NEW ISSUE—Book Entry Only (See "Ratings" herein)

$100,000,000

THE UNIVERSITY OF CONNECTICUT

General Obligation Bonds 2001 Series A

Dated: March 15, 2001 **Due: April 1, as shown on inside cover**

The University of Connecticut General Obligation Bonds 2001 Series A ("2001 Series A Bonds") are general obligations of The University of Connecticut (the "University") a body politic and corporate constituting a public instrumentality and agency of the State of Connecticut (the "State") and are issued pursuant to Public Act No. 95-230, January 1995 Session of the General Assembly of the State, as amended, (the "UConn 2000 Act") and the General Obligation Master Indenture of Trust, as supplemented by certain supplemental indentures, including the Sixth Supplemental Indenture of the University, for the purpose of providing funds for the UConn 2000 Infrastructure Improvement Program. The 2001 Series A Bonds are additionally secured by a pledge of and payable from amounts of the State Debt Service Commitment equal to the interest and principal due on the 2001 Series A Bonds appropriated out of the resources of the State General Fund and mandated and obligated to be paid by the State Treasurer to State Street Bank and Trust Company, as the Trustee under such Indenture, when due. In the opinion of Bond Counsel, such appropriation and mandate and obligation of payment from the State General Fund are valid and do not require further legislative approval.

The issuance of the 2001 Series A Bonds by the University does not obligate the State or any municipality or political subdivision to levy or pledge any form of taxation. The University has no taxing power. See "NATURE OF OBLIGATION AND SOURCE OF REPAYMENT" herein.

The 2001 Series A Bonds are issuable only as fully-registered bonds, without coupons, and when issued 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 2001 Series A Bonds. Purchases of the 2001 Series A Bonds will be made in book-entry form, in the denomination or Maturity Amounts of $5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the 2001 Series A Bonds. So long as Cede & Co. is the Bondowner, 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 2001 Series A Bonds. See "DESCRIPTION OF THE 2001 SERIES A BONDS—Book-Entry-Only System" herein. Principal of and interest on the 2001 Series A Bonds will be paid directly to DTC by the Trustee, as Paying Agent, so long as DTC or its nominee, Cede & Co., is the Bondowner. Interest on the 2001 Series A Bonds will be payable semiannually on April 1 and October 1, in each year, commencing October 1, 2001. 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.

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

The 2001 Series A Bonds are subject to redemption prior to maturity as more fully described herein.

In the opinion of Bond Counsel, under existing statutes and court decisions, interest on the 2001 Series A Bonds is excluded from gross income for Federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Under the Code, interest on the 2001 Series A Bonds is not treated as a preference item in calculating alternative minimum taxable income for purposes of the alternative minimum tax applicable to individuals and corporations, but is, however, included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed with respect to such corporations. See "Tax Exemption" herein for a description of certain other Federal tax consequences of ownership of the 2001 Series A Bonds.

In the opinion of Bond Counsel, under existing statutes, interest on the 2001 Series A Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates; and interest on the 2001 Series A Bonds 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 2001 Series A Bonds are offered when, as, and if issued and received by the Underwriters, subject to the approval of legality by Hawkins, Delafield & Wood, Hartford, Connecticut and New York, New York, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriters by their Counsel, Pullman & Comley, LLC, Hartford, Connecticut. Certain legal matters will be passed upon for the State by its Disclosure Counsel, Day, Berry & Howard LLP, Hartford, Connecticut. It is expected that the 2001 Series A Bonds in definitive form will be available for delivery at The Depository Trust Company in New York, New York on or about April 11, 2001.

First Albany Corporation

A.G. Edwards & Sons, Inc. **Advest, Inc.** **First Union National Bank** **JPMorgan**

M.R. Beal & Company
Jackson Securities Incorporated
Quick & Reilly
CIBC World Markets
Merrill Lynch & Co.
Raymond James & Associates, Inc.
State Street Capital Markets
Gates Capital Corporation
UBS PaineWebber Inc.
Roosevelt & Cross, Inc.

Dated: March 29, 2001

$100,000,000
THE UNIVERSITY OF CONNECTICUT
General Obligation Bonds 2001 Series A

MATURITY SCHEDULE

Year	Principal Amount	Interest Rate	Yield	Year	Principal Amount	Interest Rate	Yield
2002	$5,000,000	3.500%	2.94%	2014	$2,920,000	4.400%	4.49%
2003	5,205,000	3.150	3.15	2014	2,080,000	5.375	4.49
2004	5,395,000	3.300	3.30	2015	3,600,000	4.500	4.58
2005	3,895,000	3.400	3.45	2015	1,400,000	5.375	4.58
2005	850,000	4.000	3.45	2016	525,000	4.600	4.65
2006	5,000,000	3.500	3.57	2016	4,475,000	5.375	4.65
2007	3,235,000	3.625	3.72	2017	1,730,000	4.650	4.74
2007	1,765,000	4.250	3.72	2017	3,270,000	5.250	4.74
2008	4,950,000	3.800	3.83	2018	1,020,000	4.700	4.80
2009	1,885,000	3.900	3.93	2018	3,980,000	5.250	4.80
2009	3,115,000	4.750	3.93	2019	1,310,000	4.750	4.85
2010	4,745,000	4.000	4.01	2019	3,690,000	5.250	4.85
2011	4,960,000	4.000	4.09	2020	1,385,000	4.750	4.89
2012	5,000,000	4.125	4.23	2020	3,615,000	5.250	4.89
2013	2,445,000	4.300	4.39	2021	5,000,000	4.750	4.93
2013	2,555,000	5.375	4.39				

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 2001 Series A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from The University of Connecticut and the State of Connecticut and other sources which are believed to be reliable but is not guaranteed as to its accuracy or completeness. 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 circumstance, create any implication that there has been no change in the affairs of said University or the State since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2001 SERIES A BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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This Official Statement of the University of Connecticut, including the cover and inside cover pages, Part I, Part II and Part III, the Appendices and Schedules thereto, is provided for the purpose of presenting certain information relating to the University in connection with the sale of $100,000,000 aggregate principal amount of its 2001 Series A Bonds.

Part I of this Official Statement, including the cover and inside front cover pages and the Appendices thereto, contains information relating to the 2001 Series A Bonds. Appendix I-A of this Official Statement contains certain information concerning the University as of its date, except as otherwise provided therein. Part II of this Official Statement is the Information Supplement of the State of Connecticut which 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, Parts I, II, and III and the Appendices thereto should be read collectively and in their entirety.

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OFFICIAL STATEMENT
relating to

$100,000,000

THE UNIVERSITY OF CONNECTICUT

General Obligation Bonds 2001 Series A

INTRODUCTORY STATEMENT

This Official Statement, including the cover page and appendices attached hereto, is provided for the purpose of presenting certain information in connection with the offering and sale of $100,000,000 General Obligation Bonds 2001 Series A (the "2001 Series A Bonds") of The University of Connecticut (the "University"). The 2001 Series A Bonds are authorized pursuant to Public Act No. 95-230, January 1995 Session of the General Assembly of the State of Connecticut, as amended, ("the Act" or the "UConn 2000 Act") and are authorized, issued and secured under the provisions of a General Obligation Master Indenture of Trust, dated as of November 1, 1995 (the "Master Indenture"), as supplemented by certain supplemental indentures, including the Sixth Supplemental Indenture dated as of May 8, 2000, as amended (the "Sixth Supplemental Indenture"). The Master Indenture and supplements thereto, including the Sixth Supplemental Indenture, are collectively referred to herein as the "Indentures." All series of bonds issued under the Master Indenture are herein called the "Bonds" or "General Obligation Bonds." The Indentures were each approved by the Board of Trustees of the University (the "Board") and entered into with State Street Bank and Trust Company (successor to Fleet National Bank) of Hartford, Connecticut as Trustee thereunder.

The Act establishes the University as a body politic and corporate and instrumentality and agency of the State of Connecticut (the "State") and enables the University to borrow money in its own name for the purpose of providing sufficient funds for a special capital improvement program for the University (the "UConn 2000 Infrastructure Improvement Program" or "UConn 2000"). See "UCONN 2000 INFRASTRUCTURE IMPROVEMENT PROGRAM" below.

The Act provides for a ten year capital budget program of the University and authorizes projects estimated to cost $1,250 million. In accordance with the Act, the University, by affirmative vote of its Board of Trustees, made a material revision to one of the UConn 2000 projects based on a finding and determination that such revision is consistent with the intent and purpose of the original project and that such revision does not affect the University's ability to complete the UConn 2000 projects out of the remaining funds to be allocated to such projects. Such revision increased the estimated cost of UConn 2000 projects from $1,250 million to $1,295 million.[1] See "NATURE OF OBLIGATION AND SOURCES OF REPAYMENT" and "UCONN 2000 INFRASTRUCTURE IMPROVEMENT PROGRAM." The Act provides that $962 million of the UConn 2000 projects is to be financed by general obligation bonds of the University secured by a State Debt Service Commitment (the "State Debt Service Commitment") to pay debt service thereon from an appropriation out of the resources of the General Fund of the State. An additional $18 million of UConn 2000 projects were funded through the issuance of State general obligation bonds. The balance of the estimated cost of UConn 2000 projects may be met by the issuance of special obligation bonds ("Special Obligation Bonds") of the University, which are bonds payable from certain pledged fees and charges, or from gifts or other revenue or borrowing resources of the University, or through the deferring of projects and achieved savings. To date, the University has issued $123,130,000 of its Special Obligation Bonds to fund UConn 2000 projects. See Appendix I-A "UNIVERSITY FINANCES - University Indebtedness and Capitalized Lease Obligations."

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[1]The cost of such revision was financed with proceeds of the University's Special Obligation Student Fee Revenue Bonds, 2000 Series A.

The 2001 Series A Bonds represent the sixth series of bonds being issued pursuant to the Act and the Master Indenture. To date, pursuant to the Indentures, $612,000,000 of General Obligation Bonds have been authorized to be issued for UConn 2000 projects, of which $512,000,000 have been issued (excluding Costs of Issuance), resulting in an unissued balance of $100,000,000 prior to the issuance of the 2001 Series A Bonds. See "UCONN 2000 INFRASTRUCTURE IMPROVEMENT PROGRAM."

All references herein to the Act, the Indentures and the Bonds are qualified in their entirety by reference to the definitive documents. Capitalized terms have the meaning given to them in this Official Statement, including Appendix I-E of Part I hereof.

NATURE OF OBLIGATION AND SOURCE OF REPAYMENT

The Bonds (including the 2001 Series A Bonds) are general obligations of the University for the payment of which, in accordance with their terms, the full faith and credit of the University are pledged. The 2001 Series A Bonds are additionally secured by the pledge of and a lien upon the State Debt Service Commitment. The State Debt Service Commitment is defined by the Act and the Master Indenture as the commitment by the State to pay an annual amount, for the punctual payment of Special Debt Service Requirements on securities issued as general obligations of the University, as the same shall arise and shall become due and payable. Special Debt Service Requirements include, among other things, the principal on serial Current Interest Bonds or sinking fund installments on term Current Interest Bonds (the "Principal Installments") and interest thereon and the Maturity Amounts on Capital Appreciation Bonds.

As part of the contract of the State with the holders of the Bonds, including the 2001 Series A Bonds, the Act provides that appropriation of all amounts of the State Debt Service Commitment is made out of the resources of the General Fund of the State and that the Treasurer of the State of Connecticut (the "Treasurer") shall pay such amount in each fiscal year to the paying agent on the Bonds so secured or otherwise as the Treasurer shall provide. The Master Indenture provides for such amount to be deposited by the Treasurer directly to the Trustee for deposit into the Debt Service Fund on or before the Interest Payment Date with respect to interest, and the Principal Installment Date with respect to principal or sinking fund Installments, on any Current Interest Bonds and on or before the Maturity Date with respect to the Maturity Amount on any Capital Appreciation Bonds.

In the opinion of Bond Counsel, the State has validly appropriated all amounts of the State Debt Service Commitment and the Treasurer has the duty and is validly mandated and obligated to pay such amounts to the Trustee, and that such appropriation and mandate and obligation of payment do not require further legislative approval.

The Master Indenture provides that the Bonds shall be secured by the pledge of and a lien upon the Trust Estate which includes the proceeds of the Bonds, the Debt Service Fund (including moneys on deposit in or payable thereto) and the Redemption Fund. The Sixth Supplemental Indenture provides for the pledge of and a lien upon the State Debt Service Commitment. Assured Revenues, as more particularly defined by the Act and Master Indenture, include general revenues from fees, tuition and other like charges, grants and gifts, all to the extent not otherwise pledged, as well as annual State appropriations for operating expenses and the annual amounts of the State Debt Service Commitment. The 2001 Series A Bonds are general obligations of the University for which its full faith and credit are pledged and are payable from all Assured Revenues. The University, consistent with the Act, is relying upon the receipt of the annual amount of the pledged State Debt Service Commitment for the payment of the 2001 Series A Bonds and, accordingly, is not planning to budget any of the other Assured Revenues for the payment of the Bonds, including the 2001 Series A Bonds. Under the Master Indenture, the University has reserved the right and expects to issue Additional Bonds to finance UConn 2000 projects secured by the State Debt Service Commitment upon the terms and conditions set forth therein (See Appendix I-B "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL OBLIGATION MASTER

INDENTURE OF TRUST"). The Act currently limits the maximum of Bonds so secured to $962,000,000 plus amounts necessary to finance Costs of Issuance on each Series of Bonds.

Pursuant to the Act, upon their issuance, securities of the University shall be conclusively presumed to be fully and duly authorized and issued under the laws of the State, and any person shall be estopped from questioning their authorization, sale, issuance, execution or delivery. Any pledge made by the University shall be deemed a statutory lien which shall be valid and binding from the time when the pledge is made against all parties having claims against the University. Neither the Act, the indenture or resolution, nor any other instrument by which a pledge is created need be recorded. Any revenues or other receipts, funds, moneys so pledged and thereafter received by the University shall be subject immediately to the lien of the pledge without any physical delivery thereof or further act and such lien shall have priority over all other liens. See Appendix I-B "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL OBLIGATION MASTER INDENTURE OF TRUST."

The covenants of the University with respect to the Bonds are set forth in the Master Indenture. The Act provides for, and the Master Indenture includes, remedies available to the Trustee for protection and enforcement of any and all rights granted under the financing provisions of the Act, including by mandamus to enforce and compel performance of any duty required to be performed by any officer of the State mentioned in said provisions (including the Treasurer) and the University. See Appendix I-B "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL OBLIGATION MASTER INDENTURE OF TRUST."

Pursuant to the Act, the University is authorized to include and has included the following State covenant in the Master Indenture as a contract of the State: The State covenants with holders of any securities issued under the Act, in consideration of the acceptance of and payment for the securities until the securities, together with the interest thereon, with interest on any unpaid installment of interest and all costs and expenses in connection with any action or proceeding on behalf of the owners, are fully met and discharged or unless expressly permitted or otherwise authorized by the terms of each contract and agreement made or entered into by or on behalf of the University with or for the benefit of such owners, that the State: (1) will not create or cause to be created any lien or charge on the assets or revenues pledged to secure such securities, other than a lien or pledge created thereon pursuant to the Act; (2) will not in any way impair the rights, exemptions or remedies of the owners; and (3) will not limit, modify, rescind, repeal or otherwise alter the rights or obligations of the University to take such action as may be necessary to fulfill the terms of the resolution authorizing the issuance of the securities; provided nothing in the Act shall preclude the State from exercising its power, through a change in law, to limit, modify, rescind, repeal or otherwise alter the Act if and when adequate provision shall be made by law for the protection of the holders of outstanding securities, pursuant to the resolution or indenture under which the securities are issued.

As required by the Act, the form of the Master Indenture for the Bonds secured by the State Debt Service Commitment was approved by the State Bond Commission on December 21, 1995. As required by the Act and provided for in the Master Indenture, any substantive amendment of the Master Indenture must also be approved by the State Bond Commission.

As required by the Act, the Board of Trustees' resolution approving each Supplemental Indenture for the issuance of Bonds must be submitted to the Governor. The Governor may, not later than thirty days after such submission, disapprove same by notifying the Board of Trustees and the reasons for it. If the Governor does not act within thirty days, the resolution is deemed approved. The resolution approving the issuance of the 2001 Series A Bonds and the Sixth Supplemental Indenture was submitted to the Governor on May 22, 2000 and approved on June 2, 2000.

Pursuant to the Act, the Bonds, including the 2001 Series A Bonds, do not constitute a debt or liability of the State or any municipality thereof and neither the faith and credit nor taxing power of the State or any municipality is pledged to the payment of principal of or interest on the 2001 Series A Bonds. The issuance of the 2001 Series A Bonds by the University does not obligate the State or any municipality or political subdivision to levy or pledge any form of taxation to the payment of principal of or interest on the 2001 Series A Bonds. The University has no taxing power.

However, pursuant to the Act, the 2001 Series A Bonds, for purposes of the State's statutory debt limit computation, are deemed to be indebtedness of the State. Reference is made to Part III of this Official Statement under the heading STATE DEBT - *Types of Direct General Obligation Debt - UConn 2000 Financing* wherein the State identifies the financing by the University secured by the State Debt Service Commitment for treatment as direct debt of the State. As noted therein, the Act requires that the State include a certain amount of University securities secured by the State Debt Service Commitment in each fiscal year from 1996 to 2005 in the computation of the statutory limitation on indebtedness of the State pursuant to Section 3-21 of the Connecticut General Statutes, as amended.

The University under the Master Indenture has reserved the right to pledge and place a lien upon particular Assured Revenues, other than the State Debt Service Commitment, to secure securities, other than the Bonds secured by the State Debt Service Commitment, issued to finance UConn 2000 or other University projects. See Appendix I-B "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL OBLIGATION MASTER INDENTURE OF TRUST."

DESCRIPTION OF THE 2001 SERIES A BONDS

The 2001 Series A Bonds

The 2001 Series A Bonds are issuable only as fully registered bonds, in book-entry-only form (as described herein), in the denomination of $5,000 or any integral multiple thereof.

The 2001 Series A Bonds will be dated March 15, 2001, and will mature on April 1, in each of the years and in the amounts and will bear interest payable semiannually on April 1 and October 1 in each year, commencing October 1, 2001, at the rates per annum set forth on the inside cover page of this Official Statement.

Principal of and interest on the 2001 Series A Bonds will be paid directly to The Depository Trust Company ("DTC") by State Street Bank and Trust Company, Hartford, Connecticut, as Paying Agent, so long as DTC or its nominee, Cede & Co., is the Bondowner. See "Book-Entry-Only System."

Optional Redemption. The 2001 Series A Bonds maturing on and after April 1, 2012 will be subject to redemption prior to their maturity, at the election of the University upon the direction of the Treasurer at any time, on or after April 1, 2011 in whole on any date or in part, on any interest payment date (each herein the "Redemption Date") from time to time, and in such maturity or maturities (but by lot within a maturity among bonds bearing the same interest rate) as the Treasurer shall determine and in any period shown in the following table, at the respective redemption prices (expressed as percentages of the principal amounts of bonds to be redeemed) set forth in the following table, together with interest accrued and unpaid on the Redemption Date:

Redemption Date (Both Dates Inclusive)	Redemption Price
From: April 1, 2011 to March 31, 2012	101%
From: April 1, 2012 and thereafter	100

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, by registered mail, to the registered owner of such bond at such Bondowner's address as it appears on the books of registry or at such address as may have been filed with the registrar for that purpose. So long as Cede & Co., as nominee of DTC, is the registered owner of the 2001 Series A Bonds, all notices of redemption will be sent only to DTC.

Sources and Uses of Proceeds of the 2001 Series A Bonds

The University expects to apply the proceeds from the sale of the 2001 Series A Bonds as follows:

Sources:

Par Amount of the 2001 Series A Bonds	$100,000,000.00
Net Original Issuance Premium	1,141,139.80
Accrued Interest	310,370.94
Total Sources	$101,451,510.74

Uses:

Bond Proceeds Fund	
Construction Account	$100,000,000.00
Costs of Issuance Account	763,398.55
Underwriters' Discount	688,112.19
Total Uses	$101,451,510.74

Amounts in the Construction Account and Costs of Issuance Account, under the Master Indenture, may be invested by the Trustee or the Treasurer, respectively, as provided in the Master Indenture in such Investment Obligations permitted by the Master Indenture and paragraph (f) of Section 3-20 of the Connecticut General Statutes, as amended.

Book-Entry-Only System

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2001 Series A Bonds. The 2001 Series A Bonds will be issued as fully-registered securities in the name of Cede & Co. (DTC's partnership nominee). One fully-registered 2001 Series A Bond certificate will be issued for each maturity of each series of the 2001 Series A Bonds, each in the aggregate principal amount of such maturity of such series, and will be deposited with DTC.

DTC 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 securities that its participants ("Participants") deposit with DTC. DTC also facilitates the settlement among Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations ("Direct Participants"). DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission.

Purchases of 2001 Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2001 Series A Bonds on DTC's records. The ownership interest of each actual purchaser of each 2001 Series A Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations 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 2001 Series A Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in any series of the 2001 Series A Bonds, except in the event that use of the book-entry system for a Series of the 2001 Series A Bonds is discontinued.

To facilitate subsequent transfers, all 2001 Series A Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of 2001 Series A Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2001 Series A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2001 Series A Bonds are credited, which may or may not be the Beneficial Owners. The 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 Cede & Co. If less than all of the Bonds within a maturity of a series of the 2001 Series A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to 2001 Series A Bonds. Under its usual procedures, DTC mails an omnibus proxy (the "Omnibus Proxy") to the Trustee 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 2001 Series A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments on the 2001 Series A Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the payable date. 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 Trustee, the Paying Agent, the University or the State subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to DTC is the responsibility of the University, the State or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

The University, the State and the Trustee may treat DTC (or its nominee) as the sole and exclusive registered owner of the 2001 Series A Bonds registered in its name for the purposes of payment of the principal and redemption premium, if any, of, or interest on, the 2001 Series A Bonds, giving any notice permitted or required to be given to registered owners under the Resolution, registering the transfer of the 2001 Series A Bonds, or other action to be taken by registered owners and for all other purposes whatsoever. The University, the State and the Trustee shall not have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the 2001 Series A Bonds under or through DTC or any Participant, or any other person which is not shown on the registration books of the University, the State (kept by the Trustee) as being a registered owner, with respect to the accuracy of any records maintained by DTC or any Participant; the payment by DTC or any Participant of any amount in respect of the principal, redemption premium, if any, or interest on the 2001 Series A Bonds; any notice which is permitted or required to be given to registered owners thereunder or under the conditions to transfers or exchanges adopted by the University; or other action taken by DTC as registered owner. Interest, redemption premium, if any, and principal will be paid by the Trustee to DTC, or its nominee. Disbursement of such payments to the Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners is the responsibility of the Participants or the Indirect Participants.

For every transfer and exchange of beneficial ownership of any of the 2001 Series A Bonds, a Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may discontinue providing its service with respect to a Series of the 2001 Series A Bonds at any time by giving notice to the University and discharging its responsibilities with respect thereto under applicable law, or the University may terminate its participation in the system of book-entry transfer through DTC at any time by giving notice to DTC. In either event, the University may retain another securities depository for a Series of the 2001 Series A Bonds or may direct the Trustee to deliver bond certificates in accordance with instructions from DTC or its successor. If the University directs the Trustee to deliver such bond certificates, such 2001 Series A Bonds of a series may thereafter be exchanged for an equal aggregate principal amount of 2001 Series A Bonds of such series in any other authorized denominations and of the same maturity as set forth in the Resolution, upon surrender thereof at the principal corporate trust office of the Trustee, who will then be responsible for maintaining the registration books of the University.

Unless otherwise noted, certain of the information contained in the preceding paragraphs of this subsection "Book-Entry Only System" has been extracted from information given by DTC. Neither the University, the State, the Trustee nor the Underwriters make any representation as to the completeness or the accuracy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof.

NEITHER THE UNIVERSITY, THE STATE NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR SUCH DTC PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS. PAYMENTS MADE TO DTC OR ITS NOMINEE SHALL SATISFY THE UNIVERSITY'S AND THE STATE'S OBLIGATION UNDER THE ACT AND THE RESOLUTION TO THE EXTENT OF SUCH PAYMENTS.

So long as Cede & Co. is the registered owner of the 2001 Series A Bonds, as nominee for DTC, references herein to the Bondholders or registered owners of the 2001 Series A Bonds (other than under the captions "Tax Exemption" and "Continuing Disclosure" herein) shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the 2001 Series A Bonds.

Effect of Discontinuance of Book-Entry System. The following procedures shall apply if the book-entry system is discontinued with respect to the 2001 Series A Bonds.

Principal and Interest Payments. Principal of the 2001 Series A Bonds will be payable at the corporate trust office of the Trustee in Hartford, Connecticut, and interest on the 2001 Series A Bonds will be payable to the registered owner thereof on each interest payment date by check mailed to such registered owner at the address shown on the bond register maintained by the Trustee, or on the special record date established for the payment of defaulted interest. However, registered owners of $1,000,000 or more in aggregate principal amount of 2001 Series A Bonds may be paid interest by wire transfer upon written request filed with the Trustee on or before the Record Date for the applicable interest payment date.

Registration and Transfer. The Trustee will keep or cause to be kept, at its corporate office in Hartford, Connecticut, sufficient books for the registration and transfer of the Bonds, and, upon presentation of Bonds for each purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer, or cause to be registered or transferred, on such books such Bonds. Any Bond may, in accordance with its terms, be transferred upon such books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such registered Bond for cancellation, accompanied by delivery of a written instrument of transfer executed in a form approved by the Trustee. Whenever any Bond shall be surrendered for transfer, the University shall execute and the Trustee shall authenticate and deliver a new Bond of the same Series and maturity and for a like aggregate principal amount. The Trustee is not required to transfer or exchange any Bond of a Series during the period 15 days before the mailing of a notice of redemption. The Trustee shall require the Bondholder requesting such transfer or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange and may require the payment of any reasonable sum to cover expenses incurred by the Trustee or University in connection with such exchange.

UCONN 2000 INFRASTRUCTURE IMPROVEMENT PROGRAM

Introduction

The UConn 2000 Infrastructure Improvement Program established by the Act is designed to modernize, rehabilitate and expand the physical plant of the University. The Act provides for a ten year capital budget program and authorizes projects estimated to cost $1,250 million. In accordance with the Act, the University, by affirmative vote of its Board of Trustees, made a material revision to one of the UConn 2000 projects based on a finding and determination that such revision is consistent with the intent and purpose of the original project and that such revision does not affect the University's ability to complete the UConn 2000 projects out of the remaining funds to be allocated to such projects. See "The Act" below. Such revision increased the estimated cost of UCONN 2000 projects from $1,250 million to $1,295 million.[1] Of that amount, $962 million is to be funded by the proceeds of General Obligation Bonds of the University, secured by the State Debt Service Commitment. See "NATURE OF OBLIGATION AND SOURCE OF REPAYMENT." An additional $18 million of UConn 2000 projects have been funded through the issuance of State general obligation bonds. The balance of the estimated cost of UConn 2000 projects may be met by the issuance of Special Obligation Bonds, by gifts or other revenue or borrowing resources of the University, or by the deferring of projects or achieved savings. For fiscal years 1996-1999 (designated as Phase I under the Act), the Act authorizes General Obligation Bonds totaling $382,000,000 and for fiscal years 2000-2005 (designated as Phase II), the Act authorizes General Obligation Bonds totaling $580,000,000, in each case plus Cost of Issuance not otherwise provided for.

[1]The cost of such revision was financed with proceeds of the University's Special Obligation Student Fee Revenue Bonds, 2000 Series A.

The 2000 Series A Bonds represent the sixth series of bonds being issued pursuant to the Act and the Master Indenture. To date, pursuant to the Indentures, $612,000,000 of General Obligation Bonds have been authorized to be issued for UConn 2000 projects, of which $512,000,000 have been issued (excluding Costs of Issuance), resulting in an unissued balance of $100,000,000 prior to the issuance of the 2001 Series A Bonds.

The Act

Powers. The Act enables the University to borrow money and enter into financing transactions in its own name and expands the authority of the University to directly supervise construction of its projects including all UConn 2000 Projects. In order for the University to construct the UConn 2000 Projects and issue securities for UConn 2000, the Act, among other things, provides the University with the following powers: (a) to have perpetual succession as a body politic and corporate and an instrumentality and agency of the State; (b) to contract, to sue, to be indemnified, and to defend any action; (c) indemnify parties and to be sued by the holders of its securities on an express contract; (d) retain or employ architects, accountants, engineers, legal and securities counsel; (e) plan, acquire, construct, renovate, equip, own, operate, maintain, dispose of and demolish any project; (f) acquire, hold or dispose of any interest in real or personal property and to hold, sell, assign, lease, rent or encumber, other than by mortgage, any such interest; (g) to receive money from federal and State governments or others; and (h) to fix and collect fees, tuition, charges, rentals and other charges for enrollment and attendance at and use of the University.

The University may revise, delete and add projects to the list of UConn 2000 Projects, provided a material addition or deletion must be approved by a legislative act of the Connecticut legislature. No revision, addition or deletion can reduce the amount of any State Debt Service Commitment. The University may determine the sequencing and timing of projects, revise estimates of cost and reallocate funds among projects, so long as it has found that all projects not otherwise deleted can be completed.

The Act provides that the principal amount of the securities authorized to be issued for a project is deemed an appropriation and allocation of such amount for such project and approval by the Governor is deemed the allotment approval of such capital outlays. Upon such approval, the University may award contracts, and issue and sell securities respecting expenditures under such contracts within the year following issuance of such securities and to provide for costs of UConn 2000 of not more than twenty percent in excess of such expenditures. Certain Costs of Issuance may be added to the amount of securities so issued.

Rate Covenant. The Act contains a rate covenant for the benefit of bondholders and the State wherein the University agrees to charge, collect and increase from time to time, tuition, fees and charges for services provided by the University, which together with other Assured Revenues such as those from the Minimum State Operating Provision and the State Debt Service Commitment shall be sufficient to permit the University to operate and maintain itself as an institution dedicated to excellence in higher education, to operate and maintain the physical University plant in sound operating condition and to cover the Special Debt Service Requirements on Outstanding Bonds. See Appendix I-B "SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL OBLIGATION MASTER INDENTURE OF TRUST."

Minimum State Operating Provision. Pursuant to the Act, the State commits to appropriate, annually, an amount for operations of the University, after consideration of other amounts available to the University for its operations, which amount shall be consistent with the University (including the UConn 2000 Projects) continuing to operate in furtherance of and pursuant to the provisions of the Constitution of the State and applicable law as an institution dedicated to excellence in higher education. However, nothing in the Act shall be construed to preclude the State from appropriating a lower or higher amount than the amount appropriated in the previous fiscal year so long as the appropriation act provides and determines that the University can continue to operate as an institution dedicated to excellence in higher education and such amount so appropriated shall then constitute the Minimum State Operating Provision.

Special Capital Reserve Fund. The Act permits the issuance of special obligation securities of the University which may be further secured with one or more State supported reserve funds to be known as Special Capital Reserve Funds or a debt service reserve fund. To date, the University has issued two series of Special Obligation Bonds: its Student Fee Revenue Bonds 1998 Series A, issued on February 4, 1998, which are secured by a Special Capital Reserve Fund and its Student Fee Revenue Bonds 2000 Series A, issued on June 1, 2000, which are not secured by either the Special Capital Reserve Fund or a debt service reserve fund. See Appendix I-A "UNIVERSITY FINANCES-University Indebtedness and Capitalized Lease Obligations." A Special Capital Reserve Fund is not available to secure the 2001 Series A Bonds or any other general obligation securities of the University.

Special External Gift and Endowment Funds. The Act creates two funds designed to encourage private sector gifts to fund UConn 2000 Projects and to increase endowment funds of the University.

The Special External Gift Fund is created to receive Special Eligible Gifts from the private sector, in furtherance of UConn 2000. Special Eligible Gifts and interest or other income earned on the Special External Gift Fund are to be used to pay costs of any UConn 2000 Project.

The Endowment Fund is dedicated to endowed professorships, scholarships and programmatic enhancements. To provide an incentive for gifts to the Endowment Fund, the State has agreed to make matching grants to the Endowment Fund in the form of the Endowment Fund State Grants. See Appendix I-A "UNIVERSITY FINANCES - Gifts to the University of Connecticut Foundation, Inc."

Construction of Projects. The UConn Infrastructure Improvement Program currently comprises over 70 projects ranging in cost from under $1,000,000 to over $100,000,000. Projects are proposed for several of the University's campuses, with the preponderance of expenditures currently earmarked for the main campus at Storrs. The University is authorized to assume the responsibility and supervision of any project including preparation of detailed plans and specifications for each project. Subject to applicable law, the University maintains construction standards for all projects, including provisions relating to materials and equipment, and health and safety. The Act provides an expedited permitting process for the issuance of any license, permit, approval and administrative action required in connection with any University project.

The Act provides that each contract let in accordance with the Act must provide that payment is limited to, and the State and the University shall have no liability beyond, the amount provided therein.

UConn 2000 Performance Review Report to the General Assembly. The Act provides for semi-annual reporting to certain committees of the General Assembly and on January 15, 1999, the University, as required by the Act, submitted to the Governor and to the Joint Standing Committees of the General Assembly having cognizance of matters relating to education and finance, revenue and bonding, a four year UConn 2000 performance review report detailing certain information specified in the Act for each project undertaken to date under the UConn 2000 Program. The Act provides for the committees to consider the report and determine whether there has been insufficient progress in implementation of UConn 2000 or whether there have been significant cost increases over original estimates as a result of actions taken by the University. If so, the committees may make recommendations for appropriate action to the University and to the General Assembly. On March 10, 1999, the committees determined that the University is managing the UConn 2000 capital projects, discharging its responsibilities, and achieving and implementing the UConn 2000 goals, in full accord with the intent of the Act.

LITIGATION

University

There is no litigation of any nature pending or threatened against the University restraining or enjoining the issue, sale, execution or delivery of the 2001 Series A Bonds, or in any way contesting or affecting the validity of the 2001 Series A Bonds or any proceedings of the University taken with respect to the issuance or sale thereof, the application of the proceeds of the 2001 Series A Bonds or of amounts appropriated as the State Debt Service Commitment out of the resources of the State General Fund under the UConn 2000 Act for the payment of the 2001 Series A Bonds or the existence or powers of the University. The University is defending several suits against it in state and federal court. The Assistant Attorney General for the University is of the opinion that none of those suits, either individually or collectively, place the assets of the University at any significant risk.

State

There is no litigation pending or threatened against the State contesting or affecting the obligation of the State with respect to the State Debt Service Commitment for the payment of the 2001 Series A Bonds. However, the State, its officers and employees are defendants in numerous lawsuits. The Attorney General's Office has reviewed the status of such pending lawsuits. See "LITIGATION" in Part II and Part III hereto for a description of such litigation.

COVENANT OF THE STATE

Under the Act, the State has pledged and agreed with the holders of any bonds and notes issued under the Act, including the 2001 Series A Bonds, that the State will not limit or alter the rights vested in the University until such obligations, together with the interest thereon, are fully met and discharged, provided nothing shall preclude such limitation or alteration if and when adequate provision shall be made by law for the protection of the holders of such bonds and notes.

LEGALITY FOR INVESTMENT

The Act provides that the 2001 Series A Bonds shall be legal investments and public bodies of the State and its political subdivisions, all municipalities and municipal subdivisions, all insurance companies and associations and other persons carrying on an insurance business, all banks, bankers, banking associations, trust companies, savings banks and savings associations, trust companies, savings banks and savings associations, including savings and loan associations, building and loan associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, board of trustees and other fiduciaries, and all other persons whatsoever who are now or may be authorized to invest in securities of the State, may properly and legally invest funds, including capital, in their control, or belonging to them. Those securities are also made securities which may properly and legally be deposited with and received by all public officers and bodies of the State or any agency or political subdivision and all municipalities and public corporations for any purpose for which the deposit of securities of the State is now or may be authorized by law.

APPROVAL OF LEGAL PROCEEDINGS

Legal matters related to the authorization, issuance and sale of the 2001 Series A Bonds are subject to the approval of Hawkins, Delafield & Wood, Hartford, Connecticut, and New York, New York, Bond Counsel to the University. Bond Counsel proposes to deliver their approving opinion with respect to the 2001 Series A Bonds substantially in the form set forth in Appendix I-C hereto. Certain legal matters will be passed upon for the Underwriters by their counsel, Pullman & Comley, LLC, Hartford, Connecticut. Certain legal matters will be passed upon for the State by its Disclosure Counsel, Day, Berry & Howard LLP, Hartford, Connecticut.

TAX EXEMPTION

Federal Income Taxes

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to delivery of the 2001 Series A Bonds in order that interest on the 2001 Series A Bonds not be included in gross income of the owners thereof for Federal income tax purposes under Section 103 of the Code. The Tax Regulatory Certificate of the University and the State which will be delivered concurrently with the delivery of the 2001 Series A Bonds will contain representations, covenants and procedures relating to compliance with such requirements of the Code. Pursuant to the Tax Regulatory Certificate, the University and the Treasurer agree and covenant that each shall at all times perform all acts and things necessary or appropriate under any valid provision of law in order to ensure that such amounts shall not be included in the gross income of the owners thereof for Federal income tax purposes under the Code.

In the opinion of Bond Counsel, under existing statutes and court decisions and assuming continuing compliance by the University and the Treasurer with their representations and covenants contained in the Tax Regulatory Certificate, interest on the 2001 Series A Bonds is not included in gross income for Federal income tax purposes pursuant to Section 103 of the Code, and such interest is not treated as a preference item in calculating alternative minimum taxable income for purposes of the alternative minimum tax imposed under the Code with respect to individuals or corporations. However, interest on the 2001 Series A Bonds is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations. For other Federal tax information, see "Original Issue Discount", "Original Issue Premium" and "Certain Additional Federal Tax Consequences" herein.

State Taxes

In the opinion of Bond Counsel, under existing statutes, interest on the 2001 Series A 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.

Owners of the 2001 Series A Bonds should consult their tax advisors with respect to the applicable state and local tax consequences of ownership of the 2001 Series A Bonds (other than with respect to the exclusion of the interest on the 2001 Series A Bonds from the Connecticut income tax on individuals, trusts and estates) and the disposition of the 2001 Series A Bonds.

Original Issue Discount

The excess, if any, of the principal amount payable at a scheduled maturity of 2001 Series A Bonds over the initial public offering price of such Bonds constitutes original issue discount that is not includable in gross income for Federal income tax purposes to the same extent as interest on the 2001 Series A Bonds. For purposes of the preceding sentence, the “initial public offering price” refers to the initial offering price to the public (excluding bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the 2001 Series A Bonds constituting a maturity was sold.

Original issue discount accrues in accordance with a constant interest method based on the compounding of interest, and an owner's adjusted basis in a 2001 Series A Bond having original issue discount (a "Discount Bond") for purposes of determining gain or loss on disposition will be increased by the amount of any such accrual. A portion of the original issue discount that accrues in each year to an owner of a Discount Bond that is a corporation will be included in the calculation of the corporation's Federal alternative minimum tax liability. Consequently, corporate owners of a Discount Bond should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability even though such owners have not received a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the determination for Federal income tax purposes of original issue discount accrued upon sale or redemption of Discount Bonds, and with respect to the state and local tax consequences of owning Discount Bonds.

Original Issue Premium

The excess, if any, of the price paid (excluding accrued interest) by the first owner of a 2001 Series A Bond over the principal amount due to be repaid at the maturity of such bond (an "OIP Bond") constitutes original issue premium. In general, under the Code, an owner of an OIP Bond must amortize the bond premium over the remaining term of such OIP Bond, based on the owner's yield over the remaining term of such OIP Bond, determined on the basis of constant yield principles. An owner of an OIP Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period, under such owner's regular method of accounting, against the bond premium allocable to that period. Under certain circumstances, as a result of the tax cost reduction requirements of the Code relating to the amortization of bond premium, the owner of an OIP Bond may realize a taxable gain upon its disposition even though the OIP Bond is sold or redeemed for an amount less than or equal to the owner's original acquisition cost.

Owners of OIP Bonds are advised to consult with their tax advisors with respect to the Federal, state and local tax consequences of owning such bonds.

Certain Additional Federal Tax Consequences

The following is a brief discussion of certain Federal income tax matters with respect to the 2001 Series A Bonds under existing statutes. It does not purport to deal with all aspects of Federal taxation that may be relevant to particular owner of a 2001 Series A Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the Federal tax consequences of owning and disposing of the 2001 Series A Bonds.

As noted above, interest on the 2001 Series A Bonds may be taken into account in computing the tax liability of corporations subject to the Federal alternative minimum tax imposed by Section 55 of the Code. Interest on the 2001 Series A Bonds may also be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Prospective owners of the 2001 Series A Bonds should be aware that the ownership of such obligations may result in collateral Federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, and individuals otherwise eligible for the earned income tax credit, and to taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for Federal income tax purposes.

Legislation affecting municipal bonds generally is regularly under consideration by the United States Congress. There can be no assurance that legislation enacted or proposed after the date of issuance of the 2001 Series A Bonds will not have an adverse effect on the tax-exempt status or market price of the 2001 Series A Bonds.

