CCDBG was moved from the Department of Social Services to the Office of Early Childhood.

(f) Under the old coding system, Debt Service was considered a fixed charge – one of the Payments to Other Than Local Governments. Under the new coding system, Debt Service is coded as an Other Current Expense. Debt Service is included in this table for consistency with past presentation.

Note: Totals may not add due to rounding.

SOURCE: Office of Policy and Management

Fiscal Year 2015 Operations

Pursuant to the Comptroller's audited budgetary based financial report provided on November 30, 2015, as of June 30, 2015, General Fund revenues were $17,282.0 million, General Fund expenditures and net miscellaneous adjustments and reservations (including net appropriations continued and estimated lapses) were $17,395.2 million and the uncommitted General Fund deficit for Fiscal Year 2015 was $113.2 million. The entire deficit was eliminated through a transfer from the Budget Reserve Fund. As a result of such transfer, the balance in the Budget Reserve Fund will be reduced from the current level of $519.2 million to $406.0 million which is equal to 2.2% of the net General Fund appropriations for Fiscal Year 2016.

The audited results for the final Fiscal Year 2015 operations of the General Fund have been outlined in **Appendix III-D** to this Annual Information Statement.

Adopted Biennium Budget for Fiscal Years 2016 and 2017

On June 3, 2015, the General Assembly passed a budget bill for the biennium ending June 30, 2017, subsequently amended during a June Special Session. The Governor signed the budget bill as amended by various implementer legislation into law. The act made General Fund appropriations of $18,161.6 million in Fiscal Year 2016, which represented 3.9% growth over Fiscal Year 2015 appropriations, and $18,711.2 million in Fiscal Year 2017. The budget projected General Fund revenues of $18,162.4 million in Fiscal Year 2016 and $18,713.6 million in Fiscal Year 2017, resulting in a projected surplus of $0.8 million in Fiscal Year 2016 and $2.5 million in Fiscal Year 2017.

The budget bill included $802.1 million in revenue enhancements in Fiscal Year 2016 and $664.4 million in Fiscal Year 2017. The significant revenue changes included:

- An increase to the top personal income tax marginal rate
- Sales and use tax changes including the elimination of the exemption for clothing and footwear less than $50
- Limits on the use of net operating losses against the corporate tax
- Rebasing the hospital net revenue tax
- An intercept of sales and use tax revenue for the "Let's Go CT!" transportation initiative and for property tax relief
- Beginning in Fiscal Year 2016, all revenue from the Oil Companies tax will be deposited to the Special Transportation Fund
- Eliminating the subsidy from the resources of the General Fund to the Special Transportation Fund

The significant expenditure changes as compared to current services included:

- Capping various statutory formula grants
- Programmatic and rate changes to Medicaid
- Hiring, wage and overtime savings

Section 2-33a of the Connecticut General Statutes sets out the State's expenditure cap. The adopted budget would be $23.0 million below the expenditure cap for Fiscal Year 2016 and $106.2 million below the expenditure cap for Fiscal Year 2017, as calculated under Section 35 of the budget bill. The calculations as specified in such section made two changes in the manner in which the expenditure cap is calculated: first, the five year personal income growth rate is calculated on a calendar year rather than a fiscal year basis, and second, calculations assume that appropriations for the unfunded liabilities of the State's retirement systems are exempt from being counted as general budget expenditures under the expenditure cap.

On December 8, 2015, the General Assembly passed Public Act No. 15-1, of the December Special Session, to make structural changes to the amended budget bill described above for Fiscal Year 2017. The Governor signed the bill into law on December 29, 2015. The bill reduced appropriated expenditures by $195.8 million in both Fiscal Year 2016 and 2017. In addition, the bill made several revenue adjustments, including the delay of the sales tax revenue diversions from the General Fund to the Municipal Revenue Sharing Account and Special Transportation Fund, expected to result in $137.5 million in additional revenue in Fiscal Year 2016. For Fiscal Year 2017, revenues were reduced by $17.5 million due to the expansion of various tax credits, modifications of the cap on unitary combined reporting method under the corporation tax, and changes to certain transfers.

See **Appendix III-E** of this Annual Information Statement for more information regarding the adopted budget for Fiscal Years 2016 and 2017.

Fiscal Year 2016 Operations

By statute, the State's fiscal position is reported on or before the first day of each month by the Comptroller. Pursuant to Section 4-66 of the Connecticut General Statutes, by the twentieth day of each month, OPM provides projected estimates to the Comptroller on revenues and expenditures for the current fiscal year for use by the Comptroller in preparing the Comptroller's monthly report. The following summarizes OPM's and the Comptroller's estimates of General Fund revenues; expenditures and miscellaneous adjustments (including net appropriations continued and estimated lapses); and surplus/(deficit) balance in the General Fund for the 2016 Fiscal Year as of the referenced ending period in accordance with specific budgetary basis accounting standards set forth by statute which incorporate new budgeted expenditure accruals consistent with specific statutory reporting requirements:

OPM and Comptroller Estimates Fiscal Year 2016
(in Millions)

	OPM's Report			Comptroller's Report		
Period Ending:	Revenues	Expenditures[(a)]	Surplus/ (deficit)	Revenues	Expenditures[(a)]	Surplus/ (deficit)
November 30, 2015	$18,080.7	$18,080.5	$ 0.2	$18,080.7	$18,080.3	$ 0.4
December 31, 2015	18,053.9	18,046.8	7.1	18,053.9	18,047.1	6.8
January 31, 2016	18,053.9	18,073.8	(19.9)	N/A[(b)]	N/A[(b)]	N/A[(b)]

(a) Expenditures include net appropriations continued and estimated lapses and miscellaneous adjustments.
(b) Estimates are expected March 1, 2016 and not yet available.

The Office of Policy and Management's estimate for the Fiscal Year 2016 operations of the General Fund (as of the period ending December 31, 2015) has been outlined in **Appendix III-E** to this Annual Information Statement. The next monthly report of OPM is expected on March 21, 2016 and the next monthly report of the Comptroller is expected on March 1, 2016. The projections discussed above are only estimates and no assurances can be given that future events will materialize as estimated, or that subsequent estimates or adjustments by OPM, the Comptroller or other State agencies will not reflect changes in the estimated or final result of Fiscal Year 2016 operations of the General Fund. In addition, adjustments or audit or actions of the State may also result in changes in the final result of Fiscal Year 2016 operations of the General Fund.

Forecasted Operation

Consensus Revenue Estimates. Pursuant to Section 2-36c of the Connecticut General Statutes, on January 15, 2016, OPM and the Legislature's Office of Fiscal Analysis issued their consensus revision to their November 10, 2015 consensus revenue estimates for the current fiscal year and the three ensuing fiscal years as follows:

General Fund Consensus Revenue Estimate
(in Millions)

Fiscal Year	2016	2017	2018	2019	2020
Revenue Estimate	$17,944.9	$18,311.8	$18,530.9	$19,066.6	$19,628.7

The projections in the consensus revenue estimates are only estimates and no assurances can be given that future events will materialize as estimated or that subsequent estimates, adjustments or actions of the State will not indicate changes in the final results of the fiscal years reported.

Fiscal Accountability Report. On November 13, 2015, OPM and the Legislature's Office of Fiscal Analysis each submitted a fiscal accountability report projecting the ending balance in the General Fund for Fiscal Year 2016 and the four ensuing fiscal years as follows:

General Fund Operating Surplus/(Deficit) Projections
(In Millions)

Fiscal Year	2016	2017	2018	2019	2020
Office of Policy and Management	$ (122.4)	$ (508.1)	$ (1,283.0)	$ (1,231.8)	$ (1,428.3)
Office of Fiscal Analysis	$ (254.4)	$ (552.0)	$ (1,722.8)	$ (1,872.9)	$ (2,211.5)

The difference between the projections of the two offices reflects differences in methodology. The projections in the OPM report were based upon a *current practices* approach and assume the continuation of certain budgetary policies that have been customarily enacted in prior years. The projections in the Legislature's Office of Fiscal Analysis report were based on *current services*.

OPM and the Legislature's Office of Fiscal Analysis also projected the amounts by which the estimates of the expenditures would be below or above the State's expenditure cap as follows:

Projection of Amounts Above/(Below) Expenditure Cap
(In Millions)

Fiscal Year	2017	2018	2019	2020
Office of Policy and Management	$ (78.6)	$ 149.4	$ 169.2	$ 19.8
Office of Fiscal Analysis	$ 2.1	$ 629.1	$ 685.3	$ 625.1

The reports also estimate general obligation bond authorizations, allocations, issuance and debt service for the current fiscal year and succeeding four fiscal years. The reports estimated fairly stable general obligation bond issuances over the five year period of $2.0 billion with the expenditure on debt service generally gradually increasing over such period.

The projections of OPM and the Legislature's Office of Fiscal Analysis are only estimates and no assurances can be given that future events will materialize as estimated, or that subsequent estimates, adjustments or actions of the State will not reflect changes in the operations of the General Fund or in the estimated or final results of such fiscal years. In addition, the State has a balanced budget requirement and an expenditure cap as discussed at ***Page III-7*** under the heading **The Budgetary Process –** ***Balanced Budget Requirement****.* As such, budgets adopted for future fiscal years will need to comply with those requirements. As a result, the figures included in the report do not represent a projection of the actual financial results that might be expected, but instead serve as a planning tool.

Governor's Midterm Budget Revisions for Fiscal Year 2017

Per Section 4-71 of the Connecticut General Statutes, the Governor is required to submit a status report to the General Assembly on the biennial budget enacted in the previous year. The status report shall include any recommendations for adjustments and revisions to the enacted budget. On February 3, 2016, the Governor presented to the General Assembly a status report including detailed projections of expenditures and revenues and proposed midterm budget revisions for Fiscal Year 2017. This proposal closed an approximate

$560 million shortfall between the originally adopted budget for Fiscal Year 2017 and the latest consensus revenue estimate issued on January 15, 2016. For Fiscal Year 2017, General Fund revenues are projected to be $18,152.3 million and General Fund appropriations total $18,141.7 million, resulting in a projected surplus of $10.6 million. Under the Governor's proposal, General Fund appropriations would grow by 0.4% over estimated expenditures for Fiscal Year 2016.

The Governor's proposed midterm budget revisions addresses the projected shortfall in three ways. First, the Governor proposes to roll-forward the Fiscal Year 2016 savings that are expected from the December 2015 deficit mitigation plan totaling $90.5 million. Second, the Governor's proposal identifies specific budget reductions in Fiscal Year 2017 totaling $118.2 million. Finally, the Governor's proposal calls for an across-the-board reduction of 5.75% from most agency accounts totaling $360.8 million. These across-the-board reductions would not be applied to the Education Cost Sharing formula for municipal aid, entitlements, debt service and fringe benefits.

In effectuating the across-the-board reductions, the Governor is proposing to combine appropriated line items in the budget of each agency in order to give agencies greater flexibility in achieving their savings target. Further, the Governor is proposing that most fringe benefit costs be allocated to each agency instead of being budgeted centrally as is current practice in order to more accurately reflect the true cost of agency operations.

Article XXVIII of the Amendments to the Constitution of the State of Connecticut and Section 2-33a of the Connecticut General Statutes set out the State's expenditure cap. The Governor's budget proposal would be below the expenditure cap for Fiscal Year 2017 by $648.9 million.

The Governor's proposed budget also includes $279.0 million in new general obligation bond authorizations, offset with cancellations of $385.4 million in prior bond authorizations, resulting in a net decrease in general obligation bond authorizations of $106.4 million in Fiscal Year 2017. The largest proposed new authorization is $181 million for renovations of the State Office Building in Hartford along with a new parking garage. The largest cancellation totals $151.5 million for the unissued portion of the GAAP deficit bonds authorized in 2013. Cancellation of prior authorizations were necessary to remain below ninety percent of the State's debt limit given the downward revision to the State's revenue forecast as part of the January 15, 2016 consensus revenue estimate.

Deliberations on the Governor's budget recommendations are expected to continue throughout the legislative session with a scheduled adjournment date of May 4, 2016.

See **Appendix III-E** of this **Part II** for more information regarding the Governor's Proposed Midterm Budget Revisions.

State Economic Initiatives

The General Assembly has enacted formal programs targeted at encouraging economic growth within the State. Below is a summary of certain of these programs, including several new initiatives.

First Five. Legislation passed in 2011 allowed the State's existing incentive and tax credit programs to be combined and augmented in order to create incentive packages for the first five companies that promise to either create not less than 200 new jobs within two years or invest not less than $25 million and create not less than 200 new jobs within five years. Eight companies including Cigna, ESPN, NBC Sports and Bridgewater Associates have agreed to participate in this program, pledging to create over 1,050 combined jobs in Connecticut in return for $132.45 million in forgivable loans, grants, and tax credits from the State and potential further tax credits depending on expenditure levels of certain of the companies. After securing these commitments, legislation was passed to expand the program to allow incentives to be bundled in this manner for up to 15 companies.

Bioscience Connecticut. Legislation was passed in 2011 to expand the University of Connecticut Health Center ("Health Center") by making programmatic changes, providing State funding for expansion (including the construction of a new patient tower and renovation of existing facilities), and setting the framework for strengthening research capabilities in the State, including at the Health Center. Later in 2011, the State passed legislation to expand this initiative into an effort to promote the expansion of the bioscience industries in the State. The State reached an agreement to collaborate with Jackson Laboratory, the University of Connecticut, and Yale University for the construction of a new research laboratory on the Health Center campus with a particular focus on personalized medicine. The State is providing $290.7 million in support for this project over ten years, with $145 million in the form of a secured, forgivable construction loan; $46.7 million in the form of a secured, forgivable equipment loan; and $99 million in research partnership funding. These funds are to be provided through the issuance of general obligation bonds over the next ten years. The Jackson Laboratory project is expected to generate short-term construction jobs in addition to 6,800 permanent jobs over the next 20 years. No assurances can be given that future events will materialize as estimated or that subsequent estimates, adjustments, legislative actions, or other events will not indicate changes in the final results of this initiative.

Bioscience Innovation Fund. Legislation passed in 2013 which, in concert with the Bioscience Initiative above, would support the State's growing bioscience sector by strengthening the State's capacity to create competitive investment tools and attract additional federal and private dollars. The State will invest $200 million in the new Bioscience Innovation Fund over ten years which will be administered by Connecticut Innovations, Inc.

Economic and Manufacturing Assistance Act. Since 1990, the Economic and Manufacturing Assistance Act program has been one of the State's primary economic development incentive tools. The program provides incentive-driven direct loans for projects with strong economic development potential. The loan funds may be used for the planning of a municipal development project or business development project; the acquisition of real property, machinery or equipment; the construction of site and infrastructure improvements relating to a municipal development or business development project; the construction, renovation and demolition of buildings; relocation expenses for the purpose of assisting an eligible business to locate, construct, renovate or acquire a facility; or such other reasonable expenses necessary or appropriate for the initiation, implementation and completion of the project, including administrative expenses and business support services such as labor training, day care, energy conservation, and pollution control and recycling.

Small Business Assistance Revolving Loan Program. Legislation passed in 2010 provides for loans and lines of credit for businesses with less than 100 employees. The program provides financing of up to $500,000 per business at 4% interest for up to ten years and is capped at $15 million of such loans and lines of credit outstanding at any time.

Small Business Express Program. Legislation passed in 2011 created a program to support the retention and growth of small businesses with 50 or fewer employees through a streamlined process that provides financial assistance in the form of revolving loans, job creation incentives, and matching grants. Loans are available from the revolving loan fund for a maximum of $100,000 per loan to assist small businesses with capital and operational needs. Job creation incentive loans of up to $250,000 per loan are also available to assist small businesses to spur growth, and payments on these loans may be deferred or forgiven if certain prescribed job creation goals are attained. A matching grant component provides grants up to $100,000 per grant to small businesses for training, working capital, acquisition of machinery and equipment, construction or leasehold improvements, relocation within the State, or other authorized expenses so long as the small business matches any funds awarded to it under this program.

Subsidized Training and Employment Program. Legislation passed in 2011 provides for job creation incentives to employers to expand opportunities for unemployed workers. Under the program, small businesses and manufacturers with less than 50 full-time workers may receive wage and training subsidies of up to

$12,500 per newly-hired person over six months if they hire an unemployed worker who meets the program eligibility requirements.

Business Tax Credits. The State offers many business tax credits for firms conducting certain activities. Tax credits are offered for investments in human and fixed capital, research and development expenditures, expenditures related to film production and investment, and for job creation, among others.

General Fund Budget History

The table below summarizes the results of operation of the General Fund on a budgetary-basis. Summaries of actual revenues and expenditures on the budgetary (modified cash/statutory) basis for the Fiscal Years 2011 through 2015 are set forth in **Appendix III-D** to this Annual Information Statement.

TABLE 2

General Fund
Summary of Operating Results — Budgetary (Modified Cash/Statutory) Basis[(a)]
(In Millions)

Fiscal Year	2011	2012	2013	2014	2015
Total General Fund Revenues[(b)]	$17,707.5	$18,561.6	$ 19,405.0	$ 17,608.1	$17,282.0
Net Appropriations/Expenditures[(c)]	17,470.6	18,705.1	19,007.0	17,359.6	17,395.2
Operating Surplus/(Deficit)	$ 236.9[(d)]	$ (143.5)[(e)]	$ 398.0[(f)]	$ 248.5[(d)]	$ (113.2)[(g)]

(a) Fiscal Years 2011-2013 are reported on a modified cash basis while Fiscal Years 2014-2015 are reported on a statutory basis. See **Accounting Procedures** under **FINANCIAL PROCEDURES** for further explanation.

(b) Does not include Restricted Accounts and Federal and Other Grants. See **Appendix III-D-6**.

(c) Does not include expenditures for Restricted Accounts and Federal and Other Grants. Includes Amounts Reserved for Prior Year Appropriations Less Appropriations Carried Forward and Other Adjustments. See **Appendix III-D**.

(d) In accordance with State statute and accounting procedures, this amount was transferred to the Budget Reserve Fund.

(e) The Fiscal Year 2012 deficit was eliminated through the release of a portion of funds from the Budget Reserve Fund.

(f) Pursuant to Public Act No. 13-184, $220.8 million was reserved for future fiscal year funding and $177.2 million was reserved for a statutory transfer to the Budget Reserve Fund, leaving no unappropriated surplus for Fiscal Year 2013.

(g) The Fiscal Year 2015 deficit was eliminated through the release of a portion of funds from the Budget Reserve Fund.

SOURCE: Comptroller's Office

The table below shows the reconciliation of the actual operations surplus (deficit) under the budgetary (modified cash/statutory) basis to the GAAP basis of accounting for the last five fiscal years. Audited GAAP based financial statements for Fiscal Year 2015 are included in **Appendix III-C**.

TABLE 3

General Fund
Summary of Operating Results — Budgetary (Modified Cash/Statutory) Basis vs. GAAP Basis[(a)]
(In Millions)

Fiscal Year	2011	2012	2013	2014	2015
Modified Cash/Statutory Basis Operating Surplus/(Deficit)	$ 236.9	$ --	$ 398.0	$ 656.8	$ (113.2)
Adjustments:					
Increases (decreases) in revenue accruals:					
Governmental Receivables	(103.3)	(178.1)	(38.7)	(29.5)	147.7
Other Receivables	85.2	(117.2)	(74.5)	44.6	44.0
(Increases) decreases in expenditure accruals:					
Accounts Payable and Other Liabilities	(100.4)	590.2	87.8	(110.2)	(213.7)
Salaries and Fringe Benefits Payable	4.4	131.3	(32.8)	12.0	8.7
Increase (decrease) in Continuing Appropriations	79.5	(70.6)	(17.9)	(26.5)	(21.0)
Reclassification of equity adjustments	--	--	--	--	--
Proceeds of Recovery Notes	--	--	--	--	--
Transfer of restricted resources	(103.2)	--	--	--	--
Transfer of prior year surplus	(449.9)	(143.5)	--	--	--
GAAP Based Operating Surplus/(Deficit)	$ (350.8)	$ 212.1	$ 321.9	$ 547.2	$ (147.5)

(a) Fiscal Years 2011-2013 are reported on a modified cash basis while Fiscal Years 2014-2015 are reported on a statutory basis. See **Accounting Procedures** under **FINANCIAL PROCEDURES** for further explanation.

SOURCE: Comptroller's Office

The table below sets forth on the budgetary (modified cash/statutory) basis the actual cumulative unreserved fund balance (deficit) for the General Fund for the last five fiscal years.

TABLE 4

General Fund
Unreserved Fund Balance — Budgetary (Modified Cash/Statutory) Basis[(a)]
(In Millions)

Fiscal Year	2011	2012	2013	2014	2015
Operating Surplus/(Deficit)	$ 236.9	$ (143.5)	$ 398.0	$ 248.5	$ (113.2)
Fund Transfers and Reserves					
Transfers to Budget Reserve Fund	0.0	0.0	177.2	248.5	0.0
Transfers from Budget Reserve Fund	--	143.5		--	113.2
Reserve for Fiscal Year 2011 Operations	--	--	--	--	--
Reserve to Reduce Economic Recovery Revenue Bonds[(b)]	--	--	--	--	--
Reserve for Subsequent Fiscal Year Operations[(d)]	236.9[(c)]	--	220.8	--	--
Total Transfers/Reserves	$ 236.9	$ 143.5	$ 0.0	$ 0.0[(e)]	$ 0.0
Unreserved Fund Balance Surplus/(deficit)	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0

(a) Fiscal Years 2011-2013 are reported on a modified cash basis while Fiscal Years 2014-2015 are reported on a statutory basis. See **Accounting Procedures** under **FINANCIAL PROCEDURES** for further explanation.

(b) The State has since repealed the authorization to issue economic recovery revenue bonds.

(c) In accordance with a labor agreement, $14.5 million of this reserve will be deposited in the Other Post Employment Benefit Trust Fund and the remaining balance will be used to pay down Economic Recovery Notes issued in 2009.

(d) $30 million reserved in Fiscal Year 2013 is planned to be released in Fiscal Year 2015.

(e) Fiscal Year 2014 General Fund balance includes $598.5 million in GAAP Conversion Bonds.

SOURCE: Comptroller's Office

The table below shows the reconciliation of the actual cumulative unreserved General Fund balance (deficit) under the budgetary (modified cash/statutory) basis to the GAAP basis of accounting for the last five fiscal years.

TABLE 5

General Fund
Unreserved Fund Balance — Budgetary (Modified Cash/Statutory) Basis vs. GAAP Basis[(a)]
(In Millions)

Fiscal Year	2011	2012	2013	2014	2015
Unreserved Fund Balance (Deficit)					
Modified Cash/Statutory Basis	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0
GAAP Based Adjustments					
Additional Assets					
Taxes Receivable					
Income Tax Accrual Reduction	(525.3)	(328.1)	(372.5)	(437.0)	(475.0)
Eliminate Corporation Accrual	(5.4)	(4.4)	(8.9)	(7.8)	(19.3)
Additional Taxes Receivable	4.2	3.7	4.4	4.4	1.9
Net Increase (Decrease) Taxes	(526.5)	(328.8)	(377.0)	(440.4)	(492.4)
Net Accounts Receivable	307.9	299.9	291.4	326.8	398.1
Federal and Other Grants Receivable[(b)]	542.1	364.0	325.3	37.5	185.6
Due From Other Funds	19.6	19.0	26.2	39.2	48.7
GAAP Conversion Bonds	--	--	--	598.5	--
Total Additional Assets	$ 343.1	$ 354.1	$ 265.9	$ 561.6	$ 140.0
Additional Liabilities					
Salaries and Fringe Payable	(245.9)	(114.6)	(147.4)	65.5	(74.2)
Accounts Payable—Department of Social Services	(711.9)	(588.8)	(550.8)	(1.9)[(c)]	(31.2)
Accounts Payable—Trade & Other	(844.1)	(543.7)	(575.3)	(538.5)	(432.3)
Payable to Federal Government	(186.9)	(176.6)	(124.6)	(202.9)	(304.7)
Due to Other Funds	(103.2)	(76.4)	(84.9)	(81.0)	(90.8)
Total Additional Liabilities	$(2,092.0)	$(1,500.1)	$ (1,483.0)	(758.8)	(933.2)
Statutory Requirement – Change in Accounting Method	--	--	--	(529.9)	--
Unreserved Fund Balance (Deficit)					
GAAP Basis	$(1,748.9)	$(1,146.0)	$ (1,217.1)	$ (727.1)	$ (793.2)

(a) Fiscal Years 2011-2013 are reported on a modified cash basis while Fiscal Years 2014-2015 are reported on a statutory basis. See **Accounting Procedures** under **FINANCIAL PROCEDURES** for further explanation.

(b) Primarily reimbursement for additional liabilities accrued to federal grant accounts or programs with federal participation, e.g., Medicaid.

(c) Due to a statutory change, Federal Medicare spending has been transferred from the General Fund to the Restricted Grants Account Fund.

SOURCE: Comptroller's Office

The table below sets forth on a GAAP basis the components of the fund balance for the General Fund for the last five fiscal years.

TABLE 6

General Fund Fund Balances-GAAP Basis
(In Millions)

Fiscal Year	**2011**	**2012**	**2013**	**2014**	**2015**
Reserved:					
Petty Cash	$ --	$ --	$ --	$ --	$ --
Budget Reserve	--	93.4	270.7	519.2	406.0
Loans & Advances to Other Funds	22.5	26.6	30.5	34.7	81.2
Restricted Purposes	236.9	--	220.8	30.5	36.5
Inventories	13.6	13.6	15.5	15.7	14.6
Continuing Appropriations	178.6	100.0	91.0	85.9	65.0
Debt Service	--	--	--	--	--
Total	$ 451.6	$ 233.6	$ 628.5	$ 686.0	$ 603.3
Unreserved:	(1,748.9)	(1,146.0)	(1,217.1)	(727.2)	(793.2)
Total Fund Balance	$(1,297.3)	$ (912.4)	$ (588.6)	$ (41.2)	$ (189.9)

SOURCE: Comptroller's Office

STATE DEBT

Constitutional Provisions

The State has no constitutional limit on its power to issue obligations or incur debt, except that it may borrow only for public purposes. There are no reported court decisions relating to State bonded debt other than two cases validating the legislative determination of the public purpose for improving employment opportunities and related activities. The State Constitution has never required a public referendum on the question of incurring debt. Therefore, the General Statutes govern the authorization and issuance of State debt, including the purpose, amount and nature thereof, the method and manner of the incurrence of such debt, the maturity and terms of repayment thereof, and other related matters.

Types of State Debt

Pursuant to various public and special acts, the State has authorized a variety of types of debt. These types fall generally into the following categories: direct general obligation debt, which is payable from the State's General Fund; special tax obligation debt, which is payable from specified taxes and other funds that are maintained outside the State's General Fund; and special obligation and revenue debt, which is payable from specified revenues or other funds that are maintained outside the State's General Fund. In addition, the State provides annual appropriation support for, or is contingently liable on, the debt of certain State quasi-public agencies and political subdivisions. See **OTHER FUNDS, DEBT AND LIABILITIES** for information concerning debt and contingent liabilities on debt other than direct general obligation debt.

State Direct General Obligation Debt

Statutory Authorization and Security Provisions. The State issues general obligation bonds pursuant to specific bond acts and Section 3-20 of the General Statutes (the "General Obligation Bond Procedure Act"). That act provides that such bonds shall be general obligations of the State and that the full faith and credit of the State are pledged for the payment of the principal of and interest on such bonds as the same become due. The act further provides that, as a part of the contract of the State with the owners of such bonds, there is made an appropriation of all amounts necessary for the punctual payment of principal and interest on such bonds, and the Treasurer shall pay such principal and interest as the same become due.

There are no State constitutional provisions precluding the exercise of State power by statute to impose any taxes, including taxes on taxable property in the State or on income, in order to pay debt service on bonded debt now or hereafter incurred. The constitutional limit on increases in General Fund expenditures for any fiscal year does not include expenditures for the payment of bonds, notes or other evidences of indebtedness. There are also no constitutional or statutory provisions requiring or precluding the enactment of liens on or pledges of the State's General Fund revenues or taxes, or the establishment of priorities for payment of debt service on the State's general obligation bonds. There are no express statutory provisions establishing any priorities in favor of general obligation bondholders over other valid claims against the State.

Statutory Debt Limit. Section 3-21 of the General Statutes provides that no bonds, notes or other evidences of indebtedness for borrowed money payable from General Fund tax receipts of the State shall be authorized by the General Assembly or issued except as shall not cause the aggregate amount of (1) the total amount of bonds, notes or other evidences of indebtedness payable from General Fund tax receipts authorized by the General Assembly but which have not been issued and (2) the total amount of such indebtedness that has been issued and remains outstanding, to exceed 1.6 times the total estimated General Fund tax receipts of the State for the fiscal year in which any such authorization will become effective or in which such indebtedness is issued, as estimated for such fiscal year by the joint standing committee of the General Assembly having cognizance of finance, revenue and bonding. However, in computing the aggregate amount of indebtedness at any time, there shall be excluded or deducted the principal amount of revenue anticipation notes having a maturity of one year or less, refunded indebtedness, bond anticipation notes, borrowings payable solely from the revenues of a particular project, the balances of debt retirement funds associated with indebtedness subject to the debt limit as certified by the Treasurer, the amount of federal grants certified by the Secretary of OPM as receivable to meet the principal of certain indebtedness, all authorized and issued indebtedness to fund any budget deficit of the State for any fiscal year ending on or before June 30, 2009, all authorized debt to fund the tax increment bond program of Connecticut Innovations, Inc. ("CI"), any indebtedness represented by agreements entered into pursuant to certain provisions of the General Statutes, provided the indebtedness in connection with which such agreements were entered into shall be included in such aggregate amount of indebtedness, any indebtedness issued for the purpose of meeting cash flow needs, and any indebtedness issued for the purpose of covering emergency needs in times of natural disaster. For purposes of the debt limit statute, all bonds and notes issued or guaranteed by the State and payable from General Fund tax receipts are counted against the limit, except for the exclusions or deductions described above, and certain other debt specifically excluded by statute. In addition, the amount of authorized but unissued debt for the UConn 2000 program is limited to the amount permitted to be issued under the cap. See ***Types of Direct General Obligation Debt — UConn 2000 Financing Program.***

Under the General Statutes, the Treasurer is required to compute the aggregate amount of indebtedness as of January 1 and July 1 each year and to certify the results of such computation to the Governor and the General Assembly. If the aggregate amount of indebtedness reaches 90% of the statutory debt limit, the Governor shall review each bond act for which no bonds, notes or other evidences of indebtedness have been issued, and recommend to the General Assembly priorities for repealing authorizations for remaining projects so that the aggregate amount of indebtedness authorized will be below 90% of the statutory debt limit.

The total tax receipts for Fiscal Year 2015 as last estimated by the General Assembly's joint standing committee on finance, revenue and bonding, the calculation of the debt limit, the aggregate amount of outstanding debt and of authorized but unissued debt subject to such limit, and the debt incurring margin, all as of February 15, 2016, are described in the following table.

TABLE 7

Statutory Debt Limit
As of February 15, 2016

Total General Fund Tax Receipts	$15,711,565,000	
Multiplier	1.6	
Debt Limit		$25,138,504,000
Outstanding Debt[(a)]	$13,361,021,237	
Guaranteed Debt[(b)]	$ 1,060,330,000	
Authorized Debt[(c)]	$ 6,484,824,072	
Total Subject to Debt Limit		$20,906,175,309
Less Debt Retirement Funds[(d)]	$ 1,173,230	
Aggregate Net Debt		$20,905,002,080
Debt Incurring Margin		$ 4,233,501,920

(a) See **Table 8**. Includes accreted value of capital appreciation bonds. Excludes General Obligation Notes (Economic Recovery Notes 2013 Series A and 2014 Series A), Pension Obligation Bonds, UConn 2000 Bonds, tax increment financings, CRDA Bonds, CHFA Supportive Housing Bonds, CHFA Emergency Mortgage Assistance Program Bonds, CHEFA Child Care Facilities Bonds and lease financings other than the Juvenile Training School.

(b) See **OTHER FUNDS, DEBT AND LIABILITIES – Contingent Liability Debt.** Includes only guarantees for certain outstanding debt of Southeastern Connecticut Water Authority and UConn 2000 Bonds secured by the State's debt service commitment.

(c) Includes UConn 2000 Bonds secured by the State's debt service commitment that are authorized but unissued under the statutory cap for Fiscal Year 2016.

(d) Includes debt service funds available for self-liquidating debt issued to finance facilities at the University of Connecticut and the Connecticut State University System.

SOURCE: State Treasurer's Office

State Bond Commission. The General Obligation Bond Procedure Act establishes the State Bond Commission (the "Commission") and empowers it to authorize the issuance of general obligation bonds for purposes and in amounts and subject to other limits established by the legislature in a bond act. The Commission consists of the Governor, the Treasurer, the Comptroller, the Attorney General, the Secretary of the Office of Policy and Management ("OPM"), the Commissioner of Administrative Services, and the Co-Chairpersons and Ranking Minority Members of the Joint Standing Committee on Finance, Revenue and Bonding of the General Assembly. The Secretary of OPM serves as secretary to the Commission.

Subject to satisfaction of certain conditions, the Commission may authorize the issuance of general obligation bonds by the approving vote of at least a majority of the Commission, upon a finding that such authorization will be in the best interest of the State. Upon authorization, the principal amount of bonds so authorized is deemed to be appropriated for such purpose or project and, subject to allotment thereof by the Governor, contracts may be awarded and obligations incurred with respect to the project or purpose in amounts not exceeding the authorized principal amount. Such contracts and obligations may at any particular time exceed the amount of the bond proceeds received by the State up to that time. The Commission also determines the terms and conditions of the bonds authorized or delegates such determination to the Treasurer. The Commission generally meets monthly.

Types of Direct General Obligation Debt

General Obligation Bonds. Pursuant to various public or special bond acts, the General Assembly empowers the Commission to authorize bonds for a variety of projects or purposes. Each bond act is usually specific as to its projects or purposes and the amount of bonds to be issued therefor, although each bond act may contain several projects or purposes. Each bond act also generally sets forth a maximum maturity of the bonds.

The types of projects and purposes for which the State has authorized general obligation debt include the following: acquisition, construction, renovation and improvement of buildings and facilities for State departments and agencies, educational institutions, prisons, college and university facilities, library facilities and courthouses, acquisition of development rights to preserve open space and farmland, and the provision of grants and loans to promote economic development within the State. Some bonds authorized for university and college facilities are self-liquidating, and certain fees and charges collected by the college or university are set aside and used to service the debt on these bonds. Bonds are also authorized to fund a wide variety of grant programs. Such grants are made to local governments for local school construction projects or to finance a variety of local government, economic development, highway, bridge and other capital improvement projects. Certain bonds are authorized to finance grants and loans to local housing authorities and developers of affordable housing. Other general obligation debt finances grants and loans to municipalities for design and construction of water pollution control facilities, in addition to loans that are financed under the State's Clean Water revenue bond program.

Teachers' Retirement Fund Pension Obligation Bonds. Legislation passed in 2007 authorized the issuance of pension obligation bonds to fund up to $2 billion of the unfunded accrued liability in the Teachers' Retirement Fund plus capitalized interest and issuance costs. In April 2008 the State issued $2,277 million of such bonds, and $2,346 million (reflecting the accreted value) of such bonds are outstanding as of February 15, 2016. The public act requires the State to appropriate annually the actuarially-determined annual required contribution to the Teachers' Retirement Fund, while the bonds are outstanding. The bonds are general obligations of the State, but are excluded from the calculation of the statutory debt limit.

UConn 2000 Financing Program. In 1995 the General Assembly established the University of Connecticut as a separate corporate entity and instrumentality of the State empowered to issue bonds and construct certain infrastructure improvements at the University's various campuses. Known as UConn 2000, the infrastructure improvement program now is estimated to cost $4,619.3 million to be financed over a twenty-nine year period. The UConn 2000 program contemplates total issuance of $4,282.9 million general obligation bonds of the University secured by the State's debt service commitment, which is an annual amount for any debt service requirements when due and payable. Under the enabling legislation, appropriations of all amounts of the State's debt service commitment are made out of the resources of the State's General Fund and the Treasurer is obligated to make such payments. For this reason, all general obligation borrowings by the University that are secured by the State's debt service commitment are treated as part of the State's general obligation debt, and are reflected in **Tables 8 through 14**. The amount of the University's bonds secured by the State's debt service commitment is capped for each fiscal year, but any amount not used may be carried forward to future fiscal years. Each resolution approved by the University to borrow money, including bonds secured by the State's debt service commitment, may be rejected by the Governor within thirty days of submission. As of February 15, 2016, $2,671.4 million of such debt secured by the State's debt service commitment had been issued (including refunding bonds), of which $1,059.3 million remain outstanding, with a remaining authorization of $512.0 million.

The total amount of University general obligation bonds secured by the State's debt service commitment authorized by the enabling legislation is approximately $336.4 million less than the estimated total cost of the infrastructure improvements. Approximately $276.5 million of this difference has been addressed. Additional funding needs will be addressed through capital cost reductions, the deferral of certain projects to a future date, and by the securing of additional funding sources, such as private fundraising, general obligations of the University not secured by the State's debt service commitment, and special obligation bonds of the University. Special obligation bonds are to be secured by particular revenues of the University as further defined in the indenture and are not subject to the cap on the University's general obligation debt service commitment bonds and are not counted against the State's debt limit. The University does not have any Special Capital Reserve Fund debt outstanding as of February 15, 2016.

The General Assembly has and may continue to authorize capital improvements for the University of Connecticut in addition to the UConn 2000 Program. In 2011 general obligation bonds of the State were authorized for the establishment of a bioscience cluster anchored by the Jackson Laboratory for Genomic Medicine, a research laboratory to be located on University of Connecticut Health Center's Farmington campus, and for creation of a technology park on the University's Storrs Campus. These are reflected in the Authorized but Unissued Direct General Obligation Debt shown in **Table 12**. The construction of a new $203 million ambulatory care center at the University of Connecticut Health Center also was authorized in 2011 and has been financed through a lease financing through the University of Connecticut Health Center Finance Corporation and is not reflected in **Table 12**.

Lease Financing. The State has issued certificates of participation for the development of courthouse facilities (of which none are outstanding) and an energy facility at a juvenile training school, each based upon State rental payments under a lease purchase agreement between the State and the project developer. The State has treated this method of lease financing as general obligation debt. However, the State has entered into other leasing arrangements for the development of government facilities that are not treated as general obligation debt, most often in circumstances where the lease is a standard lease or the State is not a participant in the securitization of rental payments under the lease.

Tax Increment Financing. In 1992 the General Assembly authorized the Connecticut Development Authority, now merged into CI to issue tax increment bonds for certain types of economic development projects. Under the program the amount of such bonds that may be issued is limited so that the debt service on the bonds may not exceed the estimated increases in the sales tax and the admissions, cabaret and dues taxes generated by the project and allocated by CI for debt service on the bonds. Under the General Statutes, debt service on the bonds is required to be paid from such tax receipts (whether or not the actual tax receipts equal or exceed the estimated amount) and is deemed appropriated from the General Fund. The State has classified such tax increment bonds as general obligation debt. No such tax increment bonds may be issued without the approval of the State Bond Commission. Such tax increment bonds are not reflected in **Table 7**, but are reflected in **Tables 8 through 12**.

Supportive Housing Financing. In 2005 the General Assembly directed the Connecticut Housing Finance Authority ("CHFA") in conjunction with other state agencies to develop a collaborative plan to create affordable housing and support services for specified eligible persons and families up to a specified number of units. The program is to be funded in part through mortgages, tax credits and grants from CHFA and the Department of Economic and Community Development. CHFA is authorized to issue bonds in support of the program and the Commission has authorized the Treasurer and OPM to enter into a contract to provide State assistance and pay debt service on the bonds in the form of payments of principal, interest, interest swap payments, liquidity fees, letter of credit fees, trustee fees and other similar bond-related expenses. Bonds supported by such State assistance shall not exceed $105 million in the aggregate. As of February 15, 2016, $63.83 million of such bonds were outstanding. Any provision in the contract providing for the payment of annual debt service will constitute a full faith and credit obligation of the State, and any bonds for which the State provides assistance are excluded from the calculation of the statutory debt limit.

Emergency Mortgage Assistance Program. In 2008 the General Assembly authorized CHFA to issue up to $50 million of bonds to fund an Emergency Mortgage Assistance Program and required the Treasurer and OPM to enter into a contract to provide State assistance to pay debt service on such bonds in the form of payments of principal, interest, interest swap payments, liquidity fees, letter of credit fees, trustee fees and similar bond-related expenses. As of February 15, 2016, the entire $50 million had been issued, of which $42.18 million was then outstanding. Any provision in the contract providing for the payment of annual debt service will constitute a full faith and credit obligation of the State, and any bonds for which the State provides assistance are excluded from the calculation of the statutory debt limit.

Economic Recovery Notes. In 2009 the General Assembly authorized the Treasurer to issue notes to fund the State's budget deficit for Fiscal Year 2009, to pay costs of issuance of such notes and certain interest payable or accrued on such notes and to exempt these notes from the overall limit on state debt. In December 2009, the State issued $915,795,000 of such Economic Recovery Notes. As of February 15, 2016, $352.6 million of such Economic Recovery Notes (including refunding notes) remain outstanding.

Certain Short-Term Borrowings. The General Statutes authorize the Treasurer, subject to the approval of the Governor, to borrow such funds, from time to time, as may be necessary, and to issue obligations of the State therefor, which shall be redeemed by the Treasurer whenever, in the opinion of the Treasurer, there are funds in the treasury available for such purpose, or not later than two years from the date of issuance, whichever is earlier. The State has established programs of temporary note issuances and credit facilities from time to time to cover periodic cash flow requirements. No temporary notes are outstanding and none have been issued since 1991.

Forms of Debt. In addition to the bonds, notes and lease financings described above, the Treasurer has the authority to issue refunding bonds, bond anticipation notes, and capital appreciation bonds. The State General Obligation Bond Procedure Act provides that the Treasurer may issue temporary notes and any renewals thereof in anticipation of the proceeds from the sale of bonds whenever the Commission has adopted a resolution authorizing bonds. The Treasurer is also authorized by the State General Obligation Bond Procedure Act to issue refunding bonds whenever the Treasurer finds that a refunding is in the best interests of the State and that the State reasonably expects to achieve net debt service savings as a result of such refunding.

Certain of the State's general obligation bonds have been issued as capital appreciation bonds. Capital appreciation bonds are issued at a deep discount and interest on the bonds is compounded semi-annually and only paid at maturity. For purposes of the State's debt tables, the interest that has accrued on capital appreciation bonds up to the date of the table is added to the principal amount of the State's outstanding debt. Pursuant to State statute, accrued interest on UConn 2000 capital appreciation bonds is excluded from the calculation of the statutory debt limit.

Derivatives. The Treasurer, with the authorization of the State Bond Commission, has the power to enter into reimbursement and similar agreements in connection with liquidity or credit facilities and to pledge the full faith and credit of the State or other collateral to secure the State's payment obligations under any such agreement. The Treasurer, with the authorization of the Commission, has the power to enter into contracts to place the obligation of the State as represented by bonds or notes of the State, on such interest rate or cash flow basis as the Treasurer may determine, including swap agreements and other arrangements to manage interest rate risk. When any such arrangement is entered into, the counter-party to the arrangement must have a rating on its unsecured long-term obligations that is the same as or higher than the underlying rating of the State on the applicable bonds. The Commission may authorize the Treasurer to pledge the full faith and credit of the State and any other collateral pledged to secure the applicable bonds to also secure the State's payment obligations under any such contract.

The State has entered into swap agreements in connection with various bond issues. The swap agreements typically provide for early termination in certain events, and such "termination events" could result in the State being required to make unanticipated termination payments. Such payments, if any are due, may be substantial. In some cases the State has up to 270 days to make any such termination payments. The amounts payable to each swap provider under the respective swap agreement, including any termination payments, will be general obligations of the State. The State is obligated to make debt service payments on its bonds regardless of the performance of the swap provider of its obligations under the swap agreement. Listed below is a summary of the various swap agreements the State has entered into in connection with its general obligation bonds. See also **Appendix C, Note 19 – Derivative Financial Instruments**.

Swap Agreements as of February 15, 2016

Bond Issue	Notional Amount	Termination Date	Fixed Rate Paid by State
2005 Series B	$ 15,620,000	June 1, 2016	3.99%
2005 Series B	$ 20,000,000	June 1, 2017	5.07%
2005 Series B	$ 20,000,000	June 1, 2020	5.20%

Debt Statement. The following table shows all direct general obligation indebtedness (including the accreted value of capital appreciation bonds) for the payment of the principal and interest on which the State has pledged its full faith and credit or which is otherwise payable from the State's General Fund.

TABLE 8

Direct General Obligation Indebtedness[(a)]
Principal Amount Outstanding as of February 15, 2016
(In Thousands)

General Obligation Bonds	$13,529,951
Pension Obligation Bonds	2,346,499
UConn 2000 Bonds	1,059,285
Other [(b)]	320,463
Long Term General Obligation Debt Total	$17,256,199
Short Term General Obligation Debt Total	
Gross Direct General Obligation Debt	$17,256,199
Deduct:	
University Auxiliary Services[(c)]	1,173
Net Direct General Obligation Debt	$17,255,025

(a) The table does not include refunded bonds for which escrow funds and investments are sufficient to pay all debt service. The table also does not include limited or contingent liabilities of the State or obligations of the State to towns for participation in the construction and alteration of school buildings. See **OTHER FUNDS, DEBT AND LIABILITIES**.

(b) "Other" includes lease financings, tax increment financings, CHFA Supportive Housing Bonds and CHFA Emergency Mortgage Assistance Program Bonds. Does not include CRDA Bonds or CHEFA Child Care Facilities Bonds. See **OTHER FUNDS, DEBT AND LIABILITIES – Other Debt Service and Contractual Commitments.**

(c) These bonds are considered self-liquidating; the proceeds of such bonds have been used to build facilities for the State University System and the University of Connecticut. Student fees, other than tuition, for use of such facilities are deposited into enterprise funds and are used for the operation of such facilities and for deposit annually into a debt service fund maintained by the Treasurer for payment of the debt service on such bonds.

SOURCE: State Treasurer's Office

Debt Ratios. The following table sets forth certain ratios relating to the State's gross and net direct general obligation indebtedness:

TABLE 9

Debt Ratios - Long Term General Obligation Debt

Fiscal Year	2011	2012	2013	2014	2015
Gross Direct Debt[(a)]	$14,680,676	$14,678,736	$14,762,696	$15,819,826	$16,879,336
Net Direct Debt[(a)]	$14,667,829	$14,670,276	$14,758,108	$15,817,309	$16,878,162
Ratio of Debt to Personal Income[(b)]					
Gross Direct Debt	6.83%	6.51%	6.60%	6.78%	7.24%
Net Direct Debt	6.82%	6.51%	6.60%	6.78%	7.23%
Ratio of Debt to Estimated Full Value of Equalized Grand List[(c)]					
Gross Direct Debt	2.73%	2.83%	2.90%	3.06%	3.17%
Net Direct Debt	2.73%	2.83%	2.90%	3.06%	3.17%
Per Capita Debt[(d)]					
Gross Direct Debt	$4,089	$4,084	$4,104	$4,401	$4,700
Net Direct Debt	$4,086	$4,082	$4,103	$4,400	$4,700

(a) In thousands. Includes gross and net long-term direct general obligation bonded indebtedness as set out in **Table 11**.

(b) See **Appendix III-B, Table B-2**. Personal Income: 2011 — $215.0 billion; 2012 — $225.5 billion; 2013 — $223.6 billion; and 2014 — $233.3 billion. The 2015 ratio uses 2014 data.

(c) Full value estimated by OPM. Uses final equalized net grand lists: 2009 — $537.2 billion; 2010 — $517.8 billion; 2011 – 508.6 billion; 2012 – 517.2 billion; and 2013 – 532.3 billion. Property is assessed as of October 1 in each year for the tax levy effective the following July 1. The 2011 ratio uses 2009 data; 2012 ratio uses 2010 data; 2013 ratio uses 2011 data; 2014 ratios use 2012 data; ; and 2015 ratios use 2013 data.

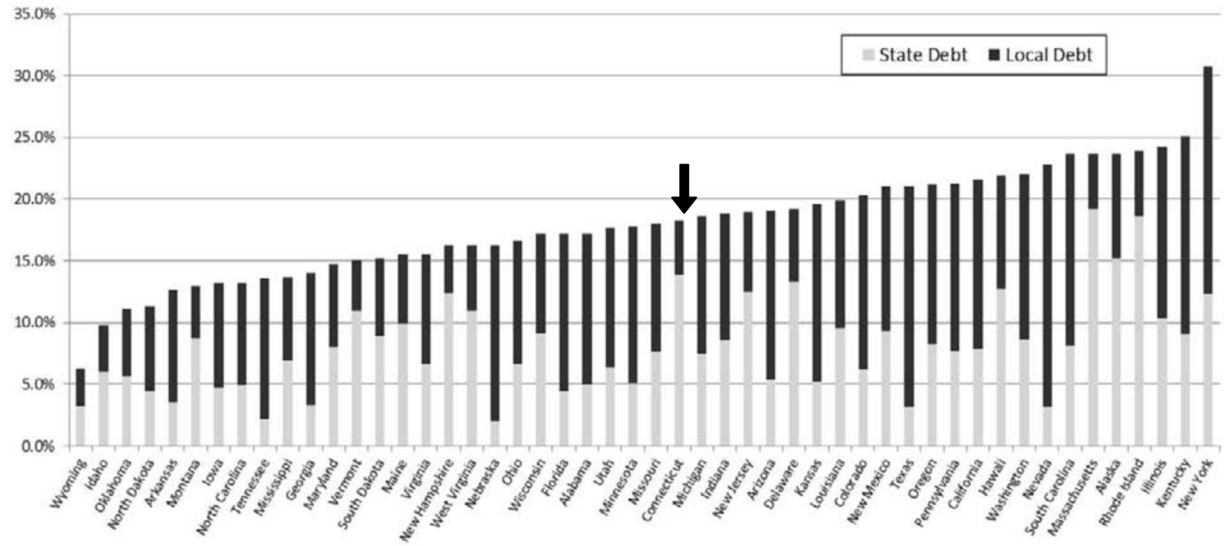
(d) See **Appendix III-B, Table B-1**. State population in thousands: 2011 — 3,590; 2012 — 3,594; 2013 — 3,597; 2014 — 3,595; and 2015 — 3,591.

Aggregate State and Local Debt.

The following table sets forth the per capita aggregate debt level of each state, including debt issued at both the state and local levels, compared to per capita personal income within the state. As the chart shows, the State of Connecticut is 27th among all states in a ranking of states with the least aggregate debt per capita as a percentage of per capita personal income. The chart below also indicates that the State has the sixth lowest ratio of per capita local debt to per capita personal income and fourth lowest ratio of local debt to aggregate debt. This is due in part to the State's practice of financing school construction primarily at the state level and the absence of county-level government in the State.

TABLE 9a[(a)(b)]

Combined State and Local Debt Compared to State Personal Income



(a) The percentages along the vertical axis are calculated by dividing per capita aggregate debt over per capita personal income. Population figures used in the underlying calculations are the population estimates as of July 1, 2014 from the U.S. Census Bureau, Population Division. State and local debt figures used in the underlying calculations are from the U.S. Census Bureau, 2013 Annual Surveys of State and Local Finances. Per capita income figures used in the underlying calculations are from the Bureau of Economic Analysis, which used data from 2014.

(b) The Census Bureau state and local debt figures include debt obligations of all dependent agencies of the state and local government, respectively, including agencies, boards, commissions, or other organizations, regardless of the responsibility for debt service. This differs from the components of debt in other places within this Annual Information Statement.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis; U.S. Census Bureau

Debt Service Schedule. The following table sets forth the principal, sinking fund and interest payments required on all outstanding long-term direct general obligation debt of the State, as of February 15, 2016. Although not specifically reflected as a result of combining all outstanding long-term direct debt, the State generally issues general obligation bonds maturing within twenty years. The exceptions include thirty-year Rental Housing Term Bonds and certain other bonds with maturities of less than twenty years where required by statute or in instances where the expected period of usefulness of the project or purpose financed does not warrant a maturity of twenty years.

TABLE 10

Summary of Principal, Mandatory Sinking Fund Payments, and Interest on Long-Term Direct General Obligation Debt[(a)]
As of February 15, 2016

Fiscal Year	Principal Payments[(b)]	Interest Payments[(b)(c)]	Total Debt Service
2016	$ 594,407,177	$ 324,041,022	$ 918,448,199
2017	1,409,884,988	743,463,350	2,153,348,338
2018	1,404,947,299	689,602,071	2,094,549,369
2019	1,178,341,471	631,297,632	1,809,639,104
2020	1,122,035,614	582,708,090	1,704,743,704
2021	1,101,266,206	533,634,455	1,634,900,661
2022	1,070,154,111	536,114,072	1,606,268,183
2023	1,100,431,122	498,505,002	1,598,936,124
2024	1,005,399,066	476,517,793	1,481,916,859
2025	937,127,437	433,378,799	1,370,506,236
2026	910,910,000	305,244,158	1,216,154,158
2027	863,815,000	260,434,588	1,124,249,588
2028-2035	4,450,940,000	739,313,378	5,190,253,378
Totals	$17,149,659,491	$6,754,254,411	$23,903,913,901

(a) Includes long-term general obligation debt as outlined in **Table 8**. The future principal payments ($17,149,659,491), plus accreted interest ($105,365,915), total the amount of such long-term debt ($17,255,025,406) as shown in **Table 8**. See footnotes (b) and (c) for further explanation.

(b) Principal payments include aggregate stated initial values of capital appreciation bonds. Interest payments include the difference between the aggregate stated initial values and the aggregate maturity amounts of capital appreciation bonds. Capital appreciation bonds mature in Fiscal Years 2018 through 2025.

(c) Some of the State's direct debt pays interest at variable rates. For purposes of this **Table 10**, the interest on such debt is calculated based on the following assumed average rates:

Year Issued	Amount Issued	Amount Outstanding	Maturities	Interest Rate
2005	$ 300,000,000	$ 100,000,000	2016-2023	3.50%
2005*	15,620,000	15,620,000	2016	3.99
2005*	20,000,000	20,000,000	2017	5.07
2005*	20,000,000	20,000,000	2020	5.20
2011	337,620,000	184,485,000	2015-2018	3.50
2011	75,000,000	75,000,000	2016, 2019	3.50
2012	212,400,000	141,600,000	2016-2020	3.50
2012	219,865,000	144,865,000	2016-2024	3.50
2013	244,570,000	204,570,000	2016-2025	3.50
2013	115,000,000	85,000,000	2016-2021	3.50
2013	314,295,000	311,445,000	2016-2018	3.00
2014	47,000,000	47,000,000	2017-2023	3.50
2014	61,610,000	41,140,000	2017-2018	3.50
2015	200,000,000	200,000,000	2017-2024	3.50
2015	180,745,000	180,745,000	2016-2022	3.50
Totals	$2,363,725,000	$1,771,470,000		

* Assumed average interest rate based on interest rate swap agreement(s), including projected basis risk.

SOURCE: State Treasurer's Office

Outstanding Long-Term Direct General Obligation Debt

The following table sets forth the total long-term direct general obligation debt outstanding and the net long-term direct general obligation debt outstanding (including economic recovery notes) at the end of each of the last ten fiscal years. Net debt excludes bonds that are considered self-liquidating. See **Table 8.**

TABLE 11[(a)]

Outstanding Long-Term Direct General Obligation Debt
As of June 30
(In Thousands)

Fiscal Year	Gross Debt	Net Debt
2006	$10,403,634	$10,361,226
2007	10,615,810	10,580,359
2008	13,102,857	13,068,439
2009	14,008,863	13,985,480
2010	15,066,507	15,048,863
2011	14,680,676	14,667,829
2012	14,678,736	14,670,276
2013	14,762,696	14,758,108
2014	15,819,826	15,817,309
2015	16,879,336	16,878,162

SOURCE: State Treasurer's Office

Future Issuance of Direct General Obligation Debt

Authorized But Unissued Direct General Obligation Debt. The General Assembly has empowered the Commission to authorize direct general obligation bonds pursuant to certain bond acts. The table below shows, as of February 15, 2016, the amount of bonds authorized by bond acts in effect, the amount the Commission has authorized, the amount of bonds issued pursuant to Commission authorizations, the balance remaining authorized but unissued and the balance available for authorization. The following table shows the same information for UConn 2000 bonds secured by the State's debt service commitment authorized to be issued under the cap through June 30, 2016.

TABLE 12

Authorized but Unissued Direct General Obligation Debt
As of February 15, 2016
(In Thousands)

	State Direct Debt[(a)]	Pension Obligation Bonds[(b)]	UCONN 2000[(c)]	Tax Increment[(d)]	Total
Bond Acts in Effect	$35,978,527	$2,276,578	$2,612,667	$74,750	$40,942,522
Amount Authorized[(e)]	32,636,171	2,276,578	2,612,667	74,750	37,600,167
Amount Issued	30,005,738	2,276,578	2,100,667	68,040	34,451,023
Authorized but Unissued	2,630,434	0	512,000	6,710	3,149,144
Available for Authorization	3,342,356	0	0	0	3,342,356

(a) Includes CHFA Supportive Housing Bonds and CHFA Emergency Mortgage Assistance Program Bonds. Also includes authorization and allocation for GAAP Deficit Bonds in an aggregate principal amount sufficient to generate net proceeds of not more than $750 million. Excludes CRDA Bonds, CHEFA Child Care Facilities Bonds, General Obligation Notes (Economic Recovery Notes 2013 Series A and 2014 Series A) and lease financings.

(b) The amount available does not include additional amounts which may exceed the cap to finance issuance costs and capitalized interest.

(c) Includes bonds that may be issued under the cap in effect on the date of the table. The amount available for authorization does not include additional amounts which may exceed the cap to finance reserve funds, issuance costs and capitalized interest. The amount issued has been adjusted to reflect increases due to closing costs and decreases due to premiums.

(d) The amount of tax increment bonds authorized is based on the amount authorized by the State Bond Commission, since there is no statutory amount of authorization.

(e) The amount authorized reflects amounts allocated by the State Bond Commission.

SOURCE: State Treasurer's Office; Office of Policy and Management

Bond Authorizations and Reductions. The General Assembly authorizes bonds in various public and special acts each year or each biennium. In addition to authorizing bonds for new projects and purposes, the General Assembly reviews prior authorizations and may repeal certain projects and bond authorizations or otherwise reduce prior bond authorizations. The following table and graph list the amount of new authorizations of general obligation debt that take effect during the fiscal year listed, and the net amount after subtracting prior bond authorizations that have been repealed or reduced. Pension obligation bonds and economic recovery notes are not included since they are not recurring authorizations.

TABLE 13

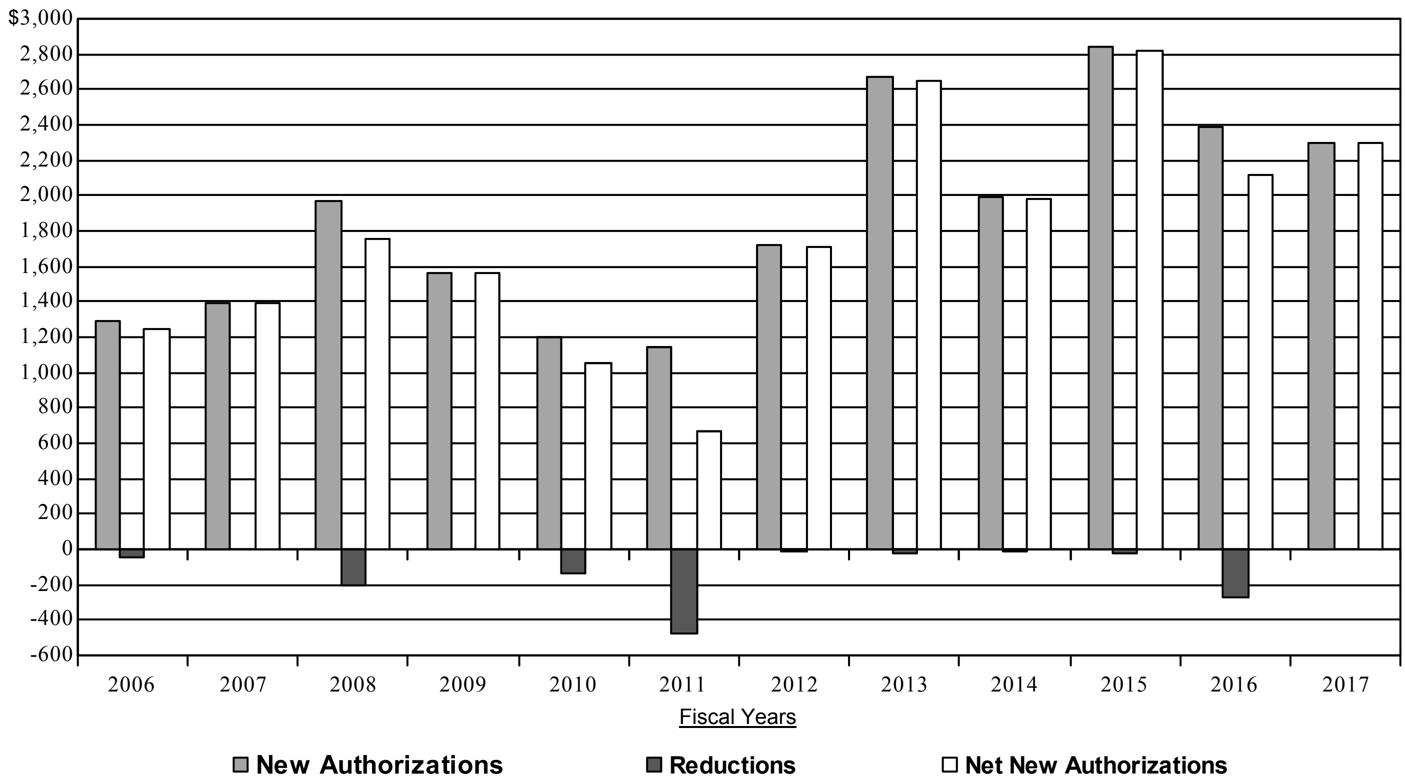
Statutory General Obligation Bond Authorizations and Reductions[(a)]
(In Millions of Dollars)

Fiscal Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
New Authorizations	1,290.4	1,388.7	1,965.0	1,564.5	1,195.4	1,147.2	1,724.8	2,673.3	1,993.6	2,843.6	2,391.5	2,293.8
Reductions	(41.3)	0.0	(206.9)	0.0	(140.5)	(474.6)	(10.8)	(22.3)	(12.0)	(27.8)	(272.5)	0.0
Net New Authorizations	1,249.1	1,388.7	1,758.1	1,564.5	1,054.9	672.6	1,714.0	2,651.0	1,981.6	2,815.8	2,119.0	2,293.8

(a) Does not include Pension Obligation Bonds, Economic Recovery Notes, lease financings, tax increment or cash flow borrowings. Does not include GAAP Deficit Bonds authorized in Fiscal Year 2014 in an aggregate principal amount sufficient to generate net proceeds of not more than $750 million. Includes amount for UConn 2000 bonds available under the cap for Fiscal Years 2006 through 2017, as amended, but does not include additional amounts which may exceed the cap to finance reserve funds, issuance costs and capitalized interest. Amounts are listed in the fiscal year that the bond authorizations become effective. Does not include any authorizations which take effect after Fiscal Year 2017. **See Table 14**.

