NEW ISSUE

RATINGS:
Moody's: Aa3
S&P: AA
Fitch: AA
(See **RATINGS** herein)

$450,000,000
State of Connecticut
Taxable General Obligation Bonds (2009 Series B)
(Build America Bonds - Direct Payment)

Dated: **Date of Delivery** Due: **December 1**, as shown on inside front cover

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 Obligation** herein. Interest on the Bonds will be payable on June 1, 2010 and semiannually thereafter on December 1 and June 1 in each year until maturity or earlier redemption. Interest is calculated on the basis of a 360-day year of twelve 30-day months at the annual rates set forth on the inside front cover. **The Bonds are subject to redemption prior to maturity as more fully described herein.**

(See inside front cover for maturities, interest rates and prices or yields.)

The Bonds are issuable only as fully registered bonds, without interest coupons, in denominations of $5,000 or any integral multiple 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. 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 owners 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.

The Bonds will be issued as taxable obligations designated "build America bonds" pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended (the "Code"), for which the State will elect to receive credit payments pursuant to Section 6431 of the Code.

In the opinion of Bond Counsel and Tax Counsel, under existing law, interest on the Bonds is included in gross income for federal income tax purposes pursuant to the Code.

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.

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 at DTC in New York, New York, on or about December 23, 2009.

Treasurer of the State of Connecticut

Morgan Stanley

Goldman, Sachs & Co. **Merrill Lynch & Co.** **Siebert Brandford Shank & Co., LLC**

J.P. Morgan **Loop Capital Markets, LLC** **Ramirez & Co., Inc.**
Wachovia Bank, National Association **William Blair & Company**

Dated: December 15, 2009

$450,000,000
State of Connecticut
Taxable General Obligation Bonds (2009 Series B)
(Build America Bonds - Direct Payment)

Maturity December 1,	Amount	Interest Rate	Yield	Price	CUSIP
2020	**$ 50,000,000**	**4.95%**	**4.753%**	**101.662**	**20772G4V7**
2021	**50,000,000**	**5.10**	**4.903**	**101.761**	**20772G4W5**
2022	**50,000,000**	**5.20**	**5.053**	**101.380**	**20772G4X3**
2023	**50,000,000**	**5.30**	**5.153**	**101.445**	**20772G4Y1**
2029	**250,000,000***	**5.632**	**5.632**	**100.000**	**20772G4Z8**

(plus accrued interest, if any)

* Term bond subject to mandatory sinking fund redemption. See **THE BONDS – Mandatory Sinking Fund Redemption** herein.

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.

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 $450,000,000 Taxable General Obligation Bonds (2009 Series B) (Build America Bonds - Direct Payment) (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.
Tax Status of the Bonds	The Bonds will be issued as taxable obligations designated "build America bonds" pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended (the "Code"), for which the State will elect to receive credit payments pursuant to Section 6431 of the Code. In the opinion of Bond Counsel and Tax Counsel, under existing law, interest on the Bonds is included in gross income for federal income tax purposes pursuant to the Code. 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 Payment Dates	Interest on the Bonds will be payable on June 1, 2010 and semiannually thereafter on December 1 and June 1 in each year until maturity or earlier redemption. Interest is calculated on the basis of a 360-day year of twelve 30-day months at the annual rates set forth on the inside front cover.
Principal Payment Dates	Principal of the Bonds is payable on December 1 in the years and in the amounts shown on the inside front cover.
Denominations	The Bonds will be issued only in registered book-entry form, without coupons, in denominations of $5,000, or any integral multiple thereof.
Redemption	The Bonds may be subject to various types of optional redemption prior to maturity at the election of the Treasurer at a redemption price to be specified in the final Official Statement. See **THE BONDS—Optional Redemption**. Certain of the Bonds are subject to mandatory sinking fund redemption as specified in this Official Statement. See **THE BONDS – Mandatory Sinking Fund Redemption**.
Delivery and Clearance	The Bonds are expected to be available for delivery at DTC in New York, New York, on or about December 23, 2009.
Paying Agent	U.S. Bank National Association, 225 Asylum Street, Hartford, Connecticut 06103, is the State's Paying Agent.
Legal Counsel	Day Pitney LLP of Hartford, Connecticut is Lead Bond Counsel; Edwards Angell Palmer & Dodge LLP of Hartford, Connecticut, Lewis & Munday, A Professional Corporation of Detroit, Michigan, Pullman & Comley, LLC of Bridgeport, Connecticut, Robinson & Cole LLP of Hartford, Connecticut, Shipman & Goodwin LLP of Hartford, Connecticut, and Squire, Sanders & Dempsey L.L.P. of New York, New York, are Bond Counsel with respect to certain series of the Bonds. Updike, Kelly & Spellacy, P.C., of Hartford, Connecticut and Graves & Horton LLC of Washington, DC are Co-Underwriters' Counsel. 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 Tax Counsel and Finn Dixon & Herling LLP and Soeder & Associates LLC are Co-Tax 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
STATE OF CONNECTICUT
$450,000,000 Taxable General Obligation Bonds (2009 Series B)
(Build America Bonds - Direct Payment)

INTRODUCTION

This Official Statement, including the cover and inside cover pages, 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 $450,000,000 aggregate principal amount of its Taxable General Obligation Bonds (2009 Series B) (Build America Bonds - Direct Payment) (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 which 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 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

STATE OF CONNECTICUT

$450,000,000 Taxable General Obligation Bonds (2009 Series B)

(Build America Bonds - Direct Payment)

THE BONDS

Description of the Bonds

The State of Connecticut (the "State") is issuing $450,000,000 Taxable General Obligation Bonds (2009 Series B) (Build America Bonds - Direct Payment) (the "Bonds") comprised of the following issues:

$ 50,000,000.00 Taxable General Obligation Bonds (2009 Series B-1) (Build America Bonds - Direct Payment)
$215,000,000.00 Taxable General Obligation Bonds (2009 Series B-2) (Build America Bonds - Direct Payment)
$ 36,300,000.00 Taxable General Obligation Bonds (2009 Series B-3) (Build America Bonds - Direct Payment)
$ 46,106,908.25 Taxable General Obligation Bonds (2009 Series B-4) (Build America Bonds - Direct Payment)
$ 76,493,091.75 Taxable General Obligation Bonds (2009 Series B-5) (Build America Bonds - Direct Payment)
$ 26,100,000.00 Taxable General Obligation Bonds (2009 Series B-6) (Build America Bonds - Direct Payment)

The Bonds will be issued as taxable obligations designated "build America bonds" pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on which will be included in gross income for federal income tax purposes and for which the State will elect to receive credit payments pursuant to Section 6431 of the Code. See **TAX STATUS OF THE BONDS** herein.

The Bonds will be dated the date of delivery, and will bear interest payable on June 1, 2010 and semiannually thereafter on December 1 and June 1 in each year, until maturity or earlier redemption, at the rate or rates indicated on the inside front cover page of this Official Statement.

Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months and will be payable to the registered owner as of the close of business on the fifteenth day of May and November in each year, or the preceding business day if such fifteenth day is not a business day. The Bonds are issuable only as fully registered bonds, without interest coupons, in denominations of $5,000 or any integral multiple thereof.

The Bonds will mature on December 1 in the years and in the principal amounts set forth on the inside front cover of this Official Statement.

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 the State general obligation bond procedure act (Section 3-20 of the General Statutes of Connecticut, as amended), resolutions adopted by the State Bond Commission, and other proceedings related thereto, including a Certificate of Determination of the Treasurer. See **Nature of Obligation** herein.

Principal of and interest on 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 **Book-Entry-Only System** herein.

The Bonds are being issued for various projects and purposes and are authorized by the bond acts listed in **Appendix I-A**. Bonds of each series will mature on December 1 in the years and in the principal amounts set forth in the following table:

$450,000,000 Bonds

Maturity	Series						Total
December 1,	2009 B-1	2009 B-2	2009 B-3	2009 B-4	2009 B-5	2009 B-6	2009 Series B
2020	$50,000,000.00						$ 50,000,000
2021			$36,300,000.00	$13,700,000.00			50,000,000
2022				32,406,908.25	$17,593,091.75		50,000,000
2023					50,000,000.00		50,000,000
2029*		$215,000,000.00			8,900,000.00	$26,100,000.00	250,000,000
TOTAL	$50,000,000.00	$215,000,000.00	$36,300,000.00	$46,106,908.25	$76,493,091.75	$26,100,000.00	$450,000,000

* Subject to mandatory sinking fund redemption

Designation of the Bonds as Build America Bonds

The federal American Recovery and Reinvestment Act of 2009, Pub. L. No. 111-5, 123 Stat. 115 (2009), enacted February 17, 2009 (the "Recovery Act") authorizes state and local governments to issue two general types of taxable build America bonds ("Taxable BABs"), with the federal government providing subsidies for a portion of their borrowing cost. One type of Taxable BAB provides a federal tax credit to the bondholder; the other provides a credit in the form of an interest subsidy payment directly to the issuer ("Taxable BABs – Direct Payment"). The Bonds will be issued as Taxable BABs – Direct Payment. Pursuant to the Recovery Act, the State will receive a cash subsidy payment from the United States Treasury equal to 35% of the interest payable on the Bonds on or about each interest payment date. Such subsidy payment is not pledged to the Bonds, nor is its receipt a condition of payment of any portion of the principal and interest on the Bonds. See **TAX STATUS OF THE BONDS** herein.

Optional Redemption

Make-Whole Optional Redemption. The Bonds maturing (i) December 1, 2020 through and including December 1, 2023 are subject to redemption prior to their stated maturity dates on or after December 1, 2019 and (ii) December 1, 2029 are subject to redemption prior to their stated maturity dates, in each case, at the election of the Treasurer, in whole or in part at any time, at a redemption price equal to the greater of:

(1) the issue price set forth on the inside cover hereof (but not less than 100% of the principal amount) of such Bonds to be redeemed; or

(2) the sum of the present values of the remaining unpaid payments of principal and interest to the maturity date of such Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Bonds are to be redeemed, discounted to the date on which such Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (described below) plus 25 basis points, plus, in each case, accrued interest on such Bonds to be redeemed to the redemption date. The redeemed Bonds may be in such amounts and in such order of maturity and bear such interest rate or rates (but pro rata among bonds bearing the same interest rate within a maturity) as the Treasurer may determine. 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 in accordance with pro rata proportional provisions. However, the State can

provide no assurance that DTC, the DTC Participants or any other intermediaries will allocate redemptions among Beneficial Owners on such a pro rata proportional basis.

"Treasury Rate" means, with respect to any redemption date for a particular bond, the yield to maturity for the stated maturity of such bond of United States Treasury securities with a constant maturity (excluding inflation indexed securities) as compiled and published and publicly available in the Federal Reserve Statistical Release H.15 (519), at least two business days, but not more than 45 calendar days, prior to the redemption date, as determined by the Treasurer (or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the maturity date of the bond to be redeemed, provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

Extraordinary Optional Redemption. The Bonds are subject to redemption prior to their stated maturity dates at the option of the Treasurer, in whole or in part at any time, following the occurrence of an Extraordinary Event (as defined below), at a redemption price equal to the greater of:

(1) the issue price set forth on the inside cover page hereof (but not less than 100% of the principal amount) of such Bonds to be redeemed; or

(2) the sum of the present value of the remaining scheduled payments of principal and interest to the maturity date of such Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Bonds are to be redeemed, discounted to the date on which such Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate as described above, plus 100 basis points; plus, in each case, accrued interest on such Bonds to be redeemed on the redemption date. The redeemed Bonds may be in such amounts and in such order of maturity and bear such interest rate or rates (but pro rata among bonds bearing the same interest rate within a maturity) as the Treasurer may determine. 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 in accordance with pro rata proportional provisions. However, the State can provide no assurance that DTC, the DTC Participants or any other intermediaries will allocate redemptions among Beneficial Owners on such a pro rata proportional basis.

An "Extraordinary Event" will have occurred if Section 54AA or Section 6431 of the Code is modified, amended or interpreted in a manner pursuant to which the State's 35% cash subsidy payment from the United States Treasury is reduced or eliminated.

Mandatory Sinking Fund Redemption

The Bonds due on December 1, 2029 are subject to mandatory sinking fund redemption in part pro rata 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 December 1 in each of the years set forth in the following table, in the principal amount specified in each of such years:

Year	Principal Amount
2026	$62,500,000
2027	62,500,000
2028	62,500,000
2029	62,500,000 (final maturity)

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

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 in accordance with pro rata proportional provisions. However, the State can provide no assurance that DTC, the DTC Participants or any other intermediaries will allocate redemptions among Beneficial Owners on such a pro rata proportional basis.

Notice of Redemption

Notice of redemption shall be mailed not less than thirty (30) 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. 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.

Book-Entry-Only System

The Depository Trust Company ("DTC"), 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 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 Standard & Poor's highest rating: AAA. 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** and **www.dtc.org**.

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.

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

Purchases of Bonds Through Euroclear and Clearstream

The Bonds initially will be registered in the name of Cede & Co. as registered owner and nominee for DTC, which will act as securities depository for the Bonds. Purchases of the Bonds will be in book-entry form only, as more fully described below. Clearstream and Euroclear may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and/or Euroclear's names on the books of their respective U.S. Depositories, which, in turn, hold such positions in customers' securities accounts in the U.S. Depositories' names on the books of DTC. Citibank, N.A. acts as the U.S. depository for Clearstream and JPMorgan Chase Bank acts as the U.S. Depository for Euroclear.

The State cannot and does not give any assurances that DTC, Participants, Clearstream, Clearstream customers, Euroclear or Euroclear Participants will distribute to the Beneficial Owners of the Bonds: (i) payments of principal and interest payments (including redemption payments) with respect to the Bonds; (ii) confirmation of ownership interest in the Bonds; or (iii) notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will do so on a timely basis, or that DTC, the Participants, Clearstream, Clearstream customers, Euroclear or Euroclear Participants will serve and act in the manner described in this Official Statement.

The State will have no responsibility or obligations to DTC, the Participants, Euroclear, Euroclear Participants, Clearstream, Clearstream customers or the Beneficial Owners with respect to: (i) the accuracy of any records maintained by DTC or any DTC Participants, Clearstream, Clearstream customers, Euroclear or Euroclear Participants; (ii) the payment by DTC or any DTC Participants, Clearstream, Clearstream customers, Euroclear or Euroclear Participants of any amount due to any Beneficial Owner in respect of principal and interest payments (including redemption payments) on the Bonds; (iii) the delivery by DTC or any DTC Participants, Clearstream, Clearstream customers, Euroclear or Euroclear Participants of any notice to any Beneficial Owner that is required or permitted to be given to owners under the terms of the Bonds; or (iv) any consent given or other action taken by DTC as registered holder of the Bonds.

The information concerning Clearstream and Euroclear has been derived from information obtained from Clearstream and Euroclear and other sources. Neither the State nor the Underwriters make any representation or warranty regarding the accuracy or completeness thereof.

Clearstream. Clearstream Banking, société anonyme, 42 Avenue J.F. Kennedy, L-1855 Luxembourg ("Clearstream, Luxembourg"), was incorporated in 1970 as "Cedel S.A.", a company with limited liability under Luxembourg law (a société anonyme). Cedel S.A. subsequently changed its name to Cedelbank. On January 10, 2000, Cedelbank's parent company, Cedel International, société anonyme ("CI") merged its clearing, settlement and custody business with that of Deutsche Börse AG ("DBAG"). The merger involved the transfer by CI of substantially all of its assets and liabilities (including its shares in Cedelbank), and the transfer by DBAG of its shares in Deutsche Börse Clearing (DBC), to a new Luxembourg company, which with effect January 14, 2000 was renamed Clearstream International, société anonyme, and was then 50% owned by CI and 50% owned by DBAG.

Following this merger, the subsidiaries of Clearstream International were also renamed to give them a cohesive brand name. On January 18, 2000, Cedelbank was renamed "Clearstream Banking, société anonyme", and Cedel Global Services was renamed "Clearstream Services, société anonyme". On January 17, 2000, Deutsche Börse Clearing AG was renamed "Clearstream Banking AG".

Today Clearstream International is 100% owned by DBAG. The shareholders of DBAG are comprised of mainly banks, securities dealers and financial institutions.

Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions between Clearstream, Luxembourg customers through electronic book-entry changes in accounts of Clearstream, Luxembourg customers, thereby eliminating the need for physical movement of certificates. Transactions may be settled by Clearstream, Luxembourg in any of 36 currencies, including United

States Dollars. Clearstream, Luxembourg provides to its customers, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream, Luxembourg also deals with domestic securities markets in over 30 countries through established depository and custodial relationships.

Clearstream, Luxembourg is registered as a bank in Luxembourg, and as such is subject to regulation by the Commission de Surveillance du Secteur Financier, "CSSF", and the Banque Centrale du Luxembourg ("BCL") which supervise and oversee the activities of Luxembourg banks. Clearstream, Luxembourg's customers are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Clearstream, Luxembourg's U.S. customers are limited to securities brokers and dealers and banks. Currently, Clearstream, Luxembourg has approximately 2,000 customers located in over 80 countries, including all major European countries, Canada, and the United States. Indirect access to Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of Clearstream, Luxembourg. Clearstream, Luxembourg has established an electronic bridge with Euroclear Bank S.A./N.V. as the Operator of the Euroclear System (the "Euroclear Operator") in Brussels to facilitate settlement of trades between Clearstream, Luxembourg and the Euroclear Operator.

Euroclear Bank. Euroclear Bank S.A./N.V. ("Euroclear Bank") holds securities and book-entry interests in securities for participating organizations and facilitates the clearance and settlement of securities transactions between Euroclear Participants, and between Euroclear Participants and Participants of certain other securities intermediaries through electronic book-entry changes in accounts of such Participants or other securities intermediaries.

Euroclear Bank provides Euroclear Participants, among other things, with safekeeping, administration, clearance and settlement, securities lending and borrowing, and related services. Euroclear Participants are investment banks, securities brokers and dealers, banks, central banks, supranationals, custodians, investment managers, corporations, trust companies and certain other organizations. Certain of the managers or underwriters for this offering, or other financial entities involved in this offering, may be Euroclear Participants.

Non-Participants in the Euroclear System may hold and transfer book-entry interests in the Securities through accounts with a Participant in the Euroclear System or any other securities intermediary that holds a book-entry interest in the securities through one or more securities intermediaries standing between such other securities intermediary and Euroclear Bank.

Clearance and Settlement. Although Euroclear Bank has agreed to the procedures provided below in order to facilitate transfers of securities among Participants in the Euroclear System, and between Euroclear Participants and Participants of other intermediaries, it is under no obligation to perform or continue to perform such procedures and such procedures may be modified or discontinued at any time.

Initial Distribution. Investors electing to acquire Securities through an account with Euroclear Bank or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of new issues of securities. Securities to be acquired against payment through an account with Euroclear Bank will be credited to the securities clearance accounts of the respective Euroclear Participants in the securities processing cycle for the business day following the settlement date for value as of the settlement date, if against payment.

Secondary Market. Investors electing to acquire, hold or transfer securities through an account with Euroclear Bank or some other securities intermediary must follow the settlement procedures of such an intermediary with respect to the settlement of secondary market transactions in securities. Please be aware that Euroclear Bank will not monitor or enforce any transfer restrictions with respect to the securities offered herein.

Custody. Investors who are Participants in the Euroclear System may acquire, hold or transfer interests in the securities by book-entry to accounts with Euroclear Bank. Investors who are not Participants in the Euroclear System may acquire, hold or transfer interests in the securities by book-entry to accounts with a securities intermediary who holds a book-entry interest in the securities through accounts with Euroclear Bank.

Custody Risk. Investors that acquire, hold and transfer interests in the securities by book-entry through accounts with Euroclear Bank or any other securities intermediary are subject to the laws and contractual provisions governing their relationship with their intermediary, as well as the laws and contractual provisions governing the relationship between such an intermediary and each other intermediary, if any, standing between themselves and the individual securities.

Euroclear Bank has advised as follows:

Under Belgian law, investors that are credited with securities on the records of Euroclear Bank have a co-property right in the fungible pool of interests in securities on deposit with Euroclear Bank in an amount equal to the amount of interests in securities credited to their accounts. In the event of the insolvency of Euroclear Bank, Euroclear Participants would have a right under Belgian law to the return of the amount and type of interests in securities credited to their accounts with Euroclear Bank. If Euroclear Bank did not have a sufficient amount of interests in securities on deposit of a particular type to cover the claims of all Participants credited with such interests in securities on Euroclear Bank's records, all Participants having an amount of interests in securities of such type credited to their accounts with Euroclear Bank would have the right under Belgian law to the return of their pro-rata share of the amount of interests in securities actually on deposit.

Under Belgian law, Euroclear Bank is required to pass on the benefits of ownership in any interests in securities on deposit with it (such as dividends, voting rights and other entitlements) to any person credited with such interests in securities on its records.

Initial Settlement; Distributions; Actions Upon Behalf of Owners. All of the Bonds will initially be registered in the name of Cede & Co., the nominee of DTC. Clearstream and Euroclear may hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream's and/or Euroclear's names on the books of their respective U.S. Depository, which, in turn, holds such positions in customers' securities accounts in its U.S. Depository's name on the books of DTC. Citibank, N.A. acts as depository for Clearstream and JPMorgan Chase Bank acts as depository for Euroclear (the "U.S. Depositories").

Holders of the Bonds may hold their Bonds through DTC (in the United States) or Clearstream or Euroclear (in Europe) if they are participants of such systems, or directly through organizations that are participants in such systems.

Investors electing to hold their Bonds through Euroclear or Clearstream accounts will follow the settlement procedures applicable to conventional EuroBonds in registered form. Securities will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

Distributions with respect to the Bonds held beneficially through Clearstream will be credited to the cash accounts of Clearstream customers in accordance with its rules and procedures, to the extent received by its U.S. Depository. Distributions with respect to the Bonds held beneficially through Euroclear will be credited to the cash accounts of Euroclear Participants in accordance with the Terms and Conditions, to the extent received by its U.S. Depository. Such distributions will be subject to tax reporting in accordance with relevant United States tax laws and regulations.

Clearstream or the Euroclear Operator, as the case ma y be, will take any other action permitted to be taken by an owner of the Bonds on behalf of a Clearstream customer or Euroclear Participant only in accordance with the relevant rules and procedures and subject to the U.S. Depository's ability to effect such actions on its behalf through DTC.

Secondary Market Trading. Secondary market trading between Participants (other than U.S. Depositories) will be settled using the procedures applicable to U.S. corporate debt obligations in same-day funds.

Secondary market trading between Euroclear Participants and/or Clearstream customers will be settled using the procedures applicable to conventional EuroBonds in same-day funds.

When securities are to be transferred from the account of a Participant (other than U.S. Depositories) to the account of a Euroclear Participant or a Clearstream customer, the purchaser must send instructions to the applicable U.S. Depository one business day before the settlement date. Euroclear or Clearstream, as the case ma y be, will instruct its U.S. Depository to receive the securities against payment. Its U.S. Depository will then make payment to the Participant's account against delivery of the securities. After settlement has been completed, the securities will be credited to the respective clearing system and by the clearing system, in accordance with its usual procedures, to the Euroclear participant's or Clearstream customers' accounts. Credit for the securities will appear on the next day (European time) and cash debit will be back-valued to, and the interest on the Bonds will accrue from the value date (which would be the preceding day when settlement occurs in New York). If settlement is not completed on the intended value date (i.e., the trade fails), the Euroclear or Clearstream cash debit will be valued instead as of the actual settlement date.

Euroclear Participants and Clearstream customers will need to make available to the respective clearing systems the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on hand or existing lines of credit, as they would for any settlement occurring within Euroclear or Clearstream. Under this approach, they may take on credit exposure to Euroclear or Clearstream until the securities are credited to their accounts one day later.

As an alternative, if Euroclear or Clearstream has extended a line of credit to them, participants/customers can elect not to pre-position funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, Euroclear Participants or Clearstream customers purchasing securities would incur overdraft charges for one day, assuming they cleared the overdraft when the securities were credited to their accounts. However, interest on the securities would accrue from the value date. Therefore, in many cases, the investment income on securities earned during that one day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each participant's/customer's particular cost of funds.

Because the settlement is taking place during New York business hours, Participants can employ their usual procedures for sending securities to the applicable U.S. Depository for the benefit of Euroclear Participants or Clearstream customers. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the Participant, a cross-market transaction will settle no differently from a trade between two Participants.

Due to time zone differences in their favor, Euroclear Participants and Clearstream customers may employ their customary procedure for transactions in which securities are to be transferred by the respective clearing system, through the applicable U.S. Depository to another Participant's. In these cases, Euroclear will instruct its U.S. Depository to credit the securities to the Participant's account against payment. The payment will then be reflected in the account of the Euroclear Participant or Clearstream customer the following business day, and receipt of the cash proceeds in the Euroclear Participants' or Clearstream customers' accounts will be backvalued to the value date (which would be the preceding day, when settlement occurs in New York). If the Euroclear Participant or Clearstream customer has a line of credit with its respective clearing system and elects to draw on such line of credit in anticipation of receipt of the sale proceeds in its account, the back-valuation may substantially reduce or offset any overdraft charges incurred over that one-day period. If settlement is not completed on the intended value date (i.e., the trade fails), receipt of the cash proceeds in the Euroclear Participant's or Clearstream customer's accounts would instead be valued as of the actual settlement date.

Procedures May Change. Although DTC, Clearstream and Euroclear have agreed to these procedures in order to facilitate transfers of securities among DTC and its Participants, Clearstream and Euroclear, they are under no obligation to perform or continue to perform these procedures and these procedures may be discontinued and may be changed at any time by any of them.

Nature of 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. 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 but 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.

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.

Sources and Uses of Bond Proceeds

Proceeds of the Bonds are to be applied as follows:

Sources:	
Par Amount of Bonds	$450,000,000.00
Plus: Net Original Issue Premium	3,124,000.00
Total Sources	$453,124,000.00
Uses:	
Money Available to State	$450,579,644.60
Underwriters' Discount	2,544,355.40
Total Uses	$453,124,000.00

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"), Standard & Poor's Rating Services (a division of the McGraw-Hill Companies, Inc.) ("S&P") and Fitch Ratings ("Fitch") have assigned their municipal bond ratings of Aa3, AA and AA, respectively, to the Bonds. Moody's and Fitch have revised the credit outlook on the State's general obligation debt to "negative" from "stable". S&P has maintained its "stable" 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 STATUS OF THE BONDS

Circular 230 Disclosure and Disclaimer Regarding Federal Tax Discussion

Pursuant to federal regulations governing practice before the Internal Revenue Service (Circular 230), prospective owners of the Bonds are hereby notified that any discussion of United States federal tax issues contained in this Official Statement (i) is written in connection with the promotion or marketing of the Bonds and the transactions or matters addressed herein, and (ii) is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code of 1986, as amended (the "Code"). Each taxpayer should seek advice from an independent tax advisor based on the taxpayer's particular circumstances.

Certain Federal Tax Information

The State has irrevocably elected to: (i) designate the Bonds as "build America bonds" pursuant to Subsection 54AA(d) of the Code; and (ii) designate the Bonds as "qualified bonds" pursuant to Subsection 54AA(g) of the Code in order to allow the State to receive from the Federal government on each interest payment date a payment equal to 35% of the interest due (hereafter the "Subsidy") pursuant to Code Section 6431. As a result of such election, owners of, and owners of beneficial interests in, the Bonds will <u>not</u> receive any tax credits with respect to the Bonds and interest on the Bonds will be included in gross income for federal income tax purposes.

Federal Income Taxes

In the opinion of Bond Counsel and Tax Counsel, under existing law, interest on the Bonds is included in gross income for federal income tax purposes pursuant to the Code.

United States Tax Consequences

The following is a summary of certain United States federal income tax consequences resulting from the beneficial ownership of the Bonds by certain persons. This summary does not consider all the possible federal income tax consequences of the purchase, ownership, or disposition of the Bonds and is not intended to reflect the individual tax position of any beneficial owner. Moreover, except as expressly indicated, this summary is limited to those persons who purchase a Bond at its issue price, which is the first price at which a substantial amount of the Bonds is sold to the public, and who hold Bonds as "capital assets" within the meaning of the Code (generally, property held for investment). This summary does not address beneficial owners that may be subject to special tax rules, such as banks, insurance companies, dealers in securities or currencies, purchasers that hold Bonds as a hedge against currency risks or as part of a straddle with other investments or as part of a "synthetic security" or other integrated investment (including a "conversion transaction") comprising a bond and one or more other investments, or United States Holders (as defined below) that have a "functional currency" other than the United States dollar (Special Taxpayers). Except to the extent discussed below under ***Non-United States Holders***, this summary is applicable only to a person (United States Holder) who or which is the beneficial owner of Bonds and is (a) an individual citizen or resident of the United States, (b) a corporation or partnership or other entity created or organized under the laws of the United States or any State (including the District of Columbia), or (c) a person otherwise subject to federal income taxation on its worldwide income. This summary is based upon the United States tax laws and regulations currently in effect and as currently interpreted and does not take into account possible changes in the tax laws or the interpretations, any of which may be applied retroactively. Except as provided below it does not discuss the tax laws of any state, local, or foreign governments.

United States Holders

Payments of Stated Interest. In general, for a beneficial owner who or which is a United States Holder, interest on a Bond will be taxable as ordinary income at the time it is received or accrued, depending on the beneficial owner's method of accounting for tax purposes.

Bonds Purchased at Original Issue Discount. The initial public offering price of certain maturities of the Bonds may be less than the principal amount payable on such Bonds at maturity. Under Section 1273 of the Code, the excess of the principal amount payable at maturity over the initial public offering price at which a substantial amount of these Bonds are sold constitutes original issue discount unless the amount of such excess is less than a specified de minimis amount (generally equal to 0.25% of the stated redemption price at maturity multiplied by the number of complete years to maturity) in which case the original issue discount shall be treated as zero. The prices set forth on the inside cover page of the Official Statement may or may not reflect the prices at which a substantial amount of the Bonds were ultimately sold to the public. A holder of a Bond having a maturity more than one year from its date of issue must include in federal gross income (for each day of the taxable year, or portion of the taxable year, in which such holder holds such Bond) the daily portion of original issue discount, as it accrues (generally on a constant yield method) and regardless of the holder's method of accounting. A holder may irrevocably elect to include in gross income all interest that accrues on a Bond using the constant-yield method, subject to certain modifications.

Bonds Purchased at Original Issue Premium. The initial public offering price of certain maturities of the Bonds may be greater than the principal amount payable on such Bonds at maturity. The excess of the initial public offering price at which a substantial amount of these Bonds are sold over the principal amount payable at maturity or on earlier call date constitutes original issue premium. The prices set forth on the inside cover page of this Official Statement may or may not reflect the prices at which a substantial amount of the Bonds were ultimately sold to the public. Under Section 171 of the Code, a holder of a Bond may elect to treat such excess as "amortizable bond premium," in which case the amount of interest required to be included in the taxpayer's income each year with respect to interest on the Bond will be reduced by the amount of amortizable bond premium allocable (based on the Bond's yield to maturity) to that year. If such an election is made, the amount of each reduction in interest income will result in a corresponding reduction in the taxpayer's tax basis in the Bond. Any election to amortize bond premium is applicable to all taxable debt instruments held by the taxpayer at the beginning of the first taxable year to which the election applies or thereafter acquired by the taxpayer and may not be revoked without the consent of the IRS.

Bonds Purchased at a Market Discount. A bond will be treated as acquired at a market discount (market discount bond) if the amount for which a United States Holder purchased the bond is less than the bond's adjusted issue price, unless such difference is less than a specified de minimis amount. In general, any payment of principal or any gain recognized on the maturity or disposition of a market discount bond will be treated as ordinary income to the extent that such gain does not exceed the accrued market discount on the bond. Alternatively, a United States Holder of a market discount bond may elect to include market discount in income currently over the life of the market discount bond. That election applies to all debt instruments with market discount acquired by the electing United States Holder on or after the first day of the first taxable year to which the election applies and may not be revoked without the consent of the Internal Revenue Service. If an election is made to include market discount in income currently, the tax basis of the bond in the hands of the United States Holder will be increased by the market discount thereon as such discount is included in income.

Market discount generally accrues on a straight-line basis unless the United States Holder elected to accrue such discount on a constant yield-to-maturity basis. That election is applicable only to the market discount bond with respect to which it is made and is irrevocable. A United States Holder of a market discount bond that does not elect to include market discount in income currently generally will be required to defer deductions for interest on borrowings allocable to the bond in an amount not exceeding the accrued market discount on such bond until maturity or disposition of the Bonds.

Purchase, Sale, Exchange, and Retirement of Bonds. A United States Holder's tax basis in a Bond generally will equal its cost, increased by any market discount and original issue discount included in the United States Holder's income with respect to the Bond, and reduced by the amount of any amortizable bond premium applied to reduce interest on the Bond. A United States Holder generally will recognize gain or loss on the sale, exchange, or retirement of a Bond equal to the difference between the amount realized on the sale or retirement (not including any amount attributable to accrued but unpaid interest) and the United States Holder's tax adjusted basis in the Bond. Except to the extent described above under *Bonds Purchased at a Market Discount*, gain or loss recognized on the sale, exchange or retirement of a Bond will be capital gain or loss and will be long-term capital gain or loss if the Bond was held for more than one year.

Backup Withholding. United States Holders may be subject to backup withholding on payments of interest and, in some cases, disposition proceeds of the Bonds, if they fail to provide an accurate FormW-9, "Request for Taxpayer Identification Number and Certification," or a valid substitute form, or have been notified by the IRS of a failure to report all interest and dividends, or otherwise fail to comply with the applicable requirements of backup withholding rules. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a credit against the United States Holder's United States federal income tax liability (or refund) provided the required information is timely furnished to the IRS. Prospective United States Holders should consult their tax advisors concerning the application of backup withholding rules.

Non-United States Holders

The following discussion applies to Non-United States Holders. A "Non-United States Holder" is a beneficial owner of the Bonds that is not a "United States Holder." Special rules may apply to Non-United States Holders that are subject to special treatment under the Code, including "controlled foreign corporations" and "passive foreign investment companies." Such Non-United States Holders should consult their own tax advisors to determine the United States federal, state, local and other tax consequences that may be relevant to them.

Interest. Subject to the discussion below concerning effectively connected income and backup withholding, payments of interest on the Bonds will not be subject to United States federal withholding tax, provided the Non-United States Holder satisfies one of two tests. The first test (the "portfolio interest" test) is satisfied if, in general: (i) the Non-United States Holder does not own, actually or constructively, a 10% or greater interest (by voting power) in the State, (ii) the Non-United States Holder is not a "controlled foreign corporation" (within the meaning of the Code) that is related, directly or indirectly, to the State, (iii) the Non-United States Holder is not a bank receiving interest on the Bonds on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business, and (iv) the Non-United States Holder certifies to the paying agent on IRS Form W-8BEN (or appropriate substitute or successor form) under penalties of perjury, that it is not a United States person. If the Bonds are held through a financial institution or other agent acting on behalf of a Non-United States holder, it will be required to provide appropriate documentation to the agent and the agent will then be required to provide certification to the paying agent, either directly or through other intermediaries. The second test is satisfied if the Non-United States Holder is otherwise entitled to the benefits of an income tax treaty under which such interest is exempt from United States federal withholding tax, and the Non-United States holder or its agent provides a properly executed IRS Form W-8BEN (or an appropriate substitute form evidencing eligibility for the exemption).

Payments of interest on the Bonds to Non-United States Holders that do not meet the above-described requirements will be subject to a United States federal income tax of 30% (or such lower rate as provided by an applicable income tax treaty) collected by means of withholding.

Sale, or Other Taxable Disposition of the Bonds. Subject to the discussion below concerning effectively connected income and backup withholding, a Non-U.S. Holder will not be subject to U.S. federal income tax on any gain realized on any sale, exchange or retirement of the Bonds unless the Non-U.S. Holder is an individual, present in the United States for at least 183 days during the taxable year in which the Bonds are disposed of, and other conditions are satisfied. If this exception applies, the Non-U.S. Holder will generally be subject to U.S. federal income tax at a rate of 30% (or at a reduced rate under an applicable income tax treaty) on the amount by which capital gains derived from sources within the United States (including gains from the sale, exchange, retirement or other disposition of the Bonds) exceed capital losses allocable to sources within the United States.

Effectively Connected Income. The preceding discussion assumes that the interest received and any gain realized is not effectively connected with the conduct of a trade or business in the United States. If a Non-United States Holder is engaged in a trade or business in the United States and its investment in the Bonds is effectively connected with such trade or business, the Non-United States Holder will be exempt from the 30% withholding tax on the interest (provided a certification requirement, generally on IRS Form W-8ECI, is met) and will instead generally be subject to United States federal income tax on interest and any gain with respect to the Bonds in the same manner as a United States Holder. Foreign corporations may also be subject to an additional branch profits tax of 30% or such lower rate provided by an applicable income tax treaty.

For Non-United States Holders eligible for the benefits of an income tax treaty, any effectively connected income or gain will generally be subject to United States federal income tax in the same manner as a United States Holder only if it is also attributable to a permanent establishment maintained in the United States.

Backup Withholding. In general, backup withholding will not apply to a payment of interest on the Bonds, or to proceeds from the disposition of the Bonds, in each case, if the Non-United States Holder certifies under penalties of perjury that it is a Non-United States Holder and the paying agent does not have actual knowledge to the contrary. Any amounts withheld under the backup withholding rules will be allowed as a credit against United States federal income tax liability provided the required information is timely furnished to the IRS. In certain circumstances, if the Bonds are not held through a qualified intermediary, the amount of payments made on the Bonds, the name and address of the beneficial owner, and the amount, if any, of tax withheld may be reported to the IRS. Prospective Non-United States Holders should consult their tax advisors concerning the application of backup withholding rules.

Information Reporting

In general, information reporting requirements will apply with respect to payments to a United States Holder of principal and interest (and with respect to annual accruals of original issue discount) on the Bonds, and with respect to payments to a United States Holder of any proceeds from a disposition of the Bonds. This information reporting obligation, however, does not apply with respect to certain United States Holders including corporations, tax-exempt organizations, qualified pension and profit sharing trusts, and individual retirement accounts. In the event that a United States Holder subject to the reporting requirements described above fails to supply its correct taxpayer identification number in the manner required by applicable law or is notified by the Internal Revenue Service that it has failed to properly report payments of interest and dividends, a backup withholding tax (currently at a rate of 28%) generally will be imposed on the amount of any interest and principal and the amount of any sales proceeds received by the United States Holder on or with respect to the Bonds.

Any payments of interest and original issue discount on the Bonds to a Non-United States Holder generally will be reported to the Internal Revenue Service and to the Non-United States Holder, whether or not such interest or original issue discount is exempt from United States withholding tax pursuant to a tax treaty or the portfolio interest exemption. Copies of these information returns may also be made available under the provisions of a specific treaty or agreement to the tax authorities of the country in which the payee resides.

Information reporting requirements will apply to a payment of the proceeds of the disposition of a Bond by or through (a) a foreign office of a custodian, nominee, other agent, or broker that is a United States person, (b) a foreign custodian, nominee, other agent, or broker that derives 50% or more of its gross income for certain periods from the conduct of a trade or business in the United States, (c) a foreign custodian, nominee, other agent, or broker that is a controlled foreign corporation for United States federal income tax purposes, or (d) a foreign partnership if at any time during its tax year one or more of its partners are United States persons who, in the aggregate, hold more than 50% of the income or capital interest of the partnership or if, at any time during its taxable year, the partnership is engaged in the conduct of a trade or business within the United States, unless the custodian, nominee, other agent, broker, or foreign partnership has documentary evidence in its records that the beneficial owner is not a United States person and certain other conditions are met, or the beneficial owner otherwise establishes an exemption.

The federal income tax discussion set forth above is included for general information only and may not be applicable depending upon a beneficial owner's particular situation. Beneficial owners should consult their tax advisors with respect to the tax consequences to them of the purchase, ownership, and disposition of the Bonds, including the tax consequences under state, local, foreign, and other tax laws and the possible effects of changes in federal or other tax laws.

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, including the extent to which gains and losses from the sale or exchange of Bonds held as capital assets reduce and increase, respectively, amounts taken into account in computing the Connecticut income tax on individuals, trusts and estates and the net Connecticut minimum tax on such taxpayers who are also required to pay the federal alternative minimum tax.

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. The discussion above does not purport to deal with 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 own 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 has never defaulted in its obligation to provide annual financial information pursuant to a continuing disclosure agreement executed by the State in connection with the sale of any other general obligation bonds, except for (i) a failure to make a timely provision to the nationally recognized municipal securities information repositories (the "NRMSIRs") by February 28, 2005 and February 28, 2006 of audits of its financial statements and certain operating data comparing operating results and unreserved fund balances on a budgetary and GAAP basis for the fiscal years ending June 30, 2004 and June 30, 2005, respectively, and (ii) failure to make a timely provision to the NRMSIRs by February 28, 2007 of the audit of its financial statements on a GAAP basis for the fiscal year ending June 30, 2006, as required under the State's various continuing disclosure agreements in connection with certain of its prior bond issues. The State experienced delays in completing its financial statements due to implementation of a new financial management software system, which resulted in delays in completing its audits, as explained in **Part III** to this Official Statement. On or prior to February 28, 2005, the State filed with the NRMSIRs its financial statements and certain other operating data for the fiscal year ending June 30, 2004, which had not been audited but which the State believed to be accurate in all material respects. Thereafter, the State filed with the NRMSIRs its audited financial statements and certain other operating data for the fiscal year ending June 30, 2004 promptly after they became available. On or prior to February 28, 2006, the State filed with the NRMSIRs the preliminary estimated financial statements, which had not been audited but which the State believed to be accurate in all material respects, and certain operating data, in each case for the fiscal year ending June 30, 2005. Thereafter the State filed with the NRMSIRs its audited financial statements on a GAAP basis for the fiscal year ending June 30, 2005 promptly after they became available. On February 28, 2007, the State filed certain operating data, audited budgetary basis financial statements and unaudited GAAP basis financial statements, each for the fiscal year ending June 30, 2006. On May 4, 2007, the State filed its audited financial statements on a GAAP basis for the fiscal year ending June 30, 2006. The State complied with its annual information filing requirements for the fiscal years ended June 30, 2007 and June 30, 2008.

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) timely notice of the occurrence of certain material 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.

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 the 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 the 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, 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 firms to serve as Bond Counsel with respect to the Bonds, and delivery of the Bonds will be subject to the approving opinions of Bond Counsel as follows:

(a) Edwards Angell Palmer & Dodge LLP with respect to the $50,000,000.00 Taxable General Obligation Bonds (2009 Series B-1) (Build America Bonds - Direct Payment);

(b) Lewis & Munday, A Professional Corporation with respect to the $215,000,000.00 Taxable General Obligation Bonds (2009 Series B-2) (Build America Bonds - Direct Payment);

(c) Pullman & Comley, LLC with respect to the $36,300,000.00 Taxable General Obligation Bonds (2009 Series B-3) (Build America Bonds - Direct Payment);

(d) Robinson & Cole LLP with respect to the $46,106,908.25 Taxable General Obligation Bonds (2009 Series B-4) (Build America Bonds - Direct Payment);

(e) Shipman & Goodwin LLP with respect to the $76,493,091.75 Taxable General Obligation Bonds (2009 Series B-5) (Build America Bonds - Direct Payment);

(f) Squire, Sanders & Dempsey L.L.P. with respect to the $26,100,000.00 Taxable General Obligation Bonds (2009 Series B-6) (Build America Bonds - Direct Payment).

The opinion of each Bond Counsel with respect to the series of the Bonds indicated above will be substantially in the form included as **Appendix I-B** to this Official Statement. Certain Bond Counsel have served as underwriters' counsel in connection with other State bond issues.

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 and Soeder & Associates LLC 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, Updike, Kelly & Spellacy, P.C., of Hartford, Connecticut and Graves & Horton LLC of Washington, DC. Updike, Kelly & Spellacy, P.C. serves as bond counsel to the State in connection with other State bond issues (not including general obligation bond issues) and various other matters.

FINANCIAL ADVISOR

The State has appointed P.G. Corbin & Company, Inc. and Acacia Financial Group, 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 $453,124,000.00 plus accrued interest, if any. The Underwriters have jointly and severally agreed, subject to certain conditions precedent to closing, to purchase the Bonds from the State at an aggregate purchase price of $450,579,644.60, representing an underwriters' discount of $2,544,355.40. 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.

ADDITIONAL INFORMATION

It is the present policy of the State to make available, upon request to the Office of the State Treasurer, 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, Denise L. Nappier, 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 15th day of December, 2009

/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. $ 50,000,000.00 Taxable General Obligation Bonds (2009 Series B-1) (Build America Bonds - Direct Payment)

1. $ 50,000,000.00 Water Pollution Control Bonds (1986 Act, Series II) authorized by Sections 1 through 12 of Public Act No. 86-420 of the General Assembly of the State of Connecticut, as amended.

B. $ 215,000,000.00 Taxable General Obligation Bonds (2009 Series B-2) (Build America Bonds - Direct Payment)

1. $ 215,000,000.00 School Construction Bonds (Series DDDD) authorized by Chapter 173 of the General Statutes of the State of Connecticut, as amended.

C. $ 36,300,000.00 Taxable General Obligation Bonds (2009 Series B-3) (Build America Bonds - Direct Payment)

1. $ 30,000,000.00 Agricultural Land Use Bonds (1978 Act, Series T) authorized by Public Act No. 78-232 of the General Assembly of the State of Connecticut, as amended.

2. $ 6,300,000.00 Community Conservation Development Bonds (1979 Act, Section 21(a), Series II) authorized by Section 21(a) of Public Act No. 79-607 of the General Assembly of the State of Connecticut, as amended.

D. $ 46,106,908.25 Taxable General Obligation Bonds (2009 Series B-4) (Build America Bonds - Direct Payment)

1. $ 566,108.25 General State Purposes Bonds (2004 Act, Sections 2(a) through 2(h) and 2(l) through 2(p), Series G) authorized by Sections 2(a) through 2(h) and 2(l) through 2(p) of Special Act No. 04-2 of the General Assembly of the State of Connecticut, May 2004 Special Session, as amended.

2. $ 22,440,800.00 General State Purposes Bonds (2007 Special Session Act, Sections 21(a) through 21(k) and 21(n) through 21(p), Series A) authorized by Sections 21(a) through 21(k) and 21(n) through 21(p) of Public Act No. 07-7 of the General Assembly of the State of Connecticut, June 2007 Special Session, as amended.

3. $ 11,600,000.00 General State Purposes Bonds (2009 Act, Sections 3 and 4, Series A) authorized by Sections 3 and 4 of Public Act No. 09-15 of the General Assembly of the State of Connecticut, January 2009 Session, as amended.

4. $ 8,100,000.00 General State Purposes Bonds (1986 Act, Sections 1 through 7, Series K) authorized by Sections 1 through 7 of Special Act No. 86-54 of the

General Assembly of the State of Connecticut, February 1986 Special Session, as amended.

5. $ 3,400,000.00 General State Purposes Bonds (1995 Act, Sections 21 through 27, Series N) authorized by Sections 21 through 27 of Special Act No. 95-20 of the General Assembly of the State of Connecticut, January 1995 Special Session, as amended.

E. $ 76,493,091.75 Taxable General Obligation Bonds (2009 Series B-5) (Build America Bonds - Direct Payment)

1. $ 14,433,891.75 General State Purposes Bonds (2004 Special Session Act, Section 2(j), Series G) authorized by Section 2(j) of Special Act No. 04-2 of the General Assembly of the State of Connecticut, May 2004 Special Session, as amended.

2. $ 29,500,000.00 General State Purposes Bonds (2005 Special Session Act, Section 21(j), Series B) authorized by Section 21(j) of Special Act No. 05-1 of the General Assembly of the State of Connecticut, June 2005 Special Session, as amended.

3. $ 32,559,200.00 General State Purposes Bonds (2007 Special Session Act, Section 21(m), Series A) authorized by Section 21(m) of Public Act No. 07-7 of the General Assembly of the State of Connecticut, June 2007 Special Session, as amended.

F. $ 26,100,000.00 Taxable General Obligation Bonds (2009 Series B-6) (Build America Bonds - Direct Payment)

1. $ 26,100,000.00 Local Capital Improvement Fund Bonds (1987 Act, Sections 11 through 14, Series TT) authorized by Sections 11 through 14 of Public Act No. 87-584 of the General Assembly of the State of Connecticut, January 1987 Session, as amended.

Appendix I-B

FORM OF BOND COUNSEL OPINION

The opinion of each Bond Counsel with respect to the series of the Bonds for which such firm has been appointed to serve as 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 $__________ Taxable General Obligation Bonds (2009 Series B-__) (Build America Bonds - Direct Payment) of the State of Connecticut (the "Bonds"). The Bonds are issued contemporaneously with other taxable general obligation bonds of the State of Connecticut in the aggregate principal amount of $450,000,000.

The Bonds are dated as of the date of delivery, mature on December 1 in the years, in the principal amounts and bear interest from their dated date, payable on June 1, 2010 and semiannually thereafter on December 1 and June 1 in each year until maturity or earlier redemption, at the rate or rates per annum, as follows:

Year	Principal Amount	Interest Rate

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 close of business on the fifteenth day of May and November in each year or the preceding business day if such fifteenth day is not a business day, 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 prior to maturity.

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

[HERE LIST COMPONENT BOND ISSUES WITH STATUTORY AUTHORIZATIONS]

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 September 25, 2009 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 and a Tax Certificate.

The Bonds are issuable in the form of registered bonds without coupons in denominations of $5,000 or any integral multiple of $5,000, 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 of the opinion that, under existing law, interest on the Bonds is included in gross income for federal income tax purposes pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). **This opinion is provided in connection with the promotion or marketing of the Bonds and is not intended or provided to be used and cannot be used, by an owner of the Bonds for the purposes of avoiding penalties that may be imposed under the Code.**

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,

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) timely notice of the occurrence of certain material 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 ___ day of December, 2009 by the State of Connecticut (the "State") acting by its undersigned officer, duly authorized, in connection with the issuance of $450,000,000 Taxable General Obligation Bonds (2009 Series B) (Build America Bonds - Direct Payment) dated as of the date hereof (the "Bonds"), 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 December 15, 2009 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, 2009) 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) 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) Basis vs. GAAP Basis (for most recent fiscal year) (See Table 3).

   c. General Fund - Unreserved Fund Balance - Budgetary (Modified Cash) 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) 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. Bond Authorizations with Limited or Contingent Liability (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. Material Events.

The State agrees to provide or cause to be provided, in a timely manner, to each Repository notice of the occurrence of any of the following events with respect to the Bonds, if material:

(a) principal and interest payment delinquencies;
(b) non-payment related defaults;
(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 or events affecting the tax-exempt status of the Bonds;
(g) modifications to rights of holders of the Bonds;
(h) Bond calls;
(i) Bond defeasances;
(j) release, substitution, or sale of property securing repayment of the Bonds; and
(k) rating changes.

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

PART II

INFORMATION SUPPLEMENT

OF THE STATE OF CONNECTICUT

December 15, 2009

The Annual Information Statement of the State of Connecticut (the "State"), dated February 1, 2009, modified February 19, 2009 and February 27, 2009 appears in this Official Statement as **Part III** and contains information through February 1, 2009. 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 of the State.

This Information Supplement updates certain information in the February 1, 2009, modified February 19, 2009 and February 27, 2009 Annual Information Statement through December 15, 2009. 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**.

CURRENT FISCAL AND ECONOMIC CONDITIONS

The State, together with the nation as a whole, is facing economic and fiscal challenges brought on by the current recession. These challenges for the State include a past fiscal year deficit, a projected current fiscal year deficit, future fiscal year projected current services deficits and falling employment, among other issues. The State Office of Policy and Management monitors such matters and generally issues a report on the twentieth day of each month estimating the current fiscal year deficit. The State Comptroller issues a similar report on or about the first day of each month. From time to time the legislature's Office of Fiscal Analysis also issues reports covering these matters. The most current such information is described below under **STATE GENERAL FUND**, which should be considered together with the other information set forth in this **Part II** and **Part III**.

The State's current and projected fiscal and economic condition, as described herein and in the reports referenced above, is subject to change based on a number of factors. Such factors include, but are not limited to:

- Developments with respect to the national economy as a whole
- Developments with respect to the financial services sector of the economy
- Developments in the world economy, and in particular commodity prices such as oil
- Federal fiscal and economic policies, including fiscal stimulus efforts in general and the effect of such stimulus efforts in the State and the amount of federal aid to the State
- The extent to which the federal stimulus legislation, and in particular The American Recovery and Reinvestment Act of 2009 (the "ARRA"), as enacted and implemented, provides less federal aid to the State than was anticipated in the adopted biennial budget, and the resulting need to implement other revenue enhancements or expenditure reductions
- The effect of the State's constitutional balanced budget requirement and spending cap provisions described in **Part III** on the adoption of the biennial budget and the effect spending constraints might have on the State's economy

These factors are continually changing, and no assurances can be given with respect to how these factors or other factors will materialize in the future or what impact they will have on the State's fiscal and economic condition as presented in this Official Statement or in the estimates and projections in the reports referred to above.

FINANCIAL PROCEDURES

Page III-6. The following information updates the information under the caption ***Fiscal Accountability Report*** under the heading **The Budgetary Process**:

The Secretary of the Office of Policy and Management on November 15, 2009, and the director of the legislative Office of Fiscal Analysis on November 13, 2009, each submitted a fiscal accountability report for the current biennium and the next ensuing three fiscal years. The Office of Fiscal Analysis projected General Fund deficits for fiscal years ending June 30 of 2010, 2011, 2012, 2013 and 2014 of $385.9 million, $286.7 million, $3,282.0 million, $3,023.6 million and $3,191.9 million, respectively. The Office of Policy and Management in its report projected General Fund deficits for fiscal years ending June 30 of 2010, 2011, 2012, 2013 and 2014 of $337.0 million, $107.4 million, $3,024.0 million, $2,633.9 million and $2,581.7 million, respectively. The projections in each report were based on current services and certain other assumptions. In addition, both reports assume that the scheduled sales tax reduction from 6.0% to 5.5% will not go into effect on January 1, 2010 because the trigger provisions that prevent the rate decrease from taking effect pursuant to Public Act No. 09-3 of the June 2009 Special Session will be met. Additionally, the reports estimate general obligation bond authorizations, allocations, issuance and debt service for the current fiscal year and succeeding four fiscal years. The reports estimate fairly stable general obligation bond issuances over the five-year period of between $1.2 billion and $1.4 billion, with the expenditure on debt service gradually increasing. The projections of the Office of Policy and Management and the Office of Fiscal Analysis are only estimates and the information in each of the fiscal accountability reports contain only estimates and no assurances can be given that future events will materialize as estimated or that subsequent estimates, adjustments or actions of the General Assembly will not indicate changes in the final result of such fiscal years. The fiscal accountability report is generally on a current services basis, so its figures may not reflect any deficit reduction programs initiated in the current or any future budget biennium. The State has a balanced budget requirement and an expenditure cap as discussed at ***Page III-5*** under the heading **The Budgetary Process –** ***Balanced Budget Requirement***. As such, budgets adopted for these fiscal years will need to reflect a combination of revenue enhancements and expenditure reductions. As a result, the figures do not represent a projection of the actual financial results that might be expected, but instead serve as planning tools.