RATINGS

The 2001 Series A Bonds have been ranked "Aa2" by Moody's Investors Service Inc. ("Moody's"), 99 Church Street, New York, New York, "AA" by Standard & Poor's Ratings Group, a division of The McGraw Hill Companies, Inc. ("Standard & Poor's"), 25 Broadway, New York, New York and "AA-" by Fitch IBCA ("Fitch"), One State Street Plaza, New York, New York. The ratings assigned by Moody's, Standard & Poor's and Fitch express only the view of such rating agencies. The explanation and significance of the ratings can be obtained from Moody's, Standard & Poor's and Fitch, respectively. Such ratings are not intended as a recommendation to buy or own the 2001 Series A Bonds. There is no assurance that any ratings will continue for any period of time or that they will not be revised or withdrawn. Any revision or withdrawal of any of such ratings on the 2001 Series A Bonds may have an adverse effect on the market price thereof.

CONTINUING DISCLOSURE UNDERTAKING

Public Act No. 95-270 which became effective June 22, 1995, gives the University and 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"). Pursuant to Article XV of the Master Indenture, the University as issuer of the 2001 Series A Bonds under the Rule has included an article (the "Continuing Disclosure Article", a summary of which is set forth in Appendix D to this Part I), which article shall constitute the University's written undertaking for the benefit of the beneficial owners of the Bonds and which shall apply to all Bonds of the University under the Master Indenture. The State as the obligated person under the Rule will enter into an agreement with the Trustee with respect to the Bonds additionally secured by the State Debt Service Commitment (including the 2001 Series A Bonds), for the benefit of the beneficial holders of such Bonds, substantially in the form of the Continuing Disclosure Agreement also attached as Appendix I-D to this Part I. Under this Article with respect to the University, and under this Continuing Disclosure Agreement with respect to the State, (such Article and such Agreement herein called the "Continuing Disclosure Undertaking") the University and the State, respectively, 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 to provide the required annual financial information on or before the date specified in the Continuing Disclosure Undertaking. The Underwriters' obligation to purchase the 2001 Series A Bonds shall be conditioned upon their receiving, at or prior to the delivery of the 2001 Series A Bonds, an executed copy of the Continuing Disclosure Undertaking.

The intent of such undertaking is to provide on a continuing basis the information described in the Rule. Accordingly, there is reserved the right to modify the disclosure thereunder or format thereof so long as any such modification is made in a manner consistent with the Rule. Furthermore, to the extent that the Rule no longer requires the issuers of municipal securities to provide all or any portion of such information to be provided under such undertaking, the obligation pursuant to the Rule to provide such information also shall cease immediately.

The purpose of such undertaking is to conform to the requirements of the Rule and not to create new contractual or other rights other than the remedy of specific performance in the event of any actual failure by the University or the State to comply with its written undertaking. Furthermore, the Continuing Disclosure Undertaking shall provide that any failure by the University or the State to comply with any provisions of such undertaking shall not constitute an Event of Default with respect to the Bonds under the Master Indenture.

UNDERWRITING

The Underwriters have jointly and severally agreed, subject to certain conditions precedent, to purchase all but not less than all of the 2001 Series A Bonds from the University at an aggregate purchase price of $100,453,027.61 (representing the aggregate principal amount of the 2001 Series A Bonds plus net original issue premium of $1,141,139.80 and less Underwriters' discount of $688,112.19) plus accrued interest. The 2001 Series A Bonds may be reoffered and sold to certain dealers (including unit investment trusts and other affiliated portfolios of certain underwriters and other dealers depositing the 2001 Series A Bonds into investment trusts) at prices lower than those stated on the inside cover page of this Official Statement and such public offering prices may be changed, from time to time, by the Underwriters.

FINANCIAL ADVISOR

P.G. Corbin & Company, Inc., Two Commerce Square, 2001 Market Street, Suite 3420 Philadelphia, Pennsylvania 19103, is serving as financial advisor in connection with the issuance of the 2001 Series A Bonds.

FINANCIAL STATEMENTS OF THE UNIVERSITY AND THE STATE

Included in Appendix I-A of Part I is various financial information relating to the University. The audited financial statements of the University (excluding the Health Center, the University of Connecticut Foundation and the University of Connecticut Law School Foundation) contained in Schedule 1 has been included herein in reliance upon the Certificate of Audit of the Auditors of Public Accounts of the State dated February 22, 2001.

Included in Appendices III-C and III-D of Part III is various financial information relating to the State. The audited financial statements and supplementary information contained in Appendices III-C and III-D have been included herein in reliance upon the Certificate of Audit of the Auditors of Public Accounts of the State.

ADDITIONAL INFORMATION

Periodic public reports relating to the financial condition of the University and its various operations are prepared by officers of the University and provided to the Board of Trustees at its regular monthly meetings. In addition, the University regularly reports to the Governor, the Secretary of the Office of Policy and Management and various committees of the State legislature and regularly receives reports from consultants, commissions and special task forces relating to various aspects of the University's financial affairs.

The University will make available copies of its official statements relating to the issuance of its securities under the Master Indenture from time to time upon request through the Office of the State Treasurer or the University's Vice President for Financial Planning and Management.

Additional information concerning the University may be obtained upon request of the President, Phillip E. Austin, Attn.: Lorraine M. Aronson, Vice President for Financial Planning and Management, 352 Mansfield Road, U-2122, Storrs, Connecticut 06269, (860) 486-5115.

It is the present policy of the State to make available from the Office of the State Treasurer, copies of its Official Statements relating to the issuance of its general obligation bonds from time to time upon request.

Additional information concerning the State may be obtained upon request from the Office of the State Treasurer, Honorable Denise L. Nappier, Treasurer, Attn: Catherine S. Boone, Assistant Treasurer for Debt Management, 55 Elm Street, Hartford, Connecticut 06106 (860) 702-3127.

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 representation of fact. No representation is made that any of such statements will be realized. This Official Statement is not to be construed as a contract or agreement between the University and the State and the purchasers or holders of any of the 2001 Series A Bonds.

This Official Statement is submitted only in connection with the issuance and sale of the 2001 Series A Bonds by the University and may not be reproduced or used in whole or in part for any other purpose.

Dated: March 29, 2001

Pursuant to the UConn 2000 Act, the 2001 Series A Bonds described above have been sold by the Treasurer of the State of Connecticut in conjunction with the University, and the inclusion of Part II and Part III has been authorized by, the

TREASURER OF THE STATE OF CONNECTICUT	**THE UNIVERSITY OF CONNECTICUT**
By: ____________________	By: ____________________
Denise L. Nappier State Treasurer	Lorraine M. Aronson Vice President for Financial Planning and Management

APPENDIX I-A
UNIVERSITY OF CONNECTICUT
INFORMATION CONCERNING THE UNIVERSITY

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APPENDIX I-A
UNIVERSITY OF CONNECTICUT

March 29, 2001

This Appendix I-A, furnished by the University of Connecticut (the "University") contains information through March 29, 2001, except as expressly provided herein. This Appendix I-A and the schedules attached hereto should be read collectively and in their entirety.

Board of Trustees

UNIVERSITY OF CONNECTICUT

INTRODUCTION

The University of Connecticut was established and exists as an institution for the education of residents of the State of Connecticut. The University of Connecticut, originally established in 1881, is one of the nation's nine colonial land grant colleges. Since it was established, the University has consistently expanded its academic program and physical plant to meet the higher educational needs of State residents. In April 1881, the Connecticut General Assembly established the Storrs Agricultural School after accepting a gift of 170 acres of land, several buildings, and money from Charles and Augustus Storrs. The School opened on September 28, 1881, with twelve students in the first class. Before the turn of the century there were two name changes, to Storrs Agricultural College in 1893 and to Connecticut Agricultural College in 1899. In 1933, it became Connecticut State College, reflecting its steady advances and broadened mission. In 1939, the General Assembly designated it the University of Connecticut, reflecting its graduate and professional education, research, and public service programs. In 1965, the University became the flagship institution of higher education in the State under the new Constitution of the State of Connecticut which in Article VIII, Section 2 provides that the State shall maintain a system of higher education including the University of Connecticut, dedicated to excellence in higher education.

As of October, 2000, the University had over 160,000 alumni and 23,419 students (including the Health Center) studying in 17 colleges and schools offering 101 undergraduate and 84 graduate and professional degree programs. In addition to the main campus in Storrs, there are five undergraduate regional campuses (one of which also houses the graduate School of Social Work), a School of Law and a complex of health and educational facilities (sometimes referred to herein as the "University of Connecticut Health Center" or "Health Center"). The Health Center consists of the School of Medicine, the School of Dental Medicine, medical and dental clinics and the John Dempsey Hospital. The University campuses comprise 4,266 acres of land and 214 major buildings, and are strategically located throughout the State. The University competes with public and private institutions for students.

The State's support for the University reflects the status of the University as the flagship institution of the State system of higher education.

The University and the Health Center receive separate State appropriations. The University has a Chancellor and Provost for University Affairs and the Health Center has an Executive Vice President for Health Affairs. Information concerning the Health Center is included under the heading "UNIVERSITY OF CONNECTICUT HEALTH CENTER" below in Appendix I-A of this Official Statement.

GOVERNANCE, ACADEMIC PROGRAMS AND CAMPUSES

Board of Trustees

Composition. The Board of Trustees of the University of Connecticut consists of 19 persons. The Governor, the Commissioner of Agriculture and the Commissioner of Education are ex-officio members of the Board of Trustees. The Governor is the ex-officio President of the Board of Trustees and is authorized to appoint twelve members of the Board of Trustees who reflect the State's geographic, racial and ethnic diversity. Two members of the Board of Trustees are to be elected by the University alumni; and two are to be elected by the students enrolled at the institutions under jurisdiction of the Board of Trustees.

Membership as of March 15, 2001. The name, term, position and affiliation or profession of each member of the Board of Trustees is as follows:

Name	**Term Ends**	**Position**	**Affiliation/Profession**
The Honorable John G. Rowland		President ex-officio	Governor of the State of Connecticut
The Honorable Theodore S. Sergi		Member ex-officio	Commissioner of Education
The Honorable Shirley C. Ferris		Member ex officio	Commissioner of Agriculture
Roger A. Gelfenbien	2003	Chair	Retired Partner, Andersen Consulting LLP
Louise M. Bailey	2003	Secretary and Vice-Chair	Government Affairs Consultant
James F. Abromaitis	2001	Member	Commissioner of Economic and Community Development, State of Connecticut
Christopher J. Albanese	2002	Member	Student, University of Connecticut
William R. Berkley	2005	Vice-Chair	Chairman, CEO, W.R. Berkley Corporation
Louise S. Berry	2001	Vice-Chair	Superintendent, Brooklyn Connecticut Public School System
Michael H. Cicchetti, Esq.	2001	Member	Attorney, Cicchetti & Tansley
James M. Donich	2001	Member	Student, University of Connecticut
John R. Downey, Esq.	2003	Member	Attorney, Rome, McGuigan, and Sabanosh, P.C.
Linda P. Gatling	2003	Member	Teacher, Southington Public Schools
Dr. Lenworth M. Jacobs, Jr.	2001	Vice-Chair	Surgeon, Hartford Hospital
Claire R. Leonardi	2005	Vice-Chair	Private Equity Investment Partner, Fairview Capital
Michael J. Martinez	2005	Member	President, Martinez & Associates, LLC
Frank A. Napolitano	2003	Member	Consultant
Irving R. Saslow	2001	Member	Insurance Representative, Sinclair Insurance Group
Richard Treibick	2005	Vice-Chair	Chairman of the Board, Cable Holdings, Inc.

Duties of the University of Connecticut Board of Trustees. Subject to State-wide policy and guidelines established by the Board of Governors for Higher Education, the Board of Trustees of the University is authorized to establish rules and general policies for the governance of the University, including its mission, regional campuses, degrees, and academic programs. The Board of Trustees appoints the President, manages the investments and directs the expenditures of the University. The Board of Trustees is required by law to review and approve University budget requests and propose facility, planning and capital expenditure budget priorities. The Board of Trustees may employ the faculty and other personnel needed to operate and maintain the University.

Within the limitation of appropriations from the General Assembly, the Board of Trustees is authorized to fix the compensation of University personnel, establish terms and conditions of their employment and prescribe their duties and qualifications. The Board of Trustees is authorized to constitute its professional staff and establish compensation and classification schedules for such personnel.

Officers of the Board of Trustees. The officers of the Board of Trustees, apart from the Governor, who is President ex-officio, are the Chair, Vice-Chairs and Secretary. The Chair is privileged to make or discuss motions, and to vote on all questions. The Chair may designate a Vice-Chair to act in his or her absence.

Committees of the Board of Trustees. The Board of Trustees acts as a committee of the whole on all matters requiring action. The Board of Trustees is authorized by the Act to adopt a resolution delegating to the finance committee of its Board, any officer, official or trustee of such committee or other authorized officer or employee of the University such matters relating to the issuance and sale of securities in the name of the University on behalf of the State as it may determine appropriate, except the authorization of the amount of, the nature of, and property to be financed by, such securities; provided that, the Board of Trustees must retain overall control, responsibility and supervision.

University Administration

Administration. The Board of Trustees is authorized by law to appoint a President of the University. The President is the chief executive officer of the University. The President is responsible for carrying out the policies and enforcing the rules adopted by the Board of Trustees. In furtherance of its February 10, 1995 strategic plan, the Board of Trustees adopted a central management structure. Under this structure, the Board of Trustees may appoint two chancellors, each of whom also serves as a provost, and vice presidents. The President reports directly to the Board of Trustees. The Chancellor/Provost for Health Affairs is the chief operating and academic officer of the Health Center. The Chancellor/Provost for University Affairs is the chief operating and academic officer of the Storrs campus, the School of Law, the School of Social Work and the regional campuses. The Chancellor/Provost for Health Affairs, the Chancellor/Provost for University Affairs, the Vice President for Financial Planning and Management, and the Vice President for Institutional Advancement report directly to the President of the University.

The Board of Trustees appointed Philip E. Austin, former Chancellor of the University of Alabama System as the 13th President of the University of Connecticut on July 19, 1996. President Austin earned his Doctorate in Economics from Michigan State University. He served as President of Colorado State University and Chancellor of the Colorado State University System from 1984 to 1989 and prior to that served as an economics professor and provost and vice president for academic affairs at the City University of New York's Bernard Baruch College. He also headed a doctoral program at George Washington University from 1977 to 1978. In the early to mid-1970s he was the deputy assistant secretary for education with the U.S. Department of Health, Education and Welfare.

The names and backgrounds of the other principal administrative officers of the University are as follows:

Name	Position	Background
John D. Petersen	Chancellor/Provost for University Affairs	Ph.D., University of California (Santa Barbara), 14 years administrative experience including Wayne State and Clemson University.
Peter J. Deckers, M.D.	Executive Vice President for Health Affairs and Dean of the School of Medicine, University of Connecticut Health Center	M.D., Boston University School of Medicine, 14 Years administrative and clinical experience served at the University of Connecticut Health Center.
Lorraine M. Aronson	Vice President for Financial Planning and Management	B.A., Radcliffe College, Harvard University; J.D., Boston University School of Law. 25 years administrative experience served at the Connecticut State Department of Education, the Connecticut Department of Social Services (formerly known as the Connecticut Department of Income Maintenance), the Connecticut Office of Policy and Management and the University of Connecticut.
Edward T. Allenby	Vice President for Institutional Advancement	B.S., University of Delaware. 26 years administrative experience including the University of Delaware and the College of William and Mary.

Legal Services. The University receives legal services from the Office of the State Attorney General. Two Assistant Attorneys General are in residence at the Storrs campus. The University also retains private counsel on occasion through the office of the Attorney General. The Act authorizes the University to use legal services of any private attorney in connection with the construction, operation or maintenance of any UConn 2000 Project at its discretion. Pursuant to the Act, the University has retained attorneys in connection with the construction of UConn 2000 Projects.

Strategic Planning

Adopted on February 10, 1995, the Strategic Plan now serves as the Board of Trustees' blueprint for the University's future. It describes a University on the road to educational pre-eminence.

> The University of Connecticut aspires to be the outstanding public university in the nation...a center for lifelong learning which excels in both teaching and research...a diverse community whose values promote mutual respect, inspire intellectual curiosity and encourage service to society...an environment that fosters academic and artistic achievement as well as productive and responsible student life...an institution with a global perspective that recognizes its special obligation to enhance the quality of life and economic well-being of Connecticut.

The Strategic goals approved by the Board of Trustees are as follows:

1. Provide a challenging and supportive learning environment that fosters achievement and intellectual interaction among undergraduates, graduate students and faculty members and promotes excellence in research, scholarship and artistic creativity.

2. Recruit and retain outstanding students, faculty and staff.

3. Create a physical environment that reflects our expectation of excellence and encourages interaction among a diverse population.

4. Enhance our sense of community by increasing and valuing interaction while developing a strong sense of pride and ownership.

5. Allocate and develop resources on the basis of mission value and performance. Hold the community of students, faculty and staff accountable for the success of the University.

6. Streamline administrative functions.

7. Promote the University's role in fulfilling the needs of the State, its citizens and its economic institutions.

8. Foster a sense of partnership with the State.

Just as UConn 2000 is the General Assembly's blueprint for transforming the physical infrastructure, the Strategic Plan is the blueprint for reshaping UConn's scholastic and social environment. These blueprints may be separate, but they are interdependent; while it is the Board's vision of renewal that sets the context and direction for the capital building program, it is the legislature's support that turns the vision into the bricks and mortar of lecture halls, research labs and residential and recreational facilities.

Detailed below is a summary report highlighting some of the progress that has been made to date with respect to the UConn 2000 Program and the Strategic Plan.

- Student Recruitment and Enrollment: Student enrollment has increased in size, diversity and academic skill. Since 1997, freshman enrollment has increased nearly 29 percent and minority enrollment is up

51 percent. The average SAT score of the freshman class for Fall 2000 was twenty-eight points higher than that of the entering class of 1997.

- Investments in regional campus facilities provided impetus to clarify their academic role and scope and tailor academic programs to regional strengths--such as degree programs in information technology and coastal studies at Stamford and Avery Point respectively.

- State-of-the-art equipment is essential to good instruction and research. Budgeted expenditures for equipment during the first five years of UConn 2000 total $105.5 million, 93% of which is for educational equipment. Eighty-three high tech classrooms have been equipped. This commitment has enabled the University to recruit new researchers and attract federal and private grant funds.

- Development of digital information resources for the University's library has meant that the benefits of a major research library at Storrs can now be extended not just to students and faculty throughout the main campus, but to the regional campuses, Law School and Health Center as well. Use of the library is running 25 percent above its previous all-time high.

- The UConn 2000 endowment matching program has proven to be a tremendous incentive for private giving by alumni and other benefactors to the University. The initial three-year $20 million matching grant initiative was fully subscribed in only 18 months. Annual gift receipts have risen from $8.2 million in 1995 to $25.6 million in 1999. Based on the success of this program, the General Assembly extended the match for the duration of UConn 2000 and made available an additional $52.5 million on a 1:2 basis - one state dollar to every two private dollars.

- Having new, state-of-the-art facilities and equipment has greatly enhanced the University's ability to recruit a diverse world-class faculty. In response to the goal of attracting and retaining top quality students and faculty and as a result of the University's and State's Early Retirement Incentive Programs, the University was able to hire 71 new full-time faculty in the fall of 2000. In the fall of 1994, 11 percent of the University's faculty was minority and by fall 2000 that number had risen to 15 percent.

- Linda Otis, a Health Center faculty member, is part of a team whose invention of an ultra-high resolution dental imaging system is included in an international listing of the 100 most significant technological developments of 1998. Only nine of the 100 inventions were developed by universities including four from the Massachusetts Institute of Technology.

- In southwestern Connecticut, GE Capital, XEROX and Warburg Dillon Read are just a few of the Fairfield County corporations that have partnered with the University at its Stamford campus to create the Connecticut Information Technology Institute (CITI). CITI's mission is to build a hub in information technology that responds to the educational needs of the region by providing flexible, creative and instructionally sound solutions to workforce development. Approximately $3.4 million of the estimated $6 million endowment necessary to fund the program has already been raised.

- The University has implemented new programs to help freshmen make a comfortable and meaningful transition to college life, including expanded orientation activities, freshmen interest groups, freshmen seminars and seminars on undergraduate learning skills designed to offer freshmen the opportunity to relate with faculty, staff and other students in small group settings.

- The integration of technology into the teaching and learning environment has accelerated in the past two years. The University has adopted a course tools standard that is introduced to students through the First Year Experience. In Fall 2000, over 500 courses used this technological means of delivering course materials. To support faculty members and departments as they adapt to the new environment, in Spring 2000 the University initiated the Student Educational Technological Assistant program, under which undergraduates are recruited, trained and paid to provide high quality assistance. Finally, the Institute for Teaching and Learning is working with selected units to rethink the structure of the curriculum and its delivery within this new environment.

- The University's commitment to student success includes the freshman seminars that enroll close to 60% of all new freshmen; the creation of the Academic Center for Entering Students to support students in their choice of major; the UConn Connects program that identifies students at risk and provides them with a mentor; and the creation of freshman residence with enhanced programming, supported by a vibrant core of students trained as peer mentors and advisors.

- The University has committed to making a research experience an integral part of the undergraduate curriculum. To that end, we have established an office for undergraduate research with the responsibility of connecting students with research options on campus, supporting departmental efforts to expand research opportunities, and provide summer funding to students.

- The University's commitment to performance-based budget decentralization places it at the state-of-the-art level in resource management. The University has joined a small but growing group of schools that have reengineered their budgeting systems to substitute mission-enhancing initiatives for detailed controls, to motivate and empower deans and vice presidents and to hold them accountable for performance.

- Academic program assessment is underway to assist the University and its constituent academic units in the pursuit of excellence. The process is intended to (1) evaluate program quality and needs, (2) identify targets and opportunities for program development and improvement, and (3) guide the allocation and reallocation of resources. So far twenty-seven departments have completed the three-semester process or have completed self-studies, hosted site visits and sculpted plans that are ready to be finalized with their deans and the Chancellor. Another seven have begun a self-studies of their areas and have had an initial meeting with the leadership team that is coordinating the process. A total of more than 70 departments will be evaluated. As a result of this process, changes are currently underway in Physics, Mathematics, Marine Sciences, Philosophy and Nursing.

Status of UConn 2000 Projects

The following table lists the status of UConn 2000 Projects by funding source for which bonds have been issued to date:

Projects Authorized	**Project Status**
General Obligation Bonds	
Agricultural Biotechnology Facility	Completed January 2000
Alumni Quadrant Renovations	In Design
Avery Point Marine Science Research Center	In Construction
Benton State Art Museum Addition	In Design
Business School Renovations	In Design
Central Warehouse - New	Completed December 2000
Chemistry Building	Completed November1998
Deferred Maintenance & Renovation Lump Sum-Phase I & II	Continuing
Equipment, Library Collections & Telecommunications-Phase I & II	Continuing
Gant Plaza Deck	In Construction
Gentry Renovations	In Design
Heating Plant Upgrade	Completed January 2001
Ice Rink Enclosure	Completed November1998
International House Conversion	In Construction
Horticulture Conversion	In Construction
Litchfield Agricultural Center	In Construction
Mansfield Apartments Renovation	Completed September1997
Mansfield Training School Improvements	Continuing
Music Drama Addition	Completed October 1999
North Campus Renovation	In Design
North Superblock Site & Utilities	Completed November1997
Northwest Quadrant Renovation	Completed October 2000
Parking Garage-North	Completed January1998
Pedestrian Walkways/(a.k.a. Fairfield Road Pedestrian Mall)	Completed December 1998
School of Business - New	In Construction
School of Pharmacy	In Design
Stamford Downtown Relocation	Completed December1998
Student Union Addition - Option B	In Design
Technology Quadrant-Phase IA	In Construction
Technology Quadrant-Phase II[1]	In Design
Towers Renovations	In Design
Underground Steam & Water Upgrade	Completed January 2001
Waring Building Conversion	In Construction
Waterbury Property Purchase	Completed January 1999
White Building Renovation	Completed May 1999
Wilbur Cross Building Renovation	In Construction
Special Obligation Student Fee Revenue Bonds	
Hilltop Housing Complex[2]	In Construction
Parking Garage-South[3]	In Construction
South Campus Complex[4]	Completed January 1999

[1]On February 9, 2000 construction was halted on the Biological Sciences building and the University terminated its relationship with the general contractor for the project, HRH/Atlas Construction, due to concerns with the contractor's performance. The University currently is in negotiations with the performance bond company to bring in a new contractor to complete the building. The final resolution of this problem or the financial impact, if any, cannot be ascertained at this time. The University has experienced similar problems with construction projects in the past that have been successfully resolved with the performance bond company. Whatever the outcome, it is the University's position to be held harmless in this matter and to have the project completed by Spring 2002. The University has engaged outside counsel to advise it regarding any issues which may arise.

[2]The Hilltop Housing Complex is comprised of the Hilltop Dormitory Renovations and the Hilltop Student Rental Apartments and was funded with the proceeds of Student Fee Revenue Bonds, 2000 Series A except for $700,000 which was funded from the 2001 Series A Bonds for a portion of the cost of the Hilltop Dormitory Renovations.

[3]Funded with the proceeds of UConn Student Fee Revenue Bonds, 2000 Series A.

[4]The South Campus Project was partially funded with UConn Student Fee Revenue Bonds, 1998 Series A.

The Board of Governors for Higher Education

The University, including the Health Center, is a constituent unit of the State system of higher education. The Board of Governors for Higher Education is the state-wide policy-making body for the State system of higher education. For a discussion of the Board of Governor's role in presenting the University's budget, see "UNIVERSITY FINANCES - Budget and Budgeting Procedures of the University" below in this Appendix I-A.

Campuses and Physical Plant

General Information. Of the eight campuses, Storrs is the largest campus with 4,104 acres and 123 major buildings. Additionally, as of January, 2001, there are 59 residence halls, all on the Storrs campus, serviced by seven large dining halls and 18 small unit dining facilities designed to provide room and board for just over 9,000 graduate and undergraduate students. There are five undergraduate regional campuses strategically located throughout the State at Avery Point in Groton, Stamford, Torrington, Waterbury and West Hartford. In addition to the regional campuses, the University includes The University of Connecticut School of Law, located in West Hartford, and the Health Center, located in Farmington. Collectively these campuses are serving a student body of over 23,000 in the 2000-2001 academic year. The University is involved in over a $1 billion construction program for which the proceeds of the 2001 Series A Bonds will be used. For a discussion of the UConn 2000 Infrastructure Improvement Program, see Part I of this Official Statement.

Academic Programs and Degrees Conferred

The University offers a broad spectrum of liberal arts and sciences, professional and graduate education degree programs through its 17 colleges and schools, including the School of Dental Medicine, School of Medicine and School of Law. The University confers eight kinds of undergraduate degrees in 101 majors, 12 graduate degrees in 80 fields of study and four graduate professional programs. The University also offers individualized majors and interdisciplinary fields of study. The University has several special facilities and programs, including its Connecticut Information Technology Institute, Advanced Technology Institute, Marine Sciences and Technology Center, the Center for Survey Research and Analysis, the Institute of Materials Science and the Environmental Research Institute.

COMPETITION AND COMPETITIVENESS

Accreditation and Ranking

The University is accredited by the New England Association of Schools and Colleges and several other accreditation bodies for specific schools and programs.

The University is ranked 48 out of 330 public universities in the country by the National Science Foundation in research and development spending. The institution is classified with only 101 other public institutions nationwide as an Extensive Doctoral/Research University by the Carnegie Foundation. To qualify for this classification, universities must offer a full range of baccalaureate programs, be committed to graduate education through the doctorate and give high priority to research. Additionally, universities must award 50 or more doctoral degrees annually across at least 15 disciplines.

The quality of the University's diverse graduate programs is enhanced by the presence of exceptional graduate students. Of the 5,400 matriculated graduate students at both the master's and doctoral levels in academic year 2000-2001, approximately 1,700 were supported on merit based graduate assistantships and approximately 700 on merit based predoctoral and other fellowships. This support was awarded in 80 fields of study in the arts and sciences and professional disciplines. These assistantships and fellowships have made it possible for the University to compete for quality graduate students.

Student Enrollment and Admission

Enrollment. In academic year 2000-01 undergraduate degree enrollment increased by 6.5% (including a 1.6% decrease in freshmen) reflecting large freshman classes in the last two years. Graduate enrollment, however, declined by 4.1% reflecting earlier changes in undergraduate enrollment. Planned freshman enrollment growth for the near future will be more modest as the University approaches enrollment capacity.

Total Enrollment Data
(Head Count Excluding Health Center)[1]
Fall 1996-2000

	1996	1997	1998	1999	2000
Undergraduates					
Storrs	11,336	11,318	11,682	12,325	13,208
Regional Campuses[2]	3,118	3,064	3,173	3,416	3,473
TOTAL	14,454	14,382	14,855	15,741	16,681
Graduates / Professionals	7,351	6,867	6,543	6,500	6,254
TOTAL	**21,805**	**21,249**	**21,398**	**22,241**	**22,935**

[1]Includes non-degree and part-time students.

[2]Includes miscellaneous locations.

Percentage of Enrollment By Residence Status
Storrs Campus
Fall 1996-2000

	Undergraduate Percent		Graduate Percent	
Fall	**In-State**	**Out-of-State**	**In-State**	**Out-of-State**
1996	84.2%	15.8%	73.7%	26.3%
1997	84.3%	15.7%	72.3%	27.7%
1998	83.3%	16.7%	75.6%	24.4%
1999	81.2%	18.8%	76.2%	23.8%
2000	79.0%	21.0%	74.9%	25.1%

Schedule of Freshmen Enrollment
All Campuses
Fall 1996-2000

Fall	Freshmen Applications	% Change in Applications	Accepted	Enrolled	% Change in Enrolled	Enrolled as a % of Accepted
1996	10,985	1.6	8,266	2,774	3.2	33.6
1997	10,730	-2.3	8,238	2,759	-0.5	33.5
1998	11,311	5.4	8,980	3,225	16.9	35.9
1999	12,642	11.8	9,878	3,645	13.0	36.9
2000	12,971	2.6	9,817	3,585	-1.6	36.5

Admissions. The University of Connecticut is rated as 'competitive' by Barron's Profiles of American Colleges, 24. For the past five years, the Scholastic Aptitude Test (SAT) scores for students entering the University consistently exceeded the state-wide and national SAT score averages.

Average Total SAT Scores
Fall 1996-2000

Fall	Storrs Campus	Regional Campuses	State of Connecticut Average	National Average
1999[1]	1,112	1,002	1,011	1,013
1997[1]	1,112	998	1,016	1,016
1998[1]	1,120	1,007	1,019	1,017
1999[1]	1,136	1,016	1,019	1,016
2000	1,140	1,019	1,017	1,019

[1]Recentered scores reflecting change in method used to calculate scores by College Entrance Examination Board.

Tuition and Other Fees

Pursuant to State law, the Board of Trustees is authorized to adopt a comprehensive schedule of tuition and other fees which is expected to prevail during the following fiscal year.

Tuition. For the academic year 2001 students classified as full-time undergraduate residents of Connecticut pay tuition of $4,282. Full-time out-of-state undergraduates pay $13,056 per year. In the 2000 academic year, total tuition revenues were $80,483,785 of which $29,676,336 were out-of-state tuition revenues. Undergraduates accounted for 85% of tuition revenues in 2000 academic year. In June 2000, the Board of Trustees approved a tuition rate increase of 3.9% for academic year 2002.

Mandatory Fees. For academic year 2001, undergraduate students must pay a General University Fee of $958 per year. Students also pay $356 per year in other fees, of which $94 is for various student controlled organizations, $250 is for infrastructure maintenance and $12 is a transit fee. For academic year 2000, the General University fee generated $12.4 million of revenue. Commencing in 1998 and again in 2000, certain fees have been pledged for the payment of debt service on the University's Special Obligation Bonds, 1998 Series A and 2000 Series A. See Appendix I-A "University Indebtedness and Capitalized Lease Obligations." In June

2000, the Board of Trustees approved increases in mandatory fees for academic year 2002, to the following amounts: General University Fee - $994, Infrastructure Maintenance Fee - $258 and Transit Fee - $30.

Other Fees. There are numerous optional fees at the University. The primary optional fees for the academic year 2001 are the room and board fee which includes the new charge for technology services ($250) and parking and transportation. In June 2000, the Board of Trustees approved an increase in the Board Fee for 2002 to $2,950 and the Room Fee to $3,348.

Annual Cost of an Undergraduate In-State Student Enrolled at the University
Academic Years 1997-2002

	1997	1998	1999	2000	2001	2002
Tuition	$4,036	$ 4,158	$ 4,158[1]	$4,158[1]	$4,282	$4,448
Room & Board	5,302	5,462	5,544	5,660	6,062[3]	6,298
General University Fee	856	882	908	932	958	994
Other Fees	82	202[2]	264	314	356[4]	382
Total	$10,276	$10,704	$10,874	$11,064	$ 11,658	$12,122

[1]Reflects tuition freezes as approved by the Governor, Legislature and University Board of Trustees with foregone tuition added to the University's State appropriation.
[2]In academic year 1998 the University instituted an Infrastructure Maintenance Fee of $120 per academic year to fund debt service for certain University Special Obligation Bonds. Commencing in 1998, certain fees have been pledged for the payment of debt service on the University's Student Fee Revenue Bonds 1998 Series A as well as the Student Fee Revenue Bonds 2000 Series A. See Appendix A "University Indebtedness and Capitalized Lease Obligations."
[3]In academic year 2001, the University increased the Room Fee by $250 to reflect the inclusion of service for Internet, telephone and cable television which had previously been paid by the students to the individual service providers.
[4]Of these fees, $94 will be collected by the University on behalf of various student controlled organizations.

Undergraduate Out-of-State and In-State
Tuition, Fees, Room and Board
for the University's Top 10 Competitors,
for Fiscal Year 2000-2001

School	Out-of-State Student Cost	In-State Student Cost
Boston University	$35,500	$35,500
Boston College	34,000	34,000
Syracuse University	29,240	29,240
Northeastern University	29,000	29,000
Providence College	26,560	26,560
Quinnipiac University	25,950	25,950
University of New Hampshire	21,619	12,549
University of Connecticut	**20,432**	**11,658**
University of Rhode Island	20,162	11,720
University of Delaware	19,054	10,305
University of Massachusetts	18,360	10,107

Student Financial Aid

The University provides financial aid and counseling. The University has a policy of admitting students without regard to financial ability and a policy of providing assistance to those admitted who demonstrate need. During academic year 2000 approximately 11,125 students received some form of University administered student aid, not including the tuition waivers discussed below.

Scholarships, Grants and Work-Study. There are a number of State, Federal and private student financial aid programs available, including the Federal Pell Grant of $400 to $3,125 and the Federal Supplemental Education Opportunities Grant (SEOG) of up to $2,000. Both are awarded annually based on need. In addition, the University offers a number of scholarships. The University also offers Federal Work-Study employment which is need-based and Student Labor employment which is available to all students.

Loan Programs. There are several loan programs at the University. The Federal Perkins Loan Program and the Subsidized Federal Stafford Loan are based on financial need. Unsubsidized Federal Stafford Loans are available to students who do not qualify for the Subsidized Federal Stafford Loans. Additionally, there is the Federal Parent Loan to Undergraduate Students (PLUS) program. The University also provides funds to students through University loans, primarily for short-term emergency situations.

Tuition Waivers and Graduate Assistantships. The University is required by law to waive tuition for certain veterans and children of veterans, certain students over the age of 62 and graduate assistants. The University is required by collective bargaining agreements to waive tuition for dependents of certain employees. The foregone revenue resulting from such waivers in the 2000 academic year was $20,255,172, of which 78.9% were provided to graduate assistants.

Financial Aid to University Students
For Fiscal Years 1996-2000

	1996	**1997**	**1998**	**1999**	**2000**
Scholarships/Grants					
Institutional	$17,097,095	$15,895,030	$19,165,182	$19,034,031	$22,824,230
State - CT	2,074,782	1,989,593	3,409,993	5,457,252	7,184,256
State - Non CT	74,223	68,758	89,200	97,245	109,110
Federal Funds	4,717,513	4,399,084	4,829,126	5,563,886	5,970,153
Private	2,995,183	3,161,307	3,540,706	4,639,542	5,488,910
Total Scholarships/Grants	26,958,796	25,513,772	31,034,207	34,791,956	41,576,659
Loans					
Private	1,521,150	936,529	1,680,330	1,737,269	1,789,388
Federal	40,386,401	41,552,009	44,115,256	47,242,151	51,374,234
Total Loans	41,907,551	42,488,538	45,795,586	48,979,420	53,163,622
Student Employment					
University Student Payroll	6,959,386	7,398,088	7,005,283	7,314,049	8,564,241
Federal Work Study	1,134,127	1,145,592	1,268,445	1,471,692	1,339,723
Total Student Employment	8,093,513	8,543,680	8,273,728	8,785,741	9,903,964
GRAND TOTAL	**$76,959,860**	**$76,545,990**	**$85,103,521**	**$92,557,117**	**$104,644,245**

UNIVERSITY FINANCES

Financial Management

As noted earlier, the University's Board of Trustees has the authority for fiscal oversight of the University. The two Chancellors are the Chief Operating Officers of the University and the Vice President for Financial Planning and Management is the Chief Financial Officer of the University. In addition to the State appropriation, the University receives tuition, fees and grants and contract revenues. Some of these revenues may be restricted or dedicated as to use by the terms of the appropriation, gift, grant or contract.

The authority granted to the University in the Act builds upon the successful implementation of the operational autonomy and responsibility provided in several pieces of legislation known as the Flexibility Acts, enacted in the early 1990's. Unprecedented for Connecticut State government, the University became responsible and accountable for its operational decisions independent of many of the previously imposed regulatory requirements. The responsibilities assigned to the University included a block grant State appropriation, check-writing authority, position control, purchasing authority and management of capital projects not exceeding $2 million. This dollar limitation has been eliminated with the passage of UConn 2000. The enactment of UConn 2000 was an extension of the authority vested in the University by the Flexibility Acts, and the result, in part, of the University's documented effectiveness in using the powers granted to it thereby.

Financial Statements of the University

The audited financial statements of the University (excluding the Health Center, the University of Connecticut Foundation, Inc. and The University of Connecticut Law School Foundation, Inc.) for the fiscal year ended June 30, 2000, including the related statements of changes in fund balances for the year then ended, the statements of current funds revenues, expenditures and other changes in fund balances for the period ended June 30, 2000, and Notes to financial statements, together with the independent auditors' report thereon of January, 2001 are included as Schedule 1 to this Official Statement.

In fiscal year 1996, the University had an Unrestricted Current Funds operating deficit of $22.6 million, including a one-time accounting adjustment of $10.6 million to recognize a liability for compensated absences. Subsequently, the University developed and the Board of Trustees approved a budget balancing plan designed to bring the Operating Budget in balance. The plan was predicated upon reductions in operating costs as well as revenue enhancements and the use of existing fund balances. The University reduced some operating costs by reducing staff and deferring equipment purchases, maintenance and capital improvements. Additionally, the University increased tuition and fees.

Primarily as a result of the above actions, for the fiscal years 1997-2000, the University experienced a cumulative net gain of $10.3 million in its Unrestricted Current Funds operating budget. Below is a five-year presentation of Current Funds Revenues, Expenditures and Other Changes in Fund Balances for the University. See "UNIVERSITY OF CONNECTICUT HEALTH CENTER" below in this Appendix I-A for a similar display.