SOURCE: State Treasurer's Office; Office of Policy and Management

Statutory Bond Authorizations and Reductions
(In Millions)



Purposes of Recent Bond Authorizations. The purposes for which the State issues its general obligation bonds include those described in the table below. The amounts authorized for each of these purposes for recent fiscal years is reflected in the following table, including amounts authorized for UConn 2000. The table does not reflect any statutory reductions of authorized items from prior years, nor are tax increment or cash flow borrowings, CHFA Supportive Housing Bonds and CHFA Emergency Mortgage Assistance Program Bonds, CHEFA Child Care Facilities Bonds, lease financings, economic recovery notes or pension obligation bonds included.

TABLE 14[a]

New Agency Authorizations (Does Not Include Reductions)
(In Thousands)

Fiscal Year	2013	2014	2015	2016	2017
Purpose					
Governmental Accountability	$ 0	$ 0	$ 1,000	$ 100	$ 500
Office of Policy and Management	198,659	335,330	388,930	348,600	315,000
Secretary of the State	2,000	0	0	0	0
State Comptroller	7,000	0	57,000	20,000	0
Attorney General	0	0	0	0	0
Veterans Affairs	0	750	2,959	2,145	550
Administrative Services[d]	216,500	577,300	530,800	633,500	651,100
Public Works	0	0	0	0	0
Construction Services[d]	635,000	0	0	0	0
Emergency Services and Public Protection	17,420	30,000	54,000	3,000	2,000
Motor Vehicles	0	1,703	1,697	1,420	0
Military	5,000	6,150	3,000	4,471	3,108
Consumer Protection	0	0	100	0	0
Health Care Advocate	0	0	1,900	0	0
Agriculture	10,000	10,500	10,500	0	1,000
Agricultural Experiment Station	0	0	1,000	0	11,700
Environmental Protection	0	0	0	0	0
Energy and Environmental Protection	171,000	127,900	334,400	137,850	173,575
Labor	15,000	5,000	0	5,000	5,000
Economic and Community Development:[d]					
Housing	147,500	0	0	0	0
Housing Trust Fund	25,000	0	0	0	0
Economic Development	355,000	150,000	225,000	190,000	190,000
Other	24,000	56,500	39,100	2,000	5,000
Department of Housing:[d]					
Housing	0	92,000	130,000	135,000	135,000
Housing Trust Fund	0	30,000	30,000	40,000	25,000
Other	0	0	0	20,000	20,000
Capital Region Economic Development Authority	60,000	39,122	33,728	57,000	55,000
Connecticut Innovations, Incorporated	120,113	94,728	69,690	71,425	56,108
Public Health	52,000	10,000	50,000	0	0
Developmental Services	7,000	5,000	5,000	7,500	27,500
Mental Health and Addiction Services	10,000	2,275	9,175	5,000	5,000
Social Services[d]	10,000	0	1,000	0	0

Fiscal Year	2013	2014	2015	2016	2017
Rehabilitation Services	0	0	6,000	0	0
Education	107,645	62,250	98,400	51,000	47,750
Early Childhood..........................	0	0	15,000	0	0
State Library	0	5,000	7,200	8,600	7,000
Regional Community-Colleges	0	0	0	0	0
Board of Regents for Higher Education..............................	76,723	24,990	98,600	100,800	85,615
Correction	0	10,000	10,000	-	15,000
Children and Families................	7,285	1,231	1,515	3,828	2,073
Judicial.......................................	11,000	11,500	30,000	28,400	15,000
CPTV..	0	0	3,300	0	0
Legislative Management............	0	0	8,122	1,799	345
UConn...	154,500	0	0	0	0
UConn 2000[(b)]...........................	143,000	204,400	315,500	312,100	266,400
Transportation............................	25,000	5,000	95,000	82,500	60,000
Connecticut Port Authority.........	0	0	0	0	17,500
CSUS 2020[(c)]	95,000	95,000	175,000	118,500	95,000
Totals	$2,708,345	$1,993,629	$2,843,616	$2,391,538	$2,293,824

(a) Does not include authorizations that take effect after Fiscal Year 2017. Does not include Pension Obligation Bonds, Economic Recovery Notes, tax increment or cash flow borrowings, CHFA Supportive Housing Bonds and CHFA Emergency Mortgage Assistance Program Bonds, CHEFA Child Care Facilities Bonds, GAAP Deficit Bonds or lease financings.

(b) To be issued by University of Connecticut based on cap for the year indicated prior to actual bond issuance. Does not include additional amounts that may exceed cap to finance reserve funds, issuance costs and capitalized interest.

(c) The Connecticut State University Infrastructure Act authorizes $95 million per year from Fiscal Year 2009 through Fiscal Year 2018.

(d) During the 2013 session of the General Assembly various agency consolidations and realignments were enacted as follows: The Department of Construction Services was consolidated into the Department of Administrative Services. The Department of Housing was created and assumed the housing duties of the Department of Economic and Community Development, the Office of Policy and Management and the Department of Social Services.

SOURCE: Office of Policy and Management

OTHER FUNDS, DEBT AND LIABILITIES

The State conducts certain of its operations through State funds other than the State General Fund and, pursuant to legislation, may issue debt secured by the special taxes or revenues pledged to certain of such funds. In addition, the State is contingently liable, or has limited liability, from the resources of the State's General Fund, for payment of debt service on certain obligations of quasi-public State agencies and municipalities of the State. The State also has committed to apply moneys for debt service on loans to finance certain child care facilities. The State also has made commitments to certain municipalities to make future grant payments for school construction projects, payable over a period of years, and has certain other contingent liabilities for future payments.

Special Transportation Fund and Debt

In 1984 the State adopted legislation establishing a transportation infrastructure program and authorizing Special Tax Obligation ("STO") bonds to finance the program. The transportation infrastructure program is a continuous program for planning, construction and improvement of State highways and bridges, projects on the interstate highway system, alternate highway projects in the interstate highway substitution program, waterway facilities, mass transportation and transit facilities, the highway safety program, maintenance garages and administrative facilities of the Department of Transportation, payment of the State's share of the costs of the local bridge program, and payment of State contributions to the local bridge revolving fund. The transportation infrastructure program is administered by the Department of Transportation.

The cost of the transportation infrastructure program for Fiscal Years 1985-2020, which will be met from federal, State, and local funds, is currently estimated at $37.5 billion. The State's share of such cost, estimated at $18.5 billion, is to be funded from transportation-related taxes, fees and revenues deposited in the Special Transportation Fund, as described below, and from the proceeds of STO bonds. The portion of State program costs not financed by STO bonds is estimated at $0.8 billion and includes the expenses of the transportation infrastructure program that either are not sufficiently large or do not have a long enough life expectancy to justify the issuance of long-term bonds. Such expenses currently include liquid resurfacing, minor bridge repairs, highway maintenance activities, safety improvements, and other minor transportation improvements.

The State's share of the cost of the infrastructure program for Fiscal Years 1985-2020 to be financed by STO bonds currently is estimated at $17.7 billion. The issuance of such STO bonds has eliminated the need for the authorization of additional general obligation bonds of the State for surface transportation purposes. STO bonds also may be issued for the purpose of refunding general obligation bonds of the State issued for transportation infrastructure purposes.

During Fiscal Years 1985-2017, $31.6 billion of the total transportation infrastructure program was approved by the appropriate governmental authorities. The remaining $5.9 billion of such infrastructure costs is anticipated to be funded by the issuance of $3.9 billion in STO bonds, $1.8 billion in anticipated federal funds, and $218.1 million in anticipated revenues and other available funds.

The State has established the Special Transportation Fund for the purpose of budgeting and accounting for all transportation-related taxes, fees and revenues credited to such Fund and securing the STO bonds. STO bonds are payable solely from revenues of the Special Transportation Fund and other receipts, funds or moneys pledged pursuant to the enabling legislation and indenture. The aggregate of certain motor fuel taxes, the oil companies tax, certain amounts of the general retail sales tax, motor vehicle receipts, motor vehicle related licenses, permits and fees, sales tax on motor vehicles and other transportation related revenue sources, including enacted adjustments to all the foregoing sources, and any direct pay federal interest subsidy received by the State in connection with the issuance of any taxable STO bonds (Build America Bonds) are intended to cover the cost of the State's share of the infrastructure program, including debt service requirements on STO bonds. After providing for STO debt service requirements, the balance of the receipts from such revenue sources may be applied to the payment of general obligation bonds of the State issued for transportation purposes and for the payment of annually budgeted expenses of the Department of Transportation and the Department of Motor Vehicles.

The table below shows the amount of STO bonds authorized by bond acts in effect, the amount the State Bond Commission (the "Commission") has authorized, the amount of bonds issued pursuant to Commission authorizations, the balance remaining authorized but unissued, the balance available for authorization, and the amount outstanding. It is anticipated that additional STO bonds will be authorized by the General Assembly annually in an amount necessary to finance and complete the transportation infrastructure program. Such additional bonds may be issued on an equal rank with the outstanding bonds provided certain pledged revenue coverage requirements of the STO bond indentures controlling the issuance of such bonds are met.

TABLE 15

Special Tax Obligation Bonds
As of February 15, 2016
(In Millions)

	New Money	Refundings[a]	Total
Bond Acts in Effect	$ 13,422.0	N/A	$ 13,422.0
Amount Authorized[b]	13,125.3	N/A	13,125.3
Amount Issued	9,920.2	$ 4,158.7	14,078.8
Authorized but Unissued	3,205.1	N/A	3,205.1
Available for Authorization	296.8	N/A	296.8
Amount Outstanding	3,649.5	870.2	4,519.7

(a) Refunding Bonds do not require legislative approval.
(b) The amount authorized reflects amounts allocated by the State Bond Commission.

SOURCE: State Treasurer's Office

In addition to STO Bonds, the State has issued direct general obligation bonds for transportation purposes and the debt service on these bonds may be paid from resources of the Special Transportation Fund provided there is sufficient funding first to pay all STO debt service. For Fiscal Year 2015 the Special Transportation Fund paid $0.1 million of State direct general obligation refunding transportation debt service payments. The amount budgeted by the Special Transportation Fund for State direct general obligation transportation debt service payments for Fiscal Year 2016 is $0.6 million.

The Special Transportation Fund's revenues and expenses undergo periodic legislative adjustment. The revenues currently credited to the Fund consist of (i) the motor fuels tax (which includes the gasoline tax and the special fuels tax, which formerly were levied as separate taxes, and the motor carrier road tax); (ii) the petroleum products gross earnings tax; (iii) specific amounts of the general retail sales tax; (iv) motor vehicle receipts (e.g., fees for registration of motor vehicles); (v) license, permit and fee revenue (e.g., fees for license to sell or repair motor vehicles); (vi) specific amounts of the petroleum products gross earnings tax; (vii) specific amounts of the tax imposed on casual sales of motor vehicles, vessels, snowmobiles and aircraft; (viii) moneys formerly received by the State from the Federal Transit Administration pursuant to the Urban Mass Transportation Act of 1964; (ix) specified amounts to be transferred from the General Fund during certain fiscal years; and (x) other receipts, funds, and moneys credited to the Fund.

The General Assembly created a new statutory transportation "lock box" which establishes the Special Transportation Fund as a perpetual fund, the resources of which shall remain in the Special Transportation Fund to be expended solely for transportation purposes including the payment of debt service on STO Bonds. All sources of moneys required by State law to be credited to the Special Transportation Fund after June 29, 2015 are to continue to be credited to such fund to the extent the State collects or receives such moneys.

Governor Malloy proposed a 30-year, $100 billion transportation initiative to modernize Connecticut's infrastructure. In conjunction with that proposal the Governor established the Transportation Finance Panel and appointed its members consisting of experts in transportation, finance and economic development. The panel was charged with examining funding options and developing recommendations for the implementation of Governor Malloy's transportation initiative and on January 15, 2016 the panel presented its report to the Governor.

Other Special Revenue Funds and Debt

Bradley International Airport

Bradley International Airport, located in Windsor Locks, Connecticut, is owned and operated by the Connecticut Airport Authority ("CAA"), a quasi-public authority of the State governed by an eleven member board. Until July 1, 2013 the Airport was owned by the State and operated by the Bureau of Aviation and Ports in the State's Department of Transportation. The General Assembly authorized the issuance of revenue bonds for improvements at Bradley International Airport payable from all or a portion of the revenues generated at the Airport. Legislation passed in 2001 removed a bond issuance cap for Bradley International Airport but retained the requirement for Commission approval of any new bond issue. As of February 15, 2016, there were $122.98 million of Bradley International Airport Revenue Refunding Bonds outstanding. In addition, the State is a party to certain interest rate swap agreements with respect to certain outstanding bonds. Any obligations of the State under the interest rate swap agreements are payable from all or a portion of the revenues generated at the Airport. See ***Quasi Public Agencies - Connecticut Airport Authority ("CAA")***.

Additional special obligation bonds to finance self-sustaining special facilities at Bradley International Airport payable solely from the revenues derived from such special facilities were authorized in 1993. In March 2000 the State issued $53.8 million Bradley International Airport Special Obligation Parking Revenue Bonds to finance the construction of a five story parking garage facility at the airport and as of February 15, 2016, $30.6 million of such bonds were outstanding.

Clean Water Fund

The General Assembly has authorized the issue of revenue bonds for the purpose of funding various State and federally mandated water pollution control and drinking water projects for up to $3,195.58 million, of which $1,966.59 million have been issued. The revenue bonds are payable solely from the revenues or other receipts, funds or moneys of the Clean Water Fund. The proceeds of the revenue bonds are loaned primarily to Connecticut municipalities and public water systems to finance water pollution control and drinking water improvements, and the loan repayments by the municipalities and public water systems secure the revenue bonds. The loans are evidenced by interim funding obligations and project loan obligations of the municipalities and public water systems, pursuant to which either the full faith and credit of each such entity, or the revenues and other funds of a municipal sewer or public water system are pledged. As of February 15, 2016, $813.1 million revenue bonds were outstanding (including refunding bonds).

Unemployment Compensation

The State pays unemployment compensation benefits from the State's Unemployment Compensation Fund, which is funded by unemployment compensation taxes collected from employers. To fund possible shortfalls, the State has reserved the authority to issue bonds in an aggregate amount outstanding at any time not in excess of $1.0 billion, plus amounts for certain reserves and costs of issuance. In addition, the State may borrow from the Federal Unemployment Trust Fund to fund a deficit in the State's Unemployment Compensation Fund. As of February 15, 2016, State borrowings outstanding from the Federal Unemployment Trust Fund were $100.89 million. The State anticipates that there will be additional borrowing from the Federal Unemployment Trust Fund in the amount of approximately $41 million during calendar year 2016, and that such additional $41 million will be repaid on or prior to September 1, 2016. The State anticipates excess amounts in the State's Unemployment Compensation Fund will be applied to reduce its debt and that there will be no borrowings outstanding from the Federal Unemployment Trust Fund at the end of calendar year 2016.

Second Injury Fund

The Second Injury Fund is a State-run workers' compensation insurance fund that pays lost wages and medical benefits to qualified injured workers. The State established the Second Injury Fund in 1945 to encourage the hiring of persons with pre-existing physical impairments, such as veterans and provide relief to employers when an injured worker, who already had a pre-existing injury or condition, was hurt on the job and the second injury was made worse by the existence of the first injury. In 1995 and 1996, the State enacted legislation to close the Second Injury Fund to future second injury claims. Those laws authorized the issuance of an amount not to exceed $750 million in revenue bonds and notes outstanding at any one time to provide funds for paying past claims. No bonds or short-term borrowings are currently outstanding. The State's management objective is to pay additional claims and settlements from current income and, if necessary, short term borrowings.

Contingent Liability Debt

The General Assembly has the power to impose limited or contingent liabilities upon the State in such a manner as it may deem appropriate and as may serve a public purpose. This power has been used to support the efforts of quasi-public agencies, municipalities and other authorities formed to carry out essential public and governmental functions by authorizing these entities to issue indebtedness backed, partially or fully, by General Fund resources of the State. Not all entities that are authorized to issue such indebtedness have done so, and the description below of the State's limited or contingent liability is restricted only to specific indebtedness backed by the State.

Special Capital Reserve Funds

The primary vehicle through which the State has undertaken contingent or limited liability is the special capital reserve fund. A special capital reserve fund ("SCRF"), if established, provides additional security for bonds issued by the entity authorized to establish such a reserve fund. Subject to exceptions in the legislation authorizing the establishment of a particular SCRF, monies held in and credited to a SCRF are intended to be used solely for the payment of the principal of bonds secured by such SCRF, the purchase of such bonds, the payment of interest on such bonds or the payment of any redemption premium required to be paid when such bonds are redeemed prior to maturity. The SCRF is frequently funded with bond proceeds to a specified amount (the minimum of which is often the maximum annual principal and interest payments due on the bonds). The State undertakes the obligation to restore a SCRF to its minimum level. The method for determining such required minimum capital reserve is set out in the legislation authorizing the SCRF. If the SCRF should fall below the required minimum capital reserve amount, an official of the authority or municipality which established the SCRF shall certify to the Secretary of OPM or the Treasurer or both the amount necessary to restore such SCRF to the required minimum capital reserve amount. On or before December 1, annually, there will be deemed to be appropriated from the State's General Fund such amount as specified in the certificate, which amount shall be allotted and paid to the entity that established the SCRF. On an annual basis, the State's liability under any SCRF mechanism is limited to its obligation to restore that fund to its minimum capital reserve amount.

Quasi-Public Agencies

The State has established a number of quasi-public agencies that are not departments, institutions or agencies of the State. They are, however, bodies politic and corporate that constitute public instrumentalities and political subdivisions of the State and whose exercise of authority granted to them is deemed to be the performance of an essential public and governmental function. These organizations provide a wide range of services that might otherwise be provided directly by the State.

Among the public authorities are: the Connecticut Green Bank; the Connecticut Airport Authority; the Connecticut Health and Educational Facilities Authority; the Connecticut Higher Education Supplemental Loan Authority; the Connecticut Housing Finance Authority; Connecticut Innovations, Incorporated; the Capital Region Development Authority; and the Materials Innovation and Recycling Authority. Each of these public authorities is authorized to issue bonds in its own name to facilitate its activities and, with the exception of the Connecticut Airport Authority and the Connecticut Green Bank, each has issued bonds secured by a SCRF, or other contractual arrangement, for which the State has limited contingent liability.

Connecticut Airport Authority ("CAA"). The Connecticut Airport Authority ("CAA") was created in 2011 and is governed by an eleven member board comprised of the Treasurer, the Commissioner of Transportation, and the Commissioner of Economic and Community Development, each serving *ex officio*; four members appointed by the Governor; and a member appointed by each of the President Pro Tempore of the State Senate, the minority leader of the State Senate, the Speaker of the State House of Representatives and the minority leader of the State House of Representatives. On July 1, 2013 ownership, management and operations of Bradley International Airport and the State's other general aviation airports were transferred from the State's Department of Transportation to CAA. The CAA is authorized to issue revenue bonds, including bonds backed by a SCRF.

The Connecticut Green Bank ("Green Bank"). The Connecticut Green Bank, formerly called the Clean Energy Finance and Investment Authority was formed in 2011 and was designated the successor agency to Connecticut Innovations, Incorporated for the purposes of administering the Clean Energy Fund. The Green Bank is an energy finance authority, designed to leverage public and private funds to drive investment and increase clean energy deployment in Connecticut. The Green Bank is authorized to issue bonds to facilitate its activities, which bonds may be secured by a SCRF. The Green Bank Board of Directors is comprised of eleven voting and two non-voting members including: the Treasurer, the Commissioner of Energy and Environmental Protection, and the Commissioner of Economic and Community Development, each serving *ex-officio*; four members appointed by the legislative leadership; and four members appointed by the Governor. The president of the Green Bank and a member of the Board of Directors of Connecticut Innovations, Incorporated, serve in an *ex-officio*, non-voting capacity.

Connecticut Health and Educational Facilities Authority ("CHEFA"). CHEFA was established to assist in the financing of facilities for educational or health care purposes, including colleges and universities, secondary schools, nursing homes, hospitals, child care facilities, and any other qualified non-profit institutions through the issuance of bonds and other obligations. CHEFA loans the proceeds of its bond issues to client institutions, which make debt service payments on such loans that match CHEFA's payment obligations under its bonds. CHEFA is also authorized to issue tax-exempt and taxable revenue bonds secured by one or more special capital reserve funds solely to finance projects for "participating nursing homes," or for housing, student centers, food service facilities and other auxiliary service facilities at public institutions of higher learning, including the Connecticut State University System, or for clinical services projects for the University of Connecticut Health Center, and up to $100.0 million to finance equipment acquisitions by hospitals.

CHEFA also is authorized to issue bonds and loan the proceeds to various entities to finance child care facilities. The State Treasurer is committed to pay the debt service on these loans, subject to annual appropriation. See **Other Debt Service and Contractual Commitments – *CHEFA Child Care Program***.

The Connecticut Higher Education Supplemental Loan Authority ("CHESLA") is a subsidiary of CHEFA. See ***Connecticut Higher Education Supplemental Loan Authority ("CHESLA")*** below.

The Board of Directors of CHEFA is comprised of ten members including the Treasurer and the Secretary of OPM, both serving *ex officio*, and eight members appointed by the Governor based on their qualifications in the areas of health care, higher education, or public finance.

Connecticut Higher Education Supplemental Loan Authority ("CHESLA"). CHESLA provides financial assistance in the form of education loans to students in or from the State. CHESLA is authorized to issue bonds the proceeds of which are used to fund education loans to applicants meeting certain eligibility requirements. The repayment of such loans is used to make debt service payments on CHESLA bonds. CHESLA, in connection with the issuance of its bonds has made certain covenants with respect to such loans, including a covenant to do or cause to be done all such acts and things necessary to receive and collect all revenues due with respect to such loans. CHESLA bonds are further secured by a SCRF. CHESLA is also authorized to provide loans to refinance eligible education loans of qualified borrowers.

CHESLA is a subsidiary of CHEFA. See ***Connecticut Health and Educational Facilities Authority ("CHEFA")*** above. The Board of Directors of CHESLA is comprised of nine members including the Treasurer, the President of the Board of Regents for Higher Education, and the Secretary of OPM, the Chairperson of the Board of Directors of CHEFA, and the Executive Director of CHEFA, each serving *ex officio*; and four members appointed by the Board of Directors of CHEFA.

Connecticut Housing Finance Authority ("CHFA"). CHFA was established in 1969 to meet the needs of low and moderate income families and persons for decent housing and to encourage and assist the development and construction of multi-family housing by reducing the cost of mortgage financing therefor. CHFA is authorized to issue bonds the proceeds of which are used to fund mortgage loans to applicants meeting certain eligibility requirements including unrestricted statutory income limits in certain urban areas. The enabling act authorizes CHFA to make or purchase construction and permanent mortgage loans that are guaranteed or insured by the United States of America or any agency or instrumentality thereof, by the Federal Home Loan Mortgage Corporation, by a private mortgage insurance company or the State or the Authority itself without limitation as to amount and to make or purchase mortgage loans not so insured or guaranteed in an aggregate amount not to exceed $2.25 billion. In order to finance these activities, CHFA established a Housing Mortgage Finance Program and issued its general obligation bonds under a General Bond Resolution pursuant to which CHFA has pledged all revenues that it may receive in connection with the mortgages financed thereunder including its fees and charges therefor and any recoveries of principal therefrom from any source and any monies received from investments, as well as other mortgages specifically pledged. In addition, such General Bond Resolution provides for general covenants such as a covenant to do all things necessary with respect to the operation of such Housing Mortgage Finance Program in order to pay principal of and interest on its bonds and provides for certification as to self-sufficiency in order to issue any additional bonds. Bonds issued under CHFA's General Bond Resolution are further secured by a SCRF.

CHFA has also established a Special Needs Housing Mortgage Finance Program (formerly known as the Group Home Mortgage Finance Program) and has issued and expects to issue additional State-Supported Special Obligation Bonds under a separate indenture, including bonds for group homes, assisted living facilities, and residential care homes, which bonds are and will be secured by a SCRF. CHFA also issues bonds for supportive housing and emergency mortgage assistance for which the debt service is paid by the State pursuant to contracts for State assistance. See **State Debt – *Types of Direct General Obligation Debt – Supportive Housing Financing*** and ***Emergency Mortgage Assistance Program***.

The Board of Directors of CHFA is comprised of sixteen members: the Commissioner of Economic and Community Development, the Commissioner of the Department of Housing, the Secretary of OPM, the Commissioner of Banking and the Treasurer, serving *ex officio*; seven members appointed by the Governor; and a member appointed by each of the President Pro Tempore of the State Senate, the minority leader of the State Senate, the Speaker of the State House of Representatives and the minority leader of the State House of Representatives who among them are experienced in all aspects of housing design, development, finance, management and state and municipal finance. The Chairperson of the Board is appointed by the Governor.

Connecticut Innovations ("CI"). The Connecticut Development Authority ("CDA") was merged into Connecticut Innovations, effective July 1, 2012. In order to discharge its responsibilities and fulfill its purposes, CI is authorized to offer various financing programs including The Mortgage Insurance and Loan Program (the "Insurance Fund"). As of February 15, 2016, $19.5 million of State bonds have been authorized but remain unissued to fund the Insurance Fund and loans insured by the Insurance Fund totaled $2.1 million.

Under the General Obligation Bond Program, CI may issue bonds to finance eligible economic development and information technology projects. General revenues of CI, which are not otherwise pledged, are made available to service the debt of bonds issued under the General Obligation Bond Program, and such bonds may be secured by a SCRF. As of February 15, 2016, no such bonds are outstanding. Although there remains legislative authority for the issuance of bonds secured by special capital reserve funds under the Umbrella Bond Program, no loans have been initiated under that program since 1985, and CI does not anticipate a resumption of any lending activity under that program.

The Board of Directors of CI is comprised of 17 members: the Treasurer, the Commissioner of Economic and Community Development, the Secretary of OPM, and the president of the Board of Regents for Higher Education, as *ex officio* members; nine members appointed by the Governor; and four members appointed by legislative leadership.

Capital Region Development Authority ("CRDA"). In 2012 the Capital City Economic Development Authority ("CCEDA") was re-named the Capital Region Development Authority ("CRDA"). Created in 1998 as CCEDA, it was granted the power to issue revenue bonds for a convention center project in the City of Hartford. The bonds are backed by State contractual assistance equal to annual debt service. CRDA also is authorized to use special capital reserve funds in connection with such revenue bonds, but there are currently no plans to do so. The 2012 legislation broadened the CRDA's powers to stimulate development and redevelopment in the City of Hartford and the surrounding towns, including East Hartford. CRDA's Board of Directors is made up of 14 members, four of whom are appointed by the Governor, two of whom are appointed by the Mayor of Hartford, and two of whom are appointed by legislative leadership. The Mayors of Hartford and East Hartford, the Secretary of OPM, and the Commissioners of Transportation, Housing and Economic and Community Development serve as *ex-officio* members of the Board.

Materials Innovation and Recycling Authority ("MIRA"). Effective June 6, 2014, the Materials Innovation and Recycling Authority ("MIRA") was designated as successor to the Connecticut Resources Recovery Authority ("CRRA"). As of this date, MIRA assumed control of CRRA's rights, duties and obligations and continues CRRA's ongoing business. Under State law, any contract, right of action or matter undertaken or commenced by CRRA may now be undertaken and completed by MIRA in the same manner, under the same terms and conditions, and with the same effect as if completed by CRRA.

MIRA's purpose, like that of CRRA, continues to be the development and operation of solid waste disposal, volume reduction, recycling, intermediate processing, resource recovery and related support facilities necessary to carry out the State's Solid Waste Management Plan. Public Act No. 14-94 established a new consultative partnership between MIRA and the State's Department of Energy and Environmental Protection (DEEP) specifically for redevelopment of MIRA's Connecticut Solid Waste System (CSWS), and generally for the development of new waste management industries, technologies and commercial enterprises on property owned by MIRA.

CRRA developed a number of resource recovery and related facilities, including the Mid Connecticut Project (now the CSWS), Southeast, Bridgeport and Wallingford projects. While the underlying Southeast Project bonds previously backed by a SCRF have been fully paid, the operating contracts for the Southeast Project remain in effect under MIRA's auspices while it undertakes project closeout activities, the Mid Connecticut Project has been transitioned into the CSWS also now under MIRA's auspices, and the Bridgeport and Wallingford projects have reverted to private ownership and control. MIRA bonds may be secured by a SCRF.

The Board of Directors of MIRA is comprised of eleven members: three members appointed by the Governor; two members appointed by each of the president pro-tempore of the Senate, the speaker of the House of Representatives, the minority leader of the Senate, the minority leader of the House of Representatives. There are three vacancies. In addition, there are four ad hoc members, two representing each of the two facilities remaining active under MIRA. As of February 15, 2016, only one ad hoc seat was filled.

UConn 2000 Special Obligation Financing. The University of Connecticut may issue special obligation bonds that may be secured by a SCRF, which the State undertakes to restore to its minimum level. Before issuing special obligation bonds secured by such a SCRF, the act requires the board of trustees of the University to determine that project revenues, other than those derived from the State's debt service commitment and the State's minimum operating provision, are estimated to be sufficient to pay the debt service on the special obligation bonds, to maintain reserves and to operate the physical infrastructure of the University. The act requires the Treasurer to confirm that such determination is not unreasonable or arbitrary. The University may also issue special obligation bonds that are not secured by such a SCRF. As of February 15, 2016, the University has outstanding $112.4 million special obligation student fee revenue bonds that are not secured by such a SCRF.

Assistance to Municipalities

The State has undertaken certain limited or contingent liabilities to assist municipalities. The State currently has limited or contingent liabilities outstanding in connection with bonds issued by the Southeastern Connecticut Water Authority. The State previously was obligated to secure certain SCRF-backed bonds issued by the Cities of Bridgeport, Waterbury and West Haven to fund past budget deficits; however all such bonds have been refunded. Legislation also authorized distressed municipalities, in certain circumstances and subject to various conditions, to issue deficit funding obligations secured by a SCRF. There are no such obligations currently outstanding.

Southeastern Connecticut Water Authority. The Southeastern Connecticut Water Authority was established for the purpose of developing a reliable water supply for southeastern Connecticut. The Commission is authorized to approve a State guarantee of obligations of the Southeastern Connecticut Water Authority. Amounts borrowed by the Southeastern Connecticut Water Authority are to be repaid by July 1, 2045.

State Treasurer's Role

By statute, the Green Bank, CAA, CHEFA, CHESLA, CHFA, CI, CRDA, and MIRA may not owe any money or issue any bonds or notes that are guaranteed by the State or for which there is a SCRF of any kind which is in any way contributed to or guaranteed by the State until or unless such borrowing or issuance is approved by the Treasurer or the Deputy Treasurer. The approval shall be based on documentation provided by the authority that the authority anticipates receiving sufficient revenues to (1) pay the principal of and interest on the bonds and notes to be issued, (2) establish, increase and maintain any reserves deemed by the authority to be advisable to secure the payment of the principal of and interest on such bonds and notes, (3) pay the cost of maintaining, servicing and properly insuring the purpose for which the proceeds of the bonds and notes have been issued, if applicable, and (4) pay such other costs as may be required.

Similarly, no municipality may issue any obligation for which there is a SCRF of any kind that is in any way contributed to or guaranteed by the State unless and until such obligation and the agreement establishing the capital reserve fund are approved by the Treasurer. The Treasurer's approval shall be based upon factors delineated in the general statutes, including the establishment of a property tax intercept procedure to service the municipality's debt.

Outstanding Special Capital Reserve Fund Debt

The amount of outstanding debt that is secured by special capital reserve funds as described above is outlined in the following table.

TABLE 16

Special Capital Reserve Fund Debt
As of February 15, 2016
(In Millions)

Indebtedness Secured by SCRF	Authorized Debt	Outstanding Debt	Minimum SCRF Requirement
Capital Region Development Authority	$ (a)	$ 0.0	$ 0.0
Connecticut Airport Authority	(a)	0.0	0.0
Connecticut Green Bank[(b)]	100.0	0.0	0.0
Connecticut Health and Educational Facilities Authority			
Nursing Home Program	(a)	0.9	0.9
Connecticut State University System	(a)	302.0	31.3
Hospital Equipment Program	100.0	0.0	0.0
UCONN Health Center Program	(a)	0.0	0.0
Connecticut Higher Education Supplemental Loan Authority	300.0	150.2	17.9
Connecticut Housing Finance Authority			
Housing Mortgage Finance Program	(a)	3,373.2	225.6
Special Needs Housing Mortgage Finance Program	(a)	58.1	4.6
Connecticut Innovations[(c)]	450.0	0.0	0.0
Materials Innovation and Recycling Authority[(d)]	725.0	0.0	0.0
Southeastern Connecticut Water Authority[(e)]	15.0	1.05	N.A.
University of Connecticut	(a)	0.0	N.A.

(a) No statutory limit.
(b) Formerly the Clean Energy Finance and Investment Authority.
(c) Includes the former Connecticut Development Authority.
(d) Formerly the Connecticut Resources Recovery Authority.
(e) Debt is secured by a non SCRF State guarantee.

Other Debt Service and Contractual Commitments

CHEFA Child Care Program. CHEFA is authorized to issue Child Care Facilities Bonds and loan the proceeds to various entities to finance child care facilities. Debt service payments are made by the State Treasurer and the State Office of Early Childhood is obligated to reimburse a portion of the debt service payments from intercepts of revenues from providers. Any obligation by the State Treasurer to pay such debt service is subject to annual appropriation. As of February 15, 2016 CHEFA had approximately $55.96 million in Child Care Facilities Bonds outstanding under this program with annual debt service of approximately $4.87 million, of which the State Office of Early Childhood is committed to reimburse approximately $0.75 million. The State's obligation under the assistance agreement is not included in any of the debt calculations in **Tables 7, 8, 9, 10, 11, 12 or 16**. Two other Child Care Facilities programs also authorize the Commissioner of the State Office of Early Childhood to enter into guaranties of loans made to entities to finance the development of child care and child development centers or programs. CHEFA is administering this program on behalf of the State Office of Early Childhood, and is currently limiting the aggregate amount of guaranties to the balance of monies in the reserve funds for the respective programs. The State's obligations in connection with these programs are not included in any of the debt calculations in **Tables 7, 8, 9, 10, 11, 12 or 16**.

Capital Region Development Authority. The State Bond Commission approved up to $122.5 million of revenue bonds and other borrowings for the Hartford convention center project. CCEDA, as predecessor to CRDA, issued $110 million of its revenue bonds backed by the State's contract assistance agreement equal to annual debt service on the revenue bonds, of which $89.02 million was outstanding as of February 15, 2016. The State's obligation under the contract assistance agreement is limited to $9.0 million per year, and the Authority's debt obligations are structured not to exceed this amount. An additional $12.5 million of borrowing, not backed by the contract assistance agreement, has also been incurred. Debt service on the revenue bonds is payable from debt service appropriations in the General Fund and CRDA is obligated to reimburse the State for such contract assistance payments from parking and energy fee revenues after payment of operating expenses of the parking garage and the energy facility. Under the agreement between CRDA and the State, after completion of the convention center project, CRDA is required to maintain pledged revenues equal to 1.2 times debt service, after operating expenses. The State's obligation under the assistance agreement is not included in any of the debt calculations in **Tables 7, 8, 9, 10, 11, 12 or 16**.

The convention center portion of the project opened in June 2005. Other elements of the project include an adjacent parking structure which opened later in 2005, a second adjacent parking structure underlying the Connecticut Science Center and a retail and entertainment district, including two additional parking structures and 121 residential housing units. Currently, the future UCONN downtown Hartford campus is under construction. The entire project is not expected to be fully placed in service until 2019 at the earliest. Since June 2006, the delay in completion of the additional elements of the project, along with higher than anticipated startup expenses and operating expenses have resulted in insufficient parking revenues, after operating expenses, to fully reimburse the State for debt service payments. This situation is expected to continue at least until all elements of the project are completed and placed in service. As debt service on CRDA's revenue bonds continues to be paid under the contract assistance agreement, CRDA's reimbursement obligation will increase, and this reimbursement obligation will need to be satisfied before excess parking revenues are available to fund the operations of the convention center, which itself is partially funded by General Fund appropriations from the State to CRDA.

School Construction Grant Commitments. The State is obligated to various cities, towns and regional school districts under a grant-in-aid public school building program to fund certain of the costs of construction and alteration of school buildings or to support part of the debt service payments on municipal debt issued to fund the State's share of such school building projects. For certain school projects approved by the General Assembly, cities, towns and districts are ranked according to their adjusted equalized net grand list per capita and based on such rankings a percentage is assigned that determines the amount of grant money a town or regional school district is eligible to receive for a project or type of project authorized by the legislature and approved by the Commissioner of Administrative Services.

For school construction projects approved during the 1997 legislative session and thereafter, the State pays the costs of its share of construction projects on a progress payment basis during the construction period. Each year the legislature authorizes grant commitments that vary in amounts from year to year. The State has authorized new school construction grant commitments of approximately $732 million that take effect in Fiscal Year 2016. As of June 30, 2015, the Commissioner estimates that current grant obligations under the program for school construction projects approved during the 1997 legislative session and thereafter are approximately $3,029 million, which includes approximately $10,244 million in grants approved as of such date less payments already made of $7,215 million.

Prior to 1997 the grant program was conducted differently. Under the pre-1997 grant program, school construction project grants are paid to the cities, towns and districts in installments that correspond to the number and time of principal payments due on municipal bonds, or temporary notes renewed for a third or subsequent year, issued to finance project costs. If a project is fully paid from sources other than borrowing, such grants are paid in five annual installments. Grants in support of interest payments correspond to the number and time of such interest payments. As of June 30, 2015, under the pre-1997 grant program, the State is obligated to various cities, towns and regional school districts for approximately $91 million in aggregate principal installment payments and $9 million in aggregate interest subsidies, for a total of $100 million.

The legislature has authorized bonds for both grant programs based on the amount of grants that the Commissioner of Administrative Services estimates will be paid during each fiscal year. Since there is generally a lapse of one or more years from the time grant commitments are approved to the time grant payments are required to be made, the amount of unpaid grant commitments will be significantly greater than the amount of bonds authorized to fund the grant commitments.

Connecticut Lottery Corporation. The Connecticut Lottery Corporation (the "Corporation") was created in 1996 as a public instrumentality of the State to operate the State's lottery pursuant to the Connecticut Lottery Corporation Act (the "CLC Act"). The State and the Corporation purchase annuities under contracts with insurance companies that provide payments corresponding to the obligation for payments to lottery prize winners. The State has transferred to the Corporation all annuities purchased by it, and the Corporation has assumed responsibility for the collection of revenue generated from the lottery and for the payment of all lottery prizes. Under the CLC Act, the termination of the Corporation would not affect any outstanding contractual obligation of the Corporation and the State would succeed to the obligations of the Corporation under any such contract. As of June 30, 2015 the current and long-term liabilities of the Corporation total $218.4 million.

PENSION AND RETIREMENT SYSTEMS

The State sponsors several public employee retirement systems and also provides other post-employment benefits. This section will describe these plans in turn. It should be noted that the characteristics of the pension plan systems, where significant assets are available to meet the State's obligations, are different than the characteristics of the systems providing other post-employment benefits, which have not accumulated significant assets. Both types of plans have unfunded liabilities that represent significant financial obligations of the State, both now and in the future. In round numbers, the unfunded liability of the pension systems aggregate approximately $25.7 billion and the unfunded liability of the other post-employment benefits aggregate approximately $22 billion.

Pension Systems -- Overview

The State sponsors several public employee retirement systems discussed in more detail in this section. The two largest of these are the State Employees' Retirement System ("SERS") and the Teachers' Retirement System ("TRS"). These plans have been in operation for a number of years and have significant assets held for the purposes of the plan. Like other similar plans, each plan began with "pay-as-you-go" funding, where benefits to beneficiaries were paid from the General Fund when due. In 1971 the plans were converted to actuarially funded plans and irrevocable trusts were established to accumulate assets that are invested on a long-term basis to fund future liabilities on an actuarial basis. In an actuarially funded pension plan, plan contributions, plus plan assets and the return on plan assets, are designed to meet the future benefits payments over the life of the plan.

The transition of the plans from a "pay-as-you-go" basis to a fully funded actuarial basis requires setting aside significant assets. As it would be impractical to set aside the accumulated liability in a short period, it was contemplated that the plans would achieve full funding over a period of time. When both of the State's major pension plans were converted to an actuarial funding method, the original time period set to achieve full funding was set at 40 years, a period which was extended in the past. Under the current funding model, the remaining period to reach full funding is approximately 19.4 years (as of June 30, 2015) for the Teachers' Retirement Fund and 16 years (as of June 30, 2015) for the State Employees' Retirement Fund, as long as the State fully funds the annual funding requirement recommended by the actuary, as described below and the actuarial assumptions are realized. This actuarially recommended contribution is referred to as the "ARC".

One measure of the level of funding is the "funded ratio", which is calculated by dividing the actuarial value of the assets of the plan by the actuarial accrued liability of the plan. The funded ratio for each plan is shown herein. Also shown is the funded ratio calculated based on the market value of the assets of the plan. Until 2000, the pension plans made steady progress towards being fully funded; for example, SERS experienced an increase in the funded ratio from 51% in 1993 to 63% in 2000, and the funding required remained fairly constant at 12.8% to 14.9% of payroll. Two factors had a significant impact in reversing this trend. First, significant market downturns experienced in Fiscal Years 2000, 2001 and 2009 reduced the market value of the assets set aside in the plans. Second, prior to Fiscal Year 2009, in the case of TRS, and prior to Fiscal Year 2012 in the case of SERS, the State failed to fully fund its ARC payments. In Fiscal Years 2009-2011 the shortfall in funding of the ARC payments for SERS totaled $314.5 million.

Because of factors such as these, it is important that the funding plan be revisited periodically. Accordingly, by statute, actuarial valuations are performed with respect to the systems every two years. Because these valuations are estimating future resources and future liabilities, it is necessary to make important assumptions in arriving at these future assets and liabilities. Using these assumptions, the actuarial valuation compares the actuarial accrued liability with the actuarial value of assets and any excess of that liability over the assets forms an unfunded actuarial accrued liability ("UAAL"). This UAAL represents the remaining amortization of the original unfunded status, changes in the UAAL arising from actual experience compared to these assumptions (including actual investment performance compared to assumed performance), changes in the actuarial assumptions, and any failure to fully fund actuarially recommended contributions in prior years. The actuarial valuation then arrives at a recalculated actuarially recommended contribution for future years, which represents the sum of benefits to be accrued in these years, plus the amortization of the recalculated UAAL over the remaining amortization period.

In addition to these recalculations, the State has taken several additional steps in the last few years to address the funding issues with the plans. In the case of SERS, it has negotiated reduced benefits, as described below, made more conservative assumptions which have had the effect of increasing the UAAL, and eliminated the provisions which permitted the State to not fund its full ARC payment. In the case of TRS, it has issued pension obligation bonds to augment the funding of the system, system which included a bond covenant requiring the State to fund the ARC, subject to certain financial exigencies. These additional steps are described in more detail below for each plan.

While the UAAL for each plan is large and the funded ratio is low, the State has been of the view that the amortization period it has used and its commitment to amortization of the UAAL are indicators of the stronger overall health of its retirement plans, compared to plans of other states using longer or rolling amortization periods but having similar funded ratios. In addition to statutory commitments (which can be, and have been, changed by legislation), and unlike many similar plans, the State now has contractual commitments requiring annual funding of the ARC. In the case of TRS, the State is required to fund the annual amount as a condition of a bond covenant which runs through the end of the plan's amortization period in 2032. In the case of SERS, the State is required to annually fund the ARC pursuant to its bargaining agreement with the State Employees Bargaining Agent Coalition ("SEBAC"), which runs through 2022; the amortization period continues to 2032.

Recently various State officials have proposed the State begin consideration as to whether the current funding model for pension benefits continues to be appropriate. Concerns have arisen regarding projected increases in State pension contributions under the current funding method that could be required in the latter years of the fixed amortization period in order to achieve 100% funding of the UAAL in 2032. Once 100% funding is reached, the State's required pension contributions are projected to be significantly reduced to the normal cost amount described below.

Various proposals have been made by the Governor, the State Treasurer, and the State Comptroller for the use of different methodologies designed to avoiding the need to fund such higher future State contributions towards the end of the current fixed amortization period and to smooth out the future annual cost of funding the State's pensions over time. These different methodologies, if adopted, could change the manner in which the State funds the pension systems, the time period over which it is funded, and the manner in which the annual funding amount is calculated. To be implemented, any proposal would need to take into account various accounting, actuarial, statutory and contractual factors including the SEBAC agreement and adherence to the TRS pension obligation bond covenant described above. No representation is made about the possible results of the consideration of these proposals and the impact they may have on the State's current funding model.

The Governor in his February 3, 2016 "State of the State" address before the General Assembly indicated that he had directed the Secretary of the Office of Policy and Management to create a task force of the stakeholders in the State's retirement systems, including the State Treasurer, the Comptroller, SEBAC and the State employees it represents, and Connecticut teachers, to develop a consensus as to making the State's retirement systems more affordable and more sustainable. The first meeting of the Task Force is anticipated to be held in March 2016.

Actuarial Valuations

The actuarial value of the liabilities of the plan are not current liabilities but represent a present value measure of the stream of benefits that the plan is expected to pay over the foreseeable future. These benefits in turn depend on future events, such as the size of the workforce, the rate workers leave the workforce, the rate of retirement, the rate of mortality of retirees, the rate of salary increase and the rate benefits accrued at retirement increase by future cost of living increases, among other factors. The State engages actuaries to assist it in selecting assumptions about these factors, and based on these assumptions, the actuary estimates the current stream of future benefits. In order to come to an estimate of the accrued liabilities of the plan, this stream of estimated future benefits is discounted to a present value based on an assumed discount rate. The State uses a discount rate which is the same as its investment return assumption. The significant assumptions used in making these calculations are described below for each plan.

The actuarial valuation also will state an actuarially recommended contribution, the ARC, which is the recommended payment of the State to the applicable pension plan. These recommendations are used in the next budget cycle. The actuarially recommended contribution consists of two components: (1) normal costs, which represent the portion of the present value of retirement benefits that are allocable to active members' current year of service, and (2) an amortization of a portion of the UAAL. These additional contributions, made over the length of time chosen as the amortization period, are designed to eliminate the UAAL and bring the plan to the state of being fully funded, after which only the normal cost amount would need to be contributed to maintain this state, plus the effect of actual experience compared to the actuarial assumptions. One of the most significant factors in determining this amount, and determining the point in time when the plan should be fully funded, is the remaining period over which the UAAL will be amortized. This period is approximately 19.4 years (as of June 30, 2015) for the Teachers' Retirement Fund and 16 years (as of June 30, 2015) for the State Employees' Retirement Fund, having originally started with an amortization period of 40 years for each. A second important factor is determining how much to amortize in each year of the remaining amortization period. The State plans use a "level percent of payroll" formula for this purpose, where in each year the same percent of assumed payroll for that year, is calculated as the amount to be amortized. This method assumes that the amortization payments increase in future years by the assumed increase in payroll since it calculates amortization payments as a constant percentage of projected payroll over a given number of years. The increase in the contribution rates are primarily attributable to the significant asset losses that are being recognized and increase the UAAL. This results in an increase in required funding to offset these recognized losses over the remaining amortization period. This makes the assumption of the rate at which payroll increases each year an important assumption. SERS uses a "projected unit credit" method to calculate the annual amortization payments needed to amortize the UAAL, while TRS uses an "entry age normal" method. The actuaries have indicated that the entry age normal method is the most widely used cost method of large public sector plans and has demonstrated the highest degree of contribution stability to alternative methods and also is the only method allowed under the new Governmental Accounting Standards Board ("GASB") reporting standards which came into effect for 2014.

Between actuarial valuations the State generally receives an interim valuation, in which the actuarial value of assets are "rolled forward" but the actuarial value of liabilities are not recalculated. Where these interim valuations have been performed we set out below the new funding ratios that result.

The State began reporting pensions in accordance with GASB 67 and GASB 68 beginning with Fiscal Year 2014, which prescribe certain methods for comparability and other purposes. These methods are not necessarily the same as those used in calculating the actuarial recommended contribution of the State, which are determined by statute and/or contract.

Set forth below in greater detail is information about the State Employees' Retirement Fund and the Teachers' Retirement Fund, including information about the matters discussed above, how plan benefits are calculated, how plan assets are invested, and the investment experience of these plans. With respect to SERS in particular, the discussion of plan benefits is complicated because the benefits are not uniform but are divided into "tiers," which have significantly decreased benefits for newer State employees.

State Employees' Retirement Fund

The State Employees' Retirement Fund is one of the systems maintained by the State with approximately (i) 50,556 active members, consisting of 37,597 vested members and 12,959 non-vested members, (ii) 1,453 deferred vested members, and (iii) 46,313 retired members and beneficiaries as of June 30, 2015.

Payments into the fund are made from employee contributions, General and Special Transportation Fund appropriations and grant reimbursements from Federal and other funds. State contributions to the fund are made monthly on the basis of transfers submitted by the Office of the State Comptroller.

Full actuarial valuations are performed as of June 30th of each even-numbered year. The actuarial valuation uses recognized actuarial methods to calculate the actuarial value of assets and the actuarial accrued liability of the State Employees' Retirement Fund. The actuarial accrued liability is determined directly as the present value of benefits accrued to date, where the accrued benefits for each member is the pro-rata portion (based on service to date) of the projected benefit payable at death, disability, retirement or termination. The valuation uses an asset valuation method that smoothes the difference between the market value of assets and actuarial value of assets to prevent extreme fluctuations that may result from short-term or cyclical economic and market conditions. The actuarial value of assets is determined by first projecting the actuarial value forward from the beginning of the prior fiscal year based on the actual cash flow during the fiscal year and the assumed investment rate of return. One fifth of any difference between this expected actuarial value and the actual market value is added to or subtracted from the expected actuarial value to arrive at the actuarial value of assets in order to "smooth" year to year changes in market values. The unfunded actuarial liability is the actuarial accrued liability less the actuarial value of assets. The valuation includes a projection from the valuation date to future years based on certain key assumptions such as the investment return on the market value of assets, the active population count for hazardous and nonhazardous duty members, total payroll growth, age and salary distributions for new entrants, and actual plan experience with respect to terminations, retirement, mortality, and cost of living increases, among other things.

November 2014 Actuarial Valuation and the Fiscal Year 2016 and 2017 Annual Required Contributions

The State Employees Retirement Commission (the "Commission") received on November 19, 2014 from Cavanaugh Macdonald Consulting, LLC an actuarial valuation as of June 30, 2014. This actuarial valuation was approved by the Commission's Actuarial Subcommittee and the Commission on November 20, 2014.

The November 2014 actuarial valuation reported the following results as of June 30, 2014 with respect to the State Employees' Retirement Fund:

Market Value of Assets	$10,472.6 million
Actuarial Value of Assets	$10,584.8 million
Actuarial Accrued Liability	$25,505.6 million
UAAL	$14,920.8 million
Funded Ratio (based on the actuarial value of assets)	41.5%
Funded Ratio (based on the market value of assets)	41.1%

The November 2014 actuarial valuation was based upon the following assumptions among others:

- 8.00% investment return assumption (including inflation at 3.75%)

- Projected salary increases of 4.0% to 20.0% (including inflation at 3.75%)
- Cost-of-living adjustments of 2.3% to 3.6%
- Social security wage base increase of 3.5%
- Payroll growth of 3.75%
- The actuarial value of assets recognizes 20% of the difference between the market value of assets and the expected actuarial value of assets
- Benefits for members retiring from service on or after the ***Longley v. State Employees Retirement Commission*** decision were assumed to increase by 0.084% as a result of the revised treatment of longevity pay. Retroactive application of ***Longley*** was reflected in the valuation to the extent impacted retiree benefits were recalculated. These recalculations are ***not*** reflected in Table 17 below. The ***Longley*** decision is described below under "Litigation".
- Remaining amortization period of UAAL of 17 years

Pursuant to the statutory provisions applicable to the State Employees' Retirement Fund and agreements between the State and SEBAC, which supplant the statutory provisions in part, the Fund's UAAL is amortized as a level percent of payroll over a declining period of years, beginning with 40 years as of July 1, 1991. The State is currently amortizing the UAAL over a closed period ending June 30, 2032. While this method of funding should lead to full funding by the end of the amortization period, the repayment of the UAAL is not level. Because of this, even if the State were to contribute the full amount of the actuarially recommended contributions and all other actuarial assumptions were met, the UAAL for the State Employees' Retirement Fund is not projected to be reduced significantly until the latter years of the amortization period.

The November 2014 actuarial valuation determined the following employer contribution requirements, based on a projected unit credit actuarial cost method and level percentage-of-payroll contributions, which contributions are: (i) $1,514.5 million for Fiscal Year 2016, resulting in an annual employer contribution rate of 43.42% of payroll and (ii) $1,569.1 million for Fiscal Year 2017, resulting in an annual employer contribution rate of 43.69%. The adopted budget for Fiscal Years 2016 and 2017 contained appropriations sufficient, together with anticipated grant reimbursement from Federal and other funds, to fully fund the employer contribution requirement.

The November 2014 actuarial valuation breaks out the normal cost component and the amortization component as follows for Fiscal Years 2016 and 2017.

Annual Employer Contributions for:	**2016**		**2017**	
	Amount (in millions)	Percent of Payroll	Amount (in millions)	Percent of Payroll
Employer Normal Cost	$278.8	7.99%	$287.2	8.00%
Net Unfunded Actuarial Accrued liabilities (17 year level percent of payroll amortization)	$1,235.7	35.43%	$1,281.9	35.69%
Total Employer Contribution Requirement	$1,514.5	43.42%	$1,569.1	43.69%

SOURCE: November 2014 Actuarial Valuation.

As mentioned, the valuation used the projected unit credit actuarial cost method to calculate the annual amortization payments needed to amortize the State Employees' Retirement Fund's UAAL. In this method, the present value, discounted based on the interest rate assumed to be earned in the future (currently 8.00%), of each member's expected benefits at retirement or death is determined, based on age, service and sex. In an experience investigation report dated September 12, 2012, the actuaries indicated that while this is an accepted actuarial method, the Commission may want to consider changing to the entry age normal cost method used by the Teachers' Retirement System for several reasons, including that it is the only method allowed under the new GASB reporting standards which came into effect for 2014. Changing to the entry age normal cost method would increase the unfunded accrued liability, decrease the funding ratio and increase the employer annual required contribution rate. The valuation cost method currently in place may not be changed without the agreement of the SEBAC and approval by the legislature.

The State Employees Retirement Commission received from Cavanaugh Macdonald Consulting, LLC a "roll forward" actuarial valuation report prepared as of June 30, 2015 and dated October 12, 2015. This roll forward valuation is an informational update to the actuaries' projected required employer contribution amount, based on the actual experience of the investment return for the June 30, 2015 plan year and roll forward techniques, and offers a best estimate as to what payroll and liabilities were as of June 30, 2015. The actuaries did not perform a reconciliation of census data or development of liabilities as of June 30, 2015 in this roll forward valuation. In addition, there was no change in the actuarial assumptions. The roll forward actuarial valuation reflected actual investment returns for the Fiscal Year ending June 30, 2015 of 2.76%, lower than the assumed rate of 8.0%. As a result, it reported the following results as of June 30, 2015 with respect to the State Employees' Retirement Fund:

Market Value of Assets	$10,668.4 million
Actuarial Value of Assets	$11,375.8 million
Actuarial Accrued Liability	$26,255.5 million
UAAL	$14,879.7 million
Funded Ratio (based on the actuarial value of assets)	43.3%
Funded Ratio (based on the market value of assets)	40.6%

The actuaries do not recommend that the results of a roll forward valuation be used as the basis for adjusting the scheduled contribution requirements but rather as information as to the expected condition of the Fund as of the end of the interim year. Using the roll forward valuation results, the actuaries determined that the employer contribution requirement for Fiscal Year 2017, based on a projected unit credit actuarial cost method and level percentage-of-payroll contributions, would be $1,573.3 million, an increase of $4.2 million from the amount calculated in the full November 2014 actuarial valuation and used in the adopted biennium budget for Fiscal Years 2016 and 2017. This would have increased the Fiscal Year 2017 percentage-of-payroll contribution rate from 43.69% to 43.80%.

Set forth in the following table are State contributions to the State Employees' Retirement Fund, Federal grant programs, employee contributions, investment income, net realized gains and losses, net unrealized gains and losses, benefits paid, actuarial recommended contributions and market value of assets for each of the past five fiscal years, and the actuarial accrued liabilities, the actuarial values of fund assets, the resulting unfunded accrued liabilities and the funded ratios on an actuarial and market basis for the actuarial valuations as of June 30, 2011, June 30, 2012 and June 30, 2014 and interim "roll forward" valuations as of June 30, 2013 and June 30, 2015.

TABLE 17

State Employees' Retirement Fund (In Millions)

	Fiscal Year				
	2011	2012	2013	2014	2015
General Fund Contributions.................	$ 563.3	$ 652.6	$ 721.5	$ 916.0	$ 970.9
Transportation Fund Contributions.................	82.4	90.1	107.9	108.3	130.1
Federal and other Reimbursements............	180.0	183.7	228.8	244.5	396.5
Employee Contributions....	67.6	68.8	164.0	144.8	187.3
Total Contributions	$ 893.4	$ 995.1	$ 1,222.2	$ 1,413.6	$ 1,684.8
Benefits Paid[(a)]	$ 1,315.7	$ 1,417.0	$ 1,487.7	$ 1,563.0	$ 1,653.6
Investment Income/Net Gains (Losses)............................	$ 1,623.4	$ (90.5)	$ 997.6	$ 1,447.1	$ 316.3
Actuarial Recommended Contribution	$ 944.1	$ 926.4	$ 1,059.7	$ 1,268.9	$ 1,379.2
Percentage of Actuarial Recommended Contribution Made	87.5%	100.0%	99.9%	100.0%	99.5%
Actuarial Accrued Liabilities	$21,126.7	$23,018.8	$23,768.2	$25,505.6	$26,255.5
Actuarial Values of Assets........................	$10,122.8	$ 9,745.0	$ 9,784.5	$10,584.8	$11,375.8
Unfunded Accrued Liabilities	$11,004.0	$13,273.8	$13,983.7	$14,920.8	$14,879.7
Market Value of Assets.....	$ 8,984.9[(c)]	$ 8,468.5[(d)]	$ 9,182.4[(e)]	$10,472.6[(f)]	$10,668.4
Funded Ratio (actuarial value).............	47.9%	42.3%	41.2%	41.5%	43.3%
Funded Ratio (market value)	42.5%	36.8%	38.6%	41.1%	40.6%
Ratio of Actuarial Value of Assets to Market Value of Assets	112.7%	115.1%	106.6%	101.1%	106.6%

(a) Does not include refunds with respect to withdrawals of account balances by inactive members who terminate membership.
(b) As reported in Actuarial Valuation. This amount includes $2,087,879 of receivables.
(c) As reported in Actuarial Valuation. This amount includes $2,509,578 of receivables.
(d) As reported in Actuarial Valuation. This amount includes $6,635,867 of receivables.
(e) As reported in Roll Forward Actuarial Valuation. This amount includes $5,839,847 of receivables.
(f) As reported in Actuarial Valuation. This amount includes $6,198,255 of receivables.

The November 2014 actuarial valuation breaks out the normal cost component and the amortization component associated with the several tiers of employees for Fiscal Year 2016 as set forth below:

TABLE 18

Normal Cost by Tier

Group	Number of Active Members[(a)]	Average Age (years)[(a)]	Average Service (years)[(a)]	Normal Cost (Millions)	Normal Rate (percent of payroll)
Tier I-Hazardous	61	57.2	30.3	$0	0.0%
Tier I-Plan B	2,143	57.9	32.8	$26.9	13.8%
Tier I-Plan C	77	60.0	34.3	$0.6	10.0%
Tier II-Hazardous	2,580	50.0	20.9	$34.0	13.9%
Tier II-Others	12,514	53.7	23.0	$95.2	9.3%
Tier IIA-Hazardous	6,168	42.3	10.5	$47.3	10.2%
Tier IIA-Others	17,550	46.8	9.3	$57.4	5.2%
Tier III-Hazardous	1,678	33.2	1.1	$3.4	4.1%
Tier III Hybrid	1,370	50.5	14.8	$7.3	6.3%
Tier III-Others	5,835	38.0	1.3	$6.5	2.6%
Total	49,976	47.3	13.5	$278.8	8.0%

(a) As of June 30, 2014.