Page III-6. The following caption and information is added after the caption ***Fiscal Accountability Report*** under the heading **The Budgetary Process**:

Consensus Revenue Estimates. Pursuant to Public Act 09-214, beginning October 15, 2009 the Office of Policy and Management and the legislature's Office of Fiscal Analysis are required to issue quarterly consensus revenue estimates for the current biennium and the next three ensuing fiscal years. Prior to the issuance of the fiscal accountability report discussed above, on October 15, 2009 the first such consensus revenue estimates were issued. The General Fund revenue estimates for fiscal years ending June 30 of 2010, 2011, 2012, 2013, and 2014 were $17,204.0 million, $17,432.7 million, $15,794.8 million, $16,755.5 million and $17,485.7 million, respectively. The consensus revenue estimates showed flat net tax revenues for the current biennium and then significant tax revenue growth for the next three fiscal years. Specifically, the consensus revenue estimates showed personal income tax revenues for the 2009-10 fiscal year of $6,610.7 million increasing to $8,499.6 million in fiscal year 2013-14. These trends were offset by a decline in Other Sources for the fiscal years ending June 30 of 2012, 2013 and 2014. This was due in part to the inclusion in the 2009-10 and 2010-11 fiscal years of federal stimulus funds, use of the $1,381.7 million balance in the Budget Reserve Fund, $1,300 million of borrowings in the form of securitization of future revenue sources for the 2010-11 fiscal year, and $60 million of asset sales, and the assumption that those sources will not be available in the ensuing fiscal years. 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 General Assembly will not indicate changes in the final result of such fiscal years.

Page III-8. The following information updates the information under the caption ***Unappropriated Surplus*** under the heading **Financial Controls**:

Pursuant to Public Act No. 09-2 of the June 2009 Special Session, after the accounts for the fiscal year are closed, beginning with the fiscal year ending June 30, 2010, and each fiscal year thereafter, until and including the fiscal year ending June 30, 2017, if the Comptroller determines there exists an unappropriated surplus in the General Fund, the amount of any such surplus is first to be used for redeeming prior to maturity any outstanding notes issued under such Act, and any amount beyond that required to redeem such notes shall be used to reduce the obligations of the State under the financing plan authorized under Section 88 of Public Act No. 09-3 of the June 2009 Special Session. Pursuant to Public Act No. 09-3 of the June 2009 Special Session, as amended by Public Act No. 09-8 of the September 2009 Special Session, the Treasurer was directed to transfer (i) $1,039.7 million from the budget reserve fund to the resources of the General Fund to be used as revenue for the fiscal year ending June 30, 2010 and (ii) on July 1, 2010, $342.0 million from the budget reserve fund to the resources of the General Fund to be used as revenue for the fiscal year ending June 30, 2011.

STATE GENERAL FUND

Page III-25. The following information is added after the information under the heading **Fiscal Year 2008-2009 Operations:**

Pursuant to the Comptroller's unaudited preliminary financial results dated September 1, 2009, the Comptroller estimated the General Fund revenues for the 2008-09 fiscal year were $15,700.8 million, General Fund expenditures and miscellaneous adjustments were $16,626.7 million and the General Fund balance for the 2008-09 fiscal year was estimated to have a deficit of $925.9 million. The Comptroller indicated in her letter that under House Bill No. 6802, the General Assembly approved additional carry forward authority which is accounted for as part of the 2008-09 fiscal year deficit and therefore increases the deficit. Accordingly the 2008-09 fiscal year deficit would increase to $947.6 million upon the act becoming law. House Bill No. 6802 did become law after the date of the Comptroller's September 1, 2009 results. Pursuant to Public Act No. 09-2 of the June Special Session, for the purpose of funding the deficit in the General Fund for the 2008-09 fiscal year, the State issued notes of the State in an amount sufficient to cover the amount of such deficit and in additional amounts as the Treasurer determined to pay the costs of issuance of such notes and interest payable on such notes through June 30, 2011.

The above projections are only estimates and the information in the Comptroller's report contains only estimates and no assurances can be given that future events will materialize as estimated or that subsequent estimates, adjustments or audit or actions of the General Assembly will not indicate changes in the final result of the fiscal year 2008-09 operations of the General Fund. The Comptroller's estimates for the final fiscal year 2008-09 operations of the General Fund have been outlined in **Appendix III-E** to this **Part II**.

Budget for Fiscal Years 2009-2010 and 2010-2011

On June 3, 2009, the General Assembly adjourned its regular 2009 session without adopting a fiscal year 2009-2011 biennial budget. Prior to adjournment, the General Assembly passed resolutions calling for a special session to take up matters related to adoption of a budget. The special session was immediately convened at the conclusion of the regular session. During the special session, the General Assembly passed a General Fund budget for the 2009-10 and 2010-11 fiscal years which was subsequently vetoed by the Governor.

The State continued to run its operations pursuant to Executive Orders which were issued by the Governor. Authorization to pay debt service on the State's general obligation bonds remained unaffected. The Executive Orders directed all department heads and executive branch employees to limit purchases of goods and services and directed all department heads to utilize personnel and other resources in an effective and efficient manner, giving priority to programs that provide direct care services, administer justice and protect the public health and safety. The Executive Orders covered the months of July, August and the portion of September until the approval of an appropriation act for the fiscal year commencing July 1, 2009.

In a special session, the General Assembly passed the biennial budget for fiscal years 2009-10 and 2010-11 which subsequently became law on September 8, 2009. The enacted budget, Public Act No. 09-3 of June 2009 Special Session, for fiscal year 2009-10 included General Fund revenues of $17,375.4 million and net appropriations of $17,374.6 million, resulting in a projected surplus of $0.8 million. The budget for fiscal year 2010-11 included General Fund revenues of $17,591.9 million and net appropriations of $17,591.0 million, resulting in a projected surplus of $0.9 million.

The enacted biennial budget raises net revenues from three major resources: 1) Grants from the ARRA, 2) transfers from other State funds to the State's General Fund and securitizations, and 3) net increases in taxes and miscellaneous fees. Federal grants from the ARRA for human services, education, and other economic related stimulus programs total $878.9 million in fiscal year 2009-10 and $594.8 million in fiscal year 2010-11. Major revenues from transfers of other State funds to the State's General Fund and securitizations include (i) transferring Budget Reserve Funds by $1,039.7 million in fiscal year 2009-10 and $342.0 million in fiscal year 2010-11, and (ii) securitizing $1,290.7 million in fiscal year 2010-11 as amended by Public Act No. 09-7 of the September 2009 Special Session. The significant tax changes include: (i) an increase in the highest income tax rate to 6.5% from 5% for those with taxable incomes over $1 million for joint filers, $800,000 for heads of households, and $500,000 for single filers and married people filing separately, raising approximately $594.0 million in fiscal year 2009-10 and $400.0 million in fiscal year 2010-11; (ii) an imposition of a 10% corporation tax surcharge for the 2009, 2010, and 2011 income years on companies that have (1) $100 million or more in annual gross income in those years and (2) tax liability that exceeds the $250 minimum, raising approximately $74.1 million in fiscal year 2009-10 and $41.1 million in fiscal year 2010-11; (iii) an increase in the cigarette tax rate from $2.00 per pack to $3.00 per pack, raising approximately $94.9 million in fiscal year 2009-10 and $112.4 million in fiscal year 2010-11; (iv) changes in various fees, raising approximately a net total of $108.5 million in fiscal year 2009-10 and $105.9 million in fiscal year 2010-11, and (v) cuts in taxes, including (1) a reduction in the sales and use tax rate to 5.5% from 6%, and (2) a reduction in the estate and gift tax. The reduction of the sales and use tax rate effective January 1, 2010 is expected to result in a revenue loss of approximately $129.5 million in fiscal year 2009-10 and $268.0 million in fiscal year 2010-11. However, if any cumulative monthly financial statement issued by the Comptroller before January 1, 2010 indicates that the estimated gross tax revenue to the General Fund to the end of the fiscal year ending June 30, 2010 is at least 1% less than the adopted gross tax revenue to the General Fund for fiscal year 2009-10, the tax rate will remain at 6%. If any cumulative monthly financial statement issued after January 1, 2010, and on or before June 30, 2010, indicates that the estimated gross tax revenue to the General Fund to the end of the fiscal year ending June 30, 2010 is at least 1% less than the adopted gross tax revenue to the General Fund, the tax rate will remain at 6%. On the estate and gift taxes, the enacted law will (i) increase the threshold for the value of an estate or gift subject to the estate and gift taxes from $2 million to $3.5 million; (ii) reduce the marginal tax rates by 25%; and (iii) eliminate the tax cliff. These three measures will reduce revenues by approximately $5.9 million in fiscal year 2009-10 and $70.3 million in fiscal year 2010-11.

The significant changes in appropriations are from State employee personal services reductions, entitlement programs savings, and education grants reductions. Personal services reductions from concessions with a coalition of employee collective bargaining units including wage freezes and a Retirement Incentive

Plan are expected to save approximately $191.0 million in fiscal year 2009-10 and $193.7 million in fiscal year 2010-11. Savings from entitlement programs include (i) eliminating nursing home rate increases in reimbursement levels under Medicaid, saving approximately $113.2 million in fiscal year 2009-10 and $162.2 million in fiscal year 2010-11, (ii) reducing managed care organization capitation rates by 6% under both HUSKY A and HUSKY B, saving approximately $50.1 million in fiscal year 2009-10 and $51.8 million in fiscal year 2010-11, and (iii) managing services for aged, blind and disabled individuals who are currently receiving care under the Medicaid fee-for-service program, saving approximately $27.8 million in fiscal year 2009-10 and $80.0 million in fiscal year 2010-11. Education reductions include cuts of grants to (i) the Excess Cost program that reimburses funds to towns, saving approximately $13.4 million each for both fiscal years 2009-10 and 2010-11, (ii) the Priority School District program that assists the neediest communities and funds School Readiness program, reducing $6.9 million each for both fiscal years 2009-10 and 2010-11, and (iii) the Reading Success program designed to improve kindergarten through grade three reading is eliminated, saving the State $2.4 million each for both fiscal years 2009-10 and 2010-11.

In addition, the budget for fiscal year 2010-11 requires the Treasurer and the Secretary of the Office of Policy and Management to jointly develop a financing plan that will result in net proceeds of up to $1,290.7 million to be used as general revenues of the State during such fiscal year, which may include securitizations as discussed above. The budget also requires the Treasurer and the Secretary of the Office of Policy and Management to jointly develop a plan to sell assets of the State that will result in net proceeds of up to $15 million to be used as general revenues of the State during the 2009-10 fiscal year and $45 million to be used as general revenues of the State during the 2010-11 fiscal year. In addition, the budget for fiscal year 2009-10 requires a reduction of $473.3 million in expenses from budgeted amounts. The budget for fiscal year 2010-11 requires a reduction of $515.2 million of expenses from budgeted amounts. The biennial budget for fiscal years 2009-10 (revised per Public Act No. 09-3 of the June 2009 Special Session and subsequent revisions as amended by Public Act No. 09-8 of the September 2009 Special Session, Public Act No. 09-5 of the September 2009 Special Session, and Public Act No. 09-7 of the September 2009 Special Session) and 2010-11 has been outlined in **Appendix III-E** to this **Part II**.

The budget was $852.4 million below the expenditure cap in fiscal year 2009-10 and $587.0 million below the expenditure cap in fiscal year 2010-11.

Fiscal Year 2009-2010 Operations

Pursuant to Section 4-66 of the Connecticut General Statutes, the Office of Policy and Management provides estimates to the Comptroller by the twentieth day of each month of revenues and expenditures for the current fiscal year for use by the Comptroller in preparing the Comptroller's monthly report. In the monthly estimates provided by the Office of Policy and Management on October 20, 2009 for the General Fund for the 2009-10 fiscal year, as of the period ending September 30, 2009, General Fund revenues were estimated at $17,203.3 million, General Fund expenditures and miscellaneous adjustments were estimated at $17,591.8 million and the General Fund was estimated to have a deficit of $388.5 million. The estimates of the Office of Policy and Management for the period ending September 30, 2009 have been outlined in **Appendix III-E** to this **Part II.** In the monthly estimates provided by the Office of Policy and Management on November 20, 2009 for the General Fund for the 2009-10 fiscal year, as of the period ending October 31, 2009, General Fund revenues were estimated at $17,127.3 million, General Fund expenditures and miscellaneous adjustments were estimated at $17,593.8 million and the General Fund was estimated to have a deficit of $466.5 million. This estimate does not reflect the elimination of the planned one-half percent sales tax reduction pursuant to Public Act No. 09-3 of the June Special Session which is projected to generate an additional $129.5 million. The estimates of the Office of Policy and Management for the period ending October 31, 2009 have ***not*** been outlined in **Appendix III-E** to this **Part II**. The next monthly report of the Office of Policy and Management is expected on December 21, 2009 and no assurances can be given that the estimates in such report will match the Office of Policy and Management's prior estimates.

By statute, the State's fiscal position is reported monthly by the Comptroller. In the Comptroller's monthly report dated November 1, 2009, the Comptroller estimated a General Fund deficit for the 2009-10 fiscal year of $624 million as of the period ending September 30, 2009. In the Comptroller's monthly report dated December 1, 2009, the Comptroller estimated a General Fund deficit for the 2009-10 fiscal year of $549.5 million as of the period ending October 31, 2009. This estimate reflects the elimination of the planned one-half percent sales tax reduction pursuant to Public Act No. 09-3 of the June Special Session which is projected to generate an additional $129.5 million. The next monthly report of the Comptroller is expected on January 4, 2010, and no assurances can be given that the estimates in such report will match the Office of Policy and Management's estimates or the Comptroller's prior estimates. The above projections are only estimates and the information in the monthly letters of the Office of Policy and Management to the Comptroller and in the Comptroller's monthly reports contain only estimates and no assurances can be given that future events will materialize as estimated or that subsequent estimates, adjustments or audit or actions of the General Assembly will not indicate changes in the final result of the fiscal year 2009-10 operations of the General Fund.

The Governor may generally reduce budget allotment requests within certain prescribed limits and has done so for the current fiscal year. Additionally, pursuant to Section 4-85 of the Connecticut General Statutes, whenever the cumulative monthly financial statement issued by the Comptroller indicates a projected General Fund deficit greater than one percent of the total General Fund appropriations, the Governor is required within thirty days 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 which the Governor shall implement to modify agency allotments to the extent necessary to prevent a deficit. The Governor is required to file such report as a result of the deficit projection included in the Comptroller's November 1, 2009 report. On November 24, 2009, Governor Rell delivered her plan to address a potential deficit of $466.5 million in the General Fund for fiscal year 2009-10 to the General Assembly. Pursuant to Public Act No. 09-3 of the June 2009 Special Session, since the Comptroller has certified that state tax revenues for fiscal year 2009-10 will not be within 1 percent of original projections, the plan to reduce the State sales tax rate by 0.5 percentage points will not take effect in January 2010. The elimination of the rate reduction will preclude an estimated revenue loss of $129.5 million, leaving a deficit of $337.0 million still to be closed. The deficit mitigation plan includes_spending cuts made under the Governor's authority and those requiring legislative approval, additional fund transfers, and reductions in municipal aid.

In addition to $31.6 million in rescissions to agency budgets announced on November 5, 2009, the Governor's plan calls for an additional $19.3 million in rescissions and $16.8 million in program cuts that the Governor can order on her own authority, including reductions in certain programs and delays in the implementation of others. The Governor's plan also recommends $116.3 million in program reductions that will require legislative approval, including reductions in a number of grants and reductions in Medicaid provider rates. The deficit mitigation plan anticipates a lapse of $16.1 million above the level in the Office of Policy and Management's November 20, 2009 letter to the Comptroller, and a gain of about $200,000 from the sale of surplus State cars. The plan calls for intercepting $52.8 million from accounts such as the Citizens Election Fund, the Stem Cell Research Fund, and the Tobacco and Health Trust Fund. The plan also calls for a reduction of 3 percent in state aid to municipalities, saving the State approximately $84.0 million.

STATE DEBT

Page III-33. **TABLE 7** is revised as follows:

TABLE 7

Statutory Debt Limit
as of October 15, 2009[e]

Total General Fund Tax Receipts	$10,927,600,000	
Multiplier	1.6	
Debt Limit		$17,484,160,000
Outstanding Debt[a]	$10,707,837,340	
Guaranteed Debt[b]	$ 846,474,715	
Authorized Debt[c]	$ 4,022,295,538	
Total Subject to Debt Limit		$15,576,607,593
Less Debt Retirement Funds[d]	$ 23,382,559	
Aggregate Net Debt		$15,553,225,034
Debt Incurring Margin		$ 1,930,934,966

(a) See **Table 8**. Includes accreted value of capital appreciation bonds. Excludes $915,795,000 General Obligation Notes (Economic Recovery 2009 Series A), Pension Obligation Bonds, UConn 2000 Bonds, tax increment financings, short term revenue anticipation notes, CCEDA Bonds, CHFA Supportive Housing Bonds and lease financings other than the Middletown Courthouse and the Juvenile Training School.

(b) See **OTHER FUNDS, DEBT AND LIABILITIES – Contingent Liability Debt.** Guarantees for certain outstanding debt of Southeastern Connecticut Water Authority and UConn 2000 Bonds. Excludes accreted value of UConn 2000 capital appreciation bonds.

(c) Includes guarantee for UConn 2000 Bonds authorized but unissued under cap for 2009-10 fiscal year.

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

(e) On December 3, 2009 the State issued $165,750,000 General Obligation Bonds (2009 Series D) (the "Series D Bonds"). The Series D Bonds are payable in the amount of $55,250,000 annually from January 1, 2012 to January 1, 2014 in each year at an interest rate of 5.0% per annum.

SOURCE: State Treasurer's Office

Page III-35. The last sentence under the caption ***Tax Increment Financing*** under the heading **Types of Direct General Obligation Debt** is revised to read as follows:

No such tax increment bonds may be issued without the approval of the State Bond Commission and no commitments for new projects under this program may be approved by the Authority on or after July 1, 2012.

Page III-37. **TABLE 8** is revised as follows:

TABLE 8

Direct General Obligation Indebtedness[(a)]
Principal Amount Outstanding as of October 15, 2009[(d)]
(In Thousands)

General Obligation Bonds	$10,677,527
Pension Obligation Bonds	2,293,002
UConn 2000 Bonds	849,235
Other [(b)]	123,800
Long Term General Obligation Debt Total	13,943,564
Short Term General Obligation Debt Total	0
Gross Direct General Obligation Debt	13,943,564
Deduct:	
University Auxiliary Services [(c)]	23,383
Net Direct General Obligation Debt	$13,920,181

(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 incremental financings and CHFA supportive housing bonds. Does not include CCEDA Bonds. See **OTHER FUNDS, DEBT AND LIABILITIES – Contingent Liability Debt - *Capital City Economic Development Authority***.

(c) 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.

(d) On December 3, 2009 the State issued $915,795,000 General Obligation Notes (Economic Recovery 2009 Series A) (the "Series A Notes") and $165,750,000 General Obligation Bonds (2009 Series D) (the "Series D Bonds"). The Series A Notes are payable annually from January 1, 2012 to January 1, 2016 in varying amounts and bear interest payable on January 1 and July 1 in each year at interest rates ranging from 2.0% to 5.0% per annum. The Series D Bonds are payable in the amount of $55,250,000 annually from January 1, 2012 to January 1, 2014 in each year at an interest rate of 5.0% per annum.

SOURCE: State Treasurer's Office

Page III-39. **TABLE 10** is revised as follows:

TABLE 10

Summary of Principal, Mandatory Sinking Fund Payments, and Interest on Long-Term Direct General Obligation Debt[(a)] as of October 15, 2009[(d)]

Fiscal Year	Principal Payments[(b)]	Interest Payments[(b,c)]	Total Debt Service
2010	$ 1,237,780,724	$ 579,557,777	$ 1,817,338,501
2011	1,172,839,706	598,405,329	1,771,245,035
2012	889,516,696	541,387,229	1,430,903,925
2013	814,799,369	522,959,318	1,337,758,687
2014	783,845,017	472,182,843	1,256,027,860
2015	759,666,365	424,968,839	1,184,635,204
2016	712,485,061	389,272,526	1,101,757,587
2017	676,654,988	356,433,753	1,033,088,741
2018	661,452,299	326,136,888	987,589,187
2019	610,816,471	292,665,010	903,481,481
2020	562,185,614	265,752,492	827,938,106
2021	517,636,206	236,482,133	754,118,339
2022-2032	4,286,931,736	1,515,876,592	5,802,808,328
Totals	$13,686,610,253	$6,522,080,726	$20,208,690,979

(a) Includes long-term general obligation debt as outlined in **Table 8**. The future principal payments ($13,686,610,253), plus accreted interest ($256,953,673), total the amount of such long-term debt ($13,943,563,926) 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, including capital appreciation bonds issued pursuant to the College Savings Bond Program. Capital appreciation bonds mature in fiscal years 2010-2025.

(c) Some of the State's direct debt pays interest at variable rates. The interest on such debt is calculated based on the following assumed average rates:

Year Issued	Amount Issued	Amount Outstanding	Maturities	Interest Rate
1997	$ 100,000,000	$ 50,000,000	2009-2014	4.25%
2001	100,000,000	100,000,000	2018-2021	4.25
2001*	20,000,000	20,000,000	2012	4.33
2003	77,700,000	35,800,000	2009-2013	5.75
2005*	300,000,000	280,000,000	2009-2023	4.25
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
2008	50,000,000	37,500,000	2012	5.75

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

(d) On December 3, 2009 the State issued $915,795,000 General Obligation Notes (Economic Recovery 2009 Series A) (the "Series A Notes") and $165,750,000 General Obligation Bonds (2009 Series D) (the "Series D Bonds"). The Series A Notes are payable annually from January 1, 2012 to January 1, 2016 in varying amounts and bear interest payable on January 1 and July 1 in each year at interest rates ranging from 2.0% to 5.0% per annum. The Series D Bonds are payable in the amount of $55,250,000 annually from January 1, 2012 to January 1, 2014 in each year at an interest rate of 5.0% per annum.

SOURCE: State Treasurer's Office

Page III-41. **TABLE 12** is revised as follows:

TABLE 12

Authorized but Unissued Direct General Obligation Debt as of October 15, 2009[d] (In Thousands)

	State Direct Debt[a]	Pension Obligation Bonds	UCONN 2000[b]	Tax Increment[c]	Total
Bond Acts in Effect	$24,357,459	$2,276,578	$1,567,447	$52,750	$28,254,235
Amount Authorized	21,587,524	2,276,578	1,426,947	52,750	25,343,799
Amount Issued	20,576,419	2,276,578	1,321,947	49,155	24,224,099
Authorized but Unissued	1,011,105	0	105,000	3,595	1,119,700
Available for Authorization	2,769,935	0	140,500	0	2,910,435

(a) Includes CHFA Supportive Housing Bonds and excludes Economic Recovery Notes, CCEDA bonds and lease financings.

(b) Includes bonds which 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. Amount issued has been adjusted to reflect increases due to closing costs and decreases due to premiums.

(c) 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.

(d) On December 3, 2009 the State issued $915,795,000 General Obligation Notes (Economic Recovery 2009 Series A) (the "Series A Notes") and $165,750,000 General Obligation Bonds (2009 Series D) (the "Series D Bonds"). The Series A Notes are payable annually from January 1, 2012 to January 1, 2016 in varying amounts and bear interest payable on January 1 and July 1 in each year at interest rates ranging from 2.0% to 5.0% per annum. The Series D Bonds are payable in the amount of $55,250,000 annually from January 1, 2012 to January 1, 2014 in each year at an interest rate of 5.0% per annum.

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

Page III-42. **TABLE 13** is revised as follows:

TABLE 13

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Authorizations	$1,407.9	$1,351.6	$1,201.0	$1,246.1	$1,296.5	$1,290.4	$1,388.7	$1,965.0	$1,564.5	$1,165.4	$1,067.2
Reductions	(70.1)	(69.9)	(663.6)	0.0	(200.3)	(41.3)	0.0	(206.9)	0.0	0.0	0.0
Net New Authorizations	$1,337.8	$1,281.7	$537.4	$1,246.1	$1,096.2	$1,249.1	$1,388.7	$1,758.1	$1,564.5	$1,165.4	$1,067.2

(a) Does not include teachers' retirement fund pension obligation bonds, economic recovery notes, lease financings, tax increment or cash flow borrowings. Includes amount for UConn 2000 available under the cap for 2001 through 2011, 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 2011.

Page III-35. The following information supplements the information under the caption ***Types of Direct General Obligation Debt – Certain Short-Term Borrowings*** under the heading **State Direct General Obligation Debt:**

On June 18, 2009, pursuant to the Treasurer's request and the Governor's approval to borrow funds on a temporary basis from time to time on behalf of the State, the Treasurer arranged with a group of banks a 364-day revolving credit facility in the amount of $580 million.

OTHER FUNDS, DEBT AND LIABILITIES

Page III-46; The following information supplements the information included in **TABLE 15**:

Pursuant to Public Act No. 09-2 of the September 2009 Special Session, the General Assembly has authorized special tax obligation bonds of $579.2 million in fiscal year 2009-10 and $265.4 million in fiscal year 2010-11.

In November 2009, the State issued $195,970,000 Special Tax Obligation Bonds Transportation Infrastructure Purposes, 2009 Series A, $304,030,000 Special Tax Obligation Bonds Transportation Infrastructure Purposes, 2009 Series B (Taxable Build America Bonds – Direct Pay), and $49,775,000 Special Tax Obligation Refunding Bonds Transportation Infrastructure Purposes, 2009 Series C.

Page III-48. The following information supplements the information included under the caption ***Clean Water Fund*** under the section **Other Special Revenue Funds and Debt** as follows:

The General Assembly has authorized the issue of up to $1,833.4 million revenue bonds, of which $1,408.7 million have been issued, for the purpose of funding various State and federally mandated water pollution control and drinking water projects. As of October 1, 2009, $853.9 million revenue bonds were outstanding (including refunding bonds).

Page III-48. The last sentence under the caption ***Unemployment Compensation*** under the section **Other Special Revenue Funds and Debt** is deleted and replaced with the following:

As of December 14, 2009, the State has borrowed $103 million from the Federal Unemployment Trust Fund to fund a deficit in the State's Unemployment Compensation Fund and anticipates borrowing a total of approximately $900 million by the end of calendar year 2011.

Page III-55. **TABLE 16** is revised as follows:

TABLE 16

Bond Authorizations With
Limited Or Contingent Liability
(In Millions)

	Authorized SCRF or Guaranteed Debt As of 10/1/09	Outstanding SCRF or Guaranteed Debt As of 10/1/09	Minimum Capital Reserve Requirement As of 10/1/09
INDEBTEDNESS SECURED BY SPECIAL CAPITAL RESERVE FUNDS			
Connecticut Development Authority			
Umbrella Bond Program	$300.0	$0.0	$0.0
General Obligation Bond Program	30.6	7.62	2.3
Connecticut Health and Educational Facilities Authority			
Nursing Home Program	(a)	19.9	1.7
Connecticut State University System	(a)	276.8	26.6
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	168.71	15.34
Connecticut Housing Finance Authority			
Housing Mortgage Finance Program	(a)	3,835.3	288.9
Special Needs Housing Mortgage Finance Program	(a)	55.5	4.0
Connecticut Resources Recovery Authority	725.0	60.7	12.3
University of Connecticut Student Fee Revenue Bonds	(a)	26.01	2.126
City of Waterbury Special Capital Reserve Fund Bonds	100.0	40.535	7.213
INDEBTEDNESS GUARANTEED BY STATE			
Southeastern Connecticut Water Authority	15.0	1.53	N.A.

(a) No statutory limit.

Page III-55. **School Construction Grant Commitments.** The following information updates the information under the captioned heading:

The State has authorized new school construction grant commitments of approximately $400 million which take effect in the 2009-10 fiscal year.

As of June 30, 2009, the Commissioner estimates that current grant obligations under the grant program established in 1997 are approximately $2,450 million which includes approximately $6,900 million grants approved as of such date less payments already made of $4,450 million.

As of June 30, 2009, under the grant program prior to 1997 the State is obligated to various cities, towns and regional school districts for approximately $314 million in aggregate principal installment payments and $57 million aggregate interest subsidies, for a total of $371 million.

PENSION AND RETIREMENT SYSTEMS

Page III-58. **State Employees' Retirement Fund.** The following information is added to the end of the third paragraph under the captioned heading:

As of June 30, 2009, the market value of the fund's investment assets was $7,320,843,712.

Page III-59. **Teachers' Retirement Fund.** The following information is added to the end of the third paragraph under the captioned heading:

As of June 30, 2009, the market value of the fund's investment assets was $11,396,681,762.

LITIGATION

Page III-65. The following sentence is added as the last sentence under the heading ***State Employees Bargaining Agent Coalition v. Rowland*** in connection with ***Conboy v. State of Connecticut***:

The appeal has been denied and the case has been remanded to the trial court for further proceedings.

Page III-67. The following sentence relating to the Schaghticoke Tribal Nation matter is added after the 16th sentence under the discussion of the ***Indian Tribes***:

On October 19, 2009, the Court of Appeals denied the appeal and affirmed the District Court's ruling. The alleged tribe has 90 days, until January 17, 2009, to file a petition for certiorari at the Supreme Court of the United States.

Page III-67. The following information updates the information under the second full paragraph in connection with ***White Oak Corp.***:

On November 1, 2009, the arbitration panel released its decision on the Bridgeport Green project in which White Oak was seeking $50 million in damages. The panel rejected White Oak's claims for damages, but ordered the DOT to pay White Oak $5,343,000 previously held by the agency as liquidated damages, along with $4,903,930 in prejudgment interest on that sum. On November 30, 2009, the State filed an application to modify the arbitration decision with respect to the award of liquidated damages and interest. As of December 7, 2009 White Oak has taken no action to modify, vacate or correct the arbitration decision. Any subsequent judicial appeal from the arbitrators' final decision is generally limited to jurisdictional issues. In the ***Rock Acquisition Limited Partnership v. State of Connecticut, Commissioner of Transportation*** matter, a judgment was rendered in favor of Rock Acquisition Limited Partnership in the amount of $28 million which was paid from the Special Transportation Fund.

APPENDIX III-A

Page III-A-7. **TABLE A-4** is revised as follows:

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		
Correction Officers	9.54%	Contract in place through 6/30/2011
Administrative Clerical	7.73%	Contract in place through 6/30/2012
Maintenance and Service	7.33%	Contract in place through 6/30/2012
Health Care Non-Professionals	6.80%	Contract in place through 6/30/2012
Social and Human Services	6.84%	Contract in place through 6/30/2012
Administrative and Residual	5.61%	Contract in place through 6/30/2012
Health Care Professionals	5.49%	Contract in place through 6/30/2012
Engineering, Scientific and Technical	4.70%	Contract in place through 6/30/2012
University of Connecticut Faculty	4.29%	Contract in place through 6/30/2012
University Health Professionals (University of Connecticut Health Center)	3.72%	Contract in place through 6/30/2012
University of Connecticut Professional Employee Association	3.04%	Contract in place through 6/30/2012
Connecticut State University Faculty	2.72%	Contract in place through 6/30/2012
Judicial Employees	2.70%	Contract in place through 6/30/2012
Judicial Professionals	2.42%	Contract in place through 6/30/2012
Congress of Connecticut Community Colleges	2.33%	Contract in place through 6/30/2012
Vocational Technical School Faculty	2.15%	Contract in place through 6/30/2012
State Police	2.05%	Contract in place through 6/30/2012
Protective Services	1.57%	Contract in place through 6/30/2012
Education Professionals (Institutions)	1.39%	Contract in place through 6/30/2012
Other Bargaining Units (13 units)	4.80%	Varies by Unit
Total Covered by Collective Bargaining	87.21%	
Not Covered by Collective Bargaining		
Auditors of Public Accounts	0.21%	Not Applicable
Other Employees	12.58%	Not Applicable
Total Not Covered by Collective Bargaining	12.79%	
Total Full-Time Work Force	100.00%	

(a) Percentage expressed reflects approximately 53,500 filled full-time positions as of June 30, 2009.

SOURCE: Office of Policy and Management

APPENDIX III-B

Page III-B-8. The following footnotes are added to **TABLE B-8** immediately following footnote (a) as follows:

(b) According to statistics from the Connecticut Department of Labor, the average non-agricultural employment in Connecticut for calendar year 2008 was 1,699,700 and the average for the first six months of 2009 was 1,650,300.

(c) In March 2009, the Connecticut Department of Labor revised and updated employment statistics back to 2004.

Page III-B-16. The row reflecting 2008 information in **TABLE B-18** is revised and a row reflecting 2009 information is added as follows:

TABLE B-18

Unemployment Rate

Year	**Unemployment Rate**		
	Connecticut	**New England**	**United States**
2008	5.7	5.4	5.8
2009[a]	7.6	7.9	8.7

(a) Reflects average for the first six months. On a preliminary basis, Connecticut's average unemployment rate for October 2009 was 8.8% compared to the average national level of 10.2% for the same period.

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 unaudited preliminary financial results on a budgetary basis for fiscal year 2008-09, the adopted budget for fiscal year 2009-10, the estimated budget by the Office of Policy and Management for fiscal year 2009-10 (as of the period ending September 30, 2009) and the adopted budget for fiscal year 2010-11. **Appendix III-E** to this **Part II** does ***not*** reflect any subsequent estimates for fiscal year 2009-10 for any period after September 30, 2009.

APPENDIX III-E

GENERAL FUND REVENUES AND EXPENDITURES
UNAUDITED FINAL BUDGET FOR FISCAL YEAR 2008-09
REVISED ADOPTED AND ESTIMATED BUDGET FOR FISCAL YEAR 2009-10
ADOPTED BUDGET FOR FISCAL YEAR 2010-11

(In Millions)

	Unaudited Final Budget 2008-09[c]	Revised Adopted Budget 2009-10[f]	Estimated Budget 2009-10[g]	Adopted Budget 2010-11[f]
Revenues				
Taxes				
Personal Income Tax	$6,385.9	$ 6,630.7	$ 6,610.7	$ 6,654.7
Sales & Use	3,318.8	3,166.7	3,076.9	3,095.4
Corporation	615.9	721.6	721.6	731.9
Public Service	268.5	272.3	272.3	278.3
Inheritance & Estate	238.3	208.7	202.2	102.0
Insurance Companies	202.2	202.7	200.2	216.8
Cigarettes	317.8	392.6	387.6	403.1
Real Estate Conveyance	90.8	94.5	94.5	117.5
Oil Companies	104.4	98.9	124.4	75.5
Alcoholic Beverages	47.1	48.0	48.0	48.5
Admissions and Dues	36.0	37.1	37.1	37.6
Miscellaneous	143.3	143.7	145.5	144.7
Total Taxes	$ 11,769.0	$ 12,017.5	$ 11,921.0	$ 11,906.0
Less Refunds of Taxes	(1,052.3)	(1,080.5)	(1,105.5)	(983.3)
Less R&D Credit Exchange	(8.4)	(9.4)	(9.4)	(10.5)
Net Taxes	$ 10,708.3	$ 10,927.6	$ 10,806.1	$ 10,912.2
Other Revenues				
Transfers- Special Revenues	287.2	293.4	293.4	295.1
Indian Gaming Payments	377.8	384.1	371.0	391.7
Licenses, Permits, Fees	162.5	281.8	279.9	265.2
Sales of Commodities & Services	32.6	33.2	33.2	34.3
Rents, Fines & Escheats	64.0	97.3	95.8	103.4
Investment Income	18.8	10.0	10.0	10.0
Miscellaneous	163.0	208.0	202.5	218.5
Less Refunds of Payments	(0.7)	(0.7)	(0.7)	(0.7)
Total Other Revenue	$ 1,105.2	$ 1,307.1	$ 1,285.1	$ 1,317.5
Other Sources				
Federal Grants	3,619.5	4,051.8[h]	4,051.1[h]	3,770.4[h]
Transfers to the Resources of the G.F.	238.3[d]	1,121.9[i]	1,096.9[i]	1,665.0[i]
Transfers from Tobacco Settlement Funds	115.8	107.3	107.3	106.1
Transfers to Other Funds[a]	(86.3)	(143.3)	(143.2)	(179.3)
Total Other Sources	$ 3,887.3	$ 5,137.7	$ 5,112.1	$ 5,362.2
Total Budgeted Revenue[b]	$15,700.8	$ 17,372.4	$ 17,203.3	$ 17,591.9

	Unaudited Final Budget 2008-09[c]	Revised Adopted Budget 2009-10[f]	Estimated Budget 2009-10[g]	Adopted Budget 2010-11[f]
Appropriations/Expenditures				
Legislative	$ 71.5	$ 79.3	$ 79.3	$ 82.4
General Government	492.5 [e]	543.7	552.0	553.4
Regulation & Protection	305.5	272.7	276.0	275.4
Conservation & Development	94.9	149.7	149.7	147.3
Health & Hospitals	1,655.5	1,705.5	1,745.0	1,737.4
Human Services	4,937.9 [e]	5,066.5	5,140.0	4,996.8
Education, Libraries & Museums	3,801.9	4,023.4	4,023.4	4,103.6
Corrections	1,577.2	1,568.8	1,590.3	1,554.6
Judicial	542.8	561.0	566.5	579.1
Non- Functional				
Debt Service	1,469.3	1,662.3	1,662.3	1,694.9
Miscellaneous	1,870.7	2,211.0	2,271.9	2,396.3
Subtotal	$ 16,819.6	$ 17,843.9	$ 18,056.4	$18,121.4
Other Reductions and Lapses	-	(473.3)	(473.3)	(530.4)
Net Appropriations/Expenditures	$ 16,819.6	$ 17,370.6	$ 17,583.1	$ 17,591.0
Surplus (or Deficit) from Operations	(1,118.9)	1.8	(379.8)	0.9
Miscellaneous Adjustments	(8.3)	-	(8.7)	-
Statutory Transfer from Restricted Purposes	179.4	-	-	-
Balance[b]	$ (947.6)	$ 1.8	$ (388.5)	$ 0.9

NOTE: Columns may not add due to rounding.

(a) Transfer $86.3 million to Mashantucket Pequot and Mohegan Fund for grants to towns in fiscal year 2008-09; transfer $61.8 million to the Mashantucket Pequot Fund for grants to towns, $81.2 million to the Special Transportation Fund, and $0.2 million to the Community Investment Account in fiscal year 2009-10; and transfer $61.8 million to the Mashantucket Pequot Fund for grants to towns and $117.5 million to the Special Transportation Fund in fiscal year 2010-11.

(b) 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, as amended by Public Act No. 09-2 of the June 2009 Special Session, after the accounts for the fiscal year are closed, beginning with the fiscal year ending June 30, 2010, and each fiscal year thereafter, until and including the fiscal year ending June 30, 2017, if the Comptroller determines there exists an unappropriated surplus in the General Fund, the amount of any such surplus is first to be used for redeeming prior to maturity any outstanding notes issued under such Act, and any amount beyond that required to redeem such notes shall be used to reduce the obligations of the State under the financing plan authorized under Section 88 of Public Act No. 09-3 of the June Special Session.

(c) Per the Comptroller's unaudited financial results dated September 1, 2009 for the fiscal year ending June 30, 2009, 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. The Comptroller indicated in her letter that under House Bill No. 6802, the General Assembly approved additional carry forward authority which is accounted for as part of the 2008-09 fiscal year deficit and therefore increases the deficit. Accordingly the 2008-09 fiscal year deficit would increase to $947.6 million upon the act becoming law. House Bill No. 6802 did become law after the date of the Comptroller's September 1, 2009 results. Pursuant to Public Act No. 09-2 of the June Special Session, for the purpose of funding the deficit in the General Fund for the 2008-09 fiscal year, the Treasurer is authorized to issue notes of the State in an amount not to exceed the amount of such deficit and in such additional amounts as the Treasurer shall determine to pay the costs of issuance of any such notes and interest payable or accrued on such notes through June 30, 2011.

(d) Per Public Act No. 07-1 of the June Special Session, the Comptroller was required to transfer $16 million of fiscal year 2007-08 General Fund revenues and $80 million from the fiscal year 2006-07 General Fund surplus for use in fiscal year

2008-09. Per Public Act No. 08-1 of the November 24, 2008 Special Session and Public Act No. 09-1, an additional $71.2 million will be transferred from various funds to the General Fund.

(e) Per Public Act No. 08-1 and 08-2 of the August Special Session, $83.4 million of fiscal year 2008-09 surplus was transferred for use in fiscal year 2008-09 with $79.0 million of that amount appropriated for energy relief programs.

(f) Per Public Act No. 09-3 of the June 2009 Special Session, Public Act No. 09-8 of the September 2009 Special Session, Public Act No. 09-7 of the September 2009 Special Session and Public Act No. 09-5 of the September 2009 Special Session. See discussion under **State General Fund – Budget for Fiscal Years 2009-2010 and 2010-2011.**

(g) Per the Office of Policy and Management's letter to the Comptroller dated October 20, 2009 for the fiscal year ending June 30, 2010, as of the period ending September 30, 2009. In the Comptroller's monthly report dated November 1, 2009, the Comptroller estimated a General Fund deficit for the 2009-10 fiscal year of $624 million as of the period ending September 30, 2009. In the monthly estimates provided by the Office of Policy and Management on November 20, 2009 for the General Fund for the 2009-10 fiscal year, as of the period ending October 31, 2009, General Fund revenues were estimated at $17,127.3 million, General Fund expenditures and miscellaneous adjustments were estimated at $17,593.8 million and the General Fund was estimated to have a deficit of $466.5 million. In the Comptroller's monthly report dated December 1, 2009, the Comptroller estimated a General Fund deficit for the 2009-10 fiscal year of $549.5 million as of the period ending October 31, 2009. The next report of the Office of Policy and Management is expected on December 21, 2009 and the next report of the Comptroller is expected on January 4, 2010. No assurances can be made that the estimates of the Office of Policy and Management and the Comptroller will match these prior estimates. See the more complete discussion on Pages II-2 through II-6 of this **Part II**.

(h) Includes ARRA funds of $878.9 million for fiscal year 2009-10 and $549.8 million for fiscal year 2010-11.

(i) Pursuant to Public Act No. 09-3 of the June Special Session, as amended, includes transfers from the budget reserve fund of $1,039.7 million for fiscal year 2009-10 and $342.0 million for 2010-11 and includes proposed securitizations of $1,290.7 million for fiscal year 2010-11.

NOTE: The information in **Appendix III-E** of this **Annual Information Statement** 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.

PART III
ANNUAL INFORMATION STATEMENT
STATE OF CONNECTICUT

FEBRUARY 1, 2009
MODIFIED FEBRUARY 19, 2009 and FEBRUARY 27, 2009

This Annual Information Statement of the State of Connecticut (the "State") contains information through February 1, 2009, ***modified February 19, 2009 and February 27, 2009*** to include June 30, 2008 audited financial statements of the State prepared in accordance with generally accepted accounting principles ("GAAP") as **Appendix III-C,** to delete June 30, 2008 unaudited financial statements of the State which previously appeared as Appendix III-C, to correct references thereto and reflect information contained therein including revisions to **Table 3, Table 5 and Table 6**, and to make minor corrections. For information about the State after February 1, 2009, the State expects to provide an updating Information Supplement from time to time. The reader should refer to the Information Supplement, if any, set forth in this Official Statement immediately preceding this Annual Information Statement. This Annual Information Statement and the Information Supplement that precedes it, if any, and any appendices attached thereto, should be read collectively and in their entirety.

The State expects to revise this Annual Information Statement each year and expects to modify Annual Information Statements each year following the release of the State's audited GAAP based financial statements and audited legal accounting basis (modified cash) financial statements. The State expects generally to prepare Information Supplements from time to time for the purpose of updating certain information contained in this Annual Information Statement. Such Information Supplements are expected to include certain interim financial information prepared on a modified cash basis, but are not expected to include interim financial information prepared in accordance with GAAP.

The Annual Information Statement and the most recent Information Supplement, if any, may be obtained, when prepared, 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	M. Jodi Rell
Lieutenant Governor	Michael Fedele
Secretary of the State	Susan Bysiewicz
* Treasurer	Denise L. Nappier
* Comptroller	Nancy S. Wyman
* Attorney General	Richard Blumenthal

Executive Branch Officers

* Secretary of the Office of Policy and Management	Robert L. Genuario
* Commissioner of Public Works	Raeanne V. Curtis
Commissioner of Transportation	Joseph F. Marie

Legislative Branch Officers

President Pro Tempore of the Senate	Sen. Donald E. Williams, Jr.
Speaker of the House of Representatives	Rep. Christopher G. Donovan
* Co-chairpersons of the Joint Standing Committee on Finance, Revenue and Bonding	Sen. Eileen Daily Rep. Cameron C. Staples
* Ranking Minority Members of the Joint Standing Committee on Finance, Revenue and Bonding	Sen. Andrew W. Roraback Rep. Vincent J. Candelora
Auditors of Public Accounts	Kevin P. Johnston Robert G. Jaekle

* Denotes member of the State Bond Commission

PART III
February 1, 2009
MODIFIED FEBRUARY 19, 2009 and FEBRUARY 27, 2009

ANNUAL INFORMATION STATEMENT OF THE STATE OF CONNECTICUT

TABLE OF CONTENTS

INTRODUCTION

This Annual Information Statement of the State of Connecticut (the "State") contains certain information which 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 the official compilation thereof.

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 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 historic 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. 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 activities of the State which are not accounted for in the General Fund. These include the budget and debt of the Special Transportation Fund, certain special revenue funds and debt, contingent liability debt, grant commitments, guaranties and annuities. 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.

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.

This Annual Information Statement will constitute **Part III** to Official Statements of the State prepared in connection with the offering of certain bonds of the State and should be read in its entirety together with **Part I** and **Part II**, if any, of such Official Statement. The Annual Information Statement speaks only as of its date. For more current information, potential investors should read **Part II - Information Supplement**, if any, or should contact the State directly as described in **Part I - Information Concerning the Bonds**, under the caption **ADDITIONAL INFORMATION.**

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 level.

Services provided by the State or financed through State appropriations are classified under one of ten major government function headings or are classified as "non-functional". The major function headings are: 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. These function headings apply to the General Fund as well as to other funds of the State which 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 grew at a rate which exceeded the United States' rate of population growth during the period 1940 to 1970, and slowed substantially during the past three decades. 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, and gross state product (the market value of all final goods and services produced by labor and property located within the State), which demonstrated slower growth in the early 2000s, but expanded at a healthy pace in 2004, surpassing the New England and national growth rates. Since then, Connecticut's annual growth in gross state product has performed better than the New England region, but mostly slower than the Nation. Employment had gained approximately 66,800 jobs by late 2007 since it bottomed out in July of 2003, but in 2008 Connecticut has lost jobs. The unemployment rate has generally been lower than the national rate.

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 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 which 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.

The Supreme Court has ruled 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, which has not yet occurred. In the interim, the General Assembly has been following a provision of the General Statutes, which 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.

Biennium Budget. The State's fiscal year begins on July 1 and ends 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 which 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, which sets forth estimated revenues and expenditures for the three fiscal years after the biennium in progress.

Budget Document. By statute the budget document consists of four parts. Part I is the Governor's budget message, and contains 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 Governor's recommended appropriations from the General Fund and all special and agency funds comprise Part II of the budget document. 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. Part III of the budget document consists of drafts of appropriations and revenue bills to carry out the Governor's budget recommendations. In Part IV of the budget, the Governor makes recommendations concerning the State's economy and analyzes 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 the Office of Policy and Management ("OPM") and to the joint legislative standing committee on appropriations and the committee having cognizance of matters relating to such budgeted agency. In odd-numbered years, each agency submits its recommended adjustments or revisions of such estimates. 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 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 reports. Prior to June 30 of each odd-numbered year, the General Assembly generally enacts one bill making all appropriations for the next two fiscal years and setting forth revenue estimates for those years. Subsequent appropriations or revenue bills are occasionally passed.

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.

Fiscal Accountability Report. Beginning November 2005, by November fifteenth annually, the Secretary of the Office of Policy and Management and the director of the legislative 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 the Office of Policy and Management and the Director of the legislative Office of Fiscal Analysis to consider the submitted reports.

In accordance with Section 2-36b of the Connecticut General Statutes, in advance of biennial budget preparations the Office of Policy and Management and the Legislative Office of Fiscal Analysis submitted reports to the General Assembly on November 12, 2008 and November 14, 2008, respectively, regarding projections of revenues and expenditures for a five year period. The reports projected General Fund deficits for fiscal years ending June 30 of 2010, 2011 and 2012 of up to approximately seventeen percent of the General Fund expenditures for each such fiscal year. Those projections were preliminary and were based in part on budget requests from various state departments and agencies prior to preparation of the Governor's biennial budget for the 2009-2011 biennium. The State has a balanced budget requirement and an expenditures cap as discussed at ***Page III-5*** under the heading **The Budgetary Process – *Balanced Budget Requirement***.

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 only 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. 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. The Governor is not authorized to reduce allotment requisitions or allotments in force concerning aid to municipalities.

Comptroller's Role. 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.

Treasurer's Role. Each warrant, draft or order upon the Treasurer must specify the particular appropriation against which it is drawn, and no money may be paid by the Treasurer absent such specification. The Treasurer is required to honor all warrants, drafts and orders properly drawn by the Comptroller. The Treasurer also has primary responsibility for the investment of State funds and the issuance of debt of the State.

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 continued for a one-month period in the case of programs which were not renewed the succeeding year, those continued for the entire succeeding year in the case of highway and other capital construction projects, and limited amounts for certain special programs.

Unappropriated Surplus. 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.

As of June 30, 2008, $1,381.7 million was deposited into the budget reserve fund, including a $302.2 million deposit following fiscal year 2003-04, a $363.9 million deposit following fiscal year 2004-05, a $446.5 million deposit following fiscal year 2005-06 and a $269.2 million deposit following fiscal year 2006-07, bringing the balance in the budget reserve fund to approximately 8.1% of General Fund expenditures as of the 2008-09 fiscal year. In the past, moneys in the budget reserve fund were applied to partially offset a general fund deficit and surplus moneys in excess of amounts transferred to the budget reserve fund have been held or applied to provide for the retirement of outstanding indebtedness or for debt avoidance.

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 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

Financial statements of the State are prepared annually on a modified cash basis of accounting for all civil list funds. The Comptroller prepares the statements for submission to the Governor by September 1 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.

At the present time the State is not required to prepare financial statements in accordance with generally accepted accounting principles ("GAAP") and does not prepare GAAP statements on an interim basis. 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 in accordance with GAAP. Effective with the fiscal year commencing July 1, 2008, the Comptroller, in the Comptroller's sole discretion, may initiate a process intended to result in the implementation of GAAP as prescribed by the Governmental Accounting Standards Board, with respect to the preparation and maintenance of the annual financial statements of the State now prepared on a modified cash basis, by making incremental changes consistent with GAAP.

As specifically permitted by statute or decision of the Comptroller, the only present modifications from the cash basis in recording revenues under the modified cash method 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) the accrual of corporation business tax revenue received by the Department of Revenue Services no later than five business days after the fifteenth day of August immediately following the end of such fiscal year through the 2006-07 fiscal year and, pursuant to the Comptroller's constitutional powers under Section 24, Article Fourth of the Connecticut State Constitution and her statutory powers under Public Act No. 08-111, the last day of July for fiscal year 2007-08 and thereafter; (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; and (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.

Expenditures are recorded on a cash basis in the fiscal year in which they are made. Such expenditures are so recorded by the Comptroller when the Comptroller draws and serves a warrant on the Treasurer. Those instances in which warrants are drawn at the close of a fiscal year can, because of required processing time, result in disbursements made after the beginning of the following fiscal year. Certain appropriations which have not lapsed are reflected in the balance sheet through a reserve for continuing appropriations.

The modified cash basis of accounting used for statutory 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. For example, for statutory reporting purposes, the State's bi-weekly payroll expenditures are recognized in the fiscal year in which employees are paid, while for GAAP purposes they are recognized in the fiscal year in which the services are performed, resulting in GAAP accrual of expenditures for work performed through June 30 but not paid until the following fiscal year. Similarly, the modified accrual basis used for GAAP financial reporting recognizes additional federal and other grant moneys as revenues which are not so recognized in the modified cash basis of accounting.

The Treasurer is required to submit to the Governor and the Investment Advisory Council, by December 31 of each year, audited financial statements of the State's combined investment funds, and financial statements of the Short Term Investment Fund, the Second Injury Fund, and the Tax Exempt Proceeds Fund for the prior fiscal year.

In July 2003 the State implemented the first phase of a new, fully integrated, Internet based, financial management and human resources system called Core-CT. The system was rolled out in phases by applications over a period of time between July 2003 and July 2007. The new system provides a single point of entry for all State financial, human resources and payroll data. The implementation of Core-CT is the product of several years of work to improve the State's financial reporting and management information systems. From an information technology perspective, Core-CT has allowed the State to standardize and modernize its computer technology bringing uniformity to the computers, programming languages, and data base packages utilized by

State government. Core-CT utilizes PeopleSoft ERP software. On-going maintenance and scheduled upgrades to the system are expected to continue.

Core-CT was implemented coincident with an unanticipated and significant downsizing of the State's workforce between 2002 and 2003, resulting in significantly reduced staffing levels in State agency business and financial offices. This left the State with the task of implementing the most ambitious upgrade to its financial systems in history with a smaller and less experienced workforce. In addition, as with the implementation of any large-scale information technology system, Core-CT experienced some initial difficulties. Software anomalies were detected, certain application processing was slow, and some users did not fully understand the new coding conventions and accounting entries required for system processing. These problems were aggravated by technical complications relating to an interface to Core-CT from a new revenue management system implemented in January 2004 at the Department of Revenue Services. While this system is not part of Core-CT, it must interface effectively with Core-CT applications.

Most of the initial Core-CT implementation problems outlined above have been resolved. A State team consisting of employees from the Office of the State Comptroller, OPM, the Office of Information and Technology and the Department of Administrative Services has been working on an ongoing basis with State agencies, consultants and PeopleSoft representatives to resolve system performance issues that remain outstanding.

The implementation problems with the CORE-CT financial management software system caused a delay in the preparation of financial statements and reports for fiscal years 2004-05 and 2005-06. There was a delay of the State's submission to the U.S. Department of Health & Human Services of its Single Audit for the fiscal year ending June 30, 2006 pursuant to OMB Circular No. A-133. The State received an extension until May 31, 2007, and the State submitted the Single Audit before that date. The State does not expect there to be any such delay this year.