University of Connecticut
Statement of Current Fund Revenues, Expenditures, and Other Changes in Fund Balances
for the Fiscal Years 1996-2000

Revenues	**1996**	**1997**	**1998**	**1999**	**2000**
Tuition and Fees[1]	$98,996,688	$102,518,625	$105,461,417	$110,742,558	$122,141,197
State Appropriations	183,065,743	188,260,041	204,171,237	213,181,741	234,872,559
Federal Grants & Contracts	46,366,054	40,680,699	38,099,889	45,728,277	48,111,674
State Grants & Contracts	14,811,640	8,205,184	14,816,736	10,904,297	20,339,588
Local Grants & Contracts	2,000	2,000	2,000	2,000	16,000
Private Gifts, Grants & Contracts	5,030,565	13,444,041	14,766,990	18,382,763	23,071,543
Investment Income	4,495,958	4,173,351	4,709,550	5,017,256	5,956,148
Sales & Serv of Ed Activities	9,769,366	9,568,677	8,762,226	9,997,841	11,508,457
Sales & Serv of Aux[2]	53,288,261	55,965,592	57,836,323	62,533,837	67,681,421
Other Sources	9,135,479	5,831,336	7,317,795	7,292,726	7,149,818
Total Current Revenues	**424,961,754**	**428,649,546**	**455,944,163**[4]	**483,783,296**	**540,848,405**
Expenditures & Mandatory Transfers					
Education and General					
Instruction	138,521,316	140,465,843	138,601,130	145,897,909	157,545,658
Research	57,177,448	51,834,699	53,342,628	54,848,000	64,796,851
Public Service	20,587,300	20,542,786	20,170,164	21,046,960	22,650,386
Academic Support	51,476,990	47,428,890	50,180,995	60,510,462	63,745,185
Student Services	8,858,288	7,671,877	14,159,558	16,366,173	17,465,140
Institutional Support	43,960,178	40,669,645	36,258,733	36,166,331	43,835,480
Scholarships & Fellowships	25,248,882	24,047,655	29,201,146	31,173,310	36,452,073
Plant Operations &	29,724,907	25,990,050	27,961,610	32,565,413	34,439,472
Total Education and General Expenditures	**375,555,309**	**358,651,445**	**369,875,964**	**398,574,558**	**440,930,245**
Mandatory Transfer for Debt Retirement	3,509,691	3,597,659	4,132,095	4,694,996	8,706,751
Total Education and General	**379,065,000**	**362,249,104**	**374,008,059**	**403,269,554**	449,636,996
Auxiliary Services Expenditure	66,056,942	67,948,285	69,318,925	78,725,389	83,907,813
Total Expenditures & Mandatory Transfers	**445,121,942**[3]	**430,197,389**	**443,326,984**	**481,994,943**	**533,544,809**
Other Transfers, Additions &(Deductions)					
Excess of Restricted Receipts Over Transfers to Revenues	358,661	(517,809)	3,409,161	(1,846,489)	1,851,590
Transfers From:					
Unrestricted Funds			131,190	181,311	311,286
Restricted Funds	219,728	401,465			
Loan Funds					225
Endowment Principal	2,715				
Transfers To:					
Unrestricted Funds				(181,311)	(311,286)
Restricted Funds	(219,728)	(401,465)	(131,190)		
Endowment Principal	(135,417)	(7,314)	(21,429)	(194,052)	(57,637)
Loan Funds			152,000		3,627
Plant Funds	(2,324,712)	(1,261,601)	(1,659,148)	(6,125,955)	(3,564,624)
Total Other Transfers & Additions (Deductions)	**(2,098,753)**	**(1,786,724)**	**1,880,584**	**(8,166,496)**	**(1,766,819)**
Net Increases (Decrease) in Fund Balance	**(22,258,941)**	**(3,334,567)**	**14,497,763**[4]	**(6,378,143)**	**5,536,777**
Current Funds Fund Balance	**$43,971,843**[3]	**$40,637,276**	**$55,135,039**	**$48,756,896**	**$54,293,673**

[1]Commencing 1998, certain fees have been pledged for the payment of debt service of the University's Special Obligation Bonds.
[2]Auxiliary Enterprise revenues consist primarily of room and board fees and Athletic department income.
[3]In accordance with Governmental Accounting Standards Board (GASB) Statement 16 and GASB Technical Bulletin 92-1, the University changed the method of Accounting for compensated absences beginning with fiscal year 1995. This had the effect of increasing expenditures and reducing the Fund Balance by $2,441,939 for fiscal year ended June 30, 1995 and $10,599,552 for fiscal year ended June 30, 1996. See note number two to the June 30, 1996 Financial Statements for a further explanation of this change.
[4]Includes $4.8 million grant from the State, received late in FY 1998, for Year 2000 conversion costs. Expenditure of these funds occurred in FY 1998-99.

Budget and Budgeting Procedure of the University

The University submits separate biennial operating and capital budgets (the capital budget process has been changed as noted below) to the Governor and General Assembly through the Board of Governors for Higher Education. The operating budget request sets forth a proposed expenditure plan for the amount necessary to meet cost increases while providing a constant level of services. It may also include an amount for new or expanded programs. The operating budget includes various revenue sources including the State appropriation and tuition and fees as well as other revenue sources. The Health Center submits separate operating and capital budgets and receives a separate appropriation and allotment. For discussion of the Health Center, see "UNIVERSITY OF CONNECTICUT HEALTH CENTER" below in this Appendix I-A.

The University's Board of Trustees annually approves separate Unrestricted Operating Budgets for the University and the Health Center. The Governor may reduce State agency allotments by not more than five percent unless approved by the Appropriations Committee of the General Assembly. Allotment reductions shall be applied by the Board of Governors for Higher Education among the appropriations to the boards of trustees of the constituent units. The Board of Governors for Higher Education shall apply such reductions after consultation with the Secretary of the Office of Policy and Management and the State Higher Education constituent unit boards of trustees. Any reductions of more than five percent of the appropriations of any constituent units shall be submitted to the Appropriations Committee of the General Assembly which shall, within ten days, approve or reject such reduction.

During each fiscal year, the Board of Trustees of the University must submit to the General Assembly, through the Department of Higher Education and the Office of Policy and Management, a report of the actual expenditures of the University of Connecticut Operating and Research Funds and Health Center Operating Fund containing such relevant information as the Board of Governors for Higher Education may require. Currently, the University submits a quarterly report of annual budgeted and actual year-to-date revenues and expenditures for the Operating (including the State appropriation) and Research Funds. Effective July 1, 1996, the General Fund which consisted of the State appropriations was merged into and became part of the Operating Fund at the University.

The University is required to submit its biennial budget request on forms prescribed by the Office of Policy and Management (Governor's fiscal office) and the Department of Higher Education. The budget request reflects the use of Department of Higher Education formulas for calculation of instruction, library and physical plant current services.

The General Assembly appropriates and allocates funds directly to the University and Health Center separately. The University's Capital Budget request process has been replaced by the Act beginning in fiscal year 1996. The Act provides for a ten year Capital Budget program of the University and authorizes projects estimated to cost $1,250 million. In accordance with the Act, the University, by affirmative vote of its Board of Trustees, made a material revision to one of the UConn 2000 projects based on a finding and determination that such revision is consistent with the intent and purpose of the original project and that such revision does not affect the University's ability to complete the UConn 2000 projects out of the remaining funds to be allocated to such projects. Such revision increased the estimated cost of UConn 2000 projects from $1,250 million to $1,295 million of which $962 million is to be financed by bonds of the University, secured by the State debt service commitment and $18 million has been funded by State general obligation bonds. The balance may be financed by gifts or other revenue unless projects are deferred or savings are achieved. With respect to the $962 million, Phase I is for fiscal years 1996-99 and totals $382 million, and Phase II is for fiscal years 2000-05 and totals $580 million. Rather than annual requests for the next ten years, the University is required to provide a semi-annual update as to the progress of capital projects approved as part of UConn 2000.

University Budget

Fiscal Year 2001.

The original fiscal year 2001 Spending Plan reflected a balanced budget. However, subsequent events occurred that have caused the University to revise its projection to a potential deficit of $4.9 million for the current year. Specifically, State support was reduced by $3.5 million, energy costs are projected to exceed the budget by $1.0 million and the University is projecting a one-time cost from reserves for payment ($1.7 million) of fiscal year 2000 collective bargaining costs for a contract which is in arbitration. All other revenue and expenditure line items are projected to generate a $1.3 million positive variance resulting in the aforementioned loss of $4.9 million. The Board of Trustees at a meeting on February 22, 2001 charged the administration with developing a plan that would bring the budget in balance for the current fiscal year. The plan is expected to include continuation of the current vacancy management program as well as other actions to control expenditures.

Revenue. State support, in the form of the State appropriation and fringe benefits, is the largest source of revenue. The $238.5 million in State support reflects a statutory rescission of $0.9 million, which had been budgeted, and a subsequent unbudgeted rescission of $3.5 million imposed upon the University's Storrs-based budgeted by the State Office of Policy and Management in the second quarter of this fiscal year. State support (net of the recission) is $8.5 million more than the fiscal year 2000 amount after adjusting for one-time allotments in fiscal year 2000. The total represents 42.9% of the total fiscal year 2001 projected revenue.

Tuition and fees are the second largest source of revenue comprising 24.6% of the fiscal year 2001 projected total. Net Tuition and Fee revenue is projected to be $136.6 million or $1.7 million less than budgeted due to less than budgeted enrollment for the Summer term and Fall 2000 Continuing Education courses. The projected revenue would represent an increase of $14.5 million or 11.9% over the fiscal year 2000 amount. This increase primarily reflects a 3.0% tuition rate increase (approved June 1999) and an increase in undergraduate enrollment of 6.0%. Auxiliary Enterprise Sales/Service revenue is projected to be $73.8 million or $2.3 million more than budgeted primarily due to a slightly higher level of occupancy for the dormitory and dining halls. Residence halls and rental properties ($28.0 million), dining services ($27.4 million) and athletics ($14.6 million) generate most of the Auxiliary Enterprise revenue. Residence hall and dining services revenue is projected to increase by $6.3 million over fiscal year 2000. This reflects rate increases of 2.7% and 1.5% respectively (approved June 1999), relatively small changes in occupancy and a new dormitory technology fee which replaces costs previously paid directly by students for telephone, cable and internet services.

Grants and Contracts and Other Revenue is projected to be $106.6 million or $4.1 million higher than budgeted but $9.5 million less than fiscal year 2000. This is due to the absence in fiscal year 2001 of one-time grant funds in fiscal year 2000 for Y2K related issues and an abnormally high level of research grant activity in fiscal year 2000.

Expenditures/Transfers. Total expenditures and transfers are projected at a level of $560.4 million which would exceed the budgeted amount by $6.1 million or 1.1%. The Personal Services line item is projected to exceed the budget by $0.7 million reflecting the anticipated settlement of a collective bargaining contract which would entail payment of a one-time cost ($1.7 million) for fiscal year 2000 which was initially budgeted in that year. Excluding this $1.7 million cost, the University is projecting savings of $1.0 million in Personal Services for fiscal year 2001 due to a higher than anticipated personnel turnover. Other expenses (primarily contractual and commodity items) are projected to exceed the budget by $5.4 million. However, $4.4 million of this reflects the expenditure of higher than budgeted revenues for Auxiliary Enterprises and Research activities. The remaining $1.0 million of projected coverage is due to higher than budgeted costs for energy. Expenditures for Financial Aid, equipment and transfers are all projected to be within budget.

Current Funds - Current Estimate
Fiscal Year 2000-01

	EDUCATION & GENERAL	AUXILIARY	TOTAL	UNRESTRICTED	RESTRICTED
REVENUES					
State Support	$238,471,053	$	$238,471,053	$238,471,053	$
Student Tuition & Fees	120,785,706	15,795,949	136,581,655	136,581,655	
Gifts, Grants & Contracts	78,127,228	5,641,664	83,768,892	15,961,867	67,807,025
Sales/Services Aux Enterprises		73,768,726	73,768,726	73,768,726	
Other Revenue	22,896,413		22,896,413	21,723,948	1,172,465
TOTAL CURRENT REVENUES	**460,280,400**	**95,206,339**	**555,486,739**	**486,507,249**	**68,979,490**
EXPENDITURES/TRANSFERS					
Educational & General	465,180,400		465,180,400	396,575,910	68,604,490
Auxiliary Enterprises		95,206,339	95,206,339	94,831,339	375,000
TOTAL EXPEND/TRANSFERS	**465,180,400**	**95,206,339**	**560,386,739**	**491,407,249**	**68,979,490**
NET GAIN (LOSS) CURRENT FUNDS	**($4,900,000)**	**$ 0**	**($4,900,000)**	**($4,900,000)**	**$ 0**

Fiscal Year 2002 and 2003 Biennial Budget Proposal.

Fiscal Year 2002. The fiscal year 2002 budget proposal described herein was presented to the Board of Trustees for initial approval on June 29, 2000. This budget will be updated and presented to the Board for final approval in June 2001. The fiscal year 2002 budget proposal provides funding for current services, enhancement to existing programs and a request to the State for new enhanced program funding. Also, the proposed budget assumes continuation of current services State support and a projected growth in undergraduate enrollment of 9.2%.

The budget proposal has total revenue of $620.8 million and total expenditures of $620.8 million resulting in a balanced budget.

Revenue. For fiscal year 2002 State support is being requested at a level of $278.6 million (appropriation/allotments - $211.8 million; fringe benefits - $66.8 million), including $20.9 million in new funding requested for strategic initiatives. The total request of $278.6 million would represent a $36.6 million or 15.1% increase over fiscal year 2001 State support (excluding the $3.5 million rescission in fiscal year 2001). On February 7, 2001, the Governor, as part of his State budget address, recommended a fiscal year 2002 budget for the University of only $246.8 million (appropriation/allotments - $186.6 million; fringe benefits - $60.2 million). The legislature will consider both the University's request and the Governor's recommendation before approving a State appropriation in June 2001, and, if necessary, the University will adjust the budget accordingly before submitting it to the Board for final approval.

Net Tuition and Fee revenue is budgeted at $156.2 million, which is an increase of $19.6 million or 14.3% over the fiscal year 2001 estimate. This increase is predicated upon a 3.9% tuition rate increase and a projected increase in undergraduate enrollment of 9.2%, including a freshmen class increase of 4.1% and constant enrollment for graduate, law and social work students.

Auxiliary Enterprise Sales/Services revenue is projected to be $80.8 million an increase of $7.0 million or 9.5% over the fiscal year 2001 estimate. This increase is primarily attributable to the opening of the new student apartments and Hilltop dormitory and a 3.9% approved rate increase for dormitory and dining fees.

Expenditures/Transfers. Total fiscal year 2002 expenditures and transfers of $620.8 million are budgeted to increase by $60.4 million or 10.8% over the fiscal year 2001 estimated amount.

The largest item contributing to the increase is $20.9 million of new strategic initiatives being requested as part of the University's State support. These new proposals include, among others, the creation of Center of Excellence in Molecular Science, enhancement of offerings in three professional schools (Business Administration, Engineering, and Education), a Health Sciences initiative and new program initiatives at the Regional Campuses.

Also, contributing to the fiscal year 2002 increase is a $12.0 million increase in collective bargaining costs and a $7.5 million increase in spending for Residential Life and Dining Services operations. The latter increase is primarily attributable to the opening of the new Hilltop dormitory and student apartments, as well as the purchase of equipment for renovated dormitories and dining halls. Other significant increases in the fiscal year 2002 budget include the following: academic program enhancements at $4.4 million; financial aid at $2.2 million; and debt service/other transfers at $4.5 million.

Current Funds Budget
Fiscal Year 2001-02

	EDUCATION & GENERAL	AUXILIARY	TOTAL	UNRESTRICTED	RESTRICTED
REVENUES					
State Support	$278,577,744	$	$278,577,744	$278,577,744	$
Student Tuition & Fees	139,256,436	16,993,474	156,249,910	156,249,910	
Gifts, Grants & Contracts	76,195,269	5,098,006	81,293,275	13,818,209	67,475,066
Sales/Services Aux Enterprises		80,765,585	80,765,585	80,765,585	
Other Revenue	23,945,992		23,945,992	22,762,770	1,183,222
TOTAL CURRENT REVENUES	**517,975,441**	**102,857,065**	**620,832,506**	**552,174,218**	**68,658,288**
EXPENDITURES/TRANSFERS					
Educational & General	517,975,441		517,975,441	449,692,153	68,283,288
Auxiliary Enterprises		102,857,065	102,009,204	102,482,065	375,000
TOTAL EXPEND/TRANSFERS	**517,975,441**	**102,857,065**	**620,832,506**	**552,174,218**	**68,658,288**
NET GAIN (LOSS) CURRENT FUNDS	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**

Fiscal Year 2003. The proposed fiscal year 2003 budget described herein was presented to the Board of Trustees for initial approval on June 29, 2000. This budget will be updated and presented to the Board of Trustees for further approvals in June 2001 and June 2002. The fiscal year 2003 budget proposal provides funding for current services, enhancement to existing programs, a request to the State for a roll-out of fiscal year 2002 enhanced program costs and an additional increase in funding for the Regional Campuses and Health Science initiatives. The proposed budget assumes a continuation of current service State support and a projected growth in undergraduate enrollment of 8.1%.

The budget proposal includes total revenue of $668.5 million and total expenditure of $668.5 million resulting in a balanced budget.

Revenue. For fiscal year 2003 State support is being requested at a level of $302.1 million (appropriation/allotments $229.7 million; fringe benefits $72.4 million) including $9.1 million in funding for the rollout costs of the fiscal year 2002 proposed strategic initiatives. The total request of $302.1 million would represent a $23.5 million or 8.4% increase over the fiscal year 2002 State support request. On February 7, 2001, the Governor, as part of his State budget message, recommended a fiscal year 2003 budget for the University of only $263.0 million (appropriation/allotments - $199.0 million; fringe benefits - $64.0 million). The legislature will consider both the University's request and the Governor's recommendation before approving a State appropriation in June 2001 , and, if necessary, the University will adjust the budget accordingly before submitting it to the Board for final approval.

Net Tuition and Fee revenue is budgeted at $174.0 million, an increase of $17.8 million or 11.4% over the fiscal year 2002 estimate. This increase is predicated upon a 3.9% approved rate increase and a projected increase in undergraduate enrollment of 8.1%, including a freshman class increase of 4.3% and a small increase in graduate, law and social work enrollment.

Auxiliary Enterprise Sales/Services revenue is projected to be $83.9 million, which is an increase of $3.1 million or 3.8% over the fiscal year 2002 estimate. The increased revenue reflects an approved rate increase for dormitory and dining fees of 3.9%.

Expenditure/Transfers. Total fiscal year 2003 expenditures and transfers of $668.5 million are budgeted to increase by $47.7 million or 7.7% over the fiscal year 2002 proposed amount.

The largest item of increase is $13.6 million of additional collective bargaining costs. Also, contributing to the fiscal year 2002-03 increase is $9.1 million of rollout costs for strategic initiatives. Other significant increases in the fiscal year 2003 budget include the following: Residential Life and Dining Services at $2.7 million; facilities program enhancement at $2.5 million; Research Fund activities - $2.0 million and financial aid - $2.3 million.

Current Funds Budget
Fiscal Year 2002-03

	EDUCATION & GENERAL	AUXILIARY	TOTAL	UNRESTRICTED	RESTRICTED
REVENUES					
State Support	$302,135,795	$	$302,135,795	$302,135,795	$
Student Tuition & Fees	156,045,898	17,918,014	173,963,912	173,963,912	
Gifts, Grants & Contracts	78,905,799	5,531,012	84,436,811	14,651,215	69,785,596
Sales/Services Aux Enterprises		83,865,429	83,865,429	83,865,429	
Other Revenue	24,141,686		24,141,686	22,947,708	1,193,978
TOTAL CURRENT REVENUES	**561,229,178**	**107,314,455**	**668,543,633**	**597,564,059**	**70,979,574**
EXPENDITURES/TRANSFERS					
Educational & General	561,229,178		561,229,178	490,624,604	70,604,574
Auxiliary Enterprises		107,314,455	107,314,455	106,939,455	375,000
TOTAL EXPEND/TRANSFERS	**561,229,178**	**107,314,455**	**668,543,633**	**597,564,059**	**70,979,574**
NET GAIN (LOSS) CURRENT FUNDS	**$ 0**	**$ 0**	**$ 0**	**$ 0**	**$ 0**

State Support of the University - Appropriations

The State of Connecticut develops a biennial budget which contains the University budget. However, the appropriations are applicable to each specific year and the second year's appropriation is subject to review and adjustment. The University has historically received a substantial percentage of its operating revenue from the State General Fund Appropriation. In the State system of higher education, the University of Connecticut receives more State support than any other State institution of higher education. The University has in its mission teaching, research and public service components. The annual State appropriation the University receives is in the form of a block grant and is allocated quarterly. The University has independent authority to purchase goods and services, hire, to fire and promote administrators, faculty and staff, and plan, design and construct capital projects.

The University's State appropriation for the current fiscal year ending June 30, 2001 is $177,048,576. The actual amount allocated was $172,668,808 after deducting for a State imposed recision of $4,379,768. Additionally, the following amounts have been allocated to the University: (1) $6,012,771 for collective bargaining and (2) $488,628 for academic program enhancement. Finally, the State allocates fringe benefits to the University (FY 2001 - $59,300,846) from central State accounts. The combined operating appropriation and allotments of $238,471,053 represents 42.9% of total fiscal year 2001 Current Funds projected budgeted revenues. The University also received a grant of $5,000,000 from the State Department of Higher Education for the Endowment State Matching Grant Program. For a discussion of the Endowment State Matching Grant Program, see "Gifts to the University of Connecticut Foundation, Inc." below in this Appendix I-A. For fiscal years 2002 and 2003, the University requested State appropriations of $195.4 and $206.4 million respectively to maintain current services. On February 7, 2001, the Governor, as part of his State budget message, recommended fiscal year appropriations of $185.1 and $194.6 million for the University. The State legislature is expected to consider both the University's request and the Governor's proposal. The University also requested State appropriation funding of $16.4 million in fiscal year 2002 and $6.9 million in fiscal year 2003 for new strategic initiatives to compliment funding provided by the University. The Governor's recommended budget for the University contains $1.5 million in fiscal year 2002 and $4.3 million in fiscal year 2003 for strategic initiatives.

Schedule of State Operating and Endowment Support and Estimated Fringe Benefits to the University for Fiscal Years 1997-2001

Fiscal Year	Operating Appropriations[1] And Allotments	Estimated Fringe Benefits	Total	Endowment Appropriations And Allotments
1997	$147,783,837	$41,407,527	$189,191,364	$
1998	154,674,612	48,282,828	202,957,440	9,112,794[2]
1999	161,408,577	49,047,060	210,455,637	6,778,823[3]
2000	182,389,682[4]	60,456,471[5]	240,846,153	7,500,000[6]
2001	182,670,207	59,300,846	241,971,053	5,000,000[2]

[1]Excludes State general obligation bonds issued to fund University capital projects.
[2]The Endowment Funds were appropriated in FY 1996-97 and carried forward and allotted in FY 1997-98.
[3]$1,778,823 of Endowment Funds were appropriated in FY 1997-98 and carried forward for allotment in FY 1998-99.
[4]Includes $8.7million of funding for one-time costs ($6.2 for one extra pay period in FY 1999-00 and $2.5 million for one-time legal costs).
[5]Includes $2.1 million of funding for one-time costs of an extra pay period in FY 1999-00.
[6]Beginning in FY 1999-00, the State Endowment Matching funds will be received as a grant from the Department of Higher Education rather than as an appropriation to the University.

For a discussion of State support for UConn 2000, including the plan of finance, construction management policies and other matters, see Part I of this Official Statement.

State Support of the University - Bond Issuance

In addition to appropriating funds for the general operating support of the University, the State has authorized its general obligation bonds to fund capital projects of the University. Certain of those State bonds are self-liquidating, meaning the University reimburses the State for the principal and interest on such bonds from revenues generated by the University from the operation of the projects funded with the proceeds of the State bonds. For further discussion of the University's liability to the State with respect to these self-liquidating State general obligation bonds, see "University Indebtedness and Capitalized Lease Obligations" below in this Appendix I-A. See "UNIVERSITY OF CONNECTICUT HEALTH CENTER - Recent Events" below in this Appendix I-A for a discussion of State support to fund capital projects of the Health Center.

In May 2000, the State authorized its general obligation bonds in the amount of $91,200,000 for the construction of a State-owned football stadium for use by the University's football team and for other University events. As the primary initial tenant of the stadium, the University has entered into a Memorandum of Understanding with the State, dated February 25, 2000, which outlines the material terms of the proposed lease, license and other use arrangements by the University, including allocation of revenues generated by University use of the stadium for NCAA Division I-A football home games and other University NCAA sporting events. The University will not have any repayment obligations with respect to bonds issued by the State for the football stadium, however, the University expects that it will experience operating deficits for the next six years with respect to its use of the stadium.

State Legislative Bond Authorizations for the University
(excluding the Health Center)
For Fiscal Years 1996-01

Fiscal Year	State General Obligation Bonds	UConn 2000[1]	Self-Liquidating	Total
1996	$18,000,000	$112,542,000		$130,542,000
1997	9,400,000	112,001,000		121,401,000
1998		93,146,000		93,146,000
1999		64,311,000		64,311,000
2000	2,000,000[2]	130,000,000		132,000,000
2001	20,000,000[2]	100,000,000		120,000,000

[1]Secured by State Debt Service Commitment

[2]For the development of a new downtown campus for the University of Connecticut in Waterbury.

Grants and Contracts

Revenue from all grants and contracts totaled $91.5 million in fiscal year 2000, representing 16.9% of current funds revenues reported by the University. Revenue from governmental grants and contracts, including financial aid and recovery of indirect costs, totaled $68.4 million for this time period. Governmental grants and contracts represented 12.6% of current funds revenues and increased by 20.8% from the prior fiscal year and increased 10.5% from fiscal year 1996.

Governmental Grants and Contracts
For Fiscal Years 1996-2000
(in Millions of Dollars)

Fiscal Year	Amount
1996	$61.2
1997	48.9
1998	52.9
1999	56.6
2000	68.4

During fiscal year 2000, the Storrs and Regional campuses of the University received sponsored project funding from Federal sources such as the Department of Health and Human Services, the National Science Foundation and the United States Department of Agriculture totaling $42.1 million.

Present programs include research in the following areas among others:

Biomedical Imaging, with emphasis on fiber-optic communications, optical sensors and laser material processing.

The Program in Drug Design which seeks to design, discover and develop new drug molecules for the treatment and diagnosis of diseases. The program's work has already led to three licenses with pharmaceutical companies, one patent and four other patent applications.

The Advanced Technology Institute program is conducting research with composites, ceramics and plastics as keys to 21st Century manufacturing.

Also, the Biotechnology/Pharmaceutical Center is conducting research projects designed to stimulate the biotechnology industry in Connecticut including the development of gene transfer technology leading to fast-growing and/or disease resistant crops and animals and the identification of potential pharmaceuticals from natural sources.

The Marine Science and Technology Center has successful programs in Aquaculture, autonomous submersible vehicles and other marine topics.

The Environmental Research Institute conducts research in a variety of environmental areas ranging from air quality monitoring, pollution prevention and lead paint encapsulation.

Gifts to the University of Connecticut Foundation, Inc.

Charitable donations from private sources for the University of Connecticut, including gifts made to the University of Connecticut Foundation, Inc., totaled $37 million (receipts only) during fiscal year 2000, as compared to $8.2 million in 1995. The endowment has also increased dramatically. From June 30, 1995 to 2000, total endowment assets have grown from $53 million to $221 million. Total assets of the University of Connecticut Foundation reached $264 million at June 30, 2000.

Improving results reflect the continued growth and improvement of the Institutional Advancement Program at the University. This program features sophisticated annual fund, deferred giving, major donor, corporation and foundation fundraising capabilities together with asset management, public and alumni relations, marketing and constituency development programs.

With the enactment of the UConn 2000 program in 1995, the General Assembly also adopted an endowment matching grant program whereby the state would match, on a dollar-for-dollar basis, gifts to endowment to encourage private donations for either establishing new, or increasing existing, endowments to support professorships, scholarships or program enhancements. The program was of three years' duration with an upper limit of $20 million on the state obligation. The matching program was a resounding success: the entire three-year $20 million grant was fully subscribed in eighteen months. In June 1997, the General Assembly revised and extended the endowment matching grant program for the full duration of UConn 2000 (through Fiscal Year 2007). The state now matches on a 1:2 basis -- one state dollar for two private dollars -- all eligible donations to the endowment after July 1, 1997. The seven year extension of the matching grant program authorizes up to an additional $52.5 million in new state funds to match eligible contributions received during the period. Total match eligible 1:2 receipts for calendar year 2000 is $16.8 million. This resulted in an over subscription of $1.8 million, which will be submitted for calendar year 2001.

UConn 2000, both the endowment matching program and the infrastructure program itself, has generated a level of excitement about the University which has proven to be an incentive for private giving by alumni and other benefactors of the University.

- On November 14, 2000 the University announced several significant educational partnerships within the General Electric family. Collectively, the GE Fund, GE Capital, and GE Industrial Systems have pledged $11 million to help catalyze the University's emergence as an educational leader in e-business and e-engineering and to bolster the University's diversity initiatives. These funds represent the largest single corporate investment in the University and will support the Schools of Engineering and Business.

The GE family investment will fund:

-the construction and equipping of 18,000 square feet at the Stamford campus, including the creation of a 10,000-square-foot state-of-the-art GE Capital e-lab, in which students and faculty will work with GE Capital staff to analyze e-projects and explore new e-commerce models;
-the development of an e-engineering center, including cutting-edge joint research projects with GE Industrial Systems to prepare students for the integrated, global, team-based engineering used in industry today;
-new "e-learning" approaches to incorporate information technology into effective teaching and learning practices; and
-programs to support increased enrollment and success of under-represented minority engineering and business students.

- On September 6, 2000, the Andrew W. Mellon Foundation awarded a $665,000 grant to support the partnership between the University and the African National Congress (ANC). The grant will fund the recording and transcriptions of the oral histories of some 200 ANC party members and leaders, many of them now elderly. The histories will then be made available to scholars for research and study at the Thomas J. Dodd Research Center and at the University of Fort Hare, located in Alice, South Africa. The grant will also support the archives project.

- That same day the University received a $460,000 grant from the United Negro College Fund for a linkage with Fort Hare University in South Africa's Eastern Cape Province, the oldest and most illustrious historically black institution in South Africa. The three-year Tertiary Education Linkages Project (TELP) grant enables University faculty, staff, and administrators from across the institution to form a mutually beneficial partnership with colleagues at the historically black university. Academic links will be forged in the areas of comparative human rights, education, and agriculture. Other priorities identified by Fort Hare include training for top management, advice on improving fund raising, communications strategies, enrollment and retention of students and college readiness for less academically gifted students, as well as faculty and student exchanges.

- On September 18, 2000, United Technologies Corporation (UTC) committed $4 million to the School of Engineering to support new engineering education initiatives. The UTC gift is the largest ever to the School of Engineering and the largest corporate gift ever to a public school of engineering in New England. As the largest gift UTC has ever given to an educational institution, it will be used to endow three chaired faculty positions, establish the Advanced Technology Clinic, sponsor four junior faculty positions and establish an endowment for the undergraduate scholarships.

- On July 1, 2000, the Ford Foundation donated $500,000 to the Accelerated Schools Program which came to the University last spring to enhance the Neag School of Education. The Accelerated Schools Program is a national reform movement dedicated to turning schools, particularly those with large at-risk populations into places where all students are brought into the academic mainstream.

- On June 12, 2000, the Kresge Foundation awarded a $750,000 challenge grant to the School of Business to help fund construction of the new School of Business building and provide new impetus to broaden the school's donor base. The new 10,000 square foot facility will be home to the school's five business departments: accounting, finance, management, marketing and operations and information management. It will also include full-time undergraduate, MBA and Ph.D. programs.

- On May 15, 2000, Aetna Financial Services committed more than $2.7 million to the School of Business Administration. The Aetna Center for Financial Services will conduct research on long-term savings, investment, and income management, and will seek to inform relevant public policy debate. Fundamental to the center's mission will be the creation of a financial services database, to be sustained by and available to academic and corporate subscribers. Part of Aetna's gift will be used to endow the Aetna Chair in Financial Services, a new faculty position.

- Other significant gifts included a $1.3 million commitment for the Visitors Center, a $1 million gift from The Treibeck Family Foundation to establish the Treibeck Family Chair for the Connecticut Information Technology Institute (CITI), a $1.5 million dollar gift to establish the James L. and Shirley A. Draper Chair in American History and a $1 million gift from Sam Orr to establish scholarships for students from his hometown.

Giving has increased across all major areas: the main campus and regional campuses, academics and athletics. The School of Business, Neag School of Education, the School of Fine Arts and the School of Social Work recorded the largest increases in academic fundraising. In 1999-00, annual giving for the Division of Athletics reached a record high of $9.7 million in receipts. The size of individual gifts University-wide has continued to increase: in 1999-00, 119 donors made contributions between $25,000 and $99,000, as compared to 96 such donors the prior year. Forty-two donors made gifts of $100,000 or more, compared to 32 such donors in the prior year.

The overwhelming majority of private gifts made for the benefit of the University are contributed to The University of Connecticut Foundation, Inc. Established in 1964, the Foundation is an independent, privately governed, non-profit corporation chartered under the laws of the State of Connecticut and designated as a 501(c)(3) organization by the Internal Revenue Service. The Foundation accepts and administers gifts of tangible personal property, real estate, securities, cash and deferred gifts whether restricted or unrestricted.

The University of Connecticut Foundation, Inc.
Summary of Total Assets, Revenue and Expenditures
for Fiscal Years 1996-2000

	1996 (000's)	1997 (000's)	1998 (000's)	1999 (000's)	2000 (000's)
Endowment Funds	$64,600	$85,843	$122,911	$ 175,744	$183,756
All Other	20,117	22,896	30,904	33,747	79,759
Total Assets	84,717	108,739	153,815	209,491	263,515
Support and Revenue					
Contributions and Educational Support	17,878	18,620	32,544	39,051	42,427
Payment from the University	3,580	3,804	3,604	3,300	3,150
Investment Income and Other Revenues, Net	8,281	14,161	22,909	29,413	29,319
Total Support & Revenue	29,739	36,585	59,057	71,764	74,896
Expenditures					
Transfers to and on behalf of the University	6,198	8,114	10,372	12,752	18,668
General Administration & Development	4,148	5,253	5,699	6,418	8,295
Total Expenditures	10,346	13,367	16,071	19,170	26,963
Excess of Support & Revenue over Expenditures	$19,393	$23,218	$42,986	$52,594	$47,933

Note: Information in this report has been summarized from the audited financial statements of the University of Connecticut Foundation, Inc. Consistent with those statements, total assets and investment income include the impact of changes in unrealized appreciation of the securities held as of the year end dates. Required Financial Accounting Standards adopted in Fiscal Year 1996 changed the timing of pledge revenue recognition. Because of changes in the Accounting Standards, Fiscal Years 1996-1997 contribution revenues are not directly comparable with those reported in prior years. Prior years contribution revenues were reported in accordance with the Standards in place at the time the financial statements were issued.

University Indebtedness and Capitalized Lease Obligations

The State of Connecticut issues certain general obligation bonds known as self-liquidating bonds. Self-liquidating bonds are issued to fund the construction and renovations of revenue-generating capital projects. The University reimburses the State in the amount equal to the debt service on self-liquidating bonds issued to fund the construction and renovation of revenue-generating capital projects on University campuses. The University reimburses the State with revenue from student fee charges. As of June 30, 2000, the State of Connecticut had issued an outstanding $15,713,517 of self-liquidating bonds for University capital projects. The University also has outstanding $468,717,147 of its general obligation bonds secured by the State Debt Service Commitment. Additionally, the University has outstanding $1,913,608 of unsecured debt to the U.S. Department of Education which matures on February 21, 2027 and $3,856,907 of unsecured debt related to capital lease obligations which matures on various dates through 2005.

The University issued its first series of Special Obligation Bonds, Student Fee Revenue 1998 Series A, in the original principal amount of $33,560,000 with a 30-year maturity on February 4, 1998, the proceeds of which were used to partially finance a new dormitory and dining facility. In May 2000, the University issued its $89,570,000 Student Fee Revenue Bonds, 2000 Series A to finance an additional parking garage, dormitories and an apartment style student living complex. As of the date of delivery of the 2001 Series A Bonds the amount of Special Obligation Bonds outstanding is $121,380,000.

The following schedule sets forth the debt service payments to be made in each University fiscal year on the General Obligation Bonds issued and outstanding as of April 11, 2001:

THE UNIVERSITY OF CONNECTICUT
Debt Service on General Obligation Bonds[1]

	Outstanding General Obligation Bonds			This Issue General Obligation Bonds			
Fiscal Year Ending June 30th	Principal[2]	Interest[3]	Subtotal	Principal	Interest	Subtotal	Total Debt Service
2001	$ 4,980,000	$ 2,067,899	$ 7,047,899	$	$	$	$ 7,047,899
2002	26,540,000	20,780,732	47,320,732	5,000,000	4,488,441	9,488,441	56,809,173
2003	27,445,000	19,662,092	47,107,092	5,205,000	4,122,444	9,327,444	56,434,536
2004	27,530,000	18,484,725	46,014,725	5,395,000	3,958,486	9,353,486	55,368,211
2005	28,830,000	17,290,447	46,120,447	4,745,000	3,780,451	8,525,451	54,645,898
2006	27,530,000	16,003,515	43,533,515	5,000,000	3,614,021	8,614,021	52,147,536
2007	27,530,000	14,709,890	42,239,890	5,000,000	3,439,021	8,439,021	50,678,911
2008	25,868,792	16,327,750	42,196,542	4,950,000	3,246,740	8,196,740	50,393,282
2009	28,308,640	15,517,553	43,826,193	5,000,000	3,058,640	8,058,640	51,884,833
2010	24,272,274	13,576,238	37,848,512	4,745,000	2,837,163	7,582,163	45,430,675
2011	25,147,441	12,546,189	37,693,630	4,960,000	2,647,363	7,607,363	45,300,993
2012	24,055,000	7,971,648	32,026,648	5,000,000	2,448,963	7,448,963	39,475,611
2013	22,055,000	6,880,190	28,935,190	5,000,000	2,242,713	7,242,713	36,177,903
2014	25,365,000	5,863,090	31,228,090	5,000,000	2,000,246	7,000,246	38,228,336
2015	25,525,000	4,838,698	30,363,698	5,000,000	1,759,966	6,759,966	37,123,664
2016	23,525,000	3,694,628	27,219,628	5,000,000	1,522,716	6,522,716	33,742,344
2017	19,025,000	2,750,858	21,775,858	5,000,000	1,258,035	6,258,035	28,033,893
2018	15,525,000	1,760,026	17,285,026	5,000,000	1,005,915	6,005,915	23,290,941
2019	11,550,000	964,339	12,514,339	5,000,000	749,025	5,749,025	18,263,364
2020	6,550,000	368,438	6,918,438	5,000,000	493,075	5,493,075	12,411,513
2021				5,000,000	237,500	5,237,500	5,237,500
Totals	$447,157,147	$202,058,945	$649,216,902	$100,000,000	$48,910,924	$148,910,924	$798,127,016

1 Secured by State Debt Service Commitment.
2 Principal payments on General Obligation Bonds include aggregate initial values of capital appreciation bonds.
3 Interest payments on General Obligation Bonds include the difference between the aggregate stated initial values and the aggregate maturity amounts of capital appreciation bonds.

The following table sets forth all bonds of the University outstanding as of the date of delivery of the 2001 Series A Bonds:

THE UNIVERSITY OF CONNECTICUT
Total Bonds Outstanding

	Amount Issued Originally	Amount Outstanding Currently	Dated Date[1]
General Obligation Bonds			
1996 Series A	$ 83,929,715	$62,909,715	January 1, 1996
1997 Series A	124,392,432	98,392,432	April 1, 1997
1998 Series A	99,520,000	89,560,000	June 1, 1998
1999 Series A	79,735,000	72,000,000	March 1, 1999
2000 Series A	130,850,000	124,295,000	March 1, 2000
2001 Series A	100,000,000	100,000,000	March 15, 2001
TOTAL	$618,427,147	$547,157,147	
Student Fee Revenue Bonds			
1998 Series A	$33,560,000	$31,810,000	January 1, 1998
2000 Series A	89,570,000	89,570,000	May 15, 2000
TOTAL	$123,130,000	$121,380,000	

[1]The General Obligation Bonds issued in 1996 and 1997 include capital appreciation bonds, which were dated their date of delivery.

Employee Data

Faculty and Staff. As of October 2000, the University had 4,371 full-time equivalent ("FTE") employees. Faculty accounted for 1,136 FTE employees. The University also employs 356 FTE graduate assistants included in the total employee number above. Additionally, the University hires adjunct lecturers on a semester by semester basis as needed who are not included in the above employee count. In Fall 2000, 72% of full-time teaching faculty were tenured, 16% were tenure track and the remaining were non-tenure track faculty. The average age of full-time faculty was 49.

Nine bargaining units represented approximately 3,691 FTE union members as of October 2000. Approximately 16% of University faculty and staff were non-union employees. The University bargains with two units covering 2,548 FTE employees; the American Association of University Professors and the University of Connecticut Professional Employees Association, both of which just completed negotiations with contracts that expire on June 30, 2002 and June 30, 2005, respectively. Law school faculty, University exempt (management) and graduate assistants, and certain temporary and part-time employees are not represented by bargaining units. The remaining seven unions covering 1,143 FTE employees bargain directly with the State and have settled contracts with expiration dates ranging from June 30, 2001 to June 30, 2004. There is one union that does not have a settled contract.

Pension Plans. Most State employees receive pension benefits under a State pension plan. The State pays directly to plan providers the cost of providing such pension benefits to University employees. The University reimburses the State for the cost of providing pension benefits under State pension plans to University employees, to the extent that their salary is not paid out of the State General Fund Appropriation. Various retirement plans are available for University employees none of which are administered by the

University. Approximately 50% of University employees are covered under the State pension plan and the balance are covered under private pension plans.

Insurance

The University, as an agency of the State, is self-insured, for general liability purposes, on an unreserved basis. The State purchases blanket policies covering other risks, including property, casualty and hazard insurance for all State agencies. The State pays all premiums for such insurance policies. The University reimburses the State for the cost of coverage of items purchased with other than State appropriation funds. The University may request an allotment of insurance proceeds resulting from the loss of University property. The Act authorizes the University to purchase insurance for its assets, actions and activities. The University directly purchases workers' compensation insurance as part of an owner-controlled insurance program (OCIP) for most UConn 2000 projects.