Modeling of Future Funded Ratios and Annual Contributions through Fiscal Year 2046

In 2015, the State Comptroller engaged the consulting actuary for State Employees' Retirement Fund to prepare various models of future funded ratios and annual contribution requirements for the State Employees' Retirement Fund through Fiscal Year 2046. The modeling presented in Table 19 is based on the assumptions used for the actuarial valuation and actuarial methods of future annual employer contribution requirement figures as set out in the November 2014 actuarial valuation, and does not represent a forecast, estimate or projection. The modeling does not reflect future factors or conditions that would cause the actual future experience of the State Employees' Retirement Fund to diverge from the model. In particular, future actuarial valuations mandated by statute over the period of the modeling will result in recalculation of the annual employer contribution requirements for each biennial budget. No representation is made that future annual employer contribution requirements or funded ratios will conform to the modeling.

TABLE 19

Modeling Of State Employees' Retirement Fund
Future Funded Ratios and Annual Contribution Requirements
(In Thousands)

The funded ratio and annual contributions for each fiscal year have been modeled based on the assumption of an actuarial valuation prepared as of the June 30 two years prior to the end of such fiscal year.

Fiscal Year Ending June 30	Valuation Date June 30	Funded Ratio as of Valuation Date	Normal Cost	Amortization of Unfunded Accrued Liability	Total State Contribution	Employee Contribution	Total State and Employee Contribution
2016	2014	41.5%	$278,813	$1,235,655	$1,514,468	$ 77,122	$1,591,590
2017	2015	43.4	287,225	1,281,918	1,569,143	77,718	1,646,861
2018	2016	44.4	288,492	1,363,814	1,652,306	80,230	1,732,536
2019	2017	46.3	290,235	1,422,446	1,712,681	83,794	1,796,475
2020	2018	48.3	290,090	1,485,491	1,775,581	87,414	1,862,995
2021	2019	50.0	290,044	1,566,009	1,856,053	91,151	1,947,201
2022	2020	52.2	286,489	1,640,525	1,927,014	94,994	2,022,008
2023	2021	54.6	291,218	1,717,941	2,009,159	98,862	2,108,021
2024	2022	57.2	295,671	1,800,992	2,096,663	102,906	2,199,569
2025	2023	60.1	298,528	1,889,683	2,188,211	106,968	2,295,179
2026	2024	63.3	299,678	1,984,547	2,284,225	111,193	2,395,418
2027	2025	66.8	300,069	2,086,945	2,387,014	115,594	2,502,608
2028	2026	70.7	299,926	2,199,463	2,499,389	120,101	2,619,490
2029	2027	75.0	299,768	2,325,648	2,625,416	124,801	2,750,217
2030	2028	79.9	300,002	2,473,929	2,773,931	129,640	2,903,571
2031	2029	85.4	302,427	2,665,742	2,968,169	134,842	3,103,011
2032	2030	91.7	305,626	3,002,817	3,308,443	140,451	3,448,894
2033[a]	2031	100.0	310,579	0	310,579	146,462	457,041
2034	2032	100.0	317,344	0	317,344	152,844	470,188
2035	2033	100.0	325,666	0	325,666	159,571	485,237
2036	2034	100.0	336,360	0	336,360	164,966	501,326
2037	2035	100.0	348,403	0	348,403	170,611	519,014
2038	2036	100.0	361,773	0	361,773	176,583	538,356
2039	2037	100.0	376,710	0	376,710	182,844	559,554
2040	2038	100.0	392,264	0	392,264	189,367	581,631
2041	2039	100.0	407,307	0	407,307	196,076	603,383
2042	2040	100.0	423,710	0	423,710	203,051	626,761
2043	2041	100.0	440,888	0	440,888	210,332	651,220
2044	2042	100.0	458,410	0	458,410	217,877	676,287
2045	2043	100.0	476,310	0	476,310	225,685	701,995
2046	2044	100.0	494,534	0	494,534	233,810	728,344

(a) In fiscal year ending June 30, 2033 and thereafter the annual employer contribution requirement consists only of the payment of the normal costs, which represents the portion of the present value of retirement benefits that are allocable to active members' current year of service. In the model, there no longer remains an unfunded actuarial accrued liability to be amortized.

Contribution, Eligibility and Benefits Requirements

Generally, State employees hired before July 2, 1984 participate in the Tier I plan of the State Employees' Retirement Fund, which requires employee contributions. As of July 1, 2015 approximately 3.85% of the total work force was covered under the Tier I Plan. Other employees generally participate in the Tier II plan, which is non-contributory for certain members and provides somewhat lesser benefits. As of July 1, 2015, approximately 27.70% of the total workforce was covered under the Tier II plan. Employees hired after July 1, 1997 participate in the Tier IIA plan, which requires contributions from its employee members. As of July 1, 2015, approximately 45.28% of the total work force was covered under the Tier IIA Plan. SEBAC 2011 provides for two new retirement plans for State employees first hired on and after July 1, 2011, Tier III employees and, for unclassified employees of the Connecticut State System of Higher Education and the central office staff of the Department of Higher Education only, the Hybrid Plan. As of July 1, 2015, approximately 19.12% of the total work force was covered under the Tier III Plan and approximately 4.05% of the total work force was covered under the Hybrid Plan. SEBAC 2011 also provides a one-time, irrevocable opportunity for current members of the Connecticut Alternate Retirement Program to transfer membership to the new Hybrid Plan and purchase credit for their prior State service in that plan at the full actuarial cost. From time-to-time the State has instituted, and in the future may institute, early retirement incentive plans that may impact retirement plan eligibility and benefits.

The average annual benefit payable to a retired Tier I, Tier II, or Tier IIA member in fiscal year ending June 30, 2015 was approximately $41,102, $26,683, and $12,501, respectively. There were no retired Tier III members receiving benefits in Fiscal Year 2015. There were 243 Hybrid retirees in Fiscal Year 2015 with an approximate average annual benefit payable of $33,215. The State Employees' Retirement Fund also provides disability and pre-retirement death benefits.

Member contribution requirements, and the eligibility for and calculation of normal retirement benefits varies by tier and plan, as set forth in the following table:

TABLE 20

State Employees' Retirement System Member Contribution Requirements, Eligibility Requirements and Normal Retirement Benefits

Tier	Member Contribution Requirements	Eligibility For Normal Retirement Benefits	Normal Retirement Benefits Based On Final Average Earnings ("FAE")[(a)]
Tier I - Hazardous	4% of earnings up to the Social Security Taxable Wage Base plus 5% of earnings above that level	20 years of hazardous duty credited service	50% of FAE plus 2% for each year of service in excess of 20 years
Tier I - Plan A or C	5% of earnings	Earliest of age 55 with 25 years of service, age 60 with 10 years of service, or age 70 with 5 years of service	2% of FAE times years of service, with a minimum benefit with 25 years of service of $833.34 per month
Tier I - Plan B	2% of earnings up to Social Security Taxable Wage Base plus 5% of earnings above that level	Earliest of age 55 with 25 years of service, age 60 with 10 years of service, or age 70 with 5 years of service	2% of FAE times years of service up to age 65; for retirements after age 65, 1% of FAE up to $4,800, plus 2% of FAE in excess of $4,800 times years of service, with a minimum benefit with 25 years of service of $833.34 per month; for retirements at or after age 70, the greater of 1.25% of FAE up to $4,800 plus 2.5% of FAE in excess of $4,800 times years of service (maximum 20 years) or 1.0% of FAE up to $4,800 plus 2% of FAE in excess of $4,800 times year of service
Tier II – Hazardous	4% of earnings	20 years of hazardous duty credited service	2.5% of FAE times years of service up to 20 years plus 2.0% of FAE times years of service in excess of 20 years, if any, with a minimum benefit with 25 years of service of $360 per month
All Other Tier II	None	Prior to July 1, 2022: Earliest of age 62 with 10 years of vesting service (effective July 1, 1992), age 60 with 25 years of vesting service, age 70 with 5 years of vesting service, or age 62 with 5 years of actual state service for terminations on or after July 1, 1997 Effective July 1, 2022: Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service	1.40% of FAE plus (a) 0.433% of FAE in excess of the year's breakpoint (which breakpoint equals $10,700 increased by 6% each year after 1982, rounded to nearest $100 but not greater than Social Security Covered Compensation) times years of service up to 35 years, and (b) 1.625% of FAE times any years of service in excess of 35 years, with a minimum benefit with 25 years of service of $360 per month
Tier IIA – Hazardous	5% of earnings	20 years of hazardous duty credited service	2.5% of FAE times years of service up to 20 years plus 2.0% of FAE times years of service in excess of 20 years, if any, with a minimum benefit with 25 years of service of $360 per month

Tier	Member Contribution Requirements	Eligibility For Normal Retirement Benefits	Normal Retirement Benefits Based On Final Average Earnings ("FAE")[(a)]
All Other Tier IIA	2% of earnings	Prior to July 1, 2022: Earliest of age 62 with 10 years of vesting service (effective July 1, 1992), age 60 with 25 years of vesting service, age 70 with 5 years of vesting service, or age 62 with 5 years of actual state service for terminations on or after July 1, 1997 Effective July 1, 2022: Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service	1.40% of FAE plus (a) 0.433% of FAE in excess of the year's breakpoint (which breakpoint equals $10,700 increased by 6% each year after 1982, rounded to nearest $100 but not greater than Social Security Covered Compensation) times years of service up to 35 years, and (b) 1.625% of FAE times any years of service in excess of 35 years, with a minimum benefit with 25 years of service of $360 per month
Tier III - Hazardous	5% of earnings	25 years of hazardous duty credited service or age 50 with at least 20 years of hazardous duty credited service	2.5% of FAE times years of service up to 20 years plus 2% for each year of service in excess of 20
All Other Tier III	2% of earnings	Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service	1.40% of FAE plus (a) 0.433% of FAE in excess of the year's breakpoint (which breakpoint equals $10,700 increased by 6% each year after 1982, rounded to nearest $100 but not greater than Social Security Covered Compensation) times years of service up to 35 years, and (b) 1.625% of FAE times any years of service in excess of 35 years, with a minimum benefit with 25 years of service of $360 per month
Hybrid Plan	5% of earnings for members first hired on or after July 1, 2011 5% of earnings for members with original date of hire on or after July 1, 1997 3% of earnings for members with original date of hire prior to July 1, 1997	Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service	1.40% of FAE plus (a) 0.433% of FAE in excess of the year's breakpoint (which breakpoint equals $10,700 increased by 6% each year after 1982, rounded to nearest $100 but not greater than Social Security Covered Compensation) times years of service up to 35 years, and (b) 1.625% of FAE times any years of service in excess of 35 years, with a minimum benefit with 25 years of service of $360 per month [(b)]

(a) For all members of all Tiers other than Tier III and Hybrid, "FAE" is defined as the average salary of the three highest paid years of service, provided that, effective January 1, 1986, no one year's earnings can be greater than 130% of the average of the two preceding years for purposes of calculating the FAE. For Tier III and the Hybrid Plan members, FAE is defined as the average salary of the five highest paid years of service, provided that no one year's earnings can be greater than 130% of the average of the preceding two years. Effective July 1, 2014, this limit will be 150% for Tier III and the Hybrid Plan members with mandatory overtime earnings.

(b) The Hybrid Plan provides members with the option to receive at retirement a lump sum payment of their contributions plus a five percent (5%) employer match and four percent (4%) interest in lieu of their receipt of monthly benefit payments.

The State Employees' Retirement Fund provides annual cost-of-living allowance adjustments each July 1 as set forth below:

TABLE 21

State Employees' Retirement Benefit Cost-Of-Living Allowances[a]

Retirement Date	Adjustment Based On	Minimum Increase	Maximum Increase	Maximum Increase For Members And Beneficiaries Not Covered By Social Security And Age 62 And Over
Prior to July 1, 1980	Increase in National Consumer Price Index for Urban Wage Earners and Clerical Workers ("CPI-W")	3.0%	5.0%	6.0%
On and after July 1, 1980 but prior to July 1, 1997	N/A	3.0%	3.0%	6.0%
On and after July 1, 1997 but prior to July 1, 1999, an irrevocable choice between one of the two following plans required:	(1) 60% of the increase in "CPI-W" up to 6.0% and 75.0% of the increase in the CPI-W over 6.0%	2.5%	6.0%	N/A
	(2) N/A	3.0%	3.0%	N/A
On or after July 1, 1999, but prior to October 1, 2011	60% of the increase in CPI-W up to 6.0% and 75.0% of the increase in the CPI-W over 6.0%	2.5%	6.0%	N/A
On or after October 1, 2011	60% of the increase in CPI-W up to 6.0% and 75.0% of the increase in the CPI-W over 6.0%	2.0%	7.5%	N/A

(a) An employee from Tier IIA must have at least ten (10) years of actual State service or directly make the transition into retirement in order to be eligible for annual adjustments.

GASB 67 Disclosure

Governmental Accounting Standards Board Statement No. 67 ("GASB 67") requires a determination of the Total Pension Liability ("TPL") for a plan using the Entry Age Normal actuarial funding method. The Net Pension Liability ("NPL") is then set equal to the TPL minus the plan's Fiduciary Net Position ("FNP") which, generally, is the market value of assets in the plan as of the measurement date. Among the assumptions needed for the liability calculation is a Single Equivalent Interest Rate ("SEIR"). To determine the SEIR, the FNP must be projected into the future for as long as there are anticipated benefits payable to the membership and beneficiaries of the system on the measurement date. If the FNP of the plan is not expected to be depleted at any point in the future, the plan may use its long-term expected rate of return as the SEIR. If, on the other hand, the FNP of the plan is expected to be depleted, then the SEIR is the single rate of interest that will generate a present value of benefits equal to the sum of (i) the present value of all benefits through the date of depletion at a discount rate equal to the long-term expected rate of return, plus (ii) the present value of benefits after the date of depletion discounted at a rate based on 20-year, tax-exempt, general obligation municipal bonds, with an average credit rating of AA/Aa or higher.

The State Employees Retirement Commission received from Cavanaugh Macdonald Consulting, LLC a report prepared as of June 30, 2015 and dated January 20, 2016 containing supplemental information to assist the Commission in meeting the requirements of GASB 67, which the Commission approved at its meeting held February 18, 2016. This supplement reported the following results as of June 30, 2015 with respect to the State Employees' Retirement Fund in accordance with GASB 67:

Total Pension Liability	$27,192.5 million
Fiduciary Net Position	$10,668.4 million
Net Pension Liability	$16,524.1 million
Ratio of Fiduciary Net Position to Total Pension Liability	39.23 %

The report for the State Employees' Retirement Fund as of June 30, 2015 used its long term investment rate of 8.00% as the SEIR since the results currently indicate that the FNP will not be depleted at any point in the future. GASB 67 also requires sensitivity calculations based on a SEIR 1% in excess and 1% less than the SEIR used, which would decrease the NPL to $13,885.6 million or increase the NPL to $19,655.9 million, respectively.

Teachers' Retirement Fund

The Teachers' Retirement Fund, administered by the Teachers' Retirement Board, provides benefits for any teacher, principal, supervisor, superintendent or other eligible employee in the public school systems of the State, with certain exceptions. While setting and paying salaries for teachers, municipalities do not provide contributions to the maintenance of the fund. As of June 30, 2015, there were (i) 106,717 active and former employees, consisting of 53,528 active members, 2,010 inactive vested members and 15,138 inactive non-vested members, (ii) 35,745 retired members and beneficiaries, (iii) 296 members on disability allowance, and (iv) 1,782 annuity reserve members.

Contributions to the fund are made by employees and by General Fund appropriations from the State. State contributions to the fund are made quarterly on the basis of certifications submitted by the Teachers' Retirement Board and are funded with annual appropriations from the General Fund. State contributions to the Fund for Fiscal Year 2008 included $2.0 billion of the proceeds of the State's Taxable General Obligation Bonds (Teachers' Retirement Fund 2008 Series), as discussed under "Pension Obligation Bonds".

October 2014 Actuarial Valuation

Actuarial valuations are performed as of June 30th of each even-numbered year. The actuarial valuation uses recognized actuarial methods to calculate the actuarial value of assets and the actuarial accrued liability of the Teachers' Retirement Fund. The actuarial accrued liability is determined using the entry age normal cost method as the portion of the present value of future benefits allocated to years of service prior to the valuation date. The valuation uses an asset valuation method of smoothing the difference between the market value of assets and actuarial value of assets to prevent extreme fluctuations that may result from short-term or cyclical economic and market conditions. The actuarial value of assets is determined by first projecting the actuarial value forward from the beginning of the prior fiscal year based on the actual cash flow during the fiscal year and the assumed investment rate of return. One fourth of any difference between this expected actuarial value and the actual market value is added to or subtracted from the expected actuarial value to arrive at the actuarial value of assets in order to "smooth" year to year changes in market values. The unfunded actuarial liability is the actuarial liability less the actuarial value of assets. The valuation includes a projection from the valuation date to future years based on certain key assumptions such as the investment return on the market value of assets, the rates of withdrawal of active members who leave covered employment before qualifying for any monthly benefit, the rates of mortality, the rates of disability, the rates of pay increases and the assumed age or ages at actual retirement.

The Teachers' Retirement Fund received from Cavanaugh Macdonald Consulting, LLC an actuarial valuation as of June 30, 2014 dated October 29, 2014. The October 2014 actuarial valuation reported the following results as of June 30, 2014 with respect to the Teachers' Retirement Fund:

Market Value of Assets	$16,220.9 million
Actuarial Value of Assets	$15,546.6 million
Actuarial Accrued Liability	$26,349.2 million
UAAL	$10,802.7 million
Funded Ratio (based on the actuarial value of assets)	59.00%
Funded Ratio (based on the market value of assets)	61.56%

The October 2014 actuarial valuation was based upon the following assumptions among others:

- 8.5% earnings assumption
- Projected salary increases of 3.75% to 7.0%
- Cost-of-living adjustments of 3.0% annually for members retired before September 1992 and 2.0% for members retired on and after September 1, 1992
- Payroll Growth Rate of 3.75%
- Net effective amortization period for the computed State contribution amounts for Fiscal Year 2014 is 20.4 years

The October 2014 actuarial valuation determined the following employer contribution requirements, based on an individual entry-age actuarial cost method and level percent-of-payroll contributions: (i) $975.6 million for Fiscal Year 2016; and (ii) $1,012.2 million for Fiscal Year 2017, resulting in an annual employer contribution rate of 23.65% of payroll. The adopted biennium budget for Fiscal Year 2016-2017 contains appropriations sufficient to fully fund such employer contribution requirement.

The Teachers' Retirement Fund uses the Entry Age Normal cost method to calculate the annual amortization payments needed to amortize the unfunded actuarial accrued liability, which method allocates the plan's actuarial present value of future benefits to various periods based on service. The amortization period begins with 40 years as of July 1, 1991 for the contribution for fiscal year beginning July 1, 1992 and the annual required employer contribution amount is based on a level percentage of payroll payments over such declining period of years. The net effective amortization period for the computed State contribution amounts for Fiscal Year 2015 is approximately 19.4 years. While this method of funding should lead to full funding by the end of the amortization period, the repayment of the UAAL is not level. Because of this, even if the State were to contribute the full amount of the actuarially recommended contributions and all other actuarial assumptions were met, the UAAL for the Teachers' Retirement Fund is not anticipated to be reduced significantly until the later years of the amortization period. Following full amortization of the UAAL, the actuarially recommended contribution would decrease substantially as it would consist solely of the funding of normal costs representing the portion of the present value of retirement benefits that are allocable to active members' current year of service.

Set forth in the following table are State contributions to the Teachers' Retirement Fund, employee contributions, investment income, net realized gains and losses, net unrealized gains and losses, benefits paid, actuarial recommended contributions and market value of assets for each of the past five fiscal years, and the actuarial accrued liabilities, the actuarial values of fund assets, the resulting unfunded accrued liabilities and the funded ratios on an actuarial and market basis for the actuarial valuations as of June 30, 2012 and June 30, 2014.

TABLE 22

Teachers' Retirement Fund[a]
(In Millions)

	Fiscal Year				
	2011	2012	2013	2014	2015
General Fund Contributions	$ 581.6	$ 757.2	$ 787.5	$ 948.5	$ 984.1
Employee Contributions[b]	256.1	263.5	274.3	275.5	279.0
Total Contributions	$ 837.7	$ 1,020.7	$ 1,061.9	$ 1,224.0	$ 1,263.1
Benefits Paid[c]	$ 1,499.9	$ 1,531.7	$ 1,625.7	$ 1,714.4	$ 1,773.4
Investment Income/Net Gains (Losses)	$ 2,517.0	$ (145.4)	$ 1,584.3	$ 2,250.8	$ 450.1
Actuarial Recommended Contribution	$ 581.6	$ 757.2	$ 787.5	$ 948.5	$ 984.1
Percentage of Actuarial Recommended Contribution Made	100.0%	100.0%	100.0%	100.0%	100.0%
Actuarial Accrued Liabilities	N/A	$24,862.2	N/A	$26,349.2	N/A
Actuarial Values of Assets	N/A	$13,734.8	N/A	$15,546.5	N/A
Unfunded Accrued Liabilities	N/A	$11,127.4	N/A	$10,802.7	N/A
Market Value of Assets	$14,143.9	$13,473.7[d]	$14,480.5	$16,220.9[d]	$16,110.4
Funded Ratio (actuarial value)	N/A	55.2%	N/A	59.0%	N/A
Funded Ratio (market value)	N/A	54.2%	N/A	61.6%	N/A
Ratio of Actuarial Value of Assets to Market Value of Assets	N/A	102.0%	N/A	96.0%	N/A

(a) As actuarial valuations are performed every two years, not all of the data is available for each year.

(b) Includes municipal contributions under early retirement incentive programs ($902,153 during Fiscal Year 2011, $582,142 during Fiscal Year 2012, $361,042 during Fiscal Year 2013, $668,924 during Fiscal Year 2014 and $668,924 during Fiscal Year 2015). Does not include employee contributions to the Teachers' Retirement Health Insurance Fund.

(c) Does not include refunds with respect to withdrawals of account balances by inactive members who terminate membership ($16,181,894 during Fiscal Year 2011, $13,831,495 during Fiscal Year 2012, $14,658,485 during Fiscal Year 2013, $18,241,716 during Fiscal Year 2014 and $50,328,762 during Fiscal Year 2015).

(d) Figure derived from actuarial valuation.

October 2015 Experience Study

The Teachers' Retirement Board received an experience study dated October 29, 2015 prepared by Cavanaugh Macdonald Consulting, LLC, the actuaries for the Teachers' Retirement Fund, for the five-year period ending June 30, 2015, assessing the reasonability of the actuarial assumptions and valuation methods used by the retirement system. As a result of the study, the actuaries recommended that revised assumptions be adopted by the Teachers' Retirement Board for future use, which assumptions the Board adopted at its meeting held November 4, 2015. The revised assumptions would be incorporated into the actuarial valuation to be completed as of June 30, 2016, to be used to calculate the State's employer contribution requirements for the fiscal years ending June 30, 2018 and June 30, 2019. The State's employer contribution requirements for Fiscal Years 2016 and 2017 will not change.

The actuaries recommended the following changes to the current assumptions, which changes would significantly impact the calculation of the UAAL:

- Decrease in the investment rate of return from 8.5% to 8.0%, reducing the discount of SERS' liabilities
- Updating the post-retirement mortality assumption to the Retired Pensioner 2014 (RP 2014) mortality table with the rates projected to year 2020 using projection scale BB, to reflect mortality improvements, extending the anticipated duration of pension payments to SERS members

In addition the actuaries recommended the following changes to the current assumptions, which changes would have less significant impact on the calculation of the UAAL:

- Decrease in rate of inflation from 3.0% to 2.75%
- Decrease in the payroll growth rate from 3.75% to 3.25%
- Relating to rates of salary increase:
  - Decrease in the annual rate of real wage increase from 0.75% to 0.5%
  - Minor changes to the merit portion of the salary scale
- Various changes to demographic assumptions:
  - Increase rates of withdrawal
  - Increasing normal retirement rates for females and proratable retirement rates for males
  - Decreasing early retirement rates
  - Decreasing disability rates for males

The actuaries' analysis of the impact of the recommended changes if applied to the results of the November 2014 actuarial valuation as of June 30, 2014, would result in the following:

- an increase of $189.2 million in the Fiscal Year 2016 employer contribution requirement
- an increase of $1,867.3 million in the UAAL
- an increase in the normal cost rate from 9.73% to 10.48%
- a decrease in the funded ratio from 59.0% to 55.1%

The actuaries also provided the same analysis using a 7.5% earnings assumption which would result in the following:

- an increase of $330.7 million in the Fiscal Year 2016 employer contribution requirement
- an increase of $3,375.5 million in the UAAL
- an increase in the normal cost rate from 9.73% to 11.87%
- a decrease in the funded ratio from 59.0% to 52.3%

The actuaries performed a statistical analysis of long-term expectations and analyzed the 25th and 75th percentile of long term return expectations consistent with Actuarial Standards of Practice. While the current 8.5% return assumption was found to be within the reasonable range for investment return assumptions of between 6.3% and 8.7%, the actuaries recommended two alternatives for reducing the investment rate of return. The first alternative of decreasing the rate to 8.0% would result in an assumption which was well within the reasonable range. The second alternative would reduce the rate to 7.5%, the midpoint of the range. On November 4, 2015, the Teachers' Retirement Board approved all of the actuaries' recommendations and as between the investment rate of return alternatives, approved an 8% investment rate of return assumption.

Pension Obligation Bonds

Public Act No. 07-186 authorized the issuance of general obligation bonds ("TRF Bonds") of the State in amounts sufficient to fund a $2.0 billion deposit to the Teachers' Retirement Fund plus amounts required for costs of issuance and up to two years of capitalized interest. The Secretary of the Office of Policy and Management and the State Treasurer subsequently determined that issuance of such bonds would be in the best interests of the State, and in April 2008 the State issued $2,276.6 million of such bonds.

Section 8 of Public Act No. 07-186 provides that in each fiscal year that any TRF Bonds (or any refunding of TRF bonds) are outstanding, there shall be deemed appropriated from the General Fund an amount equal to the annual required contribution to the Teachers' Retirement Fund, and such amount shall be deposited in the fund in such fiscal year. The amounts of the annual required contributions for each biennial budget shall be based on the actuarial valuation required to be completed by the December 1 prior to the beginning of the next biennial budget. Under Section 8 the State has pledged to and agreed with the holders of any TRF Bonds that, so long as the actuarial evaluation of the Teachers' Retirement Fund is completed and the certification of the annual contribution amounts is made as required by such Section, no public or special act of the General Assembly shall diminish such required contribution until such bonds, together with interest thereon, are fully met and discharged unless adequate provision is made by law for the protection of the holders of the bonds. Such contributions may be reduced in any biennium, however, if (i) the Governor declares an emergency or the existence of extraordinary circumstances (which may include changes in actuarial methods or accounting standards) in which the provisions of Section 4-85 of the Connecticut General Statutes is invoked, (ii) at least three-fifths of the members of each Chamber of the General Assembly vote to diminish such required contributions during the biennium for which the emergency or extraordinary circumstances are determined, and (iii) the funded ratio of the fund is at least equal to the funded ratio immediately after the sale of the bonds in accordance with the actuarial method used at the time. If such conditions are met, the funding of the annual required actuarial contribution may be diminished, but in no event shall such diminution result in a reduction of the funded ratio of the fund by more than 5% from the funded ratio that would otherwise have resulted had the State funded the full required contribution, or the funded ratio immediately after the sale of the bonds, whichever is greater.

Contribution, Eligibility and Benefits Requirements

Each member of the Teachers' Retirement Fund is required to contribute 6% of annual salary for the pension benefit. The State's contribution requirement is determined in accordance with Section 10-183z of the General Statutes, which requires the retirement system to be funded on an actuarial reserve basis.

Eligibility for normal retirement benefits is available at age 60 for those with 20 years of credited Connecticut service, or 35 years of credited service including at least 25 years of service in Connecticut. The normal retirement benefit is 2% of average annual salary received during three years of highest salary times years of credited service (maximum benefit is 75% of average annual salary received during three years of highest salary), subject to certain maximum dollar limits under the Internal Revenue Code of 1986, as amended. In addition, amounts derived from the accumulation of supplemental account contributions made prior to July 1, 1989 and voluntary contributions by the member are payable. Effective January 1, 1999, there is a minimum monthly retirement benefit of $1,200 to members who retire under the normal retirement provisions and who have completed at least 25 years of full time Connecticut service at retirement. The plan also provides reduced early retirement and pro-ratable retirement benefit, disability benefits, return with interest on certain contributions upon termination of employment, and pre-retirement death benefits for spouses and dependent children. The average annual benefit payable to a retired member in fiscal year ending June 30, 2015 was approximately $49,406.

The plan includes cost-of-living allowances as set forth below:

TABLE 23

Teachers' Retirement Benefit Cost-Of-Living Allowances

Retirement Date	Adjustments Consistent With Adjustments To:	Minimum Increase	Maximum Increase	Limitation On Maximum Increase Based On Previous Year's Plan Assets Return
Prior to September 1, 1992	National Consumer Price Index for Urban Wage Earners and Clerical Workers	3.0% per annum	5.0% per annum	N/A
On or after September 1, 1992, and became System member before July 1, 2007[(a)]	Social Security benefits	0.0% per annum	6.0% per annum	If asset return less than 8.5% per annum, the maximum increase is 1.5%
On or after July 1, 2007, and became System member after July 1, 2007[(a)]	Social Security benefits	0.0% per annum	5.0% per annum	If asset return less than 11.5% per annum, the maximum increase is 3.0%; if less than 8.5% per annum, maximum increase is 1.0%.

(a) Based on the current cost-of-living allowances formulas no benefit adjustment for Fiscal Years 2010 and 2011 was granted for members retiring on or after September 1, 1992. For Fiscal Year 2012, a 3.6% benefit adjustment was granted. For Fiscal Year 2013, a 1.5% benefit adjustment was granted.

A board of education may offer a retirement incentive plan. Such plan is required to provide for the purchase by the board of education and a member of the system who chooses to participate in the plan of additional credited service from the Teachers' Retirement Fund for such member and for payment by the board of education of not less than 50% of the entire cost of such total cost. Any such plan shall specify a maximum number of years to be purchased, not to exceed five. Members must have attained age 50 and be eligible for retirement with the additional purchased service. The amount of service purchased cannot exceed the lesser of five years or one-fifth of the member's credited service.

GASB 67 Disclosure

Governmental Accounting Standards Board Statement No. 67 ("GASB 67") requires a determination of the Total Pension Liability ("TPL") for a plan using the Entry Age Normal actuarial funding method. The Net Pension Liability ("NPL") is then set equal to the TPL minus the plan's Fiduciary Net Position ("FNP") which, generally, is the market value of assets in the plan as of the measurement date. Among the assumptions needed for the liability calculation is a Single Equivalent Interest Rate ("SEIR"). To determine the SEIR, the FNP must be projected into the future for as long as there are anticipated benefits payable to the membership and beneficiaries of the system on the measurement date. If the FNP of the plan is not expected to be depleted at any point in the future, the plan may use its long-term expected rate of return as the SEIR. If, on the other hand, the FNP of the plan is expected to be depleted, then the SEIR is the single rate of interest that will generate a present value of benefits equal to the sum of (i) the present value of all benefits through the date of depletion at a discount rate equal to the long-term expected rate of return, plus (ii) the present value of benefits after the date of depletion discounted at a rate based on 20-year, tax-exempt, general obligation bonds, with an average credit rating of AA/Aa or higher. The valuation for the Teachers' Retirement Fund as of June 30, 2014 used its long term investment rate of 8.5% as the SEIR since the results currently indicate that the FNP will not be depleted at any point in the future.

The October 2014 actuarial valuation prepared as of June 30, 2014 contains supplemental information dated October 27, 2014 to assist the Teachers' Retirement Board in meeting the requirements of GASB 67. The October 2014 actuarial valuation reported the following results as of June 30, 2014 with respect to the Teachers' Retirement Fund in accordance with GASB 67:

Total Pension Liability	$26,349.2 million
Fiduciary Net Position	$16,220.9 million
Net Pension Liability	$10,128.3 million
Ratio of Fiduciary Net Position to Total Pension Liability	61.56%

GASB 67 also requires sensitivity calculations based on a SEIR 1% in excess and 1% less than the SEIR used, which would decrease the NPL to $7,747.8 million or increase the NPL to $12,928.8 million, respectively.

The Teachers' Retirement Board anticipates receiving in late February 2016 from Cavanaugh Macdonald Consulting, LLC a "roll forward" report prepared as of June 30, 2015 to assist the Board in meeting the requirements of GASB 67. The roll forward report will be based on the October 2014 actuarial valuation prepared as of June 30, 2014, and will not reflect any changes to the actuarial assumptions used in the valuation.

Investment of Pension Funds

Twelve investment funds serve as the investment medium for both the State Employees' Retirement Fund and the Teachers' Retirement Fund, as follows: the Mutual Equity Fund, the Developed Markets International Stock Fund, the Emerging Markets International Stock Fund, the Core Fixed Income Fund, the Emerging Markets Debt Fund, the High Yield Debt Fund, the Inflation Linked Bond Fund, the Liquidity Investment Fund, the Real Estate Fund, the Private Investment Fund, the Commercial Mortgage Fund, and the Alternative Investment Fund. See also **FINANCIAL PROCEDURES** herein. Set forth below are the percentage allocation of holdings for the State Employees' Retirement Fund and the Teachers' Retirement Fund as of June 30, 215 in each of these funds.

TABLE 24

Pension Fund Investment Allocations
As of June 30, 2015

	State Employees' Retirement Fund	Teachers' Retirement Fund
Mutual Equity Fund	23.4%	23.7%
Developed Markets International Stock Fund	20.4	20.8
Emerging Markets International Stock Fund	8.5	8.6
Core Fixed Income Fund	8.8	7.2
Emerging Markets Debt Fund..........	3.9	4.9
High Yield Fund	5.2	5.3
Inflation Linked Bonds Fund	4.9	3.0
Liquidity Investment Fund..............	3.8	5.0
Real Estate Fund	6.0	6.3
Private Investment Fund	9.2	9.3
Commercial Mortgage Fund	0.0	0.0
Alternative Investment Fund...........	5.9	5.9
	100.0%	100.0%

Source: Combined Investment Funds 2015 Comprehensive Annual Financial Report.

Investment Returns

Annualized Net Returns on Investment Assets in Retirement Funds Periods Ending June 30, 2015

	5 Year	10 Year	15 Year	20 Year	25 Year
State Employees’	9.82%	6.18%	5.15%	7.48%	7.62%
Teachers’	9.72%	6.30%	5.26%	7.60%	7.72%

Other Retirement Systems

The other minor retirement systems funded by the State include the Judges, Family Support Magistrates and Compensation Commissioners Retirement System (the Judicial Retirement System), the General Assembly Pension System, the State Attorneys’ Retirement Fund and the Public Defenders’ Retirement Fund. As of June 30, 2015, there were approximately 208 active members of these plans and approximately 557 retired members.

Unclassified employees of the Connecticut State System of Higher Education and the central office staff of the Department of Higher Education are eligible to participate in the Connecticut Alternate Retirement Program. This program is a defined contribution program, and thus the State has no unfunded liability with respect to the program. All member contributions and State appropriations are held in a separate retirement fund by the third party administrator of the plan, who invests the fund’s assets allocable to a member at the direction of such member in the investment funds available under the plan. A member may not withdraw funds from the plan unless such member has reached age 55 and has terminated from service, retired or died, provided that any member with less than five years of participation in the plan who is under the age of 55 and terminates from service may rollover such member’s entire account into an eligible retirement plan.

The State is the administrator of the Connecticut Municipal Employees’ Retirement System and the Connecticut Probate Judges and Employees’ Retirement System. As the administrator of these systems the State owes a fiduciary obligation to these systems; however, the State has no direct financial liability to pay benefits under these systems.

Social Security and Other Post-Employment Benefits

Social Security

State employees and teachers are treated in various ways for purposes of federal social security. Most state employees are covered under social security, and most teachers are not. As of June 30, 2015, approximately 58,445 State employees were entitled to Social Security coverage. The following table summarizes this treatment.

Category	Covered
Teachers	No
State employees under the State Employees’ Retirement Fund	Yes
State employees under other retirement systems hired after 2/21/58	No
State police hired after 2/21/58 and before 5/8/84	No
State police hired after 5/8/84	Yes
Employees under the Connecticut Alternate Retirement Program hired after 7/12/90	Yes
Employees under the Connecticut Alternate Retirement Program hired before 7/12/90	Could elect

The amount expended by the State for Social Security coverage for fiscal year ending June 30, 2015 was $318.2 million. Of this amount, $226.0 million was paid from the General Fund and $15.6 million was paid from the Special Transportation Fund and the balance was recovered from other funds, including federal funds and higher education funds. The State has appropriated $256.7 million for Social Security coverage for fiscal year ending June 30, 2016. Of this amount, $239.0 million has been appropriated from the General Fund and $17.7 million has been appropriated from the Special Transportation Fund.

Other Post-Employment Benefits – State Employees

The State provides post-retirement health care and life insurance benefits to all employees who retire from State employment. The State currently finances the cost of such benefits on a pay-as-you-go basis through a transfer of an appropriation from the General Fund to a trust fund established for the payment of post-retirement health care and life insurance benefits. The State has established the trust also for the accumulation of assets with which to pay post-retirement health care benefits and post-retirement life insurance benefits to future retirees in future years. All employees hired on or after July 1, 2009 are required to contribute 3% of salary for ten years, to be deposited into the trust. Commencing July 1, 2010, employees with less than five years of service are required to contribute 3% of salary for ten years, to be deposited into the trust. SEBAC 2011 extended the requirement of trust contributions to all other State employees to be phased in beginning July 1, 2013, as follows: 0.5% of salary for fiscal year ending June 30, 2013, 2.0% of salary for fiscal year ending June 30, 2014, and 3.0% of salary for fiscal ending June 13, 2015 and thereafter, with a period of required contribution of ten years or to the beginning of retirement (whichever occurs first). As of June 30, 2015, the fair market value of the net assets within the trust totaled $260.3 million. A portion of the trust contributions are invested in the Combined Investment Funds. See also **note 15** of **Appendix III-C** hereto and **FINANCIAL PROCEDURES** herein. It is not currently anticipated that the trust will provide any significant contribution to the funding for post-retirement health care and life insurance benefits in the near future. The State will need to make significant General Fund appropriations for post-retirement health care and life insurance benefits in upcoming fiscal years. Because the plan is being funded on a pay-as-you-go basis, the amounts are much less than the annual required employer contribution payment calculated for the plan, which includes a component to amortize the UAAL.

Implementation of GASB Statement No. 45 regarding accounting and financial reporting for post-employment benefits other than pensions requires the State to obtain an analysis of the unfunded actuarial accrued liability of such post-retirement health care and life insurance benefits and to recognize the annual required contribution to fund that actuarial liability in its financial statements commencing with those for fiscal year ending June 30, 2008. The State received an actuarial report dated February 20, 2014 (“2014 OPEB Report”) with respect to the State’s liability for post-retirement health care benefits (which include medical, prescription drug, dental and life insurance benefits) for eligible persons covered under SERS and other State retirement systems, excluding the Teachers’ Retirement System from The Segal Company which indicated the following as of June 30, 2013:

Actuarial Accrued Liability	$19,676.3 million	
UAAL	$19,532.5 million	
Actuarial Value of Assets	$143.8 million	Based on Market Value at June 30, 2013.
Funded Ratio	0.73%	
Annual Required Contribution	$1,271.3 million (Fiscal Year 2013) $1,525.4 million (Fiscal Year 2014) (comprised of normal cost of $480.6 million, amortization of UAAL of $999.9 million, and adjustment for timing of $44.9 million)	Based on a projected unit credit actuarial cost method and level percent-of-payroll amortization over 30 years (with 24 years remaining as of June 30, 2013).

Annual OPEB Cost	$1,560.0 million (Fiscal Year 2014)	The annual OPEB cost adjusts the annual required contribution and contribution in relation to the annual required contribution. The annual OPEB cost is the cost of OPEB actually booked as an expense for the fiscal year.

In Fiscal Year 2013, the State contributed 42.68% of the Annual Required Contribution and 41.21% of the Annual OPEB Cost.

The 2014 OPEB Report includes the following assumptions, among others:

- A discount rate of 5.7%
- Payroll growth rate of 3.75% (lowered from 4.00% in prior valuation)
- Medical cost trend rate of 7.0% graded to 5.0% over 5 years
- Drug cost trend rate of 6.0% graded to 5.0% over 5 years
- Dental and part B trend rates of 5.0%
- Projected salary increases of 0.0% to 20.0%
- Updated medical, prescription drug and dental claim costs for recent experience and adjusting trend rates for medical and prescription drug
- Explicit administrative expense of $263 (lowered from $271 in prior valuation) per participant increasing at 3% per year
- Average premium used to calculate the early retirement premiums was updated to $10,797
- Adjustment of the retiree contribution increase
- Adjustment of the assumption for Medicare Part B
- Includes certain plan changes made pursuant to revised agreements with SEBAC

For Fiscal Years 2010 through 2015, the State paid $527.9 million, $527.9 million, $490.9 million, $549.1 million, $587.4 million, $548.7 million and $598.6 million, respectively, for retirees' health care costs. While not a part of post-employment costs, for Fiscal Years 2010 through 2014, the State paid $493.4 million, $490.6 million, $518.4 million, $559.8 million, $614.3 million and $635.1 million, respectively, for General Fund eligible employees' health care costs. For fiscal year ending June 30, 2016, the projected General Fund expenditures on retirees' health care costs and on General Fund eligible employees' health care costs were $658.6 million and $676.5 million, respectively. For fiscal year ending June 30, 2015, General Fund expenditures on life insurance benefits were $7.6 million, and the projected General Fund expenditures for fiscal year ending June 30, 2016 on life insurance benefits was $7.8 million.

The State received from The Segal Company a report dated June 8, 2015 presenting the information necessary to comply with GASB Statements Number 43 and 45 as of June 30, 2015 ("2015 OPEB GASB Report") with respect to the State's liability for post-retirement health care benefits (which include medical, prescription drug, dental and life insurance benefits) for eligible persons covered under SERS and other State retirement systems, excluding the Teachers' Retirement System. The 2015 OPEB GASB Report indicated for Fiscal Year 2015 an Annual Required Contribution of $1,513.3 million and an Annual OPEB Cost of $1,541.7 million. Because the plan is funded on a pay-as-you-go basis, the State contributed approximately $538.3 million for retiree health insurance in Fiscal Year 2015.

The 2015 OPEB GASB Report applied the assumptions included in the 2014 OPEB Report, except for the following:

- Adjustments to the per-capita costs reflecting more favorable than expected experience for the medical and prescription drug plans included in the OPEB plan, less than anticipated increases in the Medicare Part B premiums and changes to retiree contributions
- Update of the average premium used to calculate the early retirement premiums from $10,797 to $11,157
- Application of the updated assumptions to the calculation of the Annual Required Contribution for the fiscal year ending June 30, 2014 and applying an estimated 4.00% annual growth factor to calculate the Annual Required Contribution for the fiscal year ending June 30, 2015. With the updated assumptions, the Annual Required Contribution for Fiscal Year 2014 would have been $1,455.1 million, a decrease of 0.8% from the Annual Required Contribution amount presented in the 2014 OPEB Report for such fiscal year.

The actuarial calculations presented in the 2015 OPEB GASB Report were prepared in accordance with generally accepted actuarial principles and practices for the internal use of the State.

The State has engaged The Segal Company to prepare an updated actuarial report with respect to the State's liability for post-retirement health care benefits for eligible persons covered under SERS and other State retirement systems, excluding the Teachers' Retirement System. It is anticipated that the report will be presented to the State in Spring 2016.

Set forth below for each of the past five fiscal years are the number of employees retired from State employment eligible to receive post-retirement health care and life insurance benefits, the number of retirees, respectively, actually receiving health care benefits and life insurance benefits, and the amount of General Fund appropriations by the State for such coverage.

TABLE 25

State Employee Retirees Health Care and Life Insurance Benefits

	Fiscal Year				
	2011	**2012**	**2013**	**2014**	**2015**
Retirees Eligible to Receive Benefits	43,086	44,770[a]	47,510	48,844	50,356
Retirees Receiving Health Care Benefits................	42,905	44,659	45,092	46,037	47,556
Retirees Receiving Life Insurance Benefits........	28,017	28,405	28,204	28,580	29,164
General Fund Appropriations for Retiree Health Care and Life Insurance Benefits (millions)	$595.3[b]	$574.1[c]	$596.1[d]	$557.5[e]	$598.6[f]

(a) Prior to the conversion of the retirement payroll and retirement benefit systems in May 2013 to the same system, it was not possible to accurately account for retirees eligible but not enrolled in benefits.

(b) Of the $595.3 million appropriated for Fiscal Year 2011, $490.9 million was expended on retiree health care and life insurance benefits.

(c) The $574.1 million appropriated for Fiscal Year 2012 includes a combined appropriation of $8.9 million for active employee and retiree life insurance benefits. Of the $574.1 million appropriation, $562.2 million was expended on retiree health care benefits and $4.4 million was expended on retiree life insurance benefits.

(d) The $596.1 million appropriated for Fiscal Year 2013 includes a combined appropriation of $8.7 million for active employees and retiree life insurance benefits. Of the $596.1 million appropriation, $587.4 million was expended on retiree health care benefits and $4.4 million was expended on retiree life insurance benefits.

(e) The $557.5 million appropriated for Fiscal Year 2014 includes a combined appropriation of $8.8 million for active employees and retiree life insurance benefits. Of the $557.5 million appropriation, $548.7 million was expended on retiree health care benefits and $4.4 million was expended on retiree life insurance benefits.

(f) The $598.6 million appropriated for Fiscal Year 2015 includes a combined appropriation of $7.6 million for active employees and retiree life insurance benefits. Of the $598.6 million appropriation, $591.1 million was expended on retiree health care benefits and $4.4 million was expended on retiree life insurance benefits.

Other Post-Employment Benefits – Teachers

The State is required to (i) make General Fund appropriations to the Teachers' Retirement Board to cover one-third of retiree health insurance costs plus any portion of the balance of such costs that is not funded from the amounts available in the Teachers' Retirement Health Insurance Fund; (ii) subsidize the health insurance costs of retired teachers who are not members of the Teachers' Retirement Board's health benefit plan; and (iii) provide an additional health insurance subsidy of at least $110 per month on behalf of retired teachers who are ineligible to participate in Medicare Part A "premium free" and who pay at least $220 per month to participate in the local board of education retiree health benefit plans. No General Fund appropriations to the Teachers' Retirement Fund to cover retiree health insurance costs were made for Fiscal Years 2010 and 2011. The State made General Fund appropriations of $32.3 million, $34.4 million, $22.4 million, $20.2 million and $19.9 million for Fiscal Years 2012, 2013, 2014, 2015 and 2016 respectively, to subsidize the Teachers' Retirement Health Insurance Fund. The Governor's midterm budget adjustments for Fiscal Year 2013, reduced the State's appropriation from 33% to 25% ($22.3 million) of the Medicare supplemental health insurance program, and utilized retiree drug subsidies which would have otherwise already been available to the Teachers' Retirement Health Insurance Fund, to offset, in part, the State's share of retiree health costs. As of Fiscal Year 2015 the retiree drug subsidies have expired. The Teachers' Retirement Health Insurance Fund is invested in the Short Term Investment Fund. See also **FINANCIAL PROCEDURES** herein. Fund assets do not constitute plan assets for purposes of GASB Statements Nos. 43 and 45, and for actuarial valuation purposes fund assets are not treated as valuation assets available to offset the accrued liability of the plan. Since July 1, 1994, retiree health benefits sponsored through the Teachers' Retirement Board have been self-insured.

Implementation of GASB Statement No. 45 requires the State to obtain an analysis of the unfunded actuarial accrued liability of such retiree health insurance benefits and to recognize the annual required contribution to fund that actuarial liability in its financial statements. The Teachers' Retirement Board received an actuarial valuation as of June 30, 2014 dated October 21, 2014 from Cavanaugh Macdonald Consulting, LLC of the State's liability with respect to post-retirement health care benefits for members of the Teachers' Retirement Fund and for retired teachers who are not members of the Teachers' Retirement Board's health benefit plan. The report indicates an actuarial accrued liability as of June 30, 2014 of $2,433.0 million on an unfunded basis, based upon certain stated assumptions including a 4.5% earnings assumption and a 30 year amortization period and no valuation assets available to offset the liabilities of the plan. Against these liabilities, as of June 30, 2015 the plan had no present assets for valuation purposes. The actuarial valuation determined a $125.6 million employer contribution requirement for Fiscal Year 2015 and $130.3 million for Fiscal Year 2016, based on an individual entry-age actuarial cost method and level percent-of-payroll contributions and applying a 4.5% discount rate resulting in an annual employer contribution of 3.16% of payroll.

Set forth below for each of the past five fiscal years are State contributions to the Teachers' Retirement Health Insurance Fund to cover retiree health insurance costs and the portions of such contribution attributable to post-retirement Medicare supplement health insurance and to the health insurance cost subsidy for retired teachers who are not members of the Board's health benefit plan, active and retired teachers' contributions, investment income, Federal drug subsidy receipts, the expenditures from the Fund, and the reported fund balance of the Fund as of June 30.

TABLE 26

Teachers' Retirement Health Insurance Fund (In Thousands)

	Fiscal Year				
	2011	2012	2013	2014	2015
General Fund Contribution Attributable To Post- Retirement Medicare Supplement Health Insurance	$ 0	$ 27,886.3	$ 21,816.2[c]	$ 20,793.6[d]	$ 19,698.1[a]
General Fund Contribution Attributable To Non-Board Health Insurance Cost Subsidy	0	7,372.7	5,223.9	5,198.9	5,447.3
Total General Fund Contributions	$ 0	$ 35,259.0	$ 27,040.1	$ 25,992.5	$ 25,145.4
Teacher Contributions (Active and Retired)	72,388.4	85,483.4	85,483.6	86,225.0	85,566.4
Investment Income	135.4	99.1	124.5	12,753.0	109.1
Federal Drug Subsidy	5,312.2	14,227.1	0 [c]	0 [d]	0
Total Receipts	$ 78,836.0	$135,068.5	$112,648.2	$ 124,970.5	$ 85,675.5
Fund expenditures	($ 91,852.8)	($ 96,347.4)	($101,450.5)	($105,325.5)	($124,992.1)[f]
Fund Balance as of June 30	$ 53,055.5	$ 91,776.6	$102,974.3	$ 109,532.4[e]	$ 95,361.2

(a) Correcting adjustment as to prior General Fund contributions; does not reflect an actual receipt.

(b) An administrative review of the Fund determined that the reported fund balance as of June 30, 2010 was overstated by approximately $2.0 million. A correcting adjustment was made as of June 30, 2011.

(c) Retiree Federal Drug Subsidy amount of $10,203,832 included in General Fund Contribution Attributable to Post-Retirement Medicare Supplement Health Insurance and not shown in Federal Drug Subsidy receipts below.

(d) Retiree Federal Drug Subsidy amount of $9,362,367 included in General Fund Contribution Attributable to Post-Retirement Medicare Supplement Health Insurance and not shown in Federal Drug Subsidy receipts below.

(e) A fifteen year audit of the fund has determined the reported fund balance of June 30, 2014 was overstated by $13.0 million. A correcting adjustment was made as of June 30, 2015.

(f) Correcting adjustment as to prior fund expenditures; does not reflect actual activity.

Additional Information

The audited financial statements for Fiscal Year 2015 which are included as **Appendix III-C** hereto, and in particular notes 10 through 14 and note 16 and the required PERS Supplementary Information of the accompanying Basic Financial Statements, provide additional information about the foregoing retirement systems and their funding. In addition, paragraph B of note 26 of such financial statements identifies a contingent liability of the State to pay pension liabilities of certain persons who are not employees of the State.

The cumulative value of the annual differences between the State's contribution to a public employee pension or OPEB plan and the actuarially recommended contribution to the plan for that fiscal year constitutes the "net pension obligation" or "net OPEB obligation" of the State with respect to such plan, and is reported as a liability in the State's financial statements. The net pension obligation or net OPEB obligation of the State with respect to a plan is not the equivalent of the State's actuarial accrued liability with respect to such plan.

LITIGATION

The State and its officers and employees are parties to numerous legal proceedings, many of which normally occur in government operations. The final outcomes of most of these legal proceedings are not, in the opinion of the Attorney General, either individually or in the aggregate likely to have a material adverse impact on the State's financial position.

There are, however, several legal proceedings which, if decided adversely against the State, either individually or in the aggregate may require the State to make material future expenditures or may impair revenue sources. It is not possible to determine the impact that the outcomes of these proceedings, either individually or in the aggregate, could have on the State's financial position. Among these proceedings, an adverse judgment in the matters described below, in the opinion of the Attorney General, individually could have a fiscal impact on the State of $50 million or more.

Sheff v. O'Neill is a Superior Court action originally brought in 1989, on behalf of school children in the Hartford school district. In 1996, the State Supreme Court reversed a judgment the Superior Court had entered for the State, and remanded the case with direction to render a declaratory judgment in favor of the plaintiffs. The Court directed the legislature to develop appropriate measures to remedy the racial and ethnic segregation in the Hartford public schools. The Supreme Court also directed the Superior Court to retain jurisdiction of this matter. The 1997 General Assembly enacted Public Act No. 97-290, An Act Enhancing Educational Choices and Opportunities, in response to the Supreme Court decision.

In December 2000, the plaintiffs filed a motion seeking to have the Superior Court assess the State's compliance with the State Supreme Court's 1996 decision. Before the Court ruled upon that motion the parties reached a settlement agreement which was deemed approved by the General Assembly and approved by the Superior Court on March 12, 2003. That agreement obliged the State over a four year period to institute a number of measures and programs designed to advance integration for Hartford Students. That agreement expired in June, 2007, but the State and the plaintiffs have subsequently negotiated a number of follow on agreements obligating the State to programming and other efforts designed to promote achievement of specified integration goals. The parties negotiated a stipulation that governs the parties' obligations through June of 2016 which received legislative approval pursuant to the provisions of Connecticut General Statutes Section 3-125a. Defendants are attempting to negotiate with the plaintiffs a stipulation to be effective through June 30, 2017 and which may include the opportunity to work toward a long term resolution of this litigation.

S*tate Employees Bargaining Agent Coalition ("SEBAC") v. Rowland* is a Federal District Court case in which a purported class of laid off State employees sued the Governor and the Secretary of the Office of Policy and Management alleging that they were laid off in violation of their constitutional rights. The plaintiffs claimed back wages, damages, attorneys' fees and costs. The defendants moved to dismiss the action based on absolute immunity, and that motion was denied on January 18, 2005. The defendants appealed that decision to the U.S. Court of Appeals. On July 10, 2007 the U.S. Court of Appeals remanded the case back to the District Court for trial. The parties subsequently entered into a stipulation of facts and then filed cross-motions for summary judgment on all remaining claims. By order dated May 31, 2013, the Second Circuit sustained the appeal directing that summary judgment be entered in plaintiff's favor on the official capacity claims and remanding for entry of appropriate equitable relief. In addition, the remand order required that the individual capacity claims against the former Governor and Secretary of the Office of Policy and Management proceed through discovery and eventually trial. The Attorney General filed a petition for writ of certiorari seeking review of the official capacity claims by the United States Supreme Court, as did the individual capacity defendants. A motion to stay the Second Circuit's mandate pending the defendants' petitions for writ of certiorari was granted. Subsequently, the Attorney General withdrew his petition without prejudice to refiling if necessary upon entry of final judgment. The withdrawal was in response to an invitation by the plaintiffs to commence settlement negotiations. Further activity in the case and related state court litigation remained stayed pending settlement discussions. The individual capacity defendants' petition for writ of certiorari was denied. After lengthy discussions, the parties reached a tentative agreement to resolve all claims in the SEBAC cases. The settlement was submitted to the legislature on May 1, 2015 and was deemed approved, in accordance with provisions of Connecticut General Statutes Section 3-125a, on or about June 1, 2015. The court granted a motion for preliminary approval of the settlement. The court held a Final Fairness Hearing on October 1, 2015 and granted final approval of the settlement. The settlement also resolved two related cases that were brought in the Connecticut Superior Court: ***Conboy v. State of Connecticut*** and ***Parzio v. State of Connecticut***. The settlement provides for cash payments estimated at approximately $44 million payable over the next three fiscal years, and additional vacation and personal time accruals. The overall value of the settlement is estimated at $100 million to $125 million.

In ***Connecticut Coalition for Justice in Education Funding et al. v. Rell, et al.***, brought in Hartford Superior Court, the plaintiffs are a non-profit coalition comprised of parents, teachers, school administrators and educational advocates, as well as several parents on behalf of their minor children who reside in selected rural, suburban and urban municipalities in the State. Plaintiffs claim the students' State constitutional rights to a free public education under Article VIII, Section 1, equality of rights under Article I, Section 1 and equal protection of the laws under Article I, Section 20 are being violated by the alleged inequitable and inadequate financing of their schools by the State. In particular, plaintiffs claim for a variety of reasons that the State's primary statutory mechanism for the distribution of State aid for public schools currently fails to ensure both substantially equal educational opportunities and a suitable education for some students, as purportedly reflected by both the educational challenges they face and their poor performance on state standardized measures. The action seeks a declaratory judgment from the Court, an injunction against the operation of the current system, an order that a new system be devised, the appointment of a special master to oversee such activities, continuing Court jurisdiction and attorney fees and costs. The court ruled that the Coalition, as opposed to the other plaintiffs, lacks legal standing to pursue the claims. The plaintiffs sought to replead to overcome the impact of this ruling. The defendants moved to strike the plaintiffs' claims for a "suitable" education under the State Constitution. On September 17, 2007 the Superior Court issued a ruling granting the State's motion to strike three counts of the plaintiffs' complaint. After the Court's ruling, one count of the plaintiffs' complaint remained, alleging that the plaintiffs have been denied substantially equal education opportunity in violation of the State constitution. The State did not move to strike that count. The plaintiffs sought and obtained permission to appeal immediately to the Connecticut Supreme Court. On March 30, 2010 a plurality of the Supreme Court reversed the trial court, ruled that the State Constitution guarantees public school students a right to suitable educational opportunities and remanded the case for a determination of whether such opportunities are being provided. Trial began on January 12, 2016, and is scheduled to continue through May, 2016. A trial court decision will probably come several months after the conclusion of evidence and is almost certain to be followed by an appeal. Therefore a final decision is likely years in the future. The State continues to defend the case vigorously.

American Indian Tribes. It is possible that land claims could be brought by American Indian groups who have petitioned the Federal Government for federal recognition. In any of the land claims matters, irrespective of whether federal recognition is granted, denied or upheld, a particular tribe could institute or renew land claims against the State or others, or press the claims it has already asserted. The federal Bureau of Indian Affairs has adopted new regulations for the federal recognition of tribes under relaxed standards, but those regulations do not presently allow for previously denied petitioners, such as the Schaghticoke Tribal Nation, Golden Hill Paugussett Tribe and the Eastern Pequot Tribal Nation, to seek recognition under new regulations.

Bouchard v. State Employees Retirement Commission is a state court proceeding representing an administrative appeal from a denial by the State Employees Retirement Commission ("SERC") of a request to recalculate the pensions of three retirees, based on the 2007 case of ***Longley v. State Employees Retirement Commission*** and its progeny. In ***Longley*** the State Supreme Court held that SERC was required to include a retiree's final prorated longevity payment in their final year salary, for the purpose of calculating retirement benefits. SERC initially interpreted ***Longley***, with the exception of the ***Longley*** plaintiffs, as prospective in application. In April 2009, SERC adopted a resolution to extend ***Longley*** retroactively to October 2, 2001. The plaintiffs in ***Bouchard et al.***, comprise State employees who retired prior to October 2, 2001, who have appealed the denial and seek a recalculation of current pension benefits, an award of past underpayment of benefits and attorney's fees. This case had been certified as a class but the trial court denied plaintiffs' request for a mandatory class action. The approximate size of the class would be 18,000 retirees. On June 18, 2015, the trial court sustained the plaintiffs' administrative appeal (count one) and ordered SERC to apply *Longley* to the three named plaintiffs' retirement income calculation from the time of retirement. The court also ordered postjudgment interest of 5% per annum from the date of final judgment until the date the judgment is fully paid. The trial court granted SERC's cross-motion for summary judgment as to count two (declaratory ruling seeking mandatory class action relief for those similarly situated) because that claim is barred by the three year statute of limitations under Connecticut General Statutes Section 52-577. The financial exposure of the decision is approximately $10,000. The plaintiffs filed a motion to reargue and to extend the period within which to file an appeal. The SERC objected. The trial court sustained SERC's objection to the plaintiff's motion to reargue/reconsider dated September 14, 2015. The plaintiff appealed to the Appellate Court on September 30, 2015. SERC cross-appealed to preserve its position that no liability exists. The appeal is pending.

OTHER MATTERS

In Fiscal Year 2012, the State began levying a tax on the net patient revenue of each hospital in the State. A petition for a declaratory ruling was received by the Department of Social Services ("DSS") and the Department of Revenue Services ("DRS") claiming that this tax is invalid as implemented under various constitutional and administrative theories. The determination of DSS and DRS with respect to the petition could affect the collection of the tax going forward, provide the basis for potential refund claims, or result in litigation. No representation is made concerning the possible resolution or financial impact of this matter, or what actions the State might implement in response to any adverse findings.

INDEX TO APPENDICES

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GOVERNMENTAL ORGANIZATION AND SERVICES

Introduction

The components and structure of State governmental organization are laid out in the State's Constitution and the General Statutes of Connecticut. A number of State-wide and regional authorities and similar bodies are also created or provided for in the General Statutes or by Special Act of the General Assembly. County government was functionally abolished in Connecticut in 1960. Local governmental functions are generally performed by the 169 cities and towns, or by special purpose authorities, districts and similar bodies located within the cities and towns. A number of regional bodies exist to perform governmental functions that would otherwise be performed at the local level. Most of the State's 169 cities and towns were established or incorporated during the 18th and 19th centuries, and many are still governed under charters enacted by the General Assembly by Special Act. The State's Constitution grants home rule powers to cities and towns, within certain limitations. A large number of smaller municipalities lack charters, and the components and structure of these municipalities are determined directly by the General Statutes. The General Statutes also contain a variety of provisions pertaining to the organization and operation of all units of local government, including both those with charters and those without. In addition to the 169 cities and towns that are the basic units of local government in Connecticut, the General Statutes provide procedures for the creation of many types of local special purpose authorities, districts and similar bodies. These include, among others, local housing authorities, regional school districts, and a variety of special tax and service districts.