Investment and Cash Management

Treasurer's Role. 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 or reinvest funds under the control of the Treasurer in United States government or agency obligations, shares or interests in an investment company or 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 fully collateralized by such obligations, United States postal service obligations, certificates of deposit, commercial paper, savings accounts and bank acceptances. The Treasurer may also invest funds, excluding civil list funds, in the sale or acquisition of securities or obligations which the Treasurer is authorized to sell or acquire for purposes of any combined investment fund, subject to repurchase agreements with any securities dealer or bank included in the list of primary dealers prepared by the Federal Reserve Bank of New York. The Treasurer is also authorized to invest all or any part of any sinking fund in bonds in which savings banks may legally invest, provided such bonds mature prior to maturity of the bonds of the State which are outstanding. 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. Cash management and the investment by the Treasurer of all State monies is based on the concept of a common cash pool. It is the practice of the State to treat all civil list funds (including monies in the General Fund, the Budget Reserve Fund, various bond funds, and the Special Transportation Fund) as common cash. All banks holding major account balances for the State Treasury report these balances daily, enabling the Treasurer to maintain adequate cash to meet anticipated demands and to keep unneeded balances fully invested.

Short Term Investment Fund. The Short Term Investment Fund ("STIF") is a combined investment pool of high quality, short term money market instruments which is the primary investment vehicle for the temporarily surplus cash of all funds of 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. These investment guidelines prohibit investment in derivative securities other than floating rate securities which 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. Shares of the Short Term Investment Fund are rated "AAAm" by Standard & Poor's.

Medium Term Investment Fund. A 1997 statute created the Medium-Term Investment Fund. The Treasurer may purchase participation units of the fund for all trusts and other funds for which the Treasurer has investment responsibility. The Treasurer may sell participation units in the Medium-Term Investment Fund to all agencies, authorities, instrumentalities and political subdivisions of the State. The Treasurer is authorized to invest and reinvest 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. The Medium-Term Investment Fund was implemented in September 2006.

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 CGS 3-24k. In addition, investments are made in individual securities pursuant to CGS 3-31a. Allowable investments under CGS 3-31a include United States government and agency obligations, 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 CGS 3-31a, which specify credit and diversification standards, and limit individual security maturities to three years and the total amount invested to $500 million.

Investment of Bond Proceeds. Proceeds of bonds are accounted for in various general obligation bond funds. All invested assets of the bond funds are invested in STIF or TEPF. 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 released temporarily to the common cash pool in accordance with the State's overall cash flow needs. Under the State's accounting system, release 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 release 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.

Tax Exempt Proceeds Fund. Under the terms of the General Statutes the Treasurer has facilitated the establishment of the Tax Exempt Proceeds Fund, Inc. ("TEPF"), a diversified, open-end management investment company, registered under the Investment Company Act of 1940, whose investment objectives are to provide its investors with high current interest income exempt from federal income taxes, preservation of capital and maintenance of liquidity. TEPF will only invest in securities that qualify as an investment in "tax-exempt bonds" as defined in Section 150(a)(6) of the Internal Revenue Code of 1986, as amended (the "Code") and amplified in Treasury Department Regulations. Therefore, shareholders of TEPF that are tax-exempt bond issuers are expected to be exempt from the arbitrage rebate provisions of the Code. TEPF seeks to achieve its objectives by investing primarily in a liquid money market portfolio of short-term, high quality, tax-exempt, fixed rate and variable rate obligations issued by states, municipal governments and by public authorities, and in participation interests therein issued by banks, insurance companies or other financial institutions that meet this federal income tax definition. The TEPF seeks to maintain a constant net asset value of $1.00 per share. TEPF's investment policies were developed for the particular federal income tax needs of entities that are issuers of tax-exempt state and local bonds, such as states and municipalities and their authorities, agencies, instrumentalities and subdivisions. All recipients of any grant or loan monies of the State funded from Connecticut tax-exempt bond proceeds must invest such monies in TEPF, unless the Treasurer waives this requirement upon a determination that a waiver will not adversely affect the tax-exempt status of State bonds, notes or other evidences of indebtedness. The State may, from time to time, deposit bond proceeds of the State in TEPF. Reich & Tang Asset Management, LLC acts as investment manager of TEPF and a Board of Directors is responsible for TEPF's overall management and supervision.

Investment Advisory Council. All 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. 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. Eleven 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 Bond Fund, the Private Investment Fund, the Real Estate Fund, the Liquidity Investment 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 seven 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. However, 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 is accounted for on a modified cash basis of accounting (the "budgetary-basis"), which differs from generally accepted accounting principles ("GAAP"). For an explanation of the differences between the budgetary-basis and GAAP based accounting, see **FINANCIAL PROCEDURES — Accounting Procedures** herein. The State is not presently required to prepare GAAP financial statements, although it has prepared such statements annually since 1988. GAAP based audited financial statements for all civil list funds of the State for the fiscal year ending June 30, 2008 are included as **Appendix III-C** to this Modified Annual Information Statement. The State gives no assurance that it will continue to prepare GAAP based financial statements in the future. Budgetary-basis financial statements for the General Fund audited for the fiscal years ending June 30, 2004 through June 30, 2008 are included in **Appendix III-D** to this Modified Annual Information Statement. The final budgetary-basis results for the fiscal year ending June 30, 2008, the adopted budgets for the fiscal years ending June 30, 2008 and June 30, 2009 and the estimated (as of December 31, 2008) budget for the fiscal year ending June 30, 2009 are included as **Appendix III-E** to this Modified Annual Information Statement. Unless otherwise stated, amounts set forth in the discussion which 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. 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; Economy.com, a nationally recognized econometric forecasting firm; and "The Connecticut Economy," a University of Connecticut quarterly review written and edited by widely known State economists.

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 tolerable levels 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.

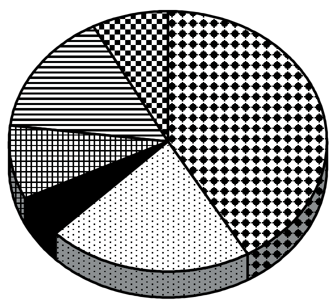
Fiscal Year 2007-2008 and 2008-2009 Adopted Revenues. General Fund revenues as forecasted at the adoption of the budget for the fiscal years ending June 30, 2008 and June 30, 2009 ("Adopted Revenues") are reflected in **Appendix III-E** to this Modified Annual Information Statement. The State, as of the forecast date, expected to derive approximately 76 percent and 72 percent, respectively, of its General Fund revenues from taxes during the 2007-08 fiscal year and the 2008-09 fiscal year. The adopted budget and the final budgetary-basis results for the fiscal year ending June 30, 2008 and the adopted budget and the estimated budgetary basis results (as of December 31, 2008) for the fiscal year ending June 30, 2009 are included in **Appendix III-E** to this Modified 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. Miscellaneous fees, receipts, transfers and unrestricted Federal grants account for most of the other General Fund revenue. A summary of anticipated

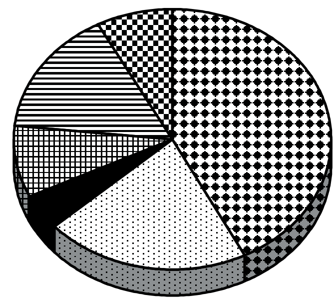
General Fund revenue sources based on the Adopted Revenues, for the fiscal years ending June 30, 2008 and June 30, 2009, are set forth below:

Adopted General Fund Revenues (In Millions)

Adopted Revenues 2007-2008
$16,315.6[(a)]



Adopted Revenues 2008-2009
$17,073.1[(a)]



Personal Income Tax	$ 7,193.9	41.7%
Sales and Use Tax	3,598.9	20.9%
Corporate Business Tax	870.0	5.1%
Other Taxes[(b)]	1,609.2	9.3%
Unrestricted Federal Grants	2,643.1	15.3%
Other Non-Tax Revenues [(c)]	1,322.2	7.7%

Personal Income Tax	$ 7,676.4	42.6%
Sales and Use Tax	3,747.7	20.8%
Corporate Business Tax	791.5	4.4%
Other Taxes[(b)]	1,636.1	9.1%
Unrestricted Federal Grants	2,768.1	15.4%
Other Non-Tax Revenues [(c)]	1,420.8	7.9%

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 $17,237.3 million for fiscal year 2007-08 and $18,040.6 million for fiscal year 2008-09 and do not reflect tax refunds and transfers to other funds of $921.7 million for fiscal year 2007-08 and $967.5 million for fiscal year 2008-09. See **Appendix III-E** for anticipated adjustments to adopted tax revenues. The charts do not reflect any results of the Governor's deficit mitigation plans or the results of the November 24, 2008 Special Session of the General Assembly.

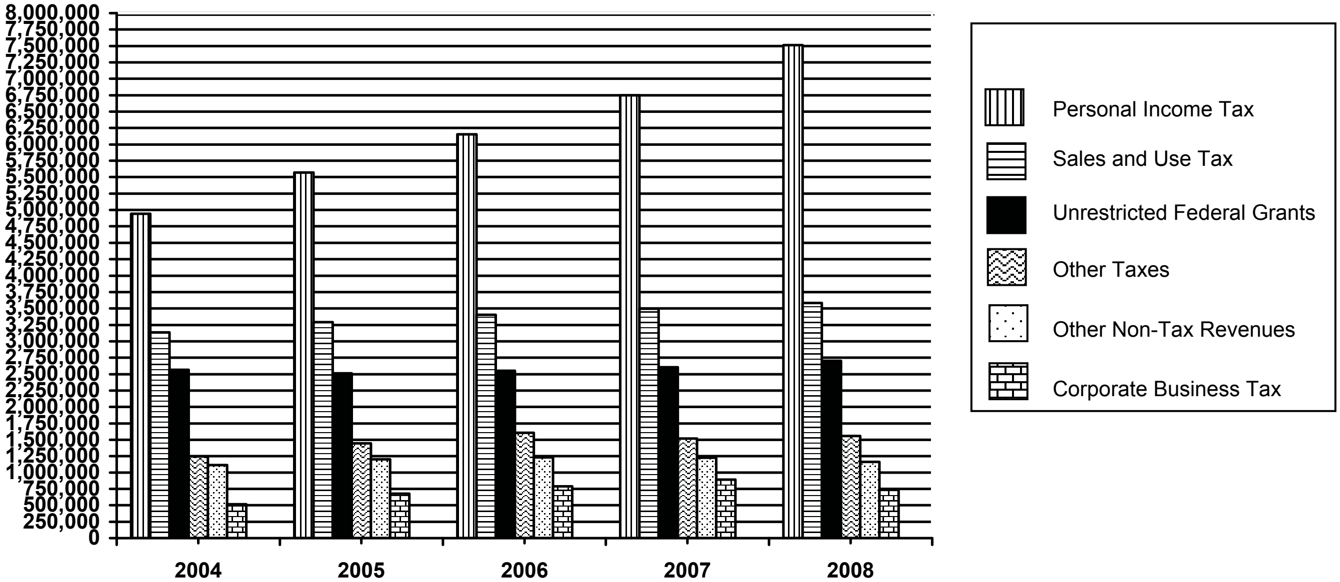
(b) Other taxes are comprised of inheritance and estate taxes, taxes on gross receipts of public service corporations, on net direct premiums of insurance companies, on oil companies, on cigarettes and alcoholic beverages, on real estate transfers, on admissions and dues, on nursing home providers and 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 and designated Tobacco Settlement Revenues and special transfers to the resources of the General Fund. See **Appendix III-E**.

SOURCE: Public Act No. 07-1 of the June Special Session; Public Act No. 07-1 of the September Special Session; Public Act No. 08-2 of the June 11 Special Session; Public Act No. 08-51.

Historical General Fund Revenues. Actual General Fund revenues for the fiscal years ending June 30, 2004 through 2008 are set forth in **Appendix III-D** to this Modified 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)



	2004	2005	2006	2007	2008
Taxes:					
Personal Income Tax	$ 4,943,430	$ 5,570,724	$ 6,156,373	$ 6,749,462	$ 7,512,688
Sales Tax	3,133,888	3,290,366	3,401,966	3,496,110	3,582,317
Corporate Business Tax	518,009	678,969	787,702	890,730	733,942[(d)]
Other Taxes [(b)]	1,248,406	1,447,999	1,606,746	1,517,553	1,558,511
Subtotal..............................	9,843,733	10,988,058	11,952,787	12,653,855	13,387,458
R & D Credit Exchange……….	(10,378)	(8,850)	(6,694)	(5,983)	(11,363)
Refunds of Taxes	(650,800)	(681,279)	(730,850)	(746,539)	(852,184)
Total Net Taxes	$ 9,182,555	$10,297,929	$11,215,243	$11,901,333	$12,523,911
Other Revenue:					
Federal Grants (Unrestricted)........................	$ 2,564,256	$ 2,497,670	$ 2,549,577	$ 2,602,774	$ 2,701,603
Other Non-Tax Revenues[(c)]	1,115,081	1,209,764	1,230,801	1,224,753	1,164,272
Transfers to Other Funds	(85,000)	(85,000)	(86,300)	(86,300)	(86,300)
Transfers from Other Funds......	346,883	142,500	89,400	100,000	115,300
Total Other Revenues	$ 3,941,220	$ 3,764,934	$ 3,783,478	$ 3,841,227	$ 3,894,875
Total Revenues...................	$13,123,775	$14,062,863	$14,998,721	$15,742,560	$16,418,786

(a) The bar graph reflects the total of the listed tax and revenue amounts and does not reflect the listed adjustments for tax 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 nursing home providers 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 and other miscellaneous revenues less refunds of payments.

(d) For Fiscal Year ending June 30, 2008, the Corporation Business Tax accrual date was changed to the last day of July from August 15th (as in the prior fiscal years). The Corporation Business Tax is now consistent with other tax accruals. The Comptroller's decision to make this change is within her constitutional powers under Section 24, Article Fourth of the Connecticut State Constitution and her statutory powers under Public Act No. 08-111.

SOURCE: 2004, 2005, 2006, 2007 and 2008 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 tax imposed is at the maximum rate of 5% 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 2012 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 certain higher income levels. Neither the personal exemption nor the tax credit described above is available to trusts or estates. Legislation enacted in 1995 effected a graduated rate structure beginning in tax year 1996. Under this revised structure, the top rate remains at 5% 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. In addition, an income tax credit for property taxes paid of $350 per filer beginning with the tax year commencing January 1, 2003 was increased to $500 per filer for tax years beginning on or after January 1, 2006. Taxpayers also are subject to a Connecticut minimum tax based on their liability, if any, for payment of the federal alternative minimum tax.

Sales and Use Taxes. The Sales Tax is imposed, subject to certain limitations, on the gross receipts from certain transactions within the State of persons engaged in business in the State, including (a) sales at retail 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) the transfer of occupancy of hotel or lodging house rooms for a period not exceeding thirty consecutive calendar days. The 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 the Sales and Use Taxes is 6%. A separate rate of 12% 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 revenues from these taxes are generally due monthly on or before the last day of the month next succeeding the taxable month.

Corporation Business Tax. The 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 which carries on or has the right to carry on business within the State or owns or leases property or maintains an office within the State or is a general partner in a partnership or a limited partner in a limited partnership, except an investment partnership, that 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. The Corporation Business Tax provides for three methods of computation. The taxpayer's liability is the greatest amount computed under any of the three methods.

The first method of computation is a tax measured by the net income of a taxpayer (the "Income-Base Tax"). Net income means federal gross income with limited variations less certain deductions, most of which correspond to the deductions allowed under the Internal Revenue Code of 1986, as amended from time to time. The Income-Base Tax had been levied at the rate of 10.75% in 1996 and was phased down over subsequent years to 7.5% for taxable years commencing on and after January 1, 2000. The second method of computing the Corporation Business Tax is an alternative tax on capital. This alternative 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 its capital stock and balance sheet surplus, profit and deficit. The third method of computing the Corporation Business Tax is the minimum tax which is a flat $250. Corporations must compute their tax liability under all three methods, determine which calculation produces the greatest tax, and pay that amount to the State. In

2002 the State limited corporation credits from reducing tax liability by more than 70%. The State imposed a one time corporation business tax surcharge of 20% for income year 2003, 25% for income year 2004, 20% for income year 2006. There was no corporation business tax surcharge for income year 2005 and there is currently no corporation business tax surcharge for income year 2007 and thereafter.

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.

Other Taxes. Other tax revenues are derived from inheritance taxes, taxes on gross receipts of public service companies, taxes on net direct premiums of insurance companies, taxes on oil companies, cigarette and alcoholic beverage excise taxes, real estate conveyance taxes, taxes on admissions and dues, taxes on nursing home providers and other miscellaneous tax sources.

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 expenditure driven. The largest federal grants in fiscal year 2007-08 were made for the purposes of providing medical assistance payments to the low income and the indigent and temporary assistance to needy families. The State also receives certain restricted federal grants which are not reflected in annual appropriations but which nonetheless are accounted for in the General Fund. In addition, the State receives certain federal grants which are not accounted for in the General Fund but are allocated to the Transportation Fund, various Capital Project Funds and other funds.

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

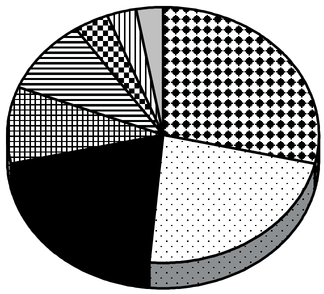
Appropriated and Historical Expenditures

Fiscal Year 2007-2008 and 2008-2009 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 of Persons and Property; Conservation and Development; and Legislative. State expenditures for Department of Transportation functions are generally paid from the Special Transportation Fund, not the General Fund. Occasionally, minor expenditures for transportation related expenditures are paid from the General Fund.

The adopted budgets for the fiscal years ending June 30, 2008 and June 30, 2009, the final budgetary-basis results for the fiscal year ending June 30, 2008, and the estimated (as of December 31, 2008) budgetary-basis results for the fiscal year ending June 30, 2009 are included as **Appendix III-E** to this Modified Annual Information Statement. A summary of appropriated General Fund expenditures for the fiscal years ending June 30, 2008 and June 30, 2009 is set forth below.

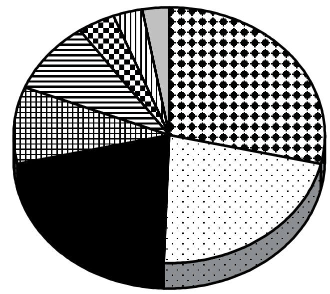
Appropriated General Fund Expenditures (In Millions)

Appropriated Expenditures 2007-2008
$16,314.9[(a)]



Human Services	$ 4,704.8	28.6%
Education, Libraries and Museums	3,736.1	22.7%
Non-Functional	3,310.0	20.2%
Health and Hospitals	1,589.7	9.7%
Corrections	1,545.5	9.4%
General Government	566.7	3.5%
Judicial	517.6	3.2%
Other Expenditures[(b)]	460.6	2.8%

Appropriated Expenditures 2008-2009
$17,162.0[(a)]



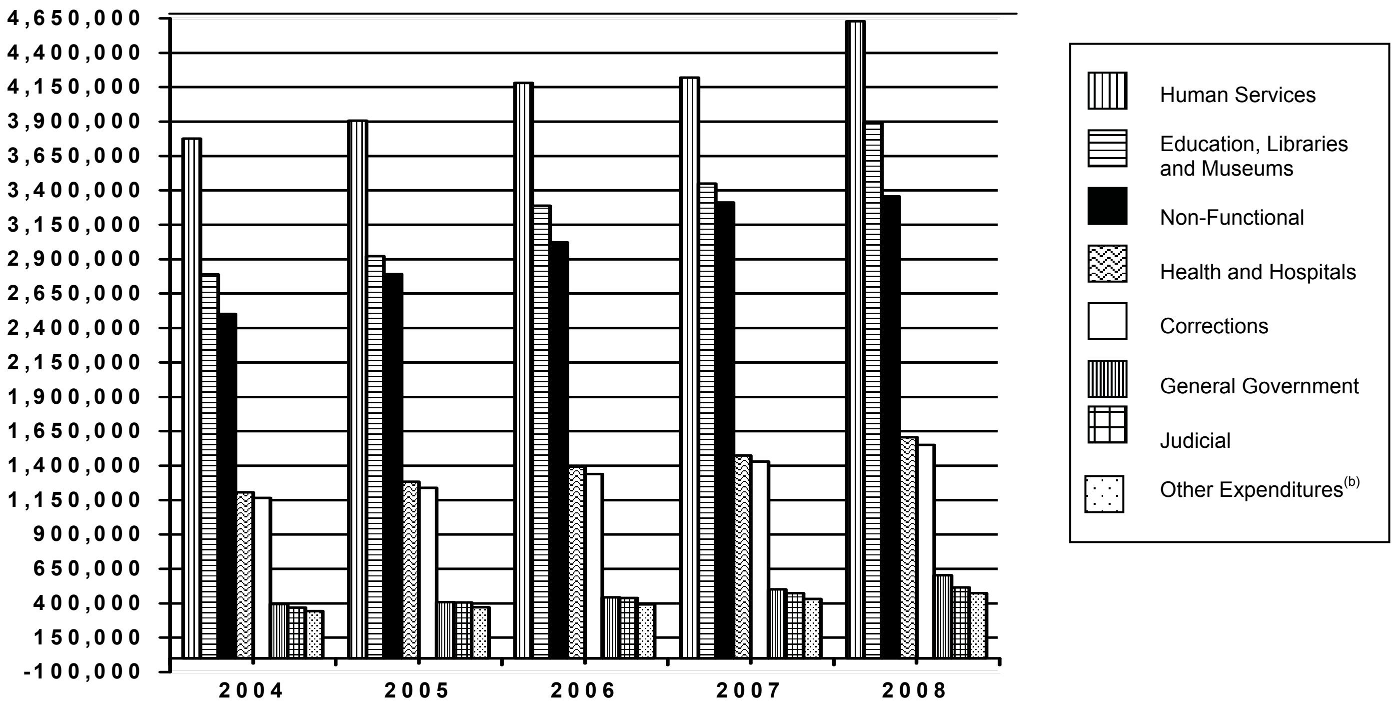
Human Services	$ 4,946.5	28.6%
Education, Libraries and Museums	3,773.3	21.8%
Non-Functional	3,631.0	21.0%
Health and Hospitals	1,666.3	9.6%
Corrections	1,587.0	9.2%
General Government	652.1	3.8%
Judicial	550.0	3.2%
Other Expenditures[(b)]	473.3	2.7%

(a) The pie charts reflect the total listed expenditures of $16,431.4 million for fiscal year 2007-08 and $17,279.5 million for fiscal year 2008-09, and do not reflect adjustments for unallocated lapses of $116.5 million for fiscal year 2007-08 and $117.5 million for fiscal year 2008-09. See **Appendix III-E** for anticipated adjustments to appropriated expenditures. The charts do not reflect any results of the Governor's deficit mitigation plan or the results of the November 24, 2008 Special Session of the General Assembly.

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

SOURCE: Public Act No. 07-1 of the June Special Session; Public Act No. 07-1 of the September Special Session; Public Act No. 08-2 of the June 11 Special Session; Public Act No. 08-51.

Historical General Fund Expenditures. Actual General Fund expenditures for the fiscal years ending June 30, 2004 through 2008 are set forth in **Appendix III-D** to this Modified 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)

	2004	2005	2006	2007	2008
Human Services	$ 3,776,415	$ 3,908,030	$ 4,181,893	$ 4,221,641	$ 4,629,658
Education, Libraries and Museums	2,789,367	2,922,543	3,290,626	3,449,507	3,892,796
Non-Functional	2,502,331	2,793,571	3,022,667	3,311,597	3,356,538
Health and Hospitals	1,206,942	1,283,235	1,392,263	1,473,779	1,606,711
Corrections	1,165,656	1,239,564	1,339,289	1,430,316	1,549,792
General Government	394,193	409,138	442,518	500,641	602,849
Judicial	368,326	405,818	438,123	474,067	515,738
Other Expenditures[(b)]	343,689	371,804	392,237	432,187	473,365
Totals	$ 12,546,919	$ 13,333,703	$ 14,499,616	$ 15,293,735	$ 16,627,447

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

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

SOURCE: 2004, 2005, 2006, 2007 and 2008 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.

Education, Libraries and Museums. Based upon the adopted budget for the 2008-09 fiscal year, approximately 71% of the 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 29% consists of expenditures for higher education (including the University of Connecticut, the Connecticut State University System and the Regional Community-Technical Colleges), the Teachers' Retirement Board, the State Library, and services for the blind and deaf.

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, Mental Retardation, 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. Other expenditures include expenses of the Board of Pardons, the Board of Parole and the County Sheriffs.

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 historical sites, commerce and industry; and environment, the latter accounting for approximately 37% of all appropriations for Conservation and Development based upon the adopted budget for the 2008-09 fiscal year.

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 State expenditures to which they relate are divided for both administrative and budgetary purposes among appropriation account categories 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 3 to **Table 1** below). Such payments to third parties amount to approximately 63% of total General Fund appropriations under the adopted budget for the 2008-09 fiscal year. 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 37% of all General Fund appropriations under the revised adopted budget for the 2008-09 fiscal year.

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 in question 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, in fact, adopted by the General Assembly. A summary of fixed charges is shown on **Table 1**. 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[1]
Fixed Charges - General Fund
Summarized by Function of Government and Expenditure Category
Including Major Expenditure Items
(In Thousands of Dollars)

	Fiscal Year 2006-07 (Actual)		Fiscal Year 2007-08 (Unaudited)		Fiscal Year 2008-09 (Appropriated)	
	Total Payments	Payments to Local Governments	Total Payments	Payments to Local Governments	Total Payments	Payments to Local Governments
LEGISLATIVE						
Total – Legislative	296	0	313	0	375	0
GENERAL GOVERNMENT						
Property Tax Relief Elderly Circuit Breaker	20,506	20,506	20,506	20,506	20,506	20,506
P.I.L.O.T. - New Manufacturing Machinery and Equipment	50,244	50,244	50,244	50,244	104,930	104,930
Undesignated	70,480	52,319	51,969	22,426	80,269	21,046
Total – General Government	141,230	123,069	122,719	93,176	205,705	146,482

	Fiscal Year 2006-07 (Actual)		Fiscal Year 2007-08 (Unaudited)		Fiscal Year 2008-09 (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	1,087	239	1,272	239	1,200	239
CONSERVATION AND DEVELOPMENT						
Total - Conservation and Development	31,764	19,309	37,171	19,408	33,325	14,590
HEALTH AND HOSPITALS						
Employment Opportunities and Day Services (Dept. of Developmental Services [2])	145,103	0	157,721	0	167,549	0
Community Residential Services (Dept. of Developmental Services [2])	327,957	0	373,714	0	383,925	0
Grants for Substance Abuse Services	23,628	0	28,191	0	25,657	0
Grants for Mental Health Services	76,395	0	80,132	0	77,306	0
Undesignated	50,688	12,220	51,548	14,837	52,620	15,779
Total - Health and Hospitals	623,771	12,220	691,306	14,837	707,057	15,779
HUMAN SERVICES						
Medicaid	3,151,509	0	3,470,656	0	3,723,964	0
Old Age Assistance	30,549	0	32,573	0	32,821	0
Aid to the Disabled	54,055	0	57,525	0	59,251	0
Temporary Assistance to Families – TANF	112,378	0	110,962	0	115,857	0
Connecticut Pharmaceutical Assistance Contract to the Elderly	20,466	0	31,954	0	56,460	0
Medicaid - Disproportionate Share - Mental Health	105,935	0	105,935	0	105,935	0
Connecticut Home Care Program	49,575	0	57,861	0	63,058	0
Child Care Services - TANF/CCDBG	82,731	0	98,801	0	93,119	0
Housing/Homeless Services	27,073	0	31,230	0	42,447	0
Disproportionate Share - Medical Emergency Assistance	57,525	0	57,725	0	53,725	0
DSH - Urban Hospitals in Distressed Municipalities	31,550	0	31,550	0	31,550	0
State Administered General Assistance	164,548	0	184,049	0	183,393	0
Medicare Part D Supplemental Needs	26,246	0	22,862	0	5,000	0
Hospital Hardship Fund	9,632	0	28,647	0	0	0
Undesignated	65,204	6,586	71,847	6,468	73,759	6,696
Total - Human Services	3,988,976	6,586	4,394,177	6,468	4,640,339	6,696

	Fiscal Year 2006-07 (Actual)		Fiscal Year 2007-08 (Unaudited)		Fiscal Year 2008-09 (Appropriated)	
	Total Payments	Payments to Local Governments	Total Payments	Payments to Local Governments	Total Payments	Payments to Local Governments
EDUCATION, LIBRARIES AND MUSEUMS						
Charter Schools	28,850	0	34,880	0	40,692	0
Adult Education	18,617	18,617	19,620	19,620	20,596	20,596
Transportation of School Children	47,965	47,965	47,964	47,964	47,964	47,964
Education Equalization Grants	1,626,932	1,626,932	1,808,802	1,808,802	1,889,182	1,889,182
Priority School Districts	122,780	122,780	127,061	127,061	124,247	124,247
Excess Cost - Student Based	106,645	106,645	129,835	129,835	133,891	133,891
Magnet Schools	98,628	98,628	109,750	109,750	121,509	121,509
Connecticut Independent College Student Grant	15,801	0	23,914	0	23,914	0
Connecticut Aid for Public College Students	16,521	0	30,208	0	30,208	0
Teachers' Retirement Contributions	412,102	0	518,560	0	329,303	0
Undesignated	113,050	54,480	126,992	62,555	129,761	58,702
Total – Education	2,607,891	2,076,047	2,977,586	2,305,587	2,891,267	2,396,091
CORRECTIONS						
Community Support Services (Dept. of Correction)	30,984	0	35,481	0	33,662	0
Board and Care for Children – Adoption	64,541	0	71,884	0	74,105	0
Board and Care for Children – Foster	108,900	0	112,224	0	119,996	0
Board and Care for Children – Residential	174,814	0	191,692	0	216,037	0
Community KidCare	23,949	0	21,697	0	23,553	0
Undesignated	85,450	0	92,688	0	94,234	0
Total – Corrections	488,638	0	525,666	0	561,587	0
NON FUNCTIONAL						
Debt Service (Including UConn 2000 and CHEFA Day Care Security) [3]	1,476,993	0	1,413,035	0	1,543,909	0
Reimbursement to Towns for Loss of Taxes on State Property	78,371	78,371	80,019	80,019	73,019	73,019
Reimbursement to Towns for Loss of Taxes on Private Tax-exempt Property	120,732	120,732	122,430	122,430	115,432	115,432
Undesignated	313	0	424	0	529	0
Total - Non Functional	1,676,409	199,103	1,615,908	202,449	1,732,889	188,451
Total - Fixed Charges	9,560,062	2,436,573	10,366,118	2,642,165	10,773,744	2,768,328

[1] Table 1 includes actual fixed charge expenditures for fiscal year 2006-07, unaudited fixed charge expenditures for Fiscal Year 2007-08, and appropriated fixed charge expenditures for fiscal year 2008-09.

[2] The Department of Development Services was formerly known as the Department of Mental Retardation.

[3] 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.

SOURCE: Office of Policy and Management

Budget for Fiscal Years 2007-2008 and 2008-2009

Although the General Assembly did not pass the biennial budget for fiscal years 2007-08 and 2008-09 prior to its adjournment date of June 6, 2007, in a subsequent special session, the General Assembly passed, and the Governor signed into law on June 26, 2007, the biennial budget for fiscal years 2007-08 and 2008-09. The budget for fiscal year 2007-08 included General Fund revenues of $16,315.6 million and net appropriations of $16,314.9 million, resulting in a projected surplus of $0.7 million. The budget for fiscal year 2008-09 included General Fund revenues of $17,073.1 million and net appropriations of $17,072.3 million, resulting in a projected surplus of $0.8 million. Pursuant to Public Act No. 07-1 of the September Special Session of the General Assembly, the General Assembly made an additional appropriation of $0.7 million for clean contracting standards, thereby reducing the projected General Fund surplus for the 2008-09 fiscal year to $0.1 million. The biennial budget for fiscal years 2007-08 and 2008-09 has been outlined in **Appendix III-E**.

The General Assembly also included in the biennial budget (i) the appropriation of $613.7 million of the anticipated fiscal year 2006-07 General Fund surplus funds to pay for various spending items, including $300 million to fund a portion of the State's contribution to the Teachers' Retirement Fund and $85 million for debt retirement, (ii) a reduction of lapses in the amount of $96.6 million and (iii) a transfer of $80 million of the anticipated fiscal year 2006-07 General Fund surplus to the budget for fiscal year ending June 30, 2009, resulting in a net reduction in the anticipated 2006-07 surplus of $790.3 million. According to estimates of the Office of Fiscal Analysis, approximately $471.9 million of the appropriations were for one-time purposes and approximately $318.4 million of the appropriations were for on-going purposes.

The budget was $690.4 million above the expenditure cap in fiscal year 2007-08 and $28.2 million below the expenditure cap in fiscal year 2008-09. In accordance with the provisions of Article XXVIII of the Amendments to the Constitution, the Governor issued a declaration to exceed the State's expenditure cap in fiscal year 2007-08. This declaration was ratified by a three-fifths vote of each house of the General Assembly.

See additional discussion regarding budget revisions under the headings **Governor's Proposed Midterm Budget Adjustments** and **Fiscal Year 2008-09 Operations** below.

Fiscal Year 2007-2008 Operations

Pursuant to the Comptroller's financial statements provided on December 31, 2008, as of June 30, 2008, General Fund revenues were $16,418.8 million, General Fund expenditures and net miscellaneous adjustments were $16,319.4 million and the General Fund balance for the 2007-08 fiscal year was a surplus of $99.4 million. The entire surplus has been reserved for fiscal year 2008-09 spending.

The audited results for the final fiscal year 2007-08 operations of the General Fund have been outlined in **Appendix III-D** to this **Part III**.

Governor's Proposed Midterm Budget Adjustments

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 6, 2008 the Governor submitted to the General Assembly a status report including detailed projections of expenditures and revenues and proposed Midterm Budget Adjustments for the 2007-08 and 2008-09 fiscal years. The General Assembly convened on February 6, 2008 to consider the Governor's proposed Midterm Budget Adjustments and adjourned on May 7, 2008. The legislature did not make any midterm budget adjustments for the 2008-09 fiscal year in the legislative session which ended May 7, 2008. However, in subsequent special sessions, $79 million was appropriated for energy relief programs in fiscal year 2008-09 and the 2007-08 surplus of $83.4 million plus the transfer of $16 million pursuant to Section 91 of Public Act No. 07-1 of the June Special Session, was transferred for use in fiscal year 2008-09. In addition, the scheduled increase on July 1, 2008 in the oil companies tax from 7.0% to 7.5% was eliminated. See additional discussion regarding budget revisions under the heading **Fiscal Year 2008-2009 Operations** below.

Fiscal Year 2008-2009 Operations

Pursuant to Section 4-66 of the Connecticut General Statutes, the Office of Policy and Management provides estimates to the Comptroller by the twentieth day of each month of revenues and expenditures for the current fiscal year for use by the Comptroller in preparing the Comptroller's monthly report. In the monthly estimates provided by the Office of Policy and Management on August 20, 2008 (as of the period ending July 31, 2008), September 22, 2008 (as of the period ending August 31, 2008), October 20, 2008 (as of the period ending September 30, 2008), November 20, 2008 (as of the period ending October 31, 2008), December 20, 2008 (as of the period ending November 30, 2008), each for the General Fund for the 2008-09 fiscal year, the General Fund was estimated to have a deficit of $145.7 million, $302.4 million, $107.9 million, $356.3 million and $193.0 million, respectively. In the monthly estimate provided by the Office of Policy and Management on January 20, 2009 for the General Fund for the 2008-09 fiscal year, as of the period ending December 31, 2008, General Fund revenues were estimated at $16,098.0 million, General Fund expenditures and miscellaneous adjustments were estimated at $17,019.7 million and the General Fund was estimated to have a deficit of $921.7 million. These revenue estimates include an estimated $40 million from an upcoming tax amnesty program and $12 million from the escheat of unclaimed bottler deposits and transfers totaling $71.2 million from various funds to the General Fund per Public Act No. 08-1 of the November 24, Special Session and Public Act No. 09-1. The expenditure estimates include three allotment rescissions in 2008 totaling $157 million and two mitigation plans totaling $69.8 million per Public Act No. 08-1 of the November 24, 2008 Special Session and Public Act No. 09-1. The estimates of the Office of Policy and Management for the period ending December 31, 2008 have been outlined in **Appendix III-E**. The revenue estimates as of December 31, 2008 do not take into account any economic impact as a result of the changes in the financial and credit markets occurring after December 31, 2008 or during the remainder of the fiscal year. The next monthly report of the Office of Policy and Management is expected on February 20, 2009 and no assurances can be given that the estimates in such report will match the Office of Policy and Management's prior estimates.

By statute, the State's fiscal position is reported monthly by the Comptroller. In her monthly reports dated September 2, 2008, October 1, 2008 and November 3, 2008 the Comptroller generally agreed with the Office of Policy and Management's projections as of the periods ending July 31, 2008, August 31, 2008 and September 30, 2008, respectively. In her monthly report dated December 1, 2008, the Comptroller's estimate of the General Fund deficit for the 2008-09 fiscal year was $50 million higher than the Office of Policy and Management's projection for the same period. In her monthly report dated January 2, 2009, the Comptroller's estimate of the General Fund deficit for the 2008-09 fiscal year was $150 million higher than the Office of Policy and Management's projections for the same period. In her monthly report dated February 2, 2009 for the period ending December 31, 2008, the Comptroller's estimate of the General Fund deficit for the 2008-09 fiscal year was $1.1 billion, which amount is $172.9 million higher than the estimate of the Office of Policy and Management. The next monthly report of the Comptroller is expected on March 2, 2009 and no assurances can be given that the estimates in such report will match the Office of Policy and Management's prior estimates.

Pursuant to Section 4-85 of the Connecticut General Statutes, whenever the cumulative monthly financial statement issued by the Comptroller indicates a projected General Fund deficit greater than one percent of the total General Fund appropriations, the Governor is required within thirty days 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 which the Governor shall implement to modify agency allotments to the extent necessary to prevent a deficit. Should such plan result in a reduction of more than five percent of total appropriations, approval of the General Assembly would be required. Since July 2008, the Governor has exercised her authority under Section 4-85 of the Connecticut General Statutes in rescinding allotments totaling $157 million in General Fund expenditures. In addition, the Governor has proposed two deficit mitigation packages to address the then projected deficits that exceeded her allotment rescission authority. Public Act No. 08-1 of the November 24, 2008 Special Session and Public Act No. 09-1 were enacted by the General Assembly and resulted in an estimated $193.6 million in deficit mitigation. Even with these changes, on January 20, 2009, the Office of Policy and Management projected a $921.7 million deficit in the General Fund for the 2008-09 fiscal year. The Governor intends to work with the General Assembly of the State to address this remaining deficit during the regular legislative session.

The above projections are only estimates and the information in the monthly letter of the Office of Policy and Management to the Comptroller and in the Comptroller's monthly report contain only estimates and no assurances can be given that future events will materialize as estimated or that subsequent estimates, adjustments or audit or actions of the General Assembly will not indicate changes in the final result of the fiscal year 2008-09 operations of the General Fund.

General Fund Budget History

Table 2 summarizes the results of operation of the General Fund on the budgetary-basis. Summaries of actual revenues and expenditures on the budgetary (modified cash) basis for the fiscal years 2004 through 2008 are set forth in **Appendix III-D** to this Modified Annual Information Statement.

TABLE 2

General Fund
Summary of Operating Results — Budgetary (Modified Cash) Basis
(In Millions)
Fiscal Years Ending June 30

	2004	2005	2006	2007	2008
Total General Fund Revenues[a]	$ 13,123.8	$ 14,062.9	$14,998.7	$ 15,742.6	$16,418.8
Net Appropriations/Expenditures[b]	12,821.6	13,699.0	14,552.2	15,473.4	16,319.4
Operating Surplus/(Deficit)	$ 302.2[c]	$ 363.9[d]	$ 446.5[e]	$ 269.2[f]	$ 99.4[g]

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

(b) 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**.

(c) The entire surplus balance of $302.2 million was reserved for transfer to the Budget Reserve Fund.

(d) The entire surplus balance of $363.9 million was reserved for transfer to the Budget Reserve Fund.

(e) The entire surplus balance of $446.6 million was reserved for transfer to the Budget Reserve Fund.

(f) The entire surplus balance of $269.2 million was reserved for transfer to the Budget Reserve Fund.

(g) The entire surplus balance of $99.4 million is reserved for spending in fiscal year 2008-09.

SOURCE: Comptroller's Office

Table 3 shows the reconciliation of the actual operations surplus (deficit) under the budgetary (modified cash) basis to the GAAP basis of accounting. Audited GAAP based financial statements for fiscal year 2008 are included in **Appendix III-C**.

TABLE 3

General Fund
Summary of Operating Results — Budgetary (Modified Cash) Basis vs. GAAP Basis

(In Millions)

Fiscal Years Ending June 30

	2004	2005	2006	2007	2008
Modified Cash Basis Operating Surplus/(Deficit)	$ 302.2	$ 363.9	$ 446.5	$ 269.2	$ --
Adjustments:					
Increases (decreases) in revenue accruals:					
Governmental Receivables	94.2	(98.2)	10.5	(91.0)	63.5
Other Receivables	22.6	(33.5)	25.7	177.9	(302.0)
(Increases) decreases in expenditure accruals:					
Accounts Payable and Other Liabilities	(165.6)	(60.3)	(37.7)	45.2	60.3
Salaries and Fringe Benefits Payable	(97.2)	61.0	(22.3)	(90.0)	(14.0)
Increase (decrease) in Continuing Appropriations	126.2	481.6	8.4	128.2	(327.0)
Reclassification of equity adjustments	132.3	15.8	41.0	80.0	99.4
Proceeds of Recovery Notes	96.6	--	--	--	--
Transfer of restricted resources	(304.4)	--	--	--	--
Transfer of prior year surplus	--	(150.4)	(15.8)	(41.0)	--
GAAP Based Operating Surplus/(Deficit)	$ 206.9	$ 579.9	$ 456.3	$ 478.5	$ (419.8)

SOURCE: Comptroller's Office

Table 4 sets forth on the budgetary (modified cash) 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) Basis

(In Millions)

Fiscal Years Ending June 30

	2004	2005	2006	2007	2008
Operating Surplus/Deficit	$ 302.2	$ 363.9	$ 446.5	$ 269.2	$ 99.4
Fund Transfers and Reserves					
Transfers to Budget Reserve Fund	302.2	363.9	446.5	269.2	0.0
Transfers from Budget Reserve Fund	--	--	--	--	--
Economic Recovery Note Debt Retirement	--	--	--	--	--
Reserve for Transfers to Budget Reserve Fund	--	--	--	--	--
Reserve for Debt Service Appropriation	--	--	--	--	--
Reserve for Fiscal Year 2009 Operations	--	--	--	--	99.4
Reserve for Debt Avoidance	--	--	--	--	--
Total Transfers/Reserves	302.2	363.9	446.5	269.2	99.4
Unreserved Fund Balance					
Surplus/(deficit)	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0

SOURCE: Comptroller's Office

Table 5 shows the reconciliation of the actual cumulative unreserved General Fund balance (deficit) under the budgetary (modified cash) basis to the GAAP basis of accounting for the last five fiscal years.

TABLE 5

General Fund

Unreserved Fund Balance — Budgetary (Modified Cash) Basis vs. GAAP Basis

(In Millions)

Fiscal Years Ending June 30

	2004	2005	2006	2007	2008
Unreserved Fund Balance (Deficit)					
Modified Cash Basis	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0
GAAP Based Adjustments					
Continuing Appropriations Available for GAAP Liabilities	--	--	--	--	--
Additional Assets					
Taxes Receivable					
Income Tax Accrual Reduction	(233.5)	(300.3)	(282.1)	(271.0)	(380.7)
Eliminate Corporation Accrual	(12.9)	(14.7)	(12.4)	(7.1)	(3.6)
Additional Taxes Receivable	6.4	6.4	8.0	133.6	6.1
Net Increase (Decrease) Taxes	(240.0)	(308.6)	(286.5)	(144.5)	(378.2)
Net Accounts Receivable	155.0	167.6	152.6	146.0	237.6
Federal and Other Grants Receivable[a]	589.7	491.4	501.9	410.9	474.5
Due From Other Funds	23.8	19.7	22.2	22.7	20.3
Total Additional Assets	$ 528.5	$ 370.1	$ 390.2	$ 435.1	$ 354.2
Additional Liabilities					
Salaries and Fringe Payable	(233.8)	(172.7)	(195.0)	(285.0)	(299.1)
Accounts Payable—Department of Social Services	(723.0)	(707.0)	(718.4)	(628.1)	(508.0)
Accounts Payable—Trade & Other	(335.1)	(362.9)	(372.9)	(339.3)	(473.2)
Payable to Local Governments	-	-	-	-	-
Payable to Federal Government	(120.9)	(71.0)	(61.0)	(67.9)	(121.1)
Due to Other Funds	(15.9)	(94.2)	(101.6)	(109.1)	(102.0)
Total Additional Liabilities	$(1,428.7)	$(1,407.8)	$(1,448.9)	$(1,429.4)	$(1,503.4)
Unreserved Fund Balance (Deficit)					
GAAP Basis	$ (900.2)	$(1,037.7)	$(1,058.7)	$ (994.3)	$(1,149.2)

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

SOURCE: Comptroller's Office

Table 6 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 Years Ending June 30

	2004	2005	2006	2007	2008
Reserved:					
Petty Cash	$ 1.0	$ 1.0	$ 1.0	$ 1.0	$ 1.0
Budget Reserve	302.2	666.0	1,112.5	1,381.7	1,381.7
Loans & Advances to Other Funds	16.8	23.3	20.6	18.0	9.7
Restricted Purposes	150.3	15.9	41.0	80.0	179.4
Inventories	37.5	34.0	39.3	34.0	25.3
Continuing Appropriations	212.8	694.4	702.8	811.3	455.4
Debt Service	-	-	-	-	-
Total	720.6	1,434.6	1,917.2	2,326.0	2,052.5
Unreserved:	(900.2)	(1,037.7)	(1,058.7)	(994.3)	(1,149.2)
Total Fund Balance	$ (179.6)	$ 396.9	$ 858.5	$1,331.7	$ 903.3

SOURCE: Comptroller's Office

STATE DEBT

Constitutional Provisions

The State has no constitutional limit on its power to issue obligations or incur debt other than 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, State 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 which are maintained outside the State's General Fund; and special obligation and revenue debt, which is payable from specified revenues or other funds which are maintained outside the State's General Fund. In addition, the State has a number of programs under which 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

General

Statutory Authorization and Security Provisions. In general, the State issues general obligation bonds pursuant to specific statutory bond acts and Section 3-20 of the General Statutes, the State 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 of Connecticut are pledged for the payment of the principal of and interest on such bonds as the same become due. Such act further provides that, as a part of the contract of the State with the owners of such 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.

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 State 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 which 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 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 deficits of the State for any fiscal year ending on or before June 30, 1991 and for the fiscal years ending June 30, 2002 and June 30 2003, all authorized debt to fund the Connecticut Development Authority's tax increment bond program, 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. 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.***

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.

The total tax receipts for the fiscal year beginning July 1, 2008 as last estimated by the General Assembly's joint standing committee on finance, revenue and bonding, and 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 1, 2009, is described in the following table.

TABLE 7
Statutory Debt Limit
as of February 1, 2009

Total General Fund Tax Receipts	$12,971,100,000	
Multiplier	1.6	
Debt Limit		$20,753,760,000
Outstanding Debt[(a)]	$ 9,944,028,664	
Guaranteed Debt[(b)]	$ 750,843,355	
Authorized Debt[(c)]	$ 4,211,574,222	
Total Subject to Debt Limit		$14,906,446,241
Less Debt Retirement Funds[(d)]	$ 29,519,364	
Aggregate Net Debt		$14,876,926,877
Debt Incurring Margin		$ 5,876,833,123

(a) See **Table 8**. Includes accreted value of capital appreciation bonds. Excludes Pension Obligation Bonds, UConn 2000 Bonds, tax increment financings, short term revenue anticipation notes, CCEDA Bonds, CHFA Supportive Housing Bonds and lease financings other than the Middletown Courthouse and the Juvenile Training School.

(b) See **OTHER FUNDS, DEBT AND LIABILITIES – Contingent Liability Debt.** Guarantees for certain outstanding debt of Southeastern Connecticut Water Authority and UConn 2000 Bonds. Excludes accreted value of UConn 2000 capital appreciation bonds.

(c) Includes guarantee for UConn 2000 Bonds authorized but unissued under cap for 2008-09 fiscal year.

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

SOURCE: State Treasurer's Office

State Bond Commission. The general obligation bond procedure act establishes the State Bond 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 the Department of Public Works, 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 an appropriation of such amount 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, notwithstanding the fact that the contracts and obligations may at a particular time exceed the amount of the proceeds from the sale of such bonds 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 in formal session.

Types of Direct General Obligation Debt

Bond Acts. Pursuant to various public or special bond acts, the General Assembly empowers the State Bond 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 usually 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 $2,276,578,270.75 of such bonds. The public act also 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 do not count against the State's debt limit.

UConn 2000 Financing. The General Assembly has enacted two acts for the financing of projects at the University of Connecticut. In 1995 the General Assembly established the University of Connecticut as a separate corporate entity and instrumentality of the State that is empowered to issue bonds and construct the infrastructure improvements contemplated by the act for the University of Connecticut. The estimated costs of the infrastructure improvements set forth in the act totaled $1,250 million to be financed over a 10-year period. In 2002 the General Assembly extended the existing UConn 2000 financing program for an additional 10 years from July 1, 2005 through June 30, 2015 and increased the total estimated project costs to $2,598 million. In 2007 the General Assembly extended the UConn 2000 financing program to June 30, 2016. The act authorized the University to borrow money to finance the UConn 2000 projects and to refund such financings. Such borrowings are to be general obligations of the University payable from any revenues or assets of the University and may be secured by pledges of the University's revenues or assets other than mortgages.

The UConn 2000 projects are to be financed by $18 million general obligation bonds of the State and $2,262 million bonds of the University which are secured by the State's debt service commitment, which is an annual amount for any debt service requirements when due and payable. The balance of the estimated cost of UConn 2000 projects may be met by the issuance of special obligation bonds of the University or from gifts or other revenue or borrowing resources of the University. Under the act, 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 State Treasurer is obligated to make such payments. For this reason, all general obligation borrowings by the University are treated as part of the State's general obligation debt. The amount of the University's bonds which are 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. The cap does not apply to bonds issued to finance any special capital reserve fund or other debt service reserve fund, costs of issuance or capitalized interest. The amount of bonds issued by the University and secured by the State's debt service commitment, except for the accreted value of any capital appreciation bonds, and the amount of bonds which are authorized to be issued in a fiscal year under the cap are counted against the State's debt limit.

The total amount of University bonds and State general obligation bonds authorized by the acts is approximately $336.4 million less than the estimated costs of the infrastructure improvements set forth in the acts. This difference is expected to be addressed by capital cost reductions, deferring certain projects to a future date, and by securing additional funding sources, such as private fundraising and special obligation bonds. Special obligation bonds are to be secured by particular revenues of the University pledged therefore, are not subject to the cap on the University's general obligation bonds and are not counted against the State's debt limit.

The form of master resolution for bonds secured by the State's debt service commitment must be approved by the State Bond Commission, as must any substantive amendment thereto. 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. All borrowing by the University is to be undertaken by the State Treasurer.

Lease Financing. The State has issued certificates of participation for the development of courthouse facilities and an energy facility at a juvenile training school, 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 which 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 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 the Authority 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 and no commitments for new projects under this program may be approved by the Authority on or after June 30, 2010.

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 State Bond 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. Any provision in the contract providing for the payments of annual debt service will constitute a full faith and credit obligation of the State, and any bonds for which the State provides assistance will be excluded from the State's debt limit.

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. The State has established programs of temporary note issuances 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 State 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 State Bond 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 the sale 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 which has accrued on capital appreciation bonds up to the date of the table is added to the principal amount of the State's 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 State Bond 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, the counter party to the arrangement must have a rating on its unsecured long-term obligations which is the same as or higher than the underlying rating of the State on the applicable bonds. The State Bond 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 18 – Interest Rate Swaps**.

Swap Agreements

Bond Issue	Notional Amount	Termination Date	Fixed Rate Paid by State
2001 Series B	$ 20,000,000	June 15, 2012	4.33%
2005 Series A	$140,000,000	March 1, 2023*	3.392
2005 Series A	$140,000,000	March 1, 2023*	3.401
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

*Starting in 2015 the State has the option to terminate the then remaining portion of these swap agreements without making a termination payment.

Debt Statement

The following table shows all direct general obligation indebtedness (including the accreted value of capital appreciation bonds as of February 1, 2009) 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 1, 2009
(In Thousands)

General Obligation Bonds	$9,913,719
Pension Obligation Bonds	2,284,873
UConn 2000 Bonds	756,327
Other [b]	87,235
Long Term General Obligation Debt Total	13,042,153
Short Term General Obligation Debt Total	0
Gross Direct General Obligation Debt	13,042,153
Deduct:	
University Auxiliary Services [c]	29,519
Net Direct General Obligation Debt	$13,012,634

(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 incremental financings and CHFA supportive housing bonds. Does not include CCEDA Bonds. See **OTHER FUNDS, DEBT AND LIABILITIES – Contingent Liability Debt - *Capital City Economic Development Authority***.

(c) 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
(As of June 30)

	2004	2005	2006	2007	2008
Gross Direct Debt[(a)]	$9,940,945	$10,168,006	$10,403,634	$10,615,810	$13,076,942
Net Direct Debt[(a)]	$9,895,717	$10,121,035	$10,361,226	$10,580,359	$13,042,524
Ratio of Debt to Personal Income[(b)]					
Gross Direct Debt	6.24%	6.09%	5.78%	5.51%	6.79%
Net Direct Debt	6.21%	6.06%	5.76%	5.49%	6.77%
Ratio of Debt to Estimated Full Value[(c)]					
Gross Direct Debt	2.24%	2.07%	1.86%	1.79%	2.29%
Net Direct Debt	2.23%	2.06%	1.85%	1.79%	2.28%
Per Capita Debt[(d)]					
Gross Direct Debt	$2,861	$2,923	$2,983	$3,042	$3,735
Net Direct Debt	$2,848	$2,909	$2,971	$3,032	$3,725

(a) In thousands. Includes gross and net long-term direct general obligation bonded indebtedness as set out in **Table 11**. 2008 figures include $2,278,382,011 Pension Obligation Bonds.

(b) See **Appendix III-B, Table B-2**. Personal Income: 2004 — $159,337 million; 2005 — $167,078 million; 2006 — $179,918 million and 2007 — $192,570 million. The 2008 ratio uses 2007 data.

(c) Full value estimated by OPM. Uses final equalized net grand lists: 2002 — $443.9 billion; 2003 — $490.3 billion; 2004 — $560.3 billion; 2005 — $592.4 billion; and 2006 – 571.7 billion. Property is assessed as of October 1 in each year for the tax levy effective the following July 1. The 2004 ratio uses 2002 data; 2005 ratio uses 2003 data; 2006 ratio uses 2004 data; 2007 ratio uses 2005 data; and 2008 ratio uses 2006 data.

(d) See **Appendix III-B, Table B-1**. State population 2004 — 3,475,000; 2005 — 3,479,000; 2006 — 3,488,000; 2007 —3,490,000; and 2008 — 3,501,000.