UNIVERSITY OF CONNECTICUT HEALTH CENTER

General

An academic and organizational unit of the University of Connecticut, the Health Center is a comprehensive State-owned training, patient care and research facility located in a complex of buildings in suburban Farmington, Connecticut. The Health Center was established in 1961 and is currently comprised of the School of Medicine, the School of Dental Medicine, the John Dempsey Hospital, and related ambulatory clinic facilities, research laboratories, health sciences library, medical library and administrative and other support facilities. The Health Center operates more than 400 clinical and educational programs throughout Connecticut. The Health Center is a referral center for persons with certain illnesses requiring complex patient care. As of Fall 2000, the Health Center has 484 professional students in the Schools of Medicine and Dental Medicine, 380 graduate students in Masters and Doctoral programs, and 697 residents, interns and post doctoral fellows. The Health Center submits separate operating and capital budgets to the Governor and the General Assembly and receives its appropriation and allotment separate from the University. See "UNIVERSITY FINANCES - Budget and Budgeting Procedures" in this Appendix I-A.

Academic Programs of the School of Medicine and School of Dental Medicine

Post Baccalaureate Programs. The Schools of Medicine and Dental Medicine each conducts a four-year, post baccalaureate program leading to the M.D. and D.M.D. degrees, respectively.

Residency. The School of Medicine and the School of Dental Medicine each offers residency programs which provide the advanced training in preparation for licensure practice and certification within a field of specialization.

Graduate Programs. Programs leading to either a Ph.D. or Master's degree in medically related sciences are offered in nine biomedical sciences and in community health and dental sciences. There are also programs of post-doctoral education of biomedical scientists.

Continuing Education. The schools provide facilities and/or opportunities for the practicing professionals to continue their education by offering a wide variety of courses, lectures, seminars, and visiting lectureships.

Research. The faculty of the School of Medicine is generally expected to develop an active research program, both to advance knowledge within their field of expertise and to enhance the quality of the educational program. Approximately $60 million is generated by the research activities of the various faculties which supplements appropriations from the State of Connecticut.

University of Connecticut Clinical Operations

The faculty practices of the Health Center are the key components of the Health Center's integrated health care delivery system administratively designated the "University of Connecticut Clinical Operations" ("Clinical Operations"). Clinical Operations is a vehicle of the Health Center through which the Health Center provides patient care and supports medical and dental training. Clinical Operations is also the vehicle through which the Health Center contracts with managed care and other health care payors, engages in joint ventures, affiliations and other arrangements. Clinical Operations also does business through the University of Connecticut Hospital Finance Corporation (the "Finance Corporation"), a statutory corporation authorized to enter into joint ventures, other affiliations and contracts in furtherance of the operations of the clinical programs.

The John Dempsey Hospital. The John Dempsey Hospital has 204 beds and is located in Farmington, a suburb of Hartford. It serves as the primary teaching hospital for the Schools of Medicine and Dental Medicine, and participates in the clinical education of students from other health profession education programs. As the primary teaching hospital, it contains a full range of services, including surgery, medicine, cardiac care, psychiatry, and obstetrics and gynecology. The Hospital is also the focus of specialized programs, including programs dealing with arthritis, lupus, alcoholism, cancer, hemophilia, high risk pregnancies, newborn intensive care, dental diseases in the handicapped, and taste and smell deficiencies.

UConn Medical Group and University Dentists. UConn Medical Group (UMG) and University Dentists include an extensive array of ambulatory clinics representing the range of specialty and primary fields that comprise medicine and dentistry operated by UMG and University Dentists.

Strategic Plan Initiative

In June 2000, the UConn Board of Trustees adopted a new Strategic Plan for the Health Center. The Plan articulated the following mission for the Heath Center:

> University of Connecticut Health Center will provide outstanding medical, dental and graduate education, research and clinical care. The Health Center will deliver a highly innovative educational curriculum that will be coordinated with focused areas of research excellence and clinical programs that are an essential part of community health services which benefit Connecticut's population and enhances the vitality of the region.

In addition the Strategic Plan incorporated the Education and Research Plans with a new clinical Plan. The primary focus of the clinical portion of the Plan is in four areas: Brain and Human Behavior, Cancer, Musculoskeletal Disease and Connecticut Health (initiatives promoting the health of Connecticut citizens).

Market Assessment and Strategic Planning

The Health Center employs a variety of means to access the market. Using data available from the Connecticut Hospital Association and the Office of Health Care Access, John Dempsey Hospital assesses its performance relative to other hospitals and in terms of market share. Both John Dempsey Hospital and UConn Medical Group use publicly available and purchased data sets relative to population and disease trends, utilization rates for services, physician and service demand. Health Center executives and product line leaders, both physician and non-physician staff, through professional associations, networking with peers and patient interactions, supply data, information and expertise that is used for assessment and planning. Public input is sought through formal and informal interactions with the Health Affairs Committee of the Board of Trustees, the State legislature, Town of Farmington, Connecticut officials, community leaders, patients and the many people who attend the public programs of the Heath Center. Strategic plans are developed given the market assessment, in combination with an assessment of the strengths of the Health Center programs and staff. The Health Center has focused efforts on programs that integrate the academic, research, and clinical strengths of the institution to serve the health care needs of the citizens of the State of Connecticut. In order best to extend the access to the Health Center services, it has established and continues to seek relationships with other health care providers including and especially primary care providers.

The Health Center is expected to continue to be pressured as managed care penetration in the region continues. The Health Center has adopted a strategy of actively monitoring the market and pursuing agreements with all managed care payors. The Health Center has entered into participation agreements with most of the major HMOs and PPOs. Payors are increasingly interested in shared risk arrangements with providers. The Health Center has executed a number of risk agreements and will likely be pressured to do more. The Health Center is actively developing the programs and systems necessary to accept and manage risk.

Professional Liability, Insurance and Litigation

Professional Liability. As a State agency, the Health Center is immune under the doctrine of sovereign immunity from suit and liability, unless such sovereign immunity is expressly waived by an act of, or pursuant to power granted by, the General Assembly. Fetterman v. University of Connecticut 192 Conn. 539 (1984). The General Assembly has not enacted a general waiver of the sovereign immunity; however, the General Assembly has granted power to the State Claims Commissioner to grant permission to sue the State for the acts and omissions of State, including its agencies (such as the Health Center) if the Claims Commissioner finds it just and equitable and where a claimant has presented a question of law or fact under which the State, were it a private person, could be liable. The Health Center is not legally obligated to satisfy judgments resulting from damages ordered as a result of such suits. In addition, the State has statutorily granted immunity to and obligated itself to protect and save harmless State officers, employees and students enrolled at the Health Center who are engaged in a supervised program of clinical practice for credit, which is part of the curriculum of the Health Center, unless such person acted in a wanton, reckless or malicious manner in the discharge of their duties, or function.

Insurance. The Health Center operates a statutorily created insurance fund designated the "Hospital Insurance Fund" (the "Fund"). The Fund is a separate trust fund of the Finance Corporation. The Fund is required by State law to be established and actuarially funded and operated by the Corporation and to be held by the Treasurer. The Fund is charged with all payments required to satisfy claims against the System and the Finance Corporation arising from the delivery of healthcare services. Since the Fund was established in 1987, the Health Center has not maintained private professional liability insurance. The Fund has paid all claims against the System and the State for professional liability since 1987. The Hospital Group has implemented quality assurance, risk assessment and peer review processes to mitigate, identify and evaluate risks. The sufficiency of the amount of money in the Fund is determined quarterly and deposits are made to the Fund as needed to assure that the amount of money in the Fund is actuarially sufficient. At June 30, 2000, the Fund had a balance of $6,838,026.

Litigation. The Health Center is currently defending several suits in state and federal court. The Assistant Attorney General for the Health Center is of the opinion that none of those suits, individually or collectively, place the assets of the Health Center at a significant risk.

Employment

The Health Center employs 441 full-time faculty and 2,535 full-time staff personnel. Health Center employees are State employees. See "Pension and Retirement System" in Part III of this Official Statement for information pertaining to the employees of the Health Center. The terms and conditions of employment of

2,859 employees are governed by collective bargaining agreements. The State bargains with all bargaining units representing Health Center employees except the University Health Professions (the "UHP"), which negotiates directly with the Health Center.

Recent Events

In November, 1999, the Health Center reported that it projected operating losses of approximately $21.2 million for the fiscal year ending June 30, 2000. As with academic medical centers across the country, the deficit is primarily due to federal funding cuts and changes caused by managed care. During December 1999, the University adopted a cost reduction and revenue enhancement plan which includes the elimination of approximately 147 FTE positions, freezes salaries and implements operating efficiencies. These actions resulted in an actual deficiency of $12.2 million for the fiscal year ended June 30, 2000. For fiscal year ended June 30, 2001, the initial projected deficit was $24.1 million. The cumulative impact of corrective actions for fiscal years 2000 and 2001 will result in a budgeted deficit of $4.4 million for the fiscal year ended June 30, 2001.

The General Assembly passed Special Act 00-12 Section 5 that appropriated $20 million for the Health Center. The special appropriation was applied as follows: $12.5 million for fiscal year 2000, $4.4 million for fiscal year 2001 and $3.1 million for research purposes in fiscal year 2001. The Special Act also mandated that a Legislative Oversight Committee be formed, and Price WaterhouseCoopers was assigned to perform an independent performance audit of the Health Center. The report was submitted to the Oversight Committee on December 20, 2000.

For the six-month period ending December 31, 2000, the Health Center has an actual deficiency of $61,927 which is $1,386,856 ahead of the planned budgeted deficiency of $1,448,784. Should the trends of the first six months continue, management anticipates that fiscal year 2001 will meet the budgeted year-end bottom line of $170,000.

HEALTH CENTER FINANCES

Unaudited Financial Statements of the Health Center

Below is a five-year presentation of Unaudited Current Funds Revenues, Expenditures and Other Changes in Fund Balance for the Health Center.

University of Connecticut Health Center
Statement of Current Fund Revenues, Expenditures, and Other Changes in Fund Balances
for the Fiscal Years 1996 through 2000

	1996*	1997*	1998*	1999	2000
Revenues:					
Student Fees and Tuition	$ 6,426,411	$ 6,892,838	$ 6,900,706	$ 6,831,902	$7,553,607
State Appropriations	75,296,970	73,277,119	89,590,360	98,760,048	122,516,470
Federal Grants and Contracts	30,389,629	27,716,578	31,121,163	32,186,869	36,990,744
State Grants and Contracts	1,622,367	2,020,987	2,273,002	2,316,869	2,711,618
Private Gifts, Grants and Contracts	11,573,652	11,306,616	11,588,561	12,633,977	15,194,714
Investment Income	527,596	959,040	346,804	806,577	920,945
Sales & Services of Auxiliary Enterprises	25,055,251	30,221,228	34,723,495	38,988,759	41,528,460
Patient Revenues	180,329,942	182,500,603	206,789,575	231,295,395	232,610,067
Other Sources	396,814	440,170	1,499,597	787,510	574,385
Total Revenues	**331,618,632**	**335,335,179**	**384,833,263**	**424,607,906**	**460,601,010**
Less Patient Revenues and Independent Operations	**180,329,942**	**182,500,603**	**206,789,575**	**231,295,395**	232,610,067
Education and General Revenues	**151,288,690**	**152,834,576**	**178,043,688**	**193,312,511**	227,990,943
Expenditures and Mandatory Transfers					
Education and General:					
Instruction	58,679,853	65,421,333	69,391,590	69,557,479	94,668,196
Research	30,469,323	28,073,808	33,735,852	33,911,556	39,428,482
Public Service	2,351,829	2,341,336	4,018,221	4,543,717	13,770,343
Academic Support	7,682,853	8,167,323	9,330,575	8,820,564	12,143,899
Student Services	830,815	885,679	1,011,526	939,316	881,894
Institutional Support	45,238,567	34,936,200	43,378,243	45,088,786	30,759,133
Operation and Maintenance of Plant	8,806,179	9,046,810	9,220,305	9,651,457	14,338,898
Scholarships & Fellowships	1,282,440	1,099,810	1,366,437	1,306,684	1,141,689
Educational and General Expenditures	155,341,859	149,972,299	171,452,749	173,819,559	207,132,534
Mandatory Transfers For:					
Principal and Interest	473,236	357,390	378,425	547,636	353,913
Total Education and General	155,815,095	150,329,689	171,831,174	174,367,195	207,486,447
Other Expenditures - Patient Care	174,766,142	180,752,660	222,716,635	250,998,301	255,134,816
Total Expenditures and Mandatory Transfers	**330,581,237**	**331,082,349**	**394,547,809**	**425,365,496**	**462,621,263**
Other Transfers and Additions (Deductions)					
Excess of restricted Receipts Over Transfers to Revenues	(2,402,410)	860,665	2,058,231	1,330,121	1,409,836
Excess of Employee Advances Over Payments Refunded to Grantors	(212,606)	(64,099)	(191,046)	(231,844)	(268,716)
Subsidy Transfer					
Interest Transfer					
Research Project Award	(625)				
Grant Funding Transfer					
Administrative Programs	11,000				
Non-Mandatory Transfers	(10,375)			(447,438)	(590,963)
State Transfer					
Loan Fund Transfer					
Student Activities Fund Transfer					
Total Other Transfer Additions (Deductions)	(2,615,016)	796,566	1,867,185	650,839	550,157
Net Increase (Decrease) in Fund Balance	**$(1,577,621)**	**$(5,049,396**	**$(7,847,361**	**$(106,751)**	**$(1,470,096)**

*FY 96 to FY 97 was restated to be consistent with FY 98 due to the following audit adjustments (FY 97 first year statements were audited): Federal Indirect Cost Recovery revenue and expense eliminated; additions to Malpractice Reserve Fund reclassified; and adjustments (revenue and expense) due to timing issues.

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

The Board of Trustees of the
University of Connecticut

We have audited the accompanying balance sheet of the University of Connecticut as of June 30, 2000, and the related statements of changes in fund balances and of current funds revenues, expenditures and other changes in fund balances for the year then ended. The University is a component unit of the University of Connecticut system, which includes the University of Connecticut, the University of Connecticut Health Center, the University of Connecticut Foundation, Inc. and the University of Connecticut Law School Foundation, Inc. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University, as of June 30, 2000, and the changes in fund balances and the current funds revenues, expenditures and other changes in fund balances for the year then ended in conformity with generally accepted accounting principles.

Sincerely,

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

Robert G. Jaekle
Auditor of Public Accounts

February 22, 2001
State Capitol
Hartford, Connecticut

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FINANCIAL STATEMENTS

UNIVERSITY OF CONNECTICUT
BALANCE SHEET
June 30, 2000

Assets	Current Funds Unrestricted	Current Funds Restricted	Endowment and Similar Funds	Loan Funds
Cash	$ 45,575,798	$ 5,800,839	$ 2,274,409	$ 607,516
Investments	18,550,852		5,489,690	
Accounts Receivable	7,803,829	17,398,193		
Loans Receivable - Net				11,650,996
Due from State of Connecticut	23,073,702	3,499		
Due from Related Agencies	10,950	16,000		
Due from Other Funds				
State Debt Service Commitment				
Inventories	1,989,229			
Land				
Net Non-structural Improvements				
Net Buildings				
Net Equipment				
Construction in Progress				
Deferred Charges	2,546,552			
Other Assets	141,641			
Total Assets	**$ 99,692,554**	**$ 23,218,530**	**$ 7,764,099**	**$ 12,258,511**
Liabilities and Fund Balances				
Accounts Payable	$ 6,040,840	$ 1,071,265	$	$
Wages Payable	21,015,468	1,767,527		
Compensated Absences	16,099,256			
Due to the State of Connecticut	6,141,292	243,021		
Due to Other Funds	985,190	572,177	582	
Deposits held in Custody for Others				
Installment Loans				
Interest Payable UC2000				
Bonds Payable UC2000				
Revenue Bonds Payable				
Bonds Payable				
Deferred Income	13,964,130			
Other Liabilities	716,745	500	37	2,583
Total Liabilities	$ 64,962,920	$ 3,654,491	$ 618	$ 2,583
Fund Balances:				
Restricted:				
Federal Loan Funds	$	$	$	$ 11,551,003
Other Loan Funds				704,926
Other		19,564,039	7,763,480	
Total Restricted	$	$ 19,564,039	$ 7,763,480	$ 12,255,928
Unrestricted	50,828,890			
Amount Financed in Future Years	(16,099,256)			
Net Investment in Plant				
Total Fund Balances	$ 34,729,634	$ 19,564,039	$ 7,763,480	$ 12,255,928
Total Liabilities and Fund Balances	**$ 99,692,554**	**$ 23,218,530**	**$ 7,764,099**	**$ 12,258,511**

Exhibit A

Agency Funds	Plant Funds: Unexpended	Retirement of Indebtedness	Investment In Plant	Total (memo only)
$ 2,004,740	$ 2,505,275	$ 4,634,978	$	$ 63,403,553
	195,311,008	7,002,651		226,354,201
	633,595			25,835,616
				11,650,996
	7,534,731			30,611,932
				26,950
		1,656,471		1,656,471
		5,822,521	468,717,138	474,539,659
	138,743			2,127,972
			12,247,626	12,247,626
			50,425,418	50,425,418
			512,130,855	512,130,855
			232,007,266	232,007,266
			148,607,812	148,607,812
		6,276,217		8,822,770
	100,000			241,641
$ 2,004,740	**$ 206,223,351**	**$ 25,392,839**	**$ 1,424,136,114**	**$ 1,800,690,738**
$ 6,380	$ 15,252,185	$	$	$ 22,370,670
	22,652			22,805,647
				16,099,256
2,399	5,789			6,392,501
	98,524			1,656,472
1,995,961				1,995,961
			3,856,907	3,856,907
		5,822,521		5,822,521
			468,717,138	468,717,138
	86,904,860		35,080,140	121,985,000
			17,627,124	17,627,124
				13,964,130
		921,861		1,641,725
$ 2,004,740	$ 102,284,009	$ 6,744,382	$ 525,281,308	$ 704,935,051
$	$	$	$	$ 11,551,003
				704,926
	24,956			27,352,476
$	$ 24,956	$ $ 0	$	$ 39,608,404
	103,914,387	18,648,456		173,391,733
				(16,099,256)
			898,854,806	898,854,806
$	$ 103,939,343	$ 18,648,456	$ 898,854,806	$ 1,095,755,687
$ 2,004,740	**$ 206,223,351**	**$ 25,392,839**	**$ 1,424,136,114**	**$ 1,800,690,738**

UNIVERSITY OF CONNECTICUT
STATEMENT OF CHANGES IN FUND BALANCES
For the Year Ended June 30, 2000

	Current Funds Unrestricted	Current Funds Restricted	Endowment and Similar Funds
Revenues and Other Additions			
Current Fund Revenues and Additions	$ 464,422,414	$ 84,350,096	$
State Appropriations - Unexpended Plant Funds			
Gifts			22,751
Investment Income		1,442,143	30,531
Interest on Loans Receivable			
Expended for Plant Facilities			
Sale of UC2000 Bonds			
State Debt Service Commitment			
Miscellaneous			
Fair Value Adjustment			342,701
Total Revenues and Other Additions	**$ 464,422,414**	**$ 85,792,239**	**$ 395,983**
Expenditures and Other Deductions			
Educational and General Expenditures	$ 364,514,915	$ 76,415,330	$
Auxiliary Services Expenditures	83,897,152	10,661	
Indirect Costs Recovered		7,514,658	
Loan Assignments, Cancellations and Writeoffs			
Administrative Costs			
Expended for Plant Facilities (including Non-Capitalized Expenditures)			
Disposal of Plant Facilities			
Current Year Depreciation			
Fair Value Adjustment			
Miscellaneous			
Interest on Indebtedness			
Total Expenditures and Other Deductions	**$ 448,412,067**	**$ 83,940,649**	**$ 0**
Transfers Among Funds Additions (Deductions)			
Mandatory - Debt Payment	$ (8,706,751)	$	$
Mandatory - Other			
Non-Mandatory:			
Current Unrestricted		311,286	(225)
Current Restricted	(311,286)		57,637
Endowments	225	(57,637)	
Loans		3,627	
Unexpended Plant	(3,466,160)	(98,464)	
Total Transfers	**$ (12,483,972)**	**$ 158,812**	**$ 57,412**
Net Increase (Decrease) for the Year	$ 3,526,375	$ 2,010,402	$ 453,395
Fund Balances at Beginning of Year	31,203,259	17,553,637	7,310,085
Fund Balances at End of Year	**$ 34,729,634**	**$ 19,564,039**	**$ 7,763,480**

Exhibit B

Loan Funds	Plant Funds Unexpended	 Retirement of Indebtedness	 Investment In Plant	Total (memo only)
$	$	$	$	$ 548,772,510
	2,000,001			2,000,001
77,931				100,682
		940,144		2,412,818
301,844				301,844
			121,775,561	121,775,561
	130,000,000			130,000,000
		18,981,996		18,981,996
	1,883,481	31,731		1,915,212
				342,701
$ 379,775	**$ 133,883,482**	**$ 19,953,871**	**$ 121,775,561**	**$ 826,603,325**
$	$	$	$	$ 440,930,245
				83,907,813
				7,514,658
60,488				60,488
150,506				150,506
	113,122,499			113,122,499
			9,503,116	9,503,116
			41,804,584	41,870,398
		65,814		65,814
		194,119		194,119
		20,559,224		20,559,224
$ 210,994	**$ 113,122,499**	**$ 20,819,157**	**$ 51,307,700**	**$ 717,813,066**
$	$ (90,442)	$ 9,508,808	$ (711,615)	$
	3,466,160			3,777,221
(3,627)	98,464			(158,812)
				(57,412)
				3,627
				(3,564,624)
$ (3,627)	**$ 3,474,182**	**$ 9,508,808**	**$ (711,615)**	**$ 0**
$ 165,154	$ 24,235,165	$ 8,643,522	$ 69,756,246	$ 108,790,259
12,090,774	79,704,178	10,004,934	829,098,560	986,965,427
$ 12,255,928	**$ 103,939,343**	**$ 18,648,456**	**$ 898,854,806**	**$ 1,095,755,687**

Exhibit C

UNIVERSITY OF CONNECTICUT
STATEMENT OF CURRENT FUND REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCES
For the Year Ended June 30, 2000
(with comparative figures for 1999)

	Current Funds		For the Years Ended June 30	
	Unrestricted	Restricted	2000 Total	1999 Total
Revenues				
Tuition and Fees	$ 122,141,197	$	$ 122,141,197	$ 110,742,558
State Appropriations	234,872,559		234,872,559	213,181,741
Federal Grants & Contracts	5,986,534	42,125,140	48,111,674	45,728,277
State Grants & Contracts	702,220	19,637,368	20,339,588	10,904,297
Local Grants & Contracts		16,000	16,000	2,000
Private Gift Grants & Contracts	9,785,080	13,286,463	23,071,543	18,382,763
Investment Income	4,595,128	1,361,020	5,956,148	5,017,256
Sales & Services of Ed Activities	11,508,457		11,508,457	9,997,841
Sales & Services of Auxiliary Enterprises	67,681,421		67,681,421	62,533,837
Other Sources	7,149,818		7,149,818	7,292,726
Total Current Revenues	**$ 464,422,414**	**$ 76,425,991**	**$ 540,848,405**	**$ 483,783,296**
Expenditures and Mandatory Transfers				
Instruction	$ 152,766,895	$ 4,778,763	$ 157,545,658	$ 145,897,909
Research	21,983,391	42,813,460	64,796,851	54,848,000
Public Service	15,263,719	7,386,667	22,650,386	21,046,960
Academic Support	58,736,585	5,008,600	63,745,185	60,510,462
Student Services	15,959,279	1,505,861	17,465,140	16,366,173
Institutional Support	43,650,231	185,249	43,835,480	36,166,331
Scholarships & Fellowships	21,719,449	14,732,624	36,452,073	31,173,310
Plant Operation & Maintenance	34,435,366	4,106	34,439,472	32,565,413
Total Expenditures	$ 364,514,915	$ 76,415,330	$ 440,930,245	$ 398,574,558
Mandatory Transfer For Debt Retirement	8,706,751		8,706,751	4,694,996
Total Expenditures and Mandatory Transfer	$ 373,221,666	$ 76,415,330	$ 449,636,996	$ 403,269,554
Auxiliary Services Expenditures	83,897,152	10,661	83,907,813	78,725,389
Total Auxiliary Services Expenditures	$ 83,897,152	$ 10,661	$ 83,907,813	$ 78,725,389
Total Expenditures and Mandatory Transfers	**$ 457,118,818**	**$ 76,425,991**	**$ 533,544,809**	**$ 481,994,943**
Other Transfers and Additions (Deductions)				
Excess of Restricted Receipts Over Transfers to Revenues	$	$ 1,851,590	$ 1,851,590	$ (1,846,489)
Transfers From:				
Unrestricted Funds		311,286	311,286	181,311
Restricted Funds				0
Loan Funds	225		225	0
Transfers To:				
Unrestricted Funds	(311,286)		(311,286)	(181,311)
Endowment Principal		(57,637)	(57,637)	(194,052)
Loan Funds		3,627	3,627	0
Plant Funds	(3,466,160)	(98,464)	(3,564,624)	(6,125,955)
Total Other Transfers and Additions (Deductions)	**$ (3,777,221)**	**$ 2,010,402**	**$ (1,766,819)**	**$ (8,166,496)**
Net Increase (Decrease) in Fund Balances	**$ 3,526,375**	**$ 2,010,402**	**$ 5,536,777**	**$ (6,378,143)**

NOTES TO FINANCIAL STATEMENTS

University of Connecticut
Notes to Financial Statements June 30, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Related Entities

The University of Connecticut (University) is a component unit of the University of Connecticut system, which includes the University of Connecticut, the University of Connecticut Health Center, The University of Connecticut Foundation, Inc., and The University of Connecticut Law School Foundation, Inc. These financial statements represent the transactions and balances of the University only. The University offers undergraduate and graduate degrees and does research at several locations in the State of Connecticut. The University of Connecticut Health Center offers medical and dentistry degrees and operates a teaching and research hospital. The University of Connecticut Foundation, Inc. and The University of Connecticut Law School Foundation, Inc. raise funds to promote, encourage, and assist education and research at the University, the University Health Center, and the Law School.

Basis of Accounting

The financial statements of the University of Connecticut have been prepared on the accrual basis of accounting. The Statement of Current Fund Revenues, Expenditures, and Other Changes is a statement of financial activities of current funds related to the current reporting period. It is not intended to present the results of operations or the net income or loss for the period, as would a statement of income or a statement of revenue and expenses.

Fund Accounting

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the University, the accounts of the University are maintained in accordance with the principles of "fund accounting." This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accord with specified activities or objectives. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group.

Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted fund balances allocated for specific purposes by action of the Board of Trustees. Externally restricted funds may be used only in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds, over which the Board of Trustees retains full control to use in achieving any of its institutional purposes.

Fund Classifications

Current Funds - Unrestricted

Current unrestricted funds account for all resources available for current operations that have not been restricted as to use by outside donors. Current operations include expenditures for educational and general purposes of the University, together with auxiliary services operations, which include among others, student residences, food services, and athletics.

Current Funds - Restricted

Current restricted funds account for resources made available to the University for operating purposes that have been restricted by outside donors. These resources generally are in the form of gifts, grants, and contracts received by the University in support of research, educational, and public service activities. Revenues are recognized when related funds have been expended.

Endowment and Similar Funds

Endowment and similar funds are subject to the restrictions of gift instruments, requiring in perpetuity that the principal be invested. Quasi-endowment funds have been established by the University's administration for the same purposes as endowment funds. Future expenditures of such funds require appropriate administrative approval.

Loan Funds

Loan funds account for resources, primarily from the Federal Government, which provide loans to students on a revolving basis (repayments of principal and interest become available for loans to other students). Interest is recorded when received.

Agency Funds
Agency funds account for resources handled in a custodial manner for other agencies and affiliated organizations.

Plant Funds
Plant funds account for the resources invested in and available for University land, buildings and equipment, and related debt retirement.

2. CASH AND INVESTMENTS

Statement No. 3 of the GASB requires governmental entities to categorize deposits and investments to give an indication of the level of credit risk assumed by the University at year-end. Category 1 includes investments that are insured or registered, or for which securities are held by the University or its agent in the name of the University. Category 2 includes uninsured and unregistered investments for which securities are held by the broker's or dealer's trust department or agent in the name of the University. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the University's name. Investments that are not evidenced by securities are not categorized.

The University's cash balance as of June 30, 2000, $63,403,553, included $62,334,299 in cash balances maintained by the State of Connecticut Treasurer for the University's Operating and Research Foundation Funds. The remaining $1,069,254 consisted primarily of deposits with financial institutions. The deposits were considered uninsured and uncollateralized (Category 3).

Collateralized deposits are deposits protected by State statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal at least to a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio - a measure of the bank's financial condition. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank. Portions of the bank balance of the State of Connecticut were insured by the Federal Deposit Insurance Corporation or collateralized. Though, as a State agency, the University of Connecticut benefits from this protection, the extent to which the deposits of an individual State agency such as the University are protected cannot be readily determined.

The University's cash management investment policy authorizes the University to invest in the State of Connecticut Treasurer's Short Term Investment Fund, United States Treasury bills, United States Treasury notes and bonds, United States Government Agency obligations, banker's acceptances, certificates of deposit (including EURO Dollars), commercial paper, money market funds, repurchase agreements, and savings accounts.

The University's investments, which are carried at fair value, totaled $226,354,201 as of June 30, 2000 and included the following:

	Cost	Fair Value
Endowments:		
UConn Foundation Managed (Category 1)	$ 2,602,668	$ 5,475,730
Corporate Bonds (Category 1)	15,000	13,960
Other:		
U.S. Government Agency Securities (Category 1)	2,125,000	1,947,152
State of Connecticut Investment Pool (Not Categorized)	211,681,289	211,681,289
Corporate Notes (Category 3)	6,763,361	6,763,361
Mutual Funds (Not Categorized)	472,709	472,709
Total Investments	**$223,660,027**	**$226,354,201**

Certain funds are held by outside fiscal agents and are not under the direct control of the University. Accordingly, the assets of these funds are not included in the financial statements. The fair value amount of these funds at June 30, 2000 was $15,200,423. Investment income earned on these assets is transferred to the University in accordance with the applicable trust agreement. Income received from those sources for the year ended June 30, 2000 was $455,040.

3. INVESTMENT IN PLANT

Land, buildings, non-structural improvements and equipment are reported at cost at date of acquisition or market value at date of donation, in the case of gifts.

GASB Statement No. 8 allows the governmental colleges and universities to depreciate their capital assets. Depreciation on buildings, non-structural improvements, and equipment is recorded on a straight-line basis over the estimated useful lives of the respective assets.

Building components and non-structural improvements have estimated useful lives from 2 years to 60 years. Equipment has an estimated useful life of 3 years to 15 years.

The following shows the assets at cost less accumulated depreciation:

Buildings at Cost	$652,150,583
Less Accumulated Depreciation	140,019,728
	$512,130,855
Non-Structural Improvements at Cost	$77,600,570
Less Accumulated Depreciation	27,175,152
	$50,425,418
Equipment at Cost	$340,974,716
Less Accumulated Depreciation	108,967,450
	$232,007,266

4. INVENTORIES

Consumable supplies are expensed when received with the exception of certain central inventories. Cost of the inventory is determined on a moving average basis for the Commissary Warehouse and Central Warehouse, and on a first-in, first-out basis for the others.

5. ENDOWMENTS

The University designated The University of Connecticut Foundation, Inc. manager of the University's endowment funds. The Foundation makes spending allocation distributions to the University for each participating endowment. The distribution is spent by the University in accordance with the respective purposes of the endowments and with the policies and procedures of the University.

In fiscal year 1996 the UConn Foundation began specialized fundraising efforts in connection with the "UConn 2000" program to increase private donations to endowments. Public Act 98-252 Endowment Fund State Matching Grant provided State Matching Funds for qualifying private donations to endowment funds received on or after January 1, 1996. The University's portion of the State Endowment Matching Grant appropriated to the University in fiscal year 1997 was $7,323,172 and $1,778,823 in fiscal year 1998.

In July 1998, State Statute 10a-8b was passed directing the Higher Education State Matching Grant Fund to be administered by the Department of Higher Education. The new legislation clarified the gift certification process and the placement of the matching grant funds to follow the original donation. The amount of $7,500,000 in Higher Education Matching Grants was transferred from the Department of Higher Education in fiscal year 2000. Subsequent to June 30, 2000, the amount of $5,000,000 in higher education grants has been transferred from the Department of Higher Education. All Endowment Fund State Matching Grant funds received have been placed with the UConn Foundation for addition to the same fund as designated by the donor of the Endowment Fund eligible gifts.

6. UCONN 2000 INFRASTRUCTURE IMPROVEMENT PROGRAM

Public Act No. 95-230 enables the University to borrow money in its own name for a special ten year capital improvement program (UConn 2000) designed to modernize, rehabilitate, and expand the physical plant of the University. It authorizes projects estimated to cost $1,250,000,000, of which $962,000,000 is to be financed by bonds of the University; $18,000,000 is to be funded by State General Obligation Bonds; and the balance of $270,000,000 may be financed by gifts, other revenue, or borrowing resources of the University.

Bonds issued to June 30, 2000 are:

1996 Series A	$ 83,929,715
1997 Series A	124,392,432
1998 Series A	99,520,000
1999 Series A	79,735,000
2000 Series A	130,850,000

These bonds are general obligations of the University, for which its full faith and credit are pledged, and are payable from all assured revenues. The bonds are additionally secured by the pledge of and a lien upon the State Debt Service Commitment. The State Debt Service Commitment is the commitment by the State to pay an annual amount of debt service on securities issued as general obligations of the University. The University, consistent with the Act, is relying upon the receipt of the annual amount of the pledged State Debt Service Commitment for the payment of the bonds and, accordingly, is not planning to budget any of the other revenues for the payment of the bonds. Under the master indenture, the University expects to issue additional bonds to finance UConn 2000 projects secured by the State Debt Service Commitment.

The University may also issue Special Obligation bonds backed by certain pledged revenues of the University. On February 4, 1998, the University issued $33,560,000 of the Student Fee Revenue Bonds 1998 Series A to fund $30,000,000 of the South Campus Project; $2,126,425 of a Special Capital Reserve Fund held by the Trustee Bank; and the remainder to pay costs of issuance, including the underwriter's discount. The bonds have a final maturity of November 15, 2027.

The 2000 Series A bonds dated May 15, 2000 represent the second series of Special Obligation Bonds issued in the amount of $89,570,000. The bond proceeds will fund three UConn 2000 projects, Hilltop Dormitory at $21,000,000, Hilltop Student Rental Apartments at $42,000,000, and Parking Garage South at $24,000,000. The bonds have a final maturity of November 15, 2029.

The Special Obligation Bonds are secured by certain gross and net pledged revenues of the University, including the Infrastructure Maintenance Fee and other legally available revenues as further defined in the Indentures of Trust.

7. LONG-TERM DEBT PAYABLE

Debt principal outstanding for State bond issues, UConn 2000 bond issues, and installment loans, as of June 30, 2000, is as follows:

	Issue Date		Balance
Bonds	March 1992	original	$1,768,397
	September 1992	original	704,125
	September 1992	refund	2,096,563
	March 1993	refund	297,652
	October 1993	refund	947,686
	March 1994	original	1,065,000
	August 1994	original	136,048
	March 1995	original	1,273,809
	March 1995	refund	229,680
	October 1995	original	1,226,978
	November 1996	refund	525,709
	March 1997	original	4,114,786
	September 1997	refund	325,655
	February 1998	refund	1,001,429
	GO 1996 Series A	original	67,414,715
	GO 1997 Series A	original	104,892,432
	GO 1998 Series A	original	89,560,000
	GO 1999 Series A	original	76,000,000
	GO 2000 Series A	original	130,850,000
	Rev 1998 Series A	original	32,415,000
	Rev 2000 Series A	original	89,570,000
	U.S. Dept. Ed.		1,913,608
Loans	Installment Purchases		3,856,907
Total			$612,186,179

Estimated cash basis interest and principal requirements for the long-term debt for the next five years are as follows:

		State Debt Service Commitment	University Revenue Bonds
2001	State DSC	$48,389,117	
	Rev 1998	—	$2,078,450
	Rev 2000		5,107,217
	Self Liq.		1,645,184
	U.S. Dept. Ed.		136,880
			8,967,731
2002	State DSC	47,320,732	
	Rev 1998		2,080,287
	Rev 2000		5,107,217
	Self Liq.		2,031,972
	U.S. Dept. Ed.		136,880
			9,356,356
2003	State DSC	47,107,092	
	Rev 1998		2,080,545
	Rev 2000		6,463,857
	Self Liq.		1,900,898
	U.S. Dept. Ed.		136,880
			10,582,180
2004	State DSC	46,147,725	
	Rev 1998		2,079,512
	Rev 2000		6,464,727

	Self Liq.		2,217,420
	U.S. Dept. Ed.		136,880
			10,898,539
2005	State DSC	46,120,447	
	Rev 1998		2,077,152
	Rev 2000		6,465,582
	Self Liq.		1,840,521
	U.S. Dept. Ed.		136,880
			10,520,135

Installment Purchases:

Year	Loans
2001	$1,691,598
2002	1,155,644
2003	715,193
2004	520,805
2005	336,556
Totals	$4,419,796

8. BOND FINANCED ALLOTMENTS

The University recognizes an asset when an allotment is processed for State general obligation bonds or when bonds to be funded from University resources are sold.

9. RETIREMENT PLAN

All regular full-time employees participate in one of two retirement plans. The State Employees' Retirement System, a single employer defined benefit public employee retirement system, is administered by the State and covers most full-time employees. The State of Connecticut is statutorily responsible for the pension benefits of University employees who participate in this plan. The University makes contributions on behalf of the employees through a fringe benefit charge assessed by the State.

Alternatively, employees may choose to participate in the Teacher Insurance and Annuity Association/College Retirement Equities Fund. TIAA/CREF is a national organization used to fund pension benefits for educational institutions. Under this arrangement, the University and the plan participants make annual contributions to TIAA/CREF to purchase individual annuities equivalent to retirement benefits earned.

Of the approximately 280 full-time employees of the University's Department of Dining Services, 170 are eligible to participate in two retirement plans. All eligible Dining Services' employees participate in the Department of Dining Services Money Purchase Pension Plan and another defined contribution plan, the University of Connecticut Department of Dining Services 403(b) Retirement Plan. The terminated defined benefit plan frozen in 1994 has been totally disbursed and no longer exists.

10. COMPENSATED ABSENCES

Accrued vacation and accrued sick leave balances for employees at June 30, 2000 are $14,831,513 and $1,267,742 respectively. These amounts have been recorded on the financial statements for June 30, 2000. The accrued vacation balance and the accrued sick leave balance are the amounts earned by eligible employees through June 30, 2000.

11. POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 9, the State provides post retirement health care and life insurance benefits to University employees, in accordance with State Statutes, Sections 5-257(d) and 5-259(a). When employees retire, the State pays 100% of their health care insurance premium cost (including the cost of dependent's coverage). In addition, the State pays 100% of the premium cost for a portion of the employee's life insurance continued after retirement. The amount of life insurance continued at no cost to the retiree is determined in a formula based on the number of years of State service that the retiree had at time of retirement. The State finances the cost of post retirement health care and life insurance benefits on a pay-as-you-go basis through an appropriation in the General Fund.

12. COMMITMENTS

On June 30, 2000, the University had outstanding commitments (over $100,000 each) totaling $72,926,526. Of this amount, $4,887,636 was included in the June 30, 2000 accounts payable. The outstanding commitments were for capital outlay, research, academic support, and institutional support. The University expects $1,021,151.85 to be reimbursed by Federal grants.

13. DEFERRED INCOME AND CHARGES

Tuition and fees collected as of June 30, 2000, but applicable to the 2000 summer session, are reported as deferred income. Deferred income totaled $13,964,130. Deferred charges relating to this session are reported in the period the tuition and fees are recognized as income. Deferred charges totaled $2,546,552.

14. TUITION WAIVERS AND GRADUATE ASSISTANTSHIPS

The University is required by law to waive tuition for certain veterans and children of veterans, certain students over the age of 62, and graduate assistants. The University is required by collective bargaining agreements to waive tuition for UCPEA employees and dependents of certain employees.

The tuition revenue is reported as net revenue representing actual tuition fee receipts. The foregone revenue resulting from tuition waivers in fiscal year 1999 was $17,738,334 and $18,369,529 in fiscal year 2000. Approximately 87% of such waivers were provided to graduate assistants in fiscal year 2000.

A breakdown of the tuition waivers for fiscal year 2000 is as follows:

	Tuition Waivers FY2000
Graduate Assistants	$15,915,218
Dependents	1,056,867
Veterans	668,970
National Guard	642,736
Spouse	36,442
Over 62	3,412
UCPEA Employees	45,884
Total	$18,369,529

15. CONTINGENCIES

The University of Connecticut is a party to various legal actions arising in the ordinary course of its operations. While it is not feasible to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material effect of the University of Connecticut's financial statements.