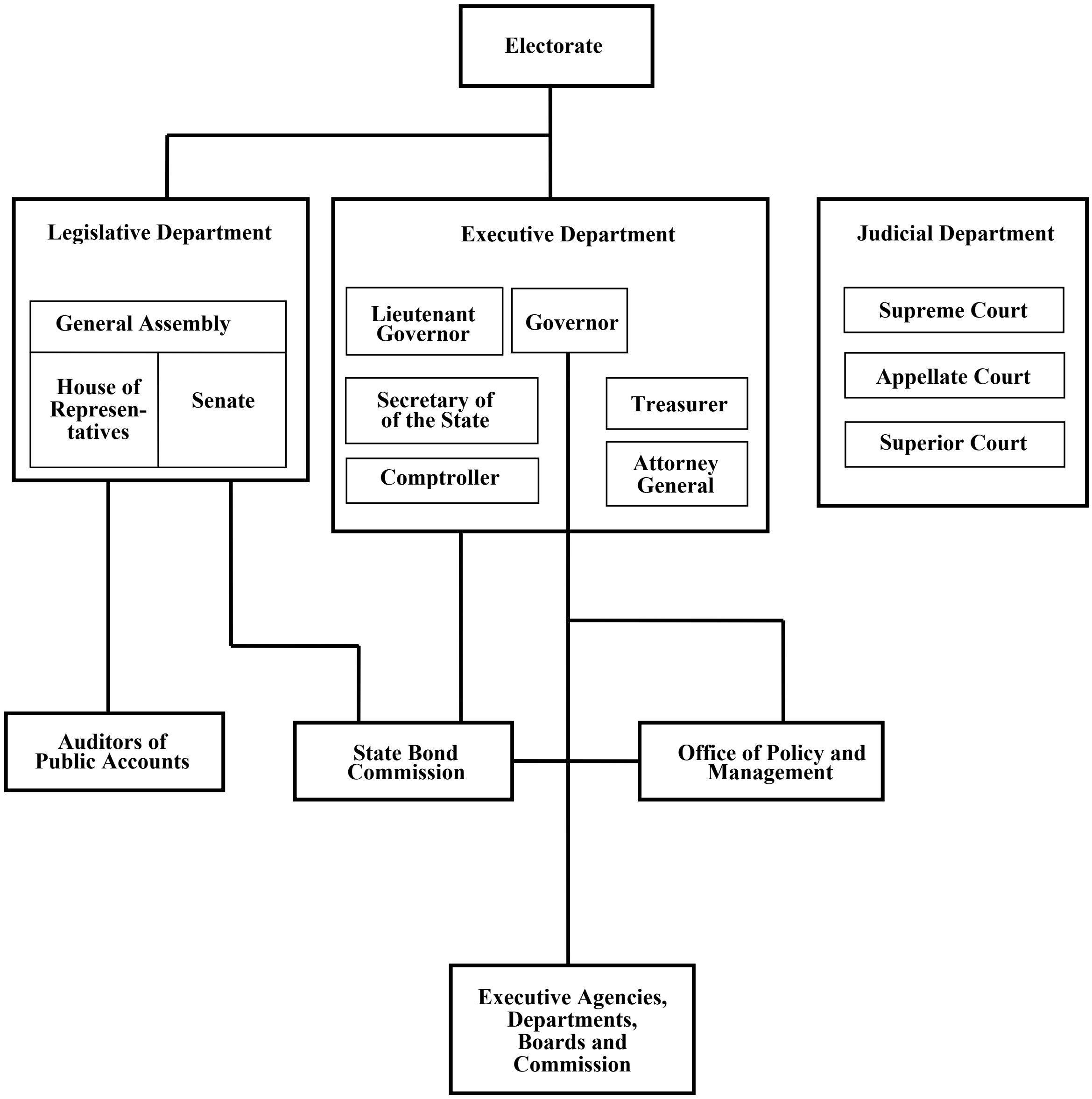
Under Connecticut law, all municipal governmental bodies have only the powers specifically granted to them by the State and the ancillary powers that are necessarily implied by powers explicitly granted. Municipalities which have the power to tax and to issue debt are explicitly denied the power by statute to file petitions to become debtors under Chapter Nine of Title 11 of the Federal Bankruptcy Code without the prior written consent of the Governor.

State Government Organization

Under the State Constitution, the legislative, executive and judicial functions and powers of State government are divided among three distinct branches referred to in the Constitution as "departments": the legislative department, the executive department and the judicial department. The following table shows the structure of the three departments.

TABLE A-1

Structure of State Government



Legislative Department. Legislative power is vested in the General Assembly, composed of the Senate and House of Representatives. Currently the Senate consists of 36 members, each representing a single senatorial district, and the House of Representatives consists of 151 members, each representing a single assembly district. Both the number of members and the boundaries of the legislative districts may vary in accordance with the requirements of the State's Constitution. The General Assembly is assisted by a full-time staff. General Assembly employees are included under the legislative function in **Tables A-2** and **A-3** below.

General Assembly members are elected biennially at the general election in November in even numbered years and take office in the January following their election. Elections for the General Assembly were held in November 2014, and the new members took office in January 2015.

A regular session of the General Assembly is held each year. These sessions run from January through June in odd-numbered years and February through May in even-numbered years. The General Assembly reconvenes for special sessions in general only in emergencies or to consider bills or appropriations vetoed by the Governor. Even-year sessions are supposed to be limited to budgetary, revenue and financial matters, bills and resolutions raised by committees of the General Assembly and certified emergencies.

Two Auditors of Public Accounts, who cannot be of the same political party, are appointed by the General Assembly to four-year terms. The State Auditors are required to make an annual audit of the accounts of the Treasurer and the Comptroller and, biennially or as frequently as they deem necessary, to audit the accounts of each officer, department, commission, board and court of the State government authorized to expend State appropriations. The Auditors are required to report unauthorized, illegal, irregular or unsafe handling or expenditure of State funds or any actual or contemplated breakdown in the safeguarding of any resources of the State promptly upon discovery to the Governor, the State Comptroller, the Attorney General and appropriate legislative agencies. Each budgeted agency of the State must keep its accounts in such form and by such methods as to exhibit facts required by the State Auditors. A full-time staff assists the State Auditors. Employees of the State Auditors are included under the legislative function in **Tables A-2** and **A-3** below.

Executive Department. The Governor, Lieutenant Governor, Secretary of the State, Treasurer, Comptroller and Attorney General, whose offices are mandated by the State's Constitution, were elected at the general election in November 2014 for terms beginning in January 2015. Elections for all of these offices are held every four years. The Governor and Lieutenant Governor are elected as a unit.

The supreme executive power of the State is vested in the Governor. The Governor has the constitutional responsibility for ensuring that the laws are faithfully executed, giving the General Assembly information on the state of the government, and recommending to the General Assembly such measures as the Governor may deem expedient. The Governor is empowered to veto bills and line items in appropriations bills, but the General Assembly may reconsider and repass such matters upon a two-thirds vote of each house, whereupon such bills or appropriations become law. Broad appointive and investigative powers are conferred upon the Governor by statute. The Lieutenant Governor serves as President of the Senate and becomes Governor in case of the inability of the Governor to exercise the powers and perform the duties of the office.

The Treasurer is primarily responsible for receiving and disbursing all monies belonging to the State, superintending the collection of State taxes and revenues and the investment of State funds, administering certain State trust funds and managing State property. Subject to the approval of the Governor, the Treasurer is authorized, when necessary, to make temporary borrowings evidenced by State obligations. In addition, the State Bond Commission may delegate to the Treasurer the responsibility for determining the terms and conditions and carrying out the issuance of State debt.

The Secretary of the State administers elections, has custody of all public records and documents, and certifies to the Treasurer and the Comptroller the amount and purpose of each appropriation made by the General Assembly.

The Comptroller's primary duties include adjusting and settling public accounts and demands and prescribing the method of keeping and rendering all public accounts. All warrants and orders for the disbursement of public money are registered with the Comptroller. The Comptroller also has authority to require reports from State agencies upon any matter of property or finance and to inspect all records in any public office, and is responsible for examining the amount of all debts and credits of the State. The Comptroller is required to issue monthly reports on the financial condition of the State, which are prepared on a modified cash basis and are not audited.

The Attorney General has general supervision over all legal matters in which the State is an interested party except those legal matters over which prosecuting officers have discretion. The duties of the office include giving advice and, on request, rendering legal opinions to the legislative and executive departments as to questions of law. Among the Attorney General's statutory duties concerning State financial matters are membership on the State Bond Commission, the approval of all State contracts or leases and appearing before any committee of the General Assembly to represent the State's best interests when any measure affecting the State Treasury is pending.

In addition to the constitutionally mandated offices, the General Statutes provide for a number of executive branch agencies, departments and commissions, each of which generally has its own agency head appointed by the Governor, in most cases with the advice and consent of one or both houses of the General Assembly. Of these statutorily established offices, the one most directly related to the fiscal operation and condition of the State is the Office of Policy and Management. The Secretary of the Office of Policy and Management is directly responsible to the Governor for policy development in four major areas: budget and financial management, policy development and planning, management and program evaluation, and intergovernmental policy. The Office of Policy and Management has significant responsibility in preparing the State budget, in assisting the Governor in policy development and in representing the State in most collective bargaining negotiations. It is the duty of the Office of Policy and Management to prepare and furnish to the General Assembly and Comptroller financial and accounting statements relating to the State's financial condition and general accounts, and to examine and assist in the organization, management and policies of departments and institutions supported by the State in order to improve their effectiveness. The Secretary of the Office of Policy and Management, like the Comptroller, is empowered to inspect the financial records and to require reports of State agencies.

Employees of the executive department are included in **Tables A-2** and **A-3** below under all function headings except the legislative and judicial functions. A list of the major executive branch agencies, departments and commissions, by function headings, is found in **Table A-5**.

Judicial Department. The State's judicial department consists of three principal trial and appellate courts: the Superior Court, the Appellate Court, and the Supreme Court.

The Superior Court is vested with original trial court jurisdiction over all civil and criminal matters. By statute, there are 201 authorized Superior Court judges, with approximately 171 sitting judges as of January 1, 2016, each nominated by the Governor and appointed by the General Assembly to eight-year terms.

On July 1, 1983 the Appellate Court was created and the appellate session of the Superior Court was dissolved. The Appellate Court hears appeals from decisions of the Superior Court except for certain matters which are directly appealable to the Supreme Court. There are nine Appellate Court judges nominated by the Governor and appointed by the General Assembly to eight-year terms.

The Connecticut Supreme Court reviews decisions of the Appellate Court and, in certain cases, of the Superior Court. Except in cases where original jurisdiction exists in the Supreme Court, there is no right of review in the Supreme Court unless specifically provided by statute. The Supreme Court consists of seven Justices (one Chief Justice and six Associate Justices) nominated by the Governor and appointed by the General Assembly to eight-year terms.

In addition to the principal trial and appellate courts, there is a Court of Probate in each of 54 probate districts situated throughout the State.

Employees of the judicial department are shown in **Tables A-2** and **A-3** under the judicial function heading.

Quasi-Public Agencies. In addition to the budgeted components of State government provided for in the State's Constitution and the General Statutes, important State-wide governmental functions are performed by quasi-public agencies, authorities and similar bodies created under the General Statutes. A number of these entities receive significant funding from the State, although they are not budgeted agencies of the State. Each of these entities is governed by a board of directors chosen in accordance with its respective enabling statute. These boards generally include legislative appointees, gubernatorial appointees and ex-officio directors holding certain executive branch offices.

State Employees

Employment Statistics. Statistics regarding approximate filled permanent full-time positions within budgeted components of State government are shown on the following two tables.

TABLE A-2

State Employees[(a)]
By Function of Government

Function Headings[(b)]	2011	2012	2013	2014	2015
Legislative	680	678	660	706	721
General Government	3,328	3,028	3,064	3,072	3,092
Regulation and Protection	4,276	4,084	4,188	4,349	4,345
Conservation and Development	1,347	1,424	1,367	1,381	1,397
Health and Hospitals	6,874	6,534	7,082	6,979	6,977
Transportation	3,878	3,646	3,759	3,885	4,008
Human Services	1,911	1,923	1,817	1,824	1,915
Education	17,217	17,272	16,129	16,689	17,272
Corrections	9,020	8,590	8,446	8,813	8,826
Judicial	4,454	4,299	4,479	4,555	4,543
Total	52,985	51,478	50,991	52,253	53,096

(a) Table shows count of employees by fund category and function of government paid in April of each year. Employees working in multiple government functions or paid through multiple fund sources are counted multiple times.

(b) A breakdown of the budgeted agencies, boards, commissions and similar bodies included in each of the listed government function headings is shown in **Table A-5**.

SOURCE: Office of Policy and Management

TABLE A-3

State Employees as of April 30, 2015[(a)(b)]
By Function of Government and Fund Categories

Function Headings	General Fund	Special Transportation Fund	Other Appropriated Funds	Special Funds – Non-Appropriated	Federal Funds	TOTALS
Legislative	721	0	0	0	0	721
General Government	2,827	1	13	123	128	3,092
Regulation and Protection	2,280	635	411	771	248	4,345
Conservation and Development	870	0	117	61	349	1,397
Health and Hospitals	6,332	0	9	0	636	6,977
Transportation	1	3,001	0	1,006	0	4,008
Human Services	1,871	0	0	0	44	1,915
Education	5,796	0	0	11,251	225	17,272
Corrections	8,735	0	0	72	19	8,826
Judicial	4,432	0	65	0	46	4,543
Total	33,865	3,637	615	13,284	1,695	53,096

(a) Table shows a count of employees by fund categories. Employees working in multiple government functions or paid through multiple fund sources are counted multiple times.

(b) Reflects funding source based on Core-CT chart of accounts coding.

SOURCE: Office of Policy and Management

Collective Bargaining Units and Process. The General Statutes guarantee State employees, other than elected or appointed officials and certain management employees and others with access to confidential information used in collective bargaining, the right to organize and participate in collective bargaining units. There are presently 34 such bargaining units representing State employees.

The General Statutes establish the general parameters of the collective bargaining process with respect to bargaining units representing State employees. At any given point in time, there are generally a number of collective bargaining units with agreements under negotiation. All collective bargaining agreements require approval of the General Assembly. The General Assembly may approve any such agreement as a whole by a majority vote of each house or may reject any such agreement as a whole by a majority vote of either house. Subject to certain parameters set forth in the General Statutes, if the State and the bargaining unit are unable to reach an agreement, one or both parties may initiate arbitration. The award of the arbitrator shall be final and binding upon the parties unless rejected by the legislature. An arbitration award may be rejected in whole by a two-thirds vote of either house of the General Assembly upon a determination that there are insufficient funds for full implementation of the award.

The General Statutes deny State employees the right to strike. Questions concerning employment or bargaining practices prohibited by the sections of the General Statutes governing collective bargaining with regard to State employees may generally be brought before the State Board of Labor Relations.

Information regarding employees participating in collective bargaining units and employees not covered by collective bargaining is shown in the following table:

TABLE A-4

Full-Time Work Force
Collective Bargaining Units and
Those Not Covered by Collective Bargaining

Bargaining Unit/Status Group	Percentage of State Employees Represented[(a)]	Contract Status, if any
Covered by Collective Bargaining		
Administrative and Residual (P-5)	5.79%	Contract in place through 6/30/2016
Administrative Clerical (NP-3)	6.64	Contract in place through 6/30/2016
American Federation of School Administrators	0.11	Contract in place through 6/30/2016
Board for State Academic Awards	0.13	Contract in place through 6/30/2016
Community College Administration - AFSCME	0.18	Contract in place through 6/30/2016
Community College Administration – CCCC	1.36	Contract in place through 6/30/2016
Community College AFT – Counselors/Librarians	0.03	Contract in place through 6/30/2016
Community College Faculty – AFT	0.33	Contract in place through 6/30/2016
Community College Faculty – CCCC	1.28	Contract in place through 6/30/2016
Connecticut Association of Prosecutors	0.48	Contract in place through 6/30/2016
Correctional Officers (NP-4)	9.24	Contract in place through 6/30/2016
Correctional Supervisor (NP-8)	0.97	Contract in place through 6/30/2016
Criminal Justice Inspectors	0.14	Contract in place through 6/30/2016
Criminal Justice Residual	0.25	Contract in place through 6/30/2016
DPDS Chief Public Defenders	0.04	Contract in place through 6/30/2016
DPDS Public Defenders	0.38	Contract in place through 6/30/2016
Education Administrative (P-3A)	0.47	Contract in place through 6/30/2016
Education Technical (P-3B)	1.20	Contract in place through 6/30/2016
Engineering, Scientific and Technical (P-4)	4.96	Contract in place through 6/30/2016
Health Care Unit-Non-Professional (NP-6)	5.77	Contract in place through 6/30/2016
Health Care Unit-Professional (P-1)	6.03	Contract in place through 6/30/2016
Higher Education – Professional Employees	0.04	Contract in place through 6/30/2016
Judicial - Judges	0.38	Contract in place through 6/30/2016
Judicial - Judicial Marshals	1.34	Contract in place through 6/30/2016
Judicial – Law Clerks	0.11	Contract in place through 6/30/2016
Judicial – Non-Professional	2.59	Contract in place through 6/30/2016
Judicial - Professional	2.54	Contract in place through 6/30/2016
Judicial - Supervising Judicial Marshals	0.12	Contract in place through 6/30/2016
Protective Services (NP-5)	1.61	Contract in place through 6/30/2016
Service/Maintenance (NP-2)	7.50	Contract in place through 6/30/2016
Social and Human Services (P-2)	7.76	Contract in place through 6/30/2016
State Vocational Federation of Teachers	2.30	Contract in place through 6/30/2016
State Police (NP-1)	2.11	Contract in place through 6/30/2018
State Police Lieutenants and Captains (NP-9)	0.07	Contract in place through 6/30/2016
State University-Faculty	2.82	Contract in place through 6/30/2016
State University- Non-Faculty Professional	1.56	Contract in place through 6/30/2016
UCHC – Faculty	0.62	Contract in place through 6/30/2016
UCHC University Health Professionals	3.06	Contract in place through 6/30/2016
UConn - Faculty	3.42	Contract in place through 6/30/2016
UConn – Law School Faculty	0.09	Contract in place through 6/30/2016
UConn - Non-Faculty	3.31	Contract in place through 6/30/2016
Total Covered by Collective Bargaining	89.13 %	
Not Covered by Collective Bargaining		
Auditors of Public Accounts	0.22%	Not Applicable
Other Employees	10.65 %	Not Applicable
Total Not Covered by Collective Bargaining	10.87%	
Total Full-Time Work Force	100.00%	

(a) Percentage expressed reflects approximately 51,169 filled full-time positions as of February 5, 2016.

SOURCE: Office of Policy and Management

Governmental Services

Services provided by the State or financed by State appropriations are classified under one of ten major government function headings or are classified as "non-functional". These function headings are used for the State's General Fund and for other funds of the State used to account for appropriated moneys. State agencies, boards, commissions and other bodies are each assigned to one of the function headings for budgeting purposes. The following table shows a breakdown of the government function headings according to the major agencies, boards, commissions and other bodies assigned to them.

TABLE A-5

Function of Government Headings (a)(b)

Legislative
Legislative Management
Auditors of Public Accounts
Commission on Aging
Commission on the Status of Women
Commission on Children
Latino and Puerto Rican Affairs Commission
African-American Affairs Commission
Asian Pacific American Affairs Commission

General Government
Governor's Office
Lieutenant Governor's Office
Secretary of the State
Office of Governmental Accountability
State Treasurer
State Comptroller
Department of Revenue Services
Office of Policy and Management
Department of Veterans' Affairs
Department of Administrative Services
Attorney General
Division of Criminal Justice

Regulation and Protection
Department of Emergency Services and Public Protection
Department of Motor Vehicles
Military Department
Department of Banking
Insurance Department
Office of Consumer Counsel
Office of the Health Care Advocate
Department of Consumer Protection
Department of Labor
Commission on Human Rights and Opportunities
Office of Protection and Advocacy for Persons with Disabilities
Workers' Compensation Commission

Conservation and Development
Department of Agriculture
Department of Energy and Environmental Protection
Council on Environmental Quality
Department of Economic and Community Development
Department of Housing
Agricultural Experiment Station

Health and Hospitals
Department of Public Health
Office of the Chief Medical Examiner
Department of Developmental Services
Department of Mental Health and Addiction Services
Psychiatric Security Review Board

Transportation
Department of Transportation

Human Services
Department of Social Services
State Department on Aging
Department of Rehabilitation Services

Education, Libraries and Museums
Department of Education
State Library
Office of Early Childhood
University of Connecticut
University of Connecticut Health Center
Board of Regents for Higher Education
Office of Higher Education
Teachers' Retirement Board

Corrections
Department of Correction
Department of Children and Families

Judicial
Judicial Department
Public Defender Services Commission

(a) In addition to the ten listed government function headings, the State also employs a "non-functional" heading under which are grouped various miscellaneous accounts including debt service and State employee fringe benefit accounts.

(b) Listing of agencies, boards, commissions and similar bodies is as of July 1, 2015.

SOURCE: Office of Policy and Management

In addition to services provided directly by the State, various State-wide and regional quasi-public agencies, authorities and similar bodies also provide services. Such entities principally assist in the financing of various types of facilities and projects. In addition to their own budgetary resources and the proceeds of their borrowings, a number of such entities have received substantial funding from the State, which the entities generally use to provide financial assistance to the general public and the private and nonprofit sectors.

Because Connecticut does not have an intermediate county level of government between State and local government, local entities provide all governmental services not provided by the State and quasi-public agencies. Such services are financed principally from property tax revenues, State funding of various types and federal funding.

Department of Emergency Services and Public Protection. The Department of Emergency Services and Public Protection is responsible for providing a coordinated, integrated program for the protection of life and property and for state-wide emergency management and homeland security. Through the Division of Emergency Management and Homeland Security (DEMHS), the Department is responsible for the preparation of a comprehensive civil preparedness plan and program, including integration and coordination with planning and activities of the federal government, other states, and towns, cities and tribal nations within the State. The State's plans include the State Response Framework and the State Recovery Framework. For planning purposes, DEMHS has given priority for preparedness to the following potential scenarios: (i) a Category 3 hurricane hitting the State coast and all of New England, (ii) a large scale terrorist attack in New York City, and (iii) a release of contamination from the Millstone Power Plant. DEMHS also operates the State fusion center – the Connecticut Intelligence Center, a multi-agency, multi-jurisdictional entity which collects, analyzes and disseminates intelligence information to law enforcement and other related groups. Pursuant to the Connecticut General Statutes, the Commissioner of the Department is required to file an annual report each January to the joint standing committee of the General Assembly having cognizance of matters relating to public safety, which report specifies and evaluates statewide emergency management and homeland security activities during the preceding calendar year. In April 2015, the State received accreditation for its emergency management and homeland security activities from the nationally recognized Emergency Management Accreditation Program.

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STATE ECONOMY

Connecticut is a highly developed and urbanized state. It is situated directly between the financial centers of Boston and New York. Connecticut is located on the northeast coast and is the southernmost of the New England States. It is bordered by Long Island Sound, New York, Massachusetts and Rhode Island. 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 the State.

Economic Resources

Population Characteristics. Connecticut had a population count of 3,574,097 in April 2010, an increase of 168,532, or 4.9%, from the 3,405,565 figure of 2000. The State's population growth rate, which exceeded the United States' rate of population growth during the period from 1940 to 1970, slowed substantially and trailed the national average markedly during the past four decades. The following table presents the population trends of Connecticut, New England, and the United States since 1940. Connecticut's population increased 3.0% from 2006 to 2015 versus 3.3% in New England and 7.6% for the nation. The mid-2015 population in Connecticut was estimated at 3,590,886 down 0.1% from a year ago, compared to increases of 0.3% and 0.8% for New England and the United States, respectively. From 2006 to 2015, within New England, only Massachusetts (5.1%) experienced growth higher than Connecticut (3.0%); while New Hampshire (1.4%), Maine (1.1%), Vermont (1.0%) and Rhode Island (0.4%) all experienced lower growth.

TABLE B-1

Population
(In Thousands)

	Connecticut		New England		United States	
Calendar Year	Total	% Change	Total	% Change	Total	% Change
1940 Census	1,709		8,437		132,165	
1950 Census	2,007	17.4%	9,314	10.4%	151,326	14.5%
1960 Census	2,535	26.3	10,509	12.8	179,323	18.5
1970 Census	3,032	19.6	11,847	12.7	203,302	13.4
1980 Census	3,108	2.5	12,349	4.2	226,542	11.4
1990 Census	3,287	5.8	13,207	6.9	248,710	9.8
2000 Census	3,406	3.6	13,923	5.4	281,422	13.2
2010 Census	3,574	4.9	14,445	3.7	308,746	9.7
2006….	3,485	0.2	14,259	0.2	298,593	1.0
2007….	3,489	0.1	14,298	0.3	301,580	1.0
2008….	3,503	0.4	14,363	0.5	304,375	0.9
2009….	3,518	0.4	14,430	0.5	307,007	0.9
2010….	3,574	1.6	14,445	0.1	308,746	0.6
2011….	3,590	0.4	14,527	0.6	311,719	1.0
2012….	3,594	0.1	14,580	0.4	314,103	0.8
2013….	3,597	0.1	14,637	0.4	316,427	0.7
2014….	3,595	(0.1)	14,690	0.4	318,907	0.8
2015….	3,591	(0.1)	14,728	0.3	321,419	0.8

Note: 1940-2010, April 1 Census. Figures are for census comparison purposes.
2006-2015 Mid-year estimates. Estimates for New England include the sum of six states – Connecticut, Massachusetts, New Hampshire, Rhode Island, Maine and Vermont.

SOURCE: United States Census Bureau

The State is highly urbanized with a 2015 population density of 741 persons per square mile, as compared with 91 for the United States as a whole. Of the eight counties in the State, according to the U.S. Bureau of Census for the 2010 Census count, 75% of the population resides within Fairfield (26%), Hartford (25%), and New Haven (24%) counties.

Education. In 2014 Connecticut ranked 4th in the nation with 16.4% of the state population over the age of 25 holding an advanced degree and 20.6% of the same population holding a college degree or higher.

Connecticut is home to over 45 colleges and universities, including among others: Yale University, Wesleyan University, Trinity College, Connecticut College, University of Connecticut, Southern Connecticut State University, Central Connecticut State University, Eastern Connecticut State University, Western Connecticut State University, Fairfield University, Quinnipiac University, Hartford Seminary, Coast Guard Academy, University of New Haven, University of Hartford, and Sacred Heart University.

Industry Landscape. Connecticut is home to some of the country's leading companies, including the following members of the 2014 Fortune 500: United Technologies, Aetna, Cigna, Hartford Financial Services, Praxair, Stanley Black & Decker, Terex, Emcor Group, and Priceline.com. The historical presence of the insurance industry in the State, and especially in its capital city of Hartford, has caused it to be referred to as the "insurance capital of the world".

Transportation. Connecticut has an extensive network of expressways and major arterial highways which provide easy access to local and regional markets. Bradley International Airport, in Windsor Locks, currently offers approximately 82 weekday departures to 28 non-stop destinations and is served by virtually all the major passenger and cargo air carriers. It is accessible from all areas of the State and western Massachusetts.

The Connecticut Department of Transportation funds and oversees the operation of rail, bus, paratransit and ferry services throughout the State. The New Haven Line (including the Waterbury, Danbury and New Canaan branch lines) and Shore Line East provide service to communities between New London and New York City and intermediate points, serving approximately 40 million passengers per year. State-sponsored public bus and paratransit transportation programs provide over 42 million passenger trips a year on urban transit, commuter express bus, rural transit, and Americans with Disabilities Act paratransit services. The overall program includes state-owned CTtransit bus services in 8 urbanized areas and CTfastrak bus rapid transit services provided in the greater Hartford area, as well as urban and rural transit and paratransit services provided by 13 independent transit districts. The State also operates two historic passenger and vehicular ferries, linking communities on the Connecticut River.

Railroad freight service is provided to most major towns and cities in the State, and connections are provided with major eastern railroads, as well as direct access to Canadian markets. Positioned between the ports of New York and Boston, with access to European and South American markets, the State's deep draft harbors at Bridgeport, New Haven, and New London offer similar direct access to international markets and U.S. ports.

Utility Services. 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, Massachusetts and Rhode Island. 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, the Regional Transmission Organization for New England. An independent system operator, ISO New England, Inc., operates this regional system.

Most consumers in Connecticut can choose an independent electric supplier as their provider of electricity. Consumers that do not choose an independent electric supplier will automatically be placed on

Connecticut's standard service. The electricity is delivered to the consumer over the wires of the regulated distribution companies (Eversource Energy and The United Illuminating Company). Electric suppliers are not subject to rate regulation by the State Public Utilities Regulatory Authority (PURA), formerly known as the Department of Public Utility Control (DPUC), but must receive a license issued by the PURA before commencing service to consumers. In general, Connecticut consumers located in a municipally owned electric service territory can continue to purchase and receive their electrical needs from the municipal electric company.

Legislation enacted in 2011 merged PURA under a new Department of Energy and Environmental Protection (DEEP) structure, where it continues its mandates related to rates, reliability and safety, but now must also be guided in accordance with the goals of DEEP as outlined in its Integrated Resource Plan and Comprehensive Energy Strategy. These include a focus on clean energy, creating jobs and building a state energy economy. The legislation declares DEEP as a successor to the PURA, and divides DEEP into three bureaus, Energy, Environmental Protection and PURA. This legislation also established the position of a procurement manager which now resides within PURA.

The procurement manager is responsible for developing a plan for the procurement of electric generation services and related wholesale electricity market products that will enable each electric distribution company to manage a portfolio of contracts to reduce the average cost of "standard service" while maintaining "standard service" cost volatility within reasonable levels.

Lastly, the legislation created a quasi-public authority, the Clean Energy Finance and Investment Authority (CEFIA) to administer the Clean Energy Fund which is funded by a charge on consumer's electric bills. Pursuant to legislation, CEFIA's scope was expanded to include more types of projects the fund can support with respect to the financing of clean energy sources and energy efficiency.

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 natural gas through the interstate pipelines from a terminal located in Boston, Massachusetts which is supplied by tanker ships. Natural gas service is provided to parts of the State through one municipal and three private gas distribution companies, including Eversource Energy, Connecticut Natural Gas Company, and Southern Connecticut Gas Company. Over the past few years, UIL Holdings Corp. has acquired both Connecticut Natural Gas and Southern Connecticut Gas. UIL Holdings Corp., the parent company of The United Illuminating Company, is a New Haven, Connecticut-based utility holding company.

Since 1996 the PURA has allowed some competitive market forces to enter the natural gas industry in Connecticut. Commercial and industrial gas consumers can choose non-regulated suppliers for their natural gas requirements. The gas is delivered to the consumer using the local distribution company's mains and pipelines. This competitive market is not yet available to the residential consumer.

In addition to the electric and natural gas industries, telecommunications services are also open to competition. Local exchange telephone service is provided in the State by local exchange carriers (LECs) and competitive local exchange carriers (CLECs). Two LECs currently offer local telephone services in Connecticut. They are Frontier Corporation and Verizon New York, Inc. Connecticut also has 120 CLECs certified to provide local exchange services including Comcast Phone of Connecticut, Inc., Cox Connecticut Telecommunication, LLC and Connecticut Telephone and Communications Systems, Inc.

Connecticut is dependent upon oil, including imported oil, for a portion of its energy requirements. This dependence is greatest in the transportation sector. Connecticut also relies on heating oils in both the residential and commercial sectors, and is reliant on residual oils and diesel fuels for the production of electricity. This petroleum dependence can make Connecticut particularly affected by developments in the oil commodity markets. Events that affect the international or domestic production of oil, the domestic and international refining capabilities, or the transportation of petroleum products within the United States or into the New England region can affect Connecticut's local oil markets.

Although Connecticut is heavily dependent upon petroleum, the State is ranked one of the most efficient states for energy consumption. According to the most recent available data from the Energy Information Administration, an independent agency within the U.S. Department of Energy that collects and analyzes energy data, Connecticut consumed 3.2 thousand British Thermal Units (BTU) per 2009 chained dollar of Gross State Product in 2013, the latest available data, ranking it the 2nd most efficient state among the 50 states and 48.4% less than the national average of 6.2 thousand BTU. When compared to the national per person average, Connecticut residents use a moderate amount of energy. Connecticut consumed 208 million BTU of energy per person in 2013, ranking it 46th among the 50 states and 32.3% less than the national average of 307 million BTU.

Energy prices trended downward in Connecticut during 2015, however they remain elevated relative to the nation. Nationally, home heating oil, gasoline and natural gas prices have fallen to 10 year lows due to a dramatic increase in supply globally. For the past decade the United States has experienced a significant rise in oil production, due in large part to technological innovations in the area of shale oil fracking. To maintain market share oil exporters have increased production, even as prices decline, as many of their economies rely heavily on such energy resources. All of this, in combination with a reduction in demand in Europe and the signs of weakening economic growth in China and emerging markets, have led to a historic oversupply in the oil market which are driving prices down.

Economic Performance

Personal Income. Connecticut has a high level of personal income. Historically, the State's average per capita income has been among the highest in the nation. The high per capita income is due to the State's concentration of relatively high paying manufacturing jobs along with a higher portion of residents working in the non-manufacturing sector in such areas as finance, insurance, and real estate, as well as educational services. A concentration of major corporate headquarters located within the State also contributes to the high level of income. In calendar year 2014, per capita personal income in Connecticut equaled $64,862, the highest of any state in the nation. This high level of personal income is not concentrated in a single county, but is widely distributed throughout the State. County-level data from the United States Department of Commerce, Bureau of Economic Analysis for calendar year 2013 indicates that if they were states, seven of the State's eight counties would each rank within the top ten of all states in the nation for state per capita personal income. The eighth county, Windham, would rank 33rd in the nation. The following table shows total and per capita personal income for Connecticut residents during the period from 2005 to 2014 and compares Connecticut per capita personal income as a percentage of both New England and the United States.

TABLE B-2

Connecticut Personal Income by Place of Residence

Calendar Year	Connecticut Total (Millions of Dollars)	Connecticut Per Capita (Dollars)	Connecticut Per Capita as Percent of New England	Connecticut Per Capita as Percent of United States
2005	$173,529	$49,463	114.7%	138.2%
2006	187,702	53,345	115.3	140.1
2007	200,077	56,677	116.8	142.7
2008	204,850	57,746	115.6	140.9
2009	197,697	55,472	114.2	141.1
2010	205,265	57,334	114.7	142.5
2011	215,017	59,884	114.2	141.2
2012	225,503	62,726	114.5	141.9
2013	223,561	62,126	113.9	140.0
2014	233,293	64,862	114.2	141.0

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

The following table indicates the annual growth rate of personal income, on a current and constant dollar basis, of Connecticut, New England and the United States.

TABLE B-3

Annual Growth Rates in Personal Income By Place of Residence

Calendar Year	Conn. (Current)	New England (Current)	U.S. (Current)	Conn. (Constant)	New England (Constant)	U.S. (Constant)
2005	5.4%	4.2%	5.6%	2.5%	1.4%	2.7%
2006	8.2	7.4	7.3	5.4	4.7	4.6
2007	6.6	5.2	5.3	4.0	2.7	2.7
2008	2.4	3.3	4.2	(0.6)	0.4	1.1
2009	(3.5)	(2.4)	(3.3)	(3.2)	(2.0)	(3.2)
2010	3.8	3.3	3.2	3.0	2.0	1.5
2011	4.8	5.4	6.2	2.6	3.1	3.7
2012	4.9	4.8	5.0	2.9	3.2	3.0
2013	(0.9)	0.0	1.1	(1.6)	(1.2)	(0.3)
2014	4.4	4.4	4.4	3.1	2.9	3.0

Note — Real dollars are adjusted for inflation using the national personal consumption expenditures price index and regional price parities.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

The following table indicates the sources of personal income by place of residence for Connecticut and the United States in 2014.

TABLE B-4

Sources of Personal Income By Place of Residence
Calendar Year 2014
(In Millions)

	Conn.	Percent of Total	U.S.	Percent of Total
Wages in Non-manufacturing	$107,570	46.1%	$ 6,696,875	45.6%
Property Income (Div., Rents & Int.)	48,208	20.7	2,728,350	18.6
Wages in Manufacturing	14,570	6.2	780,875	5.3
Transfer Payments less Social Insurance Paid	12,446	5.3	1,370,200	9.3
Other Labor Income	28,186	12.1	1,771,200	12.1
Proprietor's Income	22,313	9.6	1,346,700	9.2
Personal Income — Total	$233,293	100.0%	$14,694,200	100.0%

Note—Columns may not add due to rounding.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

Gross State Product. The State's and the region's economic vitality are evidenced in the rate of growth of their respective Gross State Products. The State's Gross State Product is the current market value of all final goods and services produced by labor and property located within the State.

In 2014, the State produced $253.0 billion worth of goods and services and $232.6 billion worth of goods and services in 2009 chained dollars.

The following table shows the Gross State Product in current dollars for Connecticut, New England, and the United States.

TABLE B-5

Gross State Product
(In Millions)

	Connecticut		New England[a]		United States[b]	
Calendar Year	$	Percent Growth	$	Percent Growth	$	Percent Growth
2005	208,154	4.6	723,205	4.5	13,093,700	6.7
2006	220,994	6.2	758,827	4.9	13,855,900	5.8
2007	235,143	6.4	795,167	4.8	14,477,625	4.5
2008	231,745	(1.4)	799,309	0.5	14,718,575	1.7
2009	227,003	(2.0)	792,927	(0.8)	14,418,725	(2.0)
2010	232,470	2.4	820,973	3.5	14,964,400	3.8
2011	233,960	0.6	840,420	2.4	15,517,925	3.7
2012	239,878	2.5	867,592	3.2	16,155,250	4.1
2013	246,897	2.9	893,812	3.0	16,663,150	3.1
2014	253,036	2.5	924,937	3.5	17,348,075	4.1

(a) Sum of the New England States' Gross State Products.

(b) Denotes the Gross Domestic Product, which is the total market value of all final goods and services produced in the U.S.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

The following table shows the Gross State Product in 2009 chained dollars.

TABLE B-6

Gross State Product
(In Millions of 2009 Chained Dollars*)

Calendar Year	Connecticut $	Connecticut Percent Growth	New England $	New England Percent Growth	United States $	United States Percent Growth
2005	229,384	1.7	792,869	1.5	14,234,250	3.3
2006	236,945	3.3	809,149	2.1	14,613,800	2.7
2007	245,764	3.7	826,135	2.1	14,873,750	1.8
2008	237,279	(3.5)	816,304	(1.2)	14,830,375	(0.3)
2009	227,003	(4.3)	792,927	(2.9)	14,418,750	(2.8)
2010	230,268	1.4	813,638	2.6	14,783,800	2.5
2011	228,186	(0.9)	821,374	1.0	15,020,575	1.6
2012	228,862	0.3	830,157	1.1	15,354,625	2.2
2013	231,176	1.0	839,234	1.1	15,583,325	1.5
2014	232,620	0.6	852,562	1.6	15,961,650	2.4

* 2009 chained dollar series are calculated as the product of the chain-type quantity index and the 2009 current-dollar value of the corresponding series, divided by 100. Figures for the United States represent Gross Domestic Product.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

The table below shows the contribution to Connecticut's Gross State Product of the manufacturing and non-manufacturing sectors in the State's economy. The table shows that in 2014 Connecticut's production was concentrated in four areas: finance, insurance and real estate (FIRE), services, manufacturing and government. Production in these four industries accounted for 77.2% of total production in Connecticut compared to 78.0% in 2007 and 71.1% for the nation in 2014. This demonstrates that Connecticut's economy is more heavily concentrated in a few industries than the nation as a whole and that this concentration has changed little in recent years.

The output contribution of manufacturing, however, has been declining over time as the contributions of FIRE and services have been increasing. The share of production from the manufacturing sector decreased from 15.8% in 2007 to 10.7% in 2014 caused by increased competition with foreign countries and other states. The broadly defined services in the private sector, which excludes industries in agriculture and construction, wholesale and retail trades, but includes industries in information, professional and technical services, health care and education, FIRE, and other services, have increased to 61.3% of the total GSP in 2014 from 57.0% in 2007. The broadly defined services in the private sector increased by 15.7% from 2007 to 2014 compared to 14.1% for the public sector during the comparable period. A stable service sector may 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. Therefore, this shift to the service sectors may serve to smooth output fluctuations.

TABLE B-7

Gross State Product by Industry in Connecticut
(In Millions)

Calendar Year	2007	2008	2009	2010	2011	2012	2013	2014
Sector								
Manufacturing	$ 37,192	$ 36,117	$ 27,790	$ 28,194	$ 26,780	$ 27,126	$ 27,839	$ 27,033
Construction[(a)]	8,479	7,696	7,098	6,747	6,826	7,236	7,596	7,873
Agriculture[(b)]	386	350	313	335	354	332	334	323
Utilities[(c)]	7,588	7,968	7,957	7,880	8,461	7,803	8,392	8,823
Wholesale Trade	12,997	13,484	12,771	13,320	13,424	14,229	14,483	14,750
Retail Trade	11,677	11,386	11,233	11,444	11,804	12,636	12,831	13,220
Information	10,610	11,300	10,676	11,042	10,695	11,080	12,416	12,606
Finance[(d)]	67,302	61,106	67,232	70,234	70,576	71,238	73,044	74,521
Services[(e)]	56,107	58,250	57,710	58,690	60,187	63,412	64,508	67,871
Government	22,806	24,088	24,225	24,585	24,854	24,790	25,455	26,016
Total GSP	$235,143	$231,745	$227,003	$232,471	$233,960	$239,879	$246,898	$253,036

Note—Columns may not add due to rounding.

(a) Includes mining.

(b) Includes forestry and fisheries.

(c) Includes transportation, communications, electric, gas, and sanitary services.

(d) Includes finance, insurance and real estate.

(e) Covers a variety of activities, including professional, business, education, health care and personal services.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

Employment

Non-agricultural employment includes all persons employed except federal military personnel, the self-employed, proprietors, unpaid workers, and farm and household domestic workers. The following table compares non-agricultural establishment employment for Connecticut, New England, and the United States between 2005 and 2014. Connecticut's nonagricultural employment reached a high in March 2008 of 1,713,000 persons employed, but began declining with the onset of the recession falling to 1,593,900 jobs by February 2010, and has since risen to 1,699,700 by November 2015.

TABLE B-8

Non-agricultural Employment[(a)(b)]
(In Thousands)

Calendar Year	Connecticut Employment	Connecticut Percent Growth	New England Employment	New England Percent Growth	United States Employment	United States Percent Growth
2005	1,662.4	0.8%	6,933.1	0.7%	133,996.4	1.7%
2006	1,681.0	1.1	7,001.8	1.0	136,403.3	1.8
2007	1,698.4	1.0	7,064.4	0.9	137,934.8	1.1
2008	1,699.0	0.0	7,065.5	0.0	137,169.3	(0.6)
2009	1,626.2	(4.3)	6,811.0	(3.6)	131,220.4	(4.3)
2010	1,607.9	(1.1)	6,796.0	(0.2)	130,268.6	(0.7)
2011	1,625.3	1.1	6,859.7	0.9	131,843.2	1.2
2012	1,640.8	0.9	6,945.5	1.3	134,098.3	1.7
2013	1,653.7	0.8	7,033.0	1.3	136,393.8	1.7
2014	1,665.7	0.7	7,119.7	1.2	139,023.3	1.9

(a) Non-agricultural employment excludes agricultural workers, proprietors, self-employed individuals, domestic workers, family workers and members of the armed forces.

(b) In March 2009, the Connecticut Department of Labor revised and updated employment statistics back to 2004.

SOURCE: United States Department of Labor, Bureau of Labor Statistics

Composition of Employment. The following table shows the distribution of non-agricultural employment in Connecticut and the United States in 2014. The table shows that Connecticut has a larger share of employment in services, manufacturing, and finance than the nation as a whole.

TABLE B-9

Connecticut Non-agricultural Employment, Calendar Year 2014
(In Thousands)

	Connecticut Total	Connecticut Percent	United States Total	United States Percent
Services[(a)]	750.6	45.1%	60,849.9	43.8%
Trade[(b)]	301.3	18.1	26,376.1	19.0
Manufacturing	159.6	9.6	12,188.2	8.8
Government	237.9	14.3	21,856.9	15.7
Finance[(c)]	128.6	7.7	7,978.0	5.7
Information[(d)]	31.8	1.9	2,740.4	2.0
Construction[(e)]	56.0	3.4	7,033.8	5.1
Total[(f)]	1,665.7	100.0%	139,023.3	100.0%

(a) Covers a considerable variety of activities, including professional, business, education, health care and personal services.

(b) Includes wholesale and retail trade, transportation, and utilities.

(c) Includes finance, insurance, and real estate.

(d) Includes publishing, broadcasting, telecommunications, internet providers, and data processing.

(e) Includes natural resources and mining.

(f) Totals may not equal sum of individual categories due to rounding and seasonal statistical data adjustments.

SOURCE: United States Department of Labor, Bureau of Labor Statistics

Recent trends in the State's non-agricultural employment are reflected in the following table. Throughout the last five decades, while manufacturing employment in Connecticut has been steadily declining, employment in the services industries has surged. In calendar year 2014, approximately 90.4% of the State's workforce was employed in non-manufacturing jobs, up from roughly 50% in the early 1950s.

TABLE B-10

Connecticut Non-agricultural Employment
(Annual Averages In Thousands)

Calendar Year	Manufacturing	Trade[(a)]	Services[(b)]	Government	Finance[(c)]	Information[(d)]	Construction[(e)]	Total Non-agricultural Employment[(f)]
2005	194.8	310.6	666.0	243.8	142.3	38.1	66.7	1,662.4
2006	193.1	311.0	680.8	246.0	144.3	37.9	68.0	1,681.0
2007	190.2	311.8	694.7	249.3	144.6	38.4	69.4	1,698.4
2008	186.6	310.0	702.7	252.5	143.4	37.8	66.1	1,699.0
2009	170.6	293.3	687.0	248.2	137.6	34.3	55.2	1,626.2
2010	164.9	289.8	691.7	244.0	135.2	31.7	50.6	1,607.9
2011	165.6	292.9	708.0	240.4	135.0	31.4	52.1	1,625.3
2012	164.1	295.8	725.3	238.9	133.2	31.3	52.2	1,640.8
2013	162.6	298.4	737.4	238.2	130.7	32.0	54.3	1,653.7
2014	159.6	301.3	750.6	237.9	128.6	31.8	56.0	1,665.7

(a) Includes wholesale and retail trade, transportation, and utilities.
(b) Covers a considerable variety of activities, including professional, business, education, health care and personal services.
(c) Includes finance, insurance, and real estate.
(d) Includes publishing, broadcasting, telecommunications, internet providers, and data processing.
(e) Includes natural resources and mining.
(f) Totals may not equal sum of individual categories due to rounding and seasonal statistical adjustments.

SOURCE: United States Department of Labor, Bureau of Labor Statistics, Connecticut Labor Department

Manufacturing

The manufacturing industry, despite its continuing downward employment trend over the past five decades, has traditionally served as an economic base industry and has been of prime economic importance to Connecticut. Based on the level of personal income derived from this sector, Connecticut ranked 20th in the nation for its dependency on manufacturing wages in Fiscal Year 2015. The following table provides a ten-year historical picture of manufacturing employment in Connecticut, the New England region and the United States. This downward movement in manufacturing employment levels is also reflected in the New England region and the nation. The transformation in the State's manufacturing base confirms that the State's employment share in the manufacturing sector is converging to the national average. In calendar year 2014 approximately 9.6% of the State's workforce, versus 8.8% for the nation, was employed in the manufacturing sector, down from roughly 50% in the early 1950s.

TABLE B-11

Manufacturing Employment
(In Thousands)

Calendar Year	Connecticut Number	Connecticut Percent Growth	New England Number	New England Percent Growth	United States Number	United States Percent Growth
2005	194.8	(1.1)%	733.5	(1.8)%	14,225.7	(0.6)%
2006	193.1	(0.9)	720.2	(1.8)	14,156.5	(0.5)
2007	190.2	(1.5)	708.8	(1.6)	13,877.8	(2.0)
2008	186.6	(1.9)	690.6	(2.6)	13,403.4	(3.4)
2009	170.6	(8.6)	622.9	(9.8)	11,847.8	(11.6)
2010	164.9	(3.3)	605.4	(2.8)	11,528.7	(2.7)
2011	165.6	0.4	606.6	0.2	11,725.4	1.7
2012	164.1	(0.9)	604.5	(0.3)	11,925.8	1.7
2013	162.6	(0.9)	601.7	(0.5)	12,018.3	0.8
2014	159.6	(1.8)	598.4	(0.5)	12,188.2	1.4

SOURCE: United States Department of Labor, Bureau of Labor Statistics, Connecticut State Labor Department

Connecticut has a diverse manufacturing sector, with the construction of transportation equipment (primarily aircraft engines and submarines) being the dominant industry. The State is also a leading producer of military and civilian helicopters. Employment in the transportation equipment sector is followed by fabricated metals, machinery, and computer and electronics for the total number employed in 2014.

TABLE B-12

Manufacturing Employment
By Industry
(In Thousands)

Calendar Year	Transportation Equipment	Fabricated Metals	Computer & Electronics	Machinery	Other[(a)]	Total Manufacturing Employment [(b)]
2005	43.5	33.7	15.0	18.1	84.5	194.8
2006	43.6	33.8	14.4	18.1	83.2	193.1
2007	43.6	33.4	14.1	18.2	81.0	190.2
2008	44.3	33.1	14.2	17.7	77.2	186.6
2009	43.1	29.4	13.4	16.0	68.6	170.6
2010	42.2	28.1	13.3	15.0	66.3	164.9
2011	42.2	28.6	13.4	14.8	66.6	165.6
2012	42.0	29.3	13.0	14.5	65.3	164.1
2013	41.4	30.0	12.8	14.1	64.2	162.6
2014	40.1	29.8	12.5	13.9	63.2	159.6

(a) Includes other industries such as wood products, furniture, glass/stone, primary metals, and instruments in the durable sector, as well as all industries such as chemicals, paper, and plastics in the nondurable sector.

(b) Totals may not equal sum of individual categories due to rounding and seasonal statistical adjustments.

SOURCE: United States Department of Labor, Bureau of Labor Statistics

During the past ten years, Connecticut's manufacturing employment was at its highest in 2005 at 194,842 workers. Since that year, employment in manufacturing continued on a downward trend. A number of factors, such as heightened foreign competition, outsourcing to offshore locations, and improved productivity played a significant role in affecting the overall level of manufacturing employment. Total manufacturing jobs in Connecticut continued to decline to a recent low of 159,625 in 2014. The total number of manufacturing jobs dropped 35,217, or 18.1%, from its decade high in 2005.

Exports. In Connecticut, the export sector of manufacturing is an important component of the overall economy. According to figures published by the United States Census Bureau Foreign Trade Division, compiled by the World Institute for Strategic Economic Research, exports of manufacturing products registered at $15.9 billion in 2014, accounting for 6.3% of Gross State Product. From 2010 to 2014, the State's export of goods grew at an average compound annual rate of 0.0% versus 0.6% for the Gross State Product. The following table shows the growth in exports of manufacturing products.

TABLE B-13

Exports Originating in Connecticut
(In Millions)

	Calendar Year					Percent of 2014	Compound Annual Growth Rate
	2010	**2011**	**2012**	**2013**	**2014**	**Total**	**2010-2014**
A. Manufacturing Products							
Transportation Equipment	$ 6,989.3	$ 6,878.6	$ 7,199.0	$ 8,030.9	$ 7,312.7	45.9%	1.1%
Computer & Electronics	1,307.6	1,444.4	1,409.2	1,287.7	1,267.6	8.0	(0.6)
Machinery, Except Electronics	1,545.0	1,858.9	1,846.0	1,855.6	2,074.4	13.0	5.0
Fabricated Metal Production	615.5	674.8	680.6	710.5	732.6	4.6	2.5
Chemicals	922.1	914.7	1,026.2	994.8	970.7	6.1	0.6
Misc. Manufacturing	252.7	240.6	271.0	306.2	341.9	2.1	3.4
Electrical Equipment	604.2	742.5	752.6	762.6	1,013.4	6.4	5.3
Plastics & Rubber	254.7	311.3	265.7	233.7	234.2	1.5	(0.8)
Paper	181.7	176.9	148.4	143.5	142.9	0.9	(2.0)
Primary Metal Mfg.	534.6	569.1	703.5	647.1	639.4	4.0	1.4
Others	2,821.2	2,421.0	1,569.6	1,451.1	1,211.4	7.6	(5.9)
Total	$16,028.8	$16,232.8	$15,871.7	$16,423.6	$15,941.2	100.0%	0.0%
% Growth	14.7%	1.3%	(2.2)%	3.5%	(2.9)%		
B. Gross State Product[(a)]	$ 232,471	$ 233,960	$ 239,879	$ 246,898	$ 253,036		0.6%
Mfg Exports as a % of GSP	6.9%	6.9%	6.6%	6.7%	6.3%		6.7%[(b)]

(a) In millions
(b) Arithmetic mean of 2010-2014 values.

SOURCE: United States Census Bureau Foreign Trade Division
World Institute for Strategic Economic Research

Defense Industry. One important component of the manufacturing sector in Connecticut is the defense industry. Approximately one quarter of the State's manufacturing employees are employed in defense related business. Nonetheless, this sector's significance in the State's economy has declined considerably since the early 1980s. Connecticut had witnessed a marked reduction in the amount of federal spending earmarked for defense related industries in the State; however, these amounts have been climbing most years since federal fiscal year 2002. In federal Fiscal Year 2014 Connecticut received $13.2 billion of prime contract awards. These total awards accounted for 5.1% of national total awards and ranked fourth in total defense dollars awarded and second in per capita dollars awarded among the 50 states. In federal Fiscal Year 2014, Connecticut had $3,672 in per capita defense awards, compared to the national average of $817. As measured by a three year moving average of defense contract awards as a percent of Gross State Product, awards to Connecticut-based firms were 4.8% of Gross State Product in Fiscal Year 2014.

Connecticut is a leading producer of aircraft engines and parts, submarines, and helicopters. The largest employers in these industries are United Technologies Corporation, including its Pratt and Whitney Aircraft Division with headquarters in East Hartford, and General Dynamics Corporation's Electric Boat Division in Groton.

The following table provides a historical perspective of defense contract awards for the past ten fiscal years. Defense contracts are awarded in their entirety and multi-year awards are credited in the year they are awarded, thus giving rise to some of the fluctuation.

TABLE B-14

Defense Contract Awards

Federal Fiscal Year	Connecticut Total Contract Award (Thousands)	Connecticut Rank Among States Total Awards	Percent Change from Prior Year	
			Connecticut	U.S.
2005	$8,981,848	7th	1.7%	16.2%
2006	7,664,577	10th	(14.7)	9.5
2007	8,616,669	12th	12.4	14.0
2008	12,226,104	9th	41.9	18.7
2009	11,851,941	9th	(3.1)	(6.7)
2010	11,238,749	8th	(5.2)	(2.4)
2011	12,491,319	7th	11.1	1.9
2012	12,750,053	7th	2.1	(3.5)
2013	10,036,197	8th	(21.3)	(15.5)
2014	13,207,822	4th	31.6	(2.9)

SOURCE: United States Department of Defense

Non-manufacturing. The non-manufacturing sector is comprised of industries that primarily provide services. Services differ significantly from manufactured goods in that the output is generally intangible, it is produced and consumed concurrently, and it cannot be inventoried. Consumer demand for services is not as postponable as the purchase of goods, making the flow of demand for services more stable. An economy will therefore generally become more stable as it becomes more service oriented. Over the past several decades the non-manufacturing sector of the State's economy has risen in economic importance, from just over 50% of total State employment in 1950 to approximately 90.4% by 2014. This trend has diluted the State's dependence on manufacturing. From 2005 to 2014, Connecticut had a total gain of 3,400 jobs in non-agricultural employment. During this period total non-manufacturing jobs increased by 38,600, while manufacturing jobs declined by 35,200.

The table below provides a ten year profile of non-manufacturing employment in Connecticut, New England and the United States.

TABLE B-15

Non-manufacturing Employment
(In Thousands)

	Connecticut		New England		United States	
Calendar Year	Number	Percent Growth	Number	Percent Growth	Number	Percent Growth
2005	1,467.5	1.0%	6,199.5	1.0%	119,770.8	2.0%
2006	1,488.0	1.4	6,281.5	1.3	122,246.8	2.1
2007	1,508.2	1.4	6,355.6	1.2	124,057.0	1.5
2008	1,512.5	0.3	6,374.9	0.3	123,765.8	(0.2)
2009	1,455.6	(3.8)	6,188.1	(2.9)	119,372.6	(3.5)
2010	1,443.0	(0.9)	6,190.6	0.0	118,739.9	(0.5)
2011	1,459.7	1.2	6,253.1	1.0	120,117.8	1.2
2012	1,476.6	1.2	6,341.0	1.4	122,172.4	1.7
2013	1,491.1	1.0	6,431.3	1.4	124,375.5	1.8
2014	1,506.1	1.0	6,521.2	1.4	126,835.1	2.0

SOURCE: United States Department of Labor, Bureau of Labor Statistics
Connecticut State Labor Department

Services, retail and wholesale trade, state and local government, as well as finance, insurance, and real estate (FIRE), collectively comprise approximately 93% of the State's employment in the non-manufacturing sector. Connecticut non-manufacturing employment for 2005, 2012, 2013 and 2014 is shown in the table below. Total non-manufacturing employment has been broken down by industry. Percent changes over the year and over the decade are also provided. Between 2005 and 2014, employment in the service industry expanded by 84,600 workers driving an increase of 38,600 non-manufacturing jobs, amid a time when all other non-manufacturing jobs registered a decrease in jobs. Without the service sector, total non-manufacturing employment would have declined by 46,000 jobs.

TABLE B-16

Connecticut Non-manufacturing Employment By Industry
(In Thousands)

Industry	Calendar Year 2005	Calendar Year 2012	Calendar Year 2013	Calendar Year 2014	Percent Change 2013-14	Percent Change 2005-14
Construction[a]	66.7	52.2	54.3	56.0	3.1%	(16.0)%
Information[b]	38.1	31.3	32.0	31.8	(0.6)	(16.5)
Trade[c]	310.6	295.8	298.4	301.3	0.9	(3.0)
Finance, Insurance & Real Estate	142.3	133.2	130.7	128.6	(1.6)	(9.6)
Services[d]	666.0	725.3	737.4	750.6	1.8	12.7
Federal Government	19.8	17.6	17.3	17.4	0.6	(12.2)
State and Local Government	224.0	221.2	220.9	220.4	(0.2)	(1.6)
Total Non-manufacturing Employment[d]	1,467.5	1,476.7	1,491.1	1,506.1	1.0%	2.6%

(a) Includes natural resources and mining.

(b) Covers a considerable variety of activities, including professional, business, education, health care and personal services.

(c) Includes wholesale & retail trade, transportation, and utilities.

(d) Totals may not agree with detail due to rounding and seasonal statistical data adjustments.

SOURCE: Connecticut State Labor Department

Retail Trade. Personal spending on goods and services generally accounts for over two-thirds of the Gross Domestic Product. Approximately half of personal spending is generally done through retail stores. At the State level, retail trade therefore constitutes approximately one third of the State's economic activity, measured by Gross State Product. During the last decade, variations in retail trade closely matched variations in Gross State Product growth, making retail trade an important barometer of economic health.

The following table shows the major group in each North American Industry Classification System (NAICS) code as well as the State's retail trade history for the past five fiscal years. Connecticut retail trade in Fiscal Year 2015 totaled $54.8 billion, an increase of 1.1% from Fiscal Year 2014. Sales in the durable goods category, which were severely impacted during the recession, registered three consecutive yearly declines before beginning to recover in Fiscal Year 2011 and accelerating further through Fiscal Year 2015. Durable goods are mostly big ticket items such as appliances, furnishings, and automobiles.

TABLE B-17

Retail Trade In Connecticut[a]
(In Millions)

NAICS		Fiscal Year 2011	Percent of Fiscal Year 2011 Total	Fiscal Year 2012	Percent of Fiscal Year 2012 Total	Fiscal Year 2013	Percent of Fiscal Year 2013 Total	Fiscal Year 2014	Percent of Fiscal Year 2014 Total	Fiscal Year 2015	Percent of Fiscal Year 2015 Total	Compound Annual Growth Rate 2011-2015
441	Motor Vehicle and Parts Dealers	$ 7,610	15.4%	$ 7,996	15.0%	$ 8,393	16.0%	$9,099	16.8%	$ 9,585	17.5%	5.9%
442	Furniture and Home Furnishings Stores	1,221	2.5	1,182	2.2	1,205	2.3	1,253	2.3	1,306	2.4	1.6
443	Electronics and Appliance Stores	1,582	3.2	1,748	3.3	1,620	3.1	1,641	3.0	1,653	3.0	0.3
444	Building Material and Garden Supply Stores	2,845	5.8	3,023	5.7	3,028	5.8	3,161	5.8	2,828	5.2	(1.0)
445	Food and Beverage Stores[b]	10,222	20.7	10,799	20.3	11,102	21.2	11,184	20.6	10,743	19.6	(0.4)
446	Health and Personal Care Stores	5,066	10.2	4,667	8.8	4,413	8.4	4,715	8.7	4,848	8.8	1.0
447	Gasoline Stations	3,426	6.9	3,788	7.1	3,790	7.2	3,774	7.0	3,330	6.1	(1.3)
448	Clothing and Clothing Accessories Stores	2,739	5.5	2,827	5.3	2,920	5.6	2,946	5.4	2,993	5.5	0.2
451	Sporting Goods, Hobby, Book and Music Stores	1,013	2.0	979	1.8	1,071	2.0	1,055	1.9	1,055	1.9	(0.1)
452	General Merchandise Stores	5,275	10.7	5,376	10.1	5,439	10.4	5,381	9.9	5,509	10.1	0.1
453	Miscellaneous Store Retailers	4,757	9.6	5,016	9.4	5,163	9.8	5,053	9.3	5,740	10.5	0.8
454	Nonstore Retailers	3,677	7.4	5,809	10.9	4,343	8.3	4,956	9.1	5,208	9.5	1.2
	Total[a]	$49,433	100.0%	$53,209	100.0%	$52,485	100.0%	$54,217	100.0%	$54,796	100.0%	0.3%
Durables (NAICS 441, 442, 443, 444)		$13,258	26.8%	$13,949	26.2%	$14,244	27.1%	$15,154	28.0%	$15,372	28.1%	0.5%
Non Durables (all other NAICS)		$36,175	73.2%	$39,260	73.8%	$38,241	72.9%	$39,063	72.0%	$39,424	71.9%	0.2%

(a) Totals may not agree with detail due to rounding.