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 1, 2009. 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 1, 2009

Fiscal Year	Principal Payments[(b)]	Interest Payments[(b,c)]	Total Debt Service
2009	$ 414,272,518	$ 264,719,303	$ 678,991,821
2010	920,184,243	647,724,615	1,567,908,858
2011	903,219,706	554,393,550	1,457,613,256
2012	845,071,696	506,963,602	1,352,035,299
2013	770,214,369	489,660,404	1,259,874,773
2014	736,390,017	440,818,054	1,177,208,072
2015	709,511,365	395,254,750	1,104,766,115
2016	665,805,061	361,642,737	1,027,447,798
2017	627,614,988	331,071,671	958,686,659
2018	615,802,299	303,355,593	919,157,891
2019	567,626,471	272,499,040	840,125,511
2020	527,135,614	247,881,009	775,016,623
2021-2032	4,474,322,942	1,672,468,054	6,146,790,996
Totals	$12,777,171,290	$6,488,452,382	$19,265,623,672

(a) Includes long-term general obligation debt as outlined in **Table 8**. The future principal payments ($12,777,171,290), plus accreted interest ($264,981,994), total the amount of such long-term debt ($13,042,153,284) 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, including capital appreciation bonds issued pursuant to the College Savings Bond Program. Capital appreciation bonds mature in fiscal years 2009-2025.

(c) Some of the State's direct debt pays interest at variable rates. The interest on such debt is calculated based on the following assumed average rates:

Year Issued	Amount Issued	Amount Outstanding	Maturities	Interest Rate
1997	$ 100,000,000	$ 60,000,000	2009-2014	4.25%
2001	100,000,000	100,000,000	2018-2021	4.25
2001*	20,000,000	20,000,000	2012	4.33
2003	77,700,000	35,800,000	2009-2013	5.75
2005*	300,000,000	280,000,000	2009-2023	4.25
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
2008	50,000,000	50,000,000	2012	5.75

* 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 and graph sets forth the total long-term direct general obligation debt outstanding and the net long-term direct general obligation debt outstanding 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

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

Fiscal Year	Gross Debt	Net Debt	Fiscal Year	Gross Debt	Net Debt
1999	$7,176,905	$7,067,276	2004	$ 9,940,945[(b)]	$ 9,895,717[(b)]
2000	7,435,283	7,318,337	2005	10,168,006[(c)]	10,121,035[(c)]
2001	7,925,186	7,800,440	2006	10,403,634[(d)]	10,361,226[(d)]
2002	8,623,009	8,496,151	2007	10,615,810	10,580,359
2003	9,513,380[(a)]	9,463,962[(a)]	2008	13,076,942[(e)]	13,042,524[(e)]

(a) Includes $219,235,000 Economic Recovery Notes.
(b) Includes $273,215,000 Economic Recovery Notes.
(c) Includes $209,560,000 Economic Recovery Notes.
(d) Includes $146,090,000 Economic Recovery Notes.
(e) Includes $2,278,382,011 in Pension Obligation Bonds.

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 State Bond Commission to authorize direct general obligation bonds pursuant to certain bond acts. The table below shows, as of February 1, 2009, the amount of bonds authorized by bond acts in effect, the amount the State Bond Commission has authorized, the amount of bonds issued pursuant to State Bond Commission authorizations, the balance remaining authorized but unissued and the balance available for authorization. The 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, 2009.

TABLE 12
Authorized but Unissued Direct General Obligation Debt
as of February 1, 2009
(In Thousands)

	State Direct Debt[(a)]	Pension Obligation Bonds	UCONN 2000[(b)]	Tax Increment[(c)]	Total
Bond Acts in Effect	$23,320,993	$2,276,578	$1,432,092	$52,750	$27,082,413
Amount Authorized	21,239,309	2,276,578	1,432,092	52,750	25,000,729
Amount Issued	19,321,464	2,276,578	1,177,092	49,155	22,824,289
Authorized but Unissued	1,917,845	0	255,000	3,595	2,176,440
Available for Authorization	2,081,684	0	0	0	2,081,684

(a) Includes CHFA Supportive Housing Bonds and excludes CCEDA bonds and lease financings.
(b) Includes bonds which 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. Amount issued has been adjusted to reflect increases due to closing costs and decreases due to premiums.
(c) 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.

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 table and graph below list the amount of new authorizations of general obligation debt which take effect during the fiscal year listed, and the net amount after subtracting prior bond authorizations which have been repealed or reduced. Pension obligation bonds and economic recovery notes are not included since they are not recurring authorizations.

TABLE 13

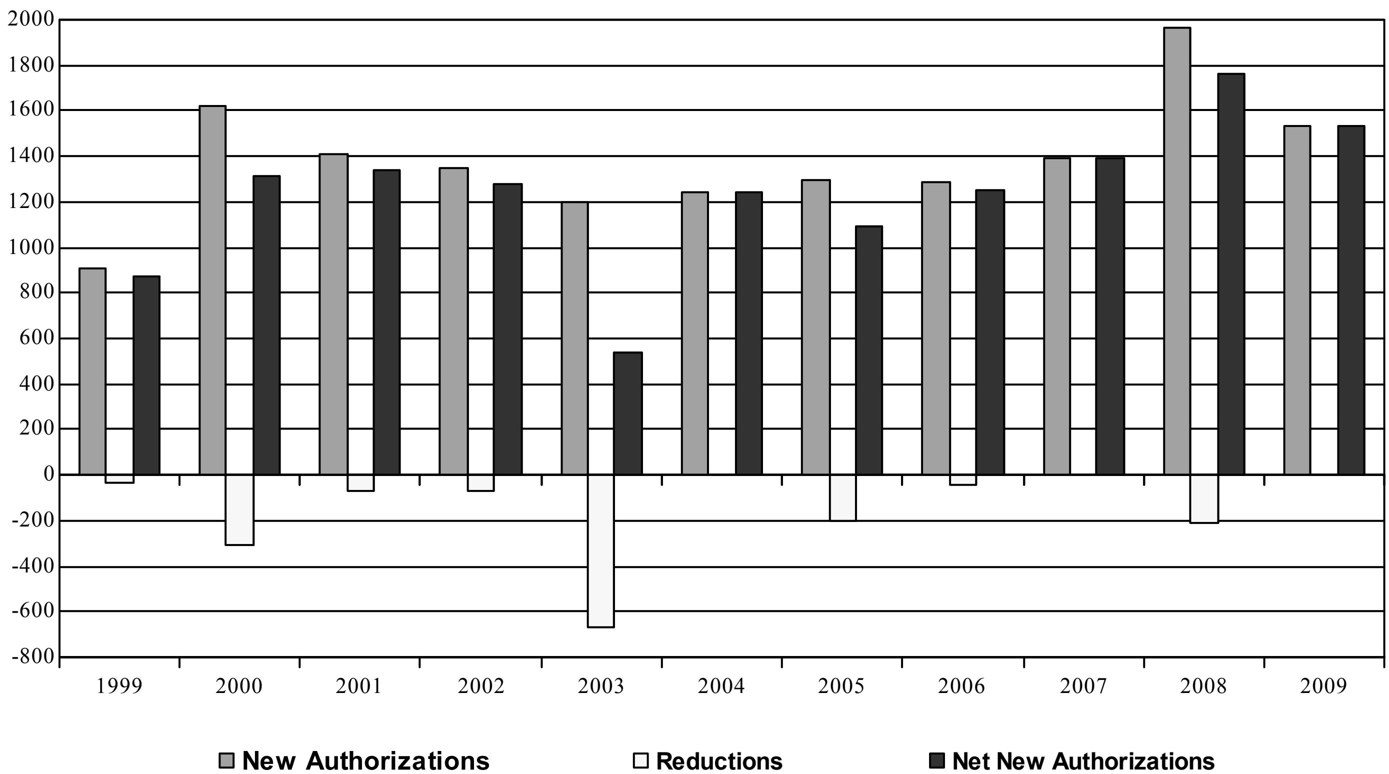
Statutory General Obligation Bond Authorizations and Reductions[(a)]
(In Millions)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
New Authorizations	$ 908.8	$1,621.6	$1,407.9	$1,351.6	$1,201.0	$1,246.1	$1,296.5	$1,290.4	$1,388.7	$1,965.0	$1,552.9
Reductions	(31.7)	(308.4)	(70.1)	(69.9)	(663.6)	0.0	(200.3)	(41.3)	0.0	(206.9)	0.0
Net New Authorizations	$ 877.1	$1,313.2	$1,337.8	$1,281.7	$ 537.4	$1,246.1	$1,096.2	$1,249.1	$1,388.7	$1,758.1	$1,552.9

(a) Does not include teachers' retirement fund pension obligation bonds, economic recovery notes, lease financings, tax increment or cash flow borrowings. Includes amount for UConn 2000 available under the cap for 1999 through 2009, 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 2009.

SOURCE: 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 next table. 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, lease financings, economic recovery notes or pension obligation bonds included.

TABLE 14[a]

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

Purpose	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Policy & Management	$ 165,000	$ 131,800	$ 167,399	$ 143,549	$ 136,900	$ 106,500
Revenue Services....................	20,100	20,100	11,300	0	2,950	0
Comptroller............................	34,000	8,800	17,288	968	960	1,115
Special Revenue	0	0	0	0	220	0
Information and Technology...	5,000	10,000	5,000	4,800	12,910	6,311
Veterans Affairs.....................	0	15,232	2,628	900	1,250	1,000
Public Works	35,400	19,000	12,500	12,500	53,200	19,000
Public Safety..........................	0	10,250	6,375	4,655	18,385	11,965
Public Utility Control	0	0	0	0	50,000	0
Motor Vehicles	1,000	0	10,000	0	14,000	0
Military	0	500	2,013	2,900	2,000	1,500
Emergency Mgmt. & Homeland Sec..................	0	0	0	0	250	0
Agriculture.............................	0	2,500	9,750	11,000	8,500	10,000
Environmental Protection	69,000	5,500	70,330	77,527	212,746	152,100
Economic and Community Development:						
Housing	0	20,500	21,000	15,000	11,000	9,000
Housing Trust Fund	0	0	20,000	20,000	20,000	30,000
Economic Development	24,000	0	5,000	5,000	59,100	63,000
Other.............................	0	13,500	35,105	26,125	58,930	25,278
Ct Innovations Inc..................	5,000	0	0	0	92,000	12,000
Public Health	0	55,000	8,000	8,250	46,779	0
Developmental Services	0	2,000	6,600	2,000	5,000	5,000
Mental Health and Addiction Services............	0	5,000	6,000	1,000	12,100	6,000
Social Services.......................	0	6,000	21,044	12,785	12,496	1,000
Education	495,000	660,397	630,000	694,400	746,550	658,900
State Library	0	3,500	4,300	5,425	10,428	8,500
Culture & Tourism.................	0	4,600	7,080	4,600	18,498	4,600
Agricultural Experiment Station..............................	0	0	0	0	1,800	9,000
Charter Oak State College	0	0	50	0	0	0
Regional Community-Technical Colleges............	120,180	90,430	62,214	99,898	53,681	70,719
State University	126,485	80,708	44,211	131,219	80,000	0
CSUS 2020	0	0	0	0	0	95,000
Legislative Management.........	0	0	300	0	6,810	1,450
Children & Families	0	4,000	19,225	10,180	24,232	22,415
Judicial...................................	32,888	17,200	5,650	5,000	51,325	23,500
CPTV.....................................	1,000	2,000	1,000	0	2,500	0
Correction	10,000	0	0	0	11,000	42,095
UConn....................................	0	8,000	0	0	0	0
UConn Health Center	2,000	0	0	0	0	0
UConn 2000[b]........................	100,000	100,000	79,000	89,000	115,000	140,000
Transportation........................	0	0	0	0	11,500	16,000
Totals	$1,246,053	$1,296,517	$1,290,362	$1,388,681	$1,965,000	$1,552,948

(a) Does not include authorizations which take effect after fiscal year 2008-09. Does not include teachers' retirement fund pension obligation bonds, or economic recovery notes, or tax increment cash flow or lease financings or CHFA supportive housing bonds.

(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 which may exceed cap to finance reserve funds, issuance costs and capitalized interest. Includes enacted adjustments to UConn 2000 authorizations.

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 has also made commitments to municipalities to make future grant payments for school construction projects, payable over a period of years. In addition, the State has committed to apply moneys for debt service on loans to finance child care facilities and has certain other contingent liabilities for future payments.

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 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, aeronautic facilities (excluding Bradley International Airport), 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 established under the act, and payment of State contributions to the local bridge revolving fund established under the act. The infrastructure program is administered by the Department of Transportation.

The cost of the infrastructure program for State fiscal years 1985-2012, which will be met from federal, State, and local funds, is currently estimated at $23.5 billion. The State's share of such cost, estimated at $9.5 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 $0.6 billion and includes the expenses of the infrastructure program which 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 State fiscal years 1985-2012 to be financed by STO bonds currently is estimated at $8.9 billion. The actual amount may exceed $8.9 billion to finance reserves and cost of issuance amounts. 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 may also be issued for the purpose of refunding general obligation bonds of the State issued for transportation infrastructure purposes.

During fiscal years 1985-2007, $18.3 billion of the total infrastructure program was approved by the appropriate governmental authorities. The remaining $5.2 billion is required for fiscal years 2008-2012. The $5.2 billion of such infrastructure costs is anticipated to be funded with proceeds of $1.8 billion from the anticipated issuance of new STO bonds, $63 million in anticipated revenues, and $3.3 billion in anticipated federal 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. The aggregate of certain motor fuel taxes, motor vehicle receipts, motor vehicle related licenses, permits and fees, and portions of the oil companies tax and sales tax on motor vehicles and other transportation related revenue sources, including enacted adjustments to all the foregoing sources, are intended to cover the cost of the State's share of the infrastructure program, including debt service requirements. After providing for 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 following table shows the amount of STO bonds authorized by the General Assembly for the program, the amount issued and the amount outstanding (excluding refunded bonds) as of February 1, 2009. It is anticipated that additional STO bonds will be authorized by the General Assembly annually in an amount necessary to finance and to complete the 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 indentures controlling the issuance of such bonds are met. The State expects to continue to offer bonds for this program.

TABLE 15

Special Tax Obligation Bonds
As of February 1, 2009
(In Millions)

	New Money	Refundings[a]	Total
Amount Authorized	$8,807	N.A.	$8,807
Amount Issued	6,197	$3,340	9,537
Amount Outstanding	1,708	1,130	2,838

(a) Refunding Bonds do not require legislative approval.

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 the year ended June 30, 2008 the Special Transportation Fund paid $3.1 million of State direct general obligation transportation debt service payments. The amount budgeted by the Special Transportation Fund for State direct general obligation transportation debt service payments for fiscal year 2008-09 is $2.0 million.

During the past several years the Fund's revenues and expenses have undergone a variety of legislative changes. In 2003 legislation provided for a one-time transfer of $52 million from the Fund to the State's General Fund. In 2004 legislation increased the tax on gasohol and raised various motor vehicle fees resulting in an $18.6 million benefit to the Fund. In 2005 legislation increased the scheduled transfers to the Fund from the State's General Fund from Oil Companies Tax revenue by $22.5 million in fiscal year 2006, $30 million in fiscal year 2007, $53 million in fiscal year 2008, $79.9 million in each of fiscal years 2009-2013, and $98 million thereafter. In 2006, legislation again increased the scheduled transfers to the Fund from the State's General Fund from Oil Companies Tax revenue by $80 million in each of fiscal years 2007 - 2010 and by $100 million in fiscal year 2011 and thereafter. In July 2007 legislation increased the motor fuels tax on each gallon of diesel fuel from $0.26 to $0.37 and correspondingly exempted diesel fuel from the petroleum products gross earnings tax.

A fifteen member Transportation Strategy Board ("TSB") was established in 2001 to propose a transportation strategy, an implementation cost estimate and funding approaches to the Governor and General Assembly. The TSB's strategic goals are: 1) improve personal mobility within and through Connecticut; 2) improve the movement of goods and freight within and through Connecticut; 3) integrate transportation with economic, land use, environmental and quality of life issues; 4) develop policies and procedures that will integrate the state economy with regional, national and global economies; and 5) identify policies and sources that provide an adequate and reliable flow of funding necessary for a quality multi-modal transportation system. The TSB presented the initial transportation strategy to the Governor and General Assembly on January 6, 2003. In January 2007, as required in Public Act No. 06-136, the TSB again presented "Connecticut's Transportation Strategy" to the Governor and General Assembly.

In order to implement the strategy-related projects submitted by TSB, legislation was passed in 2005 that established fixed transfers from the Special Transportation Fund to the TSB project accounts in the amounts of $25.3 million in fiscal year 2005-06, $20.3 million in fiscal year 2006-07, $15.3 million in each of fiscal years 2007-08 through 2014-15 and $.3 million in fiscal year 2015-16 and thereafter. In September 2007 legislation authorized the transfer of $5.5 million on deposit in the Special Transportation Fund to the TSB's project account for various transportation related studies.

Public Acts in 2005 and 2006 authorized the issuance of more than $2.1 billion of special tax obligation bonds for the ten-year period from 2005 to 2014 for transportation system improvements, many of which are TSB recommended projects. As of February 1, 2009 $2.0 billion of the borrowing authorized is effective with the remaining $100 million becoming effective in fiscal years 2009-10. The entire $2.1 billion authorization is included in **Table 15**.

Legislation passed in 2006 also authorized the issuance of $1.3 billion in bonds in anticipation of future federal transportation funds and is not included in **Table 15**.

Other Special Revenue Funds and Debt

Bradley Airport

Bradley International Airport, located in Windsor Locks, Connecticut, is owned by the State and operated by the Bureau of Aviation and Ports in the State's Department of Transportation. The General Assembly has 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 $294 million bond issuance cap for Bradley Airport but retained the requirement for State Bond Commission approval of any new bond issue. As of February 1, 2009, there were $198.9 million of Bradley International Airport Revenue Bonds outstanding.

The 2001 legislation also established a Bradley Board of Directors to oversee the operation and development of Bradley Airport. The seven-member board includes five appointed members and the Commissioners of Transportation and Economic and Community Development. The Bradley Board is charged with a wide range of duties and responsibilities, including developing an organizational and management structure, approving the annual capital and operating budget, master plan, and community relations policies of the airport, and ensuring customer service standards and performance assessments.

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 1, 2009 $44.7 million of such bonds are outstanding.

The board of directors of Bradley Airport and the State Bond Commission approved a transaction authorizing the State Treasurer to refund Bradley International Airport General Airport Revenue Bonds, Series 2001A (AMT) for expected delivery in 2011 or thereafter and to enter into a forward starting interest rate swap transaction for the purpose of locking in current market savings. Pursuant to such authorization the State entered into certain swap agreements in April 2006.

Clean Water Fund

The General Assembly has authorized the issue of up to $1,753.4 million revenue bonds, of which $1,209.28 million have been issued, for the purpose of funding various State and federally mandated water pollution control and drinking water projects. The revenue bonds are payable solely from the revenues or other receipts, funds or moneys pledged therefor. The proceeds of the revenue bonds are loaned primarily to Connecticut municipalities to finance water pollution control and drinking water improvements, and the loan repayments by the municipalities secure the bonds. The loans are evidenced by interim funding obligations and project loan obligations of the municipalities, pursuant to which either the full faith and credit of each such municipality is pledged, or the revenues and other funds of a municipal sewer system are pledged. As of February 1, 2009 $641.2 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. In 1993, the State responded to a deficit in the Fund by, among other things, issuing three series of special obligation bonds totaling $1,020.7 million to repay certain federal borrowings and to fund certain reserves. All of these bonds were defeased in June 2001. To fund future shortfalls, the State has reserved the authority to issue bonds in an aggregate amount outstanding at any time not in excess of $1,000 million, plus amounts for certain reserves and costs of issuance. The State has not incurred any additional borrowing since 1993 other than borrowings from the Federal Unemployment Trust Fund for cash flow purposes which have been repaid prior to September 30 in each case and which therefore have not been subject to federal interest charges.

Second Injury Fund

The Second Injury Fund is a State-run workers' compensation insurance fund which 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 are currently outstanding. The State's management objective is to pay additional claims and settlements from current income and, if necessary, short term borrowings.

Rate Reduction Bonds

The General Assembly authorized the issuance of special obligation bonds to sustain funding of the conservation and load management and the renewable energy investment programs established under the general statutes. The State issued $205.3 million Special Obligation Rate Reduction Bonds (2004 Series A) in June 2004. These bonds were defeased June 5, 2008. The bonds were secured by certain revenues collected through a non-bypassable charge imposed upon each customer of the electric utilities within the State. Such revenues are property of the State and are pledged towards payment of debt service on the bonds and related costs, which pledge is a first priority lien on such revenues. The net proceeds of the bonds were deposited in the General Fund.

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, 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 special capital reserve fund, monies held in and credited to a special capital reserve fund are intended to be used solely for the payment of the principal of bonds secured by such special capital reserve fund, 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 special capital reserve fund 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 special capital reserve fund to its minimum level. The method for determining such required minimum capital reserve is set out in the legislation authorizing the special capital reserve fund. If the special capital reserve fund should fall below the required minimum capital reserve amount, an official of the authority or municipality which established the special capital reserve fund shall certify to the Secretary of the Office of Policy and Management or the State Treasurer or both the amount necessary to restore such special capital reserve fund 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 special capital reserve fund. On an annual basis, the State's liability under any special capital reserve fund mechanism is limited to its obligation to restore that fund to its minimum capital reserve amount.

Quasi-Public Agencies

The State has established by legislation several quasi-public agencies. These quasi-public agencies 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 Development Authority, the Connecticut Health and Educational Facilities Authority, the Connecticut Higher Education Supplemental Loan Authority, the Connecticut Housing Finance Authority, the Connecticut Resources Recovery Authority and the Capital City Economic Development Authority. Each of these public authorities is authorized to issue bonds in its own name to facilitate its activities and each has issued bonds secured by a special capital reserve fund, or other contractual arrangement, for which the State has limited contingent liability.

Connecticut Development Authority ("CDA"). The CDA was established in 1973 as a successor Authority. In order to discharge its responsibilities and fulfill its purposes, the CDA is authorized to offer various financing programs including The Mortgage Insurance and Loan Program (the "Insurance Fund"). As of February 1, 2009, $20.45 million of State bonds have been authorized but remain unissued to fund the Insurance Fund and loans insured by the Insurance Fund totaled $5.4 million. Other CDA programs include the Umbrella Bond Program, the Self-Sustaining Bond Program, the Connecticut Growth Fund, the

Connecticut Works Fund, the Connecticut Works Guarantee Fund, the Connecticut Capital Access, the Environmental Assistance Revolving Loan Fund, the Tax Incremental Financing Program, the High-Technology Infrastructure Fund and the General Obligation Bond Program. Currently, the only outstanding CDA bonds secured by special capital reserve funds were issued pursuant to the General Obligation Bond Program. Although there remains legislative authority for the issue of bonds secured by special capital reserve funds under the Umbrella Bond Program, no loans have been initiated under that program since 1985, and the CDA does not anticipate a resumption of any lending activity under that program.

Under the General Obligation Bond Program, the CDA issues bonds to finance eligible economic development and information technology projects. General revenues of the CDA, which are not otherwise pledged, are made available to service the debt of bonds issued under the General Obligation Bond Program. Although such bonds may also be secured by a special capital reserve fund, to date only $30.56 million 1993 Series A (Hartford Whalers Project) bonds have been secured by such a fund. As of February 1, 2009, $7.62 million of such bonds remain outstanding.

The Board of Directors of the CDA is comprised of eleven members: the State Treasurer, the Commissioner of Economic and Community Development, the Secretary of the Office of Policy and Management, as ex officio members; four members appointed by the governor and experienced in the field of financial lending or the development of commerce, trade or business; 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.

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. Payments from institutions provide funds to service the debt on loans made pursuant to the issuance of bonds and other obligations by CHEFA. 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.

Under CHEFA's nursing home program, loans are secured by mortgages on the nursing homes and pledges of gross receipts. Minimum debt service coverage ratios of 1.25 times annual debt service are required and restrictions are placed on the issuance of additional debt. Participating nursing homes are required to fund a debt service reserve fund in an amount equal to one year's maximum annual debt service and a working capital fund reserve account in an amount equal to 60 days of operating expenses or three year's maximum annual debt service. If a participating nursing home is in default or is likely to become in default under its loan agreement with CHEFA due to the failure to make any payment(s) required, CHEFA may request that the Commissioner of the Department of Social Services withhold any funds in the State's custody that are due and payable to the nursing home via a Medicaid intercept. Funds subject to withholding under this section include federal and state grants, contracts, allocations and appropriations.

The State Treasurer has applied appropriated funds and General Fund budget surplus to defease certain bonds for nursing homes in order to avoid any draw on the special capital reserve fund which secures such bonds. Legislation enacted in 1998 provides that no bonds secured by a special capital reserve fund are to be issued by CHEFA in the future for nursing homes, except for bonds that at least in part, refund, refinance, or otherwise restructure bonds under certain circumstances where the aggregate liability of the State with respect to such bonds will be less than the aggregate liability of the State with respect to the bonds being refunded, refinanced or restructured and that doing so is in the best interest of the State.

CHEFA is also allowed to issue revenue bonds to finance facility improvements for the Connecticut State University System (the "System") which are secured by one or more special capital reserve funds. The System has pledged University Student Fees and certain student parking fees as a source of funds for the payment of debt service on the bonds. The types of facilities of the System financed through CHEFA were financed in the past through self-liquidating general obligation bonds of the State, so implementation of this program should limit the need for the State to issue such bonds in the future.

Although CHEFA is authorized to issue bonds secured by a special capital reserve fund to finance equipment acquisitions by hospitals and clinical services projects for The University of Connecticut Health Center, these programs have not yet been implemented.

The Board of Directors of CHEFA is comprised of ten members including the State Treasurer and 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, their parents or others responsible for the cost of their education and provides an alternative method to enable institutions for higher education in the State to assist qualified students to attend such institutions. 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 service the debt 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 special capital reserve fund.

The Board of Directors of CHESLA is comprised of eight members including the State Treasurer, the Secretary of OPM and the Commissioner of Higher Education, serving ex officio, and five members appointed by the Governor based on their qualifications in the areas of higher education and/or public finance.

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 multifamily 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 which 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 $1.5 billion. In order to finance these activities CHFA has established a Housing Mortgage Finance Program and has issued its general obligation bonds under a General Bond Resolution pursuant to which CHFA has pledged all revenues which 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 special capital reserve fund.

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 Special Needs Housing Mortgage Finance Program Special Obligation Bonds under a separate indenture, including bonds for group homes, assisted living facilities, supportive housing and residential care homes, which bonds are and will be secured by a special capital reserve fund.

In 2008 a public act authorized CHFA to issue up to $50 million of bonds to fund an Emergency Mortgage Assistance Program and required the Treasurer and the Office of Policy and Management 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. Additionally, the public act provided for the appropriation of $2.5 million from the State Banking Fund to the State Treasurer for such contract assistance for the fiscal year ending June 30, 2009.

The Board of Directors of CHFA is comprised of fifteen members: the Commissioner of Economic and Community Development, the Secretary of OPM, the Commissioner of Banking and the State 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.

Connecticut Resources Recovery Authority ("CRRA"). CRRA was created in 1973 to assist municipalities in meeting their solid waste disposal and recycling needs. To further its purpose CRRA develops, finances and supervises solid waste management facilities and contracts. CRRA has developed four integrated solid waste systems that serve over 100 municipalities in the State. CRRA bonds may be secured by a special capital reserve fund. CRRA bonds are generally secured by service agreements with participating municipalities under which the municipalities agree to deliver a minimum amount of waste to a specified facility each year or to pay the tipping fee for any amount that does not meet the minimum commitment. These service agreements are generally secured by the municipality's full faith and credit. CRRA bonds are additionally secured by revenues from the sale of energy generated by the facility and waste from non-municipal sources.

The Board of Directors of CRRA 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 is one vacancy. In addition, there are eight ad hoc members, two representing each of the four facilities. Such ad hoc members may only vote on matters pertaining to their respective facility. As of February 1, 2009, only three ad hoc seats were filled.

Capital City Economic Development Authority ("CCEDA"). CCEDA was created in 1998 and was granted the power to issue revenue bonds for a convention center project in Hartford. The bonds are to be backed by State contractual assistance equal to annual debt service. In 2004 a public act authorized CCEDA to use a special capital reserve fund in connection with any such revenue bonds, but there are currently no plans for such an issue.

In December 2003 the State Bond Commission approved up to $100 million of revenue bonds and other borrowings and in December 2004 approved an increase in the authorized amount to $122.5 million. CCEDA has issued $110 million of its revenue bonds backed by the State's contract assistance agreement equal to annual debt service on the revenue bonds, consisting of $72.5 million issued in July 2004, $15 million issued in August 2005 and $22.5 million in December 2008. 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 CCEDA reimburses the State for such contract assistance payments from parking and energy fee revenues after payment of operating expenses. Under the agreement between CCEDA and the State, after completion of the convention center project CCEDA 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, an adjacent parking structure underlying the Connecticut Science Center and a retail and entertainment district, including a fourth parking structure, which currently are under construction. The full convention center project is not expected to be completed or placed in service at least until 2013. In the fiscal year ending June 30, 2006, the first full year of operations of the convention center, the delay in these additional elements, higher than anticipated operating expenses and startup expenses resulted in insufficient parking revenues, after operating expenses, to fully reimburse the State for debt service payments in June 2006. This situation has continued since then, so that there are significant shortfalls in excess revenues to fund the reimbursement obligation. This is expected to continue at least until the other elements of the project are completed. As debt service on CCEDA's revenue bonds continues to be paid under the contract assistance agreement, CCEDA'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 CCEDA.

The Board of Directors of CCEDA is comprised of seven members appointed jointly by the Governor, the speaker of the House of Representatives, the majority leader of the House of Representatives, the minority leader of the House of Representatives, the president pro tempore of the Senate, the majority leader of the Senate and the minority leader of the Senate, and includes members who have expertise in the fields of commercial and residential real estate construction or development and financial matters. There is one vacancy on the Board.

UConn 2000 Special Obligation Financing. The University of Connecticut may issue special obligation bonds which may be secured by a special capital reserve fund which the State undertakes to restore to its minimum level. Before issuing special obligation bonds secured by such a special capital reserve fund, 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 which are not secured by such a special capital reserve fund.

Assistance to Municipalities

In addition to the limited or contingent liabilities that the State has undertaken in connection with the activities of its quasi-public agencies, 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 or other obligations issued by the City of Waterbury and the Southeastern Connecticut Water Authority. The State previously was obligated pursuant to the establishment of a special capital reserve fund to secure certain bonds issued by the City of Bridgeport to fund its past budget deficits; however such bonds were refunded by the City in 1996. The State previously had guaranteed debt service on bonds of the City West Haven, but an irrevocable escrow has been established to pay such bonds. Legislation also authorized distressed municipalities, in certain circumstances and subject to various conditions, to issue deficit funding obligations secured by a special capital reserve fund. There are no such obligations currently outstanding.

The City of Waterbury. In March and June 2001 the State adopted legislation to assist the City of Waterbury in financing its budget deficits. The legislation imposed certain financial controls on the City and created a Waterbury Financial Planning and Assistance Board. The legislation authorized the City, subject to approval of the Board and the State Treasurer, to issue bonds for the purpose of funding the City's past budget deficits. Payment of the bonds is serviced through the City's taxing authority. The legislation requires the

City to direct certain of its tax revenues to a trustee through a tax intercept mechanism for the purpose of servicing the debt on its bonds. The legislation also provides for the establishment of a special capital reserve fund to further secure up to $100 million bonds issued by the City to fund its budget deficits. The State is contingently obligated to restore the special capital reserve fund to its required minimum.

The Waterbury Financial Planning and Assistance Board was comprised of the Secretary of the Office of Policy and Management, the State Treasurer, the Mayor of the City, and four members appointed by the Governor, one affiliated with a business located in the City, one with expertise in finance, one resident of the City and one a representative of organized labor. On January 23, 2007, the Board determined that the City had met all of the legislation's requirements for the termination of the Board, and the Board by resolution discontinued its existence and its exercise of its powers, duties and functions.

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

State Treasurer's Role

By statute, CDA, CHEFA, CHFA, CHESLA, CRRA and CCEDA may not owe any money or issue any bonds or notes which are guaranteed by the State of Connecticut or for which there is a special capital reserve fund 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 State Treasurer or the Deputy State 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 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 special capital reserve fund of any kind which 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 State Treasurer. The State 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 Contingent Debt

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

TABLE 16
Bond Authorizations With
Limited Or Contingent Liability
(In Millions)

	Authorized SCRF or Guaranteed Debt As of 2/1/09	**Outstanding SCRF or Guaranteed Debt As of 2/1/09**	**Minimum Capital Reserve Requirement As of 2/1/09**
INDEBTEDNESS SECURED BY SPECIAL CAPITAL RESERVE FUNDS			
Connecticut Development Authority			
Umbrella Bond Program	$300.0	$0.0	$0.0
General Obligation Bond Program	30.6	7.62	2.3
Connecticut Health and Educational Facilities Authority			
Nursing Home Program	(a)	22.5	1.7
Connecticut State University System	(a)	302.1	27.6
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	143.75	12.6
Connecticut Housing Finance Authority			
Housing Mortgage Finance Program	(a)	3,813.4	273.5
Special Needs Housing Mortgage Finance Program	(a)	56.4	4.0
Connecticut Resources Recovery Authority	725.0	60.7	12.3
University of Connecticut Student Fee Revenue Bonds	(a)	26.01	2.126
City of Waterbury Special Capital Reserve Fund Bonds	100.0	45.745	7.346
INDEBTEDNESS GUARANTEED BY STATE			
Southeastern Connecticut Water Authority	15.0	1.53	N.A.

(a) No statutory limit.

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 which 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 Education.

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 which vary in amounts from year to year. The State has authorized new school construction grant commitments of approximately $531.5 million which take effect in the 2008-09 fiscal year. As of June 30, 2008, the Commissioner estimates that current grant obligations under this program are approximately $2.64 billion which includes approximately $6.48 billion in grants approved as of such date less payments already made of $3.84 billion.

Prior to 1997 the grant program was conducted differently. For certain school projects grants for construction costs are paid to the cities, towns and districts in installments which 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, 2008, under the grant program prior to 1997 the State is obligated to various cities, towns and regional school districts for approximately $376 million in aggregate principal installment payments and $75 million in aggregate interest subsidies, for a total of $451 million. Funding for these payments may come from future State direct general obligation bond sales. No new grant commitment can be authorized under this program.

The legislature has authorized bonds for both grant programs based on the amount of grants that the Commissioner of Education 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.

Child Care Facilities Debt Service Commitments

Legislation enacted in 1997 authorized CHEFA to issue bonds and loan the proceeds to various entities to finance child care facilities. The Department of Social Services may enter into commitments to apply monies for each such entity to pay the debt service on the loans in amounts sufficient to cover a portion of the debt service on CHEFA's bonds. Legislation enacted in 1999 provided for the obligation of the Department of Social Services to make debt service payments to be made by the State Treasurer. Any obligation by the Department of Social Services or the State Treasurer to pay is subject to annual appropriation. CHEFA first issued special obligation bonds under this program in 1998. As of February 1, 2009 CHEFA has approximately $69.6 million bonds outstanding under this program with annual debt service of approximately $5.4 million, of which the Department of Social Services is committed to pay approximately $4.5 million. The remaining portion of debt service is to be paid from Department of Education and Department of Social Services intercepts of revenues from providers.

Two other Child Care Facilities programs also authorize the Commissioner of the Department of Social Services 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 Department, and is currently limiting the aggregate amount of guaranties to the balance of monies in the reserve funds for the respective programs.

Other Contingent Liabilities

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 group contracts with insurance companies which 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, 2008 the current and long term liabilities of the Corporation total $291 million.

PENSION AND RETIREMENT SYSTEMS

State Employees' Retirement Fund

The State Employees' Retirement Fund is one of the systems maintained by the State with approximately 53,196 active members, 1,592 inactive (vested) members and 38,093 retired members as of June 30, 2008. Generally, employees hired before July 1, 1984 participate in the Tier I plan, which includes employee contributions. As of July 1, 2008 approximately 13% 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 and provides somewhat lesser benefits. As of July 1, 2008, approximately 42% 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, 2008, approximately 45% of the total work force was covered under the Tier IIA Plan.

Since fiscal year 1978-79, payments into the State Employees' Retirement Fund and investment income in each fiscal year, with the exception of fiscal year 2003-04, have been sufficient to meet benefits paid from the fund in such year. 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 most recent actuarial valuation of November 2008 indicated that, as of June 30, 2007, the State Employees' Retirement Fund had assets with an actuarial value of $9,585.0 million and as of June 30, 2008, the State Employees' Retirement Fund had assets with an actuarial value of $9,990.2 million. The actuarial valuation was based upon an 8.25% earnings assumption and the impact of phasing in an approximately 4.8% negative return on plan assets for the 2007-08 fiscal year. The Treasurer has realized an annualized net return of 6.06% on investment assets in the State Employees' Retirement Fund over the past ten years (fiscal year 1998-99 through fiscal year 2007-08) and an annualized net return of 9.43% over the past five years (fiscal year 2003-04 through fiscal year 2007-08). The November 2008 actuarial valuation indicated that as of June 30, 2008 the State Employees' Retirement Fund had a funded ratio of 51.9% on a projected basis. As of June 30, 2008 the market value of the fund's investment assets, as reported in the actuarial valuation, was $9,329,175,038. The market value of the fund's investment assets is continually subject to change based on a variety of factors, including changes in the financial and credit markets and general economic conditions and the current market value of the fund's investment assets is lower than it was at June 30, 2008.

The November 2008 actuarial valuation determined the following employer contribution requirements, based on a projected unit credit actuarial cost method and level percent-of-payroll contributions, which contributions are sufficient to meet Governmental Accounting Standards Board ("GASB") standards: (i) $897.4 million for fiscal year 2009-10, and (ii) $944.1 million for fiscal year 2010-11. The annual contribution requirements for fiscal years 2009-10 and 2010-11 include amounts which may be required pursuant to the Supreme Court's decision in the case of ***Longley v. State Employees Retirement Commission*** which requires that the plaintiffs' final pro-rated longevity payment be included in the earnings calculations for purposes of calculating their retirement incomes. The State met 99.25% of its annual contribution requirement for fiscal year 2007-08. To meet the State's annual contribution requirements for fiscal year 2008-09, $575.8 million was appropriated from the General and Special Transportation Funds. The Office of Policy and Management projects that contributions to the fund for fiscal year 2008-09 from grant reimbursements from Federal and other funds will be sufficient to meet the balance of the required annual contribution.

Set forth below 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, and benefits paid for each of the past five fiscal years, and the actuarial accrued liabilities, the actuarial values of fund assets and the resulting unfunded accrued liabilities for the actuarial valuations as of June 30, 2004, June 30, 2006 and June 30, 2008.

TABLE 17

State Employees' Retirement Fund

	Year Ending June 30				
	2004	**2005**	**2006**	**2007**	**2008**
General Fund Contributions	$ 321,866,112	$ 354,400,568	$ 447,209,748	$ 477,219,351	$ 481,878,589
Transportation Fund Contributions	44,864,000	48,916,000	60,055,000	63,819,000	67,058,000
Federal and other Reimbursements	103,602,832	115,447,400	115,797,984	122,892,384	162,618,685
Employee Contributions	47,632,219	51,721,944	55,234,913	61,794,719	67,389,585
Total Contributions	$ 517,965,163	$ 570,485,912	$ 678,297,645	$ 725,725,454	$ 778,944,859
Investment Income[(a)]	$ 312,386,363	$ 329,385,117	$ 310,506,921	$ 352,538,549	$ 371,620,098
Net Realized Gains (Losses)	$ 49,503,590	$ 1,948,216	$ 14,036,602	$ 300,610,772	$ 323,533,563
Net Unrealized Gains (Losses)	674,046,391	454,670,646	532,826,108	856,560,402	(1,171,995,109)
Total Net Gains (Losses)	$ 723,549,981	$ 456,618,862	$ 546,862,710	$ 1,157,171,174	$ (848,461,546)
Benefits Paid	$ 868,165,140	$ 882,375,233	$ 913,030,578	$ 951,353,124	$ 1,008,131,838
Actuarial Accrued Liabilities	$15,128,502,117	N/A	$16,830,349,168	N/A	$19,243,372,754
Actuarial Values Of Assets	8,238,250,287	N/A	8,951,392,914	N/A	9,990,247,212
Unfunded Accrued Liabilities	$ 6,890,251,830	N/A	$ 7,879,019,254	N/A	9,253,125,542

(a) Investment Income (exclusive of net realized gains and losses).

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 establishing salary schedules for teachers, municipalities do not provide contributions to the maintenance of the fund. As of June 30, 2008, there were 61,421 active and former employees with accrued and accruing benefits and 28,609 retired members.

Since fiscal year 1978-79, payments into the Teachers' Retirement Fund and investment income in each fiscal year, with the exception of fiscal years 2003-04 and 2004-05, have been sufficient to meet benefits paid from the fund in such year. 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.

Actuarial valuations are performed as of June 30th of each even-numbered year. The most recent actuarial valuation dated November 12, 2008 indicated that, as of June 30, 2008, the Teachers' Retirement Fund had assets, inclusive of the cost-of-living adjustment reserve account, with an actuarial value of $15,271.0 million. The actuarial valuation was based upon an 8.50% earnings assumption. The Treasurer has realized an annualized net return of 6.13% on investment assets in the Teachers' Retirement Fund over the past ten years (fiscal year 1998-99 through fiscal year 2007-08) and an annualized net return of 9.56% over the past five years (fiscal year 2003-04 through fiscal year 2007-08). The November 2008 actuarial valuation indicated that as of June 30, 2008 the Teachers' Retirement Fund had a funded ratio of 70.1% on a projected basis. As of June 30, 2008, the market value of the fund's investment assets, as reported in the actuarial valuation, was

$14,551,467,434. The market value of the fund's investment assets is continually subject to change based on a variety of factors, including changes in the financial and credit markets and general economic conditions and the current market value of the fund's investment assets is lower than it was at June 30, 2008.

The actuarial valuation dated November 29, 2006 determined the following employer contribution requirements, based on an individual entry-age actuarial cost method and level percent-of-payroll contributions, which contributions are sufficient to meet GASB standards: (i) $518.6 million for fiscal year 2007-08, and (ii) $539.3 million for fiscal year 2008-09. The State met its annual contribution requirement for fiscal year 2007-08. To meet the State's annual contribution requirement for fiscal year 2008-09, $539.3 million has been appropriated. The actuarial valuation dated November 12, 2008 determined the following employer contribution requirements, which are sufficient to meet GASB standards: (i) $559.2 million for fiscal year 2009-10, and (ii) $581.6 million for fiscal year 2010-11.

Set forth below are State contributions to the Teachers' Retirement Fund, employee contributions, investment income, net realized gains and losses, net unrealized gains and losses, and benefits paid for each of the past five fiscal years, and the actuarial accrued liabilities, the actuarial values of fund assets and the resulting unfunded accrued liabilities for the actuarial valuations as of June 30, 2004, June 30, 2006 and June 30, 2008.

TABLE 18

Teachers' Retirement Fund

	Year Ending June 30				
	2004	2005	2006	2007	2008
General Fund Contributions	$ 185,348,144	$ 185,348,143	$ 396,248,844	$ 412,101,958	$2,518,560,263[a]
Employee Contributions[b]	237,705,201	259,408,422	293,530,283	279,147,447	275,268,365
Total Contributions	$ 423,053,345	$ 444,756,565	$ 689,779,127	$ 691,249,405	$2,793,828,628
Investment Income[c]	$ 440,180,533	$ 460,613,365	$ 372,811,689	$ 482,745,492	$ 519,183,177
Net Realized Gains (Losses)	$ 66,792,223	$ 2,275,332	$ 45,550,687	$ 650,696,447	$ 188,080,715
Net Unrealized Gains (Losses)	975,940,607	645,128,201	736,860,094	967,671,640	(1,414,057,911)
Total Net Gains (Losses)	$1,042,732,830	$ 647,403,533	$ 782,410,781	$1,618,368,087	$(1,225,977,196)
Benefits Paid	$ 874,593,010	$ 964,597,731	$1,050,132,506	$1,159,443,441	$ 1,266,950,462
Actuarial Accrued Liabilities	$16,530,678,148	N/A	$18,703,792,895	N/A	$21,801,020,991
Actuarial Values Of Assets[d]	11,306,878,529	N/A	11,781,338,002	N/A	15,271,012,785
Unfunded Accrued Liabilities	$ 5,223,799,619	N/A	$ 6,922,454,893	N/A	$ 6,530,008,206

(a) In April 2008 the State issued $2,276,578,270.75 Taxable General Obligation Bonds (Teachers' Retirement Fund 2008 Series) and $2.0 billion of the proceeds of such bonds were deposited into the Teachers' Retirement Fund.

(b) Includes municipal contributions under early retirement incentive programs ($1,495,353 during fiscal year 2003-04, $2,456,776 during fiscal year 2004-05, $2,802,639 during fiscal year 2005-06, $2,659,720 during fiscal year 2006-07 and $1,667,810 during fiscal year 2007-08); does not include employee contributions to the Teachers' Retirement Health Insurance Fund ($24,242,639 during fiscal year 2003-04, $43,830,845 during fiscal year 2004-05, $39,144,621 during fiscal year 2005-06, $40,070,052 during fiscal year 2006-07 and $41,296,730 during fiscal year 2007-08).

(c) Investment Income (exclusive of net realized gains and losses).

(d) For years prior to fiscal year 2007-2008, includes cost-of-living adjustment reserve account. As of June 30, 2007 the fund was dissolved and its assets combined with Teachers' Retirement Fund assets.

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 $2,276,578,270.75 of such bonds.

Section 8 of Public Act No. 07-186 provides that in each fiscal year that any TRF Bonds (or any refunding 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 which 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.

The statutory provisions which govern pension benefits payable from the Teachers' Retirement Fund include certain cost of living adjustments. Public Act No. 07-186 added a provision limiting cost-of-living adjustments for employees hired after July 1, 2007, but also removed a statutory provision which subjected certain annual cost of living adjustments in pension benefits to a limit based on funds available from earnings on fund investments which exceeded an 11.5% return. Such excess earnings were held in the cost-of-living adjustment reserve account until applied to provide for cost of living adjustments. Although there are other statutory limits on the cost of living adjustments, it is anticipated that the removal of the limit based on available earnings which exceeded an 11.5% return will cause an increase in the aggregate actuarial accrued liability of the fund. One preliminary report estimated that these changes could increase the unfunded actuarial accrued liability by approximately $1.0 billion. This preliminary estimate was based on various assumptions and no assurances can be given that subsequent projections or the next actuarial report will not result in a higher or lower estimate.

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, 2008, there were approximately 225 active members of these plans and approximately 254 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 Treasurer who may invest and reinvest as much of the fund's assets as are not required for current disbursements, which are comprised primarily of benefit payments. Any employee who elects or has elected to participate in the program may elect to receive a refund of all contributions made by the employee into the state employees retirement system in lieu of receiving any pension benefits under said retirement system.

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

State employees, except for police and members of a retirement system other than the State Employees' Retirement Fund, whose employment commenced after February 21, 1958, are entitled to Social Security coverage. Certain employees hired prior to that date have also elected to be covered. Pursuant to a collective bargaining agreement, State Troopers hired on or after May 8, 1984 are entitled to Social Security coverage. As of June 30, 2008, approximately 62,828 State employees were entitled to Social Security coverage. The amount expended by the State for Social Security coverage for fiscal year 2007-08 was $298.6 million. Of this amount, $221.3 million was paid from the General Fund and $14.4 million was paid from the Special Transportation Fund.

The State provides post-retirement health care and life insurance benefits to all employees who retire from State employment. The State finances the cost of such benefits on a pay-as-you-go basis; as such, the State has not established any fund for the accumulation of assets with which to pay post-retirement health care and life insurance benefits in future years. The State will need to make significant General Fund appropriations for such benefits each fiscal year. For fiscal year 2008-09 $484.2 million was appropriated.

Implementation of GASB Statement No. 45 regarding accounting and financial reporting for postemployment 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 2007-08. The State has received an actuarial report dated March 2007 with respect to the State's liability for post-retirement health care benefits for persons covered under the State Employees Retirement System and other State retirement systems, excluding the Teachers' Retirement System. The report indicated an OPEB actuarial accrued liability as of April 1, 2006 estimated to range from $11.4 billion to $21.7 billion. The amounts depend upon various assumptions including those with respect to medical cost inflation rates, the establishment of a trust to fund those liabilities, the amount of initial and annual amounts deposited in such a trust and discount rates. The report used discount rates ranging from 4.5% to 8.5%. The amount of the annual required contribution under these various assumptions ranged from $1.0 billion to $1.6 billion for fiscal year 2006-07, based on a projected unit credit actuarial cost method and level percent-of-payroll contributions. Additional assumptions were also tested for sensitivity analysis which produced different results. The annual required contribution included the cost for both current eligible employees and retirees. The State has received an interim actuarial valuation dated February 16, 2009 with respect to the State's liability for post-retirement health care benefits for persons covered under the State Employees Retirement System and other State retirement systems, excluding the Teachers' Retirement System, based upon the stated assumptions of the March 2007 actuarial report but reflecting actual increases in the State's medical and dental costs between April 1, 2006 and June 30, 2008. The report indicates an OPEB actuarial accrued liability as of June 30, 2007 of up to $23.1 billion and a projected actuarial accrued liability as of June 30, 2008 of up to $24.6 billion on an unfunded basis with no valuation assets available to offset the liabilities of the plan. The interim actuarial valuation determined an employer contribution requirement for fiscal year 2007-08 of up to $1.66 billion on an unfunded basis, based on a projected unit credit actuarial cost method and level percent-of-payroll contributions. The State paid $458.4 million for eligible employees and $415.4 million for retirees for health care costs in fiscal year 2006-07. The State paid $480.0 million for eligible employees and $468.8 million for retirees for health care costs in fiscal year 2007-08.

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 expended by the State for such coverage.

TABLE 19

State Employee Retirees Health Care And Life Insurance Benefits

	Year Ending June 30				
	2004	2005	2006	2007	2008
Retirees Eligible to Receive Benefits	38,078	39,737	38,065	37,506	38,917
Retirees Receiving Health Care Benefits................	35,581	36,815	36,911	37,304	37,865
Retirees Receiving Life Insurance Benefits........	25,871	25,827	25,943	25,565	25,581
General Fund Expenditures on Retiree Health Care and Life Insurance Benefits (millions)......................	$320.8	$377.0	$395.0	$435.5	$472.0

The State makes a General Fund appropriation to the Teachers' Retirement Fund to cover one-third of retiree health insurance costs plus any portion of the balance of such costs which is not funded from the amounts available in the Teachers' Retirement Health Insurance Fund. The amount of $24.4 million has been appropriated for such purpose for fiscal year 2008-09. 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. It is anticipated that significant General Fund appropriations will be required for each fiscal year to meet retiree health insurance costs. Legislation which became effective July 1, 1998 generally requires the State to subsidize the health insurance costs of retired teachers who are not members of the Teachers' Retirement Board's health benefit plan in a manner consistent with its prior practice of subsidizing the health insurance costs of those retired teachers who were members of the Board's health benefit plan. Legislation which became effective July 1, 2008 generally requires the State to subsidize a portion of the health insurance costs of retired teachers who have attained normal retirement age, are ineligible to participate in Medicare Part A and pay to participate in local board of education retiree health benefit plans. Since July 1, 1994, retiree health benefits 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 commencing with those for fiscal year 2007-08. The Teachers' Retirement Board has received an actuarial valuation of the State's liability with respect to post-retirement health care benefits for members of the Teachers' Retirement Fund. The report indicates an actuarial accrued liability as of June 30, 2008 of $2,318.8 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. The actuarial valuation determined a $116.7 million employer contribution requirement for fiscal year 2008-09 and $121.3 million for fiscal year 2009-10, based on an individual entry-age actuarial cost method and level percent-of-payroll contributions. The State paid $20.7 million for post-retirement health insurance costs for fiscal year 2007-08. The valuation noted that if the plan were prefunded the actuarial accrued liability as of June 30, 2008 would be reduced to $1.52 billion based on a 7.5% earnings assumption, which would result in a $67.9 million employer contribution requirement for fiscal year 2008-09.

Set forth below for each of the past five fiscal years are State contributions to the Teachers' Retirement 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.

TABLE 20

Teachers' Retirement Health Insurance Fund

	Year Ending June 30				
	2004	**2005**	**2006**	**2007**	**2008**
Portions Attributable To Post-Retirement Medicare Supplement Health Insurance......................	$ 6,872,323	$ 7,142,769	$ 9,897,646	$12,922,673	$12,909,315
Portions Attributable To Non-Board Health Insurance Cost Subsidy	5,333,743	5,715,000	7,765,203	7,826,864	7,860,352
Total General Fund Contributions................	$12,206,066	$12,857,769	$17,662,849	$20,749,537	$20,769,667

Additional Information

The June 30, 2008 audited financial statements which are included as **Appendix III-C** hereto, and in particular notes 11 through 15 and note 17 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 25 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.

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 $15 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 P.A. 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, among other things, open two new magnet schools in the Hartford area each year, substantially increase the voluntary interdistrict busing program in the Hartford area, and work collaboratively with the plaintiffs in planning for the period after the four year duration of the proposed order. That agreement expired in June, 2007, and the anticipated costs of that agreement have been expended.

On August 23, 2006, the City of Hartford moved to intervene in the case, and on January 4, 2007, the Court granted that motion. On July 5, 2007 the plaintiffs filed a motion for an order to enforce the judgment and to order a remedy, alleging that the State remained in material non-compliance with the *Sheff* mandate. In November 2007 the Superior Court began a hearing on the plaintiffs' motion, and in January 2008 completed that hearing. A decision remained pending.

On April 4, 2008, a tentative settlement between the plaintiffs and the State requiring the State to comply with defined bench marks over a period of time was presented to the legislature in accordance with Section 3-125a of the Connecticut General Statutes. The legislature approved the settlement on May 4, 2008 and the court approved it on June 12, 2008. Thereafter, the City of Hartford also agreed to settle with the parties. The court approved this settlement by stipulation on August 28, 2008. Under these settlements and court orders, the State has ongoing obligations to work toward certain enumerated goals aimed at reducing racial, ethnic and economic isolation in the Hartford public schools, as detailed in the orders themselves.

S*tate Employees Bargaining Agent Coalition v. Rowland* is a Federal District Court case in which a purported class of laid off State employees have 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 claim 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 case remains pending. The same purported class has brought related state law claims in State Court under the caption ***Conboy v. State of Connecticut***. On October 20, 2006 the Superior Court in

Conboy v. State of Connecticut denied the State's motion to dismiss, and the State has appealed. That appeal remains pending in the Connecticut Supreme Court.

State of Connecticut v. Philip Morris, Inc., et al., is the action that resulted in the 1998 Master Settlement Agreement ("MSA"), through which Connecticut and fifty-one other states and territories resolved their claims against the major domestic tobacco manufacturers. The Connecticut Superior Court retains continuing jurisdiction over disputes involving the MSA. From 2004 through 2008, the State was engaged in litigation against several tobacco companies that participate in the MSA regarding the calculation of the companies' payments to the State for the year 2003. The litigation focused on whether the parties' payment dispute must be decided by the state courts or by an arbitration panel. In December, 2008, the Connecticut Supreme Court sided with the tobacco companies and ruled that the MSA requires all aspects of the payment dispute to be arbitrated. If an arbitration results in a decision adverse to the State, that determination would likely reduce or eliminate the State's MSA payments for 2004 and possibly even subsequent years.