UNIVERSITY OF CONNECTICUT
TRUSTEES AND FINANCIAL OFFICERS
JUNE 30, 2000

BOARD OF TRUSTEES

FINANCIAL OFFICERS

APPENDIX I-B

SUMMARY OF CERTAIN PROVISIONS OF THE GENERAL OBLIGATION MASTER INDENTURE OF TRUST

This section is a brief summary of the General Obligation Master Indenture of Trust (the "Master Indenture"). The summary does not purport to be complete. Reference is made to the Master Indenture for a full and complete statement of the provisions thereof.

Authority for the Master Indenture. [Section 201]. The Master Indenture is made and entered into by virtue of and pursuant to the provisions of the Act.

Authorization for Issuance of Bonds and Obligation of University. [Section 202]. In order to provide sufficient funds for the UConn 2000 Infrastructure Improvement Program, Bonds of the University are authorized to be issued without limitation as to amount except as therein provided or as may be limited by law.

The Bonds issued under the Master Indenture shall be general obligations of the University for the payment of which, in accordance with their terms, the full faith and credit of the University are thereby pledged and are payable out of any revenues or other assets, receipts, funds or moneys of the University, subject only to any agreements permitted by the Act and the Master Indenture with the holders of particular notes or bonds pledging any particular revenues, assets, receipts, funds or moneys. All Bonds issued thereunder shall be additionally secured and entitled to the benefit of the continuing pledge of and lien on the Trust Estate created by the Master Indenture and the covenants of the University and the State contained therein to secure the full and final payment of the principal, or Redemption Price, if applicable, thereof and the interest thereon. Bonds issued thereunder shall not be deemed to constitute a debt or liability of the State or any municipality thereof or a pledge of the faith and credit of the State or of any such municipality and shall not constitute a debt or liability issued or guaranteed by or otherwise of the State, except the amount required by the Act to be so included. All Bonds shall be payable solely from the resources of the University described in and pursuant to the Master Indenture and the Supplemental Indenture under which they are issued.

Pledge Effected by Master Indenture. [Section 601]. The Trust Estate is pledged pursuant to the Master Indenture to secure the payment of the principal or Redemption Price, if any, and the interest on the Bonds (including the Sinking Fund Installments for the retirement thereof). In accordance with the Act, and pursuant to each Supplemental Indenture authorizing Bonds to be additionally secured by the State Debt Service Commitment, the amount of the State Debt Service Commitment in each fiscal year shall be pledged for the punctual payment of the Special Debt Service Requirements on such Bonds as the same arise and shall become due and payable.[1]

[1] Pursuant to the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, and the Sixth Supplemental Indenture, 2001 Series A Bonds are additionally secured by the State Debt Service Commitment and are thereby authorized to be issued under the Master Indenture and pursuant to the Act in a maximum amount not to exceed $100,000,000 for the UConn Projects as set forth therein, plus the amount of the Costs of Issuance. The amount of the balance of the $100,000,000 Bonds not funded by the 2001 Series A Bonds shall be issued subsequently pursuant to a Supplemental Indenture.

Establishment of Funds and Accounts. [Section 602]. The University establishes and creates the following funds and accounts to be held by the Treasurer, the University or the Trustee as set forth opposite such Fund or Account. Within the Bond Proceeds Fund, the Construction Account, to be held by the Trustee, and the Costs of Issuance Account, to be held by the Treasurer; the Debt Service Fund to be held by the Trustee consisting of the Interest Account and the Principal Installment Account; the Renewal and Replacement Fund to be held by the University and the Redemption Fund to be held by the Trustee. The University has reserved the right to establish additional funds, accounts and sub-accounts thereunder.

Bond Proceeds Fund. [Section 603]. Subject to Section 501 prescribing the application of Bond proceeds, there shall be deposited into the Bond Proceeds Fund the proceeds of all Bonds issued under the Master Indenture. Within the Bond Proceeds Fund the Treasurer shall maintain a separate account designated "Construction Account". Monies in the Construction Account shall be expended only for the UConn 2000 Infrastructure Improvement Program.

Except as may be limited by the purposes for which a Series is issued, amounts in the Construction Account shall be expended by the University only to payments for the financing of UConn 2000 Projects, principal, redemption price, and interest, on Notes of the University, to the State, of monies paid or advanced by the State to and used by the University for the UConn 2000 Infrastructure Improvement Program, to the University, of monies paid or advanced by the University and used by the University for the UConn 2000 Infrastructure Improvement Program, to the extent that other monies are not available, of Principal Installments of and interest on Bonds when due, and to any other valid purpose of the University under the Act. The University is further authorized and directed to order each disbursement from the Construction Account upon a certification filed with the Treasurer and Trustee stating that such cost has been properly paid or incurred and is consistent with the covenant of the University respecting tax exempt obligations and any Tax Regulatory Agreement with respect thereto.

There shall be deposited in the Costs of Issuance Account of the Bond Proceeds Fund all moneys required to be deposited therein to pay the Costs of Issuance incurred in connection with the authorization, issuance and delivery of the corresponding Bonds. After payment of all Costs of Issuance on the Bonds, any interest earnings in the Bond Proceeds Fund remaining shall be credited to the General Fund of the State. Amounts in the Construction Account and Costs of Issuance Account may be invested by the Treasurer in obligations permitted for State general obligation bonds of the State.

Debt Service Fund. [Section 604]. In order to provide for the punctual payment of Principal Installments and interest on the Bonds, the University shall pay to the Trustee from Assured Revenues the Debt Service Fund Requirement for deposit in the Debt Service Fund, and with respect to Bonds additionally secured by the State Debt Service Commitment, shall rely on the amount of the State Debt Service Commitment applicable to the Debt Service Fund Requirement being directly deposited into the Debt Service Fund on or before the Interest Payment Date with respect to interest on such Bonds and on the Principal Installment Date with respect to Principal or Sinking Fund Installments on such Bonds by the Treasurer, such amounts having been appropriated out of the resources of the General Fund of the State, as part of the contract of the State with the Bondholders of the Bonds additionally secured by the State Debt Service Commitment by Section 5(c) of the Act. The Trustee shall pay out of the Interest Account of the Debt Service Fund and out of the Principal Installment Account of the Debt Service Fund to the respective Paying Agents the amounts required for the payment of interest and principal, respectively due on Outstanding Bonds

Renewal and Replacement Fund. [Section 606]. The University shall provide from time to time for deposit of amounts into the Renewal and Replacement Fund so that the amounts therein equals the Renewal and Replacement Requirement. The Master Indenture authorizes the University to apply the amounts in the Renewal and Replacement Fund to the payment or reimbursement of the extraordinary expenses incurred for the rebuilding, replacement, relocating, repair and restoration of any UConn 2000 Project financed by the University under the Master Indenture and other facilities forming part of the physical university plant so to permit the University to operate and maintain the physical university plant in sound operating condition.

Redemption Fund. [Section 607]. Upon deposit of monies in any Series account of the Redemption Fund or within thirty (30) days thereafter, the University may give written direction to the Trustee of the Redemption Date, of the maturity or maturities of the Bonds of such Series to be purchased or redeemed and of the principal amounts of each maturity or maturities to be purchased or redeemed, subject to any limitations with respect thereto contained in the Master Indenture and the Supplemental Indenture authorizing such Series. Monies so held shall be applied to the purchase or retirement of Bonds of the Series in respect of which such account was created. In the event the Trustee is unable to purchase Bonds of a Series and there is $100,000 or more in the Account established for such Series of Bonds, the Trustee shall call for redemption on the next ensuing Redemption Date such amount of Bonds of such maturity or maturities of the Series in respect of which such Account was created at the Redemption Price applicable by operation of the Redemption Fund in the next ensuing Redemption Date, will exhaust said Account as nearly as may be. Unless otherwise directed Bonds shall be redeemed in inverse order of their maturities and by lot within a maturity. Subject to the provisions of any Supplemental Indenture amounts in the Redemption Fund shall be applied by the Trustee to the purchase or redemption of Bonds, provided, however, the University shall direct the selection of the Bonds to be purchased and the purchase price thereof as rapidly as in its judgment is reasonably practicable.

Payment of Bonds. [Section 901]. The University covenants that it shall duly and punctually pay or cause to be paid, the principal or Redemption Price, if any, of every Bond and the interest thereon, at the dates and places and in the manner provided in the Bonds, according to the true intent and meaning thereof, and shall duly and punctually pay or cause to be paid all Sinking Fund Installments, if any, becoming payable with respect to any Series of Bonds.

Operating Budget. [Section 903]. Pursuant to the Act for the ensuing Fiscal Year and prior to each such ensuing Fiscal Year or as soon as possible during such Fiscal Year, the University shall adopt an Operating Budget for the University and, pursuant to the Master Indenture, shall include amounts necessary to provide for the amounts necessary to meet the Renewal and Replacement Fund Requirement.

Power to Issue Bonds and Make Pledges. [Section 906]. The moneys, securities and funds pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledges created by the Master Indenture, and all corporate action on the part of the University to that end has been duly and validly taken. The Bonds and the provisions of the Master Indenture are and will be the valid and legally enforceable obligations of the University in accordance with their terms and the terms of the Master Indenture. The University shall at all times, to the extent permitted by law, defend, preserve and protect the pledges including defending, preserving and protecting such pledges as statutory liens as set forth in the Act

Indebtedness and Liens. [Section 907]. (A) Except as provided below, the University shall not issue any bonds, notes or other evidences of indebtedness secured by a pledge of Assured Revenues other than the pledge created by the Indenture with respect to the State Debt Service Commitment and on the Bond proceeds, the Debt Service Fund and the Redemption Fund, shall not create or cause to be created any lien or charge on Assured Revenues or any account or funds established under the Indenture. (B)(1) Nothing in the Indenture shall prevent the University from issuing indebtedness payable out of, or secured by a pledge, assignment or other encumbrances of Assured Revenues to be derived on or after the date of the Indenture shall be discharged and satisfied as provided in the Indenture or (B)(2) if authorized by law, other than the Act, for University purposes other than the UConn 2000 Infrastructure Improvement Program (a) from issuing its indebtedness payable out of Assured Revenues and (b) may be additionally secured by a pledge of particular Assured Revenues other than the State Debt Service Commitment, so long as prior to the issuance thereof such particular Assured Revenues have not been pledged pursuant to the Indenture or a Dedication Instrument and the authorizing documents shall be filed with the Trustee, accompanied by a Counsel's Opinion as required under the Indenture. (C) Nothing in the Indenture shall prevent the University from issuing its General Obligation Bonds for financing any one Project pursuant to a financing program or pledging any Project Revenues or assets of the University derived from Projects, including Assured Revenues that may be restricted by the terms thereof to such a particular Project to be so financed, or any special capital reserve fund created therefor pursuant to the Act. (D) Nothing in the Indenture shall prevent the University from pledging any Assured Revenues, other than the State Debt Service Commitment subject to the conditions and limitations described in the Indenture to secure bonds, notes or other evidences of indebtedness by the University, so long as before or simultaneously with any such pledge, there is delivered to or filed with the Trustee: (1) a copy of the Dedication Instrument effecting such pledge certified as correct, (2) if any such Other Indebtedness is variable rate indebtedness, a certificate specifying the maximum rate therefore, or the budgeted rate, as applicable, and the aggregate principal amount and the stated maturities of and mandatory sinking fund requirements, if any, for such Other Indebtedness to which such rate applies and certifying that a liquidity facility or source of payment other than Assured Revenues is available in the event of a mandatory tender by the holders of such Other Indebtedness thereunder, (3) a Counsel's Opinion that such pledge does not adversely affect the pledge of the State Debt Service Commitment to pay Outstanding Bonds additionally secured thereby, and (b) that the approvals required by the Act as a condition or conditions precedent to the issuance of such Other Indebtedness as securities under the Act and as Projects to be financed thereby have been obtained.

Issuance of Additional Bonds; Execution of Swaps. [Section 908]. No additional Series of Bonds may be authorized and issued under the Master Indenture unless (a) the University delivers to the Trustee a Certificate of an Authorized Officer and the Treasurer stating that the principal amount thereof, together with the principal amount of the bonds, notes and other obligations of the University theretofore authorized and unissued and theretofore authorized, issued and outstanding, will not exceed in aggregate principal amount any limitation thereon imposed by law; and (b) in the event the Additional Bonds are Bonds additionally secured by the State Debt Service Commitment, a Counsel's Opinion is delivered to the Trustee to the effect that the provision of the Act relating to the State appropriation of all amounts of the State Debt Service Commitment has not been amended, repealed or modified and is in full force and effect.

No Swap (a) with respect to Bonds additionally secured by the State Debt Service Commitment, shall be entered into by the University unless, with respect to such Swap, written confirmation affirming the existing ratings on the Bonds additionally secured by the State Debt Service Commitment is filed thereupon with the Trustee and (b) with respect to Other Indebtedness issued as Bonds hereunder, shall be entered into by the University without meeting requirements, if any, set forth in the Supplemental Indenture authorizing such Bonds.

UConn 2000 Infrastructure Improvement Program. [Section 909]. The University shall use and apply the proceeds of the Bonds for the UConn 2000 Infrastructure Improvement Program and shall do all such acts and things appropriate or necessary to receive and collect Assured Revenues. The University further covenants that so long as any Bonds are Outstanding that it has established and will charge, collect and increase tuition, fees and charges in an amount of which, together with other Assured Revenues or other revenues shall in each of its Fiscal Years be sufficient to pay when due, the Special Debt Service Requirements on Outstanding Bonds and to permit the University to operate and maintain itself as an institution dedicated to excellence in higher education and to operate and maintain the physical university plant in sound operating condition and to otherwise permit the performance of all covenants included in the financing documents. The University covenants that it will promptly proceed with the construction of each UConn 2000 Project financed in whole or in part by the issuance of Bonds. The University covenants that it will at all times maintain, to the extent reasonably obtainable, insurance with respect to each Project with such variations as shall reasonably be required to conform to applicable standard or customary insurance practice. The University shall be deemed to be in compliance with this insurance covenant to extent any Project is covered by the State under a State insurance policy or to the extent the State is a self-insurer on such Project.

Tax Exemption. [Section 910]. In the event Bonds are sold under the Master Indenture or a Supplemental Indenture thereto as federally tax-exempt bonds, the University covenants that it will not take any action or fail to take any action with respect to the proceeds of such Bonds that would result in loss of the exclusion from federal income taxation pursuant to Section 103(a) of the Code of interest paid on such Bonds.

Pledge of State to Bondholders. [Section 914]. Pursuant to the Act, the University includes the following pledge and undertaking for the State, in the Master Indenture and in the Bonds issued under the Master Indenture. Pursuant to the Act, the State has pledged and hereby agrees with the Holders of any Bonds issued under the Master Indenture and the Act, and with those Bondholders pursuant to the provisions of the Act, that the State will not limit or alter the rights vested in the University by the Master Indenture and the Act until such Bonds, together with the interest thereon, are fully met and discharged and such contracts (the Master Indenture and the Bonds) are fully performed on the part of the University, provided nothing in the Act shall preclude such limitation or alteration if and when adequate provision shall be made by law for the protection of the Holders of such Bonds of the University.

Modification and Amendment Without Consent. [Section 1001]. The University may enter into Supplemental Indentures without consent of the Bondholders, the provider of either a Bond Facility, or a Swap Facility or Swap Provider for any one or more of the following purposes. To modify, amend or revise the UConn 2000 Infrastructure Improvement Program and to provide for the issuance of Bonds or Notes or Swaps pursuant to the provisions of the Master Indenture and to prescribe the terms and conditions pursuant to which such Bonds or Notes or Swaps may be issued, paid or redeemed; to add additional covenants and agreements of the University further securing the payment of the Bonds or Notes or Swaps. To prescribe further limitations and restrictions upon the issuance of Bonds and the incurring of indebtedness by the University which are not contrary to or inconsistent with the limitations and restrictions in effect. To surrender any right, power or privilege reserved to or conferred upon the University by the Master Indenture. To confirm as further assurance any pledge under the Master Indenture subject to any lien, claim or pledge created or to be created by the provisions of the Master Indenture, of the moneys, securities or funds. To modify any of the provisions of the Master Indenture or any Supplemental Indenture in any other respects, provided that such modifications shall not be effective until after all Bonds of any Series of Bonds Outstanding as of the date of adoption of such Supplemental Indenture shall cease to be Outstanding, and all Bonds issued under such indentures shall contain a specific reference to the modifications contained in such subsequent indentures. To cure any ambiguity, or defect or inconsistent provision in the Master Indenture or to insert such provisions clarifying matters or questions arising under the Master Indenture as are necessary or desirable in the event any such modifications are not contrary to or inconsistent with the Master Indenture. To ensure the exclusion of interest on the Bonds from gross income of the Bondholders for federal income tax purposes. To grant or to confer upon the Trustee any additional rights, remedies, powers or authority that may lawfully be granted or conferred. To grant such rights and remedies and make such other covenants subject to the Master Indenture (including any prior Supplemental Indenture) as may be necessary for issuance of a Bond Facility, a Swap or a Swap Facility so long as such rights, remedies and covenants are not contrary to or inconsistent with the Master Indenture as theretofore in effect.

Amendments and Supplemental Indentures Effective With Consent of Bondholders. [Section 1002]. The provisions of the Master Indenture may also be modified or amended, at any time or from time to time, by a Supplemental Indenture, subject to the consent of Bondholders and State Bond Commission in accordance with and subject to the provisions of Article XI of the Master Indenture summarized below, such Supplemental Indenture to become effective upon the execution thereof by the University and the Trustee, and the filing with the Trustee of a copy thereof certified by an Authorized Officer of the University and by the Secretary of the State Bond Commission.

Powers of Amendment. [Section 1101]. Except as otherwise provided in Article X of the Master Indenture, any modification or amendment of the Master Indenture may be made by a Supplemental Indenture, with the written consent given of the Holders of not less than 66 2/3% in principal amount of the Outstanding Bonds of each Series affected provided, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series and maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section, and that no such modification or amendment shall permit (i) a change in the redemption or maturity of the principal or installment of interest of any Outstanding Bond or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the Holder of such Bond; or (ii) shall reduce the percentages or otherwise affect the classes of Bonds the consent of the Holders of which is required to effect any such modification or amendment.

Consent of Bondholders. [Section 1102.] The University and the Trustee may at any time enter into a Supplemental Indenture making a modification or amendment permitted by the Master Indenture. A copy of such Supplemental Indenture together with a request to Bondholders for their consent satisfactory to the Trustee, shall be mailed by the University to Bondholders. Such Supplemental Indenture shall not be effective unless and until conditions specified in the Master Indenture are satisfied.

Modifications by Unanimous Consent. [Section 1103]. The Master Indenture may be modified or amended upon the execution by the University and the Trustee of a Supplemental Indenture and filing with the Trustee by the University of a certified copy of said Supplemental Indenture and the consent of the Holders of all of the Bonds then Outstanding. Notice to Bondholders either by mailing or publication shall be required.

Exclusion of Bonds. [Section 1105]. Bonds owned or held by or for the account of the University shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds.

Consent of Bond Facility Provider. [Section 1107]. So long as the Bond Facility provider has not defaulted under the Bond Facility, such provider shall be considered the sole Holder of all Bonds to which such Bond Facility relates, except as otherwise provided in an applicable Supplemental Indenture.

Approval of State Bond Commission. [Section 1108]. Any amendment under Article XI of the Master Indenture shall be deemed a substantive amendment of the Master Indenture for which the Act requires the approval of the State Bond Commission.

Events of Default. [Section 1201].

An "event of default" shall exist if:

(1) the University shall default in the payment of the principal of or Redemption Price, if any, or interest on any Bond after the same shall become due, whether at maturity or upon call for redemption or otherwise; or

(2) the State shall default in observance of its pledge to the Bondholders set forth in the Act and Section 914 of the Indenture or, with respect to Bonds secured by the State Debt Service Commitment, the Treasurer shall fail to pay the amount of the State Debt Service Commitment as provided as part of the contract of the State with the Bondholders of such Bonds and in accordance with Section 604 hereof; or

(3) the University shall (i) apply for or consent to the appointment of or the taking of possession by a receiver, liquidator, custodian or trustee of itself or of all or a substantial part of its property, (ii) admit in writing its inability, or be generally unable, to pay its debts as such debts become due, (iii) make a general assignment for the benefit of its creditors, (iv) commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect), (v) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts, (vi) fail to controvert in a timely or appropriate manner, or acquiesce in writing to, any petition filed against itself in an involuntary case under such Bankruptcy Code, or (vii) take any action for the purpose of effecting any of the foregoing; or

(4) except as provided in (1) above, the University shall fail or refuse to comply with the Indenture, or shall default in the performance or observance of the covenants in the Indenture or any Supplemental Indenture or in any Bonds, and such failure, refusal or default shall continue for a period of forty-five days after written notice thereof by the Trustee or the holders of not less than five per cent (5%) in principal amount of the Outstanding Bonds.

Remedies. [Section 1202].

Upon the happening and continuance of any Event of Default after conditions specified in the Indenture have been satisfied, the Trustee may:

(1) by mandamus or other proceeding at law or in equity, enforce all rights of the Bondholders, including the contract of the State with the Bondholders secured by the State Debt Service Commitment, the right to require the Treasurer to pay the annual amount of the State Debt Service Commitment;

(2) by bringing suit upon the Bonds or under the Act upon the contract of the State with the Bondholders of Bonds secured by the State Debt Service Commitment;

(3) by action or suit in equity, to require the University or the State with respect to Bonds secured by the State Debt Service Commitment, to account as if each were the trustee of any express trust for the holders of the Bonds; and

(4) by action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds.

In the enforcement of any rights and remedies under the Indenture, the Trustee shall be entitled to sue for, enforce payment on and receive any and all amounts then or during any default becoming, and at any time remaining, due from the University for principal, Redemption Price, interest or otherwise, under any provision of the Indenture or a Supplemental Indenture or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce a judgment or decree against the University for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any monies available for such purpose, in any manner provided by law, the monies adjudged or decreed to be payable provided, however, with respect to Bonds secured by a pledge of the State Debt Service Commitment the right or remedy of the Trustee shall not be construed to include any right to appoint a receiver pursuant to section 12 of the Act or any acceleration of payments of Principal Installments of or interest on such Bonds and with respect to Other Indebtedness issued as Bonds hereunder the right or remedy to appoint a receiver pursuant to section 12 of the Act or to so accelerate shall be available only if included in the Supplemental Indenture authorizing such Bonds.

All remedies conferred upon or reserved to the Holders of Bonds hereunder may also be conferred upon and reserved to the provider of a related Bond Facility, a Swap Provider or the provider of a Swap Facility authorized by a Supplemental Indenture.

Priority of Payments After Default. [Section 1203]. In the event that the funds held by the Trustee and Paying Agents shall be insufficient for the payment of interest and principal or Redemption Price then due on the Bonds, funds received or collected by the Trustee after payment of certain charges and expenses and liabilities as provided in the Master Indenture, shall be applied first to the payment of all installments of interest then due on any Bonds in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment, then to the payment thereof ratably; second, to the payment of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably; and third, to the payment to other persons entitled to payment under the Master Indenture or under the applicable Supplemental Indenture.

Defeasance. [1401]. If the University shall pay or cause to be paid to the Holders of all Bonds then Outstanding, the principal and interest and Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in the Master Indenture, then, at the option of the University, expressed in an instrument in writing signed by an Authorized Officer of the University and delivered to the Trustee, the covenants, agreements and other obligations of the University to the Bondholders shall be discharged and satisfied. In such event, the Trustee shall, upon the request of the University, execute and deliver to the University all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the University all moneys, securities and funds held by them pursuant to the Master Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption. Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Fiduciaries shall be deemed to have been paid within the meaning and effect of this section.

Continuing Disclosure Undertaking. [Article XV]. See for summary of the provisions of the Master Indenture respecting the continuing disclosure undertaking of the University Appendix I-D entitled "FORM OF CONTINUING DISCLOSURE UNDERTAKING".

FORM OF OPINION OF BOND COUNSEL

Upon the delivery of the 2001 Series A Bonds, Hawkins, Delafield & Wood, Bond Counsel, proposes to issue a final approving opinion in substantially the following form:

[Date of Closing]

University of Connecticut
352 Mansfield Road, U-122
Storrs, Connecticut 06269-2122

Honorable Denise L. Nappier
Treasurer
State of Connecticut
Office of the Treasurer
55 Elm Street
Hartford, Connecticut 06106

Ladies and Gentlemen:

We have examined a record of proceedings relating to the issuance of $100,000,000 General Obligation Bonds, 2000 Series A (the "2001 Series A Bonds") of The University of Connecticut (the "University"), a body politic and corporate constituting a public instrumentality and agency of the State of Connecticut (the "State"), operating and existing under the Constitution and laws of the State.

The 2001 Series A Bonds are authorized to be issued pursuant to The University of Connecticut 2000 Act, constituting Public Act 95-230, January 1995 Session of the General Assembly of the State, as amended to the date hereof (the "Act"), the General Obligation Master Indenture of Trust (the "Master Indenture"), and certain supplemental indentures thereto, including the Sixth Supplemental Indenture (the "Sixth Supplemental Indenture"). Together with the Master Indenture, the supplemental indentures thereto, including the Sixth Supplemental Indenture, are referred to herein as the "Indentures." The Master Indenture was entered into as of November 1, 1995 by and between the University and State Street Bank and Trust Company (formerly known as Fleet National Bank), as trustee thereunder (the "Trustee"). General Obligation Bonds (the "Bonds") authorized to be issued pursuant to the Master Indenture, including the 2001 Series A Bonds, are issued to provide funds to carry out the University's UConn 2000 Infrastructure Improvement Program as defined in the Master Indenture and pursuant to the terms, conditions and covenants of the Act and the Master Indenture.

The 2001 Series A Bonds are dated, will mature on the dates, will bear interest at the rates, and may be subject to redemption prior to maturity, all as set forth in or determined pursuant to the Indentures.

The University is authorized to issue Bonds, in addition to the 2001 Series A Bonds, upon the terms, conditions and covenants set forth in the Act and the Master Indenture, and such Bonds, when issued, shall, with the 2001 Series A Bonds and with all other such Bonds theretofore issued under the Master Indenture, be entitled to the equal benefit, protection, and security of the provisions, covenants, and agreements of the Master Indenture, in accordance with their terms.

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements that must be met subsequent to the delivery of the 2001 Series A Bonds in order that interest on and amounts treated as interest on the 2001 Series A Bonds not be included in gross income for Federal income tax purposes. We have examined the Indentures and the procedural documents, including a tax regulatory certificate (the "Tax Regulatory Agreement") of the University with respect to the 2001 Series A Bonds, which, in our opinion contain provisions under which such requirements can be met. The University has covenanted with respect to the 2001 Series A Bonds in the Indentures to comply with the requirements of the Code. In rendering this opinion, we have assumed the University's compliance with and enforcement of provisions of the Indentures and the Tax Regulatory Agreement.

We are of the opinion that:

1. Under the Constitution and laws of the State, the University exists as a body politic and corporate and an instrumentality and agency of the State, performing an essential public function with good right and lawful authority, among other things, to carry out the UConn 2000 Infrastructure Improvement Program and to provide funds therefor by the execution of the Indentures and the issuance and sale of Bonds, including the 2001 Series A Bonds, and to perform its obligations under the terms and conditions of the Indentures including provisions relating to the receipt of Assured Revenues, particularly annual amounts of the State Debt Service Commitment (each as defined in the Act and the Master Indenture) as covenanted in the Master Indenture.

2. The Indentures have been duly executed by the University and are valid and binding upon the University and enforceable in accordance with their terms.

3. The 2001 Series A Bonds have been duly authorized, executed and authenticated and are legal, valid and binding general obligations of the University in accordance with their terms for the payment of the Principal Installment of, interest on and Redemption Price of which, the full faith and credit of the University has been legally and validly pledged. The 2001 Series A Bonds are entitled to the equal benefit, protection, and security of provisions, covenants and remedies provided by the Act and the Indentures.

4. The 2001 Series A Bonds are additionally secured by a pledge of and lien on the State Debt Service Commitment in the manner and to the extent set forth in and created by the Indentures. The Indentures create the valid pledge of and lien upon the Trust Estate (as defined in the Master Indenture) and the annual amounts of the State Debt Service Commitment, which the Indentures purport to create, subject only to the provisions of the Indentures permitting the application thereof for or to the purposes and on the terms and conditions set forth in the Indentures.

5. Pursuant to the Act and as part of the contract of the State with the holders of the 2001 Series A Bonds, the State has validly appropriated all amounts of the State Debt Service Commitment (including the Principal Installments of, interest on and Redemption Price of 2001 Series A Bonds) out of the resources of the general fund of the State and the Treasurer has the legal duty and is validly mandated and obligated to pay such amount to the Trustee, as paying agent on the 2001 Series A Bonds as the same arise and shall become due and payable. Such appropriation and mandate and obligation of payment do not require further legislative approval.

6. Pursuant to the Act, the Bonds, including 2001 Series A Bonds, do not constitute a debt or liability of the State of Connecticut or any municipality or other political subdivision thereof or (except to the extent set forth in the Act) bonds issued or guaranteed by the State within the meaning of Section 3-21 of the General Statutes of Connecticut, do not obligate the State or any municipality or political subdivision to levy or pledge any form of taxation and are payable solely from the funds provided therefor pursuant to the Indentures and the Act. The University has no taxing power.

7. Under existing statutes and court decisions, interest on the 2001 Series A Bonds is not included in gross income for Federal income tax purposes pursuant to Section 103 of the Code of 1986, as amended (the "Code"), and, under existing statutes, such interest on the 2001 Series A Bonds will not be treated as a preference item in calculating alternative minimum taxable income for purposes of the alternative minimum tax imposed under the Code with respect to individuals and corporations; such interest, however, is included in the adjusted current earnings of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations.

8. Under existing statutes, interest on the 2001 Series A Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts, and estates, and interest on the 2001 Series A Bonds 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.

In rendering this opinion, we are advising you that the enforceability of rights and remedies with respect to the 2001 Series A Bonds may be limited by bankruptcy, insolvency, and other laws affecting creditors' rights or remedies heretofore or hereafter enacted.

We have examined an executed 2001 Series A Bond numbered AR-1, and the form of said Bond and its execution are regular and proper.

Very truly yours,

Hawkins, Delafield & Wood

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FORM OF CONTINUING DISCLOSURE UNDERTAKING
THE UNIVERSITY - ARTICLE XV OF MASTER INDENTURE

Submission of Annual Financial Information Statements. [Section 1502]. While any Bonds are Outstanding, the University shall provide to the Trustee, when completed, Annual Financial Information beginning on or after January 1, 1996 which Annual Financial Information is expected to be completed within 180 days of the end of the fiscal year (the "Submission Date"). The Trustee shall provide to each NRMSIR and the SID, if any, such Annual Financial Information. The State has also undertaken to provide an Annual Financial Information Statement to the MSRB, each NRMSIR or the SID, if any.

Submission of Audited Financial Statements. [Section 1503]. (A) The University shall submit to the Trustee by the Submission Date Audited Financial Statements for each Fiscal Year beginning on or after January 1, 1996, when and if available.

(B) For purposes of the Audited Financial Statements required to be submitted by or on behalf of the State, as an obligated person with respect to the Bonds within the meaning of the Rule, reference is made to the Audited Financial Statements submitted or to be submitted by or on behalf of the State to the MSRB, each NRMSIR or the SID, if any, as the case may be.

Listed Event Notices. [Section 1504]. (A) If a Listed Event occurs while any Bonds are Outstanding, the University shall provide a Listed Event Notice to the Trustee as provided in the Master Indenture.

Notification by Trustee of Failure by the University to File Annual Financial Information. [Section 1505]. (A) The University shall provide notice of any failure of the University to provide the Annual Financial Information by the required date, while any Bonds are Outstanding. The Trustee shall provide notice of such failure to the SID, if any, and either to the MSRB or each NRMSIR.

(B) The Trustee shall provide to the SID, if any, and either to the MSRB or each NRMSIR, notice of any failure to provide Annual Financial Information on or before the Report Date (whether caused by failure of the University to provide such information to the Trustee by the Submission Date). For the purposes of determining whether information is Annual Financial Information, the Trustee shall be entitled conclusively to rely on the University's written representation.

Additional Information. [Section 1506]. (A) Nothing in Article XV shall prevent the University from disseminating any other information in addition to that required thereby. If the University should so disseminate or include any such additional information, the University shall have no obligation under Article XV to update, provide or include such additional information in any future materials disseminated pursuant to Article XV or otherwise.

Reference to Other Documents. [Section 1507]. It shall be sufficient for purposes of Section 1502 of the Indenture if the University provides Annual Financial Information by specific reference to documents previously (i) provided to each NRMSIR and the SID, if any, or (ii) filed with the SEC. If such a document is an Official Statement, it must be available from the MSRB also.

Disclaimer by the University. [Section 1508]. The University shall be under no obligation to the Holders, the Trustee or any other party to review or otherwise pass upon the Annual Financial Information or the Audited Financial Statements of the State, and the University's obligations hereunder shall be limited solely to the undertakings set forth in Article XV. The University shall be under no obligation to review, pass upon, update, provide or include or continue to include in its Official Statement any additional information regarding the State provided to the MSRB, each NRMSIR or the SID, if any, other than that information required to be submitted as part of the State's undertaking pursuant to paragraph (b)(5) of the Rule.

Transmission of Information and Notices. [Section 1509]. Subject to the limitations stated in the Indenture, the University and the Trustee shall employ such methods of information and notice transmission requested or recommended by the designated recipients of the information and notices required to be delivered pursuant to the provisions of Article XV of the Indenture.

Change in Fiscal Year, Submission Date and Report Date. [Section 1510]. The University may adjust the Submission Date and the Report Date if the University changes its Fiscal Year by providing written notice to the Trustee, which notice shall be promptly delivered to each NRMSIR and the SID, if any; *provided, however*, that the new Submission Date shall be no more than 180 days after the end of such new Fiscal Year and the new Report Date shall be no more than four Business Days following the new Submission Date, and provided further that the period between the final Report Date relating to the former Fiscal Year and the initial Report Date relating to the new Fiscal Year shall not exceed one year in duration.

Termination. [Section 1511]. (A) The University's and the Trustee's obligations under Article XV shall terminate immediately once Bonds are no longer Outstanding.

(B) The provisions of Article XV shall be null and void in the event that the University delivers to the Trustee a Counsel's Opinion stating that those portions of the Rule which require Article XV, or any of such provisions, do not or no longer apply. The Trustee shall, upon receipt of such opinion, promptly provide copies thereof to each NRMSIR and the SID, if any.

(C) The obligations of the University relating to the State as an obligated person may be terminated if the State is no longer an "obligated person" as defined in the Rule. Such termination shall be effective upon the provision of notice by the University to the Trustee, upon receipt of which the Trustee shall notify the SID, if any, and to the MSRB or each NRMSIR.

Amendment. [Section 1512]. (A) Article XV may be amended, by written agreement of the parties, without the consent of the Holders of the Bonds (except to the extent required below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law or in interpretations thereof, or a change in the identity, nature or status of the University or the type of business conducted thereby; (2) Article XV, as so amended would have complied with the requirements of the Rule as of the date of the Indenture, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (3) either (i) the University shall have delivered to the Trustee a Counsel's Opinion which states that the amendment does not materially impair the interests of the Holders of the Bonds, or (ii) the Holders of the Bonds consent to the amendment to Article XV pursuant to the same procedures as are required for amendments to the Indenture pursuant to Section 901 of the Indenture. In the event the University delivers to the Trustee a Counsel's Opinion pursuant to sub-paragraph (3)(i) of subsection 611(A), the Trustee shall promptly deliver copies of such opinion and amendment to each NRMSIR and the SID, if any.

(B) In addition to subsection (A) above, Article XV may be amended and any provision of Article XV may be waived, by written agreement of the parties, without the consent of the Holders of the Bonds, if all the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued; and (2) the University shall have delivered to the Trustee a Counsel's Opinion stating that performance by the University and Trustee under Article XV as so amended or giving effect to such waiver will not result in a violation of the Rule. The Trustee shall deliver copies of such Opinion and amendment to each NRMSIR and the SID, if any.

(C) In the event of any amendment respecting the type of operating data or financial information contained in the University's Annual Financial Information, the University shall, in accordance with the Rule or any interpretation thereof by the SEC, provide in the first Annual Financial Information provided thereafter a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(D) In the event of any amendment specifying the accounting principles, for the year in which the change is made, the University shall present a comparison. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the difference and the impact of the change. In the event of any such change in accounting principles, the University shall deliver notice of such change to the Trustee and the Trustee shall deliver notice of such change to the Trustee and the Trustee shall deliver such notice to the SID, if any, and either to the MSRB or each NRMSIR.

Benefit; Third-Party Beneficiaries; Enforcement. [Section 1513]. (A) The provisions of Article XV shall inure solely to the benefit of the Holders from time to time of the Bonds, except that beneficial owners of Bonds shall be third-party beneficiaries.

(B) Except as provided in subsection (B), the provisions of Article XV shall create no rights in any person or entity. The obligations of the University to comply with the provisions of Article XV shall be enforceable (i) in the case of enforcement of obligations to provide Audited Financial Statements, Annual Financial Information, operating data and notice, by any Holder of Outstanding Bonds, or by the Trustee on behalf of the Holders of Outstanding Bonds, or (ii), in the case or challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Trustee on behalf of the Holders of Outstanding Bonds; *provided, however,* that the Trustee shall not be required to take any enforcement action except at the direction of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding who shall have provided the Trustee with adequate security ad indemnity. The Holders' and Trustee's rights to enforce the provisions of Article XV shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the University's obligations under Article XV. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to subsection (A) of this Section, beneficial owners shall be deemed to be Holders of Bonds for purposes of this subsection (B). Without limiting the generality of the foregoing and except as otherwise provided in the Indenture, neither the commencement nor the successful completion of an action to compel performance under Article XV shall entitle the Trustee or any other person to attorney's fees, financial damages of any sort or any other relief other than an order or injunction compelling performance.

(C) Any failure by the University or the Trustee to perform in accordance with Article XV shall not constitute a default or an Event of Default under the Indenture or any Supplemental Indenture, and the rights and remedies provided by the Indenture or any Supplemental Indenture upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(D) Article XV shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of Article XV shall be instituted in a court of competent jurisdiction in the State; *provided, however,* that to the extent Article XV addresses matters of federal securities laws, including the Rule, Article XV shall be construed in accordance with such federal securities laws and official interpretations thereof.

Duties, Immunities and Liabilities of Trustee. [Section 1514]. The Trustee shall have only such duties under Article XV as are specifically set forth therein, and the University agrees to indemnify and save the Trustee harmless arising out of or in the exercise or performance of its powers and duties under Section 1514 excluding liabilities due to the Trustee's gross negligence or willful misconduct. Such indemnity shall be separate from and in addition to that provided to the Trustee under this Indenture. The obligations of the University under this Section 1514 shall survive resignation or removal of the Trustee and payment of the Bonds.

Duties, Immunities and Liabilities of Officials. [Section 1515]. Pursuant to Public Act 25-270, the University shall protect and save harmless any official or former official of the University from financial loss and expense, including legal fees and costs, if any, arising out of any claim, demand, suit or judgment by reason of alleged negligence on the part of such official, while acting in the discharge of his official duties in providing secondary market disclosure information pursuant to Article XV or performing any other duties set forth in the Indenture. Nothing in Article XV shall be construed to preclude the defense of governmental immunity to any such claim, demand or suit. For purposes of Section 1514, "official" means any person elected or appointed to office or employed by the University. The University may insure against liability imposed by subsection 1514 or may elect to Act as self-insurer of such liability. Section 1514 shall not apply to cases of willful and wanton fraud.

FORM OF CONTINUING DISCLOSURE AGREEMENT

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the State of Connecticut (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 and (ii) 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 11th day of April, 2001 by the State of Connecticut (the "State") acting by its undersigned officer, duly authorized, in connection with the issuance of $100,000,000 The University of Connecticut General Obligation Bonds, 2001 Series A, dated March 15, 2001 (the "Bonds") and State Street Bank and Trust Company, as Trustee for the Bonds (the "Trustee"). The Bonds are being issued pursuant to a General Obligation Master Indenture of Trust entered into by The University of Connecticut (the "Issuer") and the Trustee dated as of November 1, 1995, as supplemented and amended from time to time (the "Indenture") 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 Parts II and III of the official statement of the Issuer dated March , 2001 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.

"NRMSIR" means any nationally recognized municipal securities information repository recognized by the SEC from time to time. As of the date of this Agreement the NRMSIRs are:

Bloomberg Municipal Repositories
P.O. Box 840
Princeton, NJ 08542-0840
(609) 279-3225
Fax: (609) 279-5962
Email: Munis@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
(201) 346-0701
Fax: (201) 947-0107
Email: nrmsir@dpcdata.com

Interactive Data
Attn: Repository
100 Williams Street
New York, NY 10038
(212) 771-6899
Fax: (212) 771-7390
Email: NRMSIR@interactivedata.com

Standard & Poor's J. J. Kenny Repository
55 Water Street - 45th Floor
New York, NY 10041
(212) 438-4595
Fax: (212) 438-3975
Email: nrmsir_repository@sandp.com

"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.