SOURCE: Connecticut Department of Revenue Services

Unemployment Rates. The unemployment rate is the proportion of persons in the civilian labor force who do not have jobs but are actively looking for work. Unemployment rates tend to be high during economic slowdowns and low when the economy is expanding. The rate is widely utilized as a proxy for consumer confidence. In general, when the unemployment rate is high consumer spending is lower and vice versa.

After enjoying an extraordinary boom during the late 1990s, Connecticut, as well as the rest of the Northeast and the Nation, experienced an economic slowdown during the recession of the early 2000s. The unemployment rate in the State reached its low of 2.4% in 2000, compared to New England's average of 2.8% and the national average of 4.0%. After climbing to 5.4% in 2003, Connecticut's unemployment rate declined to 4.3% by 2006, but climbed during the most recent recession to 9.1% in 2010. During the subsequent weak economic recovery, Connecticut's average unemployment rate fell to 5.7% in 2015 (on a preliminary basis) compared to the New England average of 4.9% (preliminary) and the national average of 5.3% for the same period.

The following table compares the unemployment rate averages of Connecticut, New England, and the United States for the calendar years 2006 through 2015.

TABLE B-18

Unemployment Rate

Calendar Year	Unemployment Rate		
	Connecticut	New England	United States
2006	4.3%	4.5%	4.6%
2007	4.5	4.5	4.6
2008	5.7	5.6	5.8
2009	8.1	8.2	9.3
2010	9.1	8.3	9.6
2011	8.8	7.7	8.9
2012	8.3	7.2	8.1
2013	7.6	6.8	7.4
2014	6.6	5.8	6.2
2015[(a)]	5.7	4.9	5.3

(a) On a preliminary basis.
No assurances can be provided that such rates will not change.

SOURCE: Connecticut State Labor Department
Federal Reserve Bank of Boston
United States Department of Labor, Bureau of Labor Statistics

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APPENDIX III-C

STATE OF CONNECTICUT
OFFICE OF THE STATE COMPTROLLER
55 ELM STREET
HARTFORD, CONNECTICUT
06106-1775

Kevin Lembo
State Comptroller

Martha Carlson
Deputy Comptroller

January 29, 2016

The Honorable Denise L. Nappier
State Treasurer
55 Elm Street
Hartford, CT 06106

Dear Ms. Nappier

I have reviewed the accompanying general purpose financial statements of the State of Connecticut for the Fiscal Year ended June 30, 2015. The statements and the subsequent Independent Auditors' Report are incorporated within the Comprehensive Annual Report of the State of Connecticut, which is prepared by my office using the guidance of generally accepted accounting principles.

Sincerely,

Kevin Lembo
State Comptroller

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

JOHN C. GERAGOSIAN

ROBERT M. WARD

INDEPENDENT AUDITORS' REPORT

Governor Dannel P. Malloy
Members of the General Assembly

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Connecticut as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the state's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We did not audit:

Government-wide Financial Statements

- the financial statements of the Special Transportation Fund account within the Transportation Fund and the Transportation Special Tax Obligations account within the Debt Service Fund, which in the aggregate, represent six percent of the assets, two percent of the net position and eight percent of the revenues of the Governmental Activities;
- the financial statements of the John Dempsey Hospital account within the University of Connecticut and Health Center, the Connecticut State University System, Connecticut Community Colleges, Connecticut Airport Authority, Bradley International Airport Parking Facility, and the Federal accounts for the Clean Water Fund and Drinking Water Fund, which in the aggregate, represent 58 percent of the assets, 32 percent of the net position and 32 percent of the revenues of the Business Type Activities;
- the financial statements of the discretely presented component units;

Fund Financial Statements

- the financial statements of the Special Transportation Fund account, which represents 97 percent of the assets and 96 percent of the revenues of the Transportation Fund;
- the financial statements of the Transportation Special Tax Obligations account, which represents 100 percent of the assets and 100 percent of the revenues of the Debt Service Fund;
- the financial statements of the John Dempsey Hospital account within the University of Connecticut and Health Center, the Connecticut State University System, the Connecticut Community Colleges, Bradley International Airport Parking Facility, and the federal accounts for the Clean Water Fund and Drinking Water Fund, which in the aggregate, represent 58 percent of the assets, 32 percent of the net position and 32 percent of the revenues of the Enterprise Funds;

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned funds and accounts, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. In addition, the financial statements of the Special Transportation Fund, Transportation Special Tax Obligations Fund, Drinking Water Fund, Clean Water Fund, Connecticut Airport Authority, Capital Region Development Authority, Connecticut Lottery Corporation, Materials Innovation and Recycling Authority, Connecticut Health and Educational Facilities Authority, Connecticut Health Insurance Exchange, Connecticut Housing Finance Authority, Connecticut Innovations Incorporated and the Connecticut Green Bank were audited by other auditors in accordance with standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. The audits of the financial statements of the Bradley International Airport Parking Facility, John Dempsey Hospital, Connecticut State University System, Connecticut Community Colleges and the University of Connecticut Foundation and University of Connecticut Law School Foundation were not conducted in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, for the State of Connecticut, as of June 30, 2015, and the respective budgetary comparison for the General Fund and the Transportation Fund, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 23 and 25 to the basic financial statements, in the 2015 fiscal year the State of Connecticut adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement revises accounting and financial reporting for pensions by state and local government employers. As a result of the implementation of GASB Statement No. 68 the State reported a restatement for a change in accounting principle by a net reduction of its beginning net position for governmental funds totaling $25,552,318,000. The amounts reported for ending net position reflect the newly required net pension assets, deferred outflows of resources, net pension liabilities, and deferred inflows of resources related to the State's participation in defined benefit retirement systems. Our opinions are not modified in respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules, the pension plans schedules and information and the other post-employment benefits schedule, as listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the course of our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Connecticut's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the financial statements taken as a whole.

The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2016, on our consideration of the State of Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report will be issued under separate cover in the *Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters for the Fiscal Year Ended June 30, 2015, State of Connecticut Comprehensive Annual Financial Report* and is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

John C. Geragosian
Auditor of Public Accounts

Robert M Ward

Robert M. Ward
Auditor of Public Accounts

January 29, 2016
State Capitol
Hartford, Connecticut

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MANAGEMENT'S DISCUSSION AND ANALYSIS (MDA)

The following is a discussion and analysis of the State's financial performance and condition providing an overview of the State's activities for the fiscal year ended June 30, 2015. The information provided here should be read in conjunction with the letter of transmittal and in the basic financial statements.

FINANCIAL HIGHLIGHTS

Government-wide:
The primary government's liabilities and deferred inflows of resources exeeeded assets and deferred outflows of resources by $38.1 billion (reported as net position deficit). Of this amount, $46.8 billion reported as unrestricted net position deficit while $11.5 billion is restricted for specific uses or invested in capital assets.

Net position deficit of governmental activities decreased by $2.1 billion and net position of business-type activities increased by $718.2 million. Component units reported an increase of $111.4 million from June 30, 2014.

As a result of implementing GASB Statement 68, *Accounting and Financial Reporting for Pensions,* the State recorded $2,360.8 billion deferred outflows of resources, $24,568.3 billion net pension liability, and $1,423.3 billion deferred inflows of resources for the primary government. As explained in Note 22 this was the primary reason for a $25.6 billion adjustment to the beginning unrestricted net position in fiscal year 2015.

Fund:
The governmental funds reported combined ending fund balance of $2.1 billion, an increase of $0.1 million in comparison with the prior year. Of this total fund balance, $190.5 million represents nonspendable fund balance, $2.1 billion represents restricted fund balance, $585.5 million represents committed fund balance, and $22.3 million represents assigned fund balance. A negative $801.9 million unassigned fund balance offsets these amounts. This deficit, which belongs primarily to the General Fund, increased by $66.9 million during the fiscal year.

The State's stabilization account, the General Fund Budget Reserve Account (Rainy Day Fund) ended the fiscal year with a balance of $406.0 million.

The Enterprise funds reported net position of $5.5 billion at year-end, an increase of $718.2 million during the year, substantially all of which was invested in capital assets or restricted for specific purposes.

Long–Term Debt:
Total long-term debt was $57.3 billion for governmental activities at year-end, of which $22.4 billion was bonded debt.

Total long-term debt was $2.1 billion for business-type activities at year-end, of which $1.6 billion was bonded debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State's basic financial statements. The State's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information to provide additional support to the basic financial statements.

Government-wide Financial Statements:
The government-wide financial statements are designed to provide readers with a broad overview of the State's finances, in a manner similar to a private-sector business. All revenues and expenses are recognized regardless of when cash is received or spent, and all assets, deferred outflows of resources, liabilities and deferred inflows of

resources, including capital assets and long-term debt, are reported at the entity level. The government-wide statements report the State's net position and changes in net position. Over time, increases and decreases in net position measure whether the State's overall financial condition is getting better or worse. Non-financial factors such as the State's economic outlook, changes in its demographics, and the condition of capital assets and infrastructure should also be considered when evaluating the State's overall condition.

The statement of net position presents information on all of the State's assets and deferred outflows of resources, and liabilities and deferred inflows of resources with the difference between all reported as net position. Net position is displayed in three components – net investment in capital assets; restricted; and unrestricted.

The statement of activities presents information showing how the State's net position changed during fiscal year 2015. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both the Statement of Net Position and Statement of Activities report three separate activities. These activities are described as follows:

- **Governmental Activities** – The State's basic services fall under this activity including legislative, general government, regulation and protection, conservation and development, health and hospital, transportation, human services, education, corrections, and judicial. Taxes and intergovernmental revenues are major funding sources for these programs.

- **Business-type Activities** – The State operates certain activities much like private-sector companies by charging fees to cover all or most of the costs of providing goods and services. The major business-type activities of the State include the University of Connecticut and Health Center, State Universities, Connecticut Community Colleges, Employment Security Fund, and Clean Water Fund.

- **Discretely Presented Component Units** – A number of entities are legally separate from the State, yet the State remains financially accountable for them. The major component units of the State are Connecticut Housing Finance Authority, Connecticut Lottery Corporation, and Connecticut Airport Authority.

Fund Financial Statements:

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the State can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Each of these categories uses different accounting approaches. Fund financial statements begin on page 36.

- **Governmental Funds** – Most of the State's basic services are accounted for in governmental funds and are essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental funds use the modified accrual basis of accounting, which measures the flow of current financial resources that can be converted to cash and the balances left at year-end that are available for future spending. This short-term view of the State's financial position helps determine whether the State has sufficient resources to cover expenditures for its basic services in the near future.

  Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the State's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate the comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The State reports five individual governmental funds. Information is presented separately in the governmental fund statements for the General Fund, Debt Service Fund, Transportation Fund, Restricted

Grants and Accounts Fund, and Grants and Loan Programs Fund, all of which are considered major funds. Data from the other eighteen governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the combining statements immediately following the required supplementary information.

- **Proprietary Funds** – Proprietary funds include enterprise funds and internal service funds and account for activities that operate more like private-sector businesses and use the full accrual basis of accounting. Enterprise funds charge fees for services provided to outside customers. Enterprise funds are reported as business-type activities on the government-wide financial statements. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the State's various functions. The State uses Internal Service funds to account for correction industries, information technology, and administrative services. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

  The State reports five individual proprietary funds. Information is presented separately in the proprietary fund statements for the University of Connecticut and Health Center, State Universities, Connecticut Community Colleges, Employment Security, and Clean Water all of which are considered major funds. Data from the other enterprise funds is combined into a single, aggregated presentation. Individual fund data for all nonmajor proprietary funds is provided in the combining statements immediately following the required supplementary information.

- **Fiduciary Funds** – Fiduciary funds account for resources held by the State in a trustee or agency capacity for others. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the State's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position.

- **Component Units** – The government-wide financial statements report information for all component units into a single, aggregated presentation. Information is provided separately in the component unit fund statements for the Connecticut Housing Finance Authority, Connecticut Lottery, and Connecticut Airport Authority. Data from the other component units is combined into a single, aggregated presentation. Individual fund data for all other nonmajor component units is provided in the combining statements immediately following the required supplementary information.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the component unit fund financial statements.

Required Supplementary Information (RSI)

Following the basic financial statements are budgetary comparison schedules for major and nonmajor funds with legally adopted budgets. In addition, within the RSI there is a reconciliation schedule for budgetary vs. GAAP basis of accounting. The RSI also includes information regarding the State's funding progress and employer contributions for pension and other postemployment benefits, and change in employers' net pension liability.

Other Information

The combining financial statements for the State's nonmajor governmental, nonmajor enterprise, nonmajor fiduciary funds, and nonmajor discretely presented component units. This also includes the statistical section, which provides up to ten years of financial, economic, and demographic information.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

NET POSITION

The combined net position deficit of the State decreased $2.7 billion or 6.6 percent. In comparison, last year the combined net position deficit increased $1.8 billion or 16.9 percent.

State Of Connecticut's Net Position
(Expressed in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014*	2015	2014	2015	2014
ASSETS						
Current and Other Assets	$ 4,566	$ 4,274	$ 4,104	$ 3,753	$ 8,670	$ 8,027
Capital Assets	13,031	12,540	4,151	3,781	17,182	16,321
Total Assets	17,597	16,814	8,255	7,534	25,852	24,348
Deferred Outflows of Resources	2,461	99	16	21	2,477	120
LIABILITIES						
Current Liabilities	4,149	3,665	829	728	4,978	4,393
Long-term Liabilities	55,311	56,031	1,926	2,029	57,237	58,060
Total Liabilities	59,460	59,696	2,755	2,757	62,215	62,453
Deferred Inflows of Resources	1,423	-	17	17	1,440	17
NET POSITION						
Net Investment in Capital Assets	4,958	5,777	3,449	3,169	8,407	8,946
Restricted	1,885	1,795	1,154	1,068	3,039	2,863
Unrestricted	(47,668)	(50,494)	896	544	(46,772)	(49,950)
Total Net Position (Deficit)	$ (40,825)	$ (42,922)	$ 5,499	$ 4,781	$ (35,326)	$ (38,141)

*Restated for comparative purposes

The net position deficit of the State's governmental activities decreased $2.1 billion (4.9 percent) to $40.8 billion during the current fiscal year. As a result of implementing GASB Statement 68, *Accounting and Financial Reporting for Pensions*, the State recorded $2,360.8 billion deferred outflows of resources, $24,568.3 billion net pension liability, and $1,423.3 billion deferred inflows of resources for the primary government.

Total invested in capital assets net of related debt was $5.0 billion (buildings, roads, bridges, etc.) and $1.9 billion was restricted for specific purposes, resulting in an unrestricted net position deficit of $47.7 billion. This deficit is the result of having long-term obligations that are greater than currently available resources. The State has recorded the following outstanding long-term obligations which contributed to the deficit; a) general obligation bonds issued in the amount of $9.5 billion to finance various municipal grant programs (e.g., school construction) and $2.2 billion issued to finance a contribution to a pension trust fund, and b) other long-term obligations in the amount of $36.5 billion, which are partially funded or not funded by the State (e.g., net pension liability and OPEB obligations and compensated absences).

Net position of the State's business-type activities increased $718.2 million (15.0 percent) to $5.5 billion during the current fiscal year. Of this amount, $3.4 billion was invested in capital assets and $1.2 billion was restricted for specific purposes, resulting in unrestricted net positions of $0.9 billion. These resources cannot be used to make up for the net position deficit of the State's governmental activities. The State can only use these net positions to finance the ongoing operations of its Enterprise funds (such as the University of Connecticut and Health Center and others).

CHANGE IN NET POSITION

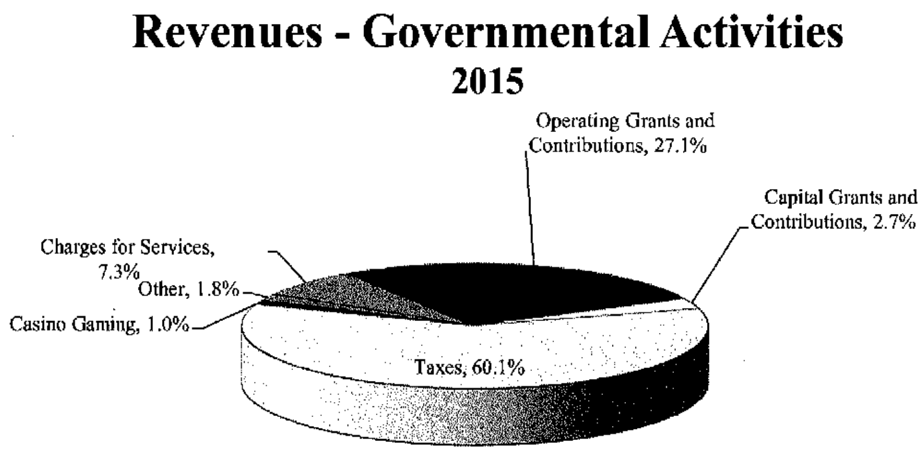
Changes in net position for the years ended June 30, 2015 and 2014 were as follows:

State of Connecticut's Changes in Net Position
(Expressed in Millions)

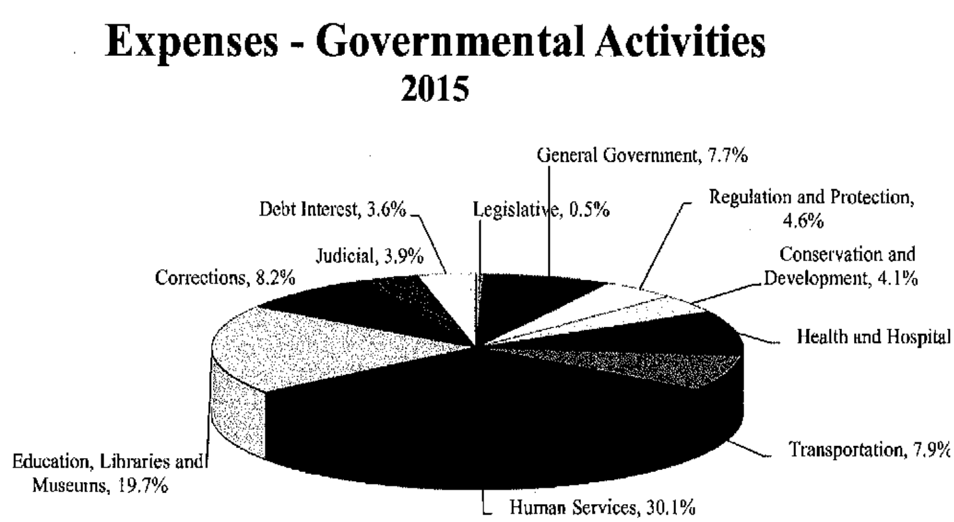
	Governmental Activities		Business-Type Activities		Total		% change
	2015	2014*	2015	2014	2015	2014*	15-14
REVENUES							
Program Revenues							
Charges for Services	$ 1,902	$ 1,726	$ 2,600	$ 2,546	$ 4,502	$ 4,272	5.4%
Operating Grants and Contributions	7,096	6,497	676	780	7,772	7,277	6.8%
Capital Grants and Contributions	717	610	33	28	750	638	17.6%
General Revenues							
Taxes	15,707	15,257	-	-	15,707	15,257	2.9%
Casino Gaming Payments	268	280	-	-	268	280	-4.3%
Lottery Tickets	320	320	-	-	320	320	0.0%
Other	141	224	12	13	153	237	-35.4%
Total Revenues	26,151	24,914	3,321	3,367	29,472	28,281	4.2%
EXPENSES							
Legislative	108	123	-	-	108	123	-12.2%
General Government	1,713	2,060	-	-	1,713	2,060	-16.8%
Regulation and Protection	1,028	905	-	-	1,028	905	13.6%
Conservation and Development	922	997	-	-	922	997	-7.5%
Health and Hospital	2,172	2,624	-	-	2,172	2,624	-17.2%
Transportation	1,762	1,985	-	-	1,762	1,985	-11.2%
Human Services	6,736	8,273	-	-	6,736	8,273	-18.6%
Education, Libraries, and Museums	4,396	4,638	-	-	4,396	4,638	-5.2%
Corrections	1,820	2,143	-	-	1,820	2,143	-15.1%
Judicial	874	1,005	-	-	874	1,005	-13.0%
Interest and Fiscal Charges	797	922	-	-	797	922	-13.6%
University of Connecticut & Health Center	-	-	2,155	2,050	2,155	2,050	5.1%
State Universities	-	-	781	716	781	716	9.1%
Connecticut Community Colleges	-	-	538	514	538	514	4.7%
Employment Security	-	-	751	1,060	751	1,060	-29.2%
Clean Water	-	-	35	40	35	40	-12.5%
Other	-	-	69	73	69	73	-5.5%
Total Expenses	22,328	25,675	4,329	4,453	26,657	30,128	-11.5%
Excess (Deficiency) Before Transfers	3,823	(761)	(1,008)	(1,086)	2,815	(1,847)	
Transfers	(1,726)	(1,548)	1,726	1,548	-	-	
Special Item	-	31	-	-	-	31	
Increase (Decrease) in Net Position	2,097	(2,278)	718	462	2,815	(1,816)	
Net Position (Deficit) - Beginning (as restated)	(42,922)	(40,644)	4,781	4,319	(38,141)	(36,325)	
Net Position (Deficit) - Ending	(40,825)	(42,922)	5,499	4,781	(35,326)	(38,141)	-7.4%

*Restated for comparative purposes

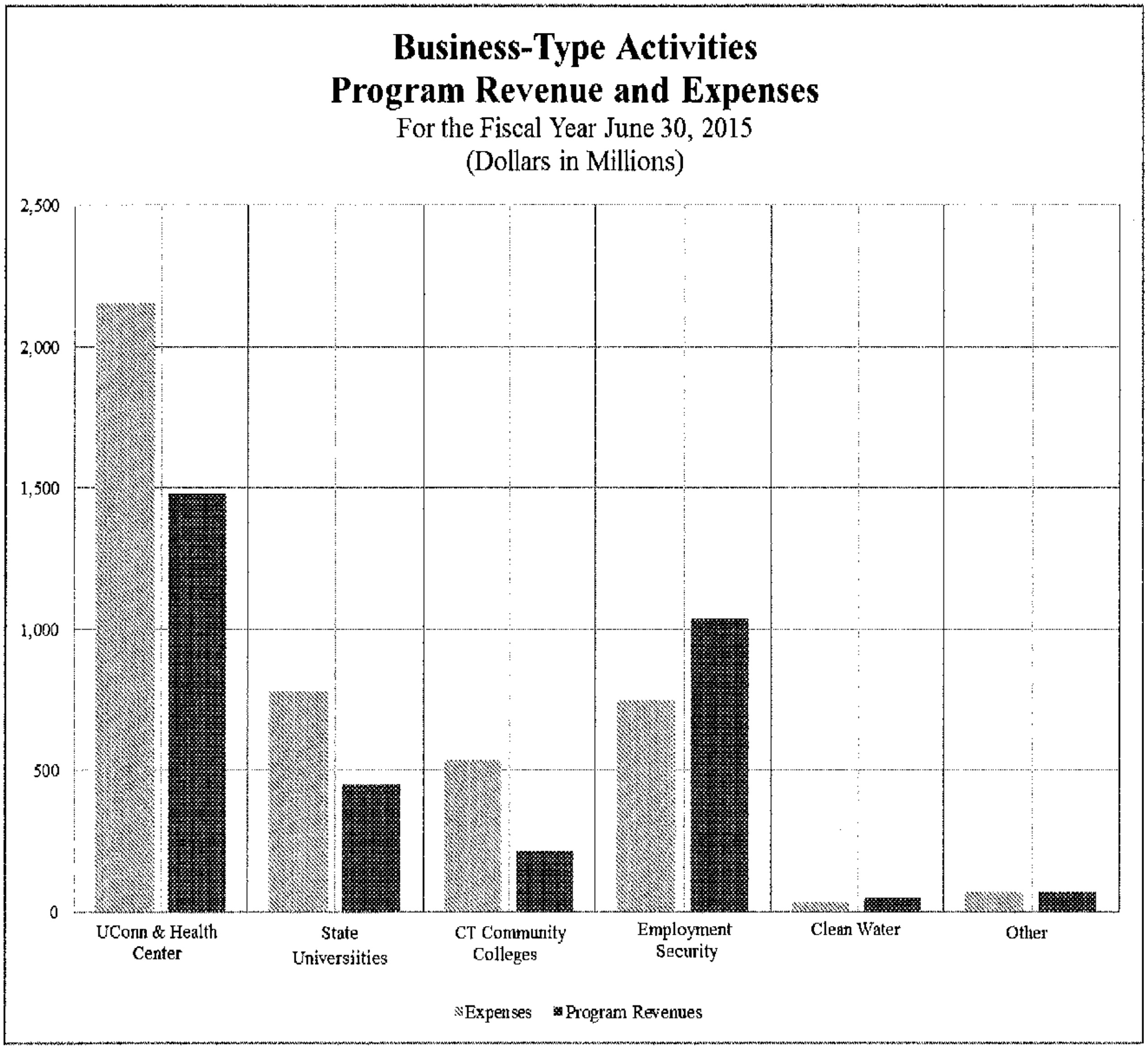
GOVERNMENTAL ACTIVITIES
The following graph is a representation of the Statement of Activities revenues for governmental activities. Governmental activities revenues increased by $1.2 billion, or 5.0 percent. This increase is primarily due to an increase of $599 million from operating grants and contributions.



The following graph is a representation of the Statement of Activities expenses for governmental activities. Governmental activities expenses decreased by $3.3 million, or 13.0 percent. The decrease is mainly attributable to decreased spending in human services.



NET POSITION OF BUSINESS-TYPE ACTIVITIES
Net position of business-type activities increased by $718.2 million during the fiscal year. The following chart highlights the changes in net position for the major enterprise funds.



During the year, total revenues of business-type activities remained steady at $3.3 billion, while total expenses decreased 2.8 percent to $4.3 billion. In comparison, last year total revenues decreased 10.1 percent, while total expenses decreased 4.7 percent. The decrease in total expenses of $124 million was due mainly to a decrease in Employment Security expenses of $309.0 million or 29.2 percent. Although, total expenses exceeded total revenues by $1,008 million, this deficiency was reduced by transfers of $1,726 million, resulting in an increase in net position of $718.2 million.

FINANCIAL ANALYSIS OF THE STATE'S GOVERNMENTAL FUNDS

As of the end of the fiscal year, the State's governmental funds had fund balances of $2,109.4 million, an increase of $12.3 million over the prior year ending fund balances. Of the total governmental fund balances, $2,113 million represents fund balance that is considered restricted for specific purposes by external constrains or enabling legislation; $190.5 million represents fund balance that is non-spendable; $607.8 million represents fund balance that is committed or assigned for specific purposes. A negative $801.9 million unassigned fund balance offsets these amounts.

General Fund

The General Fund is the chief operating fund of the State. At the end of the fiscal year, the General Fund had a fund balance deficit of $189.8 million, an increase of $148.7 million in comparison with the prior year. Of this total fund balance, $603.4 million represents non-spendable fund balance or committed for specific purposes, leaving a deficit of $793.2 million in unassigned fund balance.

At the end of fiscal year 2015, General Fund revenues were 3.2 percent, or $553.4 million, higher than fiscal year 2014 revenues. This change in revenue results from increases of $747 million primarily attributable to taxes ($525.4 million) and federal grants and aid ($221.6 million). These increases were offset by decreases of $193.6 million primarily attributable to licenses, permits, and fees ($57.2 million), casino gaming payments ($11.9 million), charges for services ($4.7 million), fines, forfeits, and rents ($78.9 million), and other revenue ($40.9 million).

At the end of fiscal year 2015, General Fund expenditures were 2.1 percent, or $344.6 million, higher than fiscal year 2014. This was primarily attributable to increases in education, corrections, and judicial of $535.6 million, $41.5 million, and $38.7 million, respectively. Net other financing sources and uses decreased by $903.6 million, which is primarily due to bonds not being issued in fiscal year 2015.

Debt Service Fund

At the end of fiscal year 2015, the Debt Service Fund had a fund balance of $668.4 million, all of which was restricted, an increase of $.9 million in comparison with the prior year.

Transportation Fund

The State's Transportation Fund had a fund balance of $257.3 million at the end of fiscal 2015. Of this amount, $29.4 million was in nonspendable form and $227.9 million was restricted or committed for specific purposes. Fund balance increased by 30.7 million during the current fiscal year.

At the end of fiscal year 2015, Transportation Fund revenues decreased by $21.1, or 1.5 percent, and expenditures increased by $52.7 million, or 6.2 percent. The decreased revenue is primarily due to a decrease in taxes.

Restricted Grants and Accounts Fund

At the end of fiscal year 2015, the Restricted Grants and Accounts Fund had a fund balance of $84.8 million, all of which was restricted for specific purposes, an increase of $39.1 million in comparison with the prior year.

Total revenues were 14.2 percent, or $796.4 million, higher than in fiscal year 2014. Overall, total expenditures were 6.8 percent, or $417.9 million, higher than fiscal year 2014.

Grant and Loan Programs

As of June 30, 2015, the Grant and Loan Programs Fund had a fund balance of $753.0 million, all of which was restricted for specific purposes, an increase of $284.5 million in comparison with the prior year.

FINANCIAL ANALYSIS OF THE STATE'S PROPRIETARY FUNDS

Proprietary funds report activities of the State that are similar to for-profit business. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. Accordingly, a discussion of the financial activities of the Proprietary funds is provided in that section.

FINANCIAL ANALYSIS OF THE STATE'S FIDUCIARY FUNDS

The State maintains Fiduciary funds for the assets of Pension and Other Employee Benefit Trust funds, an Investment Trust fund, and a Private-Purpose Trust fund. The net positions of the State's Fiduciary funds totaled \$30.9 billion, an increase of \$544.8 mmillion when compared to the prior year ending net position.

Budget Highlights-General Fund

The revised State budget as adopted for Fiscal Year 2015 was anticipating a small surplus of \$0.4 million dollars on gross General Fund appropriations of \$17.8 billion. By the end of the fiscal year, a General Fund deficit of \$113.2 million had emerged from operations. In accordance with state law, a transfer from the State's Budget Reserve Fund was made to cover this deficit, which decreased the total reserve balance in the fund to \$406.0 million.

As Fiscal Year 2015 progressed, it became clear that the General Fund would not reach the budgeted revenue targets. By the end of the fiscal year, revenues were \$176.2 million short of the original budget projection. In an attempt to eliminate General Fund deficit projections for Fiscal Year 2015, the Governor implemented three deficit mitigations plans over the course of the fiscal year and implemented other cost cutting initiatives. These measures proved insufficient to completely eliminate a fiscal year-end deficit, but they did substantially lessen that deficit.

The State experienced significant job growth throughout Fiscal Year 2015. However, suppressed wage growth during the fiscal year significantly constrained the growth in major state revenue sources. By the end of Fiscal Year 2015, weekly wages in Connecticut were growing by less than 2 percent. Considering the level of job growth that the State was experiencing, wage growth was expected to approach 5 percent. As a result of the wage drag on overall State economic growth, General Fund revenue in Fiscal Year 2015 grew by just 1.6 percent.

As discussed above, significant expenditures controls were implemented in an attempt to keep the budget in balance. General Fund spending in Fiscal Year 2015 was held to a growth rate of 2.6 percent. In the six fiscal years following the large Fiscal Year 2009 General Fund deficit, spending growth in the General Fund has averaged 2.5 percent per year. This compares to average annual General Fund spending growth of 7.3 percent in the four years leading up to that large deficit.

Twenty-six appropriation line-items in the budget account for 87 percent of General Fund spending. In order to control the growth in General Fund spending during the Fiscal Year 2009 to 2015 period, actual dollar reductions were made over the period in several of these large line-items (comparing spending in Fiscal Year 2009 to spending in Fiscal Year 2015). Some notable reductions between those fiscal years included a cut of \$155.8 million in higher education operating support, a decline of \$148.0 million in state employee payroll expense, and a decrease of \$84.8 million in the Department of Children and Families residential board and care program. During that six year period, the largest dollar increases were an additional \$516.1 million to fund the State Employees Retirement System, an increase of \$498.9 million in Medicaid spending, and \$444.8 million more to fund the Teachers' Retirement system. It is important to note that the vast majority of funding to the retirement systems is for individuals that have already retired. These obligations were incurred over many decades, but were not fully funded. These have now become fixed state costs. Pension reforms have substantially lowered pension costs for new hires.

Some of the spending trends listed above were reversed between Fiscal Year 2014 and Fiscal Year 2015. General Fund spending for Medicaid declined \$103.7 million during the period as federal Medicaid spending increased by

16.4 percent. The state employee General Fund payroll expense grew by $105.5 million as wage increases that had been eliminated in past years were reinstituted and critical positions were filled. Higher education operations also experienced a $31.5 million increase during Fiscal Year 2015.

Fiscal Year 2015 recorded $13.9 billion in Fiscal Year 2015 operating activity that fell outside the General Fund. The majority of this activity was in the Special Revenue Funds group. These are funds that have dedicated revenue sources to support their programs. This fund category includes federally supported programs, the operating activities of the universities, and the Transportation Fund. Federal grants grew by 10.6 percent in Fiscal Year 2015 over the prior fiscal year. This equates to $545.8 million in additional federal spending. The largest federal increase was in Medicaid. This caused the special revenue fund group to grow by 9.8 percent to total $11.5 billion in Fiscal Year 2015.

The Transportation Fund ended Fiscal Year 2015 with a positive fund balance of $180.1 million. Spending increased by 4.5 percent during Fiscal Year 2015 and totaled $1.3 billion. Since 2009, Transportation Fund spending has grown by an average of 2.7 percent a year.

Capital project spending grew by 12.5 percent between Fiscal Year 2014 and Fiscal Year 2015 to total $1.7 billion. Since 2009, the average annual growth in capital spending has been 6.3 percent. This is consistent with growth in the private sector use of debt financing as companies took advantage of historically low interest rates.

Within the Required Supplemental Information Section of this report, there is a reconciliation of Fiscal Year 2015 General Fund operations for the accrual budgetary basis of accounting and the accounting basis used within the fund financial statements in this report. In Fiscal Year 2014, a new budgetary accrual approach was developed with the intention of eliminating the growth in the annual General Fund negative unassigned fund balance contained in this report.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2015 totaled $17.2 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, infrastructure, and construction in progress. The net decrease in the State's investment in capital assets for the fiscal year was $539.5 million.

Major capital asset events for governmental activities during the fiscal year include additions to buildings and land of $292 million and depreciation expense of $917.6 million.

The following table is a two-year comparison of the investment in capital assets presented for both governmental and business-type activities:

State of Connecticut's Capital Assets (Net of Depreciation, in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Land	$ 1,709	$ 1,687	$ 68	$ 68	$ 1,777	$ 1,755
Buildings	2,505	2,234	2,868	2,706	5,373	4,940
Improvements Other Than Buildings	156	158	166	171	322	329
Equipment	62	72	332	325	394	397
Infrastructure	4,934	4,924	-	-	4,934	4,924
Construction in Progress	3,665	3,465	717	511	4,382	3,976
Total	$ 13,031	$ 12,540	$ 4,151	$ 3,781	$ 17,182	$ 16,321

Additional information on the State's capital assets can be found in Note 9 of this report.

Long-Term Debt - Bonded Debt

At the end of the current fiscal year, the State had total debt outstanding of $23.9 billion. Pursuant to various public and special acts, the State has authorized the issuance of the following types of debt: general obligation debt (payable from the General Fund), special tax obligation debt (payable from the Debt Service Fund), and revenue debt (payable from specific revenues of the Enterprise funds).

The following table is a two-year comparison of bonded debt presented for both governmental and business-type activities:

State of Connecticut's Bonded Debt (in millions)
General Obligation and Revenue Bonds

	Governmental Activies		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	$ 16,403	$ 15,282	$ -	$ -	$ 16,403	$ 15,282
Transportation Related bonds	4,090	3,771	-	-	4,090	3,771
Revenue Bonds	-	-	1,357	1,213	1,357	1,213
Long-Term Notes	520	581	-	-	520	581
Premiums and Deferred Amounts	1,417	1,195	111	84	1,528	1,279
Total	$ 22,430	$ 20,829	$ 1,468	$ 1,297	$ 23,898	$ 22,126

The State's total bonded debt increased by $1.8 million (8.0 percent) during the current fiscal year. This increase resulted mainly from an increase in general obligation bonds of $1.1 million.

Section 3-21 of the Connecticut General Statutes provides that the total amount of bonds, notes or other evidences of indebtedness payable from General Fund tax receipts authorized by the General Assembly but have not been issued and the total amount of such indebtedness which has been issued and remains outstanding shall not exceed 1.6 times the total estimated General Fund tax receipts of the State for the current fiscal year. In computing the indebtedness at any time, revenue anticipation notes, refunded indebtedness, bond anticipation notes, tax increment financing, budget deficit bonding, revenue bonding, balances in debt retirement funds and other indebtedness pursuant to certain provisions of the General Statutes shall be excluded from the calculation. As of July 2015, the State had a debt incurring margin of $3.6 billion.

Other Long-Term Debt
State of Connecticut Other Long - Term Debt (in Millions)

	Governmental Activies		Business-Type Activities		Total Primary Government	
	2015	2014*	2015	2014	2015	2014*
Net Pension Liability	$ 26,171	$ 27,773	$ -	$ -	$ 26,171	$ 27,773
Net OPEB Obligation	8,983	7,763	-	-	8,983	7,763
Compensated Absences	499	513	186	167	685	680
Workers Compensation	651	620	-	-	651	620
Federal Loan Payable	-	-	103	434	103	434
Other	150	129	351	302	501	431
Total	$ 36,454	$ 36,798	$ 640	$ 903	$ 37,094	$ 37,701

*Restated for comparative purposes

The State's other long-term obligations decreased by $607 million (1.6 percent) during the fiscal year. This decrease was due mainly to a decrease in the net pension liability (Governmental activities) of $1.6 million or 5.8 percent. Additional information on the State's long-term debt can be found in Notes 16 and 17 of this report.

Economic Outlook and Next Year's Budget

At this writing, Connecticut has recovered all of its private sector recessionary job losses and is continuing to add private sector employment. The State needs to reach the 1,713,000 job level to enter a full nonfarm employment expansionary phase. This will require an additional 13,300 nonfarm jobs. Connecticut's nonfarm jobs recovery is 69 months old and is averaging 1,532 new jobs per month since February 2010.

Connecticut has been growing jobs at fairly typical recovery rate; however workers' wage growth has been below normal recovery levels. There are some early signs that wage increases may be accelerating slightly. Wages increased by less than 2 percent in Fiscal Year 2015. Current trends point to Connecticut wage growth of better than 3 percent. Wage Growth in the United States averaged 6.3 percent from 1960 until 2015, reaching an all-time high of 13.8 percent in January of 1979 and a record low of -5.77 percent in March of 2009. Historically, Connecticut wages have increased at a faster pace than the national average.

Connecticut, like most other states, has a revenue structure that is dependent on rising wages and the related increases in consumer spending. As wages have been slow to recover, Connecticut's revenue base has experienced lower than expected growth. As job expansion continues in the State and as wage acceleration takes hold, Connecticut's recent budget pressures will abate. Exactly when solid wage gains will emerge is as uncertain as it is vital to the State's budgetary health.

Looking forward it is also important to note that Connecticut's economy is dependent on the national economy, which is dependent on world events. Global economic activity has constrained domestic growth. China's economy (2nd largest in the world) has been slowing. In response, its central bank cut interest rates in hopes of boosting growth. Less oil demand from China as the economy slowed has produced a sharp drop in oil prices as well as coal and other commodities. These falling prices have negatively impacted the stock market.

The cheaper oil has damaged oil exporting economies such as Brazil and Russia, in addition to many Middle Eastern producers. The European economy has struggled to grow at all, advancing at an annual pace of less than 2 percent.

All of these economic trends will impact future Connecticut budgets. The Governor is required to submit a balanced budget for Fiscal Year 2017 in February 2016. Currently, the Fiscal Year 2016 budget is facing the same slow growth in revenue that was experienced in Fiscal Year 2015. Cost controls are in place to avoid ending Fiscal Year 2016 with a budget deficit.

CONTACTING THE STATE'S OFFICES OF FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report, please contact the State Comptroller's Office at 1-860-702-3350.

Basic Financial Statements

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Statement of Net Position

June 30, 2015
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 1,227,870	$ 651,813	$ 1,879,683	$ 249,984
Deposits with U.S. Treasury	-	135,027	135,027	-
Investments	112,895	69,222	182,117	424,485
Receivables, (Net of Allowances)	2,135,861	862,641	2,998,502	124,557
Due from Primary Government	-	-	-	6,976
Inventories	48,172	10,655	58,827	5,916
Restricted Assets	-	221,928	221,928	1,101,604
Internal Balances	(343,797)	343,797	-	-
Other Current Assets	7,400	38,743	46,143	15,391
Total Current Assets	3,188,401	2,333,826	5,522,227	1,928,913
Noncurrent Assets:				
Cash and Cash Equivalents	-	461,671	461,671	-
Due From Component Units	36,035	-	36,035	-
Investments	-	62,451	62,451	197,445
Receivables, (Net of Allowances)	672,973	835,108	1,508,081	519,297
Restricted Assets	668,426	405,445	1,073,871	4,494,718
Capital Assets, (Net of Accumulated Depreciation)	13,031,241	4,151,445	17,182,686	798,602
Other Noncurrent Assets	-	5,084	5,084	60,092
Total Noncurrent Assets	14,408,675	5,921,204	20,329,879	6,070,154
Total Assets	17,597,076	8,255,030	25,852,106	7,999,067
Deferred Outflows of Resources				
Accumulated Decrease in Fair Value of Hedging Derivatives	3,361	-	3,361	104,894
Unamortized Losses on Bond Refundings	96,600	12,873	109,473	71,902
Related to Pensions	2,360,827	-	2,360,827	7,162
Other Deferred Outflows	-	3,253	3,253	88
Total Deferred Outflows of Resources	2,460,788	16,126	2,476,914	184,046
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	861,512	328,515	1,190,027	118,980
Due to Component Units	6,976	-	6,976	-
Due to Primary Government	-	-	-	36,035
Due to Other Governments	313,861	757	314,618	-
Current Portion of Long-Term Obligations	1,970,995	180,854	2,151,849	415,872
Amount Held for Institutions	-	-	-	320,224
Unearned Revenue	18,417	226,630	245,047	-
Medicaid Liability	539,059	-	539,059	-
Liability for Escheated Property	395,617	-	395,617	-
Other Current Liabilities	43,119	92,633	135,752	48,832
Total Current Liabilities	4,149,556	829,389	4,978,945	939,943
Noncurrent Liabilities:				
Non-Current Portion of Long-Term Obligations	55,310,129	1,925,859	57,235,988	4,795,607
Total Noncurrent Liabilities	55,310,129	1,925,859	57,235,988	4,795,607
Total Liabilities	59,459,685	2,755,248	62,214,933	5,735,550
Deferred Inflows of Resources				
Related to Pensions	1,423,296	-	1,423,296	5,176
Other Deferred Inflows	-	16,902	16,902	-
Total Deferred Inflows of Resources	1,423,296	16,902	1,440,198	5,176
Net Position				
Net Investment in Capital Assets	4,957,690	3,448,779	8,406,469	526,892
Restricted For:				
Transportation	155,031	-	155,031	-
Debt Service	615,961	4,508	620,469	31,238
Federal Grants and Other Accounts	71,892	-	71,892	-
Capital Projects	54,315	288,105	342,420	102,499
Grant and Loan Programs	766,375	-	766,375	-
Clean Water and Drinking Water Projects	-	698,818	698,818	-
Bond Indenture Requirements	-	-	-	964,616
Loans	-	3,742	3,742	-
Permanent Investments or Endowments:				
Expendable	-	-	-	96,702
Nonexpendable	107,696	13,578	121,274	339,807
Other Purposes	113,627	145,706	259,333	70,057
Unrestricted (Deficit)	(47,667,704)	895,770	(46,771,934)	310,576
Total Net Position (Deficit)	$ (40,825,117)	$ 5,499,006	$ (35,326,111)	$ 2,442,387

The accompanying notes are an integral part of the financial statements.

Statement of Activities

For The Fiscal Year Ended June 30, 2015
(Expressed in Thousands)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services, Fees, Fines, and Other**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary Government				
Governmental Activities:				
Legislative	$ 107,629	$ 3,421	$ -	$ -
General Government	1,712,498	711,050	55,453	-
Regulation and Protection	1,028,126	643,620	166,585	-
Conservation and Development	921,859	96,616	157,295	-
Health and Hospitals	2,172,348	81,127	145,307	-
Transportation	1,761,500	53,719	-	717,358
Human Services	6,736,623	127,999	5,886,389	-
Education, Libraries, and Museums	4,396,212	39,951	535,993	-
Corrections	1,820,490	12,121	136,207	-
Judicial	873,879	132,633	12,645	-
Interest and Fiscal Charges	796,727	-	-	-
Total Governmental Activities	22,327,891	1,902,257	7,095,874	717,358
Business-Type Activities:				
University of Connecticut & Health Center	2,154,599	1,200,847	253,176	25,412
State Universities	781,238	379,797	64,847	7,395
Connecticut Community Colleges	538,036	102,444	111,951	-
Employment Security	750,573	821,694	218,384	-
Clean Water	35,125	25,960	15,125	-
Other	69,099	68,936	12,935	-
Total Business-Type Activities	4,328,670	2,599,678	676,418	32,807
Total Primary Government	$ 26,656,561	$ 4,501,935	$ 7,772,292	$ 750,165
Component Units				
Connecticut Housing Finance Authority (12/31/14)	$ 177,765	$ 193,068	$ -	$ -
Connecticut Lottery Corporation	1,149,379	1,144,031	-	-
Connecticut Airport Authority	94,586	89,918	-	13,136
Other Component Units	405,039	339,479	38,315	72,001
Total Component Units	$ 1,826,769	$ 1,766,496	$ 38,315	$ 85,137

General Revenues:
Taxes:
Personal Income
Corporate Income
Sales and Use
Other
Restricted for Transportation Purposes:
Motor Fuel
Other
Casino Gaming Payments
Tobacco Settlement
Lottery Tickets
Unrestricted Investment Earnings
Contributions to Endowments
Special Item
Transfers-Internal Activities
Total General Revenues, Contributions, and Transfers
Change in Net Position
Net Position (Deficit)- Beginning (as restated)
Net Position (Deficit)- Ending

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government				
Governmental Activities	**Business-Type Activities**	**Total**	**Component Units**
$ (104,208)	$ -	$ (104,208)	$ -
(945,995)	-	(945,995)	-
(217,921)	-	(217,921)	-
(667,948)	-	(667,948)	-
(1,945,914)	-	(1,945,914)	-
(990,423)	-	(990,423)	-
(722,235)	-	(722,235)	-
(3,820,268)	-	(3,820,268)	-
(1,672,162)	-	(1,672,162)	-
(728,601)	-	(728,601)	-
(796,727)	-	(796,727)	-
(12,612,402)	-	(12,612,402)	-
-	(675,164)	(675,164)	-
-	(329,199)	(329,199)	-
-	(323,641)	(323,641)	-
-	289,505	289,505	-
-	5,960	5,960	-
-	12,772	12,772	-
-	(1,019,767)	(1,019,767)	-
(12,612,402)	(1,019,767)	(13,632,169)	-
-	-	-	15,303
-	-	-	(5,348)
-	-	-	8,468
-	-	-	44,756
-	-	-	63,179
8,186,946	-	8,186,946	-
687,347	-	687,347	-
4,167,054	-	4,167,054	-
1,735,788	-	1,735,788	-
846,062	-	846,062	-
83,868	-	83,868	-
267,986	-	267,986	-
118,988	-	118,988	-
319,700	-	319,700	-
22,091	11,638	33,729	46,937
-	-	-	-
-		-	1,259
(1,726,281)	1,726,281	-	-
14,709,549	1,737,919	16,447,468	48,196
2,097,147	718,152	2,815,299	111,375
(42,922,264)	4,780,854	(38,141,410)	2,331,012
$ (40,825,117)	$ 5,499,006	$ (35,326,111)	$ 2,442,387

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Governmental Fund Financial Statements

Major Funds:

General Fund:
This fund is the State's general operating fund. It accounts for the financial resources and transactions not accounted for in other funds.

Debt Service Fund:
This fund is used to account for the accumulation of resources for and the payment of, principal and interest on special tax obligation bonds of the Transportation fund.

Transportation Fund:
This fund is used to account for motor vehicle taxes, receipts and transportation related federal revenues collected for the purposes of payment of debt service requirements and budgeted appropriations made to the Department of Transportation. The Department of Transportation is responsihle for all aspects of the planning, development, maintenance, and improvement of transportation in the state.

Restricted Grants and Accounts Fund:
This fund is used to account for resources which are restricted hy Federal and other providers to be spent for specific purposes.

Grant and Loan Programs Fund:
This fund is used to account for resources that are restricted by state legislation for the purpose of providing grants and/or loans to municipalities and organizations located in the State.

Nonmajor Funds:
Nonmajor governmental funds are presented, by fund type beginning on page 106.

Balance Sheet
Governmental Funds
June 30, 2015
(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Grant & Loan Programs	Other Funds	Total Governmental Funds
Assets							
Cash and Cash Equivalents	$ -	$ -	$ 200,780	$ 345,968	$ 298,848	$ 372,073	$ 1,217,669
Investments	-	-	-	-	-	112,895	112,895
Securities Lending Collateral	-	-	-	-	-	7,192	7,192
Receivables:							
Taxes, Net of Allowances	1,220,173	-	44,312	-	-	-	1,264,485
Accounts, Net of Allowances	373,208	-	7,866	12,827	14,345	23,204	431,450
Loans, Net of Allowances	3,419	-	-	32,522	466,646	170,386	672,973
From Other Governments	185,564	-	-	243,583	-	4,631	433,778
Interest	-	1,267	29	-	-	-	1,296
Other	-	-	-	-	-	1	1
Due from Other Funds	48,739	-	1,267	44	4	254,056	304,110
Due from Component Units	33,843	-	-	2,192	-	-	36,035
Inventories	14,595	-	29,351	-	-	-	43,946
Restricted Assets	-	668,426	-	-	-	-	668,426
Total Assets	$ 1,879,541	$ 669,693	$ 283,605	$ 637,136	$ 779,843	$ 944,438	$ 5,194,256
Liabilities, Deferred Inflows, and Fund Balances							
Liabilities							
Accounts Payable and Accrued Liabilities	$ 345,779	$ -	$ 23,256	$ 211,059	$ 13,176	$ 69,380	$ 662,650
Due to Other Funds	324,116	1,267	-	2,565	28	304,252	632,228
Due to Component Units	-	-	-	6,976	-	-	6,976
Due to Other Governments	304,707	-	-	9,154	-	-	313,861
Unearned Revenue	11,407	-	-	-	-	7,010	18,417
Medicaid Liability	223,769	-	-	315,290	-	-	539,059
Liability For Escheated Property	395,617	-	-	-	-	-	395,617
Securities Lending Obligation	-	-	-	-	-	7,192	7,192
Other Liabilities	35,926	-	-	-	-	-	35,926
Total Liabilities	1,641,321	1,267	23,256	545,044	13,204	387,834	2,611,926
Deferred Inflows of Resources							
Receivables to be Collected in Future Periods	428,069	-	3,061	7,286	13,590	20,911	472,917
Fund Balances							
Nonspendable:							
Inventories/Long-Term Receivables	51,123	-	29,351	-	-	-	80,474
Permanent Fund Principal	-	-	-	-	-	110,068	110,068
Restricted For:							
Debt Service	-	668,426	-	-	-	-	668,426
Transportation Programs	-	-	194,626	-	-	-	194,626
Federal Grant and State Programs	-	-	-	84,806	-	-	84,806
Grants and Loans	-	-	-	-	741,313	-	741,313
Other	-	-	-	-	-	423,762	423,762
Committed For:							
Continuing Appropriations	64,964	-	33,311	-	-	-	98,275
Budget Reserve Fund	406,001	-	-	-	-	-	406,001
Future Budget Years	81,221	-	-	-	-	-	81,221
Assigned To:							
Other	-	-	-	-	11,736	10,594	22,330
Unassigned	(793,158)	-	-	-	-	(8,731)	(801,889)
Total Fund Balances	(189,849)	668,426	257,288	84,806	753,049	535,693	2,109,413
Total Liabilities, Deferred Inflows, and Fund Balances	$ 1,879,541	$ 669,693	$ 283,605	$ 637,136	$ 779,843	$ 944,438	$ 5,194,256

The accompanying notes are an integral part of the financial statements.

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2015

(Expressed in Thousands)

Total Fund Balance - Governmental Funds		$ 2,109,413
Net assets reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Buildings	4,296,546	
Equipment	2,593,268	
Infrastructure	14,307,362	
Other Capital Assets	5,836,359	
Accumulated Depreciation	(14,059,739)	12,973,796
Some of the state's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred inflows of resources in the governmental fund		472,917
Deferred Inflows of resources are not reported in the governmental funds:		
Related to pensions		(1,423,296)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		53,069
Deferred outflows of resources are not reported in the governmental funds:		
Amount on refunding of bonded debt	96,600	
Related to pensions	2,360,827	2,457,427
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds (Note 17).		
Net Pension Liability	(24,568,279)	
Net OPEB Obligation	(8,982,926)	
Worker's Compensation	(651,184)	
Capital Leases	(35,368)	
Compensated Absences	(497,595)	
Claims and Judgments	(75,587)	
Landfill Postclosure Care	(35,185)	(34,846,124)
Long-term bonded debt is not due and payable in the current period and therefore is not reported in the funds. Unamortized premiums, loss on refundings, and interest payable are not reported in the funds. However, these amounts are included in the Statement of Net Position. This is the net effect of these balances on the statement (Note 17).		
Bonds and Notes Payable	(21,012,352)	
Unamortized Premiums	(1,417,172)	
Accrued Interest Payable	(192,795)	(22,622,319)
Net Position of Governmental Activities		$ (40,825,117)

The accompanying notes are an integral part of the financial statements.

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For The Fiscal Year Ended June 30, 2015
(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Grant & Loan Programs	Other Funds	Total Governmental Funds
Revenues							
Taxes	$ 14,783,751	$ -	$ 931,149	$ -	$ -	$ -	$ 15,714,900
Licenses, Permits, and Fees	254,257	-	339,818	13,467	1	73,277	680,820
Tobacco Settlement	-	-	-	-	-	118,988	118,988
Federal Grants and Aid	2,132,399	-	12,115	5,593,874	-	74,844	7,813,232
Lottery Tickets	319,700	-	-	-	-	-	319,700
Charges for Services	35,813	-	63,700	-	42	910	100,465
Fines, Forfeits, and Rents	-	-	19,575	-	-	1,246	20,821
Casino Gaming Payments	267,986	-	-	-	-	-	267,986
Investment Earnings (Loss)	856	6,130	818	1,118	5,813	3,122	17,857
Interest on Loans	-	-	-	-	-	41	41
Miscellaneous	159,007	-	4,901	795,232	13,643	136,170	1,108,953
Total Revenues	17,953,769	6,130	1,372,076	6,403,691	19,499	408,598	26,163,763
Expenditures							
Current:							
Legislative	117,251	-	-	3,053	-	575	120,879
General Government	801,461	-	5,594	318,649	699,621	118,470	1,943,795
Regulation and Protection	434,785	-	105,467	415,326	16,579	193,584	1,165,741
Conservation and Development	270,565	-	-	296,531	344,469	143,026	1,054,591
Health and Hospitals	2,245,026	-	-	206,732	11,740	36,335	2,499,833
Transportation	-	-	795,115	767,778	80,328	8	1,643,229
Human Services	3,942,452	-	-	3,798,482	18,358	3,624	7,762,916
Education, Libraries, and Museums	4,465,680	-	-	531,108	39,925	5,255	5,041,968
Corrections	2,041,564	-	-	23,045	2,782	2,272	2,069,663
Judicial	928,110	-	-	19,759	-	50,324	998,193
Capital Projects	-	-	-	-	-	934,452	934,452
Debt Service:							
Principal Retirement	1,151,673	269,845	-	-	-	-	1,421,518
Interest and Fiscal Charges	537,181	190,777	1,002	166,074	4,364	5,537	904,935
Total Expenditures	16,935,748	460,622	907,178	6,546,537	1,218,166	1,493,462	27,561,713
Excess (Deficiency) of Revenues Over Expenditures	1,018,021	(454,492)	464,898	(142,846)	(1,198,667)	(1,084,864)	(1,397,950)
Other Financing Sources (Uses)							
Bonds Issued	-	-	-	-	1,475,272	1,344,895	2,820,167
Premiums on Bonds Issued	2,234	70,344	-	-	127,549	186,729	386,856
Transfers In	205,864	465,145	47,449	213,894	4,000	87,346	1,023,698
Transfers Out	(1,374,625)	(2,841)	(480,520)	(31,956)	(123,685)	(736,352)	(2,749,979)
Refunding Bonds Issued	95,085	614,125	-	-	-	-	709,210
Payment to Refunded Bond Escrow Agent	(97,132)	(683,398)	-	-	-	-	(780,530)
Capital Lease Obligations	3,036	-	-	-	-	-	3,036
Total Other Financing Sources (Uses)	(1,165,538)	463,375	(433,071)	181,938	1,483,136	882,618	1,412,458
Net Change in Fund Balances	(147,517)	8,883	31,827	39,092	284,469	(202,246)	14,508
Fund Balances (Deficit) - Beginning	(41,192)	659,543	226,539	45,714	468,580	737,939	2,097,123
Change in Reserve for Inventories	(1,140)	-	(1,078)	-	-	-	(2,218)
Fund Balances (Deficit) - Ending	$ (189,849)	$ 668,426	$ 257,288	$ 84,806	$ 753,049	$ 535,693	$ 2,109,413

The accompanying notes are an integral part of the financial statements.

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

June 30, 2015

(Expressed in Thousands)

Net Change in Fund Balances - Total Governmental Funds		$	14,508
Amounts reported for governmental activities in the Statement of Activities are different because:			
Bond proceeds provide current financial resources to governmental funds. However, issuing debt increases long term-liabilities in the Statement of Net Position. Bond proceeds were received this year from:			
Bonds Issued	(2,820,167)		
Refunding Bonds Issued	(709,210)		
Premium on Bonds Issued	(386,856)		(3,916,233)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Long-term debt repayments this year consisted of:			
Principal Retirement	1,421,518		
Payments to Refunded Bond Escrow Agent	780,530		
Capital Lease Payments	5,489		2,207,537
Some capital assets acquired this year were financed with capital leases. The amount financed by leases is reported in the governmental funds as a source of financing, but lease obligations are reported as long-term liabilities on the Statement of Activities			(3,036)
Capital outlays are reported as expenditures in the governmental funds. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts and other reductions were as follows:			
Capital Outlays	1,388,215		
Depreciation Expense	(902,620)		
Retirements	(522)		485,073
Inventories are reported as expenditures in the governmental funds when purchased. However, in the Statement of Activities the cost of these assets is recognized when those assets are consumed. This is the amount by which consumption exceeded purchases of inventories.			(2,218)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:			
Increase in Accrued Interest	(12,064)		
Increase in Interest Accreted on Capital Appreciation Debt	(15,876)		
Amortization of Bond Premium	154,104		
Amortization of Loss on Debt Refundings	(18,750)		
Decrease in Compensated Absences Liability	14,172		
Increase in Workers Compensation Liability	(31,606)		
Increase in Claims and Judgments Liability	(29,436)		
Decrease in Landfill Liability	566		
Decrease in Net Pension Obligation	2,559,621		
Pension Cost, Net	1,920,711		
Increase in Net OPEB Obligation	(1,219,865)		3,321,577
Because some revenues will not be collected for several months after the state's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Unearned revenues decreased by this amount this year.			(12,444)
Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net revenue (expense) of internal service funds is reported with the governmental activities.			2,383
Change in Net Position of Governmental Activities		$	2,097,147

The accompanying notes are an integral part of the financial statements.

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Proprietary Fund Financial Statements

Major Funds:

University of Connecticut and Health Center:
This fund is used to account for the operations of the University of Connecticut a comprehensive institution of higher education, which includes the University of Connecticut Health Center and John Dempsey Hospital.

State Universities:
This fund is used to account for the operations of the State University System which consist of four universities: Central, Eastern, Southern, and Western.

Connecticut Community Colleges:
This fund is used to account for the operations of the State community colleges system, which consists of twelve regional community colleges.

Employment Security:
This fund is used to account for the collection of unemployment insurance premiums from employers and the payment of unemployment benefits to eligible claimants.

Clean Water:
This fund is used to account for resources used to provide loans to municipalities to finance waste water treatment projects.