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. Purporting to represent a class of similarly situated students in selected school districts, 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 these 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 under 42 United States Code Section 1983, on the grounds that minority students have been disproportionately impacted. 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 have 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 remains, 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, and that appeal remains pending.

Since 1991, the State Department of Children and Families has been operating under the provisions of a federal court-ordered consent decree in ***Juan F. v. Weicker*** case. In October 2003 the State entered into an agreement with the ***Juan F.*** Court Monitor and lawyers representing the plaintiff class of children in the child welfare system designed to end judicial oversight of the agency by November 2006. The agreement was approved and ordered by the court. The agreement included the establishment of a Transition Task Force, which included the ***Juan F.*** Court Monitor, who was given full and binding authority to develop an Exit Plan. The Court Monitor's Exit Plan includes an open-ended funding provision (virtually identical to that contained in the Consent Decree). The State has objected to this provision of the Exit Plan, which was adopted by the court in December 2003, claiming in part that the Exit Plan requires the State to provide open-ended funding to implement the plan which could violate the State's constitutional cap on spending. On February 10, 2004 the court denied the State's request to reconsider the funding provision. In 2005 the Court entered orders that ended the Transition Task Force and revised the monitoring order, but left in place the open-ended funding provision. The State is currently working to meet the requirements of the Exit Plan. By letter dated May 5, 2008, the plaintiffs notified the defendants and the Court Monitor of their view that the defendants "are in actual or likely noncompliance" with two provisions of the revised monitoring order. Pursuant to the order, the parties had to engage in a period of mediation, after which the Court, if there were no negotiated resolution, could make findings and issue orders. As a remedy, the plaintiffs requested the appointment of a limited receiver tailored to address the defendants' performance regarding the two identified provisions. On July 17, 2008 the Court approved a stipulation by the parties resolving the plaintiffs' claims of noncompliance with these two provisions. The State has continued to work with the plaintiffs and the Court Monitor to meet the requirements of the Exit Plan.

While the various cases described in this paragraph involving alleged ***Indian Tribes*** do not specify the monetary damages sought from the State, the cases are mentioned because they claim State land and/or sovereignty over land areas that are part of the State of Connecticut. Several suits have been filed since 1977 in the Federal District Court and the Connecticut Superior Court on behalf of alleged ***Indian Tribes*** in various parts of the State, claiming monetary recovery as well as ownership to land in issue. Some of these suits have been settled or dismissed. The plaintiff group in one of the remaining suits is the alleged Golden Hill Paugussett Tribe and the lands involved are generally located in Bridgeport, Trumbull and Orange. In June of 2004 the Federal Bureau of Indian Affairs denied recognition to the alleged Golden Hill Paugussett Tribe of Indians. The alleged Tribe filed an appeal with the United States Secretary of Interior, and that appeal was dismissed on March 18, 2005. On November 30, 2006 the federal district court dismissed the Golden Hill Paugussett's land claims. The Golden Hill Paugussett Tribe appealed the dismissal to the U.S. Court of Appeals for the Second Circuit, and on September 10, 2007 that appeal was dismissed. The Golden Hill Paugussett Tribe has not appealed the denial of its petition seeking federal recognition, but has until March 2011 to do so. An additional suit was filed by the alleged Schaghticoke Tribal Nation claiming ownership of privately and town held lands in the Town of Kent. The State is not a defendant to that action. In February 2004 the Federal Bureau of Indian Affairs issued a final determination granting federal recognition to the Schaghticoke Tribal Nation. The State appealed that decision to the Federal Department of Interior Board of Appeals, which on May 13, 2005 vacated the determination and remanded the matter to the Federal Bureau of Indian Affairs for reconsideration. On October 12, 2005 the Federal Bureau of Indian Affairs declined to acknowledge the Schaghticoke Tribal Nation, and the alleged Tribe appealed that decision to the United States District Court. The District Court dismissed the appeal on August 22, 2008, and the Schaghticoke Tribal Nation appealed that decision to the U.S. Court of Appeals for the Second Circuit. The land claims have been stayed pending the resolution of the federal recognition matter. In June 2002 the Federal Bureau of Indian Affairs issued a final determination granting federal recognition to the Historic Eastern Pequot tribe. The State appealed the decision to the Federal Department of the Interior Board of Appeals, which on May 13, 2005 vacated the determination and remanded the matter to the Federal Bureau of Indian Affairs for reconsideration. On October 12, 2005, the Federal Bureau of Indian Affairs declined to acknowledge this group as an Indian tribe. The Pequot Tribe has not appealed this decision, but has until October 2011 to do so. It is possible that other land claims could be brought by other 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 ***White Oak Corp.*** has brought demands for arbitration against the State of Connecticut, Department of Transportation ("DOT"), pursuant to State statute, alleging breaches of contract in connection with both the Tomlinson Bridge construction project in New Haven and a separate construction project in Bridgeport. In December of 2005, the American Arbitration Association ruled against White Oak in the Tomlinson Bridge construction project, rejecting their claim for $90 million and instead awarded DOT damages in the amount of $1.17 million. The Superior Court confirmed the panel's decision, but White Oak thereafter filed a new demand for arbitration seeking $110 million for delay damages in connection with the same Tomlinson Bridge project. The State sought an injunction on this second demand in light of the rulings in the first demand for arbitration. The Superior Court denied the State an injunction, but on May 20, 2008 the Connecticut Supreme Court reversed and ordered that the Superior Court issue a permanent injunction barring White Oak from pursuing the second arbitration. The Bridgeport project claim for arbitration is ongoing and in that proceeding White Oak claims damages of $50 million. Another matter involving the DOT is ***Rock Acquisition Limited Partnership v. State of Connecticut, Commissioner of Transportation***, which is a state court eminent domain case that arises from DOT's condemnation of a rock quarry in Brookfield. The property was condemned for approximately $4.1 million. State appraisals have more recently valued the property at approximately $2 million. The condemnee contends that it was worth $70 million at the time of taking, based in large part upon a claim that its business was likely to make substantial money from contractors who will pay to place clean fill at the quarry. The case proceeded to trial in 2008, and a decision is pending in the Superior Court. Because the condemnation is part of a federally funded DOT program, the ultimate cost to the State of this taking will be reduced by a significant percentage. Any arbitration awards or judgments in these matters are generally payable from the Special Transportation Fund, subject to the prior lien granted under the Act and the Indenture for bonds payable from the Special Transportation Fund. If the Special Transportation Fund lacked sufficient funds to cover any such judgment, a claimant could enforce a judgment and obtain payment from the General Fund.

***State of Connecticut Office of Protection and Advocacy for Persons with Disabilities v. The State of Connecticut*, *et al*.,** is an action in Federal District Court brought in February of 2006, on behalf of individuals with mental illness in nursing facilities in the State. The plaintiffs claim that the State has violated the Americans with Disabilities Act by failing to provide services for the identified group in the most integrated setting appropriate to the needs of the qualified individuals. In September 2007 the Court dismissed the plaintiff's case for lack of standing, although it left open the ability for proper plaintiffs to replead. On September 8, 2008, the plaintiffs filed an amended complaint adding five nursing home residents as plaintiffs in addition to the Office of Protection and Advocacy for Persons with Disabilities. The defendants' motions to dismiss the amended complaint and the plaintiffs' motion for class certification are pending before the Court.

Belanger v. State Employees Retirement Commission is a Federal District Court action brought by three retired state employees, claiming that the Commission's members have breached their fiduciary duties and federal law by failing to apply retroactively to the plaintiffs and to others similarly situated, the recent decision of the Connecticut Supreme Court in *Longley v. State Employees Retirement Commission*. In *Longley*, the Court ruled in the case of two retired state employees that the Commission had not properly interpreted and applied State law by failing to add their final, prorated longevity payments to their salary in their final year of employment, for the purpose of calculating their "base salaries" under the State Employees Retirement Act, Connecticut General Statutes § 5-152 et seq. The plaintiffs' complaint in *Belanger* also seeks costs and attorneys fees and the plaintiffs have also moved for class certification to include all retired state plan members harmed by the alleged improper calculation. The defendants have filed a motion to dismiss the complaint and the plaintiffs have filed a motion for class certification, both of which are pending before the District Court.

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.

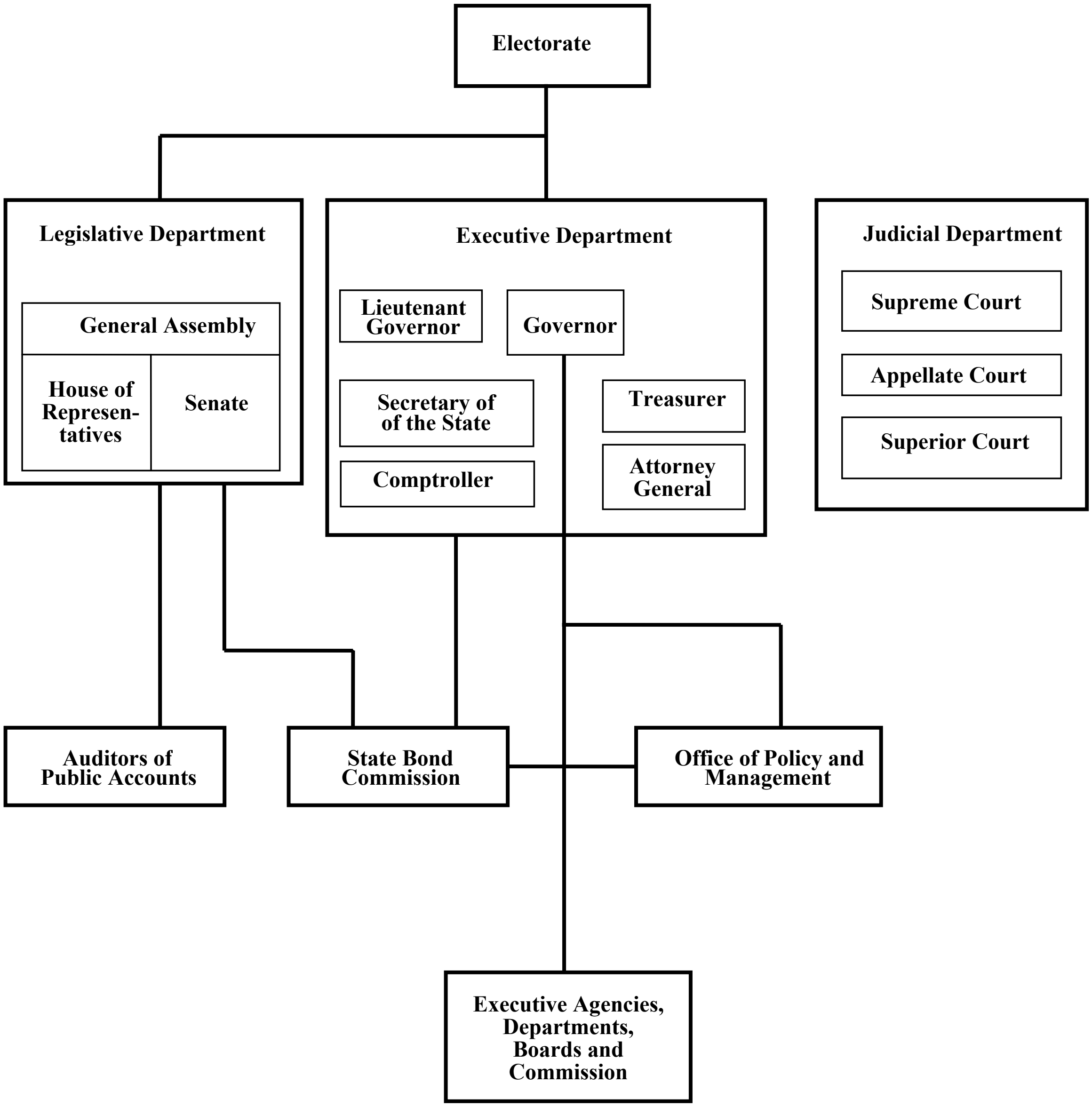
Under Connecticut law, all municipal governmental bodies have only the powers specifically granted to them by the State and the ancillary powers that are necessarily implied by powers explicitly granted. Municipalities which have the power to tax and to issue debt are explicitly denied the power by statute 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 2008, and the new members took office in January 2009.

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 2006 for terms beginning in January 2007. 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. There are approximately 172 sitting Superior Court judges, 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 ten 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 117 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)]	2004	2005	2006	2007	2008
Legislative	550	586	575	613	571
General Government	3,376	3,429	3,428	3,610	3,650
Regulation and Protection	4,071	4,211	4,279	4,360	4,338
Conservation and Development	1,275	1,358	1,267	1,299	1,325
Health and Hospitals	7,389	7,593	7,665	8,018	8,130
Transportation	2,863	3,150	3,035	3,220	3,318
Human Services	1,804	1,827	1,883	2,010	2,095
Education	14,540	15,077	15,446	16,055	16,453
Corrections	9,537	9,573	9,551	10,275	10,379
Judicial	4,185	4,386	4,322	4,745	4,612
Total	49,590	51,190	51,451	54,205	54,871

(a) Table shows approximate filled full-time positions as of June 30 in each of the listed years.
(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 June 30, 2008[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	Private Contributions	TOTALS
Legislative	571	0	0	0	0	0	571
General Government	3,075	0	0	323	12	240	3,650
Regulation and Protection	2,282	614	547	667	124	104	4,338
Conservation and Development	593	0	6	384	250	92	1,325
Health and Hospitals	7,794	0	0	11	314	11	8,130
Transportation	0	3,198	0	120	0	0	3,318
Human Services	1,788	0	12	0	259	36	2,095
Education	10,962	0	0	5,290	185	16	16,453
Corrections	10,226	0	0	89	41	23	10,379
Judicial	4,564	0	0	0	5	43	4,612
Total	41,855	3,812	565	6,884	1,190	565	54,871

(a) Table shows approximate filled full-time positions.

(b) Breakdown for 2008 reflects the funding breakdown on Core-CT chart of accounts coding. Some positions which in years prior to 2005 were designated as being paid out of private contributions are now coded as being paid out of special funds – non appropriated in order to properly reflect how they are coded on Core-CT.

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 32 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 on 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		
Correction Officers	9.45%	Contract in place through 6/30/2008[b]
Administrative Clerical	8.07%	Contract in place through 6/30/2009
Maintenance and Service	7.49%	Contract in place through 6/30/2008[c]
Health Care Non-Professionals	7.03%	Contract in place through 6/30/2009
Social and Human Services	6.92%	Contract in place through 6/30/2009
Administrative and Residual	5.86%	Contract in place through 6/30/2011
Health Care Professionals	5.74%	Contract in place through 6/30/2009
Engineering, Scientific and Technical	4.74%	Contract in place through 6/30/2009
University Health Professionals (University of Connecticut Health Center)	3.50%	Contract in place through 6/30/2010
University of Connecticut Professional Employee Association	2.97%	Contract in place through 6/30/2011
Connecticut State University Faculty	3.14%	Contract in place through 6/30/2011
University of Connecticut Faculty	2.83%	Contract in place through 6/30/2009
Judicial Employees	2.69%	Contract in place through 6/30/2011
Judicial Professionals	2.39%	Contract in place through 6/30/2009
Congress of Connecticut Community Colleges	2.29%	Contract in place through 8/28/2011
Vocational Technical School Faculty	2.14%	Contract in place through 6/30/2011
State Police	2.05%	Contract in place through 6/30/2010
Protective Services	1.59%	Contract in place through 6/30/2011
Education Professionals (Institutions)	1.48%	Contract in place through 6/30/2009
Other Bargaining Units (13 units)	5.88%	Varies by Unit
Total Covered by Collective Bargaining	88.25%	
Not Covered by Collective Bargaining		
Auditors of Public Accounts	0.20%	Not Applicable
Other Employees	11.55%	Not Applicable
Total Not Covered by Collective Bargaining	11.75%	
Total Full-Time Work Force	100.00%	

(a) Percentage expressed reflects approximately 54,871 filled full-time positions as of June 30, 2008.
(b) Arbitration award awaiting action in the General Assembly.
(c) The State and the bargaining unit are currently in arbitration for a successor contract.

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
Elections Enforcement Commission
Office of State Ethics
Freedom of Information Commission
Judicial Selection Commission
State Properties Review Board
Contracting Standards Board
State Treasurer
State Comptroller
Department of Revenue Services
Division of Special Revenue
State Insurance and Risk Management Board
Gaming Policy Board
Office of Policy and Management
Department of Veterans' Affairs
Office of Workforce Competitiveness
Board of Accountancy
Department of Administrative Services
Department of Information Technology
Department of Public Works
Attorney General
Office of the Claims Commissioner
Division of Criminal Justice
Criminal Justice Commission
State Marshal Commission

Regulation and Protection
Department of Public Safety
Department of Emergency Management and Homeland Security
Police Officer Standards and Training Council
Board of Firearms Permit Examiners
Department of Motor Vehicles
Military Department
Commission on Fire Prevention and Control
Department of Banking
Insurance Department
Office of Consumer Counsel
Department of Public Utility Control
Office of the Health Care Advocate
Department of Consumer Protection
Department of Labor
Office of the Victim Advocate
Commission on Human Rights and Opportunities
Office of Protection and Advocacy for Persons with Disabilities
Office of the Child Advocate
Workers' Compensation Commission

Conservation and Development
Department of Agriculture
Department of Environmental Protection
Council on Environmental Quality
Commission on Culture and Tourism
Department of Economic and Community Development
Agricultural Experiment Station

Health and Hospitals
Department of Public Health
Office of Health Care Access
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
Soldiers', Sailors', and Marines' Fund

Education, Libraries and Museums
Department of Education
Board of Education and Services for the Blind
Commission on the Deaf and Hearing Impaired
State Library
Department of Higher Education
University of Connecticut
University of Connecticut Health Center
Charter Oak State College
Teachers' Retirement Board
Regional Community-Technical Colleges
Connecticut State University

Corrections
Department of Correction
Department of Children and Families
Council to Administer the Children's Trust Fund

Judicial
Judicial Department
Public Defender Services Commission
Child Protection 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, 2008.

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 Management and Homeland Security. The Department of Emergency Management and Homeland Security was established as of January 1, 2005 to provide a coordinated and integrated program for statewide emergency management and homeland security. The mission of the Department is to direct and coordinate all available resources to protect the life and property of the citizens of Connecticut in the event of a disaster or crisis, through a collaborative program of prevention, planning, preparedness, response, recovery and public education. Among the Department's primary functions is the administration and management of federal grant funds related to emergency management and homeland security. The Department oversees the state Emergency Operations Center during emergencies. In addition, the Department's Commissioner directs the preparation of state emergency plans, which are submitted to the Governor for approval. For planning purposes with respect to events requiring mass evacuations and sheltering in the State, the Department 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 Millstone Power Plant release of contamination. The State has been divided into five regions to coordinate planning, training and response.

Each year, in accordance with its statutory mandate, the Department reviews and approves local emergency operations plans, which are submitted to the Department after having been reviewed and approved by municipal officials. The Department continues to advance emergency planning for the State by bringing multiple partners at the local, state and federal level together. Recent planning initiatives include: evacuation and shelter guides; commodity distribution; donations management; disaster recovery centers and debris management. The Department continues to conduct many exercises around the state to test plans and first responder preparedness. In 2008, approximately 80 exercises were conducted, including a federally-evaluated radiological exercise. The Department continues to support the training of emergency volunteers. The Department continues to be heavily invested in interoperable communications, including the distribution, testing and maintenance of numerous communications assets. The Department also operates a fusion center which collects and disseminates intelligence information to law enforcement and other related groups. The Department, in conjunction with other State and local agencies, has completed significant work to implement and maintain a statewide geospatial information systems (GIS) program. The Department conducts public education campaigns on a regular basis to increase the public's preparedness for emergencies. The Department, in cooperation with local government, has also created five regional emergency planning teams (REPTs). Each REPT includes representatives from each of the municipalities or tribes within the region. The REPTs develop a regional spending plan for the Homeland Security grant funds for each region. Additionally, Intrastate Mutual Aid legislation creates a legal system whereby each municipality in the State can request aid from, or provide aid to, any other State municipality, regardless of whether a written mutual aid agreement exists between the municipalities. The Department also continues to codify its relationships with many key nongovernmental organizations including American Red Cross, Salvation Army, Civil Air Patrol and United Way. The agency continues to work with local towns by providing funding for emergency planning and Emergency Operation Center upgrades. A major initiative begun during 2008 is the deployment of WEB EOC, a software program which allows all communities to communicate important information to the State during an emergency.

Planning for disasters is ongoing. Pursuant to the General Statutes, 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 state-wide emergency management and homeland security activities during the preceding calendar year.

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 3,405,565 in April 2000, an increase of 118,449, or 3.6%, from the 3,287,116 figure of 1990. 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 three decades. The following table presents the population trends of Connecticut, New England, and the United States since 1940. Connecticut's population increased 3.6% from 1990 to 2000 versus 5.4% in New England and 13.2% for the nation. The mid-2008 population in Connecticut was estimated at 3,501,252, up 0.3% from a year ago, compared to increases of 0.3% and 0.9% for New England and the United States, respectively. From 2000 to 2008, within New England, only Maine and New Hampshire experienced growth higher than Connecticut.

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
1998….	3,365	0.5	13,734	0.7	275,854	1.2
1999….	3,386	0.6	13,838	0.8	279,040	1.2
2000….	3,412	0.7	13,952	0.8	282,172	1.1
2001….	3,428	0.5	14,047	0.7	285,040	1.0
2002….	3,448	0.6	14,127	0.6	287,727	0.9
2003….	3,468	0.6	14,181	0.4	290,211	0.9
2004….	3,475	0.2	14,202	0.1	292,892	0.9
2005….	3,479	0.1	14,208	0.0	295,561	0.9
2006….	3,488	0.3	14,233	0.2	298,363	0.9
2007….	3,490	0.1	14,259	0.2	301,290	1.0
2008….	3,501	0.3	14,304	0.3	304,060	0.9

Note: 1940-2000, April 1 Census. Figures are for census comparison purposes.
1998-2008, 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 Department of Commerce, Bureau of the Census; Information prior to 1999 – Economy.com

The State is highly urbanized with a 2008 population density of 723 persons per square mile, as compared with 86 for the United States as a whole. Of the eight counties in the State, according to the U.S. Bureau of Census for the 2007 estimate, 75% of the population resides within Fairfield (26%), Hartford (25%), and New Haven (24%) counties.

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 106 daily departures to 37 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 and recently secured daily nonstop service to Amsterdam with connections to all of Europe.

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. In addition, Connecticut's proximity to the ports of New York and Boston provides it with access to European and South American export markets. The State's harbors at Bridgeport, New Haven, and New London can accommodate deep draft vessels.

The Connecticut Department of Transportation subsidizes and oversees the operations of both rail commuter services and bus services. The New Haven Line and Shore Line East services provide commuter rail services for stations between New London and New York City for approximately 37 million passengers per year. Transit buses operate in 8 urban areas and 13 active transit districts, carrying approximately 37 million passengers per year. In addition, the State supports commuter express bus operations, Americans with Disabilities Act and paratransit services as well as ridesharing programs.

Connecticut recently initiated its largest single transportation initiative since its infrastructure renewal program of 1984. The initiatives of 2005 and 2006 provide funding for significant transit and highway improvements, including rail car replacement, rail infrastructure improvements and traffic flow enhancements.

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 (RTO) for New England. An independent system operator, ISO New England, Inc., operates this regional system.

Legislation passed in 1998 provided for the restructuring of the electric industry in Connecticut. Since July 2000 most consumers in Connecticut can choose an independent electric supplier as their provider of electricity. The electricity is delivered to the consumer over the wires of the regulated distribution companies (Connecticut Light & Power Company and The United Illuminating Company). Electric suppliers are not subject to rate regulation by the State Department of Public Utility Control (DPUC), but must receive a license issued by the DPUC before commencing service to consumers. In general, Connecticut consumers located in a municipally owned electric service territory are not subject to the 1998 restructuring legislation. These consumers continue to purchase and receive their electrical needs from the municipal electric company.

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 Yankee Gas Services Company, Connecticut Natural Gas Company, and Southern Connecticut Gas Company. Over the past few years, Energy East Corp. has acquired both Connecticut Natural Gas and Southern Connecticut Gas. Energy East is a New York-based regional utility holding company. Yankee Gas was acquired by Northeast Utilities.

Since 1996 the DPUC 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 in the process of being opened 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 SBC Communications, Inc., which acquired The Southern New England Telephone Company (SNET) in 1997 and AT&T in 2005, and Verizon New York, Inc. Connecticut also has approximately 105 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 4,657 British Thermal Units (BTU) per dollar of Gross State Product in 2005, 43% less than the national average of 8,129 BTU. When compared to the national per person average, Connecticut residents use a moderate amount of energy. Connecticut consumed 258.2 million BTU of energy per person in 2005, ranking it 44th among the 50 states and 24% less than the national average of 339.2 million BTU.

In 2008 energy prices, including crude oil, gasoline, natural gas and heating oil, stayed above the previous year's levels due to the sharp increase in crude oil prices. Higher energy prices may impact consumer and investment spending and economic growth.

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. The following table shows total and per capita personal income for Connecticut residents during the period from 1997 to 2007 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
1997	$115,134	$34,375	115.8%	135.7%
1998	123,918	36,822	116.2	137.0
1999	129,807	38,332	115.7	137.2
2000	141,570	41,495	114.9	139.0
2001	147,356	42,983	115.1	140.6
2002	146,998	42,629	114.0	138.2
2003	148,777	42,901	113.0	136.1
2004	159,337	45,848	114.4	138.3
2005	167,078	48,029	115.1	138.5
2006	179,918	51,584	115.7	140.2
2007	192,570	55,180	116.7	142.9

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)
1997	6.4%	6.0%	6.1%	4.7%	4.2%	4.3%
1998	7.6	7.4	7.4	6.4	6.2	6.2
1999	4.8	5.4	5.1	3.3	3.9	3.6
2000	9.1	9.9	8.0	6.7	7.6	5.7
2001	4.1	4.1	3.5	1.6	1.6	1.1
2002	(0.2)	0.7	1.8	(2.0)	(1.0)	0.0
2003	1.2	2.0	3.1	(0.9)	(0.2)	1.0
2004	7.1	5.7	6.1	4.1	2.8	3.2
2005	4.9	4.2	5.6	1.5	0.9	2.2
2006	7.7	7.0	7.1	4.3	3.6	3.7
2007	7.0	6.2	6.0	4.2	3.5	3.2

Note—Constant dollars are adjusted for inflation using the GDP deflator.

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 2007.

TABLE B-4

Sources of Personal Income By Place of Residence
Calendar Year 2007
(In Millions)

	Conn.	Percent of Total	U.S.	Percent of Total
Wages in Non-manufacturing	$ 92,821	48.20%	$ 5,608,093	48.21%
Property Income (Div., Rents & Int.)	38,450	19.97	2,039,293	17.53
Wages in Manufacturing	14,032	7.29	745,843	6.41
Transfer Payments less Social Insurance Paid	6,563	3.41	748,422	6.43
Other Labor Income	22,580	11.73	1,448,322	12.45
Proprietor's Income	18,125	9.41	1,041,598	8.95
Personal Income—Total	$192,570	100.00%	$11,631,571	100.00%

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 2007, the State produced $216.3 billion worth of goods and services and $181.8 billion worth of goods and services in 2000 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 of Dollars)

	Connecticut		New England[a]		United States[b]	
Year	$	Percent Growth	$	Percent Growth	$	Percent Growth
1998	145,373	5.6%	497,756	5.8%	8,679,657	5.4%
1999	150,303	3.4	524,123	5.3	9,201,138	6.0
2000	160,436	6.7	565,835	8.0	9,749,103	6.0
2001	165,025	2.9	580,920	2.7	10,058,168	3.2
2002	166,073	0.6	591,733	1.9	10,398,402	3.4
2003	169,885	2.3	612,006	3.4	10,886,172	4.7
2004	182,112	7.2	647,473	5.8	11,607,041	6.6
2005	193,281	6.1	674,562	4.2	12,346,871	6.4
2006	204,964	6.0	712,051	5.6	13,119,938	6.3
2007	216,266	5.5	744,672	4.6	13,743,021	4.7

(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 2000 chained dollars.

TABLE B-6

Gross State Product
(In Millions of 2000 Chained Dollars*)

	Connecticut		New England		United States	
Year	**$**	**Percent Growth**	**$**	**Percent Growth**	**$**	**Percent Growth**
1998	150,823	4.1%	511,374	4.9%	9,004,670	4.5%
1999	153,298	1.6	531,902	4.0	9,404,251	4.4
2000	160,436	4.7	565,835	6.4	9,749,103	3.7
2001	161,197	0.5	570,313	0.8	9,836,576	0.9
2002	158,628	(1.6)	568,750	(0.3)	9,981,850	1.5
2003	159,456	0.5	579,651	1.9	10,225,679	2.4
2004	165,828	4.0	597,196	3.0	10,580,223	3.5
2005	171,123	3.2	606,068	1.5	10,899,704	3.0
2006	176,900	3.4	623,136	2.8	11,240,107	3.1
2007	181,809	2.8	636,223	2.1	11,467,503	2.0

* 2000 chained dollar series are calculated as the product of the chain-type quantity index and the 2000 current-dollar value of the corresponding series, divided by 100.

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 2007 Connecticut's production was concentrated in three areas: finance, insurance and real estate (FIRE), services and manufacturing. Production in these three industries accounted for 69.5% of total production in Connecticut compared to 58.7% for the nation and was little changed from 68.9% in 1998. 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 rapidly increasing. The share of production from the manufacturing sector decreased from 14.8% in 1998 to 12.7% in 2007 caused by increased competition with foreign countries and other states as well as generally declining and only recently rising defense expenditures during this period. The broadly defined services in the private sector, which excludes industries in agriculture and construction, but includes industries in information, professional and technical services, health care and education, FIRE, and other services, have increased to 75.3% of the total GSP in 2007 from 73.4% in 1998. The increasing share of service production 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 of Dollars)

Sector	2000	2001	2002	2003	2004	2005	2006	2007
Manufacturing	$ 20,963	$ 21,405	$ 20,870	$ 19,109	$ 21,628	$ 22,555	$ 25,849	$ 27,373
Construction[(a)]	5,119	5,484	5,613	5,522	6,110	6,804	6,937	6,258
Agriculture[(b)]	358	327	286	302	334	331	333	379
Utilities[(c)]	11,606	11,936	11,699	12,498	14,026	14,840	15,354	16,876
Wholesale Trade	8,726	9,062	9,001	9,271	9,619	10,185	10,888	11,182
Retail Trade	10,367	10,152	10,415	10,678	10,901	11,293	11,376	11,835
Finance[(d)]	47,349	48,123	48,151	49,748	54,165	58,643	61,739	64,621
Services[(e)]	42,246	44,007	44,719	47,175	48,786	51,202	54,295	58,316
Government	13,702	14,528	15,318	15,583	16,542	17,426	18,191	19,424
Total GSP	$160,436	$165,024	$166,072	$169,886	$182,111	$193,279	$204,962	$216,264

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 1997 and 2007. Connecticut's nonagricultural employment reached a previous high in the third quarter of 2000 with 1,698,030 persons employed, but began declining with the onset of the recession in the early 2000s. It was not until the fourth quarter of 2003 that the State's economy started to gain momentum, adding tens of thousands of new workers. Total nonagricultural employment registered a recent low of 1,640,130 jobs in the third quarter of 2003, recovered to reach a new high of 1,704,200 jobs in the fourth quarter of 2007, and then drifted down to 1,703,930 jobs by the third quarter of 2008.

TABLE B-8

Non-agricultural Employment[(a)]
(In Thousands)

Calendar Year	Connecticut Employment	Connecticut Percent Growth	New England Employment	New England Percent Growth	United States Employment	United States Percent Growth
1997	1,607.7	1.59%	6,574.8	2.19%	122,766.9	2.56%
1998	1,643.4	2.22	6,728.4	2.34	125,922.9	2.57
1999	1,669.1	1.56	6,860.7	1.97	128,991.7	2.44
2000	1,693.2	1.45	7,023.2	2.37	131,793.6	2.17
2001	1,681.1	(0.72)	7,036.3	0.19	131,829.9	0.03
2002	1,664.9	(0.96)	6,927.5	(1.55)	130,340.4	(1.13)
2003	1,644.5	(1.22)	6,850.7	(1.11)	129,996.0	(0.26)
2004	1,649.8	0.32	6,875.1	0.36	131,419.0	1.09
2005	1,662.0	0.74	6,918.2	0.63	133,694.5	1.73
2006	1,680.6	1.12	6,983.7	0.95	136,091.6	1.79
2007	1,697.7	1.02	7,042.9	0.85	137,618.1	1.12

(a) Non-agricultural employment excludes agricultural workers, proprietors, self-employed individuals, domestic workers, family workers and members of the armed forces.

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 2007. 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, 2007
(In Thousands)

	Connecticut Total	Connecticut Percent	United States Total	United States Percent
Services[(a)]	693.5	40.9%	55,253.4	40.1%
Trade[(b)]	311.6	18.4	26,604.8	19.3
Manufacturing	191.3	11.3	13,882.6	10.1
Government	249.0	14.7	22,200.3	16.1
Finance[(c)]	144.5	8.5	8,309.6	6.0
Information[(d)]	38.5	2.3	3,028.9	2.2
Construction[(e)]	69.2	4.1	8,338.4	6.1
Total[(f)]	1,697.7	100.0%	137,618.0	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 four decades, while manufacturing employment in Connecticut has been steadily declining, employment in non-manufacturing industries has surged. In calendar year 2007, approximately 88.7% 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)

Year	Manufacturing	Trade[a]	Services[b]	Government	Finance[c]	Information[d]	Construction[e]	Total Non-agricultural Employment[f]
1997	245.38	302.52	602.85	225.75	130.13	44.49	56.53	1,607.66
1998	247.87	308.57	618.53	227.82	136.99	44.28	59.32	1,643.38
1999	240.26	312.13	634.38	235.18	140.84	44.67	61.64	1,669.09
2000	235.74	317.52	643.26	241.91	143.03	46.41	65.34	1,693.22
2001	226.72	312.18	644.08	244.43	142.93	44.69	66.08	1,681.11
2002	211.19	309.23	647.35	249.29	142.63	41.02	64.18	1,664.89
2003	200.03	305.53	648.08	245.97	142.65	39.57	62.67	1,644.50
2004	197.18	307.93	655.84	242.81	140.65	38.97	66.42	1,649.80
2005	195.19	310.55	665.43	243.74	142.30	38.09	66.71	1,662.02
2006	193.47	310.93	680.21	245.88	144.28	37.91	67.90	1,680.59
2007	191.34	311.63	693.53	248.95	144.49	38.51	69.22	1,697.67

(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 eighteenth in the nation for its dependency on manufacturing wages in fiscal year 2008. Manufacturing has traditionally been of prime economic importance to Connecticut but has continued to trend down during the last decade. 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. Thus, Connecticut has been successful in diversifying itself away from dependence on just one type of industry. In calendar year 2007 approximately 11.3% of the State's workforce, versus 10.1% 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
1997	245.4	0.03%	960.0	0.38%	17,418	1.05%
1998	247.9	1.02	965.1	0.53	17,560	0.81
1999	240.3	(3.07)	939.8	(2.62)	17,323	(1.35)
2000	235.7	(1.88)	938.4	(0.15)	17,265	(0.33)
2001	226.7	(3.83)	900.7	(4.02)	16,440	(4.78)
2002	211.2	(6.85)	815.8	(9.42)	15,257	(7.20)
2003	200.0	(5.28)	765.0	(6.23)	14,508	(4.90)
2004	197.2	(1.43)	747.1	(2.34)	14,315	(1.33)
2005	195.2	(1.01)	733.7	(1.78)	14,226	(0.62)
2006	193.5	(0.88)	720.4	(1.81)	14,158	(0.48)
2007	191.3	(1.10)	710.4	(1.38)	13,883	(1.94)

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, computer and electronics, and machinery for the total number employed in 2007.

TABLE B-12

Manufacturing Employment
By Industry
(In Thousands)

Calendar Year	Transportation Equipment	Fabricated Metals	Computer & Electronics	Machinery	Other[(a)]	Total Manufacturing Employment
1997	51.49	51.46	37.18	25.46	79.80	245.38
1998	52.27	52.34	37.64	25.42	80.21	247.87
1999	49.86	50.46	35.33	23.98	80.62	240.26
2000	46.92	49.97	35.42	23.71	79.71	235.74
2001	46.87	46.98	33.75	22.41	76.70	226.72
2002	45.33	43.19	29.40	20.27	73.00	211.19
2003	43.35	40.89	26.51	18.92	70.37	200.03
2004	43.17	41.11	25.81	18.48	68.60	197.18
2005	43.50	41.05	25.44	18.14	67.06	195.19
2006	43.59	41.11	24.86	18.05	65.87	193.47
2007	43.58	40.35	25.30	18.16	63.95	191.34

(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.

SOURCE: United States Department of Labor, Bureau of Labor Statistics

During the past ten years, Connecticut's manufacturing employment was at its highest in 1998 at 247,870 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 191,340 in 2007. The total number of manufacturing jobs dropped 56,530, or 22.8%, from its decade high in 1998.

Exports. In Connecticut, the export sector of manufacturing has assumed an important role in overall economic growth. According to figures published by the United States Department of Commerce, which were adjusted and enhanced by the University of Massachusetts (MISER), exports of manufacturing products registered at $13.7 billion in 2007, accounting for 5.51% of Gross State Product. From 2003 to 2007, the State's export of goods grew at an average annual rate of 14.2% versus 6.2% 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)

	2003	2004	2005	2006	2007	Percent of 2007 Total	Average Percent Growth 2003-2007
A. Manufacturing Products							
Transportation Equipment	$3,298.1	$3,177.8	$3,936.7	$ 5,339.1	$ 5,726.5	41.7%	15.8%
Computer & Electronics	789.5	803.6	885.4	1,077.0	1,311.0	9.6	13.8
Machinery, Except Electronics	784.4	1,106.8	1,129.2	1,387.4	1,615.7	11.8	20.6
Fabricated Metal Production	440.5	406.5	408.2	540.1	584.3	4.3	8.3
Chemicals	749.0	608.2	590.4	749.0	1,446.0	10.5	24.5
Misc. Manufacturing	486.4	606.2	562.1	285.8	228.8	1.7	(12.9)
Electrical Equipment	336.1	469.7	433.0	551.3	606.4	4.4	17.3
Plastics & Rubber	137.6	179.6	178.4	203.1	211.8	1.5	12.0
Paper	188.6	165.8	219.8	230.3	147.8	1.1	(2.6)
Primary Metal Mfg.	203.1	275.7	325.9	639.7	480.1	3.5	31.3
Others	723.1	759.3	1,018.2	1,235.5	1,360.6	9.9	17.6
Total	$8,136.4	$8,559.2	$9,687.3	$12,238.3	$13,719.0	100.0%	14.2%
% Growth	(2.1%)	5.2%	13.2%	26.3%	12.1%		
B. Gross State Product[(a)]	$169,885	$182,112	$193,281	$204,964	$ 216,266		6.2%
Mfg Exports as a % of GSP	4.8%	4.7%	5.0%	6.0%	6.3%		

(a) In millions.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis
Massachusetts Institute for Social and Economic Research, University of Massachusetts (MISER)

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 since federal fiscal year 2001. In federal fiscal year 2007, Connecticut received $8.6 billion of prime contract awards. These total awards accounted for 2.7% of national total awards and ranked 9th in total defense dollars awarded and 3rd in per capita dollars awarded among the 50 states. In fiscal year 2007, Connecticut had $2,456 in per capita defense awards, compared to the national average of $1,046. 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 3.9% of Gross State Product in fiscal year 2007, up from 2.0% of Gross State Product in fiscal year 1998. Recent increases were primarily due to the procurement of helicopters and submarines.

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 Sikorsky Aircraft Corporation in Stratford, as well as 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.
1996-97	$2,535,981	13th	(3.9)%	(2.6)%
1997-98	3,408,719	9th	34.4	2.7
1998-99	3,169,394	12th	(7.0)	5.0
1999-00	2,177,462	17th	(31.3)	7.3
2000-01	4,269,536	10th	96.1	9.7
2001-02	5,638,582	9th	32.1	17.4
2002-03	8,064,794	5th	43.0	20.5
2003-04	8,959,424	5th	11.1	6.4
2004-05	8,753,063	7th	(2.3)	16.5
2005-06	7,780,793	10th	(11.1)	8.6
2006-07	8,601,359	9th	10.5	22.6

SOURCE: United States Department of Defense

On May 13, 2005 the U.S. Department of Defense announced its preliminary list of bases recommended for closure or realignment, which included for closure the U.S. Naval Submarine Base New London in Groton, Connecticut. On August 24, 2005, the Base Realignment and Closure ("BRAC") Commission recommended to take the U.S. Naval Submarine Base New London off of the list of bases recommended for closure and realignment. The President of the United States and Congress accepted the BRAC Commission's recommendation and the base was not closed in that round of closings.

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 88.7% by 2007. This trend has decreased the State's dependence on manufacturing. Over the course of the last ten years, there were more than 110,800 jobs created in this sector, an increase of 7.9%. Moreover, this sector has more than compensated for the loss in manufacturing jobs, fueling the recovery in nonagricultural employment since 2003.

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
1998	1,395.5	2.44%	5,763.4	2.65%	108,363.1	2.86%
1999	1,428.8	2.39	5,920.8	2.73	111,669.1	3.05
2000	1,457.5	2.00	6,084.8	2.77	114,528.5	2.56
2001	1,454.4	(0.21)	6,135.6	0.84	115,389.5	0.75
2002	1,453.7	(0.05)	6,111.7	(0.39)	115,083.7	(0.27)
2003	1,444.5	(0.64)	6,085.7	(0.43)	115,487.6	0.35
2004	1,452.6	0.56	6,128.0	0.70	117,103.7	1.40
2005	1,466.8	0.98	6,184.4	0.92	119,468.1	2.02
2006	1,487.1	1.38	6,263.2	1.27	121,934.1	2.06
2007	1,506.3	1.29	6,332.4	1.10	123,735.5	1.48

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 90% of the State's employment in the non-manufacturing sector. Connecticut non-manufacturing employment for 1998, 2005, 2006 and 2007 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 1998 and 2007 service industry employment expanded by 75,000 workers, responsible for over 68% of all non-manufacturing jobs, which registered an increase of 110,830 jobs. State and local governments expanded by 23,930 jobs. The increase in this line item over the ten-year period can be attributed to the Federal Government's decision to categorize all workers employed on Indian Reservations as state and local government employees. The State's two tribal casinos employ about 21,500 workers.

TABLE B-16

Connecticut Non-manufacturing Employment By Industry
(In Thousands)

Industry	Calendar Year 1998	Calendar Year 2005	Calendar Year 2006	Calendar Year 2007	Percent Change 2006-07	Percent Change 1998-07
Construction[a]	59.32	66.71	67.90	69.22	1.90%	16.69%
Information[b]	44.28	38.09	37.91	38.51	1.56	(13.04)
Trade[c]	308.57	310.55	310.93	311.63	0.22	0.99
Finance, Insurance & Real Estate	136.99	142.30	144.28	144.49	0.14	05.47
Services[d]	618.53	665.43	680.21	693.53	1.92	12.13
Federal Government	22.37	19.87	19.66	19.58	(0.43)	(12.51)
State and Local Government	205.44	223.88	226.22	229.38	1.38	11.65
Total Non-manufacturing Employment[d]	1,395.51	1,466.82	1,487.11	1,560.33	1.28	7.94

(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 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 as 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 four fiscal years. Connecticut retail trade in fiscal year 2008 totaled $48.8 billion, an increase of 5.2% from fiscal year 2007 with the top two largest increases in non-store retailers and gasoline stations. Nonstore retailers include electronic shopping and mail-order houses that have been performing well in the past decade. Retail sales in furniture and home furnishings stores, building materials and garden supply stores, and motor vehicles and parts dealers declined.

TABLE B-17

Retail Trade In Connecticut[a] (In Millions)

NAICS		Fiscal Year 2004	Percent of Fiscal Year 2004 Total	Fiscal Year 2005	Percent of Fiscal Year 2005 Total	Fiscal Year 2006	Percent of Fiscal Year 2006 Total	Fiscal Year 2007	Percent of Fiscal Year 2007 Total	Fiscal Year 2008	Percent of Fiscal Year 2008 Total	Average Percent Growth Fiscal Year 2004-2008
441	Motor Vehicle and Parts Dealers	$ 8,685	20.98%	$ 8,744	20.28%	$ 8,421	18.91%	$ 8,602	18.53%	$ 8,197	16.78%	(1.4)%
442	Furniture and Home Furnishings Stores	2,539	6.13	2,665	6.18	2,784	6.25	2,635	5.68	1,993	4.08	(5.1)
443	Electronics and Appliance Stores	1,281	3.09	1,510	3.50	1,646	3.70	1,627	3.50	1,686	3.45	7.3
444	Building Material and Garden Supply Stores	3,168	7.65	3,436	7.97	3,532	7.93	3,465	7.46	3,243	6.64	0.7
445	Food and Beverage Stores[b]	5,664	13.68	5,701	13.22	5,945	13.35	6,472	13.94	9,433	19.31	14.9
446	Health and Personal Care Stores	3,515	8.49	3,459	8.02	3,555	7.98	4,219	9.09	3,905	7.99	3.1
447	Gasoline Stations	2,182	5.27	2,666	6.18	3,050	6.85	3,073	6.62	3,403	6.97	12.0
448	Clothing and Clothing Accessories Stores	2,618	6.32	2,679	6.21	2,712	6.09	2,838	6.11	2,947	6.03	3.0
451	Sporting Goods, Hobby, Book and Music Stores	1,087	2.63	1,080	2.50	1,091	2.45	1,155	2.49	1,195	2.45	2.4
452	General Merchandise Stores	4,471	10.80	4,844	11.23	5,059	11.36	5,135	11.06	5,193	10.63	3.9
453	Miscellaneous Store Retailers	3,681	8.89	3,505	8.13	3,792	8.52	3,998	8.61	4,037	8.26	2.5
454	Nonstore Retailers	2,513	6.07	2,836	6.58	2,933	6.59	3,209	6.91	3,616	7.40	9.6
	Total[a]	$41,405	100.00%	$43,126	100.00%	$44,521	100.00%	$46,428	100.00%	$48,848	100.00%	4.2%
Durables (NAICS 441, 442, 443, 444)		$15,673	37.85%	$16,355	37.92%	$16,383	36.80%	$16,329	35.17%	$15,119	30.95%	
Non Durables (all other NAICS)		$25,732	62.15%	$26,771	62.08%	$28,138	63.20%	$30,099	64.83%	$33,729	69.05%	

(a) Totals may not agree with detail due to rounding.
(b) Please note that due to a discrepancy in reporting methodology, the 2008 figure for Food and Beverage Stores is inconsistent with past reporting practices. The Office of Policy and Management estimates that the 2008 figure should indicate a modest increase rather than the calculated 45.8% from fiscal year 2007.

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 2.3% in 2000, compared to New England's average of 2.8% and the national average of 4.0%. After climbing to its recent high of 5.5% in 2003, Connecticut's unemployment rate declined to 4.4% for 2006. This current recession brings the unemployment rate up to 5.1% for the first six months of 2008, compared to the New England average of 4.8% and the national average of 5.1% for the same period.

The following table compares the unemployment rate averages of Connecticut, New England, and the United States between 1997 and the first half of 2008.

TABLE B-18

Unemployment Rate[(a)]

Year	Unemployment Rate		
	Connecticut	New England	United States
1997	4.8	4.3	4.9
1998	3.2	3.5	4.5
1999	2.7	3.2	4.2
2000	2.3	2.8	4.0
2001	3.1	3.6	4.7
2002	4.4	4.8	5.8
2003	5.5	5.4	6.0
2004	4.9	4.9	5.5
2005	4.9	4.7	5.1
2006	4.4	4.5	4.6
2007	4.6	4.4	4.6
2008[(b)]	5.1	4.8	5.1

(a) The unemployment rate in December 2008 for Connecticut and the United States is 7.1% and 7.2% respectively.
(b) Reflects average for the first six months.

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

APPENDIX III-C

STATE OF CONNECTICUT

NANCY WYMAN
COMPTROLLER

OFFICE OF THE STATE COMPTROLLER
55 ELM STREET
HARTFORD, CONNECTICUT 06106-1775

MARK E. OJAKIAN
DEPUTY COMPTROLLER

February 27, 2009

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, 2008. The statements and the Independent Auditors' Report are extracted from the Comprehensive Annual Report of the State of Connecticut, which is prepared by my office in conformance with generally accepted accounting principles

Sincerely,

Nancy Wyman

Nancy Wyman
State Comptroller

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS
STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

KEVIN P. JOHNSTON

ROBERT G. JAEKLE

INDEPENDENT AUDITORS' REPORT

Governor M. Jodi Rell
Members of the General Assembly

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, 2008, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Connecticut's management. 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, the Transportation Special Tax Obligations account within the Debt Service Fund, and the Clean Energy Fund account within the Environmental Programs Fund, which in the aggregate, represent seven percent of the assets and six 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, Connecticut Community/ Technical Colleges, Bradley International Airport, Bradley International Airport Parking Facility, Connecticut Lottery Corporation, and the Federal accounts for the Clean Water Fund and Drinking Water Fund, which in the aggregate, represent 59 percent of the assets and 56 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 96 percent of the assets and 97 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 Clean Energy Fund account, which represents 44 percent of the assets and 33 percent of the revenues of the Environmental Programs Fund;
- the financial statements of the John Dempsey Hospital account within the University of Connecticut and Health Center, the Connecticut State University, the Connecticut Community-Technical Colleges, Bradley International Airport, Bradley International Airport Parking Facility, the Connecticut Lottery Corporation, and the Federal accounts for the Clean Water Fund and Drinking Water Fund, which in the aggregate, represent 59 percent of the assets and 56 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. All of the aforementioned audits were conducted in accordance with auditing standards generally accepted in the United States of America. In addition, the audits of the Special Transportation Fund, Transportation Special Tax Obligations Fund, Drinking Water Fund, Clean Water Fund, Bradley International Airport, Connecticut Lottery Corporation, Connecticut Resources Recovery Authority, Connecticut Health and Educational Facilities Authority, Connecticut Higher Education Supplemental Loan Authority, Connecticut Housing Finance Authority, and Connecticut Innovations Incorporated were conducted in accordance with standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

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 of material misstatement. The audits of the Connecticut Development Authority, the Capital City Economic Development Authority, the Bradley International Airport Parking Facility, John Dempsey Hospital, Connecticut State University, Connecticut Community-Technical Colleges and the University of Connecticut Foundation were not conducted in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

As discussed in Note 14 of the financial statements, the State of Connecticut adopted the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEB). This standard modifies the method that governments have reported the cost of providing such benefits, primarily retiree health care. It requires the systematic, accrual-basis measurement and recognition of OPEB cost (expense) over a period that approximates employees' years of service and the disclosure of information about the actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan. Our audit disclosed that information pertaining to the Funded Status and Funding Progress, and Actuarial Methods and Assumptions for the State Employee OPEB Plan was not disclosed in Note 14 of the financial statements in compliance with GASB requirements.

In our opinion, except for the matter described in the preceding paragraph, 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2009, 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 is an integral part of an audit performed in accordance with *Government Auditing Standards* and should considered in assessing the results of our audit.

The management's discussion and analysis on pages 15 through 25, and the budgetary comparison information on pages 38 through 39 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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 introductory section, combining and individual nonmajor fund financial statements, and statistical tables 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 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Kevin P. Johnston
Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

February 27, 2009
State Capitol
Hartford, Connecticut

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MANAGEMENT'S DISCUSSION AND ANALYSIS (MDA)

The following discussion and analysis is intended to provide readers of the State's financial statements with a narrative overview and analysis of the financial activities of the State for the fiscal year ended June 30, 2008. The information provided here should be read in conjunction with additional information provided in the letter of transmittal and in the basic financial statements.

FINANCIAL HIGHLIGHTS

Government-wide:
As of June 30, 2008, the State had a combined net asset deficit of $2.2 billion, an increase of $2.0 billion when compared to the prior year ending deficit balance. This increase resulted from a decrease of $2.0 billion in the net assets of governmental activities.

Fund Level:
The governmental funds had a total fund balance of $3.1 billion at year end. Of this amount, $3.7 billion was reserved for various purposes, resulting in a total unreserved fund balance deficit of $0.6 billion. The portion of the total unreserved fund balance deficit that pertains to the General Fund was a $1.1 billion deficit. The General Fund had an actual budget surplus of $0.1 billion this year.

The Enterprise funds had total net assets of $4.7 billion, substantially all of which was invested in capital assets or restricted for various purposes.

Long–Term Debt:
Total long-term debt was $20.3 billion for governmental activities, of which $16.2 billion was bonded debt.

Total long-term debt was $1.9 billion for business-type activities, of which $1.4 billion was bonded debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as 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. This report also contains other supplementary information in addition to the basic financial statements themselves.

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.

The statement of net assets presents information on all of the State's non-fiduciary assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.

The statement of activities presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets 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).

The government-wide financial statements are intended to distinguish functions of the State that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the State include legislative, general government, regulation and protection, conservation and development, health and hospitals, transportation, human services, education, libraries, and museums, corrections, and judicial. The business-type activities of the State include the University of Connecticut and Health Center, State Universities, Bradley International Airport, Connecticut Lottery Corporation, Employment Security, and Clean Water, which are considered to be major funds, while the remaining business-type activities are combined into a single aggregate presentation.

The government-wide financial statements include not only the State itself (known as the primary government), but also the activities of eight legally separate Component Units for which the State is financially accountable: the Connecticut Housing Finance Authority, the Connecticut Health and Educational Facilities Authority, the Connecticut Development Authority, the Connecticut Higher Education Supplemental Loan Authority, the Connecticut Resources Recovery Authority, the Connecticut Innovations, Incorporated, the Capital City Economic Development Authority, and the University of Connecticut Foundation, Incorporated. Financial information for these Component Units is reported separately from the financial information presented for the primary government itself. Financial information of the individual component units can be found in the basic financial statements following the fund statements, and complete financial statements of the individual component units can be obtained from their respective administrative offices.

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.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the State's near-term financing requirements.

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.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Debt Service Fund, the Transportation Fund, and the Restricted Grants and Accounts Fund, all of which are considered to be major funds. Data from other governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The State adopts a biennial budget for the General Fund, the Transportation Fund, and other Special Revenue funds. A budgetary comparison statement has been provided for the General Fund and the Transportation Fund to demonstrate compliance with the current fiscal year budgets.

Proprietary Funds

Proprietary funds (Enterprise funds and Internal Service funds) are used to show activities that operate more like those of commercial enterprises. Enterprise funds charge fees for services provided to outside customers. They are used to report the same functions presented as business-type activities in 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.