"SID" means any state information depository established or designated by the State of Connecticut and recognized by the SEC from time to time. As of the date of this Agreement, no SID has been established or designated by the State of Connecticut.

Section 2. Annual Financial Information.

(a) The State agrees to provide or cause to be provided to each NRMSIR and any SID, 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, 2001 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 General Fund 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 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 Debt - Outstanding Principal Amount (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 Long-Term Direct General Obligation Debt (as of end of most recent fiscal year or a later date) (See Table 12).

7. Statutory 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 Teacher's 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 previously provided to each NRMSIR, any SID, or the SEC. If the document to be cross-referenced is a final official statement, it must be available from the MSRB. 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.

(Not applicable to State).

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 (i) each NRMSIR or the MSRB and (ii) any SID, 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 Section 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, including, without limitation, an Event of Default under the Indenture, or a breach of any duty or obligation of the Trustee under the Indenture.

Section 8. **Miscellaneous.**

(a) 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.

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

(c) 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 Agreement as so amended or waived would have complied with the requirements of the Rule as of the date of the Agreement, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances, 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 51% of the aggregate principal amount of the Bonds then outstanding pursuant to the terms of the Indenture. A copy of any such amendment or waiver will be filed in a timely manner with (i) each NRMSIR or the MSRB and (ii) any SID. 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.

(d) 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

STATE STREET BANK AND TRUST COMPANY,
as Trustee

By:____
Authorized Officer

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DEFINITIONS OF CERTAIN TERMS OF THE INDENTURES

Definitions. [Section 101]. The following terms shall have the following meanings for all purposes of the Master Indenture and the supplements thereto, including the Sixth Supplemental Indenture, except as otherwise defined:

"Accreted Value" shall mean, as of the date of computation with respect to any capital appreciation bonds, an amount equal to:

a. the initial reoffering price of such capital appreciation bonds, plus

b. the interest accrued thereon from the date of delivery compounded on each ________ and _____________ (through and including the maturity date of such Bond) at the "approximate reoffering yield" of such Bond, provided that the accreted value on any date other than ________ and ___________ shall be calculated by straight line interpolation of the accreted values as of the immediately preceding and succeeding ________ and ___________. The term "approximate reoffering yield" means, with respect to any particular Bond, the yield to maturity of such Bond from the initial date of delivery thereof calculated on the basis of semiannual compounding on each _________ and ___________.

"Additional Bonds" means all Bonds issued under the Master Indenture other than the Initial Bonds and Refunding Bonds for the UConn 2000 Infrastructure Improvement Program.

"Annual Financial Information" means,

(A)(i) the Audited Financial Statements of the University for the preceding Fiscal Year (commencing with the Fiscal Year beginning on or after January 1, 1996), and Unaudited Financial Statements for such Fiscal Year if such Audited Financial Statements are unavailable, pursuant to the Master Indenture;

(ii) investments in the Bond Fund and in the various accounts under the Indenture;

(iii) identification of all Bonds issued by the University and Outstanding Bonds including a table summarizing certain Bond information, such as coupon rates, call features;

(iv) data reflecting updating of certain tables of operating information relating to the University and included in the official statement of the University for the 2001 Series A Bonds consisting of the following: student admissions including the schedule of freshman enrollment and total student enrollment, tuition and other fees, student financial aid, hospital operating information, including staffed beds, discharges, patient days, average length of stay, payor mix as a percent of revenues, and employee data (number of full-time faculty and number of staff), outstanding University indebtedness, annual debt service requirements, and endowment or other similar funds held by or for the benefit of the University; and

(B) such narrative explanation as may be necessary to avoid misunderstanding and to assist the reader in understanding the presentation of such financial and operating data listed in (A) above.

Any or all of the items listed above may be included by specific reference to other documents which have been submitted to each NRMSIR and the SID, if any, or filed with the SEC. If such document is an Official Statement, it must be available from the MSRB.

In the event that any of the financial information or operating data constituting Annual Financial Information that no longer can be generated because the operations to which such information or data relate have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information.

Annual Financial Information shall mean, with respect to the State, the Annual Financial Information submitted to or to be submitted by or on behalf of the State pursuant to the State's written continuing disclosure undertaking in compliance with the requirements of paragraph (b)(5) of the Rule.

"Assured Revenues" means those revenues of the University (i) other than Project Revenues particularly pledged under Dedication Instruments of the University for the payment of Special Obligation Bonds or State Bonds or (ii) not otherwise expressly by an existing contract or by statute or by grant restricted or encumbered for specific purposes and, except as limited by the foregoing (i) and (ii) shall include (a) revenues from fees, tuition, rentals, charges, gifts, investments, endowments and from grants, subsidies, contracts, leases or other agreements made by or with the federal government, the State or any political subdivision, agency or instrumentality of the federal government or the State, or others, including the State Debt Service Commitment, the Minimum State Operating Provision and Special Eligible Gifts, and (b) any payment made or required to be made to the University, or to the Trustee, under any Swap or Swap Facility, including, without limitation, Swap Receipts, Termination Receipts and any payment receipts in respect of a Swap for application by the University for Project Operating Expenses.

"Audited Financial Statements" means, with respect to the University, the annual financial statements, if any, of the University, audited by such auditor as shall then be required or permitted by State law or the Master Indenture. Audited Financial Statements shall be prepared in accordance with GAAP; *provided, however*, that the University may from time to time, if required by federal or State legal requirements, modify the basis upon which its financial statements are prepared including Financial Policy Number 2 of State Comptroller respecting Accounting and Financial Reporting Standards for State of Connecticut Constituent Units of Higher Education attached hereto as Exhibit A, as same may be implemented and amended from time to time. Notice of any such modification shall include a reference to the specific federal or State law or regulation describing such accounting basis and shall be provided by the University to the Trustee, who shall promptly deliver such notice to (i) either the MSRB or each NRMSIR, and (ii) the SID.

Audited Financial Statements shall mean, with respect to the State, the Audited Financial Statements submitted or to be submitted by or on behalf of the State pursuant to the State's written continuing disclosure undertaking in compliance with the requirements of paragraph (b)(5) of the Rule.

"Authorized Denomination" means $5,000 or any integral multiple thereof for current interest bonds and for capital appreciation bonds shall mean denominations such that the accreted value of each capital appreciation bond on the maturity date thereof will be $5,000 or an integral multiple thereof.

"Authorized Officer" means, in the case of the University, the Chair or Vice-Chair of the Board of Trustees, the academic and financial affairs committee of the Board of Trustees (acting by resolution and constituting the finance committee of the Board of Trustees within the meaning of the Act), the President, Chancellor/Provost, the Vice President For Business Affairs and Finance, the Manager of Treasury Services (for purposes of making investments and disbursements only), the Controller (for purposes of making disbursements only) and the Vice Chancellor for Business and Administration (for purposes of making disbursements only) or any other person duly authorized by the bylaws or resolution of the University to perform the Act or sign the document in question.

"Board of Trustees" means the board of trustees of the University.

"Bond" or **"Bonds"** means the 1996 Series A Bonds, together with any Additional Bonds issued under and pursuant to the Master Indenture.

"Bondholders" or **"Holder of Bonds"** or **"Holder"** or **"Owner"** (when used with reference to Bonds) or any similar term, means any person or party who shall be the registered owner of any Outstanding Bond;

"Capital Appreciation Bonds" shall mean those Bonds for which interest is compounded periodically on each April 1 and October 1 (through and including the maturity dates thereof) and payable in an amount equal to the then current accreted value only at the maturity or earlier redemption thereof, all as so designated in the supplemental indentures.

"Code" means the Internal Revenue Code of 1986, as amended, and the applicable regulations thereunder.

"Costs of Issuance" means all costs related to the proceedings under which Bonds are issued under the Indenture including but not limited to salaries, administrative expenses, insurance premiums, fees, expenses or other similar charges payable to providers of a Bond Facility, a Swap Facility, a Swap Provider, including a Termination Payment, other than Reimbursement Obligations or Swap Payments or other termination payments, auditing and legal expenses and fees and expenses incurred for professional consultants, financial advisors and fiduciaries, fees and expenses of the Trustee, fees for issuing and paying agents, fees and expenses of remarketing agents and dealers, fees and expenses of the underwriters if payable other than as a result of a discount on the purchase price of Bonds or Notes, fees and expenses of rating agencies, transfer or information agents, the publication of advertisements and notices, printers' fees or charges incurred by the University or Treasurer on behalf of the University to comply with applicable federal and State securities or tax laws; and with respect to Bonds the interest on which is excludable from gross income of the recipient under the Internal Revenue Code means only the costs of issuance of a Series of Bonds which may be paid with Bond proceeds as shall be consistent with Section 911 of the Master Indenture.

"Counsel's Opinion" means an opinion signed by an attorney or firm of attorneys selected by the Treasurer, in consultation with the University (who may be counsel to the University); provided, however, that for the purposes of Article II and Article IX of the Master Indenture such term shall mean an opinion signed by an attorney or firm of attorneys of recognized standing in the field of law relating to municipal bonds, selected by the State or University.

"Current Interest Bonds" shall mean those Bonds which bear interest payable on April 1 and October 1 of each year through and including the maturity dates thereof, which may be either serial or term obligations.

"Debt Service Fund Requirement" means, as of any date of computation, an amount at least equal to the aggregate amount of Principal Installments and Interest Requirements as the same become due and payable on all Outstanding General Obligation Bonds of the University.

"Fiduciary" or **"Fiduciaries"** means the Trustee, any Paying Agent, or either or both of them, as may be appropriate.

"GAAP" means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board ("GASB").

"Information Services" means Financial Information, Inc. Kenny Information Services "Daily Called Bond Service," Moody's Investors Service "Municipal and Government," Standard & Poor's "Called Bond Record," and Fitch Investors Service, Inc., any NRMSIR, or, in accordance with the then current applicable guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds, or any other such services as the State may designate in writing to the Trustee.

"Interest Requirement" means, as of the date of computation with respect to a Calendar Year, an amount equivalent to the aggregate maximum amount coming due during such Calendar Year on any Interest Payment Date, of (i) interest which may be payable on Outstanding Bonds and (ii) Swap Payments, provided that interest on Variable Interest Rate Bonds or Notes or Swaps shall be calculated in accordance with the Variable Interest Rate Calculation Rate, and further provided that if the University shall have entered into one or more Swaps with respect to a Variable Interest Rate Bond or Note, then the Bonds or Notes of such series in a principal amount equal to the Notional Amount shall be treated for purposes of this definition as bearing interest for such period at the fixed rate payable by the University under such Swap; if the University shall have entered into one or more Swaps with respect to a Bond or Note that is not a Variable Interest Rate Bond or Note which calls for a Variable Interest Rate Swap Payment by the University then the Bonds or Notes of such series in a principal amount equal to the Notional Amount shall be treated for purposes of this definition as a Variable Interest Rate Bond or Note bearing interest for such period at the Variable Interest Rate payable by the University under such Swap.

"Listed Event" means any of the following events, if material, with respect to any Bonds under the Master Indenture:

(i) Principal and interest payment delinquencies;
(ii) Non-payment related defaults;
(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
(v) Substitution of credit or liquidity providers, or their failure to perform;
(vi) Adverse tax opinions or events affecting the tax-exempt status of the security;
(vii) Modifications to rights of security holders;
(viii) Redemption by the University of any Outstanding Bonds other than by mandatory sinking fund installments;
(ix) Defeasance;
(x) Release, substitution, or sale of property securing repayment of the securities; and
(xi) Rating changes.

"Listed Event Notice" means notice of a Listed Event required to be provided pursuant to Section 1504 of the Master Indenture.

"Master Indenture" means the General Obligation Master Indenture of Trust as from time to time amended or supplemented by Supplemental Indentures in accordance with the terms and provisions thereof.

"Maturity Amount" shall mean with respect to a capital appreciation bond its accreted value on its maturity date, being the amount to be paid on a capital appreciation bond at maturity.

"Minimum State Operating Provision" means the commitment of the State to appropriate, annually, an amount for the University for operations after receiving a request from the University therefor and consideration of other amounts available to the University for its operations which amount so appropriated shall be consistent with the University continuing to operate in furtherance and pursuant to the provisions of section 2 of article eighth of the Constitution of the State and applicable law as an institution dedicated to the excellence in higher education, including the operation of the components of UConn 2000 at Storrs and elsewhere in the State pursuant to section 5 of the Act; provided, however, nothing in section 1 to 25, inclusive, of the Act shall be construed to preclude the State from appropriating a lower or higher amount than the amount appropriated in the previous fiscal year so long as the appropriation Act provides and determines that the University can continue to operate as an institution dedicated to excellence in higher education and such amount so appropriated shall then constitute the Minimum State Operating Provision.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any successor entity.

"NRMSIR" means, at any time, a then-existing nationally recognized municipal securities information repository, as recognized from time to time by the SEC for the purposes referred to in the Rule. The NRMSIRs as of the date hereof are: Bloomberg Municipal Repositories (Princeton, NJ), DPC Data, Inc. (Fort Lee, NJ), Interactive Data (New York, NY) and Standard & Poor's J.J. Kenny Repository (New York, NY).

"Operating Budget" means the annual operating budget of the University approved by the Board of Trustees pursuant to law.

"Outstanding" (1) when used with reference to Bonds, other than Bonds referred to in Section 1105 of the Master Indenture, shall mean, as of any date, a Bond or Bonds of such Series theretofore or thereupon being authenticated and delivered under the Master Indenture except:

(i) any Bonds canceled by the Trustee, and Paying Agent or the University at or prior to such date;

(ii) Bonds for the payment or redemption of which cash, equal to the principal amount or Redemption Price, shall be held in trust under the Master Indenture for such purpose, provided that if such Bonds are to be redeemed, notice of such redemption shall have been given or provision satisfactory to the Trustee shall have been made for the giving of such notice; and

(iii) Bonds deemed to have been paid as provided in Section 1401 of the Master Indenture.

(2) When used with reference to General Obligation Bonds which are State Bonds, shall have the meaning, as of any date, given in the applicable Dedication Instrument.

"Outstanding Bonds" means any Bond with respect to which a Principal Installment, Interest Payment, Sinking Fund Installment or other payment is or will be due in the future and for which moneys or defeasance securities have not been deposited in escrow.

"Paying Agent" for the Bonds of any series means the bank or trust company located within or without the State and its successor or assigns, appointed by the University pursuant to the provisions of the Master Indenture and any successor or assign so appointed and approved.

"Principal" or **"principal"** means (1), with respect to any Capital Appreciation Bond, the Accreted Value thereof (the difference between the stated amount to be paid at maturity and the Accreted Value being deemed unearned interest), provided, however, when used in connection with (a) the authorization and issuance of Bonds and (b) the order of priority of payments of Bonds after a default under Article XI of the Master

Indenture, "Principal" or "principal" means the Original Principal Amount of a Capital Appreciation Bond (being the initial public offering price of such Bond and the difference between the Accreted Value and the Original Principal Amount being deemed interest), and provided further, however, that when used in connection with determining whether the Bondholders of the requisite principal amount of Outstanding Bonds have given any required consent, notice, waiver, request, demand, authorization, direction or notice, "Principal" or "principal" means the Accreted Value, and (2) with respect to any Current Interest Bond, the principal amount of such Bond payable at maturity.

"Principal Amount" means the outstanding principal of a Current Interest Bond and, in the case of a capital appreciation bond, its accreted value.

"Principal Installment" for any Calendar Year, means, as of any date of calculation and with respect to any Series, so long as any Bonds thereof are Outstanding, the principal amount of Bonds of said Series which mature in such Year, reduced by the aggregate principal amount of such Bonds which would be retired before such Year by reason of the payment and application of Sinking Fund Installments payable before such Year for the retirement of such Bonds, plus the unsatisfied balance (determined as provided in the Master Indenture) of the Sinking Fund Installments, if any, due during such Year for the Bonds of such Series.

"Project" means, in accordance with the Act, any structure designed for use as a dormitory or other housing facility, dining facility, student union, academic building, administrative facility, library, classroom, building, research facility, faculty facility, office facility, athletic facility, health care facility, laboratory, maintenance, storage or utility facility or other building or structure useful for instruction in a program of education provided by the university; or any multipurpose structure designed to combine two or more of the functions performed by the types of structures enumerated in this subsection, including improvements, reconstruction, replacements, additions and equipment acquired in connection with a project or in connection with operation of any facilities of the University existing on the effective date of the Act, including all real and personal property, lands, improvements, driveways, roads, approaches, pedestrian access roads, parking lots, parking facilities, rights-of-way, utilities, easements and other interests in land, machinery and equipment, and all appurtenances and facilities either on, above or under the ground that are used or usable in any Project, including landscaping, site preparation, furniture, machinery, equipment and other similar items useful the operation of a particular facility or structure in the manner for which its use is intended, but does not include items that are customarily under applicable accounting principles considered as a current operating charge, unless the category and maximum amount thereof is specifically included by a determination of the Board of Trustees in the financing transaction proceedings and by percentage or otherwise as may be limited pursuant to such proceedings in order to preserve the excludability of the interest on the securities issued therefor from federal taxation under the applicable provisions of the Internal Revenue Code of 1986, or any subsequent corresponding internal revenue code of the United States as from time to time amended.

"Project Revenues" means revenues received from projects existing on the effective date of the Act, from Project or Projects under construction or from a combination of projects existing on the effective date of this Act and Projects, the acquisition, construction or accomplishment of which, the University has entered into a binding commitment, anticipated by the Board of Trustees to produce annual revenues in an amount not less than the anticipated annual cost of operation, maintenance and repair of any such Project or Projects, and annual debt service payments on any financing transaction proceedings under which Revenue Bonds have been issued for the Project or Projects during the term effected under the Act, as determined by the Board of Trustees.

"Redemption Price" means, with respect to any Bond, the principal amount thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to the Master Indenture.

"Renewal and Replacement Fund Requirement" means that amount necessary for the University to meet the extraordinary renewal and replacement expenses of Projects financed by the University under the UConn 2000 Infrastructure Improvement Program and other facilities forming part of the physical university plant so as to permit the University to operate and maintain the physical university plant in sound operating condition and in conformity with Section 909(B) of the Master Indenture, as determined in each Operating Budget or otherwise.

"Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the date of the Master Indenture, including any official interpretations thereof issued either before or after such date which are applicable to the Master Indenture.

"Securities Depositories" means The Depository Trust Company, Midwest Securities Trust Company, Philadelphia Depository Trust Company, or successors or, in accordance with the then current applicable guidelines of the Securities and Exchange Commission, such other depositories as the University may designate to the Trustee.

"Series of Bonds" or **"Bonds of a Series"** or words of similar meaning, means the Series of Bonds authorized by the Master Indenture and a Supplemental Indenture.

"SID" means, at any time, a then-existing state information depository, if any, as operated or designated as such by or on behalf of the State for the purposes referred to in the Rule. (As of the date hereof, there is no SID).

"Sinking Fund Installment" means, for any Calendar Year as of any date of calculation and with respect to any Bonds of a Series, so long as any Bonds thereof are Outstanding, the amount of money required by the Master Indenture or a Supplemental Indenture to be paid on a single future fixed date for the retirement of any Outstanding Bonds of said Series that mature after said future date, but does not include any amount payable by the University by reason only of the maturity of a Bond, and said fixed future date is deemed to be the date when such Sinking Fund Installment is payable and the date of such Sinking Fund Installment and said Outstanding Bonds are deemed to be the Bonds entitled to such Sinking Fund Installment.

"Special Debt Service Requirements" means for any period, and with respect to the Bonds, subject to the Master Indenture and any Supplemental Indenture authorizing the issuance of the Bonds, the sum of (A) the Principal Installments and interest accruing and coming due during such period, (B) the amounts, if any, required, with respect to interest rate fluctuations on variable rate debt, or with respect to securities not secured by the State Debt Service Commitment during such period to establish or maintain reserves, sinking funds or other funds or accounts at the respective levels required to be established or maintained therein in accordance with the proceedings authorizing the issuance of securities, (C) annual expenses of issuance and administration with respect to securities, (D) the amounts, if any, becoming due and payable under a reimbursement agreement or similar agreement entered into pursuant to authority granted under the proceedings authorizing the issuance of securities, (E) net amounts owing under interest rate agreements authorized and effective under section 10 of the Act, (F) arbitrage rebate requirements pursuant to subsection (b) of section 17 of the Act on securities secured by the State Debt Service Commitment and (G) any other annual costs or expenses necessary or proper to be paid in connection with the securities, including, without limitation, the annual cost of any Bond Facility, issued by a financial institution pursuant to an agreement approved in the financing transaction proceedings.

"State Bonds" means general obligation bonds of the State issued or to be issued by the State for the purpose of financing capital improvements for the infrastructure of the University.

"State Debt Service Commitment" means with respect to the Bonds issued as general obligations of the University pursuant to subsection (c) of Section 7 of the Act for the UConn 2000 Infrastructure Improvement Program and additionally secured by this State Debt Service Commitment under the Master Indenture and any Supplemental Indenture, an annual amount, commencing in the State Fiscal Year ending June 30, 1996, and any Fiscal Year thereafter for any Special Debt Service Requirements when due and payable.

"Submission Date" shall have the meaning ascribed to it in Section 1502 of the Master Indenture.

"Supplemental Indenture" means any series or supplemental indenture entered into by the Trustee and the University pursuant to and in compliance with the provisions of Article X or Article XI of the Master Indenture providing for the issuance of Additional Bonds or Refunding Bonds, and shall also mean any other indenture between the same parties entered into pursuant to and in compliance with the provisions of Article X or Article XI of the Master Indenture amending or supplementing the provisions of the Master Indenture as originally executed or as theretofore amended or supplemented.

"Tax Regulatory Agreement" means a tax regulatory agreement, including any supplements and amendments thereto, of the University, signed by an Authorized Officer and by the Treasurer, to be delivered in connection with the issuance of any Bonds under the Master Indenture and setting forth the expectations, certifications and representations concerning the use of the proceeds of such Bonds and other matters relating to compliance with the Code and consistent with the covenant of the University pursuant to Section 910 of the Master Indenture.

"Trust Estate" means all of the funds, securities, property, rights, privileges and interests granted, bargained, sold, conveyed, pledged and assigned unto the Trustee in the Granting Clauses of the Master Indenture securing the payment of the principal or redemption price, if any, of and interest on the Bonds according to their terms and all other amounts due in connection therewith and the performance and observance by the University of all the covenants expressed or implied therein and in Bonds.

"Trustee" means State Street Bank and Trust Company, as successor to Fleet National Bank of Connecticut, and any successor trust company or bank having the powers of a trust company within or without the State succeeding a prior trust company or bank as trustee, appointed pursuant to Section 810 of the Master Indenture.

"UConn 2000 Infrastructure Improvement Program" means the promotion, planning, designing, developing, encouraging, assisting, acquiring, constructing, reconstructing, improving, maintaining, equipping and furnishing of any UConn 2000 Project and assisting directly or indirectly in the financing of the cost thereof pursuant to the Act including the program of the University pursuant to which it issues bonds under the Master Indenture.

"UConn 2000 Phase I Project" means any Project which is identified and referenced in section 5 of the Act as a Phase I project, as same may be revised, deleted or added in accordance with the Act and the Master Indenture.

"UConn 2000 Phase II Project" means any Project which is identified and referenced in section 5 of the Act as a Phase II project, as same may be revised, deleted or added in accordance with the Act and the Master Indenture.

"UConn 2000 Project" means any UConn 2000 Phase I and UConn 2000 Phase II Project which the Board of Trustees by resolution authorizes to finance with Bonds under the Indenture provided such resolution is submitted to the Governor and has not been disapproved by the Governor within thirty (30) days of its submission.

"University" means The University of Connecticut, a constituent unit of the State system of public higher education, including The University of Connecticut Health Center and pursuant to the Act having perpetual succession as a body politic and corporate and an instrumentality and agency of the State or any body, agency, or instrumentality of the State or the State which shall hereafter succeed to the powers, duties and functions of the University under the Indenture.

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PART II

INFORMATION SUPPLEMENT

OF THE STATE OF CONNECTICUT

March 29, 2001

The Annual Information Statement of the State of Connecticut (the "State"), dated November 1, 2000, ***modified January 29, 2001*** appears in this Official Statement as **Part III** and contains information through November 1, 2000, ***modified January 29, 2001*** to include June 30, 2000 audited financial statements of the State prepared on a GAAP basis and a modified cash basis as **Appendices III-C** and **III-D**, respectively, to delete June 30,1999 audited financial statements of the State which previously appeared as **Appendix III-C**, to correct references thereto and to reflect information contained therein, including revisions to **Table 3, Table 5** and **Table 6**, and to make minor corrections.

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.

FORMER TREASURER

On September 23, 1999 former State Treasurer Paul J. Silvester pleaded guilty in Federal District Court of Connecticut to charges of racketeering, bribery and money laundering. The guilty pleas related to solicitations, for himself and others, of bribes and rewards in return for directing investments of State pension funds. The office of the United States Attorney for Connecticut has stated that the investigation by his office is continuing. Representatives of the Internal Revenue Service and the Securities and Exchange Commission are also investigating. The Office of the Treasurer is cooperating with all investigations. In April 2000 former Assistant Treasurer George M. Gomes pleaded guilty to a mail fraud charge related to the matters under investigation. In response to concerns about the activities of the former Treasurer, Treasurer Denise L. Nappier proposed, and the General Assembly passed, legislation under Public Act No. 00-43 which requires additional oversight by the Investment Advisory Council over pension fund investments and increases public disclosure by firms providing investment services to the Treasurer's office.

STATE GENERAL FUND

Page III-23. The subsection ***Fiscal Year 2000-2001 Operations*** is revised as follows:

Fiscal Year 2000-2001 Operations

The adopted budget for fiscal 2000-2001 anticipated General Fund revenues of $11,281.3 million and General Fund expenditures of $11,280.8 million resulting in a projected surplus of $0.5 million. Per Section 3-115 of the Connecticut General Statutes, the State's fiscal position is reported monthly by the Comptroller. This report compares revenues already received and the expenditures already made to estimated revenues to be collected and estimated expenditures to be made during the balance of the fiscal year. **Appendix III-E** to this **Part II** shows estimated revenues and expenditures for the 2000-2001 fiscal year as of December 31, 2000, but modified to reflect the estimates contained in the Governor's budget proposal submitted February 7, 2001. This report estimates 2000-2001 fiscal year General Fund revenues of $11,918.1 million, General Fund expenditures of $11,417.1 million and an estimated operating surplus of $501.0 million, as a result of an increase in estimated revenue that more than offset the increase in estimated expenditures. Estimated revenues have been revised upward by $636.8 million from the enacted budget plan, mostly from Personal Income Tax, Federal Grants, Sales and Use Tax, and Corporation Tax.

The information in **Appendix III-E** of this **Part II** and in the Comptroller's monthly reports contains only estimates and no assurances can be given that subsequent estimates or actions of the General Assembly will not indicate changes in the final result of the fiscal year 2000-2001 operations of the General Fund.

Per Section 4-30a of the Connecticut General Statutes, any unappropriated surplus, up to five percent of General Fund expenditures, shall be deposited into the Budget Reserve Fund. After transferring the amount which is required to meet the five percent rule of the Connecticut General Statutes, the balance will be used pursuant to Article XXVIII of the Amendments to the Constitution of Connecticut to reduce bonded indebtedness or for other purposes permitted by Article XXVIII.

On February 7, 2001, the Governor introduced his proposed budget for the upcoming fiscal 2001-03 biennium. Contained within that proposal are numerous initiatives to spend down the surplus. Of the $501.0 million projected surplus for fiscal 2000-2001, $28.9 million is proposed to be set aside to maintain the 5% statutory requirement on the budget reserve fund. This will increase the budget reserve fund from $564.0 million to $592.9 million. In addition, the Governor is proposing to use $292.5 million of this year's surplus for debt avoidance or retiring other obligations. The Governor is proposing that the remaining $179.6 million will be used for other one-time expenditures that seek to improve the economic well being of the State and improve citizens' quality of life. These proposed changes will exceed the limits imposed by the expenditure cap, thereby requiring a three-fifths vote of each house of the General Assembly for enactment.

Page III-23. The following section is added after ***Fiscal Year 2000-2001 Operations***:

Governor's Recommended Budget Fiscal Years 2001-2002 and 2002-2003

Pursuant to Section 4-71 of the General Statutes, the Governor submitted his proposed budget document to the legislature on February 7, 2001. In accordance with Section 4-71, the budget document included a proposed General Fund budget for fiscal year 2001-2002 and fiscal year 2002-2003. The proposed budget anticipates General Fund revenues of $11,858.2 million and $12,400.3 million in fiscal 2001-2002 and fiscal 2002-2003 respectively. General Fund appropriations total $11,858.0 million and $12,400.1 million in fiscal 2001-2002 and fiscal 2002-2003 respectively. For fiscal 2001-2002, General Fund appropriations would increase by 4.0% over estimated expenditures for fiscal 2000-2001 and would increase by 4.6% in the second year of the biennium. Based upon these levels of appropriations, the proposed budget would remain within the strictures of the State's Constitutional expenditure cap, a full $91.5 million below the fiscal 2001-2002 expenditure cap and $80.7 million below the fiscal 2002-2003 cap.

The proposed budget makes several modest modifications to the state's tax law. The most significant change is the repeal of the 5.75% sales tax on hospital services. This will reduce revenues by $111.4 million in fiscal 2001-2002 and $114.8 million in fiscal 2002-2003. The Governor is also proposing to raise the exemption on articles of clothing and footwear from $75 to $125 per item. This will reduce general fund revenues by $32.9 million in fiscal 2001-2002 and $34.5 million in fiscal 2002-03. Finally, several smaller tax changes are being proposed totaling $7.2 million in each year of the biennium.

The proposed budget anticipates significant expenditure changes in several areas. The most significant change contained in the budget is the elimination of the disproportionate share appropriation related to uncompensated care provided by hospitals in the state. This expenditure savings of $207 million is being partially offset by an increase of approximately $100 million in Medicaid, General Assistance, and Department of Mental Health and Addiction Services reimbursements to hospitals. Also within the Department of Social Services is the annualization of the HUSKY Adult program totaling $25.6 million in the first year of the biennium and $31.6 million in the second year of the biennium. Reflecting the Governor's emphasis on state support of community-based services in the mental health area, the recommended budget expands support for private providers by adding funds for a cost of living increase. In addition, funds are being made available for enhanced community services. These changes, when combined with an interagency transfer of responsibility, would increase the Department of Mental Health and Addiction Services' budget by $103.3 million in fiscal 2002-03 over the current fiscal year. The state's largest support for local education is through the Education Cost Sharing (ECS) formula. The recommended budget would increase this grant by $73.5 million by the second year of the biennium over fiscal 2000-2001 estimated expenditures. This increase is due solely to funding for enrollment growth. In addition, in order to accelerate the phase out of the formula cap, which had previously limited the growth the formula provided to wealthier towns, the Governor's budget proposes to reallocate $25 million in fiscal 2001-2002 and $50 million in fiscal 2002-2003 from the Mashantucket Pequot and Mohegan grant to the ECS grant. The cap is expected to be fully phased-out by fiscal 2003-2004. Due to the projected increase in incarcerated individuals in the state's prison system, the state's Department of Corrections budget is recommended to expand by almost $58 million by fiscal 2002-2003 over fiscal 2000-2001. With the expansion of the Connecticut Community KidCare program within the Department of Children and Families, expenditures will rise $15.0 million in the first year of the biennium and $23.7 million in the second year of the biennium. In anticipation of new court house openings, the incorporation of the county sheriffs system within the general fund and the expansion of the alternative incarceration program, the Judicial Department will see its expenditures increase by $57.7 million between fiscal 2000-2001 and fiscal 2002-2003.

The Governor's proposed budget also includes an increase in general obligation bond authorizations of $1,020 million to take effect in fiscal 2001-2002 and $1,172 million to take effect in fiscal 2002-2003. These increases are in addition to $146 million and $100 million in existing authorizations which take effect in such fiscal years. Recommended revenue bond authorizations would increase $81 million in fiscal 2001-2002 and $158 million in 2002-2003, and special transportation bond authorizations would increase $196 million in each fiscal year.

Deliberations on the Governor's budget recommendation are expected to continue throughout the legislative session with an expected adjournment date of June 6, 2001.

See **Appendix III-E** of this **Part II** for more information regarding the Governor's Recommended Budget for fiscal years 2001-2002 and 2002-2003.

STATE DEBT

Pages III-30 - TABLE 7, III-34 - TABLE 8 and III-36 - TABLE 10.

On December 20, 2000 the State issued $80,000,000 Taxable General Obligation Bonds (2000 Series A). The principal of the bonds is payable on December 1 in various amounts in the years 2001 through 2004 respectively and interest rates range from 6.45% to 6.50%. On December 21, 2000 the State issued $400,000,000 General Obligation Bonds (2000 Series C). The principal of the bonds is payable on December 15 in various amounts in the years 2001 through 2016 and interest rates range from 4.20% to 5.375% per annum.

Page III-38. The following information is added to the section entitled ***Future Issuance of Direct General Obligation Debt***:

The State is planning to issue in the near future approximately $18,555,000 Certificates of Participation for the Connecticut Juvenile Training School Energy Center Project. The University of Connecticut is planning to issue in the near future approximately $100,000,000 of its general obligation bonds secured by the State's debt service commitment.

OTHER FUNDS, DEBT AND LIABILITIES

Page III-48. The following information is added after the first paragraph of the section entitled **OTHER FUNDS, DEBT AND LIABILITIES – Contingent Liability Debt – *Assistance to Municipalities***:

The City of Waterbury. In March 2001, the State adopted legislation to assist the City of Waterbury in financing its budget deficits (the "Act"). The Act imposed certain financial controls on the City and created a Waterbury Financial Planning and Assistance Board (the "Board"). The Act authorizes the City, subject to approval of the Board and the State Treasurer, to issue bonds for the purpose of funding the City's budget deficits. Payment of the bonds is serviced through the City's taxing authority. The Act 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 Act also provides for the establishment of a special capital reserve fund to further secure up to $75,000,000 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 in the manner described in ***Special Capital Reserve Funds*** on page III-45.

The Board is 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 of whom shall be affiliated with a business located in the City, one of whom shall have expertise in finance, one of whom shall be a resident of the City and one of whom shall be a representative of organized labor. The Board may be terminated when the City meets certain conditions outlined in the Act.

Page III-50. **Table 16** is revised to add the following line:

	Authorized SCRF or Guaranteed Debt	**Outstanding SCRF or Guaranteed Debt**	**Minimum Capital Reserve Requirement**
	As of 11/1/00	**As of 11/1/00**	**As of 11/1/00**
INDEBTEDNESS SECURED BY SPECIAL CAPITAL RESERVE FUNDS			
City of Waterbury Special Capital Reserve Fund Bonds [e].....	$-0-	$-0-	$-0-

(e) In March 2001, the General Assembly authorized Waterbury to issue up to $75 million Special Capital Reserve Fund Bonds.

PENSION AND RETIREMENT SYSTEMS

Page III-54. The following information is added to the section **PENSION AND RETIREMENT SYSTEMS – Teacher's Retirement Fund:**

The most recent actuarial valuation, dated January 9, 2001, indicated that as of June 30, 2000 the Teachers' Retirement Fund, inclusive of the excess earnings account, had an actuarial accrued liability of $13,361,062,324 and had assets with an actuarial value of $11,169,434,208. This resulted in an unfunded accrued liability of $2,191,628,116 as of June 30, 2000. According to the actuarial report, at June 30, 2000 the market value of the fund's investment assets was $11,940,222,779, which amount exceeded the actuarial value by $770,788,571.

The actuarial valuation was based upon an 8.50% earnings assumption. The Treasurer has realized an annualized net return of 11.51% on investment assets over the past ten years (fiscal year 1990-1991 through fiscal year 1999-2000) and an annualized net return of 14.92% over the past five years (fiscal year 1995-1996 through fiscal year 1999-2000).

LITIGATION

Page III-57. The following information is added to the section entitled ***Sheff v. O'Neill***.

The plaintiffs filed a motion on December 28, 2000 seeking to have the Superior Court, once again, monitor the State's compliance with the State Supreme Court's 1996 decision.

Page III-57. The following information is added to the section entitled ***Donald P. Karp, Administrator of the Estate of Leslie J. Karp v. State of Connecticut***.

A stipulated judgment was entered on October 23, 2000 in the amount of $1.5 million. It was further provided that each side would pay its own costs and attorney's fees. This case is now closed.

APPENDIX III-E is revised as follows:

GENERAL FUND REVENUES AND EXPENDITURES
ADOPTED MIDTERM ADJUSTED BUDGET FOR 2000-01
ESTIMATED BUDGET FOR 2000-01
GOVERNOR'S RECOMMENDED BUDGETS FOR 2001-02 AND 2002-03
(In Millions)

	Adopted Midterm Budget Adjustments 2000-01[a]	Estimated Budget 2000-01[h]	Governor's Recommended Budget 2001-02	Governor's Recommended Budget 2002-03
Revenues				
Taxes				
Personal Income Tax [b]	$4,218.0	$4,681.0	$4,876.6	$5,110.3
Sales & Use	3,116.7	3,191.0	3,178.3[m]	3,303.7[m]
Corporation [c]	512.9	580.0	530.7	562.7
Public Service	173.0	165.3	165.6	167.4
Inheritance & Estate	241.4	220.0	210.0	202.0
Insurance Companies	198.4	205.7	209.7	213.7
Cigarettes	116.2	119.0	116.6	114.3
Real Estate Conveyance	112.2	112.0	105.0	105.0
Oil Companies [d]	39.2	48.0	36.9[n]	32.2[n]
Alcoholic Beverages	40.0	41.4	41.8	42.2
Admissions, Dues, Cabaret	24.0	24.9	24.7	26.9
Miscellaneous	42.7	40.1	39.5	36.6
Total Taxes	$ 8,834.7	$9,428.4	$9,535.4	$9,917.0
Less Refunds	(729.8)	(793.1)	(846.4)	(868.6)
Net Taxes	$ 8,104.9	$8,635.3	$8,689.0	$9,048.4
Other Revenues				
Transfers- Special Revenues	265.2	260.0	265.2	270.5
Indian Gaming Payments	336.0	335.0	351.8	369.4
Licenses, Permits, Fees	121.8	124.0	126.5	124.5
Sales of Commodities & Services	32.0	18.6[k]	18.2[k]	18.2[k]
Rents, Fines & Escheats	41.1	43.3	44.7	45.3
Investment Income	68.0	68.2	62.7	61.2
Miscellaneous	133.6	129.7	127.9	136.2
Total Other Revenue	$ 997.7	$ 978.8	$997.0	$1,025.3

	Adopted Midterm Budget Adjustments 2000-01[(a)]	Estimated Budget 2000-01[(h)]	Governor's Recommended Budget 2001-02	Governor's Recommended Budget 2002-03
Other Sources				
Federal Grants	2,122.3	2,250.1	2,160.4	2,288.5
Transfers from Tobacco Settlement Funds[(e)]	138.8	138.8	121.8	123.1
Transfers to Other Funds [(f)]	(82.4)	(84.9)	(110.0) [(o)]	(85.0) [(o)]
Total Other Sources	$ 2,178.7	$ 2,304.0	$ 2,172.2	$ 2,326.6
Total Unrestricted Revenues	$11,281.3	$11,918.1	$11,858.2	$12,400.3
Restricted Federal & Other Grants	750.0	1,234.5	750.0	750.0
Total Revenue	$12,031.3	$13,152.6	$12,608.2	$13,150.3
Appropriations/Expenditures				
Legislative	$ 59.0	$ 59.0	$ 64.6	$ 66.9
General Government	456.5	446.0	454.7	464.4
Regulation & Protection	213.7	209.6	226.3	233.2
Conservation & Development	78.5	78.6	70.1	74.8
Health & Hospitals	1,096.4[(i)]	1,102.6[(i)]	1,216.0	1,272.8
Transportation [(g)]	35.0	35.0	35.0	35.0
Human Services	3,423.6	3,505.5	3,504.5	3,647.9
Education, Libraries & Museums	2,651.7	2,655.1	2,737.8	2,865.3
Corrections	1,006.8	1,005.7	1,080.2	1,138.9
Judicial	324.1	339.3	385.6	400.9
Non- Functional				
Debt Service	1,015.1	979.5	1,042.0	1,080.2
Miscellaneous	1,040.4	1,024.1	1,148.6	1,229.1
Subtotal	$11,400.8	$11,440.0	$11,965.2	$12,509.5
Unallocated Lapse	(120.0)	(9.8)	(107.3)	(109.3)
Net Appropriations/Expenditures	$11,280.8	$11,430.2	$11,858.0	$12,400.1
Surplus (or Deficit) from Operations	$ 0.5	$ 487.9	$ 0.2	$ 0.2
Miscellaneous Adjustments	0.0	13.1	0.0	0.0
Balance[(j)]	$ 0.5	$ 501.0[(l)]	$ 0.2	$ 0.2

NOTE: Columns may not add due to rounding.

(a) Per Special Act No. 00-13 and Public Act No. 00-170, the adopted Midterm Budget Adjustment.

(b) Per Public Act No. 99-173, increases the maximum property tax credit against the Personal Income Tax to an eventual $500, effective January 1, 2000.