Nonmajor Funds:
Nonmajor proprietary funds are presented, by fund type beginning on page 124.

Statement of Net Position
Proprietary Funds
June 30, 2015
(Expressed in Thousands)

	Business-Type Activities			
	Enterprise Funds			
	University of Connecticut & Health Center	State Universities	Connecticut Community Colleges	Employment Security
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 323,769	$ 197,787	$ 82,935	$ 776
Deposits with U.S. Treasury	-	-	-	135,027
Investments	652	68,570	-	-
Receivables:				
Accounts, Net of Allowances	130,802	187,618	14,295	188,585
Loans, Net of Allowances	2,088	4,077	-	-
Interest	-	-	-	-
From Other Governments	-	2,552	-	7,846
Due from Other Funds	199,518	47,254	118,135	625
Inventories	10,655	-	-	-
Restricted Assets	221,928	-	-	-
Other Current Assets	32,598	4,504	1,222	-
Total Current Assets	922,010	512,362	216,587	332,859
Noncurrent Assets:				
Cash and Cash Equivalents	1,429	132,903	-	-
Investments	14,661	35,087	-	-
Receivables:				
Loans, Net of Allowances	10,649	9,075	197	-
Restricted Assets	735	-	-	-
Capital Assets, Net of Accumulated Depreciation	2,300,148	1,175,183	649,126	-
Other Noncurrent Assets	3,430	1,216	-	-
Total Noncurrent Assets	2,331,052	1,353,464	649,323	-
Total Assets	3,253,062	1,865,826	865,910	332,859
Deferred Outflows of Resources				
Unamortized Losses on Bond Refundings	5,200	-	-	-
Other Deferred Outflows	-	3,253	-	-
Total Deferred Outflows of Resources	5,200	3,253	-	-
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	206,726	59,316	41,328	44
Due to Other Funds	17,604	4,131	-	-
Due to Other Governments	-	-	-	757
Current Portion of Long-Term Obligations	70,599	24,160	1,993	-
Unearned Revenue	-	223,751	2,879	-
Other Current Liabilities	72,785	19,420	428	-
Total Current Liabilities	367,714	330,778	46,628	801
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Obligations	460,684	369,231	38,035	103,054
Total Noncurrent Liabilities	460,684	369,231	38,035	103,054
Total Liabilities	828,398	700,009	84,663	103,855
Deferred Inflows of Resources				
Other Deferred Inflows	-	16,902	-	-
Total Deferred Inflows of Resources	-	16,902	-	-
Net Position (Deficit)				
Net Investment in Capital Assets	1,789,007	1,016,668	649,126	-
Restricted For:				
Debt Service	-	-	-	-
Clean and Drinking Water Projects	-	-	-	-
Capital Projects	288,105	-	-	-
Nonexpendable Purposes	13,091	467	20	-
Loans	3,742	-	-	-
Other Purposes	19,395	19,931	106,380	-
Unrestricted (Deficit)	316,524	115,102	25,721	229,004
Total Net Position (Deficit)	$ 2,429,864	$ 1,152,168	$ 781,247	$ 229,004

The accompanying notes are an integral part of the financial statements.

Business-Type Activities Enterprise Funds			Governmental Activities
Clean Water	Other Funds	Total	Internal Service Funds
$ 4,105	$ 42,441	$ 651,813	$ 10,201
-	-	135,027	-
-	-	69,222	-
-	7,990	529,290	671
263,916	44,237	314,318	-
7,418	723	8,141	-
-	494	10,892	-
-	-	365,532	6,681
-	-	10,655	4,226
-	-	221,928	-
411	8	38,743	208
275,850	95,893	2,355,561	21,987
251,576	75,763	461,671	-
12,703	-	62,451	-
738,099	77,088	835,108	-
336,071	68,639	405,445	-
-	26,988	4,151,445	57,445
-	438	5,084	-
1,338,449	248,916	5,921,204	57,445
1,614,299	344,809	8,276,765	79,432
7,470	203	12,873	-
-	-	3,253	-
7,470	203	16,126	-
9,837	11,264	328,515	1,905
-	-	21,735	22,343
-	-	757	-
73,802	10,300	180,854	79
-	-	226,630	-
-	-	92,633	-
83,639	21,564	851,124	24,327
806,684	148,171	1,925,859	2,036
806,684	148,171	1,925,859	2,036
890,323	169,735	2,776,983	26,363
-	-	16,902	-
-	-	16,902	-
-	(6,022)	3,448,779	57,445
-	4,508	4,508	-
558,906	139,912	698,818	-
-	-	288,105	-
-	-	13,578	-
-	-	3,742	-
-	-	145,706	-
172,540	36,879	895,770	(4,376)
$ 731,446	$ 175,277	$ 5,499,006	$ 53,069

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds

For The Fiscal Year Ended June 30, 2015
(Expressed in Thousands)

	Business-Type Activities		
	Enterprise Funds		
	University of Connecticut & Health Center	State Universities	Connecticut Community Colleges
Operating Revenues			
Charges for Sales and Services (Net of allowances & discounts $181,094)	$ 1,059,810	$ 353,570	$ 96,760
Assessments	-	-	-
Federal Grants, Contracts, and Other Aid	176,303	45,648	99,965
State Grants, Contracts, and Other Aid	31,931	15,333	9,068
Private Gifts and Grants	44,942	3,866	2,918
Interest on Loans	-	-	-
Other	85,221	23,392	4,155
Total Operating Revenues	1,398,207	441,809	212,866
Operating Expenses			
Salaries, Wages, and Administrative	1,872,989	685,207	473,995
Unemployment Compensation	-	-	-
Claims Paid	-	-	-
Depreciation and Amortization	133,820	60,244	29,191
Other	142,404	24,145	34,850
Total Operating Expenses	2,149,213	769,596	538,036
Operating Income (Loss)	(751,006)	(327,787)	(325,170)
Nonoperating Revenue (Expenses)			
Interest and Investment Income	1,060	1,144	131
Interest and Fiscal Charges	(5,386)	(11,642)	-
Other - Net	55,816	2,835	1,529
Total Nonoperating Revenues (Expenses)	51,490	(7,663)	1,660
Income (Loss) Before Capital Contributions, Grants, and Transfers	(699,516)	(335,450)	(323,510)
Capital Contributions	25,412	7,395	-
Federal Capitalization Grants	-	-	-
Transfers In	1,008,308	389,381	340,942
Transfers Out	-	-	-
Change in Net Position	334,204	61,326	17,432
Total Net Position (Deficit) - Beginning (as restated)	2,095,660	1,090,842	763,815
Total Net Position (Deficit) - Ending	$ 2,429,864	$ 1,152,168	$ 781,247

The accompanying notes are an integral part of the financial statements.

	Business-Type Activities				Governmental
	Enterprise Funds				Activities
Employment Security	**Clean Water**	**Other Funds**	**Totals**		**Internal Service Funds**
$ -	$ -	$ 25,559	$ 1,535,699		$ 54,808
723,263	-	40,045	763,308		-
204,758	-	-	526,674		-
13,626	-	-	69,958		-
-	-	-	51,726		-
-	19,278	2,256	21,534		-
98,431	-	1,076	212,275		118
1,040,078	19,278	68,936	3,181,174		54,926
-	544	20,016	3,052,751		38,016
750,573	-	-	750,573		-
-	-	28,412	28,412		-
-	-	1,143	224,398		14,983
-	747	3,135	205,281		-
750,573	1,291	52,706	4,261,415		52,999
289,505	17,987	16,230	(1,080,241)		1,927
-	8,599	704	11,638		435
-	(33,834)	(4,669)	(55,531)		-
-	6,682	(11,724)	55,138		21
-	(18,553)	(15,689)	11,245		456
289,505	(566)	541	(1,068,996)		2,383
-	-	-	32,807		-
-	15,125	12,935	28,060		-
-	1,031	-	1,739,662		-
(12,790)	-	(591)	(13,381)		-
276,715	15,590	12,885	718,152		2,383
(47,711)	715,856	162,392	4,780,854		50,686
$ 229,004	$ 731,446	$ 175,277	$ 5,499,006		$ 53,069

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2015
(Expressed in Thousands)

	Business-Type Activities	
	Enterprise Funds	
	University of Connecticut & Health Center	State Universities
Cash Flows from Operating Activities		
Receipts from Customers	$ 1,066,401	$ 350,825
Payments to Suppliers	(707,048)	(194,896)
Payments to Employees	(1,313,357)	(492,776)
Other Receipts (Payments)	381,654	94,798
Net Cash Provided by (Used in) Operating Activities	(572,350)	(242,049)
Cash Flows from Noncapital Financing Activities		
Proceeds from Sale of Bonds	-	-
Retirement of Bonds and Annuities Payable	-	-
Interest on Bonds and Annuities Payable	-	-
Transfers In	493,908	285,088
Transfers Out	-	-
Other Receipts (Payments)	26,219	5,152
Net Cash Flows from Noncapital Financing Activities	520,127	290,240
Cash Flows from Capital and Related Financing Activities		
Additions to Property, Plant, and Equipment	(382,007)	(160,285)
Proceeds from Capital Debt	250,000	21,241
Principal Paid on Capital Debt	(17,764)	(42,790)
Interest Paid on Capital Debt	(55,306)	(14,064)
Transfer In	307,698	102,176
Federal Grant	-	-
Other Receipts (Payments)	22,359	(242)
Net Cash Flows from Capital and Related Financing Activities	124,980	(93,964)
Cash Flows from Investing Activities		
Proceeds from Sales and Maturities of Investments	-	95,487
Purchase of Investment Securities	(86)	(39,951)
Interest on Investments	1,064	1,142
(Increase) Decrease in Restricted Assets	-	-
Other Receipts (Payments)	-	-
Net Cash Flows from Investing Activities	978	56,678
Net Increase (Decrease) in Cash and Cash Equivalents	73,735	10,905
Cash and Cash Equivalents - Beginning of Year	474,126	319,785
Cash and Cash Equivalents - End of Year	$ 547,861	$ 330,690
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities		
Operating Income (Loss)	$ (751,006)	$ (327,787)
Adjustments not Affecting Cash:		
Depreciation and Amortization	133,820	60,244
Other	167,379	-
Change in Assets and Liabilities:		
(Increase) Decrease in Receivables, Net	1,849	(15,997)
(Increase) Decrease in Due from Other Funds	-	-
(Increase) Decrease in Inventories and Other Assets	4,863	(1,870)
Increase (Decrease) in Accounts Payables & Accrued Liabilities	(129,255)	42,903
Increase (Decrease) in Due to Other Funds	-	458
Total Adjustments	178,656	85,738
Net Cash Provided by (Used In) Operating Activities	$ (572,350)	$ (242,049)

The accompanying notes are an integral part of the financial statements.

	Business-Type Activities					Governmental
	Enterprise Funds					Activities
	Connecticut Community Colleges	Employment Security	Clean Water	Other	Totals	Internal Service Funds
	$ 95,996	$ 718,860	$ 91,817	$ 74,457	$ 2,398,356	$ 52,689
	(81,043)	-	(747)	(9,294)	(993,028)	(21,832)
	(397,095)	-	(443)	(12,806)	(2,216,477)	(10,969)
	77,640	(705,294)	(108,469)	(66,554)	(326,225)	20
	(304,502)	13,566	(17,842)	(14,197)	(1,137,374)	19,908
	-	-	224,483	60,236	284,719	-
	-	-	(70,351)	(7,809)	(78,160)	-
	-	-	(29,717)	(4,174)	(33,891)	-
	290,715	-	661	-	1,070,372	-
	-	(12,790)	-	(591)	(13,381)	-
	10,310	-	-	(12,030)	29,651	21
	301,025	(12,790)	125,076	35,632	1,259,310	21
	(18,767)	-	-	(139)	(561,198)	(21,527)
	-	-	-	-	271,241	-
	-	-	-	-	(60,554)	-
	-	-	-	-	(69,370)	-
	35,930	-	-	-	445,804	-
	-	-	15,125	13,155	28,280	-
	(8,299)	-	-	-	13,818	-
	8,864	-	15,125	13,016	68,021	(21,527)
	-	-	-	-	95,487	-
	-	-	-	-	(40,037)	-
	134	-	8,860	718	11,918	435
	-	-	(108,185)	-	(108,185)	-
	-	-	(22,536)	(31,347)	(53,883)	-
	134	-	(121,861)	(30,629)	(94,700)	435
	5,521	776	498	3,822	95,257	(1,163)
	77,414	-	3,607	38,619	913,551	11,364
	$ 82,935	$ 776	$ 4,105	$ 42,441	$ 1,008,808	$ 10,201
	$ (325,170)	$ 289,505	$ 17,987	$ 16,230	$ (1,080,241)	$ 1,927
	29,191	-	-	1,143	224,398	14,983
	(8,630)	-	-	-	158,749	-
	(3,025)	69,973	(35,829)	633	17,604	(515)
	-	93	-	-	93	(1,605)
	(1,059)	-	-	(30,366)	(28,432)	(98)
	4,191	(330,606)	-	(1,837)	(414,604)	5,216
	-	(15,399)	-	-	(14,941)	-
	20,668	(275,939)	(35,829)	(30,427)	(57,133)	17,981
	$ (304,502)	$ 13,566	$ (17,842)	$ (14,197)	$ (1,137,374)	$ 19,908

Continued

Statement of Cash Flows
Proprietary Funds (Continued)
For the Fiscal Year Ended June 30, 2015
(Expressed in Thousands)

	Business-Type Activities	
	Enterprise Funds	
	University of Connecticut & Health Center	State Universities
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets		
Cash and Cash Equivalents - Current	$ 323,769	$ 197,786
Cash and Cash Equivalents - Noncurrent	1,429	132,902
Cash and Cash Equivalents - Restricted	222,663	-
	$ 547,861	$ 330,688
Noncash Investing, Capital, and Financing Activities:		
Proceeds from Refunding Bonds	$ 40,297	
Amortization of Premiums/Discounts net Loss on Debt Refundings	7,885	
Unrealized Gain on Investments	401	
Capital Assets Acquired Through Gifts	16,324	
Loss on Disposal of Capital Assets	(2,332)	
Investment Under Corporated Licensing Agreement	1,440	
Mortgage Proceeds held by Trustee in Construction Escrow	(37,451)	
Accruals of Expenses related to Construction in Progress	2,262	
Fixed Assets included in Accounts Payable		5,526
State Financed Plant Facilities		7,395

Fiduciary Fund Financial Statements

Investment Trust Fund
External Investment Pool:
This fund is used to account for the portion of the Short-Term Investment Fund that belongs to participants that are not part of the State's financial reporting entity.

Private Purpose Trust Fund
Escheat Securities:
This fund is used to account for securities that are held by the State Treasurer for individuals under escheat laws of the State.

Individual fund descriptions and financial statements begin on the following pages:
Pension (and Other Employee Benefit) Trust Funds, page 132
Agency Funds, page 138

Statement of Fiduciary Net Position
Fiduciary Funds

June 30, 2015

(Expressed in Thousands)

	Pension & Other Employee Benefit Trust Funds	Investment Trust Fund External Investment Pool	Private-Purpose Trust Fund Escheat Securities	Agency Funds	Total
Assets					
Current:					
Cash and Cash Equivalents	$ 108,375	$ -	$ -	$357,422	$ 465,797
Receivables:					
Accounts, Net of Allowances	24,936	-	-	1,238	26,174
From Other Governments	1,444	-	-	-	1,444
From Other Funds	1,677	-	-	4,141	5,818
Interest	986	999	-	78	2,063
Investments (See Note 4)	29,541,256	1,004,995	-	-	30,546,251
Inventories	-	-	-	28	28
Securities Lending Collateral	1,860,558	-	-	-	1,860,558
Other Assets	-	15	593	380,734	381,342
Noncurrent:					
Due From Employers	240,962	-	-	-	240,962
Total Assets	31,780,194	1,006,009	593	$743,641	33,530,437
Liabilities					
Accounts Payable and Accrued Liabilities	38,320	114	-	$ 45,142	83,576
Securities Lending Obligation	1,860,559	-	-	-	1,860,559
Due to Other Funds	5,836	-	-	-	5,836
Funds Held for Others	-	-	-	698,499	698,499
Total Liabilities	1,904,715	114	-	$743,641	2,648,470
Net Position					
Held in Trust For:					
Employees' Pension Benefits (Note 13)	29,524,409	-	-		29,524,409
Other Employee Benefits (Note 15)	351,070	-	-		351,070
Individuals, Organizations, and Other Governments	-	1,005,895	593		1,006,488
Total Net Position	$ 29,875,479	$ 1,005,895	$ 593		$ 30,881,967

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

For the Fiscal Year Ended June 30, 2015
(Expressed in Thousands)

	Pension & Other Employee Benefit Trust Funds	Investment Trust Fund External Investment Pool	Private-Purpose Trust Fund Escheat Securities	Total
Additions				
Contributions:				
Plan Members	$ 613,551	$ -	$ -	$ 613,551
State	2,944,919	-	-	2,944,919
Municipalities	114,281	-	-	114,281
Total Contributions	3,672,751	-	-	3,672,751
Investment Income	909,945	2,248	-	912,193
Less: Investment Expense	(91,853)	(531)	-	(92,384)
Net Investment Income	818,092	1,717	-	819,809
Escheat Securities Received	-	-	41,169	41,169
Pool's Share Transactions	-	83,691	-	83,691
Transfers In	8,313	-	-	8,313
Other	82,084	-	-	82,084
Total Additions	4,581,240	85,408	41,169	4,707,817
Deductions				
Administrative Expense	783	-	-	783
Benefit Payments and Refunds	4,337,817	-	-	4,337,817
Escheat Securities Returned or Sold	-	-	41,819	41,819
Distributions to Pool Participants	-	1,717	-	1,717
Transfer Out	8,313	-	-	8,313
Other	75	-	(635)	(560)
Total Deductions	4,346,988	1,717	41,184	4,389,889
Change in Net Position Held In Trust For:				
Pension and Other Employee Benefits	234,252	-	-	234,252
Individuals, Organizations, and Other Governments	-	83,691	(15)	83,676
Net Position - Beginning (as restated)	29,641,227	922,204	608	30,564,039
Net Position - Ending	$ 29,875,479	$ 1,005,895	$ 593	$ 30,881,967

The accompanying notes are an integral part of the financial statements.

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Component Unit Financial Statements

Major Component Units:

Connecticut Housing Finance Authority:
The Connecticut Housing Finance Authority is a public instrumentality and political subdivision of the State created for the purpose of increasing the housing supply and encouraging and assisting in the purchase, development, and construction of housing for low and moderate income families throughout the State.

Connecticut Airport Authority:
The Connecticut Airport Authority, a public instrumentality and political subdivision of the State of Connecticut was estahlished on July 1, 2011, to operate Bradley International Airport as well as the other State-owned (general aviation) airports.

The Connecticut Lottery Corporation:
The Connecticut Lottery Corporation, a public instrumentality and political subdivision of the State of Connecticut was created on July 1, 1996 for the purpose of generating revenues for the State of Connecticut's General Fund through the operation of a lottery.

Nonmajor:
The nonmajor component units are presented beginning on page 142.

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Statement of Net Position
Component Units
June 30, 2015
(Expressed in Thousands)

Assets	Connecticut Housing Finance Authority (12-31-14)	Connecticut Lottery Corporation	Connecticut Airport Authority	Other Component Units	Total
Current Assets:					
Cash and Cash Equivalents	$ -	$ 10,174	$ 70,291	$ 169,519	$ 249,984
Investments	-	10,957	-	413,528	424,485
Receivables:					
Accounts, Net of Allowances	-	31,109	6,118	52,336	89,563
Loans, Net of Allowances	-	-	-	22,436	22,436
Other	-	1,882	-	2,030	3,912
Due From Other Governments	-	-	8,646	-	8,646
Due From Primary Government	-	-	5,874	1,102	6,976
Restricted Assets	699,499	-	3,020	399,085	1,101,604
Inventories	-	-	-	5,916	5,916
Other Current Assets	-	3,490	212	11,689	15,391
Total Current Assets	699,499	57,612	94,161	1,077,641	1,928,913
Noncurrent Assets:					
Investments	-	119,397	-	78,048	197,445
Accounts, Net of Allowances	-	-	-	30,928	30,928
Loans, Net of Allowances	-	-	-	488,369	488,369
Restricted Assets	4,290,903	-	109,002	94,813	4,494,718
Capital Assets, Net of Accumulated Depreciation	3,260	1,180	344,713	449,449	798,602
Other Noncurrent Assets	-	4,986	-	55,106	60,092
Total Noncurrent Assets	4,294,163	125,563	453,715	1,196,713	6,070,154
Total Assets	4,993,662	183,175	547,876	2,274,354	7,999,067
Deferred Outflows of Resources					
Accumulated Decrease in Fair Value of Hedging Derivatives	85,603	-	19,291	-	104,894
Unamortized Losses on Bond Refundings	69,903	-	1,999	-	71,902
Related to Pensions	-	2,181	-	4,981	7,162
Other	-	-	-	88	88
Total Deferred Outflows of Resources	155,506	2,181	21,290	5,069	184,046
Liabilities					
Current Liabilities:					
Accounts Payable and Accrued Liabilities	21,288	14,715	16,813	66,164	118,980
Current Portion of Long-Term Obligations	379,814	11,255	6,435	18,368	415,872
Due To Primary Government	-	-	2,926	33,109	36,035
Amount Held for Institutions	-	-	-	320,224	320,224
Other Liabilities	-	27,882	1,779	19,171	48,832
Total Current Liabilities	401,102	53,852	27,953	457,036	939,943
Noncurrent Liabilities:					
Pension Liability	-	44,624	57,359	42,919	144,902
Noncurrent Portion of Long-Term Obligations	3,784,019	119,941	142,271	604,474	4,650,705
Total Noncurrent Liabilities	3,784,019	164,565	199,630	647,393	4,795,607
Total Liabilities	4,185,121	218,417	227,583	1,104,429	5,735,550
Other Deferred Inflows					
Unamortized Investment Earnings	-	1,594	2,049	1,533	5,176
Total Deferred Inflows of Resources	-	1,594	2,049	1,533	5,176
Net Position					
Net Investment in Capital Assets	3,260	1,180	211,150	311,302	526,892
Restricted:					
Debt Service	-	-	7,424	23,814	31,238
Bond Indentures	962,516	-	2,100	-	964,616
Expendable Endowments	-	-	-	96,702	96,702
Nonexpendable Endowments	-	-	-	339,807	339,807
Capital Projects	-	-	102,499	-	102,499
Other Purposes	-	(1,838)	-	71,895	70,057
Unrestricted (Deficit)	(1,729)	(33,997)	16,361	329,941	310,576
Total Net Position	$ 964,047	$ (34,655)	$ 339,534	$ 1,173,461	$ 2,442,387

The accompanying notes are an integral part of the financial statements.

Statement of Activities
Component Units

For The Fiscal Year Ended June 30, 2015
(Expressed in Thousands)

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Connecticut Housing Finance Authority (12/31/14)	$ 177,765	$ 193,068	$ -	$ -
Connecticut Lottery Corporation	1,149,379	1,144,031	-	-
Connecticut Airport Authority	94,586	89,918	-	13,136
Other Component Units	405,039	339,479	38,315	72,001
Total Component Units	$ 1,826,769	$ 1,766,496	$ 38,315	$ 85,137

General Revenues:
Investment Income
Special Item: Change in Net Position
Total General Revenues and Contributions
Change in Net Position
Net Position - Beginning (as restated)
Net Position - Ending

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Position				
Connecticut Housing Finance Authority (12-31-14)	Connecticut Lottery Corporation	Connecticut Airport Authority	Other Component Units	Totals
$ 15,303	$ -	$ -	$ -	$ 15,303
-	(5,348)	-	-	(5,348)
-	-	8,468	-	8,468
-	-	-	44,756	44,756
15,303	(5,348)	8,468	44,756	63,179
34,410	7,185	127	5,215	46,937
-	-	-	1,259	1,259
34,410	7,185	127	6,474	48,196
49,713	1,837	8,595	51,230	111,375
914,334	(36,492)	330,939	1,122,231	2,331,012
$ 964,047	$ (34,655)	$ 339,534	$ 1,173,461	$ 2,442,387

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Notes to the Financial Statements
June 30, 2015

Note 1 Summary of Significant Accounting Policies
a. Basis of Presentation

The accompanying financial statements of the State of Connecticut have been prepared in conformity with generally accepted accounting principles as prescribed in pronouncements of the Governmental Accounting Standards Board, except for the financial statements of the University of Connecticut Foundation, Incorporated (a component unit). Those statements are prepared according to generally accepted accounting principles as prescribed in pronouncements of the Financial Accounting Standards Board.

b. Reporting Entity

For financial reporting purposes, the State's reporting entity includes the "primary government" and its "component units." The primary government includes all funds, agencies, departments, bureaus, commissions, and component units that are considered an integral part of the State's legal entity. Component units are legally separate organizations for which the State is financially accountable. Financial accountability exists if (1) the State appoints a voting majority of the organization's governing board, and (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State. The State reported as component units the following organizations that are public instrumentalities and political subdivisions of the State (public authorities).

Connecticut Housing Finance Authority (CHFA)

CHFA was created for the purpose of increasing the housing supply and encouraging and assisting in the purchase, development, and construction of housing for low and moderate-income families and persons throughout the State. The Authority's fiscal year is for the period ending on December 31, 2014.

Connecticut Airport Authority (CAA)

The Connecticut Airport Authority was established in July 2011 to develop, improve and operate Bradley International Airport and the state's five general aviation airports (Danielson, Groton-New London, Hartford-Brainard, Waterbury-Oxford, and Windham airports).

Materials, Innovation, and Recycling Authority (MIRA)

MIRA is responsible for the planning, design, construction, financing, management, ownership, operations and maintenance of solid waste disposal, volume reduction, recycling, intermediate processing, resource recovery and related support facilities necessary to carry out the State's Solid Waste Management Plan.

Connecticut Higher Education Supplemental Loan Authority (CHESLA)

CHESLA was created to assist students, their parents, and institutions of higher education to finance the cost of higher education through its bond funds. Effective fiscal year 2013, CHESLA was statutorily consolidated into CHEFA, making CHESLA a subsidiary of CHEFA.

Connecticut Health and Educational Facilities Authority (CHEFA)

CHEFA was created to assist certain health care institutions, institutions of higher education, and qualified for-profit and not-for-profit institutions in the financing and refinancing of projects to be undertaken in relation to programs for these institutions.

Connecticut Student Loan Foundation (CSLF)

CSLF was established as a Connecticut State chartered nonprofit corporation established pursuant to State of Connecticut Statue Chapter 187a for the purpose of improving educational opportunity. CSLF is empowered to achieve this by originating and acquiring student loans and providing appropriate service incident to the administration of programs, which are established to improve educational opportunities. CSLF no longer originates or acquires student loans.

In July 2014, CSLF was statutorily consolidated with CHEFA as a subsidiary and became a quasi-public agency of the State of Connecticut.

Capital Region Development Authority (CRDA)

CRDA was established July 1, 2012 to market the major sports, convention, and exhibition venues in the region. CRDA became the successor to the Capital City Economic Development Authority, which was established in 1998.

Connecticut Innovations, Incorporated (CI)

CI was established to stimulate and promote technological innovation and application of technology within Connecticut and encourage the development of new products, innovations, and inventions or markets in Connecticut by providing financial and technical assistance.

Connecticut Green Bank (CGB)

CGB was established on July 1, 2011 through Public Act 11-80 as a quasi-public agency that supersedes Connecticut Clean Energy Fund. CGB uses public and private funds to finance and support clean energy investment in residential, municipal, small business and larger commercial projects and stimulate demand for clean energy and the deployment of clean energy sources within the state.

Connecticut Lottery Corporation (CLC)

The corporation was created in 1996 for the purpose of generating revenues for the State through the operation of a lottery.

CHFA, MIRA, CHESLA, CHEFA, CSLF, and CRDA are reported as component units because the State appoints a voting majority of the organization's governing board and is contingently liable for the organization's bonded debt that is secured by a special capital reserve fund, or other contractual agreement.

CI and CGB are reported as component units because the State appoints a voting majority of the organization's governing board and has the ability to access the resources of the organization.

The Connecticut Lottery Corporation is reported as a component unit because the State appoints a voting majority of the corporation's governing board and receives a significant amount of revenues from the operations of the lottery.

The Connecticut Airport Authority is reported as a component unit because the nature and significance of its relationship with the State are such that it would be misleading to exclude the authority from the State's reporting entity.

In addition, the State also includes the following non-governmental nonprofit corporation as a component unit.

University of Connecticut Foundation, Incorporated
The Foundation was created exclusively to solicit, receive, and administer gifts and financial resources from private sources for the benefit of all campuses and programs of the University of Connecticut and Health Center, a major Enterprise fund. The Foundation is reported as a component unit because the nature and significance of its relationship with the State are such that it would be misleading to exclude the Foundation from the Sate's reporting entity.

Component units are reported in separate columns and rows in the government-wide financial statements (discrete presentation) to emphasize that they are legally separate from the primary government. Financial statements for the major component units are included in the accompanying financial statements after the fund financial statements. Audited financial statements issued separately by each component unit can be obtained from their respective administrative offices.

c. Government-wide and Fund Financial Statements
Government-wide Financial Statements
The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between the governmental and business-type activities of the primary government by using separate columns and rows. Governmental activities are generally financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part hy fees charged to external parties. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Net Position presents the reporting entity's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position is reported in three components:

1. Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds issued to buy, construct, or improve those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the purchase, construction, or improvement of those assets or related debt should be included in this component of net position.

2. Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

3. Unrestricted – This component of net position is the remaining balance of net position, after the determination of the other two components of net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated to the various functions or segments. Program revenues include a) fees, fines, and charges paid by the recipients of goods or services offered by the functions or segments and b) grants and contributions that are restricted to meeting the operational or capital needs of a particular function or segment. Revenues that are not classified as program revenues, including all taxes, are reported as general revenues.

Fund Financial Statements
The fund financial statements provide information about the State's funds, including its fiduciary funds and blended component units. Separate statements for each fund category (governmental, proprietary, and fiduciary) are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

In the governmental fund financial statements, fund balance (difference between assets and liabilities) is classified as nonspendable, restricted, and unrestricted (committed, assigned, or unassigned). Restricted represents those portions of fund balance where constraints on the resources are externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints by formal action of the Legislature, such as appropriation or legislation. Assigned fund balance is constrained by the Legislature's intent to be used for specific uses, but is neither restricted nor committed.

The State reports the following major governmental funds:

General Fund - This is the State's primary operating fund. It is used to account for all financial resources which are not required to he accounted in other funds and which are spent for those services normally provided by the State (e.g., health, social assistance, education, etc.).

Debt Service - This fund is used to account for the resources that are restricted for payment of principal and interest on special tax obligation honds of the Transportation fund.

Transportation - This fund is used to account for motor fuel taxes, vehicle registration and driver license fees, and other revenues that are restricted for the payment of budgeted appropriations of the Transportation and Motor Vehicles Departments.

Restricted Grants and Accounts - This fund is used to account for resources which are restricted by Federal and other providers to be spent for specific purposes.

Grant and Loan Programs – This fund is used to account for resources that are restricted by state legislation for the purpose of providing grants and/or loans to municipalities and organizations located in the State.

The State reports the following major enterprise funds:

University of Connecticut & Health Center - This fund is used to account for the operations of the University of Connecticut, a comprehensive institution of higher education, which includes the University of Connecticut Health Center and John Dempsey Hospital.

State Universities - This fund is used to account for the operations of the State University System which consists of four universities: Central, Eastern, Southern, and Western.

Connecticut Community Colleges – This fund is used to account for the operations of the State community colleges system, which consists of twelve regional community colleges.

Colleges and universities do not have separate corporate powers and sue and are sued as part of the state with legal representation provided through the state Attorney General's Office. Since the colleges and universities are legally part of the state their financial operations are reported in the state's financial statements using the fund structure prescribed by GASB.

Employment Security - This fund is used to account for unemployment insurance premiums from employers and the payment of unemployment benefits to eligible claimants.

Clean Water - This fund is used to account for resources used to provide loans to municipalities to finance waste water treatment facilities.

In addition, the State reports the following fund types:

Internal Service Funds - These funds account for goods and services provided to other agencies of the State on a cost-reimbursement basis. These goods and services include prisoner-built office furnishings, information services support, telecommunications, printing, and other services.

Pension Trust Funds - These funds account for resources held in the custody of the state for the members and beneficiaries of the State's pension plans. These plans are discussed more fully in Notes 10 and 11.

Other Post-Employment Benefit (OPEB) Trust Funds- These funds account for resources held in trust for the members and beneficiaries of the state's other post-employment benefit plans which are described in notes 13 and 14.

Investment Trust Fund - This fund accounts for the external portion of the State's Short-Term Investment Fund, an investment pool managed by the State Treasurer.

Private-Purpose Trust Fund - This fund accounts for escheat securities held in trust for individuals by the State Treasurer.

Agency Funds - These funds account for deposits, investments, and other assets held by the State as an agent for inmates and patients of State institutions, insurance companies, municipalities, and private organizations.

d. Measurement Focus and Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Taxes and casino gaming payments are recognized as revenues in the period when the underlying exchange transaction has occurred. Grants and similar items are recognized as revenues in the period when all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the State's enterprise and internal service funds are charges to customers for sales and services, assessments, and intergovernmental revenues. Operating expenses for enterprise and internal service funds include salaries, wages, and administrative expenses, unemployment compensation, claims paid, and depreciation expense. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The State considers taxes and other revenues to be available if the revenues are collected within 60 days after year-end. Exceptions to this policy are federal grant revenues, which are considered to be available if collection is expected within 12 months after year-end, and licenses and fees which are recognized as revenues when the cash is collected. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general-long term debt and acquisitions under capital leases are reported as other financing sources.

e. Budgeting Process

By statute, the Governor must submit the State hudget to the General Assemhly in February of every other year. Prior to June 30, the General Assembly enacts the budget through the passage of appropriation acts for the next two fiscal years and sets forth revenue estimates for the same period for the following funds: the General Fund, the Transportation Fund, the Mashantucket Pequot Fund, the Workers' Compensation Administration Fund, the Banking Fund, the Consumer Counsel and Public Utility Control Fund, the Insurance Fund, the Criminal Injuries Fund, the Soldiers, Sailors, and Marines Fund, and the Regional Market Operations Fund. Under the State Constitution, the Governor has the power to veto any part of the itemized appropriations bill and to accept the remainder of the bill. However, the General Assemhly may separately reconsider and repass the disapproved items by a two-thirds majority vote of both the Senate and the House.

Budgetary control is maintained at the individual appropriation account level by agency as estahlished in authorized appropriation bills and is reported in the Annual Report of the State Comptroller. A separate document is necessary because the level of legal control is more detailed than reflected in the CAFR. Before an agency can utilize funds appropriated for a particular purpose, such funds must be allotted for the specific purpose by the Governor and encumhered by the Comptroller upon request by the agency. Such funds can then be expended by the Treasurer only upon a warrant, draft or order of the Comptroller drawn at the request of the responsible agency. The allotment process maintains expenditure control over special revenue, enterprise, and internal service funds that are not budgeted as part of the annual appropriation act.

The Governor has the power under Connecticut statute to modify budgetary allotment requests for the administration, operation and maintenance of a budgeted agency. However, the modification cannot exceed 3 percent of the fund or 5 percent of the appropriation amount. Modifications beyond those limits, but not in excess of 5 percent of the total funds require the approval of the Finance Advisory Committee. The Finance Advisory Committee is comprised of the Governor, the Lieutenant Governor, the Treasurer, the Comptroller, two senate members, not of the same political party, and three house members, not more than two of the same political party. Additional reductions of appropriations of more than 5 percent of the total appropriated fund can be made only with the approval of the General Assemhly.

All funds, except fiduciary funds, use encumbrance accounting. Under this method of accounting, purchase orders, contracts, and other commitments for the expenditures of the fund are recorded in order to reserve that portion of the applicable appropriation. All encumbrances lapse at year-end and, generally, all appropriations lapse at year-end except for certain continuing appropriations (continuing appropriations are defined as carryforwards of spending authority from one fiscal budget into a subsequent budget). The continuing appropriations include: appropriations continued for a one-month period after year-end which are part of a program that was not renewed the succeeding year; appropriations continued the entire succeeding year, as in the case of highway and other capital construction projects; and appropriations continued for specified amounts for certain special programs. Carryforward appropriations are reported as reservations of the fund balance in the financial statements.

The budget is prepared on a "statutory" basis of accounting that utilizes the accounting standards that were applied in the budget act and related legislation. Commencing in Fiscal Year 2014, appropriations were made to legislatively budgeted funds to account for expense accruals. The actual expense accruals were posted using the same methodology described above for the governmental fund financial statements. Revenues were recognized when received except in the General Fund and Transportation Fund. In those two funds certain taxes and Indian gaming payments are recognized within a statutory accrual period as approved by the State Comptroller. The state's three major tax categories (the personal income tax, the sales and use tax, and the corporation tax), among other taxes, are subject to statutory accrual. A comparison of actual results of operations recorded on this basis and the adopted hudget is presented in the financial statements for the General and Transportation funds. During the 2015 fiscal year, the original adopted budget was adjusted by the General Assemhly and the Finance Advisory Committee.

Budget Reserve Fund ("Rainy Day Fund")

In accordance with Section 4-30a of the Connecticut State Statues, the State maintains a Budget Reserve ("Rainy Day") Fund. Per section 4-30a after the accounts for the General Fund have been closed for each fiscal year and the Comptroller has determined the amount of unappropriated surplus, and after any required transfers have heen made, the surplus shall be transferred by the State Treasurer to the Budget Reserve Fund. Moneys shall be expended only when in any fiscal year the Comptroller has determined the amount of a deficit applicable with respect to the immediately preceding fiscal year, to the extent necessary.

Historically, resources from the Rainy Day Fund have only been expended during recessionary periods to cover overall budget shortfalls after other budgetary measures have been exhausted. Under the provisions of Section 4-30a of the State Statues, a deposit of $248.5 million was transferred during fiscal year 2015 based on fiscal year 2014 surplus. During fiscal year 2016 a withdrawal of $113.2 million will be made to cover the budgetary shortfall in fiscal year 2015.

After the transfer is made to cover the shortfall in fiscal year 2015 the Budget Reserve Fund will have a balance of $406.0 million. Effective February 28, 2003, the amount on deposit cannot exceed 10 percent of the net General Fund appropriations for the current fiscal year.

f. Assets and Liabilities

Cash and Cash Equivalents (see Note 3)

In addition to petty cash and bank accounts, this account includes cash equivalents – short-term, highly liquid investments with original maturities of three months or less when purchased. Cash equivalents consist of investments in the Short-Term Investment Fund which are reported at the fund's share price.

In the Statement of Cash Flows, certain Enterprise funds exclude from cash and cash equivalents investments in STIF reported as noncurrent or restricted assets.

Investments (see Note 3)
Investments include Equity in Combined Investment Funds and other investments. Equity in Combined Investment Funds is reported at fair value based on the funds' current share price. Other investments are reported at fair value, except for the following investments which are reported at cost or amortized cost:

- Nonparticipating interest-earning investment contracts.
- Money market investments that mature within one year or less at the date of their acquisition.
- Investments of the External Investment Pool fund (an Investment Trust fund).

The fair value of other investments is determined based on quoted market prices except for:

- The fair value of State bonds held by the Clean Water and Drinking Water funds (Enterprise funds) which is estimated using a comparison of other State bonds.
- The fair value of securities not publicly traded held by the Connecticut Innovations, Incorporated, a Component Unit. The fair value of these investments is determined by an independent valuation committee of the Corporation, after giving consideration to pertinent information about the companies comprising the investments, including but not limited to recent sales prices of the issuer's securities, sales growth, progress toward business goals, and other operating data.

The State invests in derivatives. These investments are held by the Combined Investment Funds and are reported at fair value in each fund's statement of net position.

Inventories
Inventories are reported at cost. Cost is determined by the first-in first-out (FIFO) method. Inventories in the governmental funds consist of expendable supplies held for consumption whose cost was recorded as an expenditure at the time the individual inventory items were purchased. Reported inventories in these funds are offset by a fund balance designation (nonexpendable) to indicate that they are unavailable for appropriation.

Capital Assets and Depreciation
Capital assets include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, railways, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the State as assets with an initial individual cost of more than $1,000 and an estimated useful life in excess of one year, except for the University of Connecticut which uses an initial individual cost of more than $5,000. Such assets are recorded at historical cost or estimated fair market value at the date of donation.

Collections of historical documents, rare books and manuscripts, guns, paintings, and other items are not capitalized. These collections are held by the State Library for public exhibition, education, or research; and are kept protected, cared for, and preserved indefinitely. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are also not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	40
Improvements Other than Buildings	10-20
Machinery and Equipment	5-30
Infrastructure	20-28

Securities Lending Transactions (see Note 3)
Assets, liabilities, income, and expenses arising from securities lending transactions of the Combined Investment Funds are allocated ratably to the participant funds based on their equity in the Combined Investment Funds.

Escheat Property
Escheat property is private property that has reverted to the State because it has been abandoned or has not been claimed by the rightful owners for a period of time. State law requires that all escheat property receipts be recorded as revenue in the General fund. Escheat revenue is reduced and a fund liability is reported to the extent that it is probable that escheat property will be refunded to claimants in the future. This liability is estimated based on the State's historical relationship between escheat property receipts and amounts paid as refunds, taking into account current conditions and trends.

Deferred Outflows of Resources
Deferred outflows of resources are defined as the consumption of net assets in one period that are applicable to future periods. These amounts are reported in the Statement of Net Position on the government-wide and fund financial statements in a separate section, after total assets.

Unearned Revenues
In the government-wide and fund financial statements, this liability represents resources that have been received, but not yet earned.

Long-term Obligations
In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and issuance costs are deferred and amortized over the life of the bonds using the straight line

method. Bonds payable are reported net of the applicable bond premium. Bond issuance costs are reported as an expense in the year they are incurred. Other significant long-term obligations include the net pension liability, OPEB obligation, compensated absences, workers' compensation claims, and federal loans. In the fund financial statements, governmental fund types recognize bond premiums and bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Capital Appreciation Bonds
Capital appreciation (deep-discount) bonds issued by the State, unlike most bonds, which pay interest semi-annually, do not pay interest until the maturity of the bonds. An investor who purchases a capital appreciation bond at its discounted price and holds it until maturity will receive an amount which equals the initial price plus an amount which has accrued over the life of the bond on a semiannual compounding basis. The net value of the bonds is accreted (the discount reduced), based on this semiannual compounding, over the life of the bonds. This deep-discount debt is reported in the government-wide statement of net position at its net or accreted value rather than at face value.

Compensated Absences
The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Vacation and sick policy is as follows: Employees hired on or before June 30, 1977, and managers regardless of date hired can accumulate up to a maximum of 120 vacation days. Employees hired after that date can accumulate up to a maximum of 60 days. Upon termination or death, the employee is entitled to be paid for the full amount of vacation days owed. No limit is placed on the number of sick days that an employee can accumulate. However, the employee is entitled to payment for accumulated sick time only upon retirement, or after ten years of service upon death, for an amount equal to one-fourth of his/her accrued sick leave up to a maximum payment equivalent to sixty days.

g. Derivative Instruments
The State's derivative instruments consist of interest rate swap agreements, all of which have been determined by the State to be effective cash flow hedges. Accumulated decreases in the fair value of some of the swaps are reported as deferred outflows of resources in the Statement of Net Position. These agreements are discussed in more detail in Note No. 18.

h. Deferred Inflows of Resources
Deferred inflows of resources are defined as the acquisition of net assets in one period that are applicable to future periods. These amounts are reported in the Statement of Net Position and Balance Sheet in a separate section, after total liabilities.

i. Interfund Activities
In the fund financial statements, interfund activities are reported as follows:

Interfund receivables/payables - The current portion of interfund loans outstanding at the end of the fiscal year is reported as due from/to other funds; the noncurrent portion as advances to/from other funds. All other outstanding balances between funds are reported as due from/to other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Interfund services provided and used - Sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. In the statement of activities, transactions between the primary government and its discretely presented component units are reported as revenues and expenses, unless they represent repayments of loans or similar activities.

Interfund transfers - Flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

Interfund reimbursements - Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are not reported in the financial statements.

j. Supplemental Nutrition Assistance Program (SNAP)
Nutrition assistance distributed to recipients during the year is recognized as an expenditure and a revenue in the governmental fund financial statements.

k. External Investment Pool
Assets and liabilities of the Short-Term Investment Fund are allocated ratably to the External Investment Pool Fund based on its investment in the Short-Term Investment Fund (see Note 4). Pool income is determined based on distributions made to the pool's participants.

l. Use of Estimates
The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Note 2 Nonmajor Fund Deficits
The following funds have deficit fund/net position balances at June 30, 2015, none of which constitutes a violation of statutory provisions (amounts in thousands).

Capital Projects		
State Facilities	$	103,418
Transportation	$	718
Enterprise		
Bradley Parking Garage	$	25,544

Note 3 Cash Deposits and Investments
According to GASB Statement No. 40, "*Deposit and Investment Risk Disclosures*", the State needs to make certain disclosures about deposit and investment risks that have the potential to result in losses. Thus, the following deposit and investment risks are discussed in this note:

Interest Rate Risk - the risk that changes in interest rates will adversely affect the fair value of an investment.

Credit Risk - the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of Credit Risk - the risk of loss attributed to the magnitude of an investment in a single issuer.

Custodial Credit Risk (deposits) - the risk that, in the event of a bank failure, the State's deposits may not be recovered.

Foreign Currency Risk - the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit.

Primary Government
The State Treasurer is the chief fiscal officer of State government and is responsible for the prudent management and investment of monies of State funds and agencies as well as monies of pension and other trust funds. The State Treasurer with the advice of the Investment Advisory Council, whose members include outside investment professionals and pension beneficiaries, establishes investment policies and guidelines. Currently, the State Treasurer manages one Short-Term Investment Fund and twelve Combined Investment Funds.

Short-Term Investment Fund (STIF)
STIF is a money market investment pool in which the State, municipal entities, and political subdivisions of the State are eligible to invest. The State Treasurer is authorized to invest monies of STIF in United States government and agency obligations, certificates of deposit, commercial paper, corporate bonds, savings accounts, bankers' acceptances, repurchase agreements, and asset-backed securities. STIF's investments are reported at amortized cost (which approximates fair value) in the fund's statement of net position.

For financial reporting purposes, STIF is considered to be a mixed investment pool – a pool having external and internal portions. The external portion of STIF (i.e. the portion that belongs to participants which are not part of the State's financial reporting entity) is reported as an investment trust fund (External Investment Pool fund) in the fiduciary fund financial statements. The internal portion of STIF (i.e., the portion that belongs to participants that are part of the State's financial reporting entity) is not reported in the accompanying financial statements. Instead, investments in the internal portion of STIF by participant funds are reported as cash equivalents in the government-wide and fund financial statements.

For disclosure purposes, certificates of deposit held by STIF are reported in this note as bank deposits, not as investments.

As of June 30, 2015, STIF had the following investments and maturities (amounts in thousands):

Short-Term Investment Fund

Investment Type	Amortized Cost	Investment Maturities (in years) Less Than 1
Federal Agency Securities	$ 1,476,285	$ 1,476,285
Bank Commercial Paper	350,000	350,000
US Government Guaranteed or Insured	65,295	65,295
Government Money Market Funds	501,170	501,170
Repurchase Agreements	500,000	500,000
Total Investments	$ 2,892,750	$ 2,892,750

Interest Rate Risk
The STIF's policy for managing interest rate risk is to limit investment to a very short weighted average maturity, not to exceed 90 days, and to comply with Standard and Poor's requirement that the weighted average maturity not to exceed 60 days. As of June 30, 2015, the weighted average maturity of the STIF was 37 days. Additionally, STIF is allowed by policy to invest in floating-rate securities. However, investment in these securities having maturities greater than two years is limited to no more than 20 percent of the overall portfolio. For purposes of the fund's weighted average maturity calculation, variable-rate securities are calculated using their rate reset date. Because these securities reprice frequently to prevailing market rates, interest rate risk is substantially reduced. As of June 30, 2015, the amount of STIF's investments in variable-rate securities was $568 million.

Credit Risk
The STIF's policy for managing credit risk is to invest in debt securities that fall within the highest short-term or long-term rating categories by nationally recognized rating organizations. As of June 30, 2015, STIF's investments were rated by Standard and Poor's as follows (amounts in thousands):

Short-Term Investment Fund

Investment Type	Amortized Cost	Quality Ratings AAA	AA	A
Federal Agency Securities	$ 1,476,285	$ -	$ 1,476,285	$ -
Bank Commercial Paper	350,000	-	350,000	-
U.S. Government Guaranteed & Insured Securities	65,295	-	65,295	-
Government Money Market Funds	501,170	501,170	-	-
Repurchase Agreements	500,000	-	250,000	250,000
Total Investments	$ 2,892,750	$ 501,170	$ 2,141,580	$ 250,000

Concentration of Credit Risk

STIF reduces its exposure to this risk by requiring that not more than 10 percent of its portfolio be invested in securities of any one issuer, except for overnight or two-business day repurchase agreements and U.S. government and agency securities. As of June 30, 2015, STIF's investments in any one issuer that represents more than 5 percent of total investments were as follows (amounts in thousands):

Investment Issuer	Amortized Cost
Federal Home Loan Bank	$ 673,629
Federal Farm Credit Bank	$ 457,890
U.S. Bank	$ 350,000
Freddie Mac	$ 151,386
Merryl Lynch	$ 250,000
Fannie Mae	$ 193,379
Morgan Stanley	$ 250,001
Western Asset	$ 251,169
RBC Capital Markets	$ 250,000

Custodial Credit Risk-Bank Deposits-Nonnegotiable Certificate of Deposits (amounts in thousands):

The STIF follows policy parameters that limit deposits in any one entity to a maximum of ten percent of assets. Further, the certificate of deposits must be issued from commercial banks whose short-term debt is rated at least A-1 by Standard and Poor's and F-1 by Fitch and whose long-term debt is rated at least A- and its issuer rating is at least "C", or backed by a letter of credit issued by a Federal Home Loan bank. As of June 30, 2015, $2,065,000 of the bank balance of STIF's deposits of $2,140,000 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 1,202,063
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State	862,475
Total	$ 2,064,538

Combined Investment Funds (CIFS)

The CIFS are open-ended, unitized portfolios in which the State pension trust and permanent funds are eligible to invest. The State pension trust and permanent funds own the units of the CIFS. The State Treasurer is also authorized to invest monies of the CIFS in a broad range of fixed income and equity securities, as well as real estate properties, mortgages and private equity. CIFS' investments are reported at fair value in each fund's statement of net position.

For financial reporting purposes, the CIFS are considered to be external investment pools and are not reported in the accompanying financial statements. Instead, investments in the CIFS by participant funds are reported as equity in the CIFS in the government-wide and fund financial statements.

	Primary Government		
	Governmental Activities	Business-Type Activities	Fiduciary Funds
Equity in the CIFS	$ 110,069	$ 652	$ 29,541,256
Other Investments	2,826	68,570	1,004,995
Total Investments-Current	$ 112,895	$ 69,222	$ 30,546,251

As of June 30, 2015, the CIFS had the following investments and maturities (amounts in thousands):

Combined Investment Funds

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
Cash Equivalents	$ 198,784	$ 198,784	$ -	$ -	$ -
Asset Backed Securities	191,411	3,902	161,552	15,533	10,424
Government Securities	2,746,047	149,878	1,086,902	617,616	891,651
Government Agency Securities	725,993	122,431	56,503	6,194	540,865
Mortgage Backed Securities	377,930	10,098	61,452	73,195	233,185
Corporate Debt	3,068,331	803,147	998,896	1,005,421	260,867
Convertible Debt	34,542	1,644	13,963	-	18,935
Total Debt Investments	7,343,038	$ 1,289,884	$ 2,379,268	$ 1,717,959	$ 1,955,927
Common Stock	14,406,676				
Preferred Stock	124,880				
Real Estate Investment Trust	309,747				
Business Development Corporation	80,600				
Mutual Fund	820,291				
Limited Liability Corporation	1,157				
Trusts	583				
Limited Partnerships	6,668,284				
Total Investments	$ 29,755,256				

Interest Rate Risk

CIFS' investment managers are given full discretion to manage their portion of CIFS' assets within their respective guidelines and constraints. The guidelines and constraints require each manager to maintain a diversified portfolio at all times. In addition, each core manager is required to maintain a target duration that is similar to its respective benchmark which is typically the Barclays Aggregate-an intermediate duration index.

Credit Risk

The CIFS minimizes exposure to this risk in accordance with a comprehensive investment policy statement, as developed by the Office of the Treasurer and the State's Investment Advisory Council, which provides policy guidelines for the CIFS and includes an asset allocation plan. The asset allocation plan's main objective is to maximize investment returns over the long term at an acceptable level of risk. As of June 30, 2015, CIFS' debt investments were rated by Moody's as follows (amounts in thousands):

Combined Investment Funds

	Fair Value	Cash Equivalents	Asset Backed Securities	Government Securities	Government Agency Securities	Mortgage Backed Securities	Corporate Debt	Convertible Debt
Aaa	$ 2,235,451	$ 100	$ 138,598	$ 1,269,100	$ 534,650	$ 233,191	$ 59,812	$ -
Aa	492,201	7,500	2,886	334,515	-	14,683	132,617	-
A	641,373	-	1,486	327,413	-	11,067	301,407	-
Baa	799,566	-	109	454,248	-	11,211	333,202	796
Ba	520,267	-	-	82,170	-	-	428,750	9,347
B	840,172	-	-	36,043	-	-	788,159	15,970
Caa	261,361	-	-	40,775	-	-	220,586	-
Ca	12,769	-	-	3,527	-	-	9,242	-
C	940	-	-	-	-	-	940	-
Prime 1	493,856	-	2,672	-	-	4,798	486,386	-
Prime 2	30,391	-	-	-	-	-	30,391	-
Government fixed not rated	202,429	-	-	11,086	191,343	-	-	-
Non Government fixed not rated	187,170	-	-	187,170	-	-	-	-
Not Rated	625,092	191,184	45,660	-	-	102,980	276,839	8,429
	$ 7,343,038	$ 198,784	$ 191,411	$ 2,746,047	$ 725,993	$ 377,930	$ 3,068,331	$ 34,542

Foreign Currency Risk

The CIFS manage exposure to this risk by utilizing a strategic hedge ratio of 50 percent for the developed market portion of the International Stock Fund (a Combined Investment Fund). This strategic hedge ratio represents the neutral stance or desired long-term exposure to currency for the ISF. To implement this policy, currency specialists actively manage the currency portfolio as an overlay strategy to the equity investment managers. These specialists may manage the portfolio passively or actively depending on opportunities in the market place. While managers within the fixed income portion of the portfolio are allowed to invest in non-U.S. denominated securities, managers are required to limit that investment to a portion of their respective portfolios. As of June 30, 2015, CIFS' foreign deposits and investments were as follows (amounts in thousands):

Combined Investment Funds

				Fixed Income Securities				Equities		
Foreign Currency	Total	Cash	Cash Equivalent Collateral	Government Securities	Corporate Debt	Asset Backed	Mortgage Backed	Common Stock	Preferred Stock	Real Estate Investement Trust Fund
Argentine Peso	$ 81	$ 81	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Australian Dollar	410,838	999	113	89,266	13,020	-	-	288,175	-	19,265
Brazilian Real	279,997	2,492	-	111,328	1,437	-	-	128,965	35,775	-
Canadian Dollar	84,910	145	43	15,550	-	-	-	66,765	-	2,407
Chilean Peso	2,761	-	-	1,660	-	-	-	1,101	-	-
Colombian Peso	31,645	42	-	26,266	4,684	-	-	653	-	-
Croatian Kuna	86	-	-	-	-	-	-	86	-	-
Czech Koruna	4,158	74	-	-	-	-	-	4,084	-	-
Danish Krone	88,349	686	-	1,241	-	-	-	86,422	-	-
Egyptian Pound	6,662	207	-	-	-	-	-	6,455	-	-
Euro Currecny	1,964,783	(1,610)	-	189,222	6,257	(535)	-	1,727,992	29,649	13,808
Hong Kong Dollar	633,515	1,576	-	-	-	-	-	627,957	-	3,982
Hungarian Forint	24,324	-	-	6,341	-	-	-	17,983	-	-
Iceland Krona	2	2	-	-	-	-	-	-	-	-
Indian Rupee	3,300	-	-	1,612	1,688	-	-	-	-	-
Indonesian Rupiah	96,094	20	-	42,289	6,442	-	-	47,343	-	-
Israeli Shekel	17,565	404	-	-	-	-	-	17,161	-	-
Japanese Yen	1,339,030	4,395	-	58,669	-	-	-	1,270,735	-	5,231
Malaysian Ringgit	84,282	451	-	63,042	-	-	-	20,789	-	-
Mexican Peso	198,235	1,980	-	159,361	4,268	-	-	29,454	-	3,172
Moroccan Dirham	62	-	-	-	-	-	-	62	-	-
New Turkish Lira	201,272	11	-	41,199	-	-	-	159,454	-	608
New Zealand Dollar	110,084	929	-	96,223	-	-	-	12,932	-	-
Nigerian Naira	2,698	-	-	2,698	-	-	-	-	-	-
Norwegian Krone	60,802	1,325	-	14,124	-	-	-	45,353	-	-
Peruvian Nouveau Sol	1,864	-	-	1,864	-	-	-	-	-	-
Philippine Peso	65,375	17	-	3,444	-	-	-	61,914	-	-
Polish Zloty	105,748	81	-	65,666	-	-	-	40,001	-	-
Pound Sterling	1,387,031	1,764	223	200,831	11,298	-	5,805	1,151,938	-	15,172
Romanian Leu	6,293	-	-	6,293	-	-	-	-	-	-
Russian Ruble	26,939	-	-	26,610	329	-	-	-	-	-
Singapore Dollar	91,253	1,344	-	-	-	-	-	83,945	-	5,964
South African Rand	179,454	8	-	80,084	-	-	-	99,362	-	-
South Korean Won	299,880	148	-	-	-	-	-	289,596	10,136	-
Sri Lanka Rupee	78	-	-	-	-	-	-	78	-	-
Swedish Krona	183,098	942	-	6,746	-	-	-	175,410	-	-
Swiss Franc	452,525	(554)	-	-	-	-	-	453,079	-	-
Thailand Baht	114,855	236	-	13,615	-	-	-	101,004	-	-
Uganda Shilling	2,159	-	-	2,159	-	-	-	-	-	-
Uruguayan Peso	3,357	-	-	3,357	-	-	-	-	-	-
	$ 8,565,444	$ 18,195	$ 379	$ 1,330,760	$ 49,423	$ (535)	$ 5,805	$ 7,016,248	$ 75,560	$ 69,609

Derivatives

As of June 30, 2015, the CIFS held the following derivative investments (amounts in thousands):

Derivative Investments	Fair Value
Adjustable Rate Securities	$ 505,870
Asset Backed Securities	191,498
Mortgage Backed Securities	277,288
Collateralized Mortgage Obligations	100,623
TBA's	190,181
Interest Only Securities	740
Options	(306)
Total	$ 1,265,894

The CIFS invest in derivative investments for trading purposes and to enhance investment returns. The credit exposure resulting from these investments is limited to their fair value at year end.

The CIFS also invest in foreign currency contracts. Contracts to buy are used to acquire exposure to foreign currencies, while contracts to sell are used to hedge the CIFS' investments against currency fluctuations. Losses may arise from changes in the value of the foreign currency or failure of the counterparties to perform under the contracts' terms. As of June 30, 2015, the fair value of contracts to buy and contracts to sell was $8.4 billion and $8.3 billion, respectively.

Custodial Credit Risk-Bank Deposits

The CIFS minimize this risk by maintaining certain restrictions set forth in the Investment Policy Statement. The CIFS use a Liquidity Account which is a cash management pool investing in highly liquid money market securities. As of June 30, 2015, the CIFS had deposits with a bank balance of $31.0 million which was uninsured and uncollateralized.

Complete financial information about the STIF and the CIFS can be obtained from financial statements issued by the Office of the State Treasurer.

Other Investments

As of June 30, 2015, the State had other investments and maturities as follows (amounts in thousands):

Other Investments

		Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
State Bonds	$ 21,080	$ -	$ 6,780	$ 14,300	$ -
U.S. Government and Agency Securities	350,209	101,380	10,929	236,776	1,124
Guaranteed Investment Contracts	147,829	11,735	29,830	47,930	58,334
Money Market Funds	8,301	8,301	-	-	-
Total Debt Investments	527,419	$ 121,416	$ 47,539	$ 299,006	$ 59,458
Endowment Pool	11,611				
Corporate Stock	2,850				
Limited Partnership	150				
Total Investments	$ 542,030				

Credit Risk

As of June 30, 2015, other debt investments were rated by Standard and Poor's as follows (amounts in thousands):

Other Investments

		Quality Ratings		
Investment Type	Fair Value	AA	A	Unrated
State Bonds	$ 21,080	$ 21,080	$ -	$ -
U.S. Government and Agency Securities	261,116	261,116	-	-
Guaranteed Investment Contracts	147,829	35,952	111,877	-
Money Market Funds	8,301	-	-	8,301
Total	$ 438,326	$ 318,148	$ 111,877	$ 8,301

Connecticut State Universities reported $89 million as U.S. Government Securities, these securities have no credit risk therefore, these securities are not included in the above table.