Fiduciary Funds

Fiduciary funds are used to 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.

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.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The required supplementary information includes information regarding the State's progress on funding its obligation to provide pension and other postemployment benefits to its employees.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains the following information.

- Combining Fund Statements and Schedules – Nonmajor funds
- Statistical Section

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

NET ASSETS

As noted earlier, net assets may serve over time as a useful indicator of the State's financial position. During the current fiscal year, the combined net asset deficit of the State increased 807 percent to $2.2 billion. In comparison, last year the combined net asset deficit decreased 69 percent.

State Of Connecticut's Net Assets
(Expressed in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
ASSETS:						
Current and Other Assets	$ 5,172	$ 5,315	$ 3,804	$ 4,006	$ 8,976	$ 9,321
Capital Assets	10,045	9,952	3,348	3,263	13,393	13,215
Total Assets	15,217	15,267	7,152	7,269	22,369	22,536
LIABILITIES:						
Current Liabilities	3,078	2,900	741	700	3,819	3,600
Long-term Liabilities	19,027	17,211	1,727	1,968	20,754	19,179
Total Liabilities	22,105	20,111	2,468	2,668	24,573	22,779
NET ASSETS:						
Invested in Capital Assets, Net of Related Debt	4,931	4,269	2,579	2,455	7,510	6,724
Restricted	1,641	1,385	1,757	1,872	3,398	3,257
Unrestricted	(13,460)	(10,498)	348	274	(13,112)	(10,224)
Total Net Assets (Deficit)	$ (6,888)	$ (4,844)	$ 4,684	$ 4,601	$ (2,204)	$ (243)

The net asset deficit of the State's governmental activities increased $2.0 billion (42.2 percent) to $6.9 billion during the current fiscal year. Of this amount, $6.6 billion was invested in capital assets (buildings, roads, bridges, etc.) or was restricted for various purposes, resulting in an unrestricted net asset deficit of $13.5 billion. This deficit is the result of having long-term obligations that are greater than currently available resources. Specifically, the State has recorded the following outstanding long-term obligations which contributed to the deficit; a) general obligation bonds in the amount of $5.4 billion which were issued to finance various municipal grant programs (e.g., school construction) and construction projects at the University of Connecticut, and b) other long-term obligations in the amount of $4.1 billion (e.g., net pension obligation and compensated absences).

Net assets of the State's business-type activities increased $0.1 billion (1.8 percent) to $4.7 billion during the current fiscal year. Of this amount, $4.4 billion was invested in capital assets or was restricted for various purposes, resulting in unrestricted net assets of $0.3 billion. These resources cannot be used to make up for the net asset deficit of the State's governmental activities. The State can only use these net assets to finance the ongoing operations of its Enterprise funds (such as the University of Connecticut and Health Center, Bradley International Airport, and others).

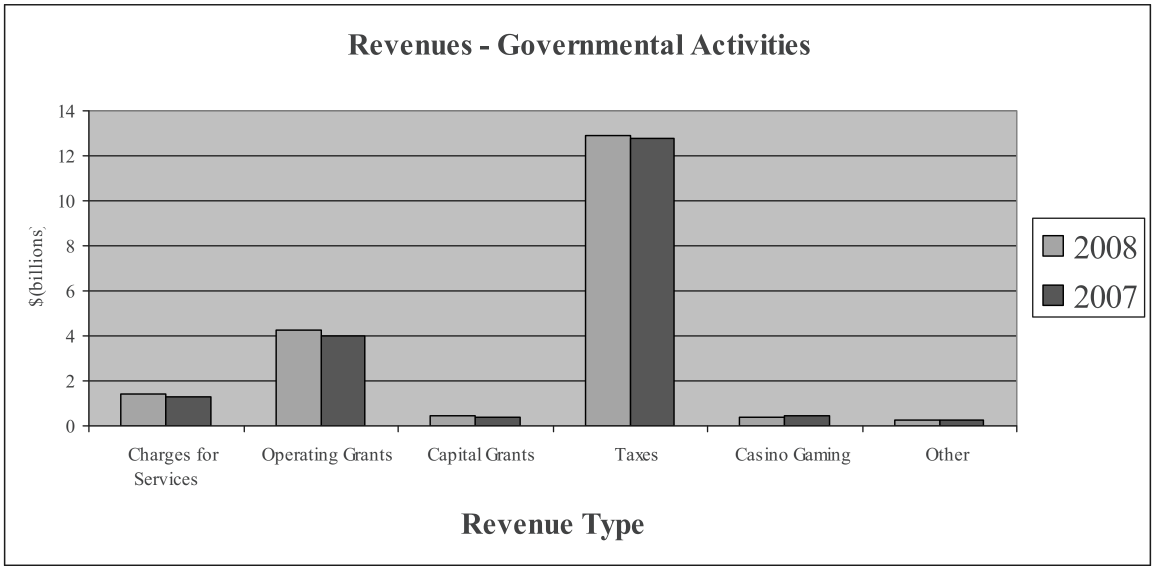
CHANGE IN NET ASSETS

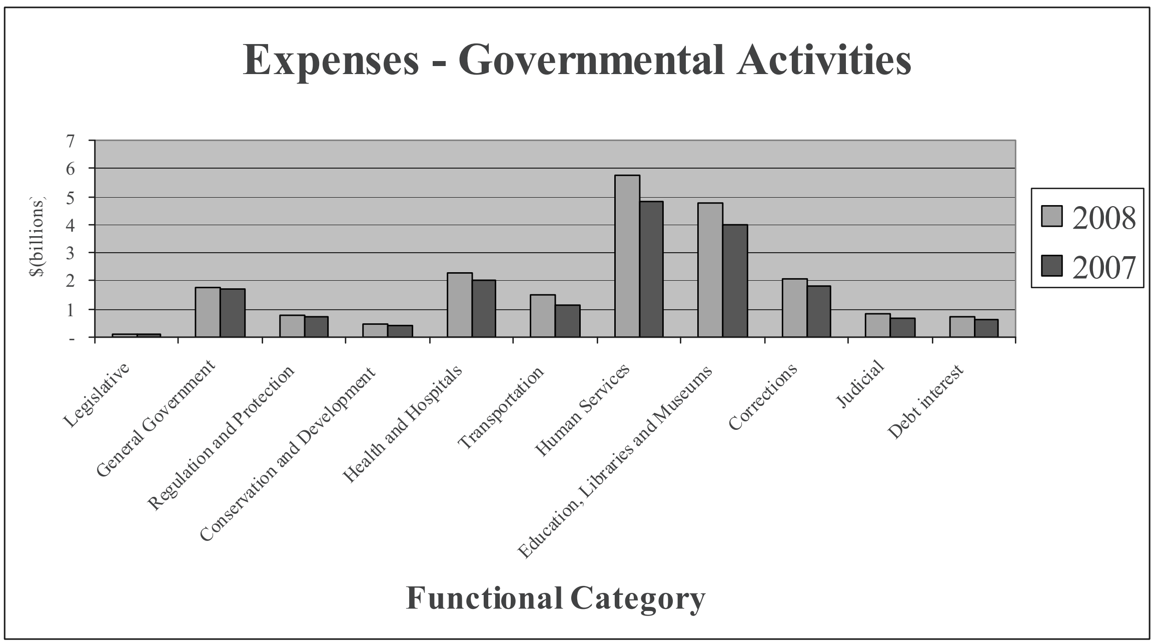
Changes in net assets for the years ended June 30, 2008 and 2007 were as follows:

State of Connecticut's Changes in Net Assets
(Expressed in Millions)

	Governmental Activities		Business-Type Activities		Total		%change
	2008	2007	2008	2007	2008	2007	08-07
REVENUES							
Program Revenues							
Charges for Services	$ 1,448	$ 1,317	$ 3,000	$ 2,920	$ 4,448	$ 4,237	5.0%
Operating Grants and Contributions	4,271	3,974	323	297	4,594	4,271	7.6%
Capital Grants and Contributions	442	412	36	14	478	426	12.2%
General Revenues							
Taxes	12,901	12,803	-	-	12,901	12,803	0.8%
Casino Gaming Payments	411	430	-	-	411	430	-4.4%
Other	273	280	117	128	390	408	-4.4%
Total Revenues	19,746	19,216	3,476	3,359	23,222	22,575	2.9%
EXPENSES							
Legislative	112	97	-	-	112	97	15.5%
General Government	1,738	1,731	-	-	1,738	1,731	0.4%
Regulation and Protection	789	703	-	-	789	703	12.2%
Conservation and Development	474	429	-	-	474	429	10.5%
Health and Hospitals	2,298	2,004	-	-	2,298	2,004	14.7%
Transportation	1,482	1,151	-	-	1,482	1,151	28.8%
Human Services	5,744	4,828	-	-	5,744	4,828	19.0%
Education, Libraries and Museums	4,749	4,009	-	-	4,749	4,009	18.5%
Corrections	2,085	1,836	-	-	2,085	1,836	13.6%
Judicial	806	695	-	-	806	695	16.0%
Interest and Fiscal Charges	734	635	-	-	734	635	15.6%
University of Connecticut & Health Center	-	-	1,626	1,519	1,626	1,519	7.0%
State Universities	-	-	611	571	611	571	7.0%
Bradley International Airport	-	-	68	67	68	67	1.5%
CT Lottery Corporation	-	-	732	699	732	699	4.7%
Employment Security	-	-	632	586	632	586	7.8%
Clean Water	-	-	27	30	27	30	-10.0%
Other	-	-	476	432	476	432	10.2%
Total Expenses	21,011	18,118	4,172	3,904	25,183	22,022	14.4%
Excess (Deficiency) Before Transfers	(1,265)	1,098	(696)	(545)	(1,961)	553	-454.6%
Transfers	(779)	(866)	779	866	-	-	0.0%
Increase (Decrease) in Net Assets	(2,044)	232	83	321	(1,961)	553	-454.6%
Net Assets (Deficit) - Beginning	(4,844)	(5,076)	4,601	4,280	(243)	(796)	-69.5%
Net Assets (Deficit) - Ending	$ (6,888)	$ (4,844)	$ 4,684	$ 4,601	$ (2,204)	$ (243)	807.0%

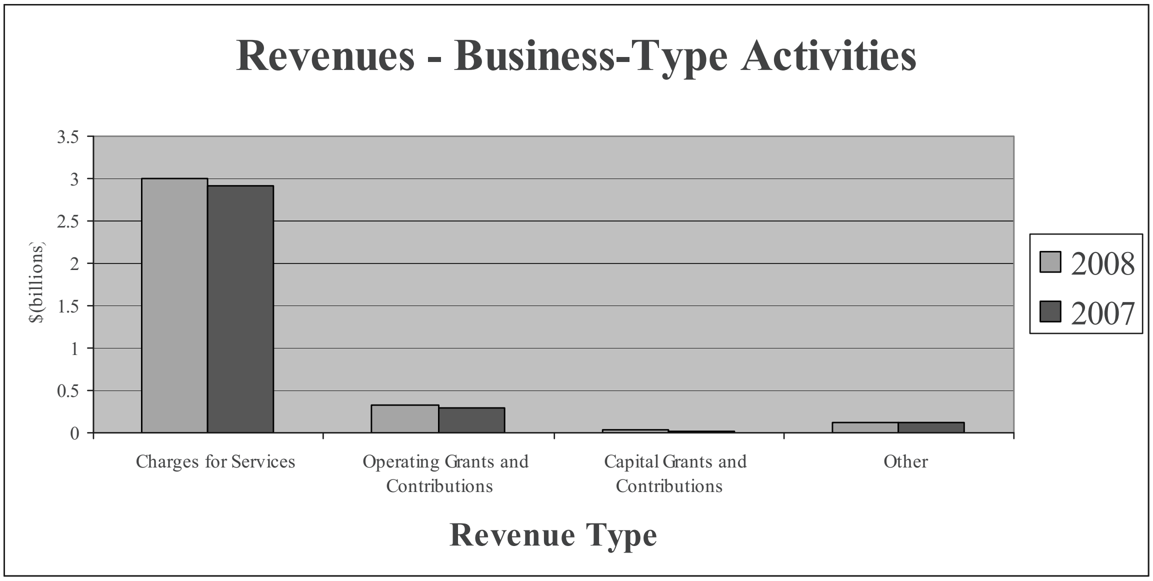
GOVERNMENTAL ACTIVITIES
The following charts provide a two year comparison of governmental activities revenues and expenses.

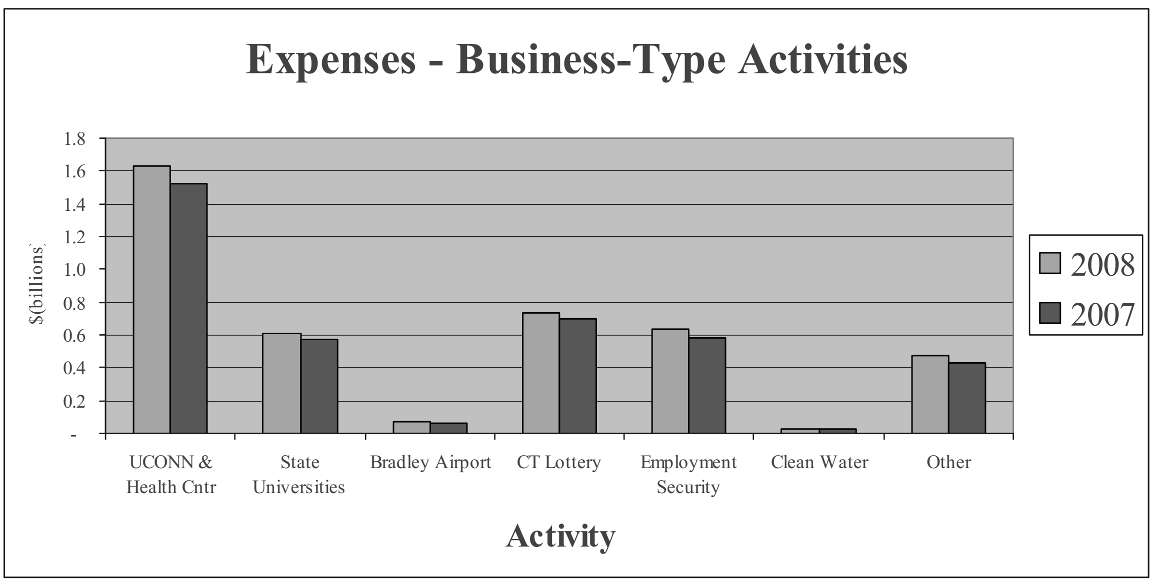




During the year, total revenues of governmental activities increased 2.8 percent to $19.7 billion, while total expenses increased 16.0 percent to $21.0 billion. In comparison, last year total revenues and expenses increased 4.1 percent and 3.9 percent, respectively. The increase in total expenses was due mainly to an increase in transportation, human services and education expenses of $2.0 billion or 19.9 percent. Although, total expenses exceeded total revenues by $1.2 billion, this excess was increased by transfers of $0.8 billion, resulting in a decrease in net assets of $2.0 billion.

BUSINESS-TYPE ACTIVITIES
The following charts provide a two year comparison of business-type activities revenues and expenses.





During the year, total revenues of business-type activities increased 3.5 percent to $3.5 billion, while total expenses increased by 6.9 percent to $4.2 billion. In comparison, last year total revenues decreased 0.3 percent, while total expenses increased 3.1 percent. The increase in total expenses was due mainly to an increase in University of Connecticut and Health Center expenses of $0.1 billion or 7.0 percent. Although, total expenses exceeded total revenues by $0.7 billion, this excess was reduced by transfers of $0.8 billion, resulting in an increase in net assets of $0.1 billion.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds

The focus of the State's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. In particular, unreserved fund balance serves as a useful measure of the State's net resources available for spending at the end of the fiscal year.

As of June 30, 2008, the State's governmental funds had fund balances of $3.1 billion, a decrease of $0.2 billion when compared to the prior year ending fund balances. Of the total governmental fund balances, $3.7 billion represents reserved fund balance, meaning that this portion is not available for the new spending because it has already been committed for specific purposes. The remainder of fund balance is an unreserved deficit fund balance of $0.6 billion.

General Fund

The General Fund is the chief operating fund of the State. As of June 30, 2008, the General Fund had a fund balance of $0.9 billion. Of this amount, $2.0 billion was reserved for various purposes, leaving a deficit of $1.1 billion in unreserved fund balance. Fund balance decreased by $0.4 billion during the current fiscal year.

Debt Service Fund

As of June 30, 2008, the Debt Service Fund had a fund balance of $684 million, all of which was reserved. Fund balance increased by $7 million during the current fiscal year.

Transportation Fund

As of June 30, 2008, the Transportation Fund had a fund balance of $220 million. Of this amount, $60 million was reserved for various purposes, leaving $160 million in unreserved fund balance. Fund balance decreased by $28 million during the current fiscal year.

Restricted Grants and Accounts Fund

As of June 30, 2008, the Restricted Grants and Accounts Fund had a fund balance of $666 million, all of which was reserved. Fund balance increased by $312 million during the fiscal year.

Proprietary Funds

The State's Proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Accordingly, a discussion of the financial activities of the Proprietary funds has been provided in that section.

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. As of June 30, 2008, the net assets of the State's Fiduciary funds totaled $27 billion, showing no change when compared to the prior year ending net asset balance.

Budgetary Highlights-General Fund

The General Fund surplus was originally estimated to be $0.7 million. Although the economy weakened during the year, the surplus estimate grew to $22 million by the end of the fiscal year.

Although actual fund expenditures exceeded revenues by $209 million, this excess was reduced by other financing sources of $308 million, resulting in an actual surplus of $99 million. This surplus was reserved by the State legislature to be spent in fiscal year 2009.

During the year, actual revenues exceeded original budget revenues by $103 million. A tax revenue variance of $71 million accounts for much of the total variance. Some of the tax revenues that were over or (under) the original budget were: personal income, $319 million; oil companies, $71 million; corporations, ($136) million; and real estate, ($41) million.

During the year, final appropriations exceeded original appropriations by $18 million or 0.1 percent.

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, 2008 totaled $13.4 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 increase in the State's investment in capital assets for the current fiscal was $0.2 billion, a 1 percent increase for governmental activities and a 3 percent increase for business-type activities.

Major capital asset events during the current fiscal year included the following:

- Additions to infrastructure of $0.4 billion.
- Additions to equipment of $0.3 billion
- Depreciation expense of $1.0 billion.

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	
	2008	2007	2008	2007	2008	2007
Land	$ 1,402	$ 1,354	$ 60	$ 59	$ 1,462	$ 1,413
Buildings	1,116	1,090	2,406	2,390	3,522	3,480
Improvements Other than Buildings	174	175	249	254	423	429
Equipment	280	379	383	369	663	748
Infrastructure	4,964	4,994	-	-	4,964	4,994
Construction in Progress	2,109	1,960	250	191	2,359	2,151
Total	$ 10,045	$ 9,952	$ 3,348	$ 3,263	$ 13,393	$ 13,215

Additional information on the State's capital assets can be found in Note 10 of this report.

Long-term Debt
Bonded Debt

At the end of the current fiscal year, the State had total bonded debt of $17.6 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)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
General Obligation Bonds	$ 13,092	$ 10,597	$ -	$ -	$ 13,092	$ 10,597
Transportation Related Bonds	2,791	2,822	-	-	2,791	2,822
Revenue Bonds	-	-	1,358	1,578	1,358	1,578
Premiums and deferred amounts	348	302	20	25	368	327
Total	$ 16,231	$ 13,721	$ 1,378	$ 1,603	$ 17,609	$ 15,324

The State's total bonded debt increased by $2.4 billion during the current fiscal year. This increase resulted mainly from an increase in general obligation bonds of $2.5 billion that was offset by a decrease in revenue bonds of $0.2 billion.

The State's General Obligation Bonds are rated Aa3, AA and AA by Moody's Investor Service, Standard and Poor's Corporation, and Fitch Ratings, respectively. Special tax obligation Bonds are rated A1, AA, AA- by Moody's Investor Service, Standard and Poor's Corporation, and Fitch Ratings, respectively.

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 February 2008, the State had a debt incurring margin of $5.7 billion.

Other Long-Term Debt

State of Connecticut's Other Long - Term Debt (in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Net Pension Obligation	$ 1,917	$ 3,828	$ -	$ -	$ 1,917	$ 3,828
Net OPEB Obligation	1,234	-	-	-	1,234	-
Compensated Absences	482	474	130	128	612	602
Workers Compensation	413	382	-	-	413	382
Lottery Prizes	-	-	232	266	232	266
Other	66	68	163	171	229	239
Total	$ 4,112	$ 4,752	$ 525	$ 565	$ 4,637	$ 5,317

The State's other long-term obligations decreased by $0.7 billion during the year. This decrease was due mainly to a decrease in the Net Pension Obligation of $1.9 billion that was offset by an increase in the Net OPEB Obligation of $1.2 billion.

Additional information on the State's long-term debt can be found in Notes 17 and 18 of this report.

Economic Factors and Next Year's Budget

During the fiscal year, the State added 6,000 payroll jobs. In the prior fiscal year, the State gained 20,800 jobs. The State's unemployment rate ended the fiscal year at 5.5 percent, its highest rate since fiscal year 2003. Existing home sales in the State hit a ten year low during the fiscal year, while new housing permits declined 25 percent. Taxable sales were weak expanding 2.5 percent. Personal income in the State grew by close to 4 percent throughout most of the fiscal year and ranked in the top quarter of all states for income growth. The State's export industries continue to show strength with exports continuing to expand at double-digit rates into the fiscal year.

For fiscal year 2009, the General Fund had a budget deficit initially estimated to be $10 million. Budgeted appropriations were expected to increase 4.7 percent to $17,083 million, while budgeted revenues were expected to increase 4.6 percent to $17,073 million. Some of the major increases in budgeted appropriations were $164 million for Medicaid assistance, $145 million for debt service, and $135 million for employee fringe benefit payments. However, because the economy went into a recession during the fiscal year, budgeted revenues are now expected to be $980 million lower than initially anticipated, resulting in a projected budget deficit of $922 million for fiscal year 2009. To help reduce the estimated budget deficit, the Governor has implemented certain measures, which include a ban on out-of-state travel, a hiring freeze, and a budget allotment rescission program.

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.

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Basic Financial Statements

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Statement of Net Assets

June 30, 2008

(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 1,602,206	$ 628,173	$ 2,230,379	$ 227,305
Deposits with U.S. Treasury	-	610,917	610,917	-
Investments	738,830	53,361	792,191	381,095
Receivables, (Net of Allowances)	2,023,492	703,619	2,727,111	50,527
Due from Primary Government	-	-	-	12,800
Inventories	50,020	11,860	61,880	3,710
Restricted Assets	-	46,631	46,631	1,805,387
Internal Balances	(222,678)	222,678	-	-
Other Current Assets	14,355	18,704	33,059	2,365
Total Current Assets	4,206,225	2,295,943	6,502,168	2,483,189
Noncurrent Assets:				
Cash and Cash Equivalents	-	154,333	154,333	-
Due From Component Units	5,057	-	5,057	-
Investments	-	287,993	287,993	40,573
Receivables, (Net of Allowances)	204,537	559,743	764,280	151,609
Restricted Assets	684,117	460,606	1,144,723	4,073,221
Capital Assets, (Net of Accumulated Depreciation)	10,045,466	3,347,602	13,393,068	425,087
Other Noncurrent Assets	71,847	46,260	118,107	9,780
Total Noncurrent Assets	11,011,024	4,856,537	15,867,561	4,700,270
Total Assets	15,217,249	7,152,480	22,369,729	7,183,459
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	785,414	292,693	1,078,107	72,351
Due to Component Units	12,800	-	12,800	-
Due to Other Governments	124,070	33	124,103	-
Current Portion of Long-Term Obligations	1,315,880	176,196	1,492,076	193,749
Amount Held for Institutions	-	-	-	1,139,532
Deferred Revenue	11,538	198,204	209,742	-
Medicaid Liability	507,899	-	507,899	-
Liability for Escheated Property	184,235	-	184,235	-
Other Current Liabilities	135,727	73,950	209,677	39,305
Total Current Liabilities	3,077,563	741,076	3,818,639	1,444,937
Noncurrent Liabilities:				
Non-Current Portion of Long-Term Obligations	19,027,615	1,726,924	20,754,539	3,898,073
Total Noncurrent Liabilities	19,027,615	1,726,924	20,754,539	3,898,073
Total Liabilities	22,105,178	2,468,000	24,573,178	5,343,010
Net Assets				
Invested in Capital Assets, Net of Related Debt	4,930,749	2,578,856	7,509,605	304,906
Restricted For:				
Transportation	137,370	-	137,370	-
Debt Service	647,400	66,376	713,776	17,181
Restricted Purposes	661,371	-	661,371	-
Capital Projects	-	99,922	99,922	-
Unemployment Compensation	-	740,636	740,636	-
Clean Water and Drinking Water Projects	-	655,557	655,557	-
Bond Indenture Requirements	-	2,508	2,508	812,680
Loans	-	6,241	6,241	-
Permanent Investments or Endowments:				
Expendable	2,446	-	2,446	109,978
Nonexpendable	92,015	14,846	106,861	249,762
Other Purposes	100,775	171,760	272,535	51,151
Unrestricted (Deficit)	(13,460,055)	347,778	(13,112,277)	294,791
Total Net Assets (Deficit)	$ (6,887,929)	$ 4,684,480	$ (2,203,449)	$ 1,840,449

The accompanying notes are an integral part of the financial statements.

Statement of Activities

For The Fiscal Year Ended June 30, 2008

(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	$ 111,910	$ 2,942	$ 23	$ -
General Government	1,737,917	382,296	6,288	-
Regulation and Protection	788,419	532,116	144,172	-
Conservation and Development	473,797	128,284	64,475	-
Health and Hospitals	2,298,272	75,240	172,210	-
Transportation	1,482,250	82,824	-	442,310
Human Services	5,743,810	83,561	3,308,219	-
Education, Libraries, and Museums	4,749,284	47,071	448,135	-
Corrections	2,085,053	9,049	121,117	-
Judicial	806,309	104,190	6,865	-
Interest and Fiscal Charges	733,791	-	-	-
Total Governmental Activities	21,010,812	1,447,573	4,271,504	442,310
Business-Type Activities:				
University of Connecticut & Health Center	1,626,532	853,586	179,199	6,803
State Universities	610,851	304,363	49,324	25,364
Bradley International Airport	67,635	57,801	-	3,755
Connecticut Lottery Corporation	731,851	998,361	-	-
Employment Security	631,935	573,524	14,874	-
Clean Water	27,181	16,398	10,737	-
Other	476,040	195,901	68,802	-
Total Business-Type Activities	4,172,025	2,999,934	322,936	35,922
Total Primary Government	$ 25,182,837	$ 4,447,507	$ 4,594,440	$ 478,232
Component Units				
Connecticut Housing Finance Authority (12-31-07)	$ 203,835	$ 183,901	$ -	$ -
Connecticut Health and Educational Facilities Authority	5,199	6,019	-	-
Other	276,696	221,288	7,900	7,780
Total Component Units	$ 485,730	$ 411,208	$ 7,900	$ 7,780
	General Revenues:			
	Taxes:			
	Personal Income			
	Corporate Income			
	Sales and Use			
	Other			
	Restricted for Transportation Purposes:			
	Motor Fuel			
	Other			
	Casino Gaming Payments			
	Tobacco Settlement			
	Unrestricted Investment Earnings			
	Contributions to Endowments			
	Transfers-Internal Activities			
	Total General Revenues, Contributions, and Transfers			
	Change in Net Assets			
	Net Assets (Deficit)- Beginning			
	Net Assets (Deficit)- Ending			

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (108,945)	$ -	$ (108,945)	$ -
(1,349,333)	-	(1,349,333)	-
(112,131)	-	(112,131)	-
(281,038)	-	(281,038)	-
(2,050,822)	-	(2,050,822)	-
(957,116)	-	(957,116)	-
(2,352,030)	-	(2,352,030)	-
(4,254,078)	-	(4,254,078)	-
(1,954,887)	-	(1,954,887)	-
(695,254)	-	(695,254)	-
(733,791)	-	(733,791)	-
(14,849,425)	-	(14,849,425)	-
-	(586,944)	(586,944)	-
-	(231,800)	(231,800)	-
-	(6,079)	(6,079)	-
-	266,510	266,510	-
-	(43,537)	(43,537)	-
-	(46)	(46)	-
-	(211,337)	(211,337)	-
-	(813,233)	(813,233)	-
(14,849,425)	(813,233)	(15,662,658)	-
-	-	-	(19,934)
-	-	-	820
-	-	-	(39,728)
-	-	-	(58,842)
6,588,233	-	6,588,233	-
548,539	-	548,539	-
3,537,911	-	3,537,911	-
1,544,801	-	1,544,801	-
487,568	-	487,568	-
192,663	-	192,663	-
411,411	-	411,411	-
141,348	-	141,348	-
131,915	117,360	249,275	73,603
-	-	-	38,162
(779,256)	779,256	-	-
12,805,133	896,616	13,701,749	111,765
(2,044,292)	83,383	(1,960,909)	52,923
(4,843,637)	4,601,097	(242,540)	1,787,526
$ (6,887,929)	$ 4,684,480	$ (2,203,449)	$ 1,840,449

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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:
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 responsible 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 by Federal and other providers to be spent for specific purposes.

Nonmajor Funds:
Nonmajor governmental funds are presented, by fund type beginning on page 94.

Balance Sheet
Governmental Funds

June 30, 2008
(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Other Funds	Total Governmental Funds
Assets						
Cash and Cash Equivalents	$ 295,723	$ -	$ 186,728	$ 602,339	$ 500,567	$ 1,585,357
Investments	601,176	-	-	-	137,654	738,830
Securities Lending Collateral	-	-	-	-	14,060	14,060
Receivables:						
Taxes, Net of Allowances	998,853	-	40,264	-	-	1,039,117
Accounts, Net of Allowances	185,023	-	10,504	19,188	28,220	242,935
Loans, Net of Allowances	-	-	-	-	204,537	204,537
From Other Governments	480,442	-	-	235,002	9,573	725,017
Interest	-	2,222	241	-	-	2,463
Other	-	-	-	6,229	5	6,234
Due from Other Funds	58,362	-	2,222	3,906	103,922	168,412
Advances to Other Funds	4,650	-	-	-	-	4,650
Due from Component Units	5,057	-	-	-	-	5,057
Inventories	25,319	-	20,938	-	-	46,257
Restricted Assets	-	683,636	-	-	481	684,117
Other Assets	-	-	-	-	218	218
Total Assets	$ 2,654,605	$ 685,858	$ 260,897	$ 866,664	$ 999,237	$ 5,467,261
Liabilities and Fund Balances						
Liabilities						
Accounts Payable and Accrued Liabilities	$ 354,143	$ -	$ 36,181	$ 177,423	$ 71,857	$ 639,604
Due to Other Funds	103,724	2,222	-	2,861	217,730	326,537
Due to Component Units	-	-	-	137	12,663	12,800
Due to Other Governments	122,701	-	-	1,369	-	124,070
Deferred Revenue	356,946	-	4,340	18,852	35,467	415,605
Medicaid Liability	507,899	-	-	-	-	507,899
Liability For Escheated Property	184,235	-	-	-	-	184,235
Securities Lending Obligation	-	-	-	-	14,060	14,060
Other Liabilities	121,667	-	-	-	-	121,667
Total Liabilities	1,751,315	2,222	40,521	200,642	351,777	2,346,477
Fund Balances						
Reserved For:						
Petty Cash	886	-	-	-	-	886
Inventories	25,319	-	20,938	-	-	46,257
Loans	9,707	-	-	-	204,537	214,244
Continuing Appropriations	455,441	-	38,693	-	2,239	496,373
Debt Service	-	683,636	-	-	-	683,636
Restricted Purposes	-	-	-	666,022	94,942	760,964
Surplus Transfer to FY 09	179,420	-	-	-	-	179,420
Budget Reserve Fund	1,381,748	-	-	-	-	1,381,748
Unreserved Reported In:						
General Fund	(1,149,231)	-	-	-	-	(1,149,231)
Transportation Fund	-	-	160,745	-	-	160,745
Special Revenue Funds	-	-	-	-	502,679	502,679
Capital Project Funds	-	-	-	-	(156,937)	(156,937)
Total Fund Balances	903,290	683,636	220,376	666,022	647,460	3,120,784
Total Liabilities and Fund Balances	$ 2,654,605	$ 685,858	$ 260,897	$ 866,664	$ 999,237	$ 5,467,261

The accompanying notes are an integral part of the financial statements.

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2008
(Expressed in Thousands)

Total Fund Balance - Governmental Funds		$	3,120,784
Net assets reported for governmental activities in the Statement of Net Assets 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	2,750,789		
Equipment	1,377,724		
Infrastructure	10,867,383		
Other Capital Assets	3,901,018		
Accumulated Depreciation	(8,909,219)		9,987,695
Debt issue costs are recorded as expenditures in the funds. However, these costs are deferred (reported as other assets) and amortized over the life of the bonds in the Statement of Net Assets.			71,095
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 in the funds.			404,196
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 Assets.			(13,140)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds (Note 16).			
Net Pension Obligation	(1,916,537)		
Net OPEB Obligation	(1,234,395)		
Worker's Compensation	(412,619)		
Capital Leases	(51,748)		
Compensated Absences	(477,557)		
Claims and Judgments	(13,635)		(4,106,491)
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 Assets. This is the net effect of these balances on the statement (Note 16).			
Bonds Payable	(15,883,252)		
Unamortized Premiums	(561,058)		
Less: Deferred Loss on Refundings	212,830		
Accrued Interest Payable	(120,588)		(16,352,068)
Net Assets of Governmental Activities		$	(6,887,929)

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, 2008
(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Other Funds	Total Governmental Funds
Revenues						
Taxes	$ 12,296,461	$ -	$ 680,590	$ 10,000	$ 27,835	$ 13,014,886
Assessments	-	-	-	-	21,457	21,457
Licenses, Permits and Fees	171,940	-	307,816	8,935	61,334	550,025
Tobacco Settlement	-	-	-	-	141,347	141,347
Federal Grants and Aid	3,045,810	-	-	1,601,890	70,156	4,717,856
Charges for Services	30,012	-	64,184	-	5,947	100,143
Fines, Forfeits and Rents	40,942	-	30,082	50	2,370	73,444
Casino Gaming Payments	411,410	-	-	-	-	411,410
Investment Earnings	63,867	34,670	11,485	5,429	17,039	132,490
Miscellaneous	141,296	-	8,201	464,402	79,383	693,282
Total Revenues	16,201,738	34,670	1,102,358	2,090,706	426,868	19,856,340
Expenditures						
Current:						
Legislative	101,455	-	-	2,705	-	104,160
General Government	1,144,111	-	2,333	277,166	202,414	1,626,024
Regulation and Protection	378,024	-	88,895	84,987	183,969	735,875
Conservation and Development	149,621	-	-	98,838	194,060	442,519
Health and Hospitals	1,944,217	-	-	200,488	9,543	2,154,248
Transportation	-	-	632,267	554,782	3,601	1,190,650
Human Services	4,979,489	-	-	392,456	18,434	5,390,379
Education, Libraries, and Museums	5,123,150	-	-	460,517	723,403	6,307,070
Corrections	1,918,709	-	-	24,738	5,895	1,949,342
Judicial	721,643	-	-	15,091	17,489	754,223
Capital Projects	-	-	-	-	341,148	341,148
Debt Service:						
Principal Retirement	877,160	275,789	604	-	-	1,153,553
Interest and Fiscal Charges	610,316	144,954	3,581	44,161	7,285	810,297
Total Expenditures	17,947,895	420,743	727,680	2,155,929	1,707,241	22,959,488
Excess (Deficiency) of Revenues Over Expenditures	(1,746,157)	(386,073)	374,678	(65,223)	(1,280,373)	(3,103,148)
Other Financing Sources (Uses)						
Bonds Issued	2,127,310	-	-	176,313	1,385,000	3,688,623
Premiums on Bonds Issued	333	11,557	-	-	57,889	69,779
Transfers In	405,351	417,172	41,941	204,340	142,640	1,211,444
Transfers Out	(1,207,015)	(25,439)	(447,472)	(3,053)	(310,510)	(1,993,489)
Refunding Bonds Issued	-	231,085	-	-	-	231,085
Payment to Refunded Bond Escrow Agent	-	(241,560)	-	-	-	(241,560)
Capital Lease Obligations	437	-	-	-	-	437
Total Other Financing Sources (Uses)	1,326,416	392,815	(405,531)	377,600	1,275,019	2,966,319
Net Change in Fund Balances	(419,741)	6,742	(30,853)	312,377	(5,354)	(136,829)
Fund Balances - Beginning (as restated)	1,331,768	676,894	248,169	353,645	652,814	3,263,290
Changes in Reserves for Inventories	(8,737)	-	3,060	-	-	(5,677)
Fund Balances - Ending	$ 903,290	$ 683,636	$ 220,376	$ 666,022	$ 647,460	$ 3,120,784

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, 2008

(Expressed in Thousands)

Net Change in Fund Balances - Total Governmental Fund:		$ (136,829)
Amounts reported for governmental activities in the Statement of Activitie are different because:		
Bond proceeds provide current financial resources to governmental funds. However issuing debt increases long term-liabilities in the Statement of Net Assets. Bon proceeds were received this year from		
Bonds Issued	(3,688,623)	
Refunding Bonds Issued	(231,085)	
Premium on Bonds Issued	(69,779)	(3,989,487)
Repayment of long-term debt is an expenditure in the governmental funds, but th repayment reduces long-term liabilities in the Statement of Net Assets. Long-term deb repayments this year consisted of		
Principal Retirement	1,153,553	
Payments to Refunded Bond Escrow Agent	241,715	
Capital Lease Payments	4,933	1,400,201
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, bu lease obligations are reported as long-term liabilities on the Statement of Net Asset:		(437)
Capital outlays are reported as expenditures in the governmental funds. However, in th Statement of Activities the cost of those assets is allocated over their estimated usefu lives and reported as depreciation expense. In the current period, these amounts an other reductions were as follows:		
Capital Outlays	897,191	
Depreciation Expense	(803,175)	
Retirements	(5,149)	88,867
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 thos assets are consumed. This is the amount by which consumption exceeded purchases o inventories.		(5,677)
Some expenses reported in the Statement of Activities do not require the use of curren financial resources and therefore are not reported as expenditures in governmenta funds. These activities consist of:		
Increase in Accrued Interest	(19,777)	
Decrease in Interest Accreted on Capital Appreciation Deb	64,923	
Amortization of Bond Premium	48,024	
Amortization of Loss on Debt Refundings	(29,340)	
Increase in Compensated Absences Liability	(8,517)	
Increase in Workers Compensation Liability	(30,491)	
Increase in Claims and Judgments Liability	(6,055)	
Decrease in Net Pension Obligation	1,911,379	
Increase in Net OPEB Obligation	(1,234,395)	695,751
Because some revenues will not be collected for several months after the state's fisc year ends, they are not considered "available" revenues and are deferred in th governmental funds. Deferred revenues increased by this amount this year		(110,566)
Internal service funds are used by management to charge the costs of certain activities such as insurance and telecommunications, to individual funds. The net revenu (expense) of internal service funds is reported with the governmental activities		1,362
Debt issue costs are recorded as expenditures in the governmental funds. However these costs are amortized over the life of the bonds in the Statement of Activities In the current year, these amounts are:		
Debt Issue Costs Payments	18,160	
Amortization of Debt Issue Costs	(5,637)	12,523
Change in Net Assets of Governmental Activitie:		$ (2,044,292)

The accompanying notes are an integral part of the financial statements.

Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Non-GAAP Budgetary Basis
General and Transportation Funds

For the Fiscal Year Ended June 30, 2008

(Expressed in Thousands)

	General Fund			
	Budget			Variance with Final Budget positive
Revenues	Original	Final	Actual	(negative)
Budgeted:				
Taxes, Net of Refunds	$ 12,453,200	$ 12,460,900	$ 12,523,911	$ 63,011
Operating Transfers In	397,900	402,900	402,904	4
Casino Gaming Payments	437,500	411,400	411,410	10
Licenses, Permits, and Fees	163,600	171,700	171,739	39
Other	323,200	297,400	294,020	(3,380)
Federal Grants	2,643,100	2,701,900	2,701,602	(298)
Refunds of Payments	(600)	(500)	(501)	(1)
Operating Transfers Out	(102,300)	(102,300)	(86,300)	16,000
Transfer Out - Transportation Strategy Board	-	-	-	-
Total Revenues	16,315,600	16,343,400	16,418,785	75,385
Expenditures				
Budgeted:				
Legislative	79,555	79,731	72,488	7,243
General Government	712,529	668,423	602,849	65,574
Regulation and Protection	293,121	296,294	280,991	15,303
Conservation and Development	146,712	151,163	119,758	31,405
Health and Hospitals	1,602,576	1,629,473	1,606,711	22,762
Transportation	30,081	15,981	127	15,854
Human Services	4,782,044	4,767,410	4,629,658	137,752
Education, Libraries, and Museums	4,065,649	4,118,889	3,892,796	226,093
Corrections	1,560,047	1,584,434	1,549,792	34,642
Judicial	518,291	522,002	515,738	6,264
Non Functional	3,471,818	3,446,008	3,356,539	89,469
Total Expenditures	17,262,423	17,279,808	16,627,447	652,361
Appropriations Lapsed	116,480	150,800	-	(150,800)
Excess (Deficiency) of Revenues Over Expenditures	(830,343)	(785,608)	(208,662)	576,946
Other Financing Sources (Uses)				
Prior Year Appropriations Carried Forward	831,070	831,070	831,070	-
Appropriations Continued to Fiscal Year 2009	-	-	(504,098)	(504,098)
Miscellaneous Adjustments	-	(23,128)	(18,890)	4,238
Total Other Financing Sources (Uses)	831,070	807,942	308,082	(499,860)
Net Change in Fund Balance	$ 727	$ 22,334	99,420	$ 77,086
Budgetary Fund Balances - July 1			1,181,229	
Changes in Reserves			(596,244)	
Budgetary Fund Balances - June 30			$ 684,405	

The accompanying notes are an integral part of the financial statements.

Transportation Fund

Budget Original	Budget Final	Actual	Variance with Final Budget positive (negative)
$ 707,000	$ 683,100	$ 680,787	$ (2,313)
-	-	-	-
-	-	-	-
400,600	380,000	379,286	(714)
47,000	36,500	36,555	55
-	-	-	-
(2,900)	(2,600)	(2,719)	(119)
(9,500)	(9,500)	(9,500)	-
(15,300)	(20,800)	(20,800)	-
1,126,900	1,066,700	1,063,609	(3,091)
-	-	-	-
2,375	2,375	2,362	13
78,908	79,201	61,743	17,458
-	-	-	-
-	-	-	-
489,662	510,906	492,749	18,157
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
579,552	574,696	540,082	34,614
1,150,497	1,167,178	1,096,936	70,242
11,000	31,500	-	(31,500)
(12,597)	(68,978)	(33,327)	35,651
40,662	40,662	40,662	-
-	-	(38,693)	(38,693)
-	16,683	16,681	(2)
40,662	57,345	18,650	(38,695)
$ 28,065	$ (11,633)	(14,677)	$ (3,044)
		233,608	
		(1,968)	
		$ 216,963	

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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.

Bradley International Airport:
The airport is owned by the State of Connecticut and is operated by the Bureau of Aviation and Ports of the State of Connecticut, Department of Transportation and the Board of Directors of the Airport. In 1982, the State issued the Airport, 1982 series Revenue Bonds in the aggregate principal amount of $100,000,000 and established the Airport as an enterprise fund. The State also donated in the same year capital assets having a net book value of $33.3 million to the enterprise fund.

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.

Employment Security:
to account for the collection of unemployment insurance premiums from employers and the payment of unemployment benefits to eligible claimants.

Clean Water:
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 116.

Statement of Net Assets
Proprietary Funds

June 30, 2008
(Expressed in Thousands)

	Business-Type Activities			
	Enterprise Funds			
	University of Connecticut & Health Center	State Universities	Bradley International Airport	Connecticut Lottery Corporation
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 266,691	$ 119,897	$ 49,394	$ 37,035
Deposits with U.S. Treasury	-	-	-	-
Investments	2,686	14,620	-	36,055
Receivables:				
Accounts, Net of Allowances	115,457	141,930	4,964	12,305
Loans, Net of Allowances	2,616	2,004	-	-
Interest	-	-	-	7,650
From Other Governments	-	1,499	3,417	-
Due from Other Funds	62,522	54,313	-	-
Inventories	10,420	-	-	-
Restricted Assets	34,407	-	12,224	-
Other Current Assets	14,091	1,402	609	1,877
Total Current Assets	508,890	335,665	70,608	94,922
Noncurrent Assets:				
Cash and Cash Equivalents	1,468	99,968	-	-
Investments	12,310	26,668	-	193,959
Receivables:				
Accounts, Net of Allowances	-	-	-	-
Loans, Net of Allowances	9,288	8,919	-	-
Restricted Assets	16,162	-	105,226	-
Capital Assets, Net of Accumulated Depreciation	1,699,046	860,933	302,949	2,939
Other Noncurrent Assets	2,412	3,272	6,441	4,991
Total Noncurrent Assets	1,740,686	999,760	414,616	201,889
Total Assets	2,249,576	1,335,425	485,224	296,811
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	132,339	53,499	15,028	23,246
Due to Other Funds	16,345	2,930	3,425	-
Due to Other Governments	-	-	-	-
Current Portion of Long-Term Obligations	48,848	21,442	9,605	38,085
Deferred Revenue	33,324	157,601	1,674	812
Other Current Liabilities	16,305	7,700	-	34,282
Total Current Liabilities	247,161	243,172	29,732	96,425
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Obligations	341,553	338,210	198,889	194,198
Total Noncurrent Liabilities	341,553	338,210	198,889	194,198
Total Liabilities	588,714	581,382	228,621	290,623
Net Assets (Deficit)				
Invested in Capital Assets, Net of Related Debt	1,384,600	645,613	110,183	2,939
Restricted For:				
Debt Service	10,035	-	27,625	-
Unemployment Compensation	-	-	-	-
Clean and Drinking Water Projects	-	-	-	-
Capital Projects	27,597	-	72,325	-
Nonexpendable Purposes	13,779	1,047	-	-
Bond Indentures	-	-	2,508	-
Loans	6,241	-	-	-
Other Purposes	18,721	28,839	-	6,188
Unrestricted (Deficit)	199,889	78,544	43,962	(2,939)
Total Net Assets (Deficit)	$ 1,660,862	$ 754,043	$ 256,603	$ 6,188

The accompanying notes are an integral part of the financial statements.

Business-Type Activities				Governmental
Enterprise Funds				Activities
Employment Security	Clean Water	Other Funds	Total	Internal Service Funds
$ -	$ -	$ 155,156	$ 628,173	$ 16,849
610,917	-	-	610,917	-
-	-	-	53,361	-
134,687	765	18,740	428,848	833
-	213,911	28,754	247,285	-
-	9,263	1,778	18,691	-
3,686	193	-	8,795	-
691	-	137,164	254,690	3,165
-	-	1,440	11,860	3,763
-	-	-	46,631	-
-	-	725	18,704	77
749,981	224,132	343,757	2,327,955	24,687
-	29,944	22,953	154,333	-
-	39,597	15,459	287,993	-
-	-	-	-	-
-	500,722	40,814	559,743	-
-	285,431	53,787	460,606	-
-	-	481,735	3,347,602	57,771
-	27,474	1,670	46,260	752
-	883,168	616,418	4,856,537	58,523
749,981	1,107,300	960,175	7,184,492	83,210
-	12,017	56,564	292,693	20,122
9,312	-	-	32,012	65,925
33	-	-	33	-
-	23,052	35,164	176,196	255
-	-	4,793	198,204	129
-	-	15,663	73,950	-
9,345	35,069	112,184	773,088	86,431
-	455,034	199,040	1,726,924	9,919
-	455,034	199,040	1,726,924	9,919
9,345	490,103	311,224	2,500,012	96,350
-	-	435,521	2,578,856	49,666
-	-	28,716	66,376	-
740,636	-	-	740,636	-
-	569,248	86,309	655,557	-
-	-	-	99,922	-
-	-	20	14,846	-
-	-	-	2,508	-
-	-	-	6,241	-
-	-	118,012	171,760	-
-	47,949	(19,627)	347,778	(62,806)
$ 740,636	$ 617,197	$ 648,951	$ 4,684,480	$ (13,140)

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds

For The Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Business-Type Activities			
	Enterprise Funds			
	University of Connecticut & Health Center	State Universities	Bradley International Airport	Connecticut Lottery Corporation
Operating Revenues				
Charges for Sales and Services	$ 758,582	$ 284,513	$ 44,698	$ 998,148
Assessments	-	-	-	-
Federal Grants, Contracts and Other Aid	146,543	31,352	-	-
State Grants, Contracts and Other Aid	25,430	15,267		
Private Gifts and Grants	36,293	2,705	-	-
Interest on Loans	-	-	-	-
Other	59,371	16,221	-	207
Total Operating Revenues	1,026,219	350,058	44,698	998,355
Operating Expenses				
Salaries, Wages and Administrative	1,405,157	543,887	39,692	97,938
Lottery Prize Awards	-	-	-	608,218
Unemployment Compensation	-	-	-	-
Claims Paid	-	-	-	-
Depreciation and Amortization	127,886	42,654	17,686	832
Other	77,592	24,310	-	7,812
Total Operating Expenses	1,610,635	610,851	57,378	714,800
Operating Income (Loss)	(584,416)	(260,793)	(12,680)	283,555
Nonoperating Revenue (Expenses)				
Interest and Investment Income	16,987	11,658	6,775	18,573
Interest and Fiscal Charges	(15,897)	-	(10,257)	(17,051)
Other	6,566	3,629	13,103	6
Total Nonoperating Revenues (Expenses)	7,656	15,287	9,621	1,528
Income (Loss) Before Capital Contributions, Grants, and Transfers	(576,760)	(245,506)	(3,059)	285,083
Capital Contributions	6,803	25,364	3,755	-
Federal Capitalization Grants	-	-	-	-
Transfers In	527,874	266,132	9,448	-
Transfers Out	-	-	-	(283,000)
Change in Net Assets	(42,083)	45,990	10,144	2,083
Total Net Assets (Deficit) - Beginning	1,702,945	708,053	246,459	4,105
Total Net Assets (Deficit) - Ending	$ 1,660,862	$ 754,043	$ 256,603	$ 6,188

The accompanying notes are an integral part of the financial statements.

Business-Type Activities				Governmental
Enterprise Funds				Activities
				Internal
Employment	Clean	Other		Service
Security	Water	Funds	Totals	Funds
$ -	$ -	$ 143,218	$ 2,229,159	$ 90,720
563,851	-	44,247	608,098	-
14,874	-	37,851	230,620	-
6,783		16,290	63,770	-
-	-	2,199	41,197	-
-	14,835	1,696	16,531	-
2,890	-	3,789	82,478	170
588,398	14,835	249,290	3,271,853	90,890
-	564	391,016	2,478,254	68,858
-	-	-	608,218	-
631,935	-	-	631,935	-
-	-	37,540	37,540	-
-	-	16,592	205,650	20,061
-	-	19,372	129,086	-
631,935	564	464,520	4,090,683	88,919
(43,537)	14,271	(215,230)	(818,830)	1,971
28,938	23,422	11,007	117,360	220
-	(26,617)	(11,520)	(81,342)	(45)
-	1,563	2,951	27,818	(784)
28,938	(1,632)	2,438	63,836	(609)
(14,599)	12,639	(212,792)	(754,994)	1,362
-	-	-	35,922	-
-	10,737	12,462	23,199	-
-	2,584	284,337	1,090,375	-
(18,671)	-	(9,448)	(311,119)	-
(33,270)	25,960	74,559	83,383	1,362
773,906	591,237	574,392	4,601,097	(14,502)
$ 740,636	$ 617,197	$ 648,951	$ 4,684,480	$ (13,140)

Statement of Cash Flows
Proprietary Funds

For the Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

	Business-Type Activities			
	Enterprise Funds			
	University of Connecticut & Health Center	State Universities	Bradley International Airport	Connecticut Lottery Corporation
Cash Flows from Operating Activities				
Receipts from Customers	$ 774,144	$ 300,915	$ 44,158	$ 996,345
Payments to Suppliers	(444,394)	(7,425)	(23,006)	(21,391)
Payments to Employees	(980,625)	(375,466)	(15,840)	(13,873)
Other Receipts (Payments)	277,088	(129,864)	-	(662,027)
Net Cash Provided by (Used in) Operating Activities	(373,787)	(211,840)	5,312	299,054
Cash Flows from Noncapital Financing Activities				
Retirement of Bonds and Annuities Payable	-	-	-	(42,015)
Interest on Bonds and Annuities Payable	-	-	-	(18,508)
Transfers In	440,263	234,463	9,448	-
Transfers Out	-	-	-	(283,000)
Other Receipts (Payments)	24,391	3,602	3,712	6,850
Net Cash Flows from Noncapital Financing Activities	464,654	238,065	13,160	(336,673)
Cash Flows from Capital and Related Financing Activities				
Additions to Property, Plant and Equipment	(96,497)	(33,686)	(11,043)	(2,289)
Proceeds from Capital Debt	-	204	-	-
Principal Paid on Capital Debt	(74,846)	(18,669)	(9,410)	-
Interest Paid on Capital Debt	(54,857)	-	(10,690)	-
Transfer In	112,924	-	-	-
Federal Grant	-	-	-	-
Capital Contributions	-	22,314	1,781	-
Other Receipts (Payments)	(16,305)	10	15,254	-
Net Cash Flows from Capital and Related Financing Activities	(129,581)	(29,827)	(14,108)	(2,289)
Cash Flows from Investing Activities				
Proceeds from Sales and Maturities of Investments	1,365	-	-	41,903
Purchase of Investment Securities	-	(250)	-	(6,843)
Interest on Investments	18,021	12,490	7,146	20,029
(Increase) Decrease in Restricted Assets	-	-	9,681	-
Other Receipts (Payments)	2,172	-	-	-
Net Cash Flows from Investing Activities	21,558	12,240	16,827	55,089
Net Increase (Decrease) in Cash and Cash Equivalents	(17,156)	8,638	21,191	15,181
Cash and Cash Equivalents -Beginning of Year	335,761	211,227	115,804	21,854
Cash and Cash Equivalents -End of Year	$ 318,605	$ 219,865	$ 136,995	$ 37,035
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities				
Operating Income (Loss)	$ (584,416)	$ (260,793)	$ (12,680)	$ 283,555
Adjustments not Affecting Cash:				
Depreciation and Amortization	127,886	42,654	17,686	832
Other	73,950	389	(5)	124
Change in Assets and Liabilities:				
(Increase) Decrease in Receivables, Net	1,230	(34,959)	(540)	(2,330)
(Increase) Decrease in Due from Other Funds	7,366	-	-	-
(Increase) Decrease in Inventories and Other Assets	(6,086)	(323)	-	(400)
Increase (Decrease) in Accounts Payables & Accrued Liabilities	6,283	41,192	851	17,273
Increase (Decrease) in Due to Other Funds	-	-	-	-
Total Adjustments	210,629	48,953	17,992	15,499
Net Cash Provided by (Used In) Operating Activities	$ (373,787)	$ (211,840)	$ 5,312	$ 299,054
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets				
Cash and Cash Equivalents - Current	$ 266,691	$ 119,897	$ 49,394	
Cash and Cash Equivalents - Noncurrent	1,468	99,968	-	
Cash and Cash Equivalents - Restricted	50,446	-	87,601	
	$ 318,605	$ 219,865	$ 136,995	

The accompanying notes are an integral part of the financial statements.