(c) Per Public Act No. 95-160, the corporate income tax rate is reduced to 7.5% by January 1, 2000.

(d) Per Public Act No. 00-170, reflects the transfer of revenue earmarked for the Special Transportation Fund.

(e) Per Special Act No. 99-10 and Public Act No. 00-216, includes funds from the Master Tobacco Settlement Agreement.

(f) Transfer to Mashantucket Pequot and Mohegan Fund for Grants to towns.

(g) Per Section 1 of Special Act No. 00-13, transfers the Town Aid Road Grant from Special Transportation Fund for fiscal 2000-01 and after.

(h) Per the Comptroller's monthly report for the period ending December 31, 2000, modified to reflect the Governor's February 7, 2001 budget proposal, which estimated additional income tax revenue, lower unallocated lapses and other miscellaneous adjustments. The line item expenditures exclude expenditures of appropriations carried over from the prior fiscal year and include expenditures of appropriations carried over to the next fiscal year, as determined by the Office of Policy and Management.

(i) Includes the HUSKY adult expansion, expanding home care eligibility, and establishing a work incentive program for the disabled.

(j) Per Section 4-30a of the Connecticut General Statutes, any unappropriated surplus, up to five percent of General Fund expenditures, shall be deposited into the Budget Reserve Fund.

(k) Revenues have been reduced to offset expenditures made by Riverview Hospital.

(l) The Governor's budget proposal assumes that \$28.9 million of the projected \$501.0 million surplus will be deposited into the Budget Reserve Fund. Of the remaining amounts, \$292.5 million will be used for debt avoidance and \$179.6 million will be used for various projects.

(m) The Governor's budget proposal would, among other changes: 1) eliminate the tax on hospital related services, and 2) raise the clothing exemption to \$125 and an additional sales tax free week.

(n) Per the Governor's recommended budget, intercepts funds for the Emergency Spill Response Fund.

(o) Per the Governor's recommended budget, redeploys a portion of the Indian Gaming payments to the Education Cost Sharing formula.

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

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PART III
ANNUAL INFORMATION STATEMENT
STATE OF CONNECTICUT

NOVEMBER 1, 2000

Modified January 29, 2001

This Annual Information Statement of the State of Connecticut (the "State") contains information through November 1, 2000, ***modified January 29, 2001*** to include June 30, 2000 audited financial statements of the State prepared on a GAAP basis and a modified cash basis as **Appendices III-C and III-D**, respectively, to delete June 30, 1999 audited financial statements of the State which previously appeared as **Appendix III-C**, to correct references thereto and to reflect information contained therein, including revisions to **Table 3 and Table 5**, and to make minor corrections. For information about the State after November 1, 2000, 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 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 generally accepted accounting principles.

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) 702-3137.

Constitutional Elected Officers

*** Governor**	**John G. Rowland**
Lieutenant Governor	**M. Jodi Rell**
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**	**Marc S. Ryan**
*** Commissioner of Public Works**	**Theodore R. Anson**
Commissioner of Transportation	**James F. Sullivan**

Legislative Branch Officers

President Pro Tempore of the Senate	**Sen. Kevin B. Sullivan**
Speaker of the House of Representatives	**Rep. Moira K. Lyons**
*** Co-chairpersons of the Joint Standing Committee on Finance, Revenue and Bonding**	**Sen. Martin M. Looney** **Rep. Anne B. McDonald**
*** Ranking Minority Members of the Joint Standing Committee on Finance, Revenue and Bonding**	**Sen. William H. Nickerson** **Rep. Richard O. Belden**
Auditors of Public Accounts	**Kevin P. Johnston** **Robert G. Jaekle**

* Denotes member of the State Bond Commission

PART III
NOVEMBER 1, 2000
Modified January 29, 2001
ANNUAL INFORMATION STATEMENT OF THE
STATE OF CONNECTICUT

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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 an 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 on 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 mechanisms available to the State to undertake borrowings 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 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; Transportation; 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. 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 approximately 60% 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 later 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 and is expected to remain among the highest in the nation; gross state product (the market value of all final goods and services produced by labor and property located within the State) which demonstrated stronger output growth than the nation in general during the 1980s, slower growth for a few years in the early 1990s, and steadily increasing growth during the rest of the 1990s; employment which fell during the early 1990s but has risen steadily during the rest of the decade to the levels achieved in the late 1980s; and the unemployment rate, which is the lowest in a decade and lower than the regional and 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 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 his 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 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 (the "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 the 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 the 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 the 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.

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 the 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 after October 1, 1995 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. The statute was extended in May 2000 so it applies to contributions to other elected State officials including the Governor and the Attorney General.

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 5% of the net General Fund appropriations, no further transfers shall be made by the Treasurer.

As of June 30, 2000, the balance in the budget reserve fund was $529.1 million. After the transfer of $34.9 million from the June 30, 2000 surplus, the balance in the budget reserve fund is $564.0 million. 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 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 ("GASB"). These reports include audited annual financial statements prepared in accordance with GAAP. A 1993 statute authorized the OPM to implement the use of GAAP with respect to the preparation of the annual budget effective with the fiscal year commencing July 1, 1995, and provided for the amortization of the GAAP-based deficit commencing with the fiscal year ending June 30, 1997. Subsequent legislation has extended the implementation date to July 1, 2003 and the amortization date to June 30, 2005.

As specifically permitted by statute, the only present modifications from the cash basis in recording revenues under the modified cash method are: (1) the accrual of the 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 the OPM; (2) the accrual of cigarette tax revenue received by the Commissioner of Revenue Services no later than 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 the last day of July immediately following the end of such fiscal year; (4) the accrual of the motor fuels tax revenue and the motor carrier road tax revenue on all fuel sold or used prior to the end of such fiscal year and which tax is received by letter postmarked no later than 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 letter postmarked no later than the last day of July immediately following the end of such fiscal year; (6) the accrual of corporation business tax revenue which is received by the Department of Revenue Services no later than the last day of July immediately following the end of such fiscal year; (7) the accrual of income tax revenue which is received by the Commissioner of Revenue Services from employers no later than the last day of July immediately following the end of such fiscal year; (8) the accrual of hospital tax revenue which is received by letter postmarked no later than 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, which is received by the Treasurer no later than the last day of July immediately following the end of such fiscal year; and (10) 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 he 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 October 15 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.

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 October 15 annually to the Governor and the Investment Advisory Council as to the activities of the Office of the Treasurer for the preceding fiscal year.

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 the 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.

Short Term Investment Fund. Cash management and the investment by the Treasurer of all State monies is based on the concept of a common cash pool. 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. Such participation units are legal investments for 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 Treasurer may adopt regulations specifying the terms and conditions of the purchase and sale of participation units, the payment of interest, investment policies, and accounting practices.

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 L.P. acts as investment manager of TEPF and a Board of Directors is responsible for TEPF's overall management and supervision.

Investment of Pension Funds. Seven 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 Cash Reserve Account, the Mutual Equity Fund, the Mutual Fixed Income Fund, the Commercial Mortgage Fund, the Real Estate Fund, the International Stock Fund and the Private Investment Fund. Such funds acquire units, in varying proportions depending on the investment policies of the funds, in one or more of the funds. By statute no more than 55% of any of the State's trust funds may be invested in common stocks. After January 1, 2001 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.

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.

Cash Management. It is the practice of the State to treat all civil list funds (including monies in the General Fund, various bond funds, and the Special Transportation Fund) as common cash, with amounts released from the various funds to the common cash pool in accordance with the State's overall cash flow needs. In addition, the State has established a program of temporary note issuances to cover periodic cash flow requirements with the maximum volume of cash flow borrowing determined based upon the State's actual cash needs on a daily basis. 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.

Interest Rate Risk Management. 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 cashflow basis, including swap agreements and other arrangements to manage interest rate risk. The unsecured long-term obligations of the counter party to any arrangement must be rated the same 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.

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, 2000 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, 1996 through June 30, 2000 are included in **Appendix III-D** to this Modified Annual Information Statement. The adopted budgets for the fiscal years ending June 30, 2000 and June 30, 2001, the actual budgetary-basis results for the fiscal year ending June 30, 2000 and the estimated (as of September 30, 2000) budgetary-basis results for the fiscal year ending June 30, 2001 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; the WEFA Group, a nationally recognized econometric forecasting firm; the Connecticut Economic Conference Board which was created to provide economic advice to the Governor and the General Assembly; and "The Connecticut Economy," a University of Connecticut quarterly review written and edited by widely known State economists.

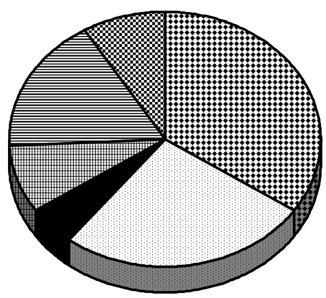
Because of the vast number of variables that can impact the revenue forecast, the State considers forecasting to be a process and not a product. While the economic data from available sources is analyzed and used to anticipate overall direction and trends, the revenue forecast is generated through a 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. Overall, the process followed in developing Connecticut's revenue forecast is consistent with approaches taken in many other states.

Fiscal 2000 and 2001 Adopted Revenues. General Fund revenues as forecasted at the adoption of the budgets for the fiscal years ending June 30, 2000 and 2001 ("Adopted Revenues") are reflected in **Appendix III-E** to this Modified Annual Information Statement. The State, as of the forecast date, expected to derive over seventy percent of its General Fund revenues from taxes during each of the 1999-2000 and 2000-01 fiscal years. Fiscal year 1999-2000 actual revenues, based on information contained in the Comptroller's December 29, 2000 annual report for the fiscal year ending June 30, 2000, and fiscal year 2000-2001 revenue forecasts based on information contained in the Comptroller's monthly report for the period ending September 30, 2000, are also reflected 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 for the fiscal years ending June 30, 2000 as forecasted at the time of adoption of the biennial budget, and June 30, 2001, as forecasted at the time of adoption of the mid term budget adjustments, are set forth below:

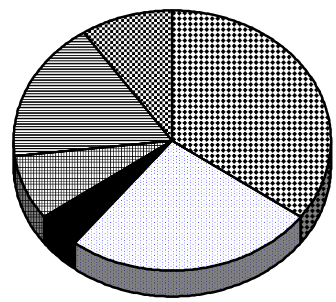
Adopted General Fund Revenues (In Millions)

Adopted Revenues 1999-2000
$10,646.0 [(a)]



Personal Income Tax	$3,974.6	34.4%
Sales and Use Tax	3,028.6	26.2%
Corporate Business Tax	573.3	5.0%
Other Taxes[(b)]	990.8	8.6%
Unrestricted Federal Grants	1,989.5	17.2%
Other Non-Tax Revenues [(c)]	1,010.7	8.7%

Adopted Revenues 2000-2001
$11,281.3 [(a)]



Personal Income Tax	$4,218.0	34.9%
Sales and Use Tax	3,116.7	25.8%
Corporate Business Tax	512.9	4.2%
Other Taxes[(b)]	987.1	8.2%
Unrestricted Federal Grants	2,122.3	17.5%
Other Non-Tax Revenues [(c)]	1,136.5	9.4%

(a) The pie charts reflect the total of the listed tax and revenue amounts of $11,567.5 million for 1999-2000 and $12,093.5 million for 2000-2001 and do not reflect tax refunds and transfers to other funds of $921.5 million for 1999-2000 and $812.2 million for 2000-2001. See **Appendix III-E** for anticipated adjustments to adopted tax revenues.

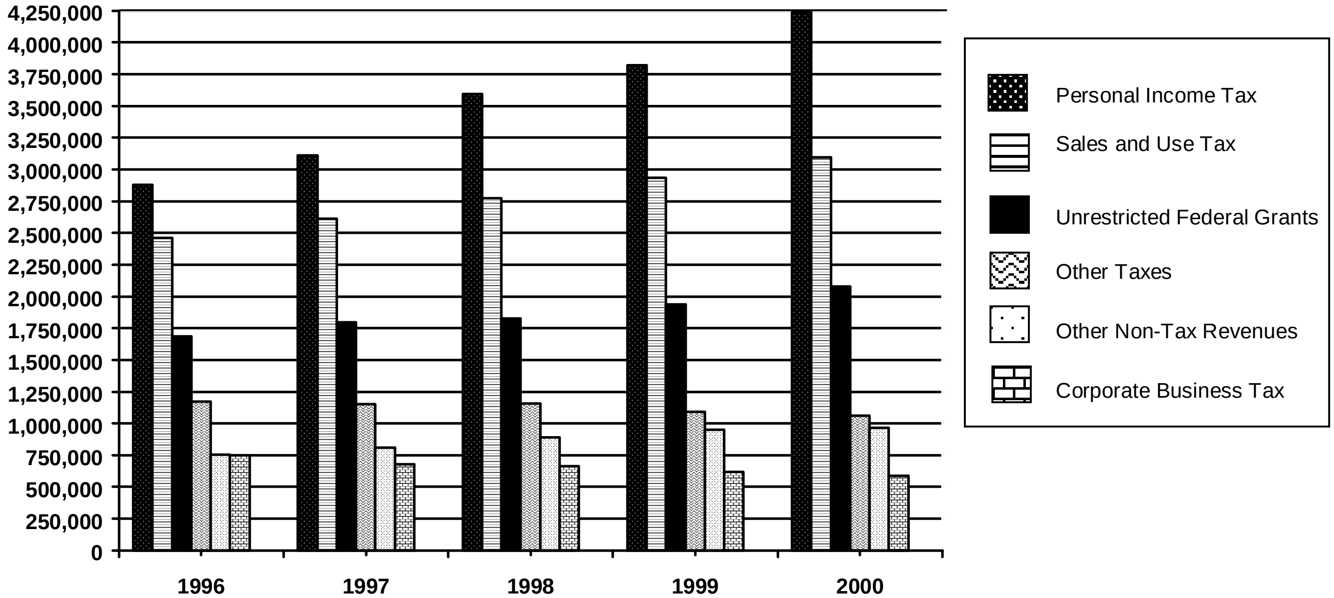
(b) Other taxes are comprised of inheritance and estate taxes, taxes on gross receipts of hospitals until April 1, 2000 and public service corporations, taxes on net direct premiums of insurance companies, taxes on oil companies, cigarettes and alcoholic beverages, real estate transfers, taxes on admissions and dues 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. See **Appendix III-E**.

SOURCE: Special Act No. 99-10, as amended by Special Act No. 00-13 and Public Act No. 00-170.

Historical General Fund Revenues. Actual General Fund revenues for the fiscal years 1996 through 2000 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)



	1996	1997	1998	1999	2000
Taxes:					
Personal Income Tax	$ 2,879,379	$ 3,110,868	$ 3,596,225	$ 3,820,837	$ 4,238,228
Sales Tax	2,460,133	2,611,456	2,772,109	2,932,191	3,096,780
Corporate Business Tax	748,064	677,883	663,672	619,539	587,756
Other Taxes [b]	1,173,299	1,150,245	1,158,738	1,089,738	1,063,543
Subtotal..............................	7,260,875	7,550,452	8,190,744	8,462,305	8,986,307
Transfer to Economic Recovery Fund	(92,190)	0	0	0	0
Refunds of Taxes......................	(410,500)	(490,548)	(580,830)	(645,000)	(713,359)
Total Net Taxes..................	$ 6,758,185	$ 7,059,904	$ 7,609,914	$ 7,817,305	$ 8,272,948
Other Revenue:					
Federal Grants (Unrestricted)	1,684,030	1,795,514	1,824,595	1,938,271	2,078,914
Other Non-Tax Revenues (Unrestricted)[c]	751,592	811,658	887,732	950,813	963,784
Transfers to Other Funds	(85,000)	(85,000)	(180,000)	(90,000)	(180,000)
Transfers from Other Funds......	2,329	0	0	0	78,000
Total Other Revenues	$ 2,352,951	$ 2,522,172	$ 2,532,327	$ 2,799,084	$ 2,940,698
Total Revenues...................	$ 9,111,136	$ 9,582,076	$ 10,142,241	$ 10,616,389	$ 11,213,646

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

(b) Other taxes are comprised of inheritance and estate taxes, taxes on gross receipts of hospitals (until April 1, 2000) and public service corporations, net direct premiums of insurance companies, taxes on oil companies, cigarettes and alcoholic beverages, real estate transfers, taxes on admissions and dues and cabarets 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.

SOURCE: 1996, 1997, 1998, 1999 and 2000 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 4.5% 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 in taxable year 2001 with the lower end of the range increasing annually to $15,000 by taxable year 2007 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 4.5% with a rate of 3% applicable to taxable income up to certain amounts. Subsequent legislation has increased the amount of taxable income subject to the 3% rate. By tax year 1999 and thereafter, 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 has been increased to a maximum of $500 per filer. 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. A separate rate of 12% is charged on the occupancy of hotel rooms. The tax rate for the Sales and Use Taxes is 6%. 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 are exempt from this tax. For taxable years commencing on or after January 1, 1999, this exemption extends to domestic insurance companies. 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, from which domestic insurance companies are exempted, 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.

Other Taxes. Other tax revenues are derived from inheritance taxes, taxes on gross receipts of hospitals until April 1, 2000, taxes on 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 and other miscellaneous tax sources.

Federal Grants. Federal grants in aid are normally conditioned to some degree, depending upon the particular program being funded, on resources provided by the State. More than 99% of unrestricted federal grant revenue is expenditure driven. The largest federal grants in fiscal 2000 were made for the purposes of providing medical assistance payments to 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

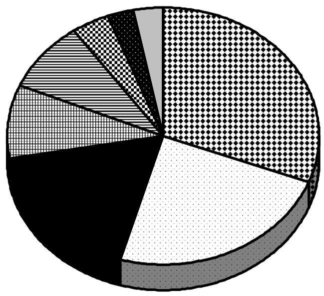
Appropriated and Historical Expenditures

Fiscal 2000 and 2001 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 paid from the Transportation Fund, not the General Fund.

Appropriated expenditures included in adopted budgets for fiscal years ending June 30, 2000 and June 30, 2001, actual expenditures for the fiscal year ending June 30, 2000, and estimated expenditures for the fiscal year ending June 30, 2001 based on information contained in the Comptroller's monthly report for the period ending September 30, 2000 are set forth in **Appendix III-E** to this Modified Annual Information Statement. A summary of appropriated General Fund expenditures for the fiscal years ending June 30, 2000 and June 30, 2001 is set forth below.

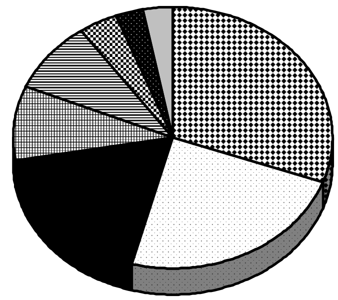
Appropriated General Fund Expenditures (In Millions)

Appropriated Expenditures 1999-2000
$10,581.6 [(a)]



	Human Services	$3,324.5	30.9%
	Education, Libraries and Museums	2,535.4	23.6%
	Non-Functional	1,906.5	17.3%
	Health and Hospitals	983.7	9.2%
	Corrections	942.1	8.8%
	General Government	427.4	4.0%
	Judicial	297.7	2.8%
	Other Expenditures[(b)]	324.9	3.0%

Appropriated Expenditures 2000-2001
$11,280.8 [(b)]



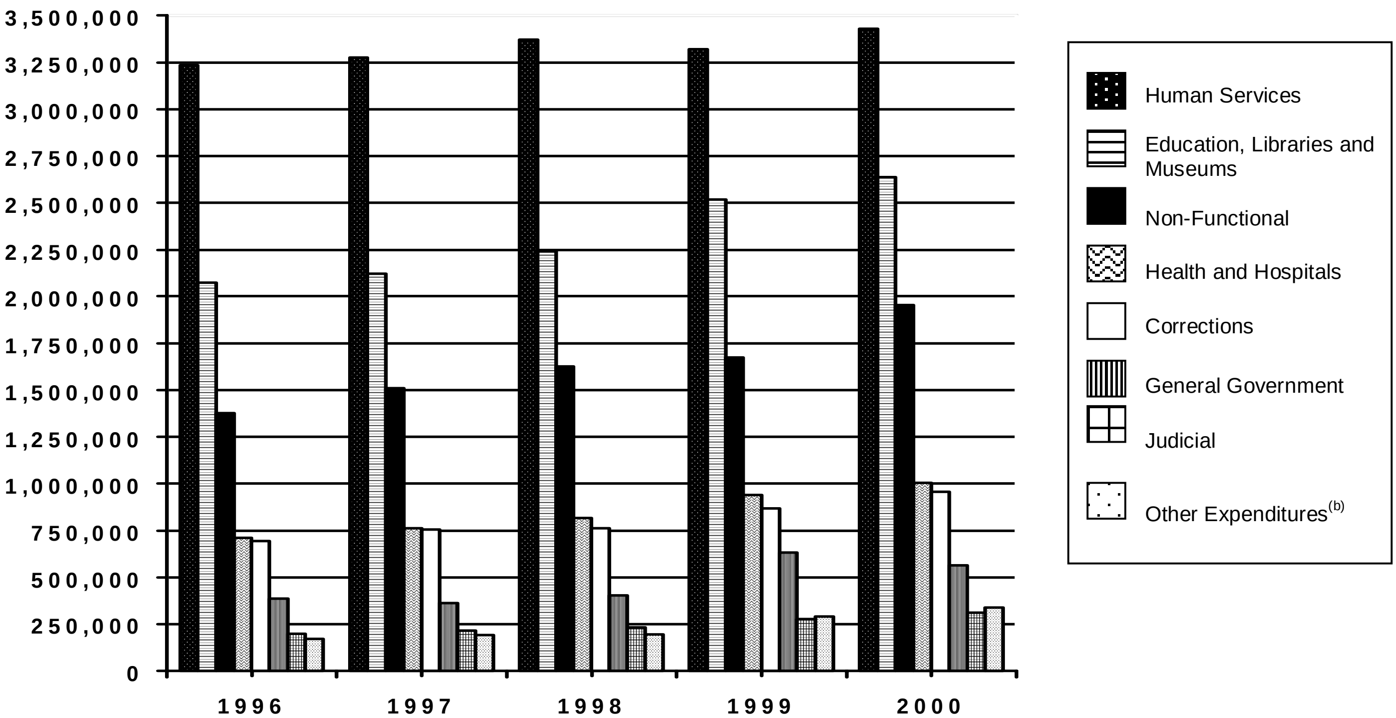
	Human Services	$3,423.6	30.4%
	Education, Libraries and Museums	2,651.7	23.5%
	Non-Functional	2,055.5	18.2%
	Health and Hospitals	1,096.4	9.7%
	Corrections	1,006.8	8.9%
	General Government	456.5	4.1%
	Judicial	324.1	2.9%
	Other Expenditures[(b)]	386.2	3.4%

(a) The pie charts reflect the total listed expenditures of $10,742.2 for 1999-2000 and $11,400.8 for 2000-2001, and do not reflect adjustments for unallocated lapses of $160.6 for 1999-2000 and 120.0 for 2000-2001. See **Appendix III-E** for anticipated adjustments to appropriated expenditures.

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

SOURCE: Special Act 99-10, as amended by Special Act 00-13.

Historical General Fund Expenditures. Actual General Fund expenditures for the fiscal years 1996 through 2000 are set forth in **Appendix III-D** to this Modified Annual Information Statement. A summary of the composition of General Fund expenditures for last five fiscal years is illustrated below:



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

	1996	1997	1998	1999	2000
Human Services	$ 3,234,159	$ 3,277,044	$ 3,371,318	$ 3,231,095	$ 3,430,561
Education, Libraries and Museums	2,075,705	2,122,230	2,240,437	2,411,479	2,637,518
Non-Functional	1,376,113	1,509,500	1,626,622	1,705,133	1,954,711
Health and Hospitals	710,516	762,347	817,777	905,529	1,005,233
Corrections	693,414	757,341	762,917	845,239	957,555
General Government	387,683	364,301	404,279	594,847	566,310
Judicial	198,594	217,086	232,340	266,043	309,319
Other Expenditures[(b)]	169,965	190,127	194,156	291,444	339,697
Totals	$ 8,846,149	$ 9,199,976	$ 9,649,846	$ 10,250,809	$ 11,200,904

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

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

SOURCE: 1996, 1997, 1998, 1999 and 2000 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 2000-2001 fiscal year, approximately 69% of the State expenditures for Education, Libraries and Museums is allocated to the Department of Education, with the largest share consisting of payments to local governments. The remaining 31% consists of expenditures for higher education (including the University of Connecticut, the Connecticut State University System and 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 general 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 to 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 55% of all appropriations for Conservation and Development based upon the adopted budget for the 2000-2001 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). Such payments to third parties amount to approximately 64% of total General Fund appropriations under the adopted budget for the 2000-2001 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 36% of all General Fund appropriations under the adopted budget for the 2000-2001 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

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

	Fiscal Year 1999[a] (Actual)		Fiscal Year 2000[b] (Actual)		Fiscal Year 2001 (Appropriated)	
	Total Payments	Payments to Local Governments	Total Payments	Payment to Local Governments	Total Payments	Payments to Local Governments
LEGISLATIVE						
Total – Legislative	230	0	236	0	248	0
GENERAL GOVERNMENT						
Property Tax Relief Elderly Circuit Breaker	21,982	21,982	21,143	21,143	23,000	23,000
P.I.L.O.T. – New Manufacturing Machinery and Equipment	67,842	67,842	70,962	70,962	79,000	79,000
One-Time Local Capital Improvement Program Grants	20,000	20,000	0	0	0	0
Undesignated	53,266	33,312	51,363	28,840	49,270	30,237
Total – General Government	163,090	143,136	143,468	120,945	151,270	132,237
REGULATION AND PROTECTION						
Total – Regulation and Protection	328	0	319	0	430	0
CONSERVATION AND DEVELOPMENT						
Total – Conservation and Development	9,510	5,163	10,058	5,143	12,187	5,143

	Fiscal Year 1999[a] (Actual)		Fiscal Year 2000[b] (Actual)		Fiscal Year 2001 (Appropriated)	
	Total Payments	Payments to Local Governments	Total Payments	Payments to Local Governments	Total Payments	Payment to Local Governments
HEALTH AND HOSPITALS						
Employment Opportunities and Day Services (Department of Mental Retardation)	87,097	0	94,578	0	100,781	0
Community Residential Placements (Department of Mental Retardation)	188,295	0	198,231	0	219,939	0
Grants for Substance Abuse Services	23,374	0	22,138	0	26,038	0
Grants for Mental Health Services	65,325	0	68,985	0	74,252	0
Undesignated	49,110	8,563	47,147	9,604	51,731	10,316
Total – Health and Hospitals	413,201	8,563	431,079	9,604	472,741	10,316
HUMAN SERVICES						
Medicaid	2,093,215	0	2,162,889	0	2,231,945	0
Old Age Assistance	31,466	0	30,876	0	32,093	0
Aid to the Disabled	64,095	0	62,089	0	64,666	0
Temporary Assistance to Families	24,258	0	24,258	0	24,043	0
Temporary Assistance to Families – TANF	188,268	0	143,384	0	116,269	0
Connecticut Pharmaceutical Assistance Contract to the Elderly	33,031	0	39,500	0	34,777	0
Medicaid – Disproportionate Share – Mental Health	191,000	0	191,000	0	151,000	0
Connecticut Home Care Program	15,248	0	19,058	0	22,667	0
Child Care Services - TANF/CCDBG	121,804	0	101,557	0	129,722	0
Disproportionate Share - Medical Emergency Assistance	214,239	0	204,511	0	207,000	0
State Administered General Assistance	74,407	0	87,580	0	84,765	0
Undesignated	94,236	11,340	108,113	17,644	116,842	20,171
Total – Human Services	3,145,267	11,340	3,174,815	17,644	3,215,789	20,171
EDUCATION, LIBRARIES AND MUSEUMS						
Interest Subsidy Debt Avoidance Grants	55,000	55,000	0	0	0	0
Transportation of School Children	41,243	41,243	42,800	42,800	45,200	45,200
Education Equalization Grants	1,299,138	1,299,138	1,347,877	1,347,877	1,388,000	1,388,000
Priority School Districts	19,000	19,000	20,336	20,336	20,058	20,058
Excess Cost – Student Based	42,362	42,362	46,763	46,763	49,000	49,000
Early Reading Success	19,604	19,604	20,582	20,582	22,049	22,049
Magnet Schools	15,818	15,818	24,094	24,094	31,684	31,684
Teachers' Retirement Contributions	188,334	0	204,445	0	214,666	0
Undesignated	168,297	81,875	173,540	80,228	188,236	81,105
Total – Education	1,848,796	1,574,040	1,880,437	1,582,680	1,958,893	1,637,096
CORRECTIONS						
Board and Care for Children – Adoption	20,759	0	24,751	0	25,688	0
Board and Care for Children – Foster	68,149	0	72,512	0	73,062	0
Board and Care for Children – Residential	81,628	0	97,171	0	102,040	0
Undesignated	57,587	0	61,955	0	69,282	0
Total – Corrections	228,123	0	256,389	0	270,072	0
NON FUNCTIONAL						
Debt Service (Including UConn 2000 and CHEFA Day Care Security)	824,392	0	926,365	0	1,015,111	0
Reimbursement to Towns for Loss of Taxes on State Property	33,898	33,898	63,263	63,263	63,778	63,778
Reimbursement to Towns for Loss of Taxes on Private Tax-exempt Property	85,120	85,120	97,163	97,163	97,163	97,163
Undesignated	551	0	590	0	816	0
Total – Non Functional	943,961	119,018	1,087,381	160,426	1,176,868	160,941
Total – Fixed Charges	**6,752,506**	**1,861,260**	**6,984,182**	**1,896,442**	**7,293,498**	**2,000,904**

(a) Does not include funds carried forward from Fiscal Year 1998 into Fiscal Year 1999. Does include funds carried forward from Fiscal Year 1999 into Fiscal Year 2000.

(b) Does not include funds carried forward from Fiscal Year 1999 into Fiscal Year 2000.

SOURCE: Office of Policy and Management

Adopted Budget 1999-2000 and 2000-2001

The Governor submitted his proposed budget document to the legislature on February 10, 1999. The budget document included a proposed General Fund budget for fiscal year 1999-2000 and fiscal year 2000-2001. Special Act No. 99-10 made General Fund appropriations and set forth estimated revenues for the 1999-2000 and 2000-2001 fiscal years, and constitutes the adopted budget.

The adopted budget for fiscal year 1999-2000 anticipated General Fund revenues of $10,646.0 million and General Fund expenditures of $10,581.6 million, with an estimated year end surplus of $64.4 million. For fiscal year 2000-2001, the adopted budget anticipated General Fund revenues of $11,090.0 million and General Fund expenditures of $11,085.2 million, with a surplus of $4.8 million. The adopted budget was within the expenditure limits prescribed by Article XXVIII of the Amendments to the Constitution of the State of Connecticut in conjunction with Section 2-33a of the General Statutes, $68.6 million below the cap in fiscal year 1999-2000 and $59.3 million below the cap in fiscal year 2000-2001.

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 9, 2000, the Governor submitted to the General Assembly a status report including detailed projections of expenditures and revenues and proposed Midterm Budget Adjustments for the 1999-2000 and 2000-2001 fiscal years. Special Act No. 00-13 containing the General Assembly's Midterm Budget Adjustments for fiscal years 1999-2000 and 2000-2001 was passed by both Houses, and was signed into law by the Governor on May 5, 2000.

Fiscal Year 1999-2000. As part of the Midterm Budget Adjustments for the 1999-2000 fiscal year, the General Assembly appropriated substantially the entire projected 1999-2000 surplus. The appropriation of the projected surplus necessitated a declaration from the Governor in order for the General Assembly to appropriate funds beyond the limits of the State's expenditure cap.

Fiscal Year 2000-2001. Midterm Budget Adjustments for the 2000-2001 fiscal year anticipate General Fund revenues of $11,281.3 million, General Fund expenditures of $11,280.8 million and an estimated General Fund surplus of $ 0.5 million. Pursuant to Article XXVIII of the Amendments to the Constitution of the State of Connecticut and Section 2-33a of the Connecticut General Statutes, the Midterm Budget Adjustments would result in a fiscal 2000-2001 budget that remains within the limits imposed by the expenditure cap. For fiscal 2000-2001, permitted growth in capped expenditures is estimated at 5.48%. The Midterm Budget Adjustments would result in a fiscal 2000-2001 budget that is $49.4 million below the expenditure cap.

See **Appendix III-E** for more information regarding the Adopted Budget for 1999-2000 and 2000-2001.

Fiscal Year 1999-2000 Operating Results

The adopted budget for the 1999-2000 fiscal year anticipated General Fund revenues of $10,646.0 million and General Fund expenditures of $10,581.6 million resulting in a projected surplus of $64.4 million. **Appendix III-D** and **Appendix III-E** show the results for the 1999-2000 fiscal year per the Comptroller's annual report. This report indicates the 1999-2000 fiscal year General Fund revenues were $11,213.6 million, General Fund expenditures were $10,913.2 million and the operating surplus was $300.4 million. After transferring $34.9 million to the budget reserve fund, the remaining surplus will be applied pursuant to Special

Act 00-13 as follows: $10 million will be used to wire local schools to the internet and $255.5 million will be earmarked for local school construction projects in lieu of state bonding.

Fiscal Year 2000-2001 Operations

The adopted budget for the 2000-2001 fiscal year anticipates General Fund revenues of $11,281.3 million and General Fund expenditures of $11,280.8 million resulting in a projected surplus of $0.5 million. Per Section 3-115 of the Connecticut General Statutes, the State's fiscal position is reported monthly by the Comptroller. This report compares the revenues already received and the expenditures already made to estimated revenues to be collected and estimated expenditures to be made during the balance of the fiscal year. **Appendix III-E** shows estimated revenues and expenditures for the 2000-2001 fiscal year as of September 30, 2000. This report estimates 2000-2001 fiscal year General Fund revenues of $11,804.1 million, General Fund expenditures of $11,414.6 million and an estimated operating surplus of $389.5 million. Estimated revenues have been revised upward by $522.8 million from the enacted budget plan and estimated expenditures have been revised upward by $133.8 million. Expenditures have been revised upward primarily due to projected deficiencies totaling $168.4 million in various state agencies. In order for the budget to remain within the limits imposed by the State's expenditure cap and meet the projected deficiencies, the Governor has instituted allotment recissions totaling $50.0 million. The remaining portion of the deficiencies are expected to be met through transfers from agency lapses and additional appropriations of $49.4 million.

The information in **Appendix III-E** and in the Comptroller's monthly reports contains only estimates and no assurances can be given that subsequent estimates or actions of the General Assembly will not indicate changes in the final result of the fiscal year 2000-2001 operations of the General Fund.

Per Section 4-30a of the Connecticut General Statutes, any unappropriated surplus, up to five percent of General Fund expenditures, shall be deposited into the Budget Reserve Fund. After transferring the amount that is required to meet the five percent rule of the Connecticut General Statutes, the balance shall be used pursuant to Article XXVIII of the Amendments to the Constitution of Connecticut to reduce bonded indebtedness or for other purposes permitted by Article XXVIII.

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 1996 through 2000 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 Ended June 30				
	1996	**1997**	**1998**	**1999**	**2000**
Total General Fund Revenues[a]	$9,111.1	$9,582.0	$10,142.2	$10,616.4	$11,213.6
Net-Appropriations/Expenditures[a] [b]	8,861.1	9,319.4	9,829.3	10,544.6	10,913.2
Operating Surplus/(Deficit)	$ 250.0[c]	$ 262.6[d]	$ 312.9[e]	$71.8[f]	$300.4[g]

(a) Does not include Restricted Federal and Other Grants.

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

(c) Pursuant to Special Act No. 96-8, Section 44, $89.5 million of the operating surplus was reserved for the payment of principal and interest on the Economic Recovery Notes for the 1996-97 fiscal year, while the remaining $160.5 million of the surplus was reserved for transfer to the Budget Reserve Fund. The Economic Recovery Notes were issued to fund a cumulative budgetary-basis deficit as of June 30, 1991.

(d) Pursuant to Special Act No. 97-21, $166.7 million of the operating surplus was reserved for the payment of principal and interest on the Economic Recovery Notes over the 1997-99 biennium, while the remaining $95.9 million of the surplus was reserved for transfer to the Budget Reserve Fund.

(e) $161.7 million of the operating surplus was reserved for transfer to the Budget Reserve Fund while the remaining $151.2 million was reserved for the retirement of bonded debt.

(f) $30.5 million of the operating surplus was reserved for transfer to the Budget Reserve Fund while the remaining $41.3 million was reserved for the retirement of bonded debt.

(g) $34.9 million of the operating surplus was reserved for transfer to the Budget Reserve Fund while the remaining $265.5 million was reserved for debt avoidance.

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. Adopted GAAP based financial statements for fiscal year 2000 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 Ended June 30				
	1996	**1997**	**1998**	**1999**	**2000**
Modified Cash Basis Operating Surplus/(Deficit)	$250.0	$262.6	$ 312.9	$ 71.8	$ 300.4
Adjustments:					
Increases (decreases) in revenue accruals:					
Governmental Receivables	(22.4)	31.4	(35.2)	56.3	59.8
Other Receivables	(27.0)	(3.1)	(35.7)	(21.4)	15.5
(Increases) decreases in expenditure accruals:					
Accounts Payable and Other Liabilities	4.1	(38.3)	60.6	(49.7)	(161.5)
Salaries and Fringe Benefits Payable	(17.8)	(29.3)	(6.5)	(33.7)	120.8
Increase (decrease) in Continuing Appropriations	15.5	111.0	180.5	294.1	(289.8)
Reclassification of equity adjustments		(81.5)	(85.8)	(142.5)	(118.1)
GAAP Based Operating Surplus/(Deficit)	$ 202.4	$ 252.8	$ 390.8	$ 174.9	$ (72.9)

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 Ended June 30				
	1996	**1997**	**1998**	**1999**	**2000**
Operating Surplus/Deficit	$250.0	$262.6	$312.9	$71.8	$ 300.4
Fund Transfers and Reserves	160.5	95.9	161.7	30.5	34.9
Budget Reserve Fund					
Economic Recovery Note Debt Retirement	89.5	166.7	--	--	--
Reserve for Debt Service Appropriation	--	--	151.2	41.3	--
Reserve for Debt Avoidance	--	--	--	--	265.5
Total Transfers/Reserves	250.0	262.6	312.9	71.8	300.4
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 Fund balance (deficit) under the modified cash basis to the GAAP basis of accounting for the last five fiscal years.

TABLE 5

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

	Fiscal Years Ended June 30				
	1996	**1997**	**1998**	**1999**	**2000**
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	—	—	—	141.8	35.0
Additional Assets					
Taxes Receivable					
Income Tax Accrual Reduction	(115.3)	(122.4)	(149.9)	(170.0)	(151.3)
Eliminate Corporation Accrual	(37.9)	(34.5)	(29.1)	(22.1)	(19.5)
Additional Taxes Receivable	2.0	8.9	8.1	5.0	4.0
Net Increase (Decrease) Taxes	(151.2)	(148.0)	(170.9)	(187.1)	(166.8)
Net Accounts Receivable	29.3	33.6	19.4	29.7	76.2
Federal and Other Grants Receivable[(a)]	340.1	368.9	383.4	428.4	435.7
Due From Other Funds	8.8	7.2	13.1	7.9	4.8
Total Additional Assets	$ 227.0	$ 261.7	$ 245.0	$ 278.9	$349.9
Additional Liabilities					
Salaries and Fringe Payable	(198.3)	(235.0)	(240.7)	(279.9)	(158.0)
Accounts Payable—Department of Social Services	(495.4)	(509.3)	(479.4)	(525.7)	(676.7)
Accounts Payable—Trade & Other	(109.3)	(131.0)	(125.4)	(142.1)	(175.6)
Payable to Local Governments	(7.3)	(4.7)	(.1)	-	-
Payable to Federal Government	(38.9)	(40.9)	(90.6)	(72.0)	(48.8)
Due to Other Funds	(17.7)	(10.8)	(3.1)	(3.7)	(.8)
Total Additional Liabilities	$(866.9)	$(931.7)	$(939.3)	$(1,023.4)	$(1,059.9)
Unreserved Fund Balance (Deficit) GAAP Basis	$ (639.9)	$(670.0)	$(694.3)	$ (602.7)	$ (675.0)

(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 Ended June 30				
	1996	**1997**	**1998**	**1999**	**2000**
Reserved:					
Petty Cash	$ 1.0	$ 1.0	$ 1.1	$ 1.1	$ 1.0
Budget Reserve	241.0	336.9	498.6	529.1	564.0
Advances to Other Funds	-	-	-	-	5.0
Debt Avoidance	-	-	-	-	265.5
Inventories	48.5	32.7	34.3	34.3	37.7
Continuing Appropriations	82.6	184.5	372.3	526.4	343.5
Debt Service	89.5	166.7	232.1	131.3	13.2
Total	462.6	721.8	1,138.4	1,222.2	1,229.9
Unreserved:	(639.9)	(670.0)	(694.3)	(602.7)	(675.0)
Total Fund Balance	$ (177.3)	$ 51.8	$ 444.1	$ 619.5	$ 554.9

SOURCE: Comptroller's Office

Year 2000 Readiness

Connecticut's Current State of Readiness. All mission critical systems and technology infrastructure components are operating with no Year 2000 impacts.