Custodial Credit Risk-Bank Deposits (amounts in thousands):

The State maintains its deposits at qualified financial institutions located in the state to reduce its exposure to this risk. These institutions are required to maintain, segregated from its other assets, eligible collateral in an amount equal to 10 percent, 25 percent, 100 percent, or 120 percent of its public deposits. The collateral is held in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank. As of June 30, 2015, $660,444 of the bank balance of the Primary Government of $664,623 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 55,181
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State	605,263
Total	$ 660,444

Component Units

The Connecticut Housing Finance Authority (CHFA) and the Connecticut Lottery Corporation (CLC) reported the following investments and maturities as of 12-31-14 and 6-30-15, respectively (amounts in thousands):

Major Component Units

		Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
Collateralized Mortgage Obligations	$ 863	$ -	$ -	$ 863	$ -
Fidelity Funds	6,114	6,114	-	-	-
GNMA & FNMA Program Assets	621,231	-	-	-	621,231
Mortgage Backed Securities	878	-	-	150	728
Municipal Bonds	42,164	201	1,191	1,567	39,205
U.S. Government Agency Securities	928	-	-	-	928
Structured Securities	690	-	-	-	690
Fidelity Tax Exempt Fund	3,333	3,333	-	-	-
Total Debt Investments	676,201	$ 9,648	$ 1,191	$ 2,580	$ 662,782
Annuity Contracts	130,354				
Total Investments	$ 806,555				

The CHFA and the CLC own 83.8 percent and 16.2 percent of the above investments, respectively. GNMA Program Assets represent securitized home mortgage loans of CHFA which are guaranteed by the Government National Mortgage Association. Annuity contracts are the only investment held by the CLC, which are not subject to investment risks discussed next.

Interest Rate Risk
CHFA
Exposure to declines in fair value is substantially limited to GNMA Program Assets. The Authority's investment policy requires diversification of its investment portfolio to eliminate the risk of loss resulting from, among other things, an over-concentration of assets in a specific maturity. This policy also requires the Authority to attempt to match its investments with anticipated cash flows requirements and to seek diversification by staggering maturities in such a way that avoids undue concentration of assets in a specific maturity sector.

Credit Risk
CHFA
The Authority's investments are limited by State statutes to United States Government obligations, including its agencies or instrumentalities, investments guaranteed by the state, investments in the state's STIF, and other obligations which are legal investments for savings banks in the state. The Fidelity Funds are fully collateralized by obligations issued by the United States Government or its agencies. Mortgage Backed Securities are fully collateralized by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Government National Mortgage Association, and Collateralized Mortgage Obligations are fully collateralized by the United States Department of Housing and Urban Development mortgage pools.

CHFA's investments were rated as of 12-31-14 as follows (amounts in thousands):

Component Units

Investment Type	Fair Value	Quality Ratings CCC	D	Unrated
Collateralized Mortgage Obligations	$ 863	$ 863	$ -	$ -
Fidelity Tax Exempt Fund	3,333	-	-	3,333
Municipal Bonds	42,164	-	-	42,164
Structured Securities	690	-	690	-
Total	$ 47,050	$ 863	$ 690	$ 45,497

Concentration of Credit Risk
CHFA
The Authority's investment policy requires diversification of its investment portfolio to eliminate the risk of loss resulting from, among other things, an over-concentration of assets with a specific issuer. As of December 31, 2014, the Authority had no investments in any one issuer that represents 5 percent or more of total investments, other than investments guaranteed by the U.S. Government (GNMA and FNMA Program Assets), and investments in the State's STIF.

Security Lending Transactions
Certain of the Combined Investment Funds are permitted by State statute to engage in security lending transactions to provide incremental returns to the funds. The funds' Agent is authorized to lend available securities to authorized broker-dealers and banks subject to a formal loan agreement.

During the year, the Agent lent certain securities and received cash or other collateral as indicated on the Securities Lending Authorization Agreement. The Agent did not have the ability to pledge or sell collateral securities received absent a borrower default. Borrowers were required to deliver collateral for each loan equal to at least 102 percent of the market value of the domestic loaned securities or 105 percent of the market value of foreign loaned securities.

According to the Agreement, the Agent has an obligation to indemnify the funds in the event any borrower failed to return the loaned securities or pay distributions thereon. There were no such failures during the fiscal year that resulted in a declaration or notice of default of the borrower. During the fiscal year, the funds and the borrowers maintained the right to terminate all securities lending transactions upon notice. The cash collateral received on each loan was invested in an individual account known as the State of Connecticut Collateral Investment Trust. At year end, the funds had no credit exposure to borrowers because the value of the collateral held and the market value of securities on loan were $1,866.8 million and $1,826.0 million, respectively.

Under normal circumstances, the average duration of collateral investments is managed so that it will not exceed 60 days. At year end, the average duration of the collateral investments was 23.22 days and an average weighted maturity of 44.83 days.

Note 4 Receivables-Current
As of June 30, 2015, current receivables consisted of the following (amounts in thousands):

	Primary Government Governmental Activities	Business-Type Activities	Component Units
Taxes	$ 1,393,705	$ -	$ -
Accounts	1,180,329	644,856	89,883
Loans-Current Portion	-	314,318	22,436
Other Governments	434,667	10,892	8,646
Interest	1,296	5,282	599
Other (1)	4,181	2,859	3,313
Total Receivables	3,014,178	978,207	124,877
Allowance for Uncollectibles	(878,317)	(115,566)	(320)
Receivables, Net	$ 2,135,861	$ 862,641	$ 124,557

(1) Includes a reconciling amount of $4,180 million from fund financial statements to government-wide financial statements.

Note 5 Taxes Receivable
Taxes receivable consisted of the following as of June 30, 2015 (amounts in thousands):

	Governmental Activities		
	General Fund	Transportation Fund	Total
Sales and Use	$ 584,122	$ -	$ 584,122
Income Taxes	433,141	-	433,141
Corporations	8,823	-	8,823
Gasoline and Special Fuel	-	44,527	44,527
Various Other	323,092	-	323,092
Total Taxes Receivable	1,349,178	44,527	1,393,705
Allowance for Uncollectibles	(129,005)	(215)	(129,220)
Taxes Receivable, Net	$ 1,220,173	$ 44,312	$ 1,264,485

Note 6 Receivables-Noncurrent
Noncurrent receivables for the primary government and its component units, as of June 30, 2015, consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Accounts	$ -	$ -	$ 30,928
Loans	687,334	840,143	640,935
Total Receivables	687,334	840,143	671,863
Allowance for Uncollec	(14,361)	(5,035)	(152,566)
Receivables, Net	$ 672,973	$ 835,108	$ 519,297

The Grants and Loans fund (governmental activities) makes loans through the Department of Economic and Community Development to provide financial support to businesses, municipalities, nonprofits, economic develop agencies and other partners for a wide range of activities that create and retain jobs; strengthen the competitiveness of the workforce; promote tourism, the arts and historic preservation; and help investigate and redevelop brownfields. The department's investments are helping build stronger neighborboods and communities and improving the quality of life for state residents. These loans are payable over a ten year period with rates ranging from 2 percent to 4 percent.

Clean Water fund (business-type activities) loans funds to qualified municipalities for planning, design, and construction of water quality projects. These loans are payable over a 20 year period at an annual interest rate of 2 percent and are secured by the full faith and credit or revenue pledges of the municipalities, or both. At year end, the noncurrent portion of loans receivable was $738.1 million.

The Connecticut Higher Education Supplemental Loan Authority (a component unit) makes loans to individuals from the proceeds of bonds issued by the Authority. The loans bear interest rates ranging from 0 percent to 9.2 percent. At year end, the noncurrent portion of loans receivable was $103.0 million.

Note 7 Restricted Assets
Restricted assets are defined as resources that are restricted by legal or contractual requirements. As of June 30, 2015, restricted assets were comprised of the following (amounts in thousands):

	Cash & Cash Equivalents	Investments	Loans, Net of Allowances	Other	Total Restricted Assets
Governmental Activities:					
Debt Service	$ 668,426	$ -	$ -	$ -	$ 668,426
Total-Governmental Activities	$ 668,426	$ -	$ -	$ -	$ 668,426
Business-Type Activities:					
UConn/Health Center	$ 222,663	$ -	$ -	$ -	$ 222,663
Clean Water	177,238	158,833	-	-	336,071
Other Proprietary	56,077	12,562	-	-	68,639
Total-Business-Type Activities	$ 455,978	$ 171,395	$ -	$ -	$ 627,373
Component Units:					
CHFA	$ 539,457	$ 666,553	$ 3,534,954	$ 99,438	$ 4,840,402
CAA	109,934	-	-	2,088	112,022
Other Component Units	457,168	-	21,787	14,943	493,898
Total-Component Units	$ 1,106,559	$ 666,553	$ 3,556,741	$ 116,469	$ 5,446,322

Note 8 Current Liabilities
a. Accounts Payable and Accrued Liabilities
As of June 30, 2015, accounts payable and accrued liabilities consisted of the following (amounts in thousands):

	Vendors	Salaries and Benefits	Interest	Other	Total Payables & Accrued Liabilities
Governmental Activities:					
General	$ 163,629	$ 182,150	$ -	$ -	$ 345,779
Transportation	12,938	10,318	-	-	23,256
Restricted Accounts	201,486	9,573	-	-	211,059
Grants and Loans	12,071	102	-	1,003	13,176
Other Governmental	62,567	6,813	-	-	69,380
Internal Service	1,047	858	-	-	1,905
Reconciling amount from fund financial statements to government-wide financial statements	-	-	192,795	4,162	196,957
Total-Governmental Activities	$ 453,738	$ 209,814	$ 192,795	$ 5,165	$ 861,512
Business-Type Activities:					
UConn/Health Center	$ 99,494	$ 73,250	$ -	$ 33,982	$ 206,726
State Universities	18,165	38,815	2,336	-	59,316
Other Proprietary	12,734	23,347	11,828	14,564	62,473
Total-Business-Type Activities	$ 130,393	$ 135,412	$ 14,164	$ 48,546	$ 328,515
Component Units:					
CHFA	$ -	$ -	$ 15,169	$ 6,119	$ 21,288
Connecticut Lottery Corporation	2,224	3,231	1,882	7,378	14,715
Connecticut Airport Authority	7,004	4,147	1,284	4,378	16,813
Other Component Units	6,846	-	998	58,320	66,164
Total-Component Units	$ 16,074	$ 7,378	$ 19,333	$ 76,195	$ 118,980

Note 9 Capital Assets

Capital asset activity for the year was as follows (amounts in thousands):

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Capital Assets not being Depreciated:				
Land	$ 1,686,533	$ 23,006	$ 522	$ 1,709,017
Construction in Progress	3,465,057	1,130,658	930,875	3,664,840
Total Capital Assets not being Depreciated	5,151,590	1,153,664	931,397	5,373,857
Capital Assets being Depreciated:				
Buildings	4,005,874	378,146	87,319	4,296,701
Improvements Other than Buildings	443,034	21,624	1,632	463,026
Equipment	2,548,252	304,468	116,516	2,736,204
Infrastructure	13,824,648	482,714	-	14,307,362
Total Other Capital Assets being Depreciated	20,821,808	1,186,952	205,467	21,803,293
Less: Accumulated Depreciation For:				
Buildings	1,772,065	107,415	87,319	1,792,161
Improvements Other than Buildings	285,250	22,992	1,632	306,610
Equipment	2,475,882	315,104	116,516	2,674,470
Infrastructure	8,900,576	472,092	-	9,372,668
Total Accumulated Depreciation	13,433,773	917,603	205,467	14,145,909
Other Capital Assets, Net	7,388,035	269,349	-	7,657,384
Governmental Activities, Capital Assets, Net	$ 12,539,625	$ 1,423,013	$ 931,397	$ 13,031,241

* Depreciation expense was charged to functions as follows:

Governmental Activities:	
Legislative	$ 5,634
General Government	53,264
Regulation and Protection	33,959
Conservation and Development	14,048
Health and Hospitals	13,884
Transportation	666,663
Human Services	1,852
Education, Libraries and Museums	42,467
Corrections	51,891
Judicial	18,958
Capital assets held by the government's internal service funds are charged to the various functions based on the usage of the assets	14,983
Total Depreciation Expense	$ 917,603

	Beginning Balance	Additions	Retirements	Ending Balance
Business-Type Activities				
Capital Assets not being Depreciated:				
Land	$ 67,788	$ 286	$ 2	$ 68,072
Construction in Progress	510,620	476,775	270,224	717,171
Total Capital Assets not being Depreciated	578,408	477,061	270,226	785,243
Capital Assets being Depreciated:				
Buildings	4,502,086	307,364	22,503	4,786,947
Improvements Other Than Buildings	363,146	10,351	210	373,287
Equipment	968,935	82,540	56,264	995,211
Infrastructure	-	-	-	-
Total Other Capital Assets being Depreciated	5,834,167	400,255	78,977	6,155,445
Less: Accumulated Depreciation For:				
Buildings	1,795,044	139,742	15,556	1,919,230
Improvements Other Than Buildings	191,988	15,123	24	207,087
Equipment	644,339	67,902	49,315	662,926
Total Accumulated Depreciation	2,631,371	222,767	64,895	2,789,243
Other Capital Assets, Net	3,202,796	177,488	14,082	3,366,202
Business-Type Activities, Capital Assets, Net	$ 3,781,204	$ 654,549	$ 284,308	$ 4,151,445

Component Units

Capital assets of the component units consisted of the following as of June 30, 2015 (amounts in thousands):

Land	$ 58,225
Buildings	724,863
Improvements other than Buildings	321,925
Machinery and Equipment	534,498
Construction in Progress	17,558
Total Capital Assets	1,657,069
Accumulated Depreciation	858,467
Capital Assets, Net	$ 798,602

Note 10 State Retirement Systems

The State sponsors three major public employee retirement systems: the State Employees' Retirement System (SERS)-consisting of Tier I (contributory), Tier II (noncontributory) Tier IIA (contributory) and Tier III (contributory), the Teachers' Retirement System (TRS), and the Judicial Retirement System (JRS). The three plans in this note do not issue separate financial statements, nor are they reported as a part of other entities. The financial statements and other required information are presented in Note 12 and in the Required Supplementary Information (RSI) section of the CAFR.

The State Comptroller's Retirement Division under the direction of the Connecticut State Employees' Retirement Commission administers SERS and JRS. The sixteen members are: the State Treasurer or a designee who serves as a non-voting ex-officio member, six trustees representing employees are appointed by the bargaining agents in accordance with the provisions of applicable collective bargaining agreements, one "neutral" Chairman, two actuarial trustees and six management trustees appointed by the Governor. The Teachers' Retirement Board administers TRS. The fourteen members of the Teachers' Retirement Board include: the State Treasurer, the Secretary of the Office of Policy and Management, the Commissioner of Education or their designees, who serve as ex-officio voting members. Six members who are elected by teacher membership and five public members appointed by the Governor.

Special Funding Situation

The employer contributions for the Teachers' Retirement System (TRS) are funded by the State on behalf of the participating municipal employers. Therefore, these employers are considered to be in a special funding situation and the State is treated as a non-employer contributing entity as defined by GASB 68. As a result, the State reports a liability, deferred outflows of resources and deferred inflows of resources, and expenses. Additionally, the autonomous Component Units that benefit from the services provided by employees of the State are considered, as defined by GASB 68 as non-employer contributing entities. As such they report a liability, deferred outflows of resources and deferred inflows of resources, and expenses as a result of being statutorily required to contribute to SERS.

Plan Descriptions and Funding Policy

Membership of each plan consisted of the following at the date of the latest actuarial evaluation:

	SERS 6/30/2014	TRS 6/30/2014	JRS 6/30/2014
Inactive Members or their Beneficiaries receiving benefits	45,803	34,310	250
Inactive Members Entitled to but not yet Receiving Benefits	1,457	13,011	4
Active Members	49,976	51,433	212

State Employees' Retirement System

Plan Description

SERS is a single-employer defined-benefit pension plan covering substantially all of the State full-time employees who are not eligible for another State sponsored retirement plan. Plan benefits, cost-of-living allowances, contribution requirements of plan members and the State, and other plan provisions are described in Sections 5-152 to 5-192 of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living allowances to plan members and their beneficiaries.

Funding Policy

The contribution requirements of plan members and the State are established and may be amended by the State legislature subject to the contractual rights established by collective bargaining. Tier I Plan B regular and Hazardous Duty members are required to contribute 2 percent and 4 percent of their annual salary, respectively, up to the Social Security Taxable Wage Base plus 5 percent above that level; Tier I Plan C members are required to contribute 5 percent of their annual salary; Tier II Plan Hazardous Duty members are required to contribute 4 percent of their annual salary; Tier IIA and Tier III Plans regular and Hazardous Duty members are required to contribute 2 percent and 5 percent of their annual salary, respectively. Individuals hired on or after July 1, 2011 otherwise eligible for the Alternative Retirement Plan (ARP) are eligible to become members of the Hybrid Plan in addition to their other existing choices. The Hybrid Plan has defined benefits identical to Tier II/IIA and Tier III for individuals hired on or after July 1, 2011, but requires employee contributions 3 percent higher than the contribution required from the applicable Tier II/IIA/III plan. The State is required to contribute at an actuarially determined rate. Administrative costs of the plan are funded by the State.

Teachers' Retirement System

Plan Description

TRS is a cost-sharing multiple-employer defined-benefit pension plan covering any teacher, principal, superintendent, or supervisor engaged in service of public schools in the State. Plan benefits, cost-of-living allowances, required contributions of plan members and the State, and other plan provisions are described in Sections 10-183b to 10-183ss of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living allowances to plan members and their beneficiaries.

Funding Policy

The contribution requirements of plan members and the State are established and may be amended by the State legislature. Plan members are required to contribute 6 percent of their annual salary. Administrative costs of the plan are funded by the State.

Judicial Retirement System

Plan Description

JRS is a single-employer defined-benefit pension plan covering any appointed judge or compensation commissioner in the State. Plan benefits, cost-of-living allowances, required contributions of plan members and the

State, and other plan provisions are described in Sections 51-49 to 51-51 of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living allowances to plan members and their beneficiaries.

Funding Policy
The contribution requirements of plan members and the State are established and may be amended by the State legislature. Plan members are required to contribute 6 percent of their annual salary. The State is required to contribute at an actuarially determined rate. Administrative costs of the plan are funded by the State.

Investments
The State Treasurer employs several outside consulting firms as external money and investment managers, to assist the Chief Investment Officer, as they manage the investment programs of the pension plans. Plan assets are managed primarily through asset allocation decisions with the main objective being to maximize investment returns over the long term at an acceptable level of risk. There is no concentration of investments in any one organization that represents 5.0 percent or more of plan net position available for benefits. The following is the asset allocation policy as of June 30, 2014.

	SERS		TRB		JRS	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equities	21.0%	5.8%	21.0%	5.8%	16.0%	5.8%
Developed Non-U.S. Equities	18.0%	6.6%	18.0%	6.6%	14.0%	6.6%
Emerging Markets (Non-U.S.)	9.0%	8.3%	9.0%	8.3%	7.0%	8.3%
Real Estate	7.0%	5.1%	7.0%	5.1%	7.0%	5.1%
Private Equity	11.0%	7.6%	11.0%	7.6%	10.0%	7.6%
Alternative Investment	8.0%	4.1%	8.0%	4.1%	8.0%	4.1%
Fixed Income (Core)	8.0%	1.3%	7.0%	1.3%	8.0%	1.3%
High Yield Bonds	5.0%	3.9%	5.0%	3.9%	14.0%	3.9%
Emerging Market Bond	4.0%	3.7%	5.0%	3.7%	8.0%	3.7%
Inflation Linked Bonds	5.0%	1.0%	3.0%	1.0%	5.0%	1.0%
Cash	4.0%	0.4%	6.0%	0.4%	3.0%	0.4%

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Rate of Return: For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan expense was 15.6, 15.7, and 13.7 percent for SERS, TRS, and JRS, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability
The components of the net pension liability at June 30, 2014 were as follows (amounts in millions):

	SERS	TRS	JRS
Total Pension Liability	$ 26,487	$ 26,349	$ 352
Fiduciary Net Position	10,473	16,208	188
Net Pension Liability	$ 16,014	$ 10,141	$ 164
Ratio of Fiduciary Net Position to Total Pension Liability	39.54%	61.51%	53.38%

Deferred Retirement Option Program (DROP)
Section 10-183v of the General Statue authorizes that a TRS member teacher receiving retirement benefits from the system may be reemployed for up to one full school year by a local board of education, the State Board of Education or by a constituent unit of the state system of higher education in a position (1) designated by the Commissioner of Education as a subject shortage area, or (2) at a school located in a school district identified as a priority school district. Such reemployment may be extended for an additional school year, by written request for approval to the Teachers' Retirement Board.

As of June 30, 2015 the balance held for the DROP was not available from the Teachers' Retirement Board.

Discount Rate
The discount rate used to measure the total pension liability was 8.0, 8.5, and 8.0 percent for SERS, TRS, and JRS respectively. The projection of cash flows used to determine the SERS, TRS, and JRS discount rate assumed employee contributions will be made at the current contribution rate and that contributions from the State will be made at actuarially determined rates in future years. Based on those assumptions, SERS, TRS, and JRS pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate
The following presents the net pension liability of the State, calculated using the discount rates of 8.0, 8.5 and 8.0 percent for SERS, TRS, and JRS, as well as what the State's net pension liabilities would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-

percentage-point higher than the current rate (amounts in millions):

	1% Decrease in Rate	Current Discount Rate	1% Increase in Rate
SERS Net Pension Liability	$ 19,103	$ 16,014	$ 13,416
TRS Net Pension Liability	$ 12,942	$ 10,141	$ 7,761
JRS Net Pension Liability	$ 199	$ 164	$ 134

GASB Statement 68 Employer Reporting
Employer Contributions

The following table presents the primary government's and component units' contributions recognized by the pension plans at the measurement date June 30, 2014 (amounts in thousands):

	SERS	TRS	JRS	Total
Primary Government	$ 1,257,085	$ 948,540	$ 16,298	$ 2,221,923
Component Units	11,805	-	-	11,805
Total Employer Contributions	$ 1,268,890	$ 948,540	$ 16,298	$ 2,233,728

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of the reporting date June 30, 2015, the primary government and component units reported net pension liabilities for the following plans administered by the State as follows (amounts in thousands):

	Primary Government	Component Units
Proportionate Share of the Net Pension Liability		
State Employees' Retirement System	$ 15,865,384	$ 148,982
Net Pension Liability		
Teachers' Retirement System	10,141,454	-
Judicial Retirement System	163,993	-
Total Net Pension Liability	$ 26,170,831	$ 148,982

The primary government's and component units' proportions of the collective net pension liability for the State Employees' Retirement System as of the measurement date June 30, 2014 as follows (amounts in thousands):

	Primary Government	Component Units
State Employees' Retirement System		
Proportion-June 30, 2014	99.07%	0.93%

For the reporting year ended June 30, 2015, the primary government and component units' recognized pension expense for the following pension plans administered by the State as follows (amounts in thousands):

	Primary Government	Component Units
Pension Expense		
State Employees' Retirement System	$ 1,258,138	$ 11,815
Teachers' Retirement System	775,485	-
Judicial Retirement System	9,043	-
Total	$ 2,042,666	$ 11,815

Deferred Outflows and Inflows of Resources

As of the reporting date June 30, 2015, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Units	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
State Employees' Retirement System				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	$ -	$ 566,620	$ -	$ 5,322
Employer Contributions Subsequent to Measurement Date	1,358,986	-	12,663	-
Total	$ 1,358,986	$ 566,620	$ 12,663	$ 5,322
Teachers' Retirement System				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	$ -	$ 856,674		
Employer Contributions Subsequent to Measurement Date	984,110	-		
Total	$ 984,110	$ 856,674		
Judicial Retirement System				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	$ -	$ -		
Employer Contributions Subsequent to Measurement Date	17,731	-		
Total	$ 17,731	$ -		

The amount reported as deferred outflows of resources related to pensions resulting from the State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability reported in the following fiscal year. The amount reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows (amounts in thousands):

State Employees' Retirement System

Year Ending June 30	Primary Government	Component Units
2016	$ 141,655	$ 1,330
2017	141,655	1,330
2018	141,655	1,330
2019	141,657	1,330
	$ 566,622	$ 5,320

Teachers' Retirement System

Year Ending June 30	Primary Government
2016	$ 214,169
2017	214,169
2018	214,169
2019	214,167
	$ 856,674

Actuarial Assumptions
The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

	SERS	TRS	JRS
Valuation Date	6/30/14	6/30/14	6/30/14
Inflation	2.75%	3.0%	2.75%
Salary Increases	4.00%-20.00%	3.75%-7.00%	4.75%
Investment Rate of Return	8.00%	8.5%	8.00%

The actuarial assumptions used in the June 30, 2014 SERS and JRS reported mortality rates based on the RP-2000 Mortality Table projected with the scale AA using 15 years for males and 25 years for females, set back 2 and 1 years respectively, for periods after service retirement and 55% (men) and 80% (women) for periods after disability retirement thus providing approximately a 13% margin in the assumed rates.

The actuarial assumptions used in the June 30, 2014 TRS actuarial report were based on RP-2000 Combined Mortality Table RP-2000 projected 19 years using scale AA, using a two year setback for males and females for the period after retirement and for dependent beneficiaries.

Changes in Net Pension Liability
The following schedule presents changes in the State's pension liability and fiduciary net position for each plan for the measurement date June 30, 2014 (amounts in thousands):

Total Pension Liability	SERS	TRS	JRS
Service Cost	$ 287,473	$ 347,198	$ 7,539
Interest	1,998,736	2,105,069	26,301
Benefit payments	(1,566,964)	(1,737,144)	(21,668)
Net change in total pension liability	719,245	715,123	12,172
Total pension liability - beginning (a)	25,767,688	25,634,086	339,601
Total pension liability - ending (c)	$ 26,486,933	$ 26,349,209	$ 351,773
Plan fiduciary net position			
Contributions - employer	$ 1,268,890	$ 948,540	$ 16,298
Contributions - member	144,807	261,213	1,641
Net investment income	1,443,391	2,277,550	23,156
Benefit payments	(1,566,964)	(1,737,144)	(21,668)
Other	-	(5,307)	-
Net change in plan fiduciary net position	1,290,124	1,744,852	19,427
Plan net position - beginning (b)	9,182,443	14,462,903	168,353
Plan net position - ending (d)	$ 10,472,567	$ 16,207,755	$ 187,780
Net pension liability - beginning (a)-(b)	$ 16,585,245	$ 11,171,183	$ 171,248
Net pension liability - ending (c)-(d)	$ 16,014,366	$ 10,141,454	$ 163,993

Defined Contribution Plan
The State also sponsors the Connecticut Alternate Retirement Program (CARP), a defined contribution plan. CARP is administered by the State Comptroller's Retirement Office under the direction of the Connecticut State Employees' Retirement Division. Plan provisions, including contribution requirements of plan members and the State, are described in Section 5-156 of the General Statutes.

Unclassified employees at any of the units of the Connecticut State System of Higher Education are eligible to participate in the plan. Plan members are required to contribute 5 percent of their annual salaries. The State is required to contribute 8 percent of covered salary. During the year, plan members and the State contributed $35.4 million and $.9 million, respectively.

Note 11 Other Retirement Systems Administered by the State of Connecticut
The State acts solely as the administrator and custodian of the assets of the Connecticut Municipal Employees' Retirement System (MERS) and the Connecticut Probate Judges and Employees Retirement System (CPJERS). The State makes no contribution to and has only a fiduciary responsibility for these funds. None of the above mentioned systems issue stand-alone financial reports. However, financial statements for MERS and CPJERS are presented in Note No. 12.

Plan Descriptions and Funding Policy
Membership of each plan consisted of the following at the date of the latest actuarial valuation:

	MERS 6/30/2014	CPJERS 12/31/2013
Retirees and beneficiaries receiving benefits	6,511	364
Terminated plan members entitled to but not receiving benefits	1,258	142
Active plan members	8,477	346
Total	16,246	852
Number of participating employers	187	1

Connecticut Municipal Employees' Retirement System Plan Description
MERS is a cost-sharing multiple-employer defined benefit pension plan that covers fire, police, and other personnel (except teachers) of participating municipalities in the State. Pension plan assets are pooled and the plan assets can be used to pay the pensions of the retirees of any participating employer. Plan benefits, cost-of-living adjustments, contribution requirements of plan members and participating municipalities, and other plan provisions are described in Chapters 7-425 to 7-451 of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Funding Policy
Plan members are required to contribute 2.25 percent to 5.0 percent of their annual salary. Participating municipalities are required to contribute at an actuarial determined rate. The participating municipalities fund administrative costs of the plan.

Investment Policy
The State Treasurer employs several outside consulting firms as external money and investment managers, to assist the Chief Investment Officer as they manage the investment programs of the pension plans. Plan assets are managed primarily through asset allocation decisions with the main objective being to maximize investment returns over the long term at an acceptable level of risk. There is no concentration of investments in any one organization that represents 5.0 percent or more of plan net position available for benefits.

	MERS	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equities	16.0%	5.8%
Developed Non-U.S. Equities	14.0%	6.6%
Emerging Markets (Non-U.S.)	7.0%	8.3%
Real Estate	7.0%	5.1%
Private Equity	10.0%	7.6%
Alternative Investment	8.0%	4.1%
Fixed Income (Core)	8.0%	1.3%
High Yield Bonds	14.0%	3.9%
Emerging Market Bond	8.0%	3.7%
Inflation Linked Bonds	5.0%	1.0%
Cash	3.0%	0.4%

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Net Pension Liability of Participating Employers
The components of the net pension liability for MERS at June 30, 2014 were as follows (amounts in millions):

	MERS
Employers' Total Pension Liability	$ 2,501
Fiduciary Net Position	2,263
Employers' Net Pension Liability	$ 238
Ratio of Fiduciary Net Position to Total Pension Liability	90.48%

Discount Rate
The discount rate used to measure the total pension liability was 8 percent for MERS. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. The long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate
The following presents the net pension liability of MERS, calculated using the discount rate of 8 percent as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (amounts in millions):

	1% Decrease in Rate	Current Discount Rate	1% Increase in Rate
Net Pension Liability	$ 544	$ 238	$ (20)

Net difference between projected and actual investment earnings on pension plan investments
Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five year period. The collective amount of the net difference between projected and actual investment earnings as of June 30, 2014 compared to the plan's expected rate of return of 8 percent was $107,180,000. The first year amortization of $21,436,000 is recognized as pension expense and the remaining amount is shown as a deferred inflow of resources. Each employer's proportional share of these collective amounts is presented on the schedules of pension amounts by employer.

Deferred outflows and deferred inflows of resources
The cumulative net amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future pension expense as follows (amounts in thousands):

	Collective Deferred Inflows of Resources
Net difference between projected and actual earnings on plan investments	$ 85,744

Amounts recognized in subsequent fiscal years:

2015	$ 21,436
2016	21,436
2017	21,436
2018	21,436

The above amounts do not include the deferred outflows/inflows of resources for employer contributions made subsequent to the measurement date. These amounts should be calculated and recorded by each participating employer.

Collective Pension Expense

Collective pension expense includes certain current period changes in the collective net pension liability, projected earnings on pension plan investments and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The collective pension expense for the period ended June 30, 2014 is as follows (amounts in thousands):

Service Cost	$	59,763
Interest on the total pension liability		185,379
Member Contributions		(18,998)
Projected earnings on plan investments		(150,628)
Expensed portion of current period differences between projected and actual earnings on plan investments		(21,436)
Other		(13)
Collective Pension Expense	$	54,067

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement date:

Inflation	3.25%
Salary increase	4.25-11.0%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for annuitants and non-annuitants (set forward one year for males and set back one year for females).

Connecticut Probate Judges and Employees' Retirement System

Plan Description

CPJERS is an agent multi-employer defined benefit pension plan that covers judges and employees of probate courts. Plan benefits, cost-of-living adjustments, required contributions of plan members and the probate court system, and other plan provisions are described in Chapters 45a-34 to 45a-56 of General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Pension plan assets are pooled for investment purposes but separate accounts are maintained for each individual court so that each court's share of the pooled assets is legally available to pay the benefits of only its employees. The plan is administered by the State Employee's Retirement Commission.

Funding

Plan members are required to contribute 1.0 percent to 3.75 percent of their annual salary. The probate court system is required to contribute at an actuarial determined rate. Administrative costs of the plan are funded by the probate court system.

Pension Liability

Information concerning the CPJERS total pension liability and significant assumptions used to measure the plans total pension liability, such as inflation, salary changes, discount rates and mortality are available by contacting the State Comptroller's Retirement Division.

Note 12 Pension Trust Funds Financial Statements

The financial statements of the pension trust funds are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. State contributions are recognized in the period in which the contributions are appropriated. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Investment income and related expenses of the Combined Investment Funds are allocated ratably to the pension trust funds based on each fund's equity in the Combined Investment Funds. As of June 30, 2015 the Fiduciary Fund financial statements were as follows (amounts in thousands):

Statement of Fiduciary Net Position (000's)

	State Employees'	State Teachers'	Judicial	Connecticut Municipal Employees'	Probate Judges'	Other	Total
Assets							
Current:							
Cash and Cash Equivalents	$ 4	$ 8,248	$ 12	$ 4,387	$ -	$ 314	$ 12,965
Receivables:							
Accounts, Net of Allowances	6,159	9,614	8	9,151	4	-	24,936
From Other Governments	-	1,444	-	-	-	-	1,444
From Other Funds	19	3	-	1	-	-	23
Interest	297	638	3	45	2	-	985
Investments	10,662,217	16,109,803	189,523	2,200,632	89,152	1,522	29,252,849
Securities Lending Collateral	681,850	986,457	13,352	154,923	6,559	130	1,843,271
Noncurrent:							
Due From Employers	-	-	-	240,962	-	-	240,962
Total Assets	11,350,546	17,116,207	202,898	2,610,101	95,717	1,966	31,377,435
Liabilities							
Accounts Payable and Accrued Liabilities	$ 41	$ 8,040	$ -	$ -	$ -	$ -	$ 8,081
Securities Lending Obligation	681,850	986,458	13,352	154,923	6,559	130	1,843,272
Due to Other Funds	-	1,656	-	-	17	-	1,673
Total Liabilities	681,891	996,154	13,352	154,923	6,576	130	1,853,026
Net Position							
Held in Trust For Employee Pension Benefits	10,668,655	16,120,053	189,546	2,455,178	89,141	1,836	29,524,409
Total Net Assets	$ 10,668,655	$ 16,120,053	$ 189,546	$ 2,455,178	$ 89,141	$ 1,836	$ 29,524,409

Statement of Changes in Fiduciary Net Position (000's)

	State Employees'	State Teachers'	Judicial	Connecticut Municipal Employees'	Probate Judges'	Other	Total
Additions							
Contributions:							
Plan Members	$ 187,339	$ 228,100	$ 1,791	$ 16,726	$ 235	$ 43	$ 434,234
State	1,371,649	984,110	17,731	-	-	-	2,373,490
Municipalities	-	-	-	113,515	-	-	113,515
Total Contributions	1,558,988	1,212,210	19,522	130,241	235	43	2,921,239
Investment Income	328,107	503,807	5,330	61,584	2,453	26	901,307
Less: Investment Expenses	(33,126)	(50,865)	(539)	(6,217)	(248)	(2)	(90,997)
Net Investment Income	294,981	452,942	4,791	55,367	2,205	24	810,310
Transfer In	-	8,313	-	-	-	-	8,313
Other	244	62,570	-	-	1,370	-	64,184
Total Additions	1,854,213	1,736,035	24,313	185,608	3,810	67	3,804,046
Deductions							
Administrative Expense	783	-	-	-	-	-	783
Benefit Payments and Refunds	1,657,585	1,823,737	22,552	132,670	4,925	-	3,641,469
Other	-	-	-	49	-	-	49
Total Deductions	1,658,368	1,823,737	22,552	132,719	4,925	-	3,642,301
Changes in Net Assets	195,845	(87,702)	1,761	52,889	(1,115)	67	161,745
Net Position Held in Trust For Employee Pension Benefits:							
Beginning of Year (as restated)	10,472,810	16,207,755	187,785	2,402,289	90,256	1,769	29,362,664
End of Year	$ 10,668,655	$ 16,120,053	$ 189,546	$ 2,455,178	$ 89,141	$ 1,836	$ 29,524,409

Note 13 Other Postemployment Benefits (OPEB)

The State sponsors two defined benefit OPEB plans: the State Employee OPEB Plan (SEOPEBP) and the Retired Teacher Healthcare Plan (RTHP). SEOPEBP is administered by the State Comptroller (Healthcare Policy and Benefit Division), and RTHP is administered by the Teachers' Retirement Board. None of these plans issues stand-alone financial statements. However, financial statements for these plans are presented in Note No. 14.

State Employee OPEB Plan

Plan Description

SEOPEBP is a single-employer defined benefit OPEB plan that covers retired employees of the State who are receiving benefits from any State-sponsored retirement system, except the Teachers' Retirement System and the Municipal Employees' Retirement System. The plan provides healthcare and life insurance benefits to eligible retirees and their spouses. Plan benefits, required contributions of plan participants and the State, and other plan provisions are described in Sections 5-257 and 5-259 of the General Statutes. As of June 30, 2013 (date of the latest actuarial valuation), the plan had 67,593 retirees and beneficiaries receiving benefits.

Plan Funding

The contribution requirements of the plan members and the State are established and may be amended by the State legislature, or by agreement between the State and employees unions, upon approval by the State legislature. The cost of providing plan benefits is financed approximately 100 percent by the State on a pay-as-you-go basis through an annual appropriation in the General fund. Administrative costs of the plan are financed by the State.

Retired Teacher Healthcare Plan
Plan Description

RTHP is a single-employer defined benefit OPEB plan that covers retired teachers and administrators of public schools in the State who are receiving benefits from the Teachers' Retirement System. The plan provides healthcare insurance benefits to eligible retirees and their spouses. Plan benefits, required contributions of plan participants and the State, and other plan provisions are described in Section 10-183 of the General Statutes. As of June 30, 2014 (date of the latest actuarial valuation), the plan had 37,055 retirees and beneficiaries receiving benefits.

Plan Funding

The contribution requirements of plan members and the State are established and may be amended by the State legislature. The cost of providing plan benefits is financed on a pay-as-you-go basis as follows: active teachers pay for one third of plan costs through a contribution of 1.25 percent of their annual salaries, retired teachers pay for one third of plan costs through monthly premiums, and the State pays for one third of plan costs through an annual appropriation in the General Fund. Administrative costs of the plan are financed by the State.

Annual OPEB Cost and Net OPEB Obligation

The State's annual OPEB cost and the net OPEB obligation for each plan for the current fiscal year were as follows (amounts in thousands):

	SEOPEBP	RTHP
Annual Required Contribution	$ 1,513,336	$ 125,620
Interest on Net OPEB Obligation	399,381	36,881
Adjustment to Annual Required Contribution	(371,050)	(44,326)
Annual OPEB Cost	1,541,667	118,175
Contributions Made	546,284	25,145
Increase in net OPEB Obligation	995,383	93,030
Net OPEB Obligation - Beginning of Year	7,006,676	887,838
Net OPEB Obligation - End of Year	$ 8,002,059	$ 980,868

In addition, other related information for each plan for the past three fiscal years was as follows (amounts in thousands):

	Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
SEOPEBP				
	2015	$ 1,541,667	35.4%	$ 8,002,059
	2014	$ 1,560,006	33.0%	$ 7,006,676
	2013	$ 1,316,612	41.2%	$ 5,961,366
RTHP				
	2015	$ 118,175	21.3%	$ 980,868
	2014	$ 192,851	13.5%	$ 887,838
	2013	$ 179,620	15.1%	$ 720,942

Funded Status and Funding Progress

The following is funded status information for the SEOPEBP and the RTHP as of June 30, 2013 and 2014, respectively, date of the latest actuarial valuations (amounts in million):

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
SEOPEBP	$143.8	$ 19,676.3	$ 19,532.4	0.7%	$ 3,539.8	551.8%
RTHP	$0	$ 2,433.0	$ 2,433.0	0.0%	$ 3,831.6	63.5%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding in progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the State and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the State and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Significant methods and assumptions were as follows:

	SEOPEBP	RTHP
Actuarial Valuation Date	6-30-13	6-30-14
Actuarial Cost Method	Projected Unit Credit	Entry Age
Amortization Method	Level Percent of Pay, Closed, 30 Years	Level Parcent of Pay, Open
Remaining Amortization Period	23 Years	25 Years
Assat Valuation Method	Market Value of Assets	Market Value of Assets
Actuarial Assumptions:		
Investment Rate of Return	5.70%	4.5% (includes 3% inflation rate)
Projected Salary Increases	3.75%	3.75%-7.00% (includes 3% inflation rate)
Healthcare Inflation Rate	7.00% graded to 5.00% over 5 years	5.75% Initial, 5% Ultimate

Other OPEB Plan

The State acts solely as the administrator and custodian of the assets of the Policemen and Firemen Survivors' Benefit Fund (PFSBF). The State makes no contribution to and has only a fiduciary responsibility for this fund. The fund does not issue stand-alone financial statements. However, financial statements for this fund are presented in Note No. 14.

Plan Description

PFSBF is a cost-sharing multiple-employer defined benefit OPEB plan that covers policemen and firemen of participating municipalities in the State. As of June 30, 2014 there were 9 municipalities participating in the plan with a total membership of 591 active members. The plan provides survivor benefits upon the death of an active or retired member of the fund to his spouse and dependent children. Plan benefits, contribution requirements of plan members and participant municipalities, and other plan provisions are described in Sections 7-323a to 7-323i of the General Statutes.

Contributions

Plan members are required to contribute one percent of their annual salary. Participating municipalities are required to contribute at an actuarially determined rate. Administrative costs of the plan are financed by participating municipalities.

Note 14 OPEB Trust Funds Financial Statements

The financial statements of the OPEB trust funds are prepared using the accrual basis of accounting. Plan member and municipality contributions are recognized in the period in which they are due. State contributions are recognized in the period they are appropriated. Benefits are recognized when due and payable in accordance with the terms of each plan. Investment income and related investment expense of the Combined Investment Funds are allocated ratably to the PFSBF trust fund based on the fund's equity in the Comhined Investment Funds.

Statement of Fiduciary Net Position (000's)

	State Employees' OPEB Plan	Retired Teachers' Healthcare Plan	Policemen, Firemen, and Survivors' Benefits	Total
Assets				
Cash and Cash Equivalents	$ -	$ 95,357	$ 53	$ 95,410
Receivables:				
Accounts, Net of Allowances	-	-	-	-
From Other Funds	(8)	1,662	-	1,654
Interest	-	-	1	1
Investments	260,310	-	28,097	288,407
Securities Lending Collateral	15,430	-	1,857	17,287
Total Assets	$ 275,732	$ 97,019	$ 30,008	$ 402,759
Liabilities				
Accounts Payable and Accrued Liabilit	$ 26,501	$ 3,738	$ -	$ 30,239
Securities Lending Obligation	15,430	-	1,857	17,287
Due To Other Funds	4,163	-	-	4,163
Total Liabilities	46,094	3,738	1,857	51,689
Net Position				
Held in Trust For Other				
Postemployment Benefits	229,638	93,281	28,151	351,070
Total Net Assets	$ 229,638	$ 93,281	$ 28,151	$ 351,070

Statement of Changes in Fiduciary Net Position (000's)

	State Employees' OPED Plan	Retired Teachers' Healthcare Plan	Policemen, Firemen, and Survivors' Benefit	Total
Additions				
Contributions:				
Plan Members	$ 93,277	$ 85,517	$ 523	$ 179,317
State	546,284	25,145	-	571,429
Municipalities	-	-	766	766
Total Contributions	639,561	110,662	1,289	751,512
Investment Income	7,620	156	862	8,638
Less: Investment Expenses	(769)	-	(87)	(856)
Net Investment Income	6,851	156	775	7,782
Other	15,368	2,532	-	17,900
Total Additions	661,780	113,350	2,064	777,194
Deductions				
Administrative Expense	-	-	-	-
Benefit Payments and Refunds	582,157	113,087	1,104	696,348
Transfer Out	-	8,313	-	8,313
Other	26	-	-	26
Total Deductions	582,183	121,400	1,104	704,687
Changes in Net Assets	79,597	(8,050)	960	72,507
Net Position Held in Trust For Other Postemployment Benefits:				
Beginning of Year	150,041	101,331	27,191	278,563
End of Year	$ 229,638	$ 93,281	$ 28,151	$ 351,070

Note 15 Capital and Operating Leases

State as Lessor

The State leases building space, land, and equipment to private individuals. The minimum future lease revenues for the next five years and thereafter are as follows (amounts in thousands):

2016	$ 40,342
2017	39,253
2018	32,483
2019	31,792
2020	32,096
Thereafter	86,948
Total	$ 262,914

Contingent revenues for the year ended June 30, 2015, were $199 thousand.

State as Lessee

Obligations under capital and operating leases as of June 30, 2015, were as follows (amounts in thousands):

	Noncancelable Operating Leases	Capital Leases
2016	$ 92,437	$ 7,721
2017	18,181	6,537
2018	9,308	6,142
2019	14,675	5,674
2020	6,868	4,700
2021-2025	4,337	6,161
2026-2030	-	6,102
2031-2036	-	1,215
Total minimum lease payments	$ 145,806	44,252
Less: Amount representing interest costs		8,884
Present value of minimum lease payments		$ 35,368

Minimum capital lease payments were discounted using interest rates changing from 3.66 percent to 6.00 percent.

Rental payments on noncancelable operating leases charged to expenses during the year ended June 30, 2015, were $92.4 million.

Note 16 Long-Term Debt

The following is a summary of changes in long-term debt of the primary government for the year ended June 30, 2015, (amounts in thousands):

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amounts due within one year
Bonds:					
General Obligation	$ 15,281,579	$ 2,736,220	$ 1,615,262	$ 16,402,537	$ 1,212,674
Transportation	3,771,260	731,545	413,265	4,089,540	256,845
	19,052,839	3,467,765	2,028,527	20,492,077	1,469,519
Plus/(Less) Premiums	1,195,127	386,856	164,811	1,417,172	150,488
Total Bonds	20,247,966	3,854,621	2,193,338	21,909,249	1,620,007
Long-Term Notes	580,775	461,610	522,110	520,275	167,690
Other L/T Liabilities: [1]					
Net Pension Liability (Note 11) [2]	27,773,383	4,362,297	5,964,849	26,170,831	-
Net Pension Obligation	2,559,621		2,559,621	-	-
Net OPEB Obligation	7,763,060	1,659,843	439,977	8,982,926	-
Compensated Absences	513,333	32,233	46,562	499,004	42,414
Workers' Compensation	619,578	137,770	106,164	651,184	103,675
Capital Leases	37,820	3,036	5,488	35,368	6,060
Claims and Judgments	46,151	38,576	9,140	75,587	31,149
Landfill Post Closure Care	35,751	8,009	8,575	35,185	-
Liability on Interest Rate Swaps	8,700	-	5,339	3,361	-
Contracts Payable & Other	705	-	-	705	-
Total Other Liabilities	39,358,102	6,241,764	9,145,715	36,454,151	183,298
Governmental Activities Long-Term Liabilities [2]	$ 60,186,843	$ 10,557,995	$ 11,861,163	$ 58,883,675	$ 1,970,995

[1] **In prior years, the General and Transportation funds have been used to liquidate other liabilities.**

[2] **The beginning totals are restated by the effect of roll-back procedures pertaining to reporting the net pension liability following the guidance of GASB No. 68 as of the June 30, 2014 measurement date.**

Business-Type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amounts due within one year
Revenue Bonds	$ 1,212,681	$ 265,696	$ 121,598	$ 1,356,779	$ 110,096
Plus/(Less) Premiums and Discounts	84,548	27,731	1,542	110,737	1,486
Total Revenue Bonds	1,297,229	293,427	123,140	1,467,516	111,582
Compensated Absences	166,577	59,666	40,153	186,090	55,533
Federal Loans Payable	433,569	60,606	391,121	103,054	-
Other	301,886	60,423	11,678	350,631	13,719
Total Other Liabilities	902,032	180,695	442,952	639,775	69,252
Business-Type Long-Term Liabilities	$ 2,199,261	$ 474,122	$ 566,092	$ 2,107,291	$ 180,834

The liability for claims and judgments (Governmental Activities) includes a pollution remediation liability of approximately $34.9 million. This liability represents the State's share of the cost of cleaning up certain polluted sites in the state under federal and state superfund regulations. The liability was estimated using the cash flow technique and could change over time due to changes in costs of goods and services, changes in remediation technology, or changes in laws and regulations governing the remediation effort. In addition, there are other polluted sites in the state that require remedial action by the State that will result in additional cleanup costs. The State did not recognize a liability for these costs at year end because it could not be reasonably estimated.

As of June 30, 2015, long-term debt of component units consisted of the following (amounts in thousands):

Long-Term Debt	Balance June 30, 2015	Amounts due within year
Bonds Payable	$ 4,532,155	$ 356,199
Escrow Deposits	189,900	47,520
Closure of Landfills	-	-
Annuities Payable	130,652	11,255
Rate swap liability	183,246	-
Net Pension Liability	148,982	-
Other	30,624	898
Total	$ 5,215,559	$ 415,872

Landfill Closure and Postclosure Care

Public Act 13-247 and section 99 of Public Act 13-184 required the Materials Innovation and Recycling Authority to transfer all legally required reserves and obligations resulting from the closure of the authority's landfills located in Hartford, Ellington, Waterbury, Wallingford and Shelton to the State Department of Energy and Environmental Protection (DEEP). The transfer of legal obligations resulting from the closure of landfills was addressed by a memorandum of understanding ("MOU") between the Authority and DEEP. The MOU became effective April 24, 2014 at which point in time DEEP began reimbursing the Authority for all postclosure care and maintenance work at all landfills other than the Hartford landfill and the parties began a transition process to assign vendor contracts for the performance of landfill postclosure care work to DEEP and to assign federal and state licenses, permits, and orders ("Authorizations") related to the landfills to DEEP.

During the year ended June 30, 2015, all work associated with the closure of the Hartford landfill was completed. DEEP assumed the obligation to reimburse the authority for all postclosure care work for the Hartford landfill upon the landfill being certified as closed. All landfill expense reimbursements paid by DEEP totaled $112,000 in FY2015.

GASB Statement No.18 *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Cost* applies to closure and postclosure care costs that are paid near or after the date a landfill stops accepting waste. The State recognizes landfill expenditures and related General Fund liabilities using the modified accrual basis of accounting. DEEP estimates the State's landfill liability for closure and postclosure costs based on landfill capacity. Increases or decreases in such estimates are reported as additions or reductions in this line item of the State's long-term liabilities. The liability for these estimated costs is reduced when the costs are actually paid. Actual costs may be higher than estimated due to inflation or changes in permitted capacity, technology or regulation. As of June 30, 2013, all five of the landfills had no capacity available since 100 percent of their capacity had been used.

Note 17 Long-Term Notes and Bonded Debt

a. Bond Anticipation Notes

In February 2015 the State issued General Obligation 2015 series A Bond Anticipation Notes (BANS) to restore fund balances in its Capital Project Funds that had fallen below expectations just prior to the completion of a public debt offering one month later. All BANS were retired upon the $400 million issuance of General Obligation 2015 series A bonds on March 13, 2015.

b. Economic Recovery Notes

In December 2009, Public Act 09-2 authorized the issuance $915.8 million of General Obligation Economic Recovery Notes which were used to fund a major portion of the State's General Fund deficit at that time. In October 2013, a portion of these notes were refunded when the State issued $314.3 million of General Obligation Refunding Notes which were issued in four series as variable-rate remarketed obligations (VRO) that ultimately mature on January 1, 2018. Any series of these notes may be converted by the State at any time from the VRO rate, which is determined by the remarketing agent on a daily basis, to another interest rate mode – such as an adjusted SIFMA rate mode.

If the State decides to convert the interest rate mode, each holder is required to tender their notes for conversion while the State has agreed to make available supplementary information describing the notes following the conversion. If any tendered VRO's of a series are not successfully remarketed they may continue to be owned by their respective holders until the VRO Special Mandatory Redemption Date. That series of notes in that case would bear interest at a higher stepped-up rate. The liquidity available to purchase tendered notes is only provided by remarketing resources and the State's general fund. In the opinion of management, the higher cost precludes the likelihood of conversion by the State. The original VRO interest rate modes remain in effect at the end of the fiscal year.

Total Economic Recovery and VRO Notes outstanding at June 30, 2015 were $520.3 million. The notes mature on various dates through 2018 and bear interest rates from 3.0 to 5.0 percent. Future amounts needed to pay principal and interest on these notes outstanding at June 30, 2015 were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2016	$ 167,690	$ 18,570	$ 186,260
2017	175,465	9,360	184,825
2018	177,120	3,958	181,078
Total	$ 520,275	$ 31,888	$ 552,163

c. Primary Government – Governmental Activities

General Obligation Bonds

General Obligation bonds are those bonds that are paid out of the revenues of the General Fund and that are supported by the full faith and credit of the State. General Obligation bonds outstanding and bonds authorized but unissued at June 30, 2015, were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Capital Improvements	2016-2035	1.00-5.75%	$ 2,731,827	$ 870,919
School Construction	2016-2035	1.00-5.750%	4,680,451	5
Municipal & Other Grants & Loans	2016-2035	0.713-5.632%	2,083,597	832,966
Housing Assistance	2016-2031	0.25-5.460%	335,245	203,753
Elimination of Water Pollution	2016-2031	2.91-5.09%	214,914	351,208
General Obligation Refunding	2016-2038	1.50-5.50%	3,384,252	-
GAAP Conversion	2016-2027	1.00-5.00%	560,430	151,500
Pension Obligation	2016-2032	4.55-6.27%	2,230,543	-
Miscellaneous	2016-2034	3.00-5.125%	86,340	41,701
			16,307,599	$ 2,452,052
Accretion-Various Capital Appreciation Bonds			94,938	
		Total	$ 16,402,537	

Future amounts needed to pay principal and interest on as General Obligation bonds outstanding at June 30, 2015, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2016	$ 1,212,674	$ 734,445	$ 1,947,119
2017	1,165,498	690,011	1,855,509
2018	1,144,193	643,884	1,788,077
2019	1,078,001	593,026	1,671,027
2020	1,039,125	548,177	1,587,302
2021-2025	4,936,353	2,340,309	7,276,662
2026-2030	3,886,270	1,008,985	4,895,255
2031-2035	1,839,220	176,500	2,015,720
2036-2040	6,265	422	6,687
Total	$ 16,307,599	$ 6,735,759	$ 23,043,358

Transportation Related Bonds

Transportation Related bonds include special tax obligation bonds that are paid out of revenues pledged or earned in the Transportation Fund. The revenue pledged or earned in the Transportation Fund to pay special tax obligation bonds is transferred to the Deht Service Fund for retirement of principal and interest.

Transportation Related honds outstanding and honds authorized but unissued at June 30, 2015, were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Infrastructure Improvements	2016-2034	2.00-5.740%	$ 4,089,540	$ 3,027,462
			4,089,540	$ 3,027,462
Accretion-Various Capital Appreciation Bonds			-	
		Total	$ 4,089,540	

Future amounts required to pay principal and interest on transportation related bonds outstanding at June 30, 2015, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2016	$ 256,845	$ 195,687	$ 452,532
2017	249,260	184,219	433,479
2018	254,900	172,593	427,493
2019	247,795	160,738	408,533
2020	246,625	148,754	395,379
2021-2025	1,207,280	568,070	1,775,350
2026-2030	1,071,840	275,894	1,347,734
2031-2035	554,995	55,203	610,198
	$ 4,089,540	$ 1,761,158	$ 5,850,698

d. Primary Government – Business–Type Activities

Revenue Bonds

Revenue bonds are those bonds that are paid out of resources pledged in the Enterprise funds and Component Units.

Enterprise funds' revenue bonds outstanding at June 30, 2015, were as follows (amounts in thousands):

Funds	Final Maturity Dates	Original Interest Rates	Amount Outstanding (000's)
Uconn	2015-2030	1.5-5.5%	$ 118,974
State Universities	2015-2036	2.0-6.0%	322,630
Clean Water	2015-2031	1.0-5.0%	799,931
Drinking Water	2015-2028	2.0-5.0.%	82,234
Bradley Parking Garage	2015-2024	6.5-6.6%	33,010
Total Revenue Bonds			1,356,779
Plus/(Less) premiums and discounts:			
Uconn			20,828
Clean Water			80,554
Other			9,355
Revenue Bonds, net			$ 1,467,516

The University of Connecticut has issued student fee revenue bonds to finance the costs of buildings, improvements and renovations to certain revenue-generating capital projects. Revenues used for payments on the bonds are derived from various fees charged to students.

The Connecticut State University System has issued revenue bonds that finance the costs of auxiliary enterprise buildings, improvements and renovations to certain student housing related facilities. Revenues used for payments on the bonds are derived from various fees charged to students.

In 2000, Bradley Parking Garage bonds were issued in the amount of $53.8 million to build a parking garage at the airport. As of June 30, 2015, $33.0 million of these bonds are outstanding.

In 1994, the State of Connecticut began issuing Clean Water Fund revenue bonds. The proceeds of these bonds are to be used to provide funds to make loans to Connecticut municipalities for use in connection with the financing or refinancing of wastewater treatment projects. Details on these agreements are disclosed under the separately issued audited financial statements of the fund.

Future amounts needed to pay principal and interest on revenue bonds outstanding at June 30, 2015, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2016	$ 110,095	$ 58,077	$ 168,172
2017	95,758	55,823	151,581
2018	87,345	51,804	139,149
2019	86,190	48,090	134,280
2020	93,840	44,108	137,948
2021-2025	394,257	160,982	555,239
2026-2030	325,764	75,023	400,787
2031-2035	162,465	15,349	177,814
2036	1,065	21	1,086
Total	$ 1,356,779	$ 509,277	$ 1,866,056

e. Component Units

Component Units' revenue bonds outstanding at June 30, 2015, were as follows (amounts in thousands):

Component Unit	Final Maturity Date	Interest Rates	Amount Outstanding (000's)
CT Housing Finance Authority	2016-2055	0.15-5.50%	$ 3,801,418
CT Student Loan Foundation	2016-2047	0.00-1.671%	312,100
CT Higher Education Supplemental Loan Authority	2016-2036	0.40-5.25%	154,090
CT Airport Authority	2016-2032	%/1 mth libor	129,415
CT Regional Development Authority	2016-2034	1.00-7.00%	89,015
UConn Foundation	2016-2029	1.90-5.00%	25,510
CT Inovations Inc.	2016-2020	4.90-5.25%	2,760
Total Revenue Bonds			4,514,308
Plus/(Less) premiums and discounts:			
CHFA			17,457
CSLF			(874)
CHESLA			1,588
CRDA			(324)
Revenue Bonds, net			$ 4,532,155

Revenue bonds issued by the Component Units do not constitute a liability or debt of the State. The State is only contingently liable for those bonds as discussed below.

Following the merger of the operations of the Connecticut Development Authority, Connecticut Innovations, Incorporated (CII) assumed responsibility for the former authority's Special Obligation Industrial revenue bonds. The bonds were issued to finance such projects as the acquisition of land, the construction of buildings, the purchase and installation of machinery, equipment, and pollution control facilities. These activities are financed under its Self-Sustaining Bond Program which is described in the no-commitment debt section of this note. In addition, CII has $2.8 million in General Obligation bonds outstanding at year-end. These bonds were issued to finance the lease of an entertainment/sports facility and the purchase of a hockey team.

Connecticut Housing Finance Authority's revenue bonds are issued to finance the purchase, development and construction of housing for low and moderate-income families and persons throughout the State. The Authority has issued bonds under a bond resolution dated 9/27/72, a special needs indenture dated 9/25/95, and other bond resolutions dated October 2009. As of December 31, 2014, bonds outstanding under the bond resolution, the indenture, and other bond resolutions were $3,222.9 million, $60.5 million, and $385.4 million respectively. According to the bond resolution, the following assets of the Authority are pledged for the payment of the bond principal and interest (1) the proceeds from the sale of bonds, (2) all mortgage repayments with respect to long-term mortgage and construction loans financed from the Authority's General fund, and (3) all monies and securities of the Authority's General and Capital Reserve funds. The resolution and indenture Capital Reserve funds are required to be maintained at an amount at least equal to the amount of principal, sinking fund installments, and interest maturing and becoming due in any succeeding calendar year on all outstanding bonds. The required reserves are $235.6 million per the resolution and $4.6 million per the indenture at 12/31/14. As of December 31, 2014, the Authority has entered into interest rate swap agreements for $807.4 million of its outstanding variable rate bonds. Details on these agreements are disclosed under the separately issued audited financial statements of the Authority.

Materials, Innovation, and Recycling Authority's revenue bonds are issued to finance the design, development and construction of resources recovery and recycling facilities and landfills throughout the State. These bonds are paid solely from the revenues generated from the operations of the projects and other receipts, accounts and monies pledged in the bond indentures.

Connecticut Higher Education Supplemental Loan Authority's Revenue bonds are issued to provide loans to students, their parents, and institutions of higher education to assist in the financing of the cost of higher education. These loans are issued through the Authority's Bond fund. According to the bond resolutions, the Authority internally accounts for each bond issue in separate funds, and additionally, the Bond fund includes individual funds and accounts as defined by each bond resolution.

Capital Reserves

Each Authority has established Special Capital Reserve funds that secure all the outstanding bonds of the Authority at year-end. These funds are usually maintained at an amount equal to next year's bond debt service requirements. The State may be contingently liable to restore any deficiencies that may exist in the funds in any one year in the event that the Authority is unable to do so.

The Capital Region Development Authority revenue bonds are issued to provide sufficient funds for carrying out its purposes. The bonds are not debt of the State of Connecticut. However, the Authority and the State have entered into a contract for financial assistance, pursuant to which the State will be obligated to pay principal and interest on the bonds in an amount not to exceed $9.0 million in any calendar year. The bonds are secured by energy fees from the central utility plant and by parking fees subject to the Travelers Indemnity Company parking agreement.