Business-Type Activities				Governmental Activities
Enterprise Funds				
Employment Security	Clean Water	Other	Totals	Internal Service Funds
$ 562,279	$ 62,694	$ 189,175	$ 2,929,710	$ 98,583
-	-	(80,359)	(576,575)	(43,798)
-	(439)	(311,900)	(1,698,143)	(28,633)
(572,546)	(118,064)	64,956	(1,140,457)	811
(10,267)	(55,809)	(138,128)	(485,465)	26,963
-	(42,520)	(32,570)	(117,105)	-
-	(26,200)	(8,069)	(52,777)	-
-	2,584	245,575	932,333	-
(18,671)	-	(9,448)	(311,119)	-
-	(109,825)	297	(70,973)	-
(18,671)	(175,961)	195,785	380,359	-
-	-	(9,944)	(153,459)	(24,677)
-	-	-	204	-
-	-	-	(102,925)	-
-	-	(3,116)	(68,663)	-
-	-	42,970	155,894	-
-	10,590	14,084	24,674	-
-	-	-	24,095	-
-	-	(101,528)	(102,569)	(205)
-	10,590	(57,534)	(222,749)	(24,882)
-	-	-	43,268	-
-	-	-	(7,093)	-
28,938	23,508	11,414	121,546	220
-	93,180	(2,828)	100,033	-
-	100,834	5,771	108,777	(624)
28,938	217,522	14,357	366,531	(404)
-	(3,658)	14,480	38,676	1,677
-	3,658	140,676	828,980	15,172
$ -	$ -	$ 155,156	$ 867,656	$ 16,849
$ (43,537)	$ 14,271	$ (215,230)	$ (818,830)	$ 1,971
-	-	16,592	205,650	20,061
-	-	(4,604)	69,854	-
(1,514)	(70,080)	71,315	(36,878)	2,880
(58)	-	-	7,308	4,983
31,862	-	(7,776)	17,277	640
-	-	1,575	67,174	(3,572)
2,980	-	-	2,980	-
33,270	(70,080)	77,102	333,365	24,992
$ (10,267)	$ (55,809)	$ (138,128)	$ (485,465)	$ 26,963

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Fiduciary Fund Financial Statements

Investment Trust Fund
External Investment Pool:
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:
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 128
Agency Funds, page 134

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2008

(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					
Cash and Cash Equivalents	$ 69,412	$ -	$ -	$ 100,019	$ 169,431
Receivables:					
Accounts, Net of Allowances	16,437	-	-	5,151	21,588
From Other Governments	4,521	-	-	-	4,521
From Other Funds	1,955	-	-	4,795	6,750
Interest	2,365	2,896	-	121	5,382
Investments	25,779,186	974,341	-	-	26,753,527
Inventories	-	-	-	399	399
Securities Lending Collateral	3,018,240	-	-	-	3,018,240
Other Assets	-	24	95,346	333,413	428,783
Total Assets	28,892,116	977,261	95,346	$ 443,898	30,408,621
Liabilities					
Accounts Payable and Accrued Liabilities	1,263	1,724	-	$ 4,705	7,692
Securities Lending Obligation	3,018,240	-	-	-	3,018,240
Due to Other Funds	3,831	-	-	4,712	8,543
Funds Held for Others	-	-	-	434,481	434,481
Total Liabilities	3,023,334	1,724	-	$ 443,898	3,468,956
Net Assets					
Held in Trust For:					
Employees' Pension Benefits (Note 13)	25,778,510	-	-		25,778,510
Other Employee Benefits (Note 15)	90,272	-	-		90,272
Individuals, Organizations, and Other Governments	-	975,537	95,346		1,070,883
Total Net Assets	$ 25,868,782	$ 975,537	$ 95,346		$ 26,939,665

The accompanying notes are an integral part of the financial statements.

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

For the Fiscal Year Ended June 30, 2008
(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	$ 380,781	$ -	$ -	$ 380,781
State	3,728,016	-	-	3,728,016
Municipalities	39,274	-	-	39,274
Total Contributions	4,148,071	-	-	4,148,071
Investment Income	(1,054,669)	60,618	-	(994,051)
Less: Investment Expense	(205,569)	(337)	-	(205,906)
Net Investment Income	(1,260,238)	60,281	-	(1,199,957)
Escheat Securities Received	-	-	30,628	30,628
Pool's Share Transactions	-	(82,884)	-	(82,884)
Transfers In	2,789	-	-	2,789
Other	5,065	-	-	5,065
Total Additions	2,895,687	(22,603)	30,628	2,903,712
Deductions				
Administrative Expense	2,286	-	-	2,286
Benefit Payments and Refunds	2,927,526	-	-	2,927,526
Escheat Securities Returned or Sold	-	-	8,579	8,579
Distributions to Pool Participants	-	60,282	-	60,282
Other	2,788	-	26,465	29,253
Total Deductions	2,932,600	60,282	35,044	3,027,926
Change in Net Assets Held In Trust For:				
Pension and Other Employee Benefits	(36,913)	-	-	(36,913)
Individuals, Organizations, and Other Governments	-	(82,885)	(4,416)	(87,301)
Net Assets - Beginning (as restated)	25,905,695	1,058,422	99,762	27,063,879
Net Assets - Ending	$ 25,868,782	$ 975,537	$ 95,346	$ 26,939,665

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 Health and Educational Facilities Authority:
the Connecticut Health and Educational Facilities Authority is a public instrumentality and political subdivision of the State. The Authority 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.

Nonmajor:
The nonmajor component units are presented beginning on page 138.

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Statement of Net Assets
Component Units

June 30, 2008

(Expressed in Thousands)

Assets	Connecticut Housing Finance Authority (12-31-07)	Connecticut Health and Educational Facilities Authority	Other Component Units	Total
Current Assets:				
Cash and Cash Equivalents	$ -	$ 23,199	$ 204,106	$ 227,305
Investments	-	-	381,095	381,095
Receivables:				
Accounts, Net of Allowances	-	174	29,141	29,315
Loans, Net of Allowances	-	-	20,250	20,250
Other	-	-	962	962
Due From Primary Government	-	-	12,800	12,800
Restricted Assets	584,040	1,139,562	81,785	1,805,387
Inventories	-	-	3,710	3,710
Other Current Assets	-	156	2,209	2,365
Total Current Assets	584,040	1,163,091	736,058	2,483,189
Noncurrent Assets:				
Investments	-	-	40,573	40,573
Accounts, Net of Allowances	-	-	26,164	26,164
Loans, Net of Allowances	-	-	125,445	125,445
Restricted Assets	3,998,044	2,247	72,930	4,073,221
Capital Assets, Net of Accumulated Depreciation	3,517	296	421,274	425,087
Other Noncurrent Assets	-	-	9,780	9,780
Total Noncurrent Assets	4,001,561	2,543	696,166	4,700,270
Total Assets	4,585,601	1,165,634	1,432,224	7,183,459
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	31,549	1,739	39,063	72,351
Current Portion of Long-Term Obligations	166,202	-	27,547	193,749
Amount Held for Institutions	-	1,139,532	-	1,139,532
Other Liabilities	28,121	-	11,184	39,305
Total Current Liabilities	225,872	1,141,271	77,794	1,444,937
Noncurrent Liabilities:				
Noncurrent Portion of Long-Term Obligations	3,543,532	2,247	352,294	3,898,073
Total Noncurrent Liabilities	3,543,532	2,247	352,294	3,898,073
Total Liabilities	3,769,404	1,143,518	430,088	5,343,010
Net Assets				
Invested in Capital Assets, Net of Related Debt	3,517	296	301,093	304,906
Restricted:				
Debt Service	-	-	17,181	17,181
Bond Indentures	812,680	-	-	812,680
Expendable Endowments	-	-	109,978	109,978
Nonexpendable Endowments	-	-	249,762	249,762
Other Purposes	-	-	51,151	51,151
Unrestricted	-	21,820	272,971	294,791
Total Net Assets	$ 816,197	$ 22,116	$ 1,002,136	$ 1,840,449

The accompanying notes are an integral part of the financial statements.

Statement of Activities
Component Units

For The Fiscal Year Ended June 30, 2008
(Expressed in Thousands)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Connecticut Housing Finance Authority (12/31/07)	$ 203,835	$ 183,901	$ -	$ -
Connecticut Health and Educational Facilities Authority	5,199	6,019	-	-
Other Component Units	276,696	221,288	7,900	7,780
Total Component Units	$ 485,730	$ 411,208	$ 7,900	$ 7,780

General Revenues:
Investment Income (Loss)
Contributions to Endowments
Total General Revenues, and Contributions
Change in Net Assets
Net Assets - Beginning
Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Assets			
Connecticut Housing Finance Authority (12-31-07)	**Connecticut Health & Educational Facilities Authority**	**Other Component Units**	**Totals**
$ (19,934)	$ -	$ -	$ (19,934)
-	820	-	820
-	-	(39,728)	(39,728)
(19,934)	820	(39,728)	(58,842)
79,938	836	(7,171)	73,603
-	-	38,162	38,162
79,938	836	30,991	111,765
60,004	1,656	(8,737)	52,923
756,193	20,460	1,010,873	1,787,526
$ 816,197	$ 22,116	$ 1,002,136	$ 1,840,449

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Notes to the Financial Statements
June 30, 2008

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) the State is able to impose its will on the organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State. The State also includes a nongovernmental nonprofit corporation as a component unit because it would be misleading to exclude the corporation from the reporting entity. Component units are reported in the financial statements in a separate column (discrete presentation), or as part of the primary government (blending presentation).

Discretely Presented Component Units

Discretely presented component units include legally separate organizations for which the State appoints a voting majority of the organization's governing board and is contingently liable for the organization's debt or provides funding for the organization's programs (applies only to the Connecticut Innovations, Incorporated and the Capital City Economic Development Authority). In addition, a nongovernmental nonprofit corporation is included as a discretely presented component unit because of the nature and significance of its relationship with the State are such that it would be misleading to exclude the corporation from the State's reporting entity. The following organizations are reported in separate columns and rows in the government-wide financial statements to emphasize that they are legally separate from the primary government:

Connecticut Development Authority

The Authority is a public instrumentality and political subdivision of the State. It was created to stimulate industrial and commercial development within the State through its Self-Sustaining Bond, Umbrella, and Insurance programs as well as other economic development programs.

Connecticut Housing Finance Authority

The Authority is a public instrumentality and political subdivision of the State. It 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, 2007.

Connecticut Resources Recovery Authority

The Authority is a public instrumentality and political subdivision of the State. It is responsible for implementing the State Solid Waste Management Plan by determining the location of and constructing solid waste management projects; owning, operating, and maintaining waste management projects; or making provisions for operation and maintenance by contracting with private industry.

Connecticut Higher Education Supplemental Loan Authority

The Authority is a public instrumentality and political sub-division of the State. It was created to assist students, their parents, and institutions of higher education to finance the cost of higher education through its Bond funds.

Connecticut Health and Educational Facilities Authority

The Authority is a public instrumentality and political subdivision of the State. The purpose of the Authority is 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 Innovations, Incorporated

The Authority is a public instrumentality and political subdivision of the State. It 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.

Capital City Economic Development Authority

The Authority is a public instrumentality and political subdivision of the State. It was established in 1998 to stimulate new investment in Connecticut; to attract and service large conventions, tradeshows, exhibitions, conferences, and local consumer shows, exhibitions and events; to encourage the diversification of the state economy; to strengthen Hartford's role as the region's major business and industry employment center and seat of government; to encourage residential housing development in downtown Hartford; and to construct, operate, maintain and market a convention center project in Hartford.

University of Connecticut Foundation, Incorporated

The University of Connecticut Foundation, Incorporated is a nongovernmental nonprofit corporation 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.

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.

Blended Component Units
Connecticut Lottery Corporation
The Connecticut Lottery Corporation is a legally separate organization for which the State appoints a voting majority of the Corporation's governing board and which provides a significant amount of revenues to the State. The corporation is reported as part of the primary government's business-type activities in the government-wide financial statements and as a major Enterprise fund in the fund financial statements.

c. Government-wide and Fund Financial Statements
Government-wide Financial Statements
The Statement of Net Assets 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 by fees charged to external parties. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Net Assets presents the reporting entity's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

1. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds issued to buy, construct, or improve those assets.

2. Restricted net assets result when constraints placed on net assets use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation.

3. Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories.

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.

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 be 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 accumulated and payments made for principal and interest on special tax obligation bonds of the Transportation fund.

Transportation - This fund is used to account for motor fuel taxes, vehicle registration and driver license fees, and other revenue collected for the purpose of payment of transportation related bonds and budgeted appropriations of the Department of Transportation. The Department of Transportation is responsible for all aspects of the planning, development, maintenance, and improvement of transportation in the State.

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.

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.

Bradley International Airport - This fund is used to account for the financial activities of the Bradley International Airport, which is owned and operated by the State.

Connecticut Lottery Corporation - This fund is used to account for the financial activities of the State's lottery. The Corporation was created in 1996 for the purpose of generating revenues for the State's General Fund.

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 (and Other Employee Benefits) Trust Funds - These funds account for resources held in trust for the members and beneficiaries of the State's defined benefit pension plans and other employee benefits plans. These plans are discussed more fully in Notes 11, 12, 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. This option is followed by the following component units of the State: the Connecticut Development Authority and the Connecticut Health and Educational Facilities Authority.

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 all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Sales and use taxes, personal income taxes, public service corporation taxes, special fuel taxes, federal grants, and casino gaming payments are considered to be susceptible to accrual. Licenses, permits, and fees are not considered to be susceptible to accrual and 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.

When both restricted and unrestricted resources are available for use, it is the State's policy to use unrestricted resources first, and then restricted resources, as they are needed.

e. Budgeting Process

By statute, the Governor must submit the State budget to the General Assembly 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 Assembly 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 established 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 encumbered 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 Assembly.

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 "modified cash" basis of accounting under which revenues are recognized when received, except for certain taxes which are recognized when earned. Tax revenues recognized when earned include the following: sales and use, personal income, corporation, public service corporations, petroleum companies, cigarettes, alcoholic beverages, gasoline, special motor fuel, and motor carrier road. Under the modified cash basis, expenditures are recognized when paid. A comparison of actual results of operations recorded on this basis and the adopted budget is presented in the financial statements for the General and Transportation funds. During the 2008 fiscal year, the original adopted budget was adjusted by the General Assembly and the Finance Advisory Committee.

f. Assets and Liabilities

Cash and Cash Equivalents (see Note 4)

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 include investments in the Short-Term Investment Fund ("STIF") and the Tax Exempt Proceeds Fund, Inc. ("TEPF"). TEPF is a short-term, tax-exempt money market fund reported under the Investment Company Act of 1940. Investments in STIF and TEPF 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 4)

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 equity and debt securities held by the Connecticut Innovations, Incorporated, a component unit. The fair value of these investments is determined by the 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 assets.

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 reserve to indicate that they are unavailable for appropriation.

Capital Assets and Depreciation

Capital assets, which 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. 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 4)
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.

Deferred Revenues
In the government-wide and fund financial statements, this liability represents resources that have been received, but not yet earned. In the fund financial statements, this liability also represents revenues considered measurable but not available during the current period.

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 assets. 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 deferred charges and amortized over the term of the related debt. Other long-term obligations include compensated absences, workers' compensation claims, capital leases, claims and judgments, annuities payable, and the net pension and OPEB obligations.

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 assets 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. Fund Balance
In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

h. Interest Rate Swap Agreements
The State has entered into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expenditures resulting from these agreements, no amounts are recorded in the financial statements (see Note 18).

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. Food Stamps
Food stamps distributed to recipients during the year are recognized as both 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 Budgetary vs. GAAP Basis of Accounting
The following is a reconciliation of the net change in fund balances as reported in the budgetary and GAAP basis of accounting statements of revenues, expenditures, and changes in fund balances (amounts in thousands):

	General Fund	Transportation Fund
Net change in fund balances (budgetary basis)	$ 99,420	$ (14,677)
Adjustments:		
Increases (decreases) in revenue accruals:		
Receivables and Other Assets	(238,498)	(2,161)
(Increases) decreases in expenditure accruals:		
Accounts Payable and Other Liabilities	60,353	(11,215)
Salaries and Fringe Benefits Payable	(14,044)	(987)
Decrease in Continuing Appropriations	(326,972)	(1,968)
Fund Reclassification-Bus Operations	-	155
Net change in fund balances (GAAP basis)	$ (419,741)	$ (30,853)

The major differences between the budgetary (legal) and the GAAP (generally accepted accounting principles) basis of accounting as reconciled above are as follows:

1. Revenues are recorded when received in cash except for certain year-end accruals (budgetary basis) as opposed to revenues being recorded when they are susceptible to accrual (GAAP basis).

2. Expenditures are recorded when paid in cash (budgetary 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 reserved fund balance.

Note 3 Nonmajor Fund Deficits
The following funds have deficit fund/net assets balances at June 30, 2008, none of which constitutes a violation of statutory provisions (amounts in thousands).

Capital Projects	
State Facilities	$ 233,621
Enterprise	
Bradley Parking Garage	$ 16,233
Rate Reduction Bond Operations	$ 90,582
Internal Service	
Administrative Services	$ 35,575

Note 4 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.
Custodial Credit Risk (investments) - the risk that, in the event of a failure of the counterparty, the State will not be able to recover the value of investments or collateral securities that are in the possession of an outside party.
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, one Medium-Term Investment Fund, and eleven 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, asset-backed securities, and student loans. STIF's investments are reported at amortized cost (which approximates fair value) in the fund's statement of net assets.

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.

As of June 30, 2008, STIF had the following investments and maturities (amounts in thousands):

Short-Term Investment Fund

		Investment Maturities (in years)	
Investment Type	**Amortized Cost**	**Less Than 1**	**1-5**
Floating Rate Notes	$ 708,204	$ 636,607	$ 71,597
Secured Liquidity Notes	47,019	47,019	-
Federal Agency Securities	922,160	922,160	-
Repurchase Agreements	820,912	820,912	-
Money Market Funds	450,000	450,000	-
Total Investments	$ 2,948,295	$ 2,876,698	$ 71,597

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, 2008, the weighted average maturity of the STIF was 19 days. Additionally, STIF is allowed by policy to invest in floating-rate securities, and investments in such securities with 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, 2008, the amount of STIF's investments in variable-rate securities was $855 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, 2008, STIF's investments were rated by Standard and Poor's as follows (amounts in thousands):

Short-Term Investment Fund

		Quality Ratings			
Investment Type	**Amortized Cost**	**AAA**	**AA**	**A**	**D**
Floating Rate Notes	$ 708,204	$ 330,165	$ 200,789	$ 119,918	$ 57,332
Secured Liquidity Notes	47,019	-	-	47,019	-
Federal Agency Securities	922,160	922,160	-	-	-
Repurchase Agreements	820,912	-	-	820,912	-
Money Market Funds	450,000	450,000	-	-	-
Total Investments	$ 2,948,295	$ 1,702,325	$ 200,789	$ 987,849	$ 57,332

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, 2008, 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**
Bank of America	$ 849,096
FHLB	$ 174,421
FHLMC	$ 398,679
FNMA	$ 299,253

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". As of June 30, 2008, $2,099,600 of the bank balance of STIF's deposits of $2,100,000 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 1,889,600
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State	210,000
Total	$ 2,099,600

Short-Term Plus Investment Fund (STIF Plus)

STIF Plus is a money market and short-term bond 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 Plus in U.S. government and agency obligations, certificates of deposit, commercial paper, corporate bonds, saving accounts, bankers' acceptance, repurchase agreements, and asset-backed securities. STIF Plus' investments are reported at fair value on the fund's statement of net assets.

For financial reporting purposes, STIF Plus is considered to be an internal investment pool and is not reported in the accompanying financial statements. Instead, investments in STIF Plus by participant funds are reported as other investments in the government-wide and fund financial statements.

As of June 30, 2008, STIF Plus had the following investments and maturities (amount in thousands):

Short-Term Plus Investment Fund

		Investment Maturities (in years)	
Investment Type	**Fair Value**	**Less Than 1**	**1-5**
Federal Agency Securities	$ 88,065	$ 5,036	$ 83,029
Corporate Notes	77,674	4,135	73,539
Asset Backed Securities	21,746	9,160	12,586
Repurchase Agreements	12,069	12,069	-
Total Investments	$ 199,554	$ 30,400	$ 169,154

Interest Rate Risk

STIF Plus' policy for managing this risk is to perform, on a quarterly basis, an interest rate sensitivity analysis on the duration and the market value of the portfolio to determine the potential effect of a 200 basis point movement in interest rates. As of June 30, 2008, the weighted average maturity of STIF Plus was 303 days. In addition, STIF Plus is allowed to invest in floating-rate debt securities. For purposes of the fund's weighted average maturity calculation, variable-rate securities are calculated using their rate reset date. Because these securities reprise frequently to prevailing market rates, interest rate risk is substantially reduced. As of June 30, 2008, STIF Plus's investment in variable-rate securities was $94.9 million.

Credit Risk

The STIF Plus manages its credit risk by investing only in debt securities that fall within the highest short-term or long-term rating categories by nationally recognized rating organizations. As of June 30, 2008, STIF Plus' investments were rated by Standard and Poor's as follows (amounts in thousands):

Short-Term Plus Investment Fund

		Quality Ratings		
Investment Type	**Fair Value**	**AAA**	**AA**	**A**
Federal Agency Securities	$ 88,065	$ 88,065	$ -	$ -
Corporate Notes	77,674	14,913	53,889	8,872
Asset Backed Securities	21,746	20,718	728	300
Repurchase Agreements	12,069	-	-	12,069
Total	$ 199,554	$ 123,696	$ 54,617	$ 21,241

Concentration of Credit Risk

STIF Plus' policy for managing this risk is to limit the amount it may invest in any single federal agency to an amount not to exceed 15 percent. As of June 30, 2008, STIF Plus' investments in any one issuer that represents more than 5 percent of total investments were as follows (amounts in thousands):

Investment Issuer	**Fair Value**
Bank of America	$ 21,981
Citigroup	$ 14,620
FHLB	$ 37,678
FHLMC	$ 30,270
FNMA	$ 15,090
General Electric	$ 14,913
Wells Fargo	$ 14,857

Custodial Credit Risk-Bank Deposits-Nonnegotiable Certificate of Deposits (amounts in thousands)

The STIF Plus follows policy parameters that limit deposits in any one entity to a maximum of five percent of total assets. Further, the certificates 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 AA- or which carry an unconditional letter of guarantee from such a bank that meets the short-term debt rating requirements. As of June 30, 2008, $109,600 of the bank balance of STIF Plus' deposits of $110,000 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 98,600
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State	11,000
Total	$ 109,600

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 assets.

For financial reporting purposes, the CIFS are considered to be internal 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. As of June 30, 2008, the amount of equity in the CIFS reported in the financial statements was as follows (amounts in thousands):

	Primary Government		
	Governmental Activities	**Business-Type Activities**	**Fiduciary Funds**
Equity in the CIFS	$ 92,014	$ 623	$ 25,779,186
Other Investments	646,816	52,738	974,341
Total Investments-Current	$ 738,830	$ 53,361	$ 26,753,527

As of June 30, 2008, the CIFS had the following investments and maturities (amounts in thousands):

Combined Investment Funds

Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
		Investment Maturities (in Years)			
Cash Equivalents	$ 1,287,507	$ 1,248,429	$ 25,119	$ -	$ 13,959
Asset Backed Securities	267,219.0	885	213,715	52,619	-
Government Securities	2,596,352.0	332,630	569,493	453,363	1,240,866
Government Agency Securities	1,646,888.0	529	19,300	47,830	1,579,229
Mortgage Backed Securities	956,383.0	5,640	23,499	47,136	880,108
Corporate Debt	2,108,881.0	179,950	721,380	766,588	440,963
Convertible Debt	28,276.0	2,224	18,599	2,675	4,778
Mutual Fund	387,049.0	-	-	-	387,049
Total Debt Instruments	9,278,555	$ 1,770,287	$ 1,591,105	$ 1,370,211	$ 4,546,952
Common Stock	13,809,214				
Preferred Stock	105,945				
Real Estate Investment Trust	102,406				
Mutual Fund	186,304				
Limited Liability Corporation	4,242				
Trusts	5,864				
Limited Partnerships	2,636,631				
Total Investments	$ 26,129,161				

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 Lehman Brother 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, 2008, 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	Mutual Fund
Aaa	$ 4,329,454	$ -	$ 232,479	$ 1,997,087	$ 1,286,118	$ 622,580	$ 191,190	$ -	$ -
Aa	527,787	-	513	30,757	-	11,888	484,432	197	-
A	374,100	-	2,625	73,527	-	2,734	294,528	686	-
Baa	535,481	-	4,137	82,828	-	55,721	391,731	1,064	-
Ba	266,007	-	-	97,276	-	10,829	157,902	-	-
B	457,427	-	-	82,813	-	5,291	368,703	620	-
Caa	107,771	-	-	-	-	4,246	98,975	4,550	-
Ca	5,237	-	-	3,244	-	-	1,993	-	-
C	1,082	-	-	-	-	1,082	-	-	-
Prime 1	642,881	642,881	-	-	-	-	-	-	-
Not Rated	2,031,328	644,626	27,464	228,821	360,771	242,011	119,426	21,160	387,049
Total	$ 9,278,555	$ 1,287,507	$ 267,218	$ 2,596,353	$ 1,646,889	$ 956,382	$ 2,108,880	$ 28,277	$ 387,049

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, 2008, CIFS' foreign deposits and investments were as follows (amounts in thousands):

			Combined Investment Funds						
			Fixed Income Securities				Equities		
Foreign Currency	Total	Cash	Government Securities	Mutual Funds	Corporate Debt	Convertible Securities	Common Stock	Preferred Stock	Real Estate Investment Trust
Argentine Peso	$ 735	$ 130	$ 438	$ -	$ -	$ -	$ 167	$ -	$ -
Australian Dollar	245,789	1,403	-	-	910	-	243,466	-	10
Brazilian Real	136,048	305	34,298	-	5,903	-	38,429	57,113	-
Canadian Dollar	52,800	1,763	-	-	130	-	50,907	-	-
Chilean Peso	1,357	19	-	-	-	-	1,338	-	-
Colombian Peso	7,368	-	5,872	-	1,496	-	-	-	-
Czech Koruna	21,998	2	6,084	-	-	-	15,912	-	-
Danish Krone	61,586	268	-	-	203	-	61,115	-	-
Egyptian Pound	23,362	5,790	12,051	-	-	-	5,521	-	-
Euro Currency	1,788,381	457	46,801	19,941	3,101	-	1,688,490	29,591	-
Hong Hong Dollar	202,702	612	-	58	-	-	199,755	-	2,277
Hungarian Fornit	35,205	7	9,944	-	-	-	25,254	-	-
Iceland Krona	84	-	-	-	-	-	84	-	-
Indian Rupee	4,316	-	-	-	4,316	-	-	-	-
Indonesian Rupiah	26,689	94	6,139	-	3,513	-	16,943	-	-
Israeli Shekel	10,827	8	-	-	-	-	10,819	-	-
Japanese Yen	1,049,339	5,965	9,146	5,719	-	1,287	1,025,344	-	1,878
Kazakhstan Tenge	772	-	-	-	772	-	-	-	-
Malaysian Ringgit	63,190	409	23,891	-	9,567	-	29,207	116	-
Mexican Peso	47,473	876	29,258	-	-	-	17,339	-	-
Moroccan Dirham	1,210	(24)	-	-	-	-	1,234	-	-
New Russian Rubel	4,522	19	-	-	4,503	-	-	-	-
New Taiwan Dollar	66,466	6	-	-	-	-	66,460	-	-
New Turkish Lira	52,953	83	13,263	-	1,843	-	37,764	-	-
New Zealand Dollar	7,659	633	-	-	2,143	-	4,883	-	-
Norwegian Krone	43,798	290	-	-	-	-	43,508	-	-
Pakistan Rupee	9,634	18	-	-	-	-	9,616	-	-
Peruvian Nouveau S	1,017	-	238	-	706	-	73	-	-
Philippine Peso	6,571	10	-	-	-	-	6,561	-	-
Polish Zloty	43,538	81	20,245	-	-	-	23,212	-	-
Pound Sterling	908,081	4,531	14,786	-	11,693	-	874,355	-	2,716
Singapore Dollar	89,018	126	5,898	-	8,822	-	69,320	-	4,852
South African Rand	71,545	825	6,091	-	2,385	-	62,244	-	-
South Korean Won	317,075	164	-	-	-	-	306,830	10,081	-
Swedish Krona	74,969	180	-	-	-	-	74,789	-	-
Swiss Franc	367,204	3,033	-	-	-	-	364,171	-	-
Thailand Baht	52,224	222	2,796	-	1,023	-	48,183	-	-
Uruguayan Peso	709	-	709	-	-	-	-	-	-
Yuan Renminbi	304	(34)	-	-	-	-	338	-	-
Total	$ 5,898,518	$ 28,271	$ 247,948	$ 25,718	$ 63,029	$ 1,287	$ 5,423,631	$ 96,901	$ 11,733

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, 2008, the CIFS had deposits with a bank balance of $29.8 million which was uninsured and uncollateralized.

Complete financial information about the STIF, STIF Plus, and the CIFS can be obtained from financial statements issued by the Office of the State Treasurer.

Other Investments
As of June 30, 2008, the State had other investments and maturities as follows (amounts in thousands):

Other Investments

Investment Type	Fair Value	Investment Maturities (in years) Less Than 1	1-5	6-10	More Than 10
Repurchase Agreements	$ 2,873	$ 2,873	$ -	$ -	$ -
State/Municipal Bonds	55,312	-	10,407	3,489	41,416
U.S. Government Securities	33,971	23,852	8,105	-	2,014
U.S. Agency Securities	159,468	31,084	118,415	9,969	-
Guaranteed Investment Contracts	444,892	-	194,123	80,085	170,684
Tax Exempt Proceeds Fund	46,944	46,944	-	-	-
Money Market Funds	23,718	23,718	-	-	-
Mortgage-Backed Securities	21,865	-	-	6,015	15,850
Corporate Bonds	2	2	-	-	-
Total Debt Investments	789,045	$ 128,473	$ 331,050	$ 99,558	$ 229,964
Annuity Contracts	230,014				
Endowment Pool	12,308				
Total Investments	$ 1,031,367				

Credit Risk
As of June 30, 2008, other investments were rated by Standard and Poor's as follows (amounts in thousands):

Other Investments

Investment Type	Fair Value	Quality Ratings AAA	AA	A	Unrated
Repurchase Agreements	$ 2,873	$ 2,873	$ -	$ -	$ -
State/Municipal Bonds	55,312	-	55,312	-	-
U.S. Agency Securities	159,468	128,384	-	31,084	-
Guaranteed Investment Contracts	444,892	266,922	177,970	-	-
Tax Exempt Proceeds Fund	46,944	-	-	-	46,944
Money Market Funds	23,718	20,033	-	-	3,685
Mortgage-Backed Securities	21,865	21,865	-	-	-
Corporate Bonds	2	-	-	-	2
Total	$ 755,074	$ 440,077	$ 233,282	$ 31,084	$ 50,631

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, 2008, $235,562 of the bank balance of the Primary Government of $238,435 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 212,427
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State	23,135
Total	$ 235,562

Component Units

The Connecticut Housing Finance Authority (CHFA) and the Connecticut Health and Education Facilities Authority (CHEFA) reported the following investments and maturities as of 12-31-07 and 6-30-08, respectively (amounts in thousands):

Major Component Units

Investment Type	Fair Value	Investment Maturities (in years) Less Than 1	1-5	6-10	More Than 10
Collateralized Mortgage Obligations	$ 2,030	$ -	$ -	$ -	$ 2,030
Corporate Finance Bonds	7,810	2,157	5,653	-	-
Corporate Notes	4,104	2,755	-	-	1,349
Federated Funds	14,962	14,962	-	-	-
Fidelity Tax Exempt Fund	9,164	9,164	-	-	-
GNMA Program Assets	950,612	-	-	-	950,612
Guaranteed Investment Contracts	434,350	177,413	256,937	-	-
Investment Agreements	1,148	-	1,148	-	-
Mortgage Backed Securities	3,250	-	219	746	2,285
Repurchase Agreements	2,872	-	-	-	2,872
U.S. Government Securities	789	-	-	-	789
Structured Securities	516	-	-	-	516
Money Market Funds	696,633	696,633	-	-	-
Municipal Bonds	1,868	-	-	-	1,868
Certificate of Deposits	3,000	3,000	-	-	-
Total	$ 2,133,108	$ 906,084	$ 263,957	$ 746	$ 962,321

The CHFA and the CHEFA own 47.1 percent and 52.9 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.

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.

CHEFA

The Authority manages its exposure to this risk by designing its portfolio of unrestricted investments with the objective of regularly exceeding the average return of 90 day U.S. Treasury Bills. This is considered to be a benchmark for riskless investment transactions and therefore represents a minimum standard for the portfolio's rate of return. The Authority's policy as it relates to restricted investments provides that all restricted accounts be invested in strict accordance with the bond issue trust indentures, with the above policy and with applicable Connecticut State Law.

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 CIFS, and other obligations which are legal investments for savings banks in the state. Repurchase agreements, investment agreements, certificate of deposits, and the Federated Funds are fully collateralized by obligations issued by the United States Government or its agencies. Mortgage Backed Securities and Collateralized Mortgage Obligations are fully collateralized by the Federal National Mortgage Association or the United States Department of Housing and Urban Development mortgage pools.

CHEFA

The Authority has an investment policy that would further limit its investment choices beyond those limited by state statutes for both unrestricted and restricted investments. For example, investments that may be purchased by the Authority with the written approval of an officer, provided that the investment has a maturity of one year or less, are obligations issued or guaranteed by the U.S. Government, the State's Short-Term Investment Fund (STIF), etc.

CHFA's and CHEFA's investments were rated as of 12-31-07 and 6-30-08, respectively, as follows (amounts in thousands):

Component Units

Investment Type	Fair Value	Quality Ratings					
		AAA	AA	A	BBB	D	Unrated
Collateralized Mortgage Obligations	$ 2,030	$ 368	$ 1,662	$ -	$ -	$ -	$ -
Corporate Finance Bonds	7,810	-	-	2,157	5,653	-	-
Corporate Notes	4,104	-	-	2,755	1,349	-	-
Federated Funds	14,962	-	-	-	-	-	14,962
Fidelity Tax Exempt Fund	9,164	-	-	-	-	-	9,164
GNMA Assets	950,612	-	-	-	-	-	950,612
Guaranteed Investment Contracts	434,350	532	256,405	177,413	-	-	-
Investment Agreements	1,148	-	-	-	-	-	1,148
Mortgage Backed Securities	3,250	388	-	-	-	-	2,862
Repurchase Agreements	2,872	-	-	-	-	-	2,872
Structured Securities	516	-	-	-	-	516	-
Money Market Funds	696,633	696,633	-	-	-	-	-
Municipal Bonds	1,868	1,868	-	-	-	-	-
Certificate of Deposits	3,000	-	-	-	-	-	3,000
Total	$ 2,132,319	$ 699,789	$ 258,067	$ 182,325	$ 7,002	$ 516	$ 984,620

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, 2007, the Authority had no investments in any one issuer that represents 5% or more of total investments, other than investments guaranteed by the U.S. Government (GNMA Program Assets).

CHEFA

For unrestricted investments, the Authority places limits on the amount of investment in any one issuer. No issuer other than the United States Treasury or the State's Short-Term Investment Fund shall constitute greater than 5 percent of unrestricted investments, except for qualified money market or mutual bond funds, none of which shall constitute greater than 50 percent of general fund investments. At year end, the Authority was in compliance with this policy. The Authority places no limit on the amount of investments in any one issuer for restricted investments. At year end, the Authority's guaranteed investment contracts with Morgan Stanley and Trinity exceeded 5 percent of the Authority's portfolio.

Security Lending Transactions

Certain of the Combined Investment Funds are permitted by State statute to lend its securities through a lending agent to Authorized broker-dealers and banks for collateral with a simultaneous agreement to return the collateral for the same securities in the future.

During the year, the funds' lending agent lent securities similar to the types on loan at year-end and received cash (United States and foreign currency), U.S. Government securities, sovereign debt rated A or better, convertible bonds, and irrevocable bank letters of credit as collateral. The funds' lending agent did not have the ability to pledge or sell collateral securities delivered absent borrower default. Borrowers were required to deliver collateral for each loan equal to (1) in the case of loaned securities denominated in United States dollars or whose primary trading market was located in the United States or sovereign debt issued by foreign governments, 102 percent of the market value of the loaned securities; and (2) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States, 105 percent of the market value of the loaned securities. The funds did not impose any restrictions during the fiscal year on the amount of loans that the lending agent made on their behalf and the lending agent indemnified the funds by agreeing to purchase replacement securities, or return the cash collateral thereof in the event any borrows failed to return the loaned securities or pay distributions thereon. As of June 30, 2008, the funds had no credit exposure to the borrowers, because the value of collateral held and the market value securities on loan were $3,380.7 million and $3,276.2 million, respectively.

All securities loans can be terminated on demand by either the funds or the borrowers. Cash collateral is invested by the funds' lending agent, and the average duration of the investments can not exceed (a) 120 days or (b) the average duration of the loans by more than 45 days. At year-end, the average duration of the collateral investments was 42.9 days; the average duration of the loans was unknown, although it is assumed to remain at one day.

Note 5 Receivables-Current
As of June 30, 2008, current receivables consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Taxes	$ 1,189,785	$ -	$ -
Accounts	1,061,830	518,652	29,553
Loans-Current Portion	-	247,285	22,502
Other Governments	725,017	8,795	-
Interest	2,463	13,421	962
Other (1)	13,127	5,270	-
Total Receivables	2,992,222	793,423	53,017
Allowance for Uncollectibles	(968,730)	(89,804)	(2,490)
Receivables, Net	$ 2,023,492	$ 703,619	$ 50,527

(1) Includes a reconciling amount of $6,893 from fund financial statements to government-wide financial statements.

Note 6 Taxes Receivable
Taxes receivable consisted of the following as of June 30, 2008 (amounts in thousands):

	Governmental Activities		
	General Fund	Transportation Fund	Total
Sales and Use	$ 294,417	$ -	$ 294,417
Income Taxes	518,900	-	518,900
Corporations	77,432	-	77,432
Gasoline and Special Fuel	-	40,653	40,653
Various Other	258,383	-	258,383
Total Taxes Receivable	1,149,132	40,653	1,189,785
Allowance for Uncollectibles	(150,279)	(389)	(150,668)
Taxes Receivable, Net	$ 998,853	$ 40,264	$ 1,039,117

Note 7 Receivables-Noncurrent
Noncurrent receivables for the primary government and its component units, as of June 30, 2008, consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Accounts	$ -	$ -	$ 26,164
Loans	213,911	562,619	135,452
Total Receivables	213,911	562,619	161,616
Allowance for Uncollectibles	(9,374)	(2,876)	(10,007)
Receivables, Net	$ 204,537	$ 559,743	$ 151,609

The 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 $501 million.

The Connecticut Development Authority (a component unit) loans funds to finance the purchase of land, buildings, and equipment by qualified applicants and to finance other economic development programs of the Authority. These loans are collateralized by assets acquired from proceeds of the related loans and have originating terms of 1 to 25 years and earn interest at rates ranging from 3 percent to 10.25 percent. As of June 30, 2008, the noncurrent portion of loans receivable was $28 million. In addition, loans in the amount of $5.5 million (including loans of $5.4 million made by other lending institutions) were insured by an insurance fund created by the Authority and by the faith and credit pledged by the State. This insurance fund had net assets of $(184) thousand at year-end. Thus, the State is contingently liable in the event of any defaulted loans that could not be paid out of the assets of the insurance fund.

Note 8 Restricted Assets
Restricted assets are defined as resources that are restricted by legal or contractual requirements. As of June 30, 2008, 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	$ 555,176	$ 128,460	$ -	$ -	$ 683,636
Environmental	-	481	-	-	481
Total-Governmental Activities	$ 555,176	$ 128,941	$ -	$ -	$ 684,117
Business-Type Activities:					
Bradley International Airport	$ 87,601	$ 28,258	$ -	$ 1,591	$ 117,450
UConn/Health Center	50,446	123	-	-	50,569
Clean Water	-	285,431	-	-	285,431
Other Proprietary	-	53,787	-	-	53,787
Total-Business-Type Activities	$ 138,047	$ 367,599	$ -	$ 1,591	$ 507,237
Component Units:					
CHFA	$ 2,258	$ 1,403,829	$ 3,016,363	$ 159,634	$ 4,582,084
CHEFA	165	1,141,060	-	584	1,141,809
Other Component Units	101,145	53,568	-	2	154,715
Total-Component Units	$ 103,568	$ 2,598,457	$ 3,016,363	$ 160,220	$ 5,878,608

Note 9 Accounts Payable and Accrued Liabilities
As of June 30, 2008, 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	$ 121,252	$ 232,891	$ -	$ -	$ 354,143
Transportation	23,804	12,377	-	-	36,181
Other Governmental	223,751	22,488	-	3,041	249,280
Internal Service	4,672	2,056	-	13,394	20,122
Reconciling amount from fund financial statements to government-wide financial statements	-	-	120,588	5,100	125,688
Total-Governmental Activities	$ 373,479	$ 269,812	$ 120,588	$ 21,535	$ 785,414
Business-Type Activities:					
UConn/Health Center	$ 41,352	$ 73,782	$ -	$ 17,205	$ 132,339
State Universities	11,756	39,639	2,104	-	53,499
Other Proprietary	24,342	28,156	17,748	36,609	106,855
Total-Business-Type Activities	$ 77,450	$ 141,577	$ 19,852	$ 53,814	$ 292,693

Note 10 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	$ 1,354,085	$ 52,670	$ 5,149	$ 1,401,606
Construction in Progress	1,960,175	650,735	501,663	2,109,247
Total Capital Assets not being Depreciated	3,314,260	703,405	506,812	3,510,853
Other Capital Assets:				
Buildings	2,788,045	95,856	130,619	2,753,282
Improvements Other than Buildings	455,223	21,908	13,405	463,726
Equipment	1,496,689	178,340	114,397	1,560,632
Infrastructure	10,443,317	424,065	-	10,867,382
Total Other Capital Assets at Historical Cost	15,183,274	720,169	258,421	15,645,022
Less: Accumulated Depreciation For:				
Buildings	1,698,832	68,832	130,619	1,637,045
Improvements Other than Buildings	279,868	23,879	13,405	290,342
Equipment	1,118,151	277,174	114,397	1,280,928
Infrastructure	5,448,699	453,395	-	5,902,094
Total Accumulated Depreciation	8,545,550	823,280 *	258,421	9,110,409
Other Capital Assets, Net	6,637,724	(103,111)	-	6,534,613
Governmental Activities, Capital Assets, Net	$ 9,951,984	$ 600,294	$ 506,812	$ 10,045,466

* Depreciation expense was charged to functions as follows:

Governmental Activities:	
Legislative	$ 5,920
General Government	35,205
Regulation and Protection	32,753
Conservation and Development	15,075
Health and Hospitals	13,705
Transportation	592,738
Human Services	2,264
Education, Libraries and Museums	35,429
Corrections	49,397
Judicial	20,689
Capital assets held by the government's internal service funds are charged to the various functions based on the usage of the assets	20,105
Total Depreciation Expense	$ 823,280

	Beginning Balance	Additions	Retirements	Ending Balance
Business-Type Activities				
Capital Assets not being Depreciated:				
Land	$ 59,484	$ 622	$ 137	$ 59,969
Construction in Progress	190,777	111,000	52,116	249,661
Total Capital Assets not being Depreciated	250,261	111,622	52,253	309,630
Capital Assets being Depreciated:				
Buildings	3,455,173	130,671	2,633	3,583,211
Improvements Other Than Buildings	458,952	15,753	2,461	472,244
Equipment	876,062	89,628	35,029	930,661
Total Other Capital Assets at Historical Cost	4,790,187	236,052	40,123	4,986,116
Less: Accumulated Depreciation For:				
Buildings	1,064,778	114,540	1,907	1,177,411
Improvements Other Than Buildings	204,987	20,216	2,461	222,742
Equipment	507,850	70,279	30,138	547,991
Total Accumulated Depreciation	1,777,615	205,035	34,506	1,948,144
Other Capital Assets, Net	3,012,572	31,017	5,617	3,037,972
Business-Type Activities, Capital Assets, Net	$ 3,262,833	$ 142,639	$ 57,870	$ 3,347,602

Component Units

Capital assets of the component units consisted of the following as of June 30, 2008 (amounts in thousands):

Land	$ 29,930
Buildings	484,704
Improvements other than Buildings	3,288
Machinery and Equipment	259,963
Construction in Progress	1,261
Total Capital Assets	779,146
Accumulated Depreciation	(354,059)
Capital Assets, net	$ 425,087

Note 11 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) and Tier IIA (contributory), the Teachers' Retirement System (TRS), and the Judicial Retirement System (JRS).

The State Comptroller's Retirement Division under the direction of the Connecticut State Employees Retirement Division administers SERS and JRS. The Teachers' Retirement Board administers TRS. None of the above mentioned systems issue stand-alone financial reports.

However, financial statements for SERS, TRS, and JRS are presented in Note No. 13.

Plan Descriptions and Funding Policy

Membership of each plan consisted of the following at the date of the latest actuarial evaluation:

	SERS 6/30/2008	TRS 6/30/2008	JRS 6/30/2008
Retirees and beneficiaries receiving benefits	38,093	28,787	225
Terminated plan members entitled to but not yet receiving benefits	1,592	1,394	1
Active plan members	53,196	51,738	220
Total	92,881	81,919	446

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 adjustments, 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 adjustments 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. 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% of their annual salary; Tier IIA Plan regular and Hazardous Duty members are required to contribute 2 percent and 5 percent of their annual salary, respectively. 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 single-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 10-183pp 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

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. During the year, the State contributed an additional $2 billion to the plan to help reduce the unfunded actuarial liability of the plan. 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 adjustments 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.

Annual Pension Cost and Net Pension Obligation

The State's annual pension cost and net pension obligation to SERS, TRS, and JRS for the current year were as follows (amounts in thousands):

	SERS	TRS	JRS
Annual required contribution	$ 716,944	$ 518,560	$ 13,434
Interest on net pension obligation	198,247	127,121	4
Adjustment to annual required contribution	(138,964)	(103,173)	(3)
Annual pension cost	776,227	542,508	13,435
Contributions made	711,555	2,518,560	13,434
Increase (decrease) in net pension obligation	64,672	(1,976,052)	1
Net pension obligation beginning of year	2,332,327	1,495,542	47
Net pension obligation/(asset) end of year	$ 2,396,999	$ (480,510)	$ 48

Three-year trend information is as follows (amounts in thousands):

	Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation/(Asset)
SERS	2006	$ 685,473	90.9%	$ 2,271,249
	2007	$ 725,009	91.6%	$ 2,332,327
	2008	$ 776,227	91.7%	$ 2,396,999
TRS	2006	$ 434,670	91.2%	$ 1,465,841
	2007	$ 441,802	93.3%	$ 1,495,542
	2008	$ 542,508	464.2%	$ (480,510)
JRS	2006	$ 11,731	100%	$ 46
	2007	$ 12,376	100%	$ 47
	2008	$ 13,435	100%	$ 48

Funded Status and Funding Progress
The following is funded status information for each plan as of June 30, 2008 the most recent actuarial valuation date (amounts in millions):

	Actuarial Value of Assets (a)	Actrarial 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)
SERF	$ 9,990.2	$ 19,243.4	$ 9,253.2	51.9%	$ 3,497.4	264.6%
TRF	$ 15,271.0	$ 21,801.0	$ 6,530.0	70.0%	$ 3,399.3	192.1%
JRF	$ 191.7	$ 267.0	$ 75.3	71.8%	$ 34.0	221.5%

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents 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
The following is information as of the most recent actuarial valuation:

	SERF	TRF	JRS
Valuation Date	6/30/2008	6/30/2008	6/30/08
Actuarial Cost Method	Projected unit credit cost method	Entry age actuarial cost method using level percent of payroll funding	Projected unit credit cost method
Amortization Method	Level percent of payroll	Level percent of payroll	Level percent of payroll
Remaining Amortization Period	24 Years	29.2 years	23 Years
Asset Valuation Method	5-year smoothed market	4-year smoothed market	5-year smoothed market
Actuarial Assumptions:			
Investment Rate of Return	8.25%	8.5%	8.25%
Projected Salary Increases	4.0%-20.0%	4.0%-7.5%	5.25%
Includes inflation at	4.0%	4.0%	5.25%
Cost-of-Living Adjustments	2.7%-3.6%	2.0%-3.0%	2.75%-5.25%

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 $33.0 million and $17.6 million, respectively.

Note 12 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 (CMERS) 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 CMERS and CPJERS are presented in Note No. 13.

Plan Descriptions and Contribution Information
Membership of each plan consisted of the following at the date of the latest actuarial valuation:

	CMERS 7/1/2007	CPJERS 12/31/2007
Retirees and beneficiaries receiving benefits	5,263	277
Terminated plan members entitled to but not receiving benefits	495	28
Active plan members	8,695	409
Total	14,453	714
Number of participating employers	164	1

Connecticut Municipal Employees' Retirement System Plan Description
CMERS 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. 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.

Contributions
Plan members are required to contribute 2.28 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.

Connecticut Probate Judges and Employees' Retirement System

Plan Description

CPJERS is a single-employer defined benefit pension plan that covers judges and employees of probate courts in the State. 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 the General statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Contributions

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.

Note 13 Pension Trust Fund 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.

Statement of Fiduciary Net Assets (000's)

	State Employees'	State Teachers'	Judicial	Connecticut Municipal Employees'	Probate Judges'	Other	Total
Assets							
Cash and Cash Equivalents	$ -	$ -	$ -	$ -	$ -	$ 204	$ 204
Receivables:							
Accounts, Net of Allowances	2,053	9,707	8	4,665	4	-	16,437
From Other Governments	-	4,521	-	-	-	-	4,521
From Other Funds	47	206	-	2	-	-	255
Interest	626	1,610	13	107	7	-	2,363
Investments	9,329,739	14,541,625	177,237	1,627,637	81,449	898	25,758,585
Securities Lending Collateral	1,083,988	1,676,926	23,908	219,645	10,889	120	3,015,476
Total Assets	10,416,453	16,234,595	201,166	1,852,056	92,349	1,222	28,797,841
Liabilities							
Accounts Payable and Accrued Liabilities	14	-	-	-	10	-	24
Securities Lending Obligation	1,083,988	1,676,926	23,908	219,645	10,889	120	3,015,476
Due to Other Funds	554	3,208	-	64	5	-	3,831
Total Liabilities	1,084,556	1,680,134	23,908	219,709	10,904	120	3,019,331
Net Assets							
Held in Trust For Employee							
Pension Benefits	9,331,897	14,554,461	177,258	1,632,347	81,445	1,102	25,778,510
Total Net Assets	$ 9,331,897	$ 14,554,461	$ 177,258	$ 1,632,347	$ 81,445	$ 1,102	$ 25,778,510

Statement of Changes in Fiduciary Net Assets (000's)

	State Employees'	State Teachers'	Judicial	Connecticut Municipal Employees'	Probate Judges'	Other	Total
Additions							
Contributions:							
Plan Members	$ 67,390	$ 233,237	$ 1,626	$ 17,013	$ 307	$ 38	$ 319,611
State	711,555	2,518,560	13,434	-	-	-	3,243,549
Municipalities	-	418	-	38,834	-	-	39,252
Total Contributions	778,945	2,752,215	15,060	55,847	307	38	3,602,412
Investment Income	(398,292)	(590,915)	(6,394)	(57,163)	(2,981)	11	(1,055,734)
Less: Investment Expenses	(77,493)	(114,808)	(1,241)	(11,357)	(579)	-	(205,478)
Net Investment Income	(475,785)	(705,723)	(7,635)	(68,520)	(3,560)	11	(1,261,212)
Transfers In	-	-	-	-	2,789	-	2,789
Other	-	901	2	-	-	-	903
Total Additions	303,160	2,047,393	7,427	(12,673)	(464)	49	2,344,892
Deductions							
Administrative Expense	558	-	11	-	-	-	569
Benefit Payments and Refunds	1,014,096	1,283,742	17,524	84,953	2,982	5	2,403,302
Other	-	-	-	-	2,788	-	2,788
Total Deductions	1,014,654	1,283,742	17,535	84,953	5,770	5	2,406,659
Changes in Net Assets	(711,494)	763,651	(10,108)	(97,626)	(6,234)	44	(61,767)
Net Assets Held in Trust For Employee Pension Benefits:							
Beginning of Year	10,043,391	13,790,810	187,366	1,729,973	87,679	1,058	25,840,277
End of Year	$ 9,331,897	$ 14,554,461	$ 177,258	$ 1,632,347	$ 81,445	$ 1,102	$ 25,778,510

Note 14 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 (Retirement and Benefits 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. 15.

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.

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. In addition, the State contributed $10 million this year to finance the cost of providing plan benefits. Administrative costs of the plan are financed by the State.

As of June 30, 2008, an interim actuarial valuation of the plan disclosed that the plan had an estimated accrued liability of $23.7 billion. Because the valuation was limited in scope, required disclosures on funded status and funding progress of the plan were not made in this note.

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, 2008 (date of the latest actuarial valuation), the plan had 30,619 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% 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 the current fiscal year were as follows (amounts in thousands);

	SEOPEBP	RTHP
Annual Required Contribution	$ 1,602,739	$ 116,123
Interest on Net OPEB Obligation	-	-
Adjustment to Annual Required Contribution	-	-
Annual OPEB Cost	1,602,739	116,123
Contributions Made	463,697	20,770
Increase in net OPEB Obligation	1,139,042	95,353
Net OPEB Obligation - Beginning of Year	-	-
Net OPEB Obligation - End of Year	$ 1,139,042	$ 95,353

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current fiscal year were as follows (amounts in thousands):

	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
SEOPEBP	$ 1,602,739	28.9%	$ 1,139,042
RTHP	$ 116,123	17.9%	$ 95,353

Funded Status and Funding Progress
The following is funded status information for the plan as of June 30, 2008, date of the latest actuarial valuation (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)
RTHP	$ -	$ 2,318.8	$ 2,318.8	0.0%	$ 3,399.3	68.2%

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 multiyear 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:

	RTHP
Actuarial Valuation Date	6-30-08
Actuarial Cost Method	Individual Entry Age
Amortization Method	Level Percent Open
Remaining Amortization Period	30 Years
Asset Valuation Method	n/a
Actuarial Assumptions:	
Investment Rate of Return	4.50%
Projected Salary Increases	4.0%-7.5%
Healthcare Inflation Rate	9% Initial, 4% 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. 15.