Year 2000 Risks Facing Connecticut. The State presently believes that the Year 2000 problem will not pose significant operations problems for the State's computer systems because it has completed modifications to existing software and conversions to new software, where warranted. While the State completed its Year 2000 plan on a timely basis, there is still a risk that testing for all failure scenarios did not satisfactorily reveal all Year 2000 software or hardware problems. Moreover, there can be no assurance that the systems of other companies on which the State's systems or service commitments may rely were tested and completed in a timely fashion. If the necessary remediations were not adequately tested, the Year 2000 problem may have a material impact on the operations of the State.

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 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 the Office of Policy and Management 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, all authorized debt to fund the Connecticut Development Authority's tax increment bond program, and 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. 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, under Public Act No. 95-230, the amount of authorized but unissued debt under that Act for UConn 2000 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, 2000 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 November 1, 2000 is described in the following table.

TABLE 7

Statutory Debt Limit
as of November 1, 2000

Total General Fund Tax Receipts	$ 8,104,900,000	
Multiplier	1.6	
Debt Limit		$ 12,967,840,000
Outstanding Debt [(a)]	$ 6,739,187,890	
Guaranteed Debt [(b)]	469,465,146	
Authorized Debt [(c)]	3,894,626,379	
Total Subject to Debt Limit		$ 11,103,279,415
Less Debt Retirement Funds [(d)]	$ 117,870,572	
Aggregate Net Debt		$ 10,985,408,843
Debt Incurring Margin		$ 1,982,431,156

(a) See ***Table 8***. Includes accreted value of capital appreciation bonds. Excludes UCONN 2000 Bonds, tax increment financings and short term revenue anticipation notes.
(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 2000-2001.
(d) Includes Rental Housing Sinking Fund and debt service funds for self-liquidating debt issued to finance facilities at University of Connecticut and Connecticut State University.

SOURCE: State Treasurer's Office

State Bond Commission. The general obligation bond procedure act established 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, 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 the Office of Policy and Management 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.

UConn 2000 Financing. In 1995 the General Assembly enacted Public Act No. 95-230, The University of Connecticut 2000 Act. That act 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 total $1,250 million, with $382 million scheduled to be undertaken in fiscal years 1996-1999 (Phase I) and $868 million in fiscal years 2000-2005 (Phase II). The act authorizes the University to borrow money to finance the UConn 2000 projects, to finance cash flow deficits, 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 $962 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. 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 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 aggregate cap for fiscal years 1996-1999 is $382 million, with the remaining cap of $580 million spread over the fiscal years 2000-2005.

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.

The total amount of University bonds and State general obligation bonds authorized by the Act is $270 million less than the estimated costs of the infrastructure improvements set forth in the Act. 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.

Special obligation bonds are not secured by the State's debt service commitment, but may be secured by a special capital reserve fund which the State undertakes to restore to its minimum level. See **OTHER FUNDS, DEBT AND LIABILITIES - Contingent Liability Debt - *Special Capital Reserve Funds***. 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.

Lease Financing. The State has issued certificates of participation for the development of courthouse facilities, 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 courthouse 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 July 1, 2001.

In addition to general obligation bonds for Hartford development projects, the legislature created the Capital City Economic Development Authority in 1998 and granted it the power to issue revenue bonds for a convention center in Hartford. The bonds are to be backed by State contractual assistance equal to annual debt service. The bonds must be approved by the State Bond Commission, various other conditions and approvals must be satisfied, and the Authority must determine the extent to which incremental tax revenues to be derived as a result of construction and operation of the project and visitor spending with respect thereto are reasonably expected to offset debt service. The legislation originally authorized tax increment bonds for a sports stadium, but in 1999 the legislature authorized state general obligation bonds for the stadium.

In 1998 the legislature authorized the Connecticut Development Authority to issue up to $120 million in tax increment financing for the Steel Point Project in Bridgeport. The issuance of the bonds is subject to the approval of the State Bond Commission. The legislation also authorizes the State to provide financial assistance to the project, for any two year period, in an aggregate amount exceeding $10 million. The legislation provides that the Authority, and certain State agencies may provide financial assistance to the Steel Point Project in an aggregate amount not to exceed $200 million when combined with funds from the City of Bridgeport, exclusive of various financing costs and financial assistance from other State agencies and the Federal government.

In 1998 the legislature also authorized the City of New Haven to apply for tax increment financing through the Connecticut Development Authority in an amount up to $28 million for improvements in the Long Wharf area of the City. The legislation also authorizes the State to provide financial assistance to the City for the project in an aggregate amount exceeding $10 million for any two year period.

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 General Statutes authorize the Treasurer, with the approval of the State Bond Commission, to enter into various agreements in connection with liquidity and credit facilities and swap and other arrangements to manage interest rate risk. See **FINANCIAL PROCEDURES - Investment and Cash Management - *Interest Rate Risk Management.***

Debt Statement

The following table shows all direct general obligation indebtedness (including the accreted value of capital appreciation bonds as of November 1, 2000) 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 Pro-forma as of November 1, 2000
(In Thousands)

General Obligation Bonds	$	6,707,098
UCONN 2000 Bonds		471,355
Lease Financings		32,090
Tax Increment Financings		35,055
Long Term General Obligation Debt Total		7,245,597
Short Term General Obligation Debt Total		-
Gross Direct General Obligation Debt		7,245,597
Deduct:		
University Auxiliary Services [(b)]		46,591
Rental Housing Sinking Fund [(c)]		71,280
Net Direct General Obligation Debt	$	7,127,727

(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) 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 debt service on such bonds.

(c) The State has established a contractual trust fund with the bondholders in which there is a pledged fund balance, the amount of which has been deducted.

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

	1996	1997	1998	1999	2000
Gross Direct Debt[a]	$6,573,810	$6,826,826	$6,981,212	$7,176,905	$7,432,891
Net Direct Debt[a]	$6,428,391	$6,678,398	$6,865,905	$7,067,276	$7,315,945
Ratio of Debt to Personal Income [b]					
Gross Direct Debt	6.00%	5.87%	5.70%	5.56%	5.76%
Net Direct Debt	5.87%	5.74%	5.60%	5.48%	5.67%
Ratio of Debt to Estimated Full Value[c]					
Gross Direct Debt	2.57%	2.64%	2.65%	2.60%	2.51%
Net Direct Debt	2.51%	2.58%	2.61%	2.56%	2.47%
Per Capita Debt[d]					
Gross Direct Debt	$2,012	$2,088	$2,133	$2,187	$2,265
Net Direct Debt	$1,968	$2,043	$2,098	$2,153	$2,229

(a) In thousands. Includes gross and net long-term direct general obligation bonded indebtedness as set out in ***Table 11***.
(b) See ***Appendix III-B, Table B-2***. Personal Income: 1996—$109,354 million; 1997—$116,347 million; 1998—$122,564 million; 1999—$128,983 million —2000 ratio uses 1999 data.
(c) Full value estimated by Office of Policy and Management. Uses final equalized net grand lists: 1994—$256 billion; 1995—$258 billion; 1996—$263 billion; 1997 - $276 billion; and 1998 - $296 billion. Property is assessed as of October 1 in each year for the tax levy effective the following July 1. The 1996 ratio uses 1994 data; 1997 ratio uses 1995 data; 1998 ratio uses 1996 data; 1999 ratio uses 1997 data; and 2000 ratio uses 1998 data.
(d) See ***Appendix III-B, Table B-1***. State population: 1996—3,267,000; 1997—3,269,000; 1998—3,273,000; 1999—3,282,000. 2000 ratio uses 1999 data.

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 November 1, 2000. 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 November 1, 2000

Fiscal Year	Principal Payments[(b)]	Sinking Fund Payments [(c)]	Interest Payments [(b)(d)]	Total Debt Service
2000-01	$ 425,251,369	$ -	$ 259,046,398	$ 684,297,767
2001-02	581,491,532	4,275,000	352,565,952	938,332,483
2002-03[(b)]	501,322,485	4,445,000	326,858,056	832,625,541
2003-04	503,839,774	-	313,915,079	817,754,853
2004-05	513,231,267	-	304,092,159	817,323,426
2005-06	457,370,539	-	283,922,566	741,293,106
2006-07	442,950,395	-	267,790,127	710,740,522
2007-08	442,096,449	-	252,786,650	694,883,099
2008-09	419,565,030	-	271,869,555	691,434,585
2009-10	400,264,738	-	242,838,446	643,103,184
2010-11	369,394,845	-	162,794,090	532,188,936
2011-12	312,401,175	-	124,577,106	436,978,281
2012-13	264,577,382	-	88,815,374	353,392,756
2013-14	225,843,504	-	60,832,208	286,675,713
2014-15	210,058,950	-	40,176,103	250,235,053
2015-2025	584,431,529	-	73,023,722	657,455,251
Totals	$6,654,090,964	$ 8,720,000	$3,425,903,593	$10,088,714,557

(a) Includes long-term general obligation debt as outlined in ***Table 8***. The future principal payments ($6,654,090,964), plus future sinking fund payments ($8,720,000), and existing sinking fund deposits ($71,280,000), plus accreted interest on State and UConn 2000 capital appreciation bonds ($511,506,509), total the amount of such long-term debt ($7,245,597,473) 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 and UConn 2000 bonds. Capital appreciation bonds mature in fiscal years 2001-2014.

(c) $80,000,000 Rental Housing Term Bonds become due in 2002. A special Rental Housing Debt Service Fund has been established into which annual mandatory sinking fund payments are made sufficient to produce such $80,000,000 at maturity. The total sinking fund payments that are required to have been made aggregate $71,280,000 and, when added to the total $8,720,000 sinking fund payments that remain to be made through July 1, 2002, equal the total $80,000,000 bonds outstanding. Therefore, the $80,000,000 is not reflected in either the principal payments or total debt service due in fiscal year 2002-2003.

(d) On May 14, 1997, the State issued $100,000,000 General Obligation Variable Rate Demand Bonds of which $99,235,000 remain outstanding. The interest on these securities is estimated herein at a 6.0% average rate. The balance of the Bonds mature in the years 2005-2014.

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 at the end of each of the last ten fiscal years, and the net long-term direct general obligation debt outstanding at the end of each of the last five fiscal years. Net debt excludes bonds that are considered self-liquidating. See ***Table 8.***

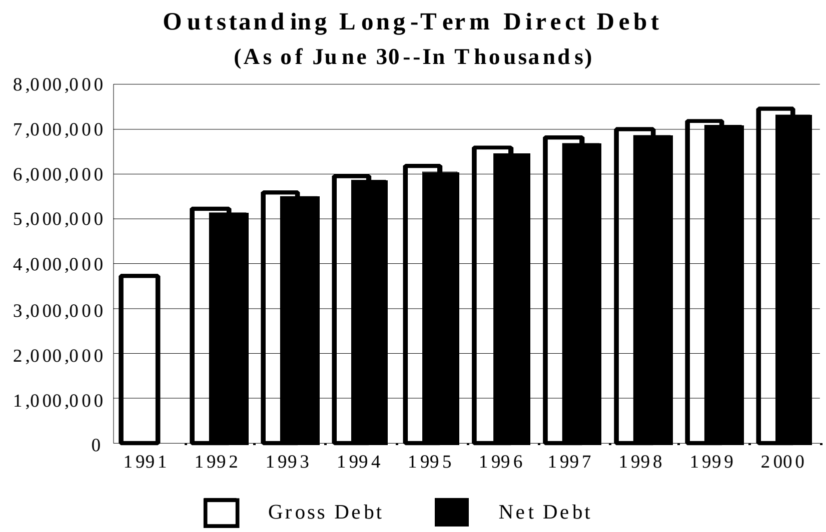
TABLE 11

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
1991	$ 3,729,959	$	1996	$ 6,573,810[(e)]	$ 6,428,391[(e)]
1992	5,235,879[(a)]	5,118,368[(a)]	1997	6,826,826[(f)]	6,678,398[(f)]
1993	5,594,715[(b)]	5,479,474[(b)]	1998	6,981,212[(g)]	6,865,905[(g)]
1994	5,962,250[(c)]	5,845,233[(c)]	1999	7,176,905	7,067,276
1995	6,186,518[(d)]	6,051,141[(d)]	2000	7,432,891	7,315,945

(a) Includes $915,710,000 Economic Recovery Notes.
(b) Includes $705,610,000 Economic Recovery Notes.
(c) Includes $555,610,000 Economic Recovery Notes.
(d) Includes $315,710,000 Economic Recovery Notes.
(e) Includes $236,055,000 Economic Recovery Notes.
(f) Includes $157,055,000 Economic Recovery Notes.
(g) Includes $ 78,055,000 Economic Recovery Notes.

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 obligation bonds pursuant to certain bond acts. The table below shows, as of November 1, 2000, 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, 2001.

TABLE 12

Authorized but Unissued Direct General Obligation Debt
as of November 1, 2000
(In Thousands)

	State Direct Debt	UCONN 2000 [(a)]	Tax Increment [(b)]	Total
Bond Acts in Effect	$ 13,839,841	$ 618,427	$ 190,800	$ 14,649,068
Amount Authorized	11,613,383	618,427	42,800	12,274,610
Amount Issued	10,045,215	518,427	39,330	10,602,972
Authorized but Unissued	1,568,168	100,000	3,470	1,671,638
Available for Authorization	2,226,458	-	148,000	2,374,458

(a) 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.

(b) 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, except for $148 million authorized under Public Act No. 98-179 for the Steel Point Project in Bridgeport and the Long Wharf area in New Haven.

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 and the net amount after subtracting prior bond authorizations which have been repealed or reduced.

TABLE 13

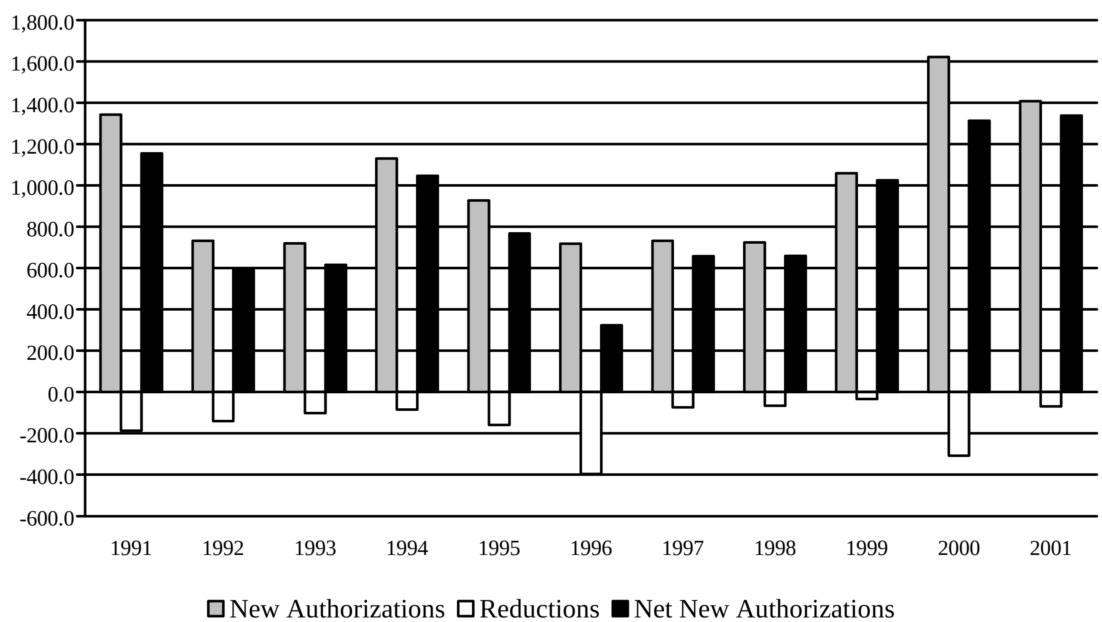
Statutory Bond Authorizations and Reductions[a]
(In Millions)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
New Authorizations	1,342.4	731.6	718.8	1,130.0	926.3	718.4	733.1	729.7	1,056.8	1,621.6	1,407.9
Reductions	(187.3)	(140.6)	(102.6)	(84.2)	(159.6)	(396.0)	(74.3)	(66.0)	(31.7)	(308.4)	(70.1)
Net New Authorizations	1,155.1	591.0	616.2	1,045.8	766.7	322.4	658.8	663.7	1,025.1	1,313.2	1,337.8

(a) Does not include lease financings, tax increment or cash flow borrowings. Includes amount for UConn 2000 available under the cap for 1997 through 2001, but does not include additional amounts which may exceed the cap to finance reserve funds, issuance costs and capitalized interest. Does not include an additional $396 million in general obligation bonds which take effect after 2001.

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 or lease financings included.

TABLE 14

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

Purpose	1995-1996	1996-1997	1997-1998	1998-1999	1999-2000	2000-2001
Policy & Management	$ 104,950	$ 140,550	$ 117,338	$ 116,800	$ 190,960	$ 179,921
Administrative Services	17,500	11,800	0	0	0	0
Veterans' Affairs	643	815	1,000	500	0	0
Public Works	28,000	30,000	29,000	21,000	20,000	20,000
Public Safety	9,270	14,052	8,500	6,400	6,700	2,300
Motor Vehicles	830	3,000	0	0	0	0
Military	1,980	3,900	7,550	1,050	300	1,300
Agriculture	8,500	3,500	1,400	3,900	2,250	1,000
Environmental Protection	45,980	51,080	81,500	71,000	137,650	141,150
Economic and Community Development:						
Housing	45,000	40,000	18,000	20,000	5,000	10,500[c]
Economic Development	15,000	30,000	22,200	16,400	40,000	138,500
Other	0	0	0	148,000	14,000	0
Ct Innovations Inc.	19,500	19,000	8,000	20,000	0	10,000
Historical Commission	150	150	150	150	300	300
Public Health	0	0	1,000	0	0	0
Mental Retardation	10,300	6,500	5,365	0	4,000	4,000
Mental Health and Addiction Services	19,002	10,190	16,100	10,300	20,750	21,750
Social Services	3,000	3,000	6,250	6,000	5,000	6,000
Education	143,000	154,900	195,163	344,200	404,900	482,100
State Library	2,460	3,400	2,500	2,500	2,500	2,500
Arts	1,000	1,000	1,000	1,000	1,000	1,000
Regional Community-Technical Colleges	18,191	14,800	19,520	69,705	77,187	74,855
State University	47,391	48,886	34,142	40,952	85,537	88,352
Secretary of State	525	500	900	750	0	0
Legislative Management	0	0	0	0	800	0
Children & Families	7,800	1,250	5,000	33,000	6,500	14,500
Judicial	23,404	12,650	23,848	11,500	62,000	20,500
CPTV	2,665	1,170	1,200	6,470	2,000	2,000
Contingency	596	6,604	0	0	0	0
Corrections	0	0	5,000	0	10,000	35,000
UCONN	18,000	0	19,400	0	2,000	20,000
UCONN Health	11,200	8,439	5,593	7,881	4,250	3,400
UCONN 2000[a]	112,542	112,001	93,146	64,311	130,000	100,000
Hartford Econ Dev Projects[b]	0	0	0	33,000	386,000	27,000
Totals	$718,379	733,137	729,765	1,056,769	$1,621,584	1,407,928

(a) 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. Does not include $350 million authorized under the cap for fiscal years 2002 to 2005

(b) The legislature also authorized an additional $26 million in general obligation bonds for various development projects in Hartford which take effect during fiscal year 2002.

(c) Does not include $20 million approved by the General Assembly for a grant-in-aid to the city of New London, for fiscal year 2002, for economic development and additional costs of improvements to the Fort Trumbull peninsula.

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 1985-2004, which is to be met from federal, State, and local funds, is currently estimated at $14.1 billion. During fiscal years 1985-2000, $11.4 billion of the total infrastructure program was approved. The remaining $2.7 billion is required for fiscal years 2001-2004. The $2.7 billion is comprised of $698.6 million from the anticipated issuance of new special tax obligation bonds, $50.4 million in anticipated revenues, and $1.9 billion in anticipated federal funds. The State's share of the 1985-2004 infrastructure program costs, estimated at $5.5 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 $0.5 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 include resurfacing and restoring State highways, improving certain highways in urban areas, providing safety improvements along the State's roads, and completing certain other transportation improvements.

The State's share of the cost of the infrastructure program for State fiscal years 1985-2004 to be financed by STO bonds is estimated at $5.0 billion. The issuance of such STO bonds has eliminated the need for the authorization of additional general obligation bonds of the State for surface transportation purposes. STO bonds may also be issued for the purpose of refunding general obligation bonds of the State issued for transportation infrastructure purposes.

The State has established a 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 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 November 1, 2000. 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 November 1, 2000
(In Millions) [(a)]

	New Money	Total
Amount Authorized	$4,901.4[(b)]	
Amount Issued	4,494.7	5,939.2
Amount Outstanding	1,940.0	3,118.5

(a) The amounts under the New Money column include only new money borrowings, and not refundings. The amounts under the Total column include both new money borrowings and refundings.
(b) Includes authorizations effective July 1, 2000 or before.

SOURCE: State Treasurer's Office

Debt service on State direct general obligation bonds for transportation purposes 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, 2000, the Special Transportation Fund paid $31.4 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 2000-01 is $29.2 million.

Over the past decade, the Fund's revenues and expenses have undergone a variety of legislative changes. Legislation passed in 1991 and 1993 called for a phasing in of increases in the gasoline tax up to a rate of 39 cents per gallon in 1997. Legislation passed in 1997, 1998, and 2000 further reduced the gasoline tax to its current rate of 25 cents per gallon. The 2000 legislation, which will have a significant impact on the Fund, was directed toward achieving a reduction in the gasoline tax and maintaining in the Fund a positive cumulative balance.

The reduction in the gasoline tax is projected to produce an annual revenue reduction of approximately $99 million. This revenue reduction will be partially offset by additional motor vehicle sales tax revenues, a transfer from the State's General Fund, additional oil companies tax payments and reduction in expenditures caused by the transfer of the Town Aid Road Program out of the Fund and into the General Fund. In fiscal 2001, these modifications are projected to reduce the Fund revenues by approximately $55 million while simultaneously reducing total expenditures by approximately $40 million. By fiscal 2004, the modifications are projected to reduce revenues by $72 million, while expenditures are projected to be $38 million lower. Finally, the 2000 legislation repealed Public Act 97-309, which had required that any surplus in excess of $20 million be used for debt reduction or the payment of debt service on STO bonds. During the 2000 fiscal year, the State defeased $85.0 million of STO bonds using surplus available from fiscal years 1998 and 1999. The balance of such surplus, approximately $1.531 million, was used for debt service on STO bonds in the fiscal year ending June 30, 2001. Following the repeal of Public Act 97-309, surplus balances in the Fund will now be carried forward.

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 issue of $294 million revenue bonds for improvements at Bradley International Airport, payable solely from revenues generated at the Airport.

On October 1, 1982 the State issued $100 million Bradley International Airport Revenue Bonds. All of the outstanding maturities of this issue were subsequently refunded. As of November 1, 2000 there were $71.2 million of tax-exempt 1992 Bradley International Airport Revenue Refunding Bonds and $3.02 million of taxable 1989 Bradley International Airport Revenue Refunding Subordinated Bonds outstanding. The amount of revenue bonds authorized but unissued is $194 million.

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.

Clean Water Fund

The General Assembly authorized the issue of up to $999.4 million revenue bonds for the purpose of funding municipal sewer treatment improvement 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 to Connecticut municipalities to finance water pollution treatment facilities, 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 the full faith and credit of each such municipality is pledged, or in a few instances revenues of a municipal sewer system are pledged. As of November 1, 2000, $542.9 million revenue bonds (excluding refunded bonds) were outstanding. Legislation enacted in 1996 created a drinking water improvement program as part of the sewer treatment improvement program. Under this program, the State makes loans from the proceeds of general obligation bonds to Connecticut municipalities and water companies to finance water quality projects.

Unemployment Compensation

Unemployment compensation benefits are paid in the State from unemployment compensation taxes collected from employers. Monies collected from unemployment compensation taxes are deposited in the State's Unemployment Compensation Fund and transferred at the direction of the Administrator of the State's Unemployment Compensation Program by order of the Comptroller to the Secretary of the Treasury of the United States as trustee of the Federal Unemployment Trust Fund for deposit in the State's Federal Unemployment Trust Fund account. The monies in the State's Federal Unemployment Trust Fund account are transferred back to the State at the request of the State Treasurer as directed by the Administrator in order to pay unemployment benefits. The monies so received are deposited into the State's Unemployment Compensation Fund and are available to be used by the Administrator to be paid out as benefits.

A deficit in the State's Unemployment Compensation Fund as of July 31, 1993 of approximately $759 million was initially funded by borrowings from the Federal Unemployment Compensation Fund. Interest on these Federal loans was paid through assessments levied on employers in addition to unemployment compensation taxes. Legislation enacted in 1993 authorized an increase in unemployment taxes to cover future expected unemployment benefits, and authorized a separate annual assessment and the issuance of special obligation bonds to repay the outstanding federal borrowings and expected shortfalls in the Fund through December 1993. The State issued three series of special obligation bonds totaling $1,020.7 million in

1993 to repay the federal borrowings and unemployment benefits and to fund certain reserves. The legislation also provides for a surtax in the form of an assessment to be paid by contributing employers. The bonds are payable solely from such assessments and from funds requisitioned by the State from the State's Federal Unemployment Trust Fund account at the U.S. Treasury. As of November 1, 2000, $334.2 million of such bonds were outstanding. The authority to issue additional bonds so that the total amount of bonds outstanding at any time does not exceed $1,000 million plus amounts for certain reserves and costs of issuance has been reserved by the State if necessary to fund future shortfalls. The State has not incurred any additional federal borrowing since the issuance of the three series of bonds, other than borrowings 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 Treasurer is the custodian of the Second Injury Fund, and is responsible for its administration. The State established the Second Injury Fund in 1945 to encourage the hiring of persons with pre-existing physical impairments, such as veterans. Until the January 1, 1995 statutory closure of the Fund for second injury claims, the Fund provided 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. Employers transferred liability for workers' compensation claims to the Second Injury Fund after 104 weeks if certain criteria were met. Notwithstanding the statutory closing as of July 1, 1995 for the claims described above, the Second Injury Fund continues to accept liability for claims relating to uninsured employers and reimbursement to employers in instances of concurrent employment and for certain other claims.

The Second Injury Fund is financed by assessments levied on Connecticut employers. Insured employers pay a surcharge on the workers' compensation insurance policies based on annual standard premiums. The assessment for self-insured employers is based upon the amount of their workers' compensation loss costs for medical and indemnity benefits incurred in the prior calendar year.

Starting in 1990, the Second Injury Fund's expenses and assessments began to rise dramatically in response to several factors including the ease of transferring claims to the Second Injury Fund, high benefit rates and the absence of a claims management program to reduce and control costs.

In 1995, a Second Injury Fund reform program was implemented with the primary objective of changing the focus of the Fund from a claims processing and paying agency to a claims management agency. In 1995 and 1996, the State enacted legislation to further reform the Second Injury Fund. Those laws include provisions that closed the Second Injury Fund to claims resulting from second injuries occurring on and after July 1, 1995, set a final date of July 1, 1999 for the transfer of these claims to the Second Injury Fund, 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 stipulations, and capped the Premium Surcharge Rate at 15% of the Standard Premium for Insured Employers until June 30, 1998.

The State issued its first series of Second Injury Fund revenue bonds on November 7, 1996 in the amount of $100 million and entered into a Commercial Paper Dealer Agreement in February 1997 that provides for the issuance of up to an additional $300 million notes. On October 26, 2000, the State issued a second series of Second Injury Fund Revenue Bonds in the amount of $124,100,000. The bonds and notes are or will be payable solely from amounts held in the Finance Account of the Second Injury Fund and revenues pledged for their payment pursuant to legislation and the indenture of trust with respect to such bonds and notes, including a special assessment premium surcharge on employers.

As of June 30, 2000, the Second Injury Fund had settled approximately 5,262 cases since January 1, 1995 at a cost of $391.6 million and had approximately 4,631 open cases remaining. In addition, certain lawsuits are pending which challenge the exclusion of certain claims from the Second Injury Fund. Based on the Second Injury Fund's experience to date, it is expected that $550 million, inclusive of the 1996 and 2000 bonds, of authorized debt will be adequate to finance stipulations for the remainder of the open cases.

The Fund will maintain on-going statutory and financial responsibilities for Second Injury claims transferred prior to July 1, 1999, in addition to uninsured employer claims, certain dependent and survivor death benefits, a pro-rata share of lost time cost in concurrent employment claims, and the cost of reimbursing employers and insurers for cost of living adjustments (COLAs) in certain cases, and claims for totally disabled claimants.

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 and the Connecticut Resources Recovery 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 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"), 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 Connecticut Small Business Reserve Fund, the Environmental Assistance Revolving Loan Fund, the Tax Incremental Financing Program, the High-Technology Infrastructure Fund, created in 2000, and the General Obligation Bond Program. Currently, only certain CDA bonds issued pursuant to the Umbrella Bond Program and the General Obligation Bond Program are further secured by special capital reserve funds.

Under the Umbrella Bond Program the CDA issues bonds to provide loans to private entities for the acquisition of industrial land, buildings, machinery, equipment and pollution control devices. Loan payments from the borrower to the CDA provide funds to service the debt on such bonds. Loans financed under the Umbrella Bond Program are secured by real and/or personal property of the borrower and by the Insurance Fund, which is, in part, State funded and insures payment of the loans. Loans may be insured up to an aggregate outstanding principal amount not to exceed four times the funds available to the Insurance Fund. As of June 30, 2000 the assets in the Insurance Fund totaled $8.4 million and an additional $20.45 million of State bonds have been authorized to fund the Insurance Fund but remain unissued. As of June 30, 2000, loans insured by the Insurance Fund totaled $35.9 million.

Under the General Obligation Bond Program (the "Program"), the CDA issues bonds to finance eligible economic development and information technology projects. Pursuant to an Indenture of Trust between the CDA and Fleet National Bank (formerly Shawmut Bank Connecticut, N.A.), general revenues of the CDA, which are not otherwise pledged, are made available to service the debt of bonds issued under the Program. Although such bonds may also be secured by a special capital reserve fund, to date under the Program only $30,560,000 1993 Series A (Hartford Whalers Project) bonds have been secured by such a fund.

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 institution through the issuance of bonds. Payments from institutions provide funds to service the debt on loans made pursuant to the issuance of bonds 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" and for housing, student centers, food service facilities and other auxiliary service facilities at public institutions of higher learning, including the Connecticut State University system.

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 refunding bonds under certain circumstances where the debt service on the refunding bonds is less than the aggregate debt service on the refunded bonds.

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 as a source of funds for the payment of debt service on the bonds. In the past, many facilities of the System were financed 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.

The Board of Directors of CHEFA is comprised of ten members including the State Treasurer and Secretary of the Office of Policy and Management, 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, Secretary of the Office of Policy and Management 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 $750 million. 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. 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. In addition, while not specifically pledged, CHFA has other funds reserved in respect of mortgages financed under the General Bond Resolution.

CHFA has also established a Group Home Mortgage Finance Program and has issued and expects to issue additional Group Home Mortgage Finance Program Special Obligation Bonds under a separate indenture, which bonds are and will be secured by State appropriations to the residents thereof and further secured by a special capital reserve fund.

The Board of Directors of CHFA is comprised of fifteen members, including the Commissioner of Economic and Community Development, the Secretary of the Office of Policy and Management, 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 generally 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 thirteen members including the Secretary of the Office of Policy and Management, the Commissioner of Transportation and the Commissioner of Economic and Community Development, serving ex officio, four members appointed by the Governor of whom two shall be heads of municipalities and two shall be without government office or status with a high-level of experience in municipal or corporate finance or in business and industry and other appointees made by the heads of the State Legislature.

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 issued by the City of West Haven 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. 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 West Haven. Special Act No. 92-5 authorized the State to guarantee up to $35 million of debt issued by the City of West Haven. The State's guarantee is a faith and credit pledge to the punctual payment of principal and interest on such guaranteed debt. In March 1999, the City of West Haven advance refunded its outstanding State-guaranteed debt. The refunding bonds are not guaranteed by the State. The proceeds of the refunding bonds have been placed in an irrevocable escrow held in trust to pay the principal and interest requirements on the defeased State-guaranteed bonds. Pursuant to Special Act No. 00-6, the City may no longer issue State-guaranteed bonds.

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, 2016.

State Treasurer's Role

By statute, CDA, CHEFA, CHFA, CHESLA and CRRA 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	**Outstanding SCRF or Guaranteed Debt**	**Minimum Capital Reserve Requirement**
	As of 11/1/00	**As of 11/1/00**	**As of 11/1/00**
INDEBTEDNESS SECURED BY SPECIAL CAPITAL RESERVE FUNDS			
Connecticut Development Authority			
Umbrella Bond Program	$300.0	$51.8	$10.0
General Obligation Bond Program	30.6	21.4	2.5
Connecticut Health and Educational Facilities Authority			
Nursing Home Program	(a)	162.1	16.0
Connecticut State University System	(a)	87.3	9.7
Connecticut Higher Education Supplemental Loan Authority	170.0	107.7 (b)	8.6 (b)
Connecticut Housing Finance Authority			
Housing Mortgage Finance Program	(a)	3,235.6 (c)	285.0
Group Home Mortgage Finance Program	(a)	20.2	1.5
Connecticut Resources Recovery Authority	725.0	317.2	37.4
University of Connecticut Student Fee Revenue Bonds	(a)	31.8	2.1
INDEBTEDNESS GUARANTEED BY STATE (d)			
Southeastern Connecticut Water Authority	15.0	0.8	N/A

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(a) No statutory limit.

(b) On or about November 15, 2000, it is expected that CHESLA will issue its $16,410,000 Revenue Bonds (Family Education Loan Program) Series A and its $5,975,000 Revenue Refunding Bonds (Family Education Loan Bonds) Series B. The Series B Bonds will currently refund bonds maturing on or subject to mandatory redemption on November 15, 2000. Upon issuance of these bonds on November 15, 2000, the outstanding bonds secured by a special capital reserve fund will be $124.11 million and the Minimum Special Capital Reserve Fund Requirement will be $8.7 million.

(c) On or about November 15, 2000, it is expected that the amount of CHFA's outstanding SCRF-backed debt will be reduced to $3,116.4 million due to the scheduled maturity of $39.8 million in outstanding bonds and the special redemption of $79.4 million of such bonds.

(d) The City of West Haven's bonds secured by the State's guarantee are not included in this Table since the Bonds were advance refunded and are payable from an irrevocable escrow of defeasance securities.

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 and to support part of the interest payments on municipal debt issued to fund the State's share of such school building projects. Pursuant to this program, 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. 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, 2000, the State is obligated to various cities, towns and regional districts for $858.2 million in aggregate installment payments and $294.1 million in aggregate interest subsidy, for a total of $1,152.3 million. Funding for these payments may come from future State direct general obligation bond sales. The State legislature and the Commissioner of Education have authorized additional grant commitments to be made under this program which could also be funded by general obligation bonds. The Commissioner estimates that these additional grants may be approximately $205.0 million for installment payment grants and approximately $79.3 million for interest subsidy grants.

Legislation enacted in 1997 significantly changed the method of financing the State's share of local school construction projects. For school construction projects approved during the 1997 legislative session and thereafter, the State will no longer participate in the payment of debt service on municipal bonds and therefore will no longer fund the State's share of the cost of interest incurred by the municipalities. The State will bear the costs of its share of construction projects on a progress payment basis during the construction period. Legislation enacted in 1997 and subsequent years approved additional grant commitments for local school construction projects under the new grant program. As of June 30, 2000, the Commissioner estimates that grant payments under this program will be approximately $1,683.2 million.

The amount of grant commitments authorized for the local school construction program has been increasing significantly in recent years.

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 the Connecticut Health and Educational Facilities Authority 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 the Authority's bonds. Any obligation by the Department to make such payments is subject to annual appropriations. The Authority first issued special obligation bonds under this program in 1998. The Authority has approximately $37,615,000 bonds outstanding under this program with annual debt service of approximately $2,749,199, of which the Department is committed to pay approximately $2,225,784.

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. The Authority 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 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 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 Act, the termination of the Corporation shall not affect any outstanding contractual obligation of the Corporation and the State shall succeed to the obligations of the Corporation under any such contract. As of June 30, 2000 the future obligation to lottery prize winners is $817 million.

PENSION AND RETIREMENT SYSTEMS

State Employees' Retirement Fund

The State Employees' Retirement Fund is the largest system maintained by the State with approximately 54,616 active members, 1,137 inactive (vested) members and 32,101 retired members as of June 30, 2000. Generally employees hired before July 1, 1984 participate in the Tier I plan, which includes employee contributions; other employees generally participate in the Tier II plan, which is non-contributory and provides somewhat lesser benefits. As of July 1, 2000 approximately 56% 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.

Since 1971, payments into the fund and investment income generally have been sufficient to fund a full normal cost contribution and to make payments in respect of the unfunded past service liability in amounts which have varied over time due to changes in the statute and union agreements. Payments into the State Employees' Retirement Fund are made from employee contributions, General and Transportation Fund appropriations and grant reimbursements from Federal and other funds.

The most recent actuarial valuation, dated November 14, 2000, indicated that as of June 30, 2000 the State Employees' Retirement Fund had an actuarial accrued liability of $11,512,154,892 and had assets with an actuarial value of $7,196,039,538. This resulted in an unfunded actuarial liability of $4,316,115,354 as of June 30, 2000. On such date, the market value of the fund's investment assets was $8,284,938,346, which amount exceeded the actuarial value by $1,088,898,808.

The actuarial valuation was based upon an 8.50% earnings assumption. The Treasurer has realized an annualized net return of 11.43% on investment assets over the past ten years (fiscal year 1990-91 through fiscal year 1999-00) and an annualized net return of 14.79% over the past five years (fiscal year 1995-96 through fiscal year 1999-00).

State contributions to the Retirement Fund, Federal grant programs, employee contributions, investment income, net realized gains and losses, and benefits paid are set forth below for each of the past five fiscal years.

TABLE 17

State Employees' Retirement Fund

	Year Ending June 30				
	1996	1997	1998	1999	2000
General Fund Contributions	$223,115,971	$228,072,482	$227,610,361	$199,304,785	$212,947,331
Transportation Fund Contributions	31,300,000	33,469,400	25,740,000	28,419,000	27,636,000
Federal and other (Reimbursements)	80,696,000	87,689,000	81,163,459	87,838,000	102,176,999
Employee Contributions	35,919,817	37,875,580	35,408,824	38,897,333	43,782,742
Total Contributions	$371,031,788	$387,106,462	$369,922,644	$354,459,118	$386,543,072
Investment Income[(a)]	208,274,418	220,849,433	242,206,972	245,642,870	286,587,354
Net Realized Gains (Losses)	84,353,219[(b)]	(107,532,938)[(c)]	357,937,509[(d)]	1,350,241	299,651,658
Benefits Paid	418,481,040	450,283,000[(c)]	550,802,000[(e)]	572,003,425[(e)]	596,333,139

(a) Investment Income (exclusive of net realized gains and losses).
(b) The Fund's investment portfolio was restructured by the Treasurer during the 1996 fiscal year. The restructuring resulted in an atypical amount of assets with significant capital appreciation being sold.
(c) The vast majority of net realized losses are attributable to sales in the Fund's real estate portfolio.
(d) Due to the statutory cap on the percentage of equity securities that the Treasurer could hold in the investment portfolio of the various pension funds, the Treasurer was required to rebalance the investment portfolio by selling approximately $1,250 million of appreciated equity securities during the 1998 fiscal year. Such sales resulted in an unusually high amount of realized gains allocable to the Fund for such period.
(e) Includes Benefits Paid and Refunds.

Teacher's Retirement Fund

The Teachers' Retirement Fund, administered by the Teachers' Retirement Board, provides benefits for any teacher, principal, supervisor or superintendent 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, 2000, there were approximately 51,000 active and former employees with accrued and accruing benefits and approximately 20,848 retired members.

Since 1979, payments into the fund and investment income generally have been sufficient to fund a full normal cost contribution and make payments in varying amounts in respect of the unfunded past service liability. 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.

The most recent actuarial valuation, dated January 8, 1999, indicated that as of June 30, 1998 the Teachers' Retirement Fund, inclusive of the excess earnings account, had an actuarial accrued liability of $12,088,579,238 and had assets with an actuarial value of $8,839,548,678. This resulted in an unfunded accrued liability of $3,249,030,560 as of June 30, 1998. On such date, the market value of the fund's investment assets was $9,971,658,707, which amount exceeded the actuarial value by $1,132,110,029. As of June 30, 2000, the market value of the fund's investment assets was $11,940,222,779.

The actuarial valuation was based upon an 8.50% earnings assumption. The Treasurer has realized an annualized net return of 11.51% on investment assets over the past ten years (fiscal year 1990-91 through fiscal year 1999-00) and an annualized net return of 14.92% over the past five years (fiscal year 1995-96 through fiscal year 1999-00).

State contributions to the Teachers' Retirement Fund, employee contributions, investment