Future amounts needed to pay principal and interest on Component Unit revenue bonds outstanding at June 30, 2015, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2016	$ 133,524	$ 105,994	$ 239,518
2017	141,663	105,712	247,375
2018	145,054	103,282	248,336
2019	150,844	99,854	250,698
2020	195,987	107,578	303,565
2021-2025	810,474	427,755	1,238,229
2026-2030	848,182	322,821	1,171,003
2031-2035	905,091	198,362	1,103,453
2036-2040	647,784	102,708	750,492
2041-2045	279,128	73,514	352,642
2046-2050	226,492	29,093	255,585
2051-2055	29,460	5,984	35,444
2056-2060	625	-	625
	$ 4,514,308	$ 1,682,657	$ 6,196,965

No-commitment debt
Under the Self-Sustaining Bond program, acquired from its combination with the Connecticut Development Authority, Connecticut Innovations, Inc., issues revenue bonds to finance such projects as described previously in the Component Unit section of this note. These bonds are paid solely from payments received from participating companies (or from proceeds of the sale of the specific projects in the event of default) and do not constitute a debt or liability of the Authority or the State. Thus, the balances are not included in the Authority's financial statements. Total bonds outstanding for the year ended June 30, 2015 were $491.1 million.

The Connecticut Health and Educational Facilities Authority has issued Special Obligation bonds for which the principal and interest are payable solely from the revenues of the institutions. Starting in 1999, the Authority elected to remove these bonds and related restricted assets from its financial statements, except for restricted assets for which the Authority has a fiduciary responsibility. Total Special Obligation bonds outstanding at June 30, 2015, were $8,412.2 million, of which $323.5 million was secured by Special Capital Reserve funds.

The Materials, Innovation, and Recycling Authority have issued several bonds to fund the construction of waste processing facilities by independent contractors/operators. These bonds are payable from a pledge of revenues derived primarily under lease or loan arrangements between the Authority and the operators. Letters of credit secure some of these bonds. The Authority does not become involved in the construction activities or the repayment of the debt (other than the portion allocable for Authority purposes). In the event of a default, neither the authority nor the State guarantees payment of the debt, except for the State contingent liability discussed below. Thus, the assets and liabilities that relate to these bond issues are not included in the Authority's financial statements. The amount of these bonds outstanding at June 30, 2015 was $48.8 million. The State may be contingently liable for those bonds that are secured by special capital reserve funds as discussed previously in this section.

f. Debt Refundings
During the fiscal year the State issued General Obligation and Special Tax Obligation bonds of $466.9 million at an average coupon interest rate of 4.77 percent to advance refund $503.9 million of General Obligation and Special Tax Obligation bonds with an average coupon interest rate of 4.83 percent. Although the advance refunding resulted in a $24.7 million accounting loss, the State in effect reduced its aggregate fund level debt service payments by $63.9 million over the next 12 years. The present value of these savings represents an economic gain (difference between the present values of the debt service payments of the old and the new bonds) of $48.7 million.

The proceeds of the refunding bonds were used to purchase U.S. Government securities which were deposited into irrevocable trust accounts with an escrow agent to provide for all future payments on the refunded bonds. Thus, the refunded bonds were removed from the State's financial statements as they are considered defeased.

Additional defeasance occurred during the fiscal year when the State issued General Obligation SIFMA Index bonds and notes totaling $242.4 million at an average coupon variable interest rate of 0.78 percent to advance refund $241.0 million of General Obligation bonds and notes with an average coupon interest rate of 2.4 percent. The resulting cash flow savings on the variable interest rate SIFMA index refunding bonds and notes was $2.2 million.

In prior years, the State placed the proceeds of refunding bonds in irrevocable trust accounts to provide for all future debt service payments on defeased bonds. The assets of the trust accounts and the liability for defeased bonds are not included in the State's financial statements. As of June 30, 2015, the outstanding balance of bonds defeased in prior years was approximately $747.7 million.

Note 18 - Derivative Financial Instruments
The fair value balances and notional amounts of the State's derivative instruments outstanding at June 30, 2015, classified by type, and the changes in fair value of such derivative instruments for the year then ended are as follows (amounts in thousands; debit (credit)):

	Changes in Fair Value		Fair Value at Year End		
	Classification	Amount	Classification	Amount	Notional
Governmental activities					
Cash flow hedges: Pay-fixed interest rate swap	Deferred outflow of Resources	$ (5,340)	Non-current portion of LT Obligation	$ (3,361)	$ 55,620

Objective and Terms of Hedging Derivative Instruments
The following table displays the objective and the terms of the States' governmental activities hedging derivative instruments outstanding at June 30, 2015, along with the credit rating of the associated counterparty (amounts in thousands).

Type	Objective	Notional Amounts (000's)	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay-fixed interest rate swap	Hedge of changes in cash flows of the 2005 GO bonds	$ 15,620	4/27/2005	6/1/2016	Pay 3.99% receive CPI plus .65%	A3/A-
Pay-fixed interest rate swap	Hedge of changes in cash flows of the 2005 GO bonds	20,000	4/27/2005	6/1/2017	Pay 5.07% receive CPI plus 1.73%	A3/A-
Pay-fixed interest rate swap	Hedge of changes in cash flows of the 2005 GO bonds	20,000	4/27/2005	6/1/2020	Pay 5.2% receive CPI plus 1.79%	A3/A
	Total Notional Amount	$ 55,620				

The fair values of interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payment required under the swaps, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied hy the current yield curve for hypothetical zero-coupon bonds due on the date each future net settlement on the swaps.

Credit Risk
As of June 30, 2015, the State had no credit risk exposure on any of the swaps because the swaps had negative fair value. However, should interest rates change and the fair values of the swaps become positive, the State would be exposed to credit risk in the amount of the swaps' fair value.

Basis Risk
The State's variable-rate bond interest payments are hased on the CPI floating rate. As of June 30, 2015 the State receives variable-rate payments from the counterparty based on the same CPI floating rate.

Termination Risk
The State or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the contract. If any swap is terminated, the associated variable-rate bonds would no longer carry synthetic interest rates. Also, if at the time of termination the swap has a negative fair value, the State would be liable to the counterparty for a payment equal to the swap's fair value. Under the 2005 swap agreements, the State has up to 270 days to fund any required termination payment.

Rollover Risk
Because all of the swap agreements terminate when the associated debt is fully paid, the State is only exposed to rollover risk if an early termination occurs. Upon an early termination, the State will not realize the synthetic rate offered by the swaps on the underlying debt issues.

Hedging Derivative Instrument Payments and Hedged Debt
As rates vary, variable-rate bond interest payments and net swap payments will vary. Using rates as of June 30, 2015, debt service requirements of the State's outstanding variahle-rate bonds and net swap payments are as follows (amounts in thousands):

Fiscal Year Ending June 30,	Variable-Rate Bonds Principal	Variable-Rate Bonds Interest	Interest Rate SWAP, Net	Total
2016	$ 15,620	$ 1,732	$ 945	$ 18,297
2017	20,000	1,367	687	22,054
2018	-	690	350	1,040
2019	-	690	350	1,040
2020	20,000	691	349	21,040
	$ 55,620	$ 5,170	$ 2,681	$ 63,471

Note 19 Risk Management
The risk financing and insurance program of the State is managed by the State Insurance and Risk Management Board. The Board is responsible mainly for determining the method by which the State shall insure itself against losses by the purchase of insurance to obtain the broadest coverage at the most reasonable cost, determining whether deductible provisions should be included in the insurance contract, and whenever appropriate determining whether the State shall act as self-insurer. The schedule lists the risks of loss to which the State is exposed and the ways in which the State finances those risks.

Risk of Loss	Risk Financed by: Purchase of Commercial Insurance	Risk Financed by: Self-Insurance
Liability (Torts):		
-General (State buildings, parks, or grounds)		X
-Other	X	
Theft of, damage to, or destruction of assets	X	
Business interruptions	X	
Errors or omissions:		
-Professional liability	X	
-Medical malpractice (John Dempsey Hospital)		X
Injuries to employees		X
Natural disasters	X	

For the general liability risk, the State is self-insured because it has sovereign immunity. This means that the State cannot be sued for liability without its permission. For other liability risks, the State purchases commercial insurance only if the State can be held liable under a particular statute (e.g. per Statute the State can be held liable for injuries suffered by a person on a defective State highway), or if it is required by a contract.

For the risk of theft, of damage to, or destruction of assets (particularly in the automobile fleet), the State insures only leased cars and vehicles valued at more than $100 thousand. When purchasing commercial insurance the State may retain some of the risk by assuming a deductible or self-insured retention amount in the insurance policy. This amount varies greatly because the State carries a large number of insurance policies covering various risks. The highest deductible or self-insured retention amount assumed by the State is $25 million, which is carried in a railroad liability policy.

The State records its risk management activities related to the medical malpractice risk in the University of Connecticut and Health Center fund, an Enterprise fund. At year-end, liabilities for unpaid claims are recorded in the statement of net position (government-wide and proprietary fund statements) when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The liabilities are determined based on the ultimate cost of settling the claims, including an amount for claims that have been incurred but not reported and claim adjustment expenses. The liabilities are actuarially determined and the unpaid liability for medical malpractice is reported at its present value, using a discount rate of 5 percent. In the General Fund, the liability for unpaid claims is only recorded if the liability is due for payment at year-end. Settlements have not exceeded coverages for each of the past three fiscal years. Changes in the claims liabilities during the last two fiscal years were as follows (amounts in thousands):

	Governmental Activities Workers' Compensation	Business-Type Activities Medical Malpractice
Balance 6-30-13	$ 587,652	$ 19,889
Incurred claims	135,624	2,435
Paid claims	(103,698)	(449)
Balance 6-30-14	619,578	21,875
Incurred claims	137,770	9,884
Paid claims	(106,164)	(5,009)
Balance 6-30-15	$ 651,184	$ 26,750

Note 20 Interfund Receivables and Payables

Interfund receivable and payable balances at June 30, 2015, were as follows (amounts in thousands):

	Balance due to fund(s)												
	General	Transportation	Restricted Grants & Accounts	Grant & Loan Programs	Other Governmental	UConn	State Universities	Community/ Technical Colleges	Employment Security	Internal Services	Fiduciary	Component Units	Total
Balance due from fund(s)													
General	$ -	$ -	$ 44	$ 4	$ 233,274	$ 45,057	$ 17,868	$ 16,401	$ 625	$ 6,681	$ 4,162	$ -	$ 324,116
Debt Service	-	1,267	-	-	-	-	-	-	-	-	-	-	1,267
Restricted Grants & Accounts	2,565	-	-	-	-	-	-	-	-	-	-	6,976	9,541
Grant & Loan Programs	28	-	-	-	-	-	-	-	-	-	-	-	28
Other Governmental	2,069	-	-	-	16,602	154,461	29,386	101,734	-	-	-	-	304,252
UConn	17,604	-	-	-	-	-	-	-	-	-	-	-	17,604
State Universities	4,130	-	-	-	-	-	-	-	-	-	-	-	4,130
Internal Services	22,343	-	-	-	-	-	-	-	-	-	-	-	22,343
Fiduciary	-	-	-	-	4,180	-	-	-	-	-	1,656	-	5,836
Component Units	33,843	-	2,192	-	-	-	-	-	-	-	-	-	36,035
Total	$ 82,582	$ 1,267	$ 2,236	$ 4	$ 254,056	$ 199,518	$ 47,254	$ 118,135	$ 625	$ 6,681	$ 5,818	$ 6,976	$ 725,152

Interfund receivables and payables arose because of interfund loans and other interfund balances outstanding at year end.

Note 21 Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2015, consisted of the following (amounts in thousands):

	Amount transferred to fund(s)											
	General	Debt Service	Transportation	Restricted Grants & Accounts	Grants & Loan Programs	Other Governmental	UConn	State Universities	Community/ Technical Colleges	Clean Water & DrinkingWater	Fiduciary	Total
Amount transferred from fund(s)												
General		$ -	$ 41,197	$ 72,611	$ -	$ 61,807	626,807	$ 285,007	$ 287,196	$ -	$ -	$ 1,374,625
Debt Service	-	6,125	6,252	-	-	(9,536)	-	-	-	-	-	2,841
Transportation	-	459,020	-	15,000	-	6,500	-	-	-	-	-	480,520
Restricted Grants & Accounts	31,956	-	-	-	-	-	-	-	-	-	-	31,956
Grants & Loan Programs	123,685	-	-	-	-	-	-	-	-	-	-	123,685
Other Governmental	50,223	-	-	126,283	4,000	15,194	381,501	104,374	53,746	1,031	-	736,352
Employment Security	-	-	-	-	-	12,790	-	-	-	-	-	12,790
Clean Water & Drinking Water	-	-	-	-	-	591	-	-	-	-	-	591
Fiduciary	-	-	-	-	-	-	-	-	-	-	8,313	8,313
Total	$ 205,864	$ 465,145	$ 47,449	$ 213,894	$ 4,000	$ 87,346	$ 1,008,308	$ 389,381	$ 340,942	$ 1,031	$ 8,313	$ 2,771,673

Transfers were made to (1) move revenues from the fund that budget or statute requires to collect them to the fund that budget or statute requires to expend them and (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due.

Note 22 Restatement of Net Position, Fund Balance Classifications, and Restricted Net Position

Restatement of Net Position

During the fiscal year 2015, the State implemented the following new accounting standards issued by the Governmental Accounting Standards Board (GASB).

GASB Statement 68, *Accounting and Financial Reporting for Pensions*

GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.*

GASB Statements 68 and 71 – These Statements create standards for measuring and recognizing liabilities, assets, deferred outflows of resources, deferred inflows of resources, and expenditures for pensions provided to employees of the primary government and its component units. It requires the State to record the State's proportionate share of the net pension liability in the government-wide financial statements and the component unit financial statements.

Governmental activities beginning net deficit was $17.4 billion. Beginning net position of governmental activities was reduced by $25.6 billion on the Statement of Activities as a result of implementing these Statements. See note 11 for further information on pension reporting.

For fiscal year 2015, Component Unit beginning net position was $2.4 billion. As a result of implementing GASB Statements 68 and 71, the beginning net position for the Component Units was reduced $86.6 million on the Statement of Activities resulting in a restated beginning net position of $2.3 billion. This reduction is reported on the Combining Statement of Activities – Component Units as well. The following component units implemented GASB 68 and 71 which resulted in a decrease net position to Connecticut Lottery Corporation of $48.0 million, Connecticut Airport Authority of $54.8 million, Connecticut Innovations, Incorporated of $25.6 million, and Connecticut Green Bank of $14.9 million. The final revision made to Component Units was the addition of the Connecticut Student Loan Foundation as a component unit in fiscal year 2015. This resulted in an increase to Component Unit net position of $56.7 million. The Connecticut Housing Finance Authority (major Component Unit) did not implement GASB 68 and 71 in fiscal year 2015 because it has a fiscal year ending December 31.

During fiscal year 2015, the Municipal Employees' Retirement System (MERS) became aware that employer contributions receivable had not been reported in accordance to GAAP in prior fiscal years. Prior to fiscal year 2015, a receivable for transition liabilities owed to MERS by certain employers that joined the State Rate Pool was not reported.

In the Statement of Changes in Fiduciary Net Position Net Position Held in Trust for Pension Benefits was increased by $226.9 million to reflect the recognition of contributions receivable related to the pre-SLGRP transition liabilities.

Special Items

Special items are significant transactions within the control of management that are either unusual in nature or infrequent in occurrence.

Until 2010, the Connecticut Student Loan Foundation (CSLF) administered the Federal Family Education Loan Program (FFELP) as the State designated guarantee agency. CSLF's responsibilities as a guarantee agency included making claim payments to lenders whose loans it had insured and collecting defaulted loans from borrowers. CSLF transferred its guarantor operations to a third party. CSLF had the right to 50% of collection retention revenues in excess of operating costs on claims paid under the guarantees transferred by CSLF through December 2014.

The Budget Act of 2013 included a provision that reduced the compensation that guaranty agencies receive for rehabilitating a loan from the FFELP beginning July 1, 2014.

Funds which CSLF receive under this special item are restricted and may be used only for the educational purposes as specified and for the benefit of higher educational institutions located in the State and for supporting efforts in the State for the benefit of Connecticut students and their families for college access and completion. Any funds distributed to CSLF are to be distributed on an annual basis within 60 days of the end of each Federal fiscal year by the third party guarantor. Revenue from this special item as of June 30, 2015 was $1,259.

Fund Balance – Restricted and Assigned
As of June 30, 2015 restricted and assigned fund balances of nonmajor governmental funds were comprised as follows (amounts in thousands):

	Restricted Purposes	Assigned Purposes
Capital Projects	$ 56,339	$ -
Environmental Programs	50,146	-
Housing Programs	199,668	-
Employment Security Administration	13,721	-
Banking	14,711	-
Other	89,177	10,594
Total	$ 423,762	$ 10,594

Restricted Net Position
As of June 30, 2015, the government-wide statement of net position reported $3,039 million of restricted net position, of which $278.0 million was restricted by enabling legislation.

Note 23 Related Organizations
The Community Economic Development Fund is a legally separate organization that is related to the State because the State appoints a voting majority of the organization governing board. However, the State's accountahility for this organization does not extend beyond making the appointments.

Note 24 New Accounting Pronouncements
In 2015, The State implemented the following statements issued by the Governmental Accounting Standards Board ("GASB").

Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27 (Statement No. 68) – This Statement improves accounting and financial reporting by the State for pension reporting. It also improves information provided by state governmental employers about financial support for pensions that are provided by other entities. As a result of implementing this Statement, presentation and terminology changes were made to the fund financial statements and government-wide statements as necessary in addition to the immediate recognition of certain elements.

Pension Transition for Contributions Made Subsequent to the Measurement Date (Statement No. 71) – This Statement improves accounting and financial reporting by addressing an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions,* concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employers and nonemployer contributing entities.

Note 25 Commitments and Contingencies
A. Commitments
Primary Government
Commitments are defined as "existing arrangements to enter into future transactions or events, such as long-term contractual obligations with suppliers for future purchases at specified prices and sometimes at specified quantities." As of June 30, 2015, the Departments of Transportation and Construction Services had contractual commitments of approximately $3,689 million for infrastructure and other construction projects. Additionally, other commitments were approximately as follows:

School construction and alteration grant program $3,129 million.

Clean and drinking water loan programs $652 million.

Various programs and services $3,901 million.

All commitments are expected to be funded by federal grants, bond proceeds, and other resources.

Component Units
As of December 31, 2014, the Connecticut Housing Finance Authority had mortgage loan commitments of approximately $137.8 million.

B. Contingent Liabilities
The State entered into a contractual agreement with H.N.S. Management Company, Inc. and ATE Management and Service Company, Inc. to manage and operate the bus transportation system for the State. The State shall pay all expenses of the system including all past, present and future pension plan liabilities of the personnel employed by the system and any other fees as agreed upon. When the agreement is terminated the State shall assume or make arrangements for the assumption of all the existing obligations of the management companies including but not limited to all past, present and future pension plan liabilities and obligations.

As of June 30, 2015, the State reported an escheat liability of $395.6 million in the General fund. This liability represents an estimate of the amount of escheat property likely to be refunded to claimants in the future. However, there is a reasonable possibility that the State could be liable for an additional amount of escheat refunds of $324.3 million in the future.

Grant amounts received or receivable by the State from federal agencies are subject to audit and adjustment by these agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the federal government cannot be determined at this time, although the State expects such amounts, if any, to be immaterial.

C. Litigation
The State, its units and employees are parties to numerous legal proceedings, many of which normally occur in government operations. Most of these legal proceedings are not, in the opinion of the Attorney General, likely to have a material adverse impact on the State's financial position.

There are, however, several legal proceedings which, if decided adversely against the State, may require the State to make material future expenditures for expanded services or capital facilities or may impair future revenue sources. It is neither possible to determine the outcome of these proceedings nor to estimate the possible effects adverse decisions may have on the future expenditures nor revenue sources of the State.

D. Lease/Lease Back Transaction
On September 30, 2003 the State executed a U.S. Lease-to-Service Contract of Rolling Stock Agreement (Agreement) whereby the state entered into a head lease of certain rolling stock consisting of rail coaches and locomotives to statutory trusts established for the benefit of three equity investors. Simultaneously, the State executed sublease agreements to lease back the rolling stock in order to allow the State to have continued use of the property. The terms of the head leases are for periods ranging from 40 years to 67 years, expiring through March 2071, while the subleases have terms ranging from 18 years to 28 years, expiring through January 2032. At the end of the respective sublease terms, the State will have the option to purchase the statutory trusts' interest in the rolling stock for an aggregate fixed price.

Proceeds from the prepayment of the head lease rents were paid to debt payment undertakers and custodians in amounts sufficient, together with investment earning thereon, to provide for all future obligations of the State under the sublease agreements and the end of lease term purchase options. Although it is remote that the State will be required to make any additional payments under the sublease, the State is and shall remain liable for all of its obligations under the subleases. The aggregate remaining commitment under the subleases totaled approximately $39 million at June 30, 2015.

The State is obligated to insure and maintain the rolling stock. In addition, if an equity investor suffers a loss of tax deductions or incurs additional taxable income as a result of certain circumstances, as defined in the Agreement, then the State must indemnify the equity investor for the additional tax incurred, including interest and penalties thereon. The State has the right to terminate the sublease early under certain circumstances and upon payment of a termination value to the equity investors. If the State chooses early termination, then the termination value would be paid from funds available from the debt payment undertakers and the custodians, and if such amounts are insufficient, then the State would be required to pay the difference.

Note 26 Subsequent Events
In preparing these financial statements, the State has evaluated events and transactions for potential recognition or disclosure in the footnotes. The effect of this evaluation led the State to report the following events which took place after the State's fiscal year end date through to the date these financial statements were issued.

In August 2015, the State issued $500 million of General Obligation bonds. The bonds were issued for housing, economic development as well as for other State purposes. The official offering includes 2015 series E $250.0 million nontaxable bonds maturing in 2035 bearing interest rates ranging from 4.0 to 5.0 percent and series B $250.0 million taxable bonds maturing in 2025 bearing interest rates ranging from 1.0 to 3.33 percent.

In October 2015, the State issued $839.8 million of Special Tax Obligation Transportation Infrastructure bonds. The offering includes $700 million of series A which will mature in 2035 bearing interest rates ranging from 3.0 percent to 5.0 percent and $139.8 million of series B refunding bonds maturing in 2027 bearing interest rates ranging from 2.0 to 5.0 percent that will defease other bonds issued at a higher cost.

In December 2015, the State issued $650.0 million of General Obligation bonds. The offering includes $585.0 million of series F, for school construction and other State purposes, which mature in 2034 bearing interest rates ranging from 2.0 to 5.0 percent, and $65.0 million series G "Green Bonds", for water pollution control purposes, which mature in 2035 bearing interest rates ranging from 2.0 to 5.0 percent.

In August 2015 and December 2015, the Connecticut Housing Finance Authority (CHFA) issued Housing Mortgage Finance Program bonds consisting of $160.0 million of series C and $30.1 million of series E bonds respectively, to finance home mortgage loans. Additionally, in May 2015 and in November 2015, CHFA privately placed $35.0 million series B and $75.0 million of series D Housing Mortgage Finance Program refunding bonds with the Federal Home Loan Bank of Dallas. These events occurred after CHFA's fiscal year end of December 31, 2014. In February 2015 CHFA issued $150.0 million series A Housing Mortgage Finance Program bonds, the State added this debt to CHFA's financial statements for fiscal year ending December, 2014.

Required PERS Supplementary Information

Budgetary Comparison Schedule
Required Supplemental Information
General and Transportation Funds

For the Fiscal Year Ended June 30, 2015
(Expressed in Thousands)

	General Fund			
	Budget			Variance with Final Budget positive
Revenues	Original	Final	Actual	(negative)
Budgeted:				
Taxes, Net of Refunds	$ 14,914,700	$ 14,807,500	$ 14,792,350	$ (15,150)
Casino Gaming Payments	278,500	268,000	267,986	(14)
Licenses, Permits, and Fees	256,200	257,600	257,444	(156)
Other	324,400	396,000	390,448	(5,552)
Federal Grants	1,299,600	1,241,200	1,241,244	44
Refunds of Payments	(72,900)	(64,300)	(64,281)	19
Operating Transfers In	443,100	443,300	420,681	(22,619)
Operating Transfers Out	(61,800)	(61,800)	(61,780)	20
Transfer to/from the Resources of the General Fund	76,400	26,200	37,946	11,746
Transfer Out - Transportation Strategy Board	-	-	-	-
Total Revenues	17,458,200	17,313,700	17,282,038	(31,662)
Expenditures				
Budgeted:				
Legislative	86,657	86,657	73,563	13,094
General Government	689,334	691,517	661,000	30,517
Regulation and Protection	299,132	307,629	287,252	20,377
Conservation and Development	219,944	221,190	205,811	15,379
Health and Hospitals	1,803,282	1,799,971	1,785,337	14,634
Transportation	-	-	-	-
Human Services	3,050,345	3,131,837	3,095,929	35,908
Education, Libraries, and Museums	5,092,546	5,078,556	5,025,390	53,166
Corrections	1,496,765	1,505,891	1,476,753	29,138
Judicial	601,930	608,268	593,314	14,954
Non Functional	4,337,746	4,246,771	4,215,340	31,431
Total Expenditures	17,677,681	17,678,287	17,419,689	258,598
Appropriations Lapsed	132,105	205,164	-	(205,164)
Excess (Deficiency) of Revenues Over Expenditures	(87,376)	(159,423)	(137,651)	21,772
Other Financing Sources (Uses)				
Prior Year Appropriations Carried Forward	85,920	85,920	85,920	-
Appropriations Continued to Fiscal Year 2016	-	-	(64,964)	(64,964)
Miscellaneous Adjustments	-	3,527	3,527	-
Total Other Financing Sources (Uses)	85,920	89,447	24,483	(64,964)
Net Change in Fund Balance	$ (1,456)	$ (69,976)	(113,168)	$ (43,192)
Budgetary Fund Balances - July 1 (as restated)			171,369	
Changes in Reserves			(20,956)	
Budgetary Fund Balances - June 30			$ 37,245	

The information about budgetary reporting is an integral part of this schedule.

Transportation Fund

Budget Original	Budget Final	Actual	Variance with Final Budget positive (negative)
$ 958,900	$ 916,700	$ 931,116	$ 14,416
-	-	-	-
377,000	388,400	394,908	6,508
5,000	5,800	6,946	1,146
12,100	12,100	12,115	15
(3,200)	(3,900)	(3,871)	29
-	53,800	41,197	(12,603)
(6,500)	(6,500)	(6,500)	-
-	-	-	-
(15,000)	(15,000)	(15,000)	-
1,328,300	1,351,400	1,360,911	9,511
-	-	-	-
7,916	7,344	6,520	824
76,538	76,538	63,869	12,669
-	-	-	-
-	-	-	-
594,037	614,914	592,393	22,521
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
681,587	682,610	659,887	22,723
1,360,078	1,381,406	1,322,669	58,737
11,000	21,468	-	(21,468)
	-		
(20,778)	(8,538)	38,242	46,780
26,340	26,340	26,340	-
-	-	(33,311)	(33,311)
-	-	-	-
26,340	26,340	(6,971)	(33,311)
$ 5,562	$ 17,802	31,271	$ 13,469
		175,115	
		6,971	
		$ 213,357	

Budgetary Comparison Schedule
Required Supplemental Information
Budgeted Nonmajor Special Revenue Funds

For the Fiscal Year Ended June 30, 2015
(Expressed in Thousands)

	Workers' Compensation			Banking		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
Revenues						
Budgeted:						
Fees, Assessments, and Other Income	$ 27,251	$ 23,779	$ (3,472)	$ 28,800	$ 28,152	$ (648)
Total Budgeted Revenues	27,251	23,779	(3,472)	28,800	28,152	(648)
Expenditures						
Budgeted:						
General Government	677	568	109	-	-	-
Regulation and Protection	24,296	19,571	4,725	22,358	21,272	1,086
Conservation and Development	-	-	-	500	500	-
Health and Hospitals	-	-	-	-	-	-
Human Services	2,184	2,257	(73)	-	-	-
Judicial	-	-	-	5,946	5,690	256
Total Budgeted Expenditures	27,157	22,396	4,761	28,804	27,462	1,342
Excess (Deficiency) of Revenues Over Expenditures	94	1,383	1,289	(4)	690	694
Other Financing Sources (Uses)						
Operating Transfers In (Out)	-	-	-	-	(5,700)	(5,700)
Use of Fund Balance from Prior Years	-	-	-	-	-	-
Prior Year Appropriations Carried Forward	-	1,000	1,000	-	13	13
Appropriations Continued to Fiscal Year 2016	-	(1,000)	(1,000)	-	(845)	(845)
Total Other Financing Sources (Uses)	-	-	-	-	(6,532)	(6,532)
Net Change in Fund Balances	$ 94	1,383	$ 1,289	$ (4)	(5,842)	$ (5,838)
Budgetary Fund Balances - July 1 (as restated)		11,990			19,354	
Changes in Reserves		-			832	
Budgetary Fund Balances - June 30		$ 13,373			$ 14,344	

The information about budgetary reporting is an integral part of this schedule.

Consumer Counsel & Public Utility Control			Insurance		
Final Budget	Actual	Variance	Final Budget	Actual	Variance
$ 25,600	$ 25,605	$ 5	$ 68,345	$ 61,322	$ (7,023)
25,600	25,605	5	68,345	61,322	(7,023)
-	-	-	494	464	30
2,891	2,225	666	35,431	32,037	3,394
24,055	20,948	3,107	-	-	-
-	-	-	31,945	32,018	(73)
-	-	-	475	475	-
-	-	-	-	-	-
26,946	23,173	3,773	68,345	64,994	3,351
(1,346)	2,432	3,778	-	(3,672)	(3,672)
-	-	-	-	18	18
-	-	-	-	-	-
-	1,356	1,356	-	-	-
-	(455)	(455)	-	-	-
-	901	901	-	18	18
$ (1,346)	3,333	$ 4,679	$ -	(3,654)	$ (3,654)
	6,100			7,716	
	(901)			-	
	$ 8,532			$ 4,062	

Continued

Budgetary Comparison Schedule
Required Supplemental Information
Budgeted Nonmajor Special Revenue Funds (Continued)

For the Fiscal Year Ended June 30, 2015
(Expressed in Thousands)

	Criminal Injuries Compensation			Mashantucket Pequot and Mohegan Fund		
	Final Budget	Actual	Variance	Final Budget	Actual	Variance
Revenues						
Budgeted:						
Operating Transfers In	$ -	$ -	$ -	$ 61,780	$ 61,240	$ (540)
Fees, Assessments, and Other Income	3,355	3,646	291	-	-	-
Total Budgeted Revenues	3,355	3,646	291	61,780	61,240	(540)
Expenditures						
Budgeted:						
General Government	-	-	-	61,699	61,699	-
Conservation and Development	-	-	-	-	-	-
Judicial	2,787	2,445	342	-	-	-
Total Budgeted Expenditures	2,787	2,445	342	61,699	61,699	-
Excess (Deficiency) of Revenues Over Expenditures	568	1,201	633	81	(459)	(540)
Other Financing Sources (Uses)						
Operating Transfers In (Out)	-	-	-	-	-	-
Prior Year Appropriations Carried Forward	-	-	-	-	-	-
Appropriations Continued to Fiscal Year 2016	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-
Net Change in Fund Balances	$ 568	1,201	$ 633	$ 81	(459)	$ (540)
Budgetary Fund Balances (Deficit) - July 1 (as restated)		1,674			459	
Changes in Reserves		-			-	
Budgetary Fund Balances (Deficit) - June 30		$ 2,875			$ -	

The information about budgetary reporting is an integral part of this schedule.

Regional Market			Soldiers', Sailors', and Marines'		
Final Budget	Actual	Variance	Final Budget	Actual	Variance
$ -	$ -	$ -	$ -	$ -	$ -
1,029	828	(201)	-	-	-
1,029	828	(201)	-	-	-
-	-	-	-	-	-
1,214	1,073	141	312	217	95
-	-	-	-	-	-
1,214	1,073	141	312	217	95
(185)	(245)	(60)	(312)	(217)	95
-	-	-	-	-	-
-	-	-	-	312	312
-	-	-	-	-	-
-	-	-	-	312	312
$ (185)	(245)	$ (60)	$ (312)	95	$ 407
	552			(7,624)	
	-			(312)	
	$ 307			$ (7,841)	

Budgetary vs. GAAP Basis of Accounting
Required Supplemental Information

For the Fiscal Year Ended June 30, 2015
(Expressed in Thousands)

	General Fund	Transportation Fund
Net change in fund balances (budgetary basis)	$ (113,168)	$ 31,272
Adjustments:		
Increases (decreases) in revenue accruals:		
Receivables and Other Assets	191,680	(4,857)
(Increases) decreases in expenditure accruals:		
Accounts Payable and Other Liabilities	(213,793)	(793)
Salaries and Fringe Benefits Payable	8,720	563
Increase (Decrease) in Continuing Appropriations	(20,956)	6,971
Fund Reclassification-Bus Operations	-	(1,329)
Net change in fund balances (GAAP basis)	$ (147,517)	$ 31,827

The major differences between the statutory and the GAAP (generally accepted accounting principles) financial basis of accounting as reconciled above are as follows:

1. Revenues are recorded when received in cash except for certain year-end accruals statutory basis) as opposed to revenues being recorded when they are susceptible to accrual (GAAP basis).

2. Certain expenditures are not subject to accrual for budgeting purposes and are recorded when paid in cash (statutory basis) as opposed to expenditures being recorded when the related fund liability is incurred (GAAP basis).

3. For budgetary reporting purposes, continuing appropriations are reported with other financing sources and uses in the determination of the budgetary surplus or deficit to more fully demonstrate compliance with authorized spending for the year. For GAAP purposes, continuing appropriations are excluded from operations and reported as committed fund balance.

The information about budgetary reporting is an integral part of this schedule.

Other Postemployment Benefit Plans
Required Supplementary Information
Schedules of Funding Progress

(Expressed in Millions)

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
RTHP						
6/30/2008	$-	$2,318.8	$2,318.8	0.0%	$3,399.3	68.2%
6/30/2009 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2010	$-	$2,997.8	$2,997.8	0.0%	$3,646.0	82.2%
6/30/2011 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2012	$-	$3,048.3	$3,048.3	0.0%	$3,652.5	83.5%
6/30/2013 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2014	$-	$2,433.0	$2,433.0	0.0%	$3,831.6	63.5%
6/30/2015 *	$-	$-	$-	0.0%	$-	0.0%

Actuarial valuations for other postemployment benefit plans are required to be disclosed starting with fiscal year 2008.

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
SEOPEBP						
6/30/2011	$49.6	$17,954.3	$17,904.7	0.3%	$3,902.2	458.8%
6/30/2012 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2013	$143.8	$19,676.3	$19,532.5	0.7%	$3,539.7	551.8%
6/30/2014 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2015 *	$-	$-	$-	0.0%	$-	0.0%

*No actuarial valuation was performed.

June 30,2011 was the first year an actuarial valuation for State Employees Other Postemployment Benefit Plan was performed.

Pension Plans
Required Supplementary Information
Schedule of Employer Contributions
(Expressed in Thousands)

SERS	**2014**	**2013**	**2012**	**2011**	**2010**
Actuarially determined employer contribution	$ 1,268,935	$ 1,059,652	$ 926,372	$ 944,077	$ 897,428
Actual employer contributions	1,268,890	1,058,113	926,343	825,801	720,527
Annual contributions deficiency excess	$ 45	$ 1,539	$ 29	$ 118,276	$ 176,901
Covered Payroll	$ 3,355,077	$ 3,304,538	$ 3,209,782	$ 3,308,498	$ 2,920,661
Actual contributions as a percentage of covered-employee payroll	37.82%	32.02%	28.86%	24.96%	24.67%

TRS					
Actuarially determined employer contribution	$ 948,540	$ 787,536	$ 757,246	$ 581,593	$ 559,224
Actual employer contributions	948,540	787,536	757,246	581,593	559,224
Annual contributions deficiency excess	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 3,930,957	$ 4,101,750	$ 3,943,990	$ 3,823,754	$ 3,676,686
Actual contributions as a percentage of covered-employee payroll	24.13%	19.20%	19.20%	15.21%	15.21%

JRS					
Actuarially determined employer contribution	$ 16,298	$ 16,006	$ 15,095	$ 16,208	$ 15,399
Actual employer contributions	16,298	16,006	15,095	-	-
Annual contributions deficiency excess	$ -	$ -	$ -	$ 16,208	$ 15,399
Covered Payroll	$ 33,386	$ 31,748	$ 30,308	$ 33,102	$ 31,602
Actual contributions as a percentage of covered-employee payroll	48.82%	50.42%	49.81%	0.00%	0.00%

	2009	2008	2007	2006	2005
	$ 753,698	$ 716,944	$ 663,926	$ 623,063	$ 518,764
	699,770	711,555	663,931	623,063	518,764
	$ 53,928	$ 5,389	$ (5)	$ -	$ -
	$ 3,497,400	$ 3,497,400	$ 3,310,400	$ 3,107,900	$ 2,980,100
	20.01%	20.35%	20.06%	20.05%	17.41%
	$ 539,303	$ 518,560	$ 412,099	$ 396,249	$ 281,366
	539,303	518,560	412,099	396,249	281,366
	$ -	$ -	$ -	$ -	$ -
	$ 3,529,470	$ 3,393,717	$ 3,296,792	$ 3,169,992	$ 3,035,232
	15.28%	15.28%	12.50%	12.50%	9.27%
	$ 14,172	$ 13,434	$ 12,375	$ 11,730	$ 12,236
	14,173	13,434	12,375	11,730	12,236
	$ (1)	$ -	$ -	$ -	$ -
	$ 34,000	$ 33,982	$ 33,757	$ 31,803	$ 30,149
	41.69%	39.53%	36.66%	36.88%	40.59%

Other Postemployment Benefit Plans
Required Supplementary Information
Schedule of Employer Contributions
(Expressed in Thousands)

	RTHP		SEOPEBP	
Fiscal Year	Annual Required Contributions	Percentage Contributed	Annual Required Contributions	Percentage Contributed
2008	$116.1	21.5%	$0.0	0%
2009	$116.7	25.3%	$0.0	0%
2010	$121.3	10.0%	$0.0	0%
2011	$177.1	3.0%	$0.0	0%
2012	$184.1	26.9%	$1,354.7	40.0%
2013	$180.4	15.0%	$1,271.3	42.7%
2014	$187.2	13.9%	$1,525.4	33.7%
2015	$125.6	20.0%	$1,513.0	36.1%

Actuarial valuations for other postemployment benefit plans are required to be disclosed starting with fiscal year 2008.
June 30,2011 was the first year an actuarial valuation for State Employees Other Postemployment Benefit Plan was performed.

Pension Plans
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Plan Net Position
(Expressed in Thousands)

Total Pension Liability	**2014 SERS**	**2014 TRS**	**2014 JRS**
Service Cost	$ 287,473	$ 347,198	$ 7,539
Interest	1,998,736	2,090,483	26,301
Benefit payments	(1,563,029)	(1,737,144)	(21,668)
Refunds of contributions	(3,935)	-	-
Net change in total pension liability	719,245	700,537	12,172
Total pension liability - beginning	25,767,688	25,648,672	339,601
Total pension liability - ending (a)	**$ 26,486,933**	**$ 26,349,209**	**$ 351,773**
Plan net position			
Contributions - employer	$ 1,268,890	$ 948,540	$ 16,298
Contributions - member	144,807	261,213	1,641
Net investment income	1,443,391	2,277,550	23,156
Benefit payments	(1,563,029)	(1,737,144)	(21,668)
Refunds of contributions	(3,935)	-	-
Other Changes	-	(5,307)	-
Net change in plan net position	1,290,124	1,744,852	19,427
Plan net position - beginning	9,182,443	14,462,903	168,353
Plan net position - ending (b)	**$ 10,472,567**	**$ 16,207,755**	**$ 187,780**
Ratio of plan net position to total pension liability	39.54%	61.51%	53.38%
Net pension liability - ending (a) -(b)	**$ 16,014,366**	**$ 10,141,454**	**$ 163,993**
Covered-employee payroll	$ 3,487,577	$ 3,831,624	$ 33,386
Net pension liability as a percentage of covered-employee payroll	459.18%	264.68%	491.20%

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APPENDIX III-D

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STATE OF CONNECTICUT
OFFICE OF THE STATE COMPTROLLER
55 ELM STREET
HARTFORD, CONNECTICUT
06106-1775

Kevin Lembo
State Comptroller

Martha Carlson
Deputy Comptroller

January 29, 2016

The Honorable Denise L. Nappier
State Treasurer
55 Elm Street
Hartford, CT 06106

Dear Ms. Nappier

I have reviewed the accompanying balance sheets of the General Fund of the State of Connecticut for the fiscal years ending June 30, 2011-2015. This review also covered the accompanying statements of unappropriated surplus, revenues and expenditures for the years ended on those dates. The statements are based on the annual report of the Office of the State Comptroller, which is prepared in compliance with Section 3-115 of the General Statutes, as well as reports of the Auditors of Public Accounts with respect to the balance sheets and related statements for the fiscal years ending June 30, 2011-2015.

The statements have been prepared on a statutory basis of accounting for appropriated funds and on a cash basis of accounting for all other funds. These methods of accounting have been applied in accordance with the governing statutory requirements for all periods shown. In Fiscal Year 2015, statutory provisions provided appropriations of projected expenditure accrual within the budgeted funds.

Sincerely,

Kevin Lembo
State Comptroller

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

ROBERT M. WARD

INDEPENDENT AUDITORS' REPORT
CERTIFICATE OF AUDIT

Report on the Financial Statements
We have audited the accompanying balance sheet of the General Fund of the State of Connecticut as of June 30, 2011, 2012, 2013, 2014 and 2015 and the related statements of revenues, expenditures, and changes in unappropriated surplus for the years ended on those dates as shown in Appendices III-D-4, III-D-5, III-D-6 and III-D-7.

Managements Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles
As discussed in Note (a) to Appendix III-D-4, the State of Connecticut prepared its financial statements for the fiscal years ended June 30, 2011, 2012 and 2013 on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As discussed in Note (a) to Appendix III-D-4, the State of Connecticut prepared its financial statements for the fiscal year ended June 30, 2014 and 2015, using accounting practices that follow the financial reporting provisions of Sections 3-115, 3-115b and Sections 3-114b through 3-114r of the Connecticut General Statutes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between this statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

The financial statements referred to above present only the General Fund and do not purport to, and do not, present fairly the financial position of the State of Connecticut as of June 30, 2011, 2012, 2013, 2014 and 2015, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Adverse Opinion on U.S. Generally Accepted Accounting Principles
In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the State of Connecticut, as of June 30, 2011, 2012, 2013, 2014 and 2015.

Opinion on Modified Cash Basis of Accounting
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position – modified cash basis of the General Fund of the State of Connecticut as of June 30, 2011, 2012 and 2013, and the results of its operations – modified cash basis for the years then ended, in conformity with the basis of accounting described in Note (a) to Appendix III-D-4.

Opinion on Statutory Basis of Accounting
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position – statutory basis of the General Fund of the State of Connecticut as of June 30, 2014 and 2015, and the results of its operations – statutory basis for the years then ended, in conformity with the basis of accounting described in Note (a) to Appendix III-D-4.

John C. Geragosian
Auditor of Public Accounts

Robert M. Ward
Auditor of Public Accounts

January 29, 2016
State Capitol
Hartford, Connecticut

GENERAL FUND[(a)]

Balance Sheet
As of June 30
(In Thousands)

	2011	2012	2013	2014	2015
Assets					
Cash and Short-Term Investments	$ --	$ --	$ --	$ --	$ --
Accrued Taxes Receivable	1,077,249	1,336,954	1,412,940	1,389,703	1,371,458
Accrued Accounts Receivable	28,821	27,839	24,116	108,907	21,852
Federal and Other Grants Receivable and Unexpended Balances	--	--	--	--	--
Investments	--	--	--	--	--
Due from Other Funds	--	--	--	--	--
Loans Receivable	3,419	3,419	3,419	3,419	3,419
Total Assets	$ 1,109,489	$ 1,368,212	$ 1,440,475	$ 1,502,029	$ 1,396,729
Liabilities, Reserves and Surplus					
Liabilities					
Deficiency in Cash and Short-Term Investments	$ 666,879	$ 1,233,336	$ 925,552	$ 550,180	$ 797,930
Accounts Payable Nonfunctional Change to Accruals	--	--	--	(16,152)	561,217
Deferred Restricted Accounts and Federal and Other Grant Revenue	--	--	--	--	--
Due to Other Funds	469	301	263	367	336
Total Liabilities	$ 667,348	$ 1,233,637	$ 925,815	$ 534,395	$ 1,359,483
Reserves					
Petty Cash Funds	$ 814	$ 806	$ 804	$ 815	$ 810
Statutory Surplus Reserves	236,923	--	398,035	248,480	(31,947)
Reserve for GAAP Conversion Bonds	--	--	--	598,500	
Reserve for Future Fiscal Years	--	--	--	30,500	
Appropriations Continued to Following Year	200,985	130,351	112,402	85,920	64,964
Reserve for Receivables	3,419	3,418	3,419	3,419	3,419
Total Reserves	$ 442,141	$ 134,575	$ 514,660	$ 967,634	$ 37,246
Unappropriated Surplus (Deficit)	$ 0	$ 0	$ 0	$ 0	$ 0
Total Liabilities, Reserves and Surplus	$ 1,109,489	$ 1,368,212	$ 1,440,475	$ 1,502,029	$ 1,396,729

(a) For Fiscal Years 2011-2013, the State of Connecticut's policy, which was formulated in accordance with State fiscal statutes, is to prepare the accompanying financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and budget laws of the State of Connecticut. The modified cash basis of accounting, as used by the State, records expenditures when they are paid and recognizes revenues when received, except for the accrual at June 30 of State collections in July and August of certain taxes levied, Indian gaming payments, and the accounting for restricted grants on an earned basis. Certain accrual dates for various revenues have been extended and may not reflect the same accrual date through the years reflected herein. For Fiscal Years 2014 and 2015, the financial statements are prepared on a statutory basis using accounting practices that follow the financial reporting provisions of Sections 3-115, 3-115b and Sections 3-114b through 3-114r of the Connecticut General Statutes.

GENERAL FUND

Statement of Revenues, Expenditures and Changes in Unappropriated Surplus
Fiscal Year Ended June 30
(In Thousands)

	2011	2012	2013	2014	2015
Unappropriated Surplus (Deficit), July 1	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-
Resources from Reserve for Debt Avoidance/ERN	--	--	--	--	--
Total Revenues (per Appendix III-D-6)	17,707,454	18,561,633	19,405,031	17,608,056	17,282,038
Total Expenditures (per Appendix III-D-7)	17,845,124[(a)]	18,781,634[(b)]	19,025,667[(c)]	16,980,044[(d)]	17,419,689[(e)]
Operating Balance	(137,670)	(220,001)	379,364	628,012	(137,651)
Reserved for Prior Year Appropriations Less Appropriations Carried Forward	(75,276)	70,634	18,671	26,482	20,956
Transferred (Out) or Reserved for:					
Budget Reserve Fund	-0-	-0-	(177,235)	(248,480)	-0-
Reserve for Debt Retirement/Avoidance or Reserve for Future Fiscal Year	(236,923)	-0-	(220,800)	(599,000)[(e)]	-0-
Other Adjustments	--	5,850	-0-	2,186	3,527
Reserved from Prior Year	449,869	-0-	-0-	190,800	-0-
Subtotal	$ -0-	$ (143,517)	$ -0-	$ -0-	$ (113,168)
Transferred from Budget Reserve Fund	--	143,517	--	--	113,168
Unappropriated Surplus (Deficit), June 30	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-

(a) Total Expenditures includes prior year appropriations less appropriations carried forward to the next fiscal year in the amount of $(75.276) million.

(b) Total Expenditures include prior year appropriations less appropriations carried forward to the next fiscal year in the amount of $70.634 million.

(c) Total Expenditures include prior year appropriations less appropriations carried forward to the next fiscal year in the amount of $18.671 million.

(d) Total Expenditures include prior year appropriations less appropriations carried forward to the next fiscal year in the amount of $26.482 million.

(e) In Fiscal Year 2014 this amount includes GAAP Conversion Bonds totaling $598.5 million.

(f) Total Expenditures include prior year appropriations less appropriations carried forward to the next fiscal year in the amount of $20.956 million.

GENERAL FUND

Statement of Revenues
Fiscal Year Ended June 30
(In Thousands)

	2011	2012	2013	2014	2015
Taxes:					
Personal Income	$ 7,246,431	$ 8,310,820	$ 8,719,245	$ 8,718,659	$ 9,151,037
Sales and Use	3,353,230	3,830,117	3,896,998	4,100,564	4,205,051
Corporations	794,473	716,522	742,515	782,239	814,805
Insurance Companies	220,626	237,609	260,858	240,666	220,629
Inheritance and Estate	237,573	191,699	439,519	168,075	176,750
Alcoholic Beverages	48,923	60,595	60,406	60,644	61,651
Cigarettes	404,111	421,005	399,822	376,835	358,703
Admissions, Dues, Cabaret	34,455	34,399	36,544	39,935	38,436
Oil Companies	169,163	146,067	175,526	35,580	0
Electric Generation	--	69,533	66,824	15,315	7
Public Service Corporations	269,806	250,396	266,647	293,303	276,833
Real Estate Conveyance	94,822	107,531	113,830	180,511	185,955
Miscellaneous	140,505	536,810	523,028	498,260	474,009
Refunds of Taxes	(956,054)	(1,105,171)	(1,144,993)	(1,182,397)	(1,163,639)
R&D Credit Exchange	(8,598)	(3,563)	(4,086)	(5,055)	(7,878)
Other Revenue:					
Licenses, Permits, Fees	250,442	283,414	262,068	314,721	257,444
Sales of Commodities and Services	35,506	35,007	36,298	40,523	35,813
Transfer – Special Revenue	293,108	313,757	315,452	323,219	323,315
Investment Income	30	964	(792)	(335)	943
Transfers — To Other Funds[a]	(61,800)	(61,800)	(61,800)	(61,800)	(61,780)
Fines, Escheats and Rents	157,771	123,424	144,141	130,875	168,679
Miscellaneous	178,727	191,965	163,818	206,782	185,014
Refunds of Payments	(1,875)	(85,377)	(74,016)	(66,625)	(64,281)
Federal Grants	4,235,178	3,607,164	3,733,910	1,243,861	1,241,243
Indian Gaming Payments	359,582	344,645	296,396	279,873	267,986
Statutory Transfer to Resources of the General Fund		(91,999)	(66,228)		
Statutory Transfers From Other Funds	211,319	96,100	103,100	873,828	135,313
Total Revenues[b]	$ 17,707,454	$ 18,561,633	$ 19,405,031	$ 17,608,056[c]	$ 17,282,038

(a) Transfer to Pequot/Mohegan Fund.

(b) See Operating Balance on Appendix III-D-5 for surplus or deficit for each fiscal year.

(c) Fiscal Year 2014 revenues include $598.5 million in GAAP Conversion Bonds as a Transfer from Other Funds. Federal Grants reflect the transfer of the federal portion of Medicaid from the General Fund to the Restricted Grants Fund.

GENERAL FUND

Statement of Expenditures
Fiscal Year Ended June 30
(In Thousands)

	2011	2012	2013	2014	2015
Legislative	$ 66,109	$ 67,344	$ 66,533	$ 70,813	$ 73,563
General Government					
Executive	9,954	10,741	10,211	12,223	12,701
Financial Administration	381,716	521,013	506,598	513,051	563,830
Legal	84,420	77,485	76,558	80,402	84,469
Total General Government	476,090	609,239	593,367	605,676	661,000
Regulation and Protection of Persons and Property					
Public Safety	175,700	177,121	175,772	191,075	193,996
Regulative	86,066	85,777	86,015	86,798	93,256
Total Regulation and Protection	261,766	262,898	261,787	277,873	287,252
Conservation and Development					
Agriculture	11,356	11,551	11,250	12,024	12,723
Environment	71,353	71,437	66,457	71,365	71,018
Historical Sites, Commerce and Industry	41,210	54,306	55,376	137,532	122,070
Total Conservation and Development	123,919	137,294	133,083	220,921	205,811
Health and Hospitals					
Public Health	88,226	86,144	98,999	114,086	83,853
Developmental Services	970,070	1,013,182	1,005,732	1,054,597	1,097,586
Mental Health	657,374	693,109	697,220	658,625	603,897
Total Health and Hospitals	1,715,670	1,792,435	1,801,951	1,827,308	1,785,336
Transportation	0	0	0	0	0
Human Services	5,387,535	5,817,369	5,931,567	3,215,827	3,095,928
Education, Libraries and Museums					
Department of Education	2,708,442	2,769,385	2,880,342	3,039,608	3,277,044
Education of the Blind and Deaf	11,145	0[b]	0[b]	0[b]	0[b]
University of Connecticut	232,656	205,586	195,847	329,889	354,433
Higher Education and the Arts	192,626	169,084	158,271	43,580	46,103
Libraries	11,067	10,618	12,294	12,419	12,205
Teachers Retirement	583,978	794,205	805,193	966,983	1,004,973
Community—Technical Colleges	158,282	144,505	141,288	151,973	177,968
State University	162,271	142,045	135,659	151,193	152,665
Total Education, Libraries and Museums	4,060,467	4,235,428	4,328,894	4,695,645	5,025,391
Corrections	1,484,364	1,472,685	1,408,761	1,454,442	1,476,753
Judicial	559,912	545,650	534,512	569,056	593,314
Non-Functional					
Debt Service	1,629,672	1,809,201	1,799,937	1,646,149	1,691,526
Miscellaneous	2,079,621	2,032,091	2,165,275	2,396,332	2,523,815
Total Non-Functional	3,709,293	3,841,292	3,965,212	4,042,481	4,215,341
Totals	17,845,125	18,781,634	19,025,667	16,980,042	17,419,689
Total Expenditures[a]	$17,845,125	$18,781,634	$19,025,667	$16,980,042	$17,419,689

(a) See Operating Balance on **Appendix III-D-5** for surplus or deficit for each fiscal year.

(b) These functions were transferred to Human Services.

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APPENDIX III-E

GENERAL FUND REVENUES AND EXPENDITURES
ADOPTED BUDGET AND FINAL FINANCIAL RESULTS FOR FISCAL YEAR 2015
ADOPTED AND ESTIMATED RESULTS FOR FISCAL YEAR 2016
ADOPTED BUDGET FOR FISCAL YEARS 2017
(In Millions)

	Revised Adopted Budget Fiscal Year 2015[d]	Financial Results Fiscal Year 2015[f]	Adopted Budget Fiscal Year 2016[h]	Estimated Budget Fiscal Year 2016[i]	Adopted Budget Fiscal Year 2017[h]
Revenues					
Taxes					
Personal Income Tax	$ 9,264.5	$ 9,151.0	$9,834.4	$ 9,570.0	$10,357.2
Sales & Use	4,167.4	4,205.1	4,121.1	4,230.3	4,084.7
Corporation	704.3	814.8	902.2	950.4	910.7
Public Service	295.6	276.8	308.0	287.4	316.5
Inheritance & Estate	173.0	176.8	173.4	217.4	174.7
Insurance Companies	256.2	220.6	243.8	226.5	246.0
Cigarettes	360.9	358.7	361.2	365.9	363.3
Real Estate Conveyance	186.9	186.0	194.7	194.7	200.8
Oil Companies[a]	34.8	--	--	--	--
Alcoholic Beverages	60.7	61.7	61.7	61.7	62.1
Admissions and Dues	38.3	38.4	38.3	38.3	39.6
Health Provider Tax	509.5	454.9	676.9	672.4	683.9
Miscellaneous	95.2[g]	19.1	20.8	19.7	21.3
Total Taxes	$16,147.2	$15,963.9	$16,936.5	$16,834.7	$17,460.8
Less Refunds of Taxes	(1,105.1)	(1,064.0)	(1,090.4)	(1,090.4)	(1,103.1)
Less Earned Income Tax	(120.7)	(99.6)	(127.4)	(127.4)	(133.9)
Less R&D Credit Exchange	(6.8)	(7.9)	(7.1)	(7.1)	(7.4)
Net Taxes	$14,914.6	$14,792.4	$15,711.6	$15,609.8	$16,216.4
Other Revenues					
Transfers- Special Revenues	$ 323.1	$ 323.3	$ 343.4	$ 336.4	$ 369.3
Indian Gaming Payments	278.5	268.0	258.8	261.8	252.4
Licenses, Permits, Fees	256.2	257.4	308.5	312.9	290.8
Sales of Commodities & Services	43.5	35.8	38.0	39.1	39.1
Rents, Fines & Escheats	118.4	168.7	126.0	126.0	128.0
Investment Income	0.6	0.9	2.5	1.2	5.6
Miscellaneous	161.9	185.0	171.3	176.8	173.4
Less Refunds of Payments	(72.9)	(64.3)	(74.2)	(66.2)	(75.1)
Total Other Revenue	$ 1,109.3	$ 1,174.8	$ 1,174.3	$ 1,188.0	$ 1,183.5
Other Sources					
Federal Grants	$ 1,299.6	$ 1,241.2	$ 1,265.2	$ 1,217.0	$ 1,252.7
Transfers to the Resources of the General Fund	--	38.0	--	--	--
Transfers from Tobacco Settlement Funds	120.0	97.4	106.6	108.6	104.5
Transfers to the Resources of STF[a]	--	--	--	--	--
Transfers to Other Funds[b]	14.6	(61.8)	(95.4)	(69.5)	(43.4)
GAAP Conversion Bond proceeds	--	--	--	--	--
Total Other Sources	$ 1,434.1	$ 1,314.8	$ 1,276.5	$ 1,256.1	$ 1,313.8
Total Budgeted Revenue[c]	$17,458.0	$17,282.0	$18,162.4	$18,053.9	$18,713.6

Appropriations/ Expenditures	Revised Adopted Budget Fiscal Year 2015[(d)]	Financial Results Fiscal Year 2015[(f)]	Adopted Budget Fiscal Year 2016[(h)]	Estimated Budget Fiscal Year 2016[(i)]	Adopted Budget Fiscal Year 2017[(h)]
Legislative	$ 86.7	$ 74.5	$ 83.9	$ 76.7	$ 87.1
General Government	680.0	661.9	670.0	662.3	680.5
Regulation & Protection	276.6	287.8	301.0	296.2	302.6
Conservation & Development	216.3	204.2	211.3	203.8	218.9
Health & Hospitals	1,802.7	1,784.9	1,817.4	1,809.4	1,872.7
Human Services	3,026.9	3,076.6	3,196.2	3,158.6	3,273.8
Education, Libraries & Museums	5,075.3	5,029.8	5,166.4	5,156.1	5,242.5
Corrections	1,493.1	1,477.1	1,514.8	1,500.4	1,524.2
Judicial	601.9	593.7	625.4	614.3	647.7
Non- Functional					
Debt Service	1,784.2[(e)]	1,691.5[(e)]	1,937.6[(e)]	1,972.6	2,053.1[(e)]
Miscellaneous	2,546.2	2,516.8	2,838.1	2,800.9	3,013.8
Subtotal	$ 17,589.8	$17,398.7	$18,362.1	$18,251.2	$ 18,916.9
Other Reductions and Lapses	(132.1)	--	(200.6)	(190.2)	(205.7)
Net Appropriations/ Expenditures	$ 17,457.7	$17,398.7	$ 18,161.6	$18,061.0	$18,711.2
Surplus (or Deficit) from Operations	0.3	(116.7)	0.8	(7.1)	2.5
Miscellaneous Adjustments	--	3.5	--		--
Reserve for Future Fiscal Years	--	--	--		--
Reserve for GAAP Conversions	--	--	--		--
Reserve from Reserved Fund Balance	--	--	--	--	--
Balance[(c)]	$ 0.3	$ (113.2)	$ 0.8	$ (7.1)	$ 2.5

NOTE: Columns may not add due to rounding.

(a) Per subsection 91 of Public Act No. 15-244, beginning in Fiscal Year 2016, all revenue from the oil companies tax will be deposited to the Special Transportation Fund.

(b) Includes transfers to the Mashantucket Pequot Fund for grants to towns. The amounts for Fiscal Years 2015 through 2017 include transfers of $61.8 million in each year to the Mashantucket Pequot Fund for grants to towns. The transfers for Fiscal Year 2015 include: $30.0 million from the Fiscal Year 2013 surplus.

(c) Does not include revenues or expenditures with respect to Restricted Accounts and Federal & Other Grants, which are not included in this Appendix. The amount of such expenditures is generally the same as the amount of grants received. Per Section 4-30a of the Connecticut General Statutes, after the accounts for the General Fund have been closed for each fiscal year and the Comptroller has determined the amount of unappropriated surplus in said fund, after any amounts required by provision of law to be transferred for other purposes have been deducted, the amount of such surplus shall be transferred by the State Treasurer to the Budget Reserve Fund.

(d) Per Public Act No. 14-47 and Public Act No. 14-217 and Public Act No. 15-244.

(e) Sections 90 and 91 of Public Act No. 13-184 extend the maturity of the 2009 Economic Recovery Notes from Fiscal Year 2016 to Fiscal Year 2018.

(f) Per the Comptroller's audited financial results for Fiscal Year 2015 as adjusted by the Office of Policy and Management to exclude expenditures of appropriations carried over from the prior fiscal year and to include expenditures of appropriations carried into the next fiscal year.

(g) The adopted budget for Fiscal Year 2015 included $75 million from a Department of Revenue Services enhanced Tax Collections Initiative.

(h) Per Public Act No. 15-244, as amended by various implementer legislation and as amended by Public Act No. 15-05 of the June Special Session. These amounts do not include updates to revenues and expenditures made at the December 8, 2015 Special Session of the General Assembly which provided for (i) $137.5 million in additional revenue in Fiscal Year 2016 and a reduction of $17.5 million in revenue in Fiscal Year 2017 and (ii) a reduction in appropriated expenditures by $195.8 million in both Fiscal Year 2016 and 2017.

(i) Estimates reflect the January 20, 2016 Office of Policy and Management's letter to the State Comptroller as of the period ending December 31, 2015 and includes the impact of Public Act No. 15-1 of the December Special Session.

NOTE: The information in **Appendix III-E** of this **Part II** contains projections and no assurances can be given that subsequent projections or adjustments will not result in changes in the items of revenue and expenditure and in the final result of the operations of the General Fund. Changes may also occur as the result of legislative action adjusting the budget or taking other actions which impact revenues or expenditures.

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