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 6/30/08 there were 8 municipalities participating in the plan with a total membership of 600 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 15 OPEB Trust Fund 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 Combined Investment Funds.

Statement of Fiduciary Net Assets (000's)

	State Employees'	Retired Teachers'	Policemen and Firemen	Total
Assets				
Cash and Cash Equivalents	$ 10,000	$ 59,206	$ 2	$ 69,208
Receivables:				
From Other Funds	50	1,650	-	1,700
Interest	-	-	2	2
Investments	-	-	20,601	20,601
Securities Lending Collateral	-	-	2,764	2,764
Total Assets	10,050	60,856	23,369	94,275
Liabilities				
Accounts Payable	-	1,239	-	1,239
Securities Lending Obligation	-	-	2,764	2,764
Total Liabilities	-	1,239	2,764	4,003
Net Assets				
Held in Trust For Other				
Postemployment Benefits	10,050	59,617	20,605	90,272
Total Net Assets	$ 10,050	$ 59,617	$ 20,605	$ 90,272

Statement of Changes in Fiduciary Net Assets (000's)

	State Employees'	Retired Teachers'	Policemen and Firemen	Total
Additions				
Contributions:				
Plan Members	$ -	$ 60,779	$ 391	$ 61,170
State	463,697	20,770	-	484,467
Municipalities	-	-	22	22
Total Contributions	463,697	81,549	413	545,659
Investment Income	50	1,485	(470)	1,065
Less: Investment Expenses	-	-	(91)	(91)
Net Investment Income	50	1,485	(561)	974
Other	-	4,162	-	4,162
Total Additions	463,747	87,196	(148)	550,795
Deductions				
Administrative Expense	-	1,717	-	1,717
Benefit Payments and Refunds	453,697	69,698	829	524,224
Total Deductions	453,697	71,415	829	525,941
Changes in Net Assets	10,050	15,781	(977)	24,854
Net Assets Held in Trust For				
Other Postemployment Benefits:				
Beginning of Year (as restated)	-	43,836	21,582	65,418
End of Year	$ 10,050	$ 59,617	$ 20,605	$ 90,272

Note 16 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):

2009	$ 37,578
2010	29,540
2011	28,987
2012	29,111
2013	29,033
Thereafter	13,486
Total	$ 167,735

Contingent revenues for the year ended June 30, 2008, were $1.0 million.

State as Lessee

Obligations under capital and operating leases as of June 30, 2008, were as follows (amounts in thousands):

	Noncancelable Operating Leases	Capital Leases
2009	$ 74,687	$ 7,724
2010	65,805	7,728
2011	48,612	7,650
2012	31,685	7,300
2013	29,218	7,168
2014-2018	7,960	15,887
2019-2023	1,543	9,500
2024-2028	387	6,118
2029-2033	-	3,650
Total minimum lease payments	$ 259,897	72,725
Less: Amount representing interest costs		20,977
Present value of minimum lease payments		$ 51,748

Minimum capital lease payments were discounted using an interest rate of approximately 6 percent.

Rental payments on noncancelable operating leases charged to expenses during the year ended June 30, 2008, were $74.7 million.

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 $309 million at June 30, 2008.

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 17 Long-Term Debt

a) The following is a summary of changes in long-term debt of the primary government for the year ended June 30, 2008, (amounts in thousands):

Governmental Activities	Balance June 30, 2007	Additions	Reductions	Balance June 30, 2008	Amounts due within one year
Bonds:					
General Obligation	$ 10,596,581	$ 3,669,708	$ 1,173,719	$ 13,092,570	$ 885,204
Transportation	2,822,585	250,000	281,903	2,790,682	282,978
	13,419,166	3,919,708	1,455,622	15,883,252	1,168,182
Plus/(Less) premiums and deferred amounts	301,824	65,679	19,275	348,228	19,621
Total Bonds	13,720,990	3,985,387	1,474,897	16,231,480	1,187,803
Other Liabilities:					
Net Pension Obligation	3,827,916	1,332,171	3,243,550	1,916,537	-
Net OPEB Obligation	-	1,718,862	484,467	1,234,395	-
Compensated Absences	474,062	43,556	35,654	481,964	33,134
Workers' Compensation	382,128	115,558	85,067	412,619	81,846
Capital Leases	56,244	437	4,933	51,748	5,003
Claims and Judgments	7,580	6,567	512	13,635	8,094
Contracts Payable & Other	4,057	-	2,940	1,117	-
Total Other Liabilities	4,751,987	3,217,151	3,857,123	4,112,015	128,077
Governmental Activities Long-Term Liabilities	$ 18,472,977	$ 7,202,538	$ 5,332,020	$ 20,343,495	$ 1,315,880
In prior years, the General and Transportation funds have been used to liquidate other liabilities.					
Business-Type Activities					
Revenue Bonds	$ 1,577,723	$ 5,790	$ 225,429	$ 1,358,084	$ 90,288
Plus/(Less) premiums, discounts and deferred amounts	24,733	544	5,498	19,779	99
Total Revenue Bonds	1,602,456	6,334	230,927	1,377,863	90,387
Lottery Prizes	265,774	7,082	40,573	232,283	38,085
Compensated Absences	127,588	41,566	39,149	130,005	35,418
Other	171,153	6,353	14,537	162,969	12,306
Total Other Liabilities	564,515	55,001	94,259	525,257	85,809
Business-Type Long-Term Liabilities	$ 2,166,971	$ 61,335	$ 325,186	$ 1,903,120	$ 176,196

b) As of June 30, 2008, long-term debt of component units consisted of the following (amounts in thousands):

Long-Term Debt	Balance June 30, 2008	Amounts due within year
Bonds Payable	$ 3,820,318	$ 112,428
Escrow Deposits	182,808	67,677
Closure of Landfill	60,818	12,216
Due to State	5,057	-
Deferred Revenue	3,745	1,020
Other	19,076	408
Total	$ 4,091,822	$ 193,749

Note 18 Bonded Debt

a. 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, 2008, were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Capital Improvements	2009-2027	2.25-7.513%	$ 2,000,090	$ 499,842
School Construction	2009-2028	2.2-6.777%	3,371,020	16,001
Municipal & Other Grants & Loans	2009-2022	2.2-7.513%	1,234,534	592,891
Elderly Housing	2009-2027	3.85-6.795%	63,888	91,613
Elimination of Water Pollution	2009-2023	3-7.312%	195,718	695,282
General Obligation Refunding	2009-2022	2.5-6.06%	3,512,542	-
Pension Obligation	2009-2032	4.2-6.27%	2,276,578	
Miscellaneous	2009-2036	2.25-6.75%	92,730	541,576
			12,747,100	$ 2,437,205
Accretion-Various Capital Appreciation Bonds			345,470	
		Total	$ 13,092,570	

Future amounts needed to pay principal and interest on general obligation bonds outstanding at June 30, 2008, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2009	$ 885,204	$ 710,366	$ 1,595,570
2010	887,816	686,473	1,574,289
2011	873,593	587,780	1,461,373
2012	813,954	526,410	1,340,364
2013	740,866	470,215	1,211,081
2014-2018	3,233,592	1,752,034	4,985,626
2019-2023	2,418,783	1,174,847	3,593,630
2024-2028	1,668,612	762,357	2,430,969
2029-2033	1,220,155	189,950	1,410,105
2034-2038	4,525	466	4,991
Total	$ 12,747,100	$ 6,860,898	$ 19,607,998

Transportation Related Bonds

Transportation related bonds include special tax obligation bonds and general 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 Debt Service Fund for retirement of principal and interest.

Transportation related bonds outstanding and bonds authorized but unissued at June 30, 2008, were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Specific Highways	2009	4.80%	$ 532	$ 4,065
Infrastructure Improvements	2009-2027	2.5-7.125%	2,789,345	1,439,124
General Obligation Other	2009	7.513%	191	-
			2,790,068	$ 1,443,189
Accretion-Various Capital Appreciation Bonds			614	
		Total	$ 2,790,682	

Future amounts required to pay principal and interest on transportation related bonds outstanding at June 30, 2008, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2009	$ 282,978	$ 128,714	$ 411,692
2010	276,860	113,677	390,537
2011	247,070	99,432	346,502
2012	229,020	87,139	316,159
2013	261,555	74,713	336,268
2014-2018	808,000	240,991	1,048,991
2019-2023	499,095	101,587	600,682
2024-2028	185,490	17,102	202,592
	$ 2,790,068	$ 863,355	$ 3,653,423

Variable-Rate Demand Bonds

As of June 30, 2008, variable-rate demand bonds included in bonded debt were as follows (amounts in thousands).

Bond Type	Outstanding Principal	Issuance Year	Maturity Year
Special Tax Obligation	$ 62,500	1990	2010
General Obligation	60,000	1997	2014
Special Tax Obligation	100,000	2000	2020
General Obligation	100,000	2001	2021
Special Tax Obligation	406,285	2003	2022
General Obligation	280,000	2005	2023
Total	$ 1,008,785		

The State entered into various Remarketing and Standby Bond Purchase agreements with certain brokerage firms and banks upon the issuance of the bonds.

The bonds were issued bearing a weekly interest rate, which is determined by the State's remarketing agents. The State has the option of changing at any time the weekly interest rate on the bonds to another interest rate, such as a flexible rate or a daily rate. Bonds bearing interest at the weekly rate are subject to purchase at the option of the bondholder at a purchase price equal to principal plus accrued interest, if any, on a minimum seven days' notice of tender to the State's agent. In addition, the bonds are subject to mandatory purchase upon (1) conversion from the weekly interest rate to another interest rate and (2) substitution or expiration of the Standby Bond Purchase agreements. The State's remarketing agent is responsible for using its best efforts to remarket bonds properly tendered for purchase by bondholders from time to time. The State is required to pay the Remarketing agents a quarterly fee of .05 percent per annum of the outstanding principal amount of the bonds.

The Standby Bond Purchase agreements require the banks to purchase any unremarketed bonds bearing the weekly interest rate for a price not to exceed the amount of bond principal and accrued interest, if any. The State is required to pay the banks a quarterly fee ranging from .11 percent to .15 percent per annum of the outstanding principal amount of the bonds plus interest. These fees would be increased if the credit rating for the bond insurers was to be downgraded, suspended, or withdrawn.
The Standby Bond Purchase agreements expire as follows:
1990 STO expires in the year 2010,
1997 GO expires in the year 2014,
2000 STO expires in the year 2017 and could be extended for another seven years,
2001 GO expires in the year 2015,
2003 STO expires in the year 2015 and could be extended for another five years, and
2005 GO expires in the year 2015.

These agreements could be terminated at an earlier date if certain termination events described in the agreements were to occur.

In connection with the 2000 and 2003 STO bonds, $298,195,000 of bonds tendered and not remarketed plus accrued interest of $1,096,194 was purchased in accordance with the standby bond purchase agreement with banks as of June 30, 2008, the balance of which was subject to an interest rate equaling the banks prime rate (5.00% at June 30, 2008) per the terms of the agreement.

Interest Rate Swaps

Objective of the swaps

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance, the State has entered into eleven separate pay-fixed, receive-variable interest rate swaps at a cost less than what the State would have paid to issue fixed-rate debt. Two of the swaps were executed in December 1990, one was executed in June 2001, three were executed in January 2003, and five were executed in March and April of 2005.

Terms, fair values, and credit risk

The terms, including the fair values and credit ratings of the outstanding swaps as of June 30, 2008, are as follows. The notional amount of the swaps matches the principal amount of the associated debt. The State's swap agreements, except for the Consumer Price Index (CPI) related swaps, contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated debt. For the CPI swaps, the swap agreements and associated debt are non-amortizing and mature on the same date.

Associated Bond Issue	Notional Amounts (000's)	Effective Date	Fixed Rate Paid	Variable Rate Received	Fair Values (000's)	SWAP Termination Date	Counterparty Credit Rating
1990 STO	$ 37,500	12/19/1990	5.746%	65% of LIBOR	$ (1,846)	12/1/2010	Aa3/AA-/AA-
1990 STO	25,000	12/19/1990	5.709%	65% of LIBOR	(1,246)	12/1/2010	Aa2/A+/A+
2001 GO	20,000	6/28/2001	4.330%	CPI plus 1.43%	318	6/15/2012	Aa3/AA-/nr
2003 STO	115,795	1/23/2003	3.293%	55% LIBOR plus 50 bp	(2,858)	2/1/2022	Aaa/AA+/AA
2003 STO	96,310	1/23/2003	3.288%	55% LIBOR plus 50 bp	(2,248)	2/1/2022	Aa1/AA/AA-
2003 STO	194,180	1/23/2003	3.284%	55% LIBOR plus 50 bp	(4,765)	2/1/2022	Aa1/AA-/AA-
2005 GO	140,000	3/24/2005	3.392%	60% of LIBOR plus 30bp	(2,055)	3/1/2023	Aaa/AAA/nr
2005 GO	140,000	3/24/2005	3.401%	60% of LIBOR plus 30bp	(2,080)	3/1/2023	Aaa/AA+/nr
2005 GO	15,620	4/27/2005	3.990%	CPI plus .65%	(47)	6/1/2016	Aa3/AA-/nr
2005 GO	20,000	4/27/2005	5.070%	CPI plus 1.73%	(153)	6/1/2017	Aa3/AA-/nr
2005 GO	20,000	4/27/2005	5.200%	CPI plus 1.79%	(373)	6/1/2020	Aaa/nr/nr
Total	$ 824,405				$ (17,353)		

Fair value

As of June 30, 2008, the swaps dated in 2001 had positive fair value because interest rates have increased since the time when this swap was undertaken; all of the other swaps had negative fair values because interest rates had similarly declined. The negative fair values may be countered by reductions in total interest payments required under the variable-rate bonds, creating lower synthetic interest rates. Because the coupons on the State's variable-rate bonds adjust to changing interest rates, the bonds do not have corresponding fair value increases. The fair values 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 by 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, 2008, the State had credit risk exposure relating to the relationship between the variable interest rate on the bonds and the rate that it receives under the swap agreements undertaken in 2001. The State had no credit risk exposure on any of the other 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.

The swap agreements contain varying collateral agreements with the counterparties. With the exception of the 2005 swap with a credit rating of Aaa/AAA/nr, the 2003 and 2005 swap agreements require collateralization of the fair value of the swap in cash or government securities should the counterparty's credit rating fall below Aa3 as issued by Moody's Investors Service or AA- as issued by Standard & Poor's Ratings or Fitch Ratings. One of the swaps executed in 1990 requires collateral of cash or securities if the counterparty credit rating falls below A1/A+. The other 1990 swap agreement and the 2001 swap agreement do not have collateral provisions. Accordingly no collateral was required to be posted for any of the swaps at June 30, 2008. The State is not required to post collateral for any of the swaps.

Approximately 24 percent of the notional amount of swaps outstanding is held with one counterparty, rated Aa1/AA-/AA-. Three swaps or approximately 7% of the notional amount of the swaps outstanding are held by one of the lowest rated counterparties, rated Aa3/AA-/nr, while another 3% is held by a separate counter party who is rated Aa2/A+/A+. All other swaps are held by separate counterparties who are rated Aa3/AA-/AA- or better.

Basis Risk
The State's variable-rate bond coupon payments are equivalent to the Securities Industry and Financial Markets Association Municipal Swap (SIFMA) index rate, or the CPI floating rate. For those swaps for which the State receives a variable-rate payment other than CPI, the State is exposed to basis risk should the relationship between the London Interbank Offered Rate (LIBOR) and SIFMA converge. If a change occurs that results in the rates moving to convergence, the synthetic rate on the bonds would change, and the expected cost savings may not be realized. As of June 30, 2008, the SIFMA rate was 1.55 percent, whereas 65 percent and 60 percent plus 30bp of LIBOR were 1.60 and 1.78 percent, respectively. The State recognizes this basis risk by including an amount for basis risk in its debt service budget. For fiscal year 2008, the budgeted amount for basis risk was $1,500,000.

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 2003 and 2005 swap agreements, the State has up to 270 days to fund any required termination payment. Under the 1990 swap agreements, the State may fund any required termination payment over a five-year period.

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.

Swap Payments and Associated Debt
Using rates as of June 30, 2008, debt service requirements of the State's outstanding variable-rate bonds and net swap payments are as follows (amounts in thousands). As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ending June 30,	Variable-Rate Bonds Principal	Variable-Rate Bonds Interest	Interest Rate SWAP, Net	Total
2009	22,985	43,923	12,288	79,196
2010	24,410	43,311	11,401	79,122
2011	25,940	42,668	10,455	79,063
2012	29,125	41,995	9,988	81,108
2013	37,640	38,776	10,150	86,566
2014-2018	437,085	115,386	36,342	588,813
2019-2023	247,220	13,234	7,214	267,668
Total	$ 824,405	$ 339,293	$ 97,838	$ 1,261,536

b. 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, 2008, were as follows (amounts in thousands):

Funds	Final Maturity Dates	Original Interest Rates	Amount Outstanding (000's)
Uconn	2009-2033	3.5-6.5%	$ 183,204
State Universities	2009-2036	2-6.0%	314,530
Bradley International Airport	2009-2033	2.5-5.25%	208,535
Clean Water	2009-2028	2-5.%	463,481
Bradley Parking Garage	2009-2024	6.125-6.6%	46,205
Drinking Water	2009-2028	2-5.%	31,139
Rate Reduction Bonds	2009-2011	3-5%	110,990
Total Revenue Bonds			1,358,084
Plus/(Less) premiums, discounts and deferred amounts:			
Uconn			(4,566)
State Universities			1,806
Bradley International Airport			(41)
Clean Water			16,447
Other			6,133
Revenue Bonds, net			$ 1,377,863

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.

Bradley Airport has issued various revenue bonds to finance costs of improvements to the airport. As of June 30, 2008, the following bonds were outstanding:

a) 2004 Airport Revenue Refunding Bonds in the amount of $15.6 million. These bonds were issued in July, 2004, to redeem the 1992 Airport Revenue Refunding Bonds, and are secured by and payable solely from the gross operating revenues generated by the State from the operations of the airport and other receipts, funds or monies pledged in the bond indenture.

b) 2001 Bradley International Airport Revenue Bonds in the amount of $175.3 million and 2001 Bradley International Airport Refunding Bonds in the amount of $17.6 million. Both bond series are secured by and payable solely from the gross operating revenues generated by the state from the operation of the airport and other receipts, funds or monies pledged in the bond indenture.

As of June 30, 2008, Bradley airport has entered into interest rate swap agreements for $152.4 million of its variable rate bonds. Details on these agreements are disclosed under the separately issued audited financial statements of the fund.

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. As of June 30, 2008, the Clean Water Fund has entered into interest rate swap agreements for $121.4 million of its variable rate bonds. Details on these agreements are disclosed under the separately issued audited financial statements of the fund.

In 2000, Bradley Parking Garage bonds were issued in the amount of $53.8 million to build a parking garage at the airport.

In 2004, the State of Connecticut issued $205.3 million of Special Obligation Rate Reduction Bonds. These bonds were issued to sustain for two years the funding of energy conservation and load management and renewable energy investment programs by providing money to the State's General Fund.

Future amounts needed to pay principal and interest on revenue bonds outstanding at June 30, 2008, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2009	$ 91,743	$ 61,596	$ 153,339
2010	95,078	57,554	152,632
2011	110,856	58,284	169,140
2012	57,237	50,448	107,685
2013	63,298	47,376	110,674
2014-2018	315,157	190,682	505,839
2019-2023	316,060	110,989	427,049
2024-2028	196,875	48,170	245,045
2029-2033	101,020	11,272	112,292
2034-2038	10,760	303	11,063
Total	$ 1,358,084	$ 636,674	$ 1,994,758

c. Component Units

Component units' revenue bonds outstanding at June 30, 2008, were as follows (amounts in thousands):

Component Unit	Final Maturity Date	Interest Rates	Amount Outstanding (000's)
CT Development Authority	2009-2020	3.25-6%	$ 25,875
CT Housing Finance Authority	2009-2049	1.5-9.36%	3,526,926
CT Resources Recovery Authority	2009-2016	4-5.5%	23,346
CT Higher Education Supplemental Loan Authority	2009-2028	1.7-6%	153,880
Capital City Economic Development Authority	2009-2033	3.1-5%	84,265
UConn Foundation	2009-2029	3.875-5.%	7,165
Total Revenue Bonds			3,821,457
Plus/(Less) premiums, discounts, and deferred amounts:			
CDA			16
CRRA			(478)
CCEDA			139
CHESLA			(816)
Revenue Bonds, net			$ 3,820,318

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.

Connecticut Development Authority's revenue bonds are issued to finance such projects as the acquisition of land or the construction of buildings, and the purchase and installation of machinery, equipment, and pollution control facilities. The Authority finances these projects through its Self-Sustaining Bond Program and Umbrella Program. As of June 30, 2008 no bonds were outstanding under the Umbrella Program. Bonds issued under the Self-Sustaining Bond Program are discussed in the no-commitment debt section of this note. In addition, the Authority had $25.9 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 and an indenture dated 9/25/95. As of December 31, 2007, bonds outstanding under the bond resolution and the indenture were \$3,464.0 million and \$62.9 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 capital reserve fund is 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 the next succeeding calendar year (\$262.3 million at 12/31/07) on all outstanding bonds. As of December 31, 2007, the Authority has entered into interest rate swap agreements for \$903.3 million of its variable rate bonds. Details on these agreements are disclosed under the separately issued audited financial statements of the Authority.

Connecticut Resources Recovery 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.

Each Authority has established special capital reserve funds that secure all the outstanding bonds of the Authority at year-end, except as discussed next. 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. For the Connecticut Resources Recovery Authority, the amount of bonds outstanding at year-end that were secured by the special capital reserve funds was \$20.9 million.

The Capital City Economic 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 \$6.7 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 revenue bonds outstanding at June 30, 2008, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2009	\$ 111,791	\$ 163,941	\$ 275,732
2010	118,824	159,397	278,221
2011	123,127	154,447	277,574
2012	125,139	149,134	274,273
2013	122,885	164,428	287,313
2014-2018	652,472	656,189	1,308,661
2019-2023	715,384	502,659	1,218,043
2024-2028	734,285	338,355	1,072,640
2029-2033	674,000	180,305	854,305
2034-2038	416,950	48,321	465,271
2039-2043	23,250	3,472	26,722
2044-2048	3,350	272	3,622
Total	\$ 3,821,457	\$ 2,520,920	\$ 6,342,377

No-commitment debt

Under the Self-Sustaining Bond program, The Connecticut Development Authority 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, 2008 were \$337.1 million.

The Connecticut Resources Recovery Authority has 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 to 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. Total bonds outstanding at June 30, 2008 were \$105.2 million. Of this amount, \$45.0 million was secured by a special capital reserve fund.

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, 2008, were \$6,817.5 million, of which \$312.1 million was secured by special capital reserve funds.

The State may be contingently liable for those bonds that are secured by special capital reserve funds as discussed previously in this section.

e. Debt Refundings

During the year, the State issued $181.1 million of general obligation bonds with an average interest rate of 4.93% to advance refund $187.1 million of general obligation bonds with an average interest rate of 5.16%. The proceeds of the refunding bonds were used to purchase U.S. Government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future payments on the refunded bonds. Thus, the refunded bonds are considered defeased and the liability for those bonds have been removed from the statement of net assets. The reacquisition price exceeded the carrying amount of the old debt by $4.1 million. This amount is being netted against the new debt and amortized over the life of the new or old debt, whichever is shorter.

The State advance refunded these bonds to reduce its total debt service payments over the next fifteen years by $9.3 million and to obtain an economic gain (difference between the present values of the debt service payments of the old and new bonds) of $8.1 million. As of June 30, 2008, $2,899.5 million of outstanding general obligation, special tax obligation, and revenue bonds had been advanced refunded and are, accordingly, considered defeased.

In addition, $50 million of variable-rate general obligation bonds were advance refunded during the year.

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 below lists the risks of loss to which the State is exposed and the ways in which the State finances those risks.

	Risk Financed by	
Risk of Loss	**Purchase of Commercial Insurance**	**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 fund, an Enterprise fund. At year-end, liabilities for unpaid claims are recorded in the statement of net assets (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 6-30-06	$ 344,274	$ 21,636
Incurred claims	121,044	3,012
Paid claims	(83,190)	(4,648)
Balance 6-30-07	382,128	20,000
Incurred claims	115,558	3,291
Paid claims	(85,067)	(2,001)
Balance 6-30-08	$ 412,619	$ 21,290

Note 20 Interfund Receivables and Payables

Interfund receivable and payable balances at June 30, 2008, were as follows (amounts in thousands):

	Balance due to fund(s)											
Balance due from fund(s)	General	Transportation	Restricted Grants & Accounts	Other Governmental	UConn	State Universities	Other Proprietary	Employment Security	Internal Services	Fiduciary	Component Units	Total
General	$ -	$ -	$ 903	$ 919	$ 52,192	$ 22,617	$ 18,137	$ 691	$ 3,165	$ 5,100	$ -	$ 103,724
Debt Service	-	2,222	-	-	-	-	-	-	-	-	-	2,222
Restricted Grants & Accounts	2,861	-	-	-	-	-	-	-	-	-	137	2,998
Other Governmental	26,756	-	-	29,921	10,330	31,696	119,027	-	-	-	12,663	230,393
UConn	16,345	-	-	-	-	-	-	-	-	-	-	16,345
State Universities	2,930	-	-	-	-	-	-	-	-	-	-	2,930
Employment Security	9,048	-	-	264	-	-	-	-	-	-	-	9,312
Other Proprietary	422	-	3,003	-	-	-	-	-	-	-	-	3,425
Internal Services	4,650	-	-	65,925	-	-	-	-	-	-	-	70,575
Fiduciary	-	-	-	6,893	-	-	-	-	-	1,650	-	8,543
Component Units	5,057	-	-	-	-	-	-	-	-	-	-	5,057
Total	$ 68,069	$ 2,222	$ 3,906	$ 103,922	$ 62,522	$ 54,313	$ 137,164	$ 691	$ 3,165	$ 6,750	$ 12,800	$ 455,524

Interfund receivables and payables arose because of interfund loans and other interfund balances outstanding at year end.

Note 21 Interfund Transfer

Interfund transfers for the fiscal year ended June 30, 2008, consisted of the following (amounts in thousands):

	Amount transferred to fund(s)									
Amount transferred from fund(s)	General	Debt Service	Transportation	Restricted Grants & Accounts	Other Governmental	UConn	State Universities	Other Proprietary	Fiduciary	Total
General	$ -	$ -	$ 16,680	$ 130,924	$ 63,800	$ 518,919	$ 241,293	$ 235,399	$ -	$ 1,207,015
Debt Service	178	-	25,261	-	-	-	-	-	-	25,439
Transportation	-	417,172	-	20,800	9,500	-	-	-	-	447,472
Restricted Grants & Accounts	3,053	-	-	-	-	-	-	-	-	3,053
Other Governmental	119,120	-	-	52,616	50,669	8,955	24,839	51,522	2,789	310,510
Connecticut Lottery	283,000	-	-	-	-	-	-	-	-	283,000
Employment Security	-	-	-	-	18,671	-	-	-	-	18,671
Other Proprietary	-	-	-	-	-	-	-	9,448	-	9,448
Total	$ 405,351	$ 417,172	$ 41,941	$ 204,340	$ 142,640	$ 527,874	$ 266,132	$ 296,369	$ 2,789	$ 2,304,608

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 Fund Balance/Net Assets and Restricted Assets

As of June 30, 2008, the beginning fund balance/net assets for the following funds and other funds were restated as follows (amounts in thousands):

	Balance 6-30-07 Previously Reported	Fund Reclassification	Correction of Reported Assets/Liabilities	Balance 6-30-07 as Restated
Governmental Funds				
Restricted Grants and Accounts	$ -	$ 353,645	$ -	$ 353,645
Other Funds	$ 1,006,459	$ (353,645)	$ -	$ 652,814
Fiduciary Funds				
RTHP	$ 49,047	$ -	$ (5,211)	$ 43,836
Net Assts of Pension & Other Employees Benefit Trust Funds	$ 25,910,906	$ -	$ (5,211)	$ 25,905,695

As of June 30, 2008, the Restricted Grants and Accounts' Fund, a Special Revenue fund, was reported as a major fund in the governmental fund financial statements. In prior years, this fund was reported as a nonmajor fund.

During the year, the beginning net asset balance of the Retired Teacher Healthcare Plan, a fiduciary fund, was adjusted to correct a net misstatement in the assets and liability of the fund as of 6-30-07.

As of June 30, 2008, the government-wide statement of net assets reported $3,380 million of restricted net assets, of which $251 million was restricted by enabling legislation.

Note 23 Related Organizations

Related organizations are legally separate organizations that are not financially accountable to the State. However, these organizations are still related to the State as discussed next.

The State appoints a voting majority of the following organizations' governing boards: the Community Economic Development Fund and the Connecticut Student Loan Foundation. The State's accountability for these organizations does not extend beyond making the appointments.

Note 24 New Accounting Pronouncements

In fiscal year 2008, the State implemented the following Statements issued by the Governmental Accounting Standards Board: Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions"; and Statement No. 50, "Pension Disclosures."

Statement No. 45 provides new guidance regarding the treatment of postemployment benefits other than pensions (OPEB). For example, healthcare and life insurance benefits. The Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

Statement No. 50 requires that the funded status of defined benefit pension plans as of the most recent actuarial valuation date be disclosed in the notes to the financial statements. It also requires that actuarial methods and significant assumptions used in the most recent actuarial valuation be disclosed in the notes to the financial statements instead of in notes to RSI.

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, 2008, the Departments of Transportation and Public Works had contractual commitments of approximately $985 million for infrastructure and other construction projects. Additionally, other commitments were approximately as follows:

School construction and alteration grant program $3,091 million.
Clean and drinking water loan programs $185 million.
Various programs and services $1,736 million.
All commitments are expected to be funded by federal grants, bond proceeds, and other resources.

Component Units

As of December 31, 2007, the Connecticut Housing Finance Authority had mortgage loan commitments of approximately $122 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.

In 2002 the City of Waterbury issued $97.5 million of General Obligation Special Capital Reserve Fund Bonds. These bonds are secured by a Special Capital Reserve Fund for which the State may be contingently liable as explained previously in Note 18 – Component Units.

Amounts received or receivable by the State from grant agencies are subject to audit and adjustment by grantor agencies, mainly the federal government. 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 or revenue sources of the State.

Note 26 Subsequent Events

In July 2008, the State issued $196 million of Clean Water Fund revenue bonds. The bonds will mature in years 2009 through 2018 and bear interest rates ranging from 3.0% to 5.0%

In September 2008, the State issued $98 million of Second Lien Special Tax Obligation Refunding Bonds. The bonds will mature in years 2009 through 2022 and bear interest rates ranging from 3.0% to 5.0%.

In October 2008, the State issued $500 million of general obligation bonds. The bonds will mature in years 2009 through 2028 and bear interest rates ranging from 3.5% to 5.75%.

In November 2008, the State issued $300 million of Special Tax Obligation Bonds. The bonds will mature in years 2009 through 2028 and bear interest rates ranging from 3.0% to 5.0%.

In January 2009, the State issued $415 million of Second Lien Special Tax Obligation Refunding Bonds. The bonds will mature in year 2010 through 2022 and bear interest rates ranging from 2.0% to 5.0%.

In February 2009, the State issued $400 million of General Obligation Bonds. The bonds will mature in years 2010 through 2029 and bear interest rates ranging from 2.0% to 5.0%.

Required PERS Supplementary Information

Pension and 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
SERS						
6/30/2003	$8,058.6	$14,223.8	$6,165.2	56.7%	$2,654.3	232.3%
6/30/2004	$8,238.3	$15,128.5	$6,890.2	54.5%	$2,816.7	244.6%
6/30/2005	$8,517.7	$15,987.5	$7,469.8	53.3%	$2,980.1	250.7%
6/30/2006	$8,951.4	$16,830.3	$7,878.9	53.2%	$3,107.9	253.5%
6/30/2007	$9,585.1	$17,888.1	$8,303.0	53.6%	$3,310.4	250.8%
6/30/2008	$9,990.2	$19,243.4	$9,253.2	51.9%	$3,497.4	264.6%
TRS						
6/30/2003 *	-	-	-	-	-	-
6/30/2004	$9,846.7	$15,070.5	$5,223.8	65.3%	$2,930.8	178.2%
6/30/2005 *	-	-	-	-	-	-
6/30/2006	$10,190.3	$17,112.8	$6,922.5	59.5%	$3,137.7	220.6%
6/30/2007 *	-	-	-	-	-	-
6/30/2008	15,271.00	21,801.00	$6,530.0	70.0%	3,399.30	192.1%
*No actuarial valuations were performed.						
JRS						
6/30/2003	$142.8	$211.1	$68.3	67.6%	$27.8	245.7%
6/30/2004	$150.9	$219.8	$68.9	68.7%	$28.9	238.4%
6/30/2005	$160.3	$235.0	$74.7	68.2%	$30.2	247.8%
6/30/2006	$169.7	$246.9	$77.2	68.7%	$31.8	242.8%
6/30/2007	$182.4	$261.2	$78.8	69.8%	$33.8	233.1%
6/30/2008	$191.7	$267.0	$75.3	71.8%	$34.0	221.5%
RTHP						
6/30/2008 *	$-	$2,318.8	$2,318.8	0.0%	$3,399.3	68.2%

* Only one actuarial valuation is presented because GASB Statement No. 45 was implemented in the current fiscal year.

Pension and Other Postemployment Benefit Plans
Required Supplementary Information
Schedules of Employer Contributions

(Expressed in Millions)

	SERS		TRS		JRS		RTHP	
Fiscal Year	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2003	$421.5	100.0%	$221.2	81.3%	$10.1	100.0%	-	0.0%
2004	$470.3	100.0%	$270.5	68.5%	$11.6	100.0%	-	0.0%
2005	$518.8	100.0%	$281.4	65.8%	$12.2	100.0%	-	0.0%
2006	$623.1	100.0%	$396.2	100.0%	$11.7	100.0%	-	0.0%
2007	$663.9	100.0%	$416.0	99.0%	$12.4	100.0%	-	0.0%
2008 *	$716.9	99.2%	$518.6	485.7%	$13.4	100.0%	$116.1	17.9%

* For RTHP required information was presented starting this fiscal year because it was the year in which GASB Statement No. 45 was implemented.

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APPENDIX III-D

STATE OF CONNECTICUT

NANCY WYMAN
COMPTROLLER

OFFICE OF THE STATE COMPTROLLER
55 ELM STREET
HARTFORD, CONNECTICUT 06106-1775

MARK E. OJAKIAN
DEPUTY COMPTROLLER

February 2, 2009

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, 2004-2008. 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, 2004-2008.

The statements have been prepared on a modified cash basis of accounting for appropriated funds and on a cash basis of accounting for all other funds. These methods of accounting have been applied consistently and in accordance with the governing statutory requirements for all periods shown.

Sincerely,

Nancy Wyman

Nancy Wyman
State Comptroller

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

STATE CAPITOL

210 CAPITOL AVENUE

HARTFORD, CONNECTICUT 06106-1559

KEVIN P. JOHNSTON

ROBERT G. JAEKLE

INDEPENDENT AUDITORS' REPORT
CERTIFICATE OF AUDIT

We have audited the accompanying balance sheet of the General Fund of the State of Connecticut as of June 30, 2004, 2005, 2006, 2007 and 2008 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. These financial statements are the responsibility of the State's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note (a) to Appendix III-D-4, the State of Connecticut prepares its financial statements on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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, 2004, 2005, 2006, 2007, and 2008, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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, 2004, 2005, 2006, 2007 and 2008, 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.

As discussed in the litigation section of the accompanying Official Statement, the State of Connecticut is a defendant in certain legal proceedings. The ultimate outcome of the litigation cannot presently be determined. Accordingly, no provision for any liability that may result upon adjudication has been made in the accompanying financial statements. However, as indicated in that section, an adverse judgement in any one of these cases could have a material fiscal impact on the State.

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

January 31, 2009
State Capitol
Hartford, Connecticut

GENERAL FUND[a]

Balance Sheet
As of June 30
(In Thousands)

	2004	2005	2006	2007	2008
Assets					
Cash and Short-Term Investments	$ --	$ 102,329	$ 208,659	$ 30,148	$ --
Accrued Taxes Receivable	811,239	923,537	949,567	1,111,655	1,133,886
Accrued Accounts Receivable	33,592	33,815	35,289	36,080	32,874
Federal and Other Grants Receivable and Unexpended Balances	12,090	--	--	--	--
Investments	--	--	--	--	--
Due from Other Funds	1,000	1,200	--	--	--
Loans Receivable	--	18,559	15,939	13,320	--
Total Assets	$ 857,921	$ 1,079,440	$ 1,209,454	$ 1,191,203	$ 1,166,760
Liabilities, Reserves and Surplus					
Liabilities					
Deficiency in Cash and Short-Term Investments	$ 190,190	--	--	--	$ 477,251
Accounts Payable	72	--	--	--	--
Deferred Restricted Accounts and Federal and Other Grant Revenue	--	--	--	--	--
Due to Other Funds	1,346	$ 4,332	$ 18,198	$ 9,975	$ 5,103
Total Liabilities	$ 191,608	$ 4,332	$ 18,198	$ 9,975	$ 482,354
Reserves					
Petty Cash Funds	$ 996	$ 971	$ 912	$ 918	$ 886
Statutory Surplus Reserves	452,455	379,715	446,490	269,240	179,420
Appropriations Continued to Following Year	212,862	694,422	702,854	831,070	504,100
Reserved FY 06 Surplus for FY 07 Operations	--	--	41,000	--	--
Reserved FY 07 Surplus for FY 08 Operations	--	--	--	80,000	--
Total Reserves	$ 666,313	$ 1,075,108	$ 1,191,256	$ 1,181,228	$ 684,406
Unappropriated Surplus (Deficit)	0	0	0	0	0
Total Liabilities, Reserves and Surplus	$ 857,921	$ 1,079,440	$ 1,209,454	$ 1,191,203	$ 1,166,760

(a) 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.

GENERAL FUND

Statement of Revenues, Expenditures and Changes in Unappropriated Surplus
Fiscal Year Ended June 30
(In Thousands)

	2004	2005	2006	2007	2008
Unappropriated Surplus (Deficit), July 1	$ (96,615)	$ -0-	$ -0-	$ -0-	$ -0-
Resources from Reserve for Debt Avoidance/ERN	96,615	--	--	--	--
Total Revenues (per Appendix III-D-6) [a]	13,123,775	14,062,863	14,998,721	15,742,561	16,418,786
Total Expenditures (per Appendix III-D-7)	12,546,919[b]	13,333,703[c]	14,499,616[d]	15,293,735[e]	16,627,447[f]
Operating Balance	576,856	729,160	499,105	448,826	(208,661)
Reserved for Prior Year Appropriations Less Appropriations Carried Forward	(126,216)	(481,561)	(8,432)	(128,216)	326,972
Transferred (Out) or Reserved for:					
Budget Reserve Fund	(302,155)	(363,863)	(446,490)	(269,240)	-0-
Reserve for Debt Retirement/Avoidance	(150,300)	(15,851)	(41,000)	(80,000)	(99,420)
Other Adjustments	1,815	(18,185)	(19,035)	(12,370)	(18,891)
Reserved from Fiscal Year 2004	-0-	150,300	15,852	41,000	-0-
Subtotal	-0-	-0-	-0-	-0-	-0-
Transferred from Budget Reserve Fund	--	--	--	--	--
Unappropriated Surplus (Deficit), June 30	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-

(a) As of Fiscal Year ending June 30, 2004, Restricted Accounts in the Federal and Other Grants category have been segregated into a separate fund rather than being combined within the General Fund totals.

(b) Total Expenditures includes prior year appropriations less appropriations carried forward to the next fiscal year in the amount of ($126,216).

(c) Total Expenditures includes prior year appropriations less appropriations carried forward to the next fiscal year in the amount of ($481,561).

(d) Total Expenditures includes prior year appropriations less appropriations carried forward to the next fiscal year in the amount of ($8,432).

(e) Total Expenditures includes prior year appropriations less appropriations carried forward to the next fiscal year in the amount of ($128,216).

(f) Total Expenditures includes prior year appropriations less appropriations carried forward to the next fiscal year in the amount of $326,972.

GENERAL FUND

Statement of Revenues
Fiscal Year Ended June 30
(In Thousands)

	2004	2005	2006	2007	2008
Taxes:					
Personal Income	$ 4,943,430	$ 5,570,724	$ 6,156,373	$ 6,749,462	$ 7,512,688
Sales and Use	3,133,888	3,290,366	3,401,966	3,496,110	3,582,317
Corporations	518,009	678,970	787,702	890,730	733,942[d]
Insurance Companies	233,412	257,152	269,902	253,016	227,221
Inheritance and Estate	147,614	253,907	196,258	179,922	170,619
Alcoholic Beverages	44,044	44,235	45,998	46,007	47,077
Cigarettes	279,572	273,979	272,230	269,525	335,197
Admissions, Dues, Cabaret	31,662	31,699	35,367	33,439	37,277
Oil Companies	106,894	143,548	212,091	144,404	205,483
Public Service Corporations	193,643	196,819	225,263	235,502	237,113
Real Estate Conveyance	176,743	207,631	207,457	211,222	158,544
Miscellaneous	34,822	39,028	142,180	144,517	139,980
Refunds of Taxes	(650,800)	(681,279)	(730,849)	(746,539)	(852,184)
R&D Credit Exchange	(10,378)	(8,850)	(6,694)	(5,983)	(11,363)
Other Revenue:					
Licenses, Permits, Fees	154,593	143,250	157,400	151,738	171,739
Sales of Commodities and Services	40,991	35,148	34,612	35,529	30,066
Transfer – Special Revenue	286,699	273,894	289,946	283,808	287,604
Investment Income	1,779	15,294	53,702	83,610	63,943
Transfers — To Other Funds[a]	(85,000)	(85,000)	(86,300)	(86,300)	(86,300)
Fines, Escheats and Rents	117,719	170,732	91,456	51,782	59,922
Miscellaneous	111,255	153,982	176,595	188,324	140,089
Refunds of Payments	(574)	(374)	(438)	(514)	(501)
Federal Grants	2,564,105	2,497,670	2,549,577	2,602,774	2,701,603
Indian Gaming Payments	402,733	417,838	427,527	430,476	411,410
Statutory Transfers From Other Funds	346,883	142,500	89,400	100,000	115,300
Total Unrestricted Revenue	13,123,738	14,062,863	14,998,721	15,742,561	16,418,786
Restricted Accounts and Federal and Other Grants[b]	0	0	0	0	0
Total Revenues[c]	$ 13,123,738	$ 14,062,863	$ 14,998,721	$ 15,742,561	$ 16,418,786

(a) Transfer to Pequot/Mohegan Fund.

(b) As of Fiscal Year ending June 30, 2004, Restricted Accounts in the Federal and Other Grants category have been segregated into a separate fund rather than being combined within the General Fund totals.

(c) See Operating Balance on Appendix III-D-5 for surplus or deficit for each fiscal year.

(d) For Fiscal Year ending June 30, 2008, the Corporation Business Tax accrual date was changed to the last day of July from August 15th (as in the prior fiscal years). The Corporation Business Tax is now consistent with other tax accruals. The Comptroller's decision to make this change is within her constitutional powers under Section 24, Article Fourth of the Connecticut State Constitution and her statutory powers under Public Act No. 08-111.

GENERAL FUND

Statement of Expenditures
Fiscal Year Ended June 30
(In Thousands)

	2004	2005	2006	2007	2008
Legislative	$ 57,221	$ 63,220	$ 62,159	$ 68,141	$ 72,488
General Government					
Executive	9,286	9,558	9,821	10,441	12,572
Financial Administration	321,723	332,330	361,310	414,664	499,320
Legal	63,184	67,250	71,387	75,535	90,957
Total General Government	394,193	409,138	442,518	500,640	602,849
Regulation and Protection of Persons and Property					
Public Safety	129,845	138,586	150,624	163,838	193,796
Regulative	69,100	75,311	86,756	101,843	87,196
Total Regulation and Protection	198,945	213,897	237,380	265,681	280,992
Conservation and Development					
Agriculture	9,435	10,283	10,765	11,557	15,960
Environment	34,648	35,244	35,215	36,477	39,965
Historical Sites, Commerce and Industry	37,497	47,958	44,907	48,227	63,833
Total Conservation and Development	81,580	93,485	90,887	96,261	119,758
Health and Hospitals					
Public Health	67,878	77,482	84,149	90,753	103,265
Mental Retardation	718,858	752,463	820,250	870,600	937,962
Mental Health	420,206	453,290	487,864	512,426	565,484
Total Health and Hospitals	1,206,942	1,283,235	1,392,263	1,473,779	1,606,711
Transportation	5,931	1,203	1,810	2,103	127
Human Services	3,776,416	3,908,030	4,181,893	4,221,641	4,629,658
Education, Libraries and Museums					
Department of Education	1,999,613	2,091,313	2,232,795	2,312,000	2,569,432
Education of the Blind and Deaf	14,887	14,195	14,339	13,864	15,337
University of Connecticut	263,748	270,278	205,807	222,567	234,481
Higher Education and the Arts	42,180	71,207	126,706	153,625	192,594
Libraries	10,204	10,155	11,188	11,795	13,248
Teachers Retirement	199,394	199,993	418,469	435,051	541,671
Community—Technical Colleges	123,302	126,921	135,802	145,503	161,778
State University	136,039	138,481	145,520	155,102	164,254
Total Education, Libraries and Museums	2,789,367	2,922,543	3,290,626	3,449,507	3,892,795
Corrections	1,165,656	1,239,564	1,339,289	1,430,316	1,549,792
Judicial	368,326	405,818	438,123	474,067	515,738
Non-Functional					
Debt Service	1,125,095	1,256,859	1,306,091	1,472,839	1,409,878
Miscellaneous	1,377,257	1,536,711	1,716,576	1,838,760	1,946,661
Total Non-Functional	2,502,342	2,793,570	3,022,667	3,311,599	3,356,539
Totals	12,546,919	13,333,703	14,499,615	15,293,735	16,627,447
Restricted Accounts and Federal and Other Grants[a]	0	0	0	0	0
Total Expenditures[b]	$12,546,919	$13,333,703	$14,499,615	$15,293,735	$16,627,447

(a) As of Fiscal Year ending June 30, 2004 Restricted Accounts in the Federal and Other Grants category were segregated in a separate fund rather than being combined within General Fund totals.

(b) See Operating Balance on **Appendix III-D-5** for surplus or deficit for each fiscal year.

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GENERAL FUND REVENUES AND EXPENDITURES
ADOPTED BUDGET FOR FISCAL YEARS 2007-08 AND 2008-09
FINAL BUDGET FOR FISCAL YEAR 2007-08
ESTIMATED BUDGET FOR FISCAL YEAR 2008-09

(In Millions)

	Adopted Budget 2007-08[j]	Final Budget 2007-08[k]	Adopted Budget 2008-09[j]	Estimated Budget 2008-09[m][n]
Revenues				
Taxes				
Personal Income Tax	$ 7,193.9	$ 7,512.7	$ 7,676.4	$ 6,900.0
Sales & Use	3,598.9	3,582.3	3,747.7	3,499.7
Corporation[a]	870.0	733.9	791.5	607.6
Public Service	253.1	237.1	257.8	247.3
Inheritance & Estate	185.4	170.6	191.0	255.1
Insurance Companies	258.1	227.2	263.3	192.2
Cigarettes[b]	351.5	335.2	348.1	325.0
Real Estate Conveyance	200.0	158.5	204.0	124.1
Oil Companies	134.7	205.5	144.3	88.0
Alcoholic Beverages	47.0	47.1	47.5	47.5
Admissions and Dues	34.4	37.3	35.1	37.5
Miscellaneous	145.0	140.0	145.0	141.0
Total Taxes	$ 13,272.0	$ 13,387.5	$ 13,851.7	$ 12,465.0
Less Refunds of Taxes	(812.8)	(852.2)	(874.1)	(920.0)
Less R&D Credit Exchange	(6.0)	(11.4)	(6.5)	(11.9)
Net Taxes	$ 12,453.2	$ 12,523.9	$ 12,971.1	$ 11,533.1
Other Revenues				
Transfers- Special Revenues	282.6	287.6	282.5	289.0
Indian Gaming Payments	437.5	411.4	449.0	375.0
Licenses, Permits, Fees	163.6	171.7	153.5	156.7
Sales of Commodities & Services	38.0	30.1	38.0	31.5
Rents, Fines & Escheats	52.1	59.9	52.9	71.2[o]
Investment Income	85.0	63.9	85.0	30.0
Miscellaneous	148.1	140.1	148.1	142.5
Less Refunds of Payments	(0.6)	(0.5)	(0.6)	(0.6)
Total Other Revenue	$ 1,206.3	$ 1,164.3	$ 1,208.4	$ 1,095.3
Other Sources				
Federal Grants	2,643.1	2,701.6	2,768.1	3,189.5
Transfers to the Resources of the G.F.	(16.0)[c]	--	96.0[c]	250.6[p]
Transfers from Tobacco Settlement Funds	115.3	115.3	115.8	115.8
Transfers to Other Funds[d]	(86.3)	(86.3)	(86.3)	(86.3)
Total Other Sources	$ 2,656.1	$ 2,730.6	$ 2,893.6	$ 3,469.6
Total Budgeted Revenue[e]	$ 16,315.6	$ 16,418.8	$ 17,073.1	$ 16,098.0

	Adopted Budget 2007-08[j]	Final Budget 2007-08[k]	Adopted Budget 2008-09[j]	Estimated Budget 2008-09[m][n]
Appropriations/Expenditures				
Legislative	$ 76.1	$ 69.1	$ 80.7	$ 78.7
General Government	566.7	497.8	652.1[l]	614.5
Regulation & Protection	277.9	277.2	282.0	281.5
Conservation & Development	106.6	99.5	110.6	109.7
Health & Hospitals	1,589.7	1,601.7	1,666.3	1,676.3
Human Services[f]	4,704.8	4,670.0	4,946.5[l]	4,999.3
Education, Libraries & Museums[g]	3,736.1	3,783.2	3,773.3	3,772.2
Corrections	1,545.5	1,540.1	1,587.0	1,605.4
Judicial	517.6	515.3	550.0	548.6
Non- Functional				
Debt Service[h]	1,392.5	1,377.0	1,535.4	1,535.4
Miscellaneous	1,917.9	1,869.5	2,095.6	2,095.6
Subtotal	$ 6,431.4	$ 16,300.5	$ 17,279.5	$ 17,317.1
Other Reductions and Lapses	(116.5)	--	(117.5)	(320.2)
Net Appropriations/Expenditures	$16,314.9	$ 16,300.5	$ 17,162.0	$ 16,996.9
Surplus (or Deficit) from Operations	0.7	118.3	(184.9)	(898.8)
Miscellaneous Adjustments	--	(18.9)	--	(22.9)
Reserve for Fiscal Year 2008-09	--	(16.0)[c]	96.0[c]	--
Transfers from Previous Year Surplus	--	(83.4)[l]	83.4[l]	--
Balance[i]	$ 0.7	$ 0.0	$ (5.5)	$ (921.7)

NOTE: Columns may not add due to rounding.

(a) Public Act No. 06-186 created four new corporation tax credits in an effort to promote the film industry, the rehabilitation of historic structures, job creation in the State, and the hiring of displaced workers. The full revenue loss by these credits is not anticipated to be fully felt until fiscal year 2008-09.

(b) Public Act No. 07-1 of the June Special Session increased the cigarette tax rate from $1.51 to $2.00 per pack. It was expected to bring in an additional $76.1 million in fiscal year 2007-08 and $78.1 million in fiscal year 2008-09.

(c) Per Public Act No. 07-1 of the June Special Session, the Comptroller is required to transfer $16 million of fiscal year 2007-08 General Fund revenues and $80 million from the fiscal year 2006-07 General Fund surplus for use in fiscal year 2008-09.

(d) Transfer $86.3 million to Mashantucket Pequot and Mohegan Fund for grants to towns.

(e) 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.

(f) Public Act No. 07-1 of the June Special Session increased appropriations largely in the area of health care, including increases in medical provider payments and increased utilization of services totaling $416 million in fiscal year 2007-08 and $195 million in fiscal year 2008-09.

(g) Public Act No. 07-1 of the June Special Session increased appropriations to charter schools, OPEN choice, magnet schools and the Education Cost Sharing (ECS), among others, totaling $193 million in fiscal year 2007-08 and $268 million in fiscal year 2008-09.

(h) Per Public Act No. 06-186, the cost of the remaining Economic Recovery Notes issued in fiscal years 2001-02 and 2002-03 was paid from fiscal year 2005-06 funds. The amount pre-funded for fiscal year 2007-08 is $65.3 million and the amount pre-funded for fiscal year 2008-09 is $20.2 million.

(i) Per Section 4-30a of the Connecticut General Statutes, any unappropriated surplus, up to ten percent of General Fund expenditures, shall be deposited into the Budget Reserve Fund. 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, the amount of funds credited to the Budget Reserve Fund shall be deemed to be appropriated for purposes of funding such deficit.

(j) Per Public Act No. 07-1 of the June Special Session, Public Act No. 07-1 of the September Special Session, Public Act No. 08-2 of the June 11 Special Session, and Public Act No. 08-51.

(k) Per the Comptroller's audited financial results dated December 31, 2008 for the fiscal year ending June 30, 2008, 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.

(l) Per Public Act No. 08-1 and 08-2 of the August Special Session, $83.4 million of fiscal year 2008-09 surplus was transferred for use in fiscal year 2008-09 with $79.0 million of that amount appropriated for energy relief programs.

(m) Per the Office of Policy and Management's letter to the Comptroller dated January 20, 2009 for the fiscal year ending June 30, 2009, as of the period ending December 31, 2008. In the Comptroller's monthly report dated February 2, 2009, the Comptroller projected a deficit of $1.1 billion in the General Fund for the 2008-09 fiscal year, which amount is $172.9 million higher than the estimate of the Office of Policy and Management. The next letter of the Office of Policy and Management to the Comptroller is expected on February 20, 2009 and the next monthly report of the Comptroller is expected on March 2, 2009. No assurances can be made that the estimates of the Office of Policy and Management and the Comptroller will match these prior estimates.

(n) Total expenditures are adjusted according to the following acts: (1) Public Act No. 08-1 of the August Special Session and Public Act No. 08-2 of the August Special Session, pursuant to which $79 million was appropriated for various energy programs, (2) Public Act No. 08-1 of the November 24 Special Session, pursuant to which $25.6 million was reduced for various agencies, (3) Public Act No. 09-1, pursuant to which expenditures were reduced by $44.3 million.

(o) Per Public Act No. 09-1, unclaimed bottler deposits will escheat to the State resulting in an estimated $12.0 million in fiscal year 2008-09 and $24.4 million in fiscal year 2009-10.

(p) Per Public Act No. 08-1 of the November 24, 2008 Special Session and Public Act No. 09-1, an additional $71.2 million will be transferred from various funds to the General Fund.

NOTE: The information in **Appendix III-E** of this **Annual Information Statement** 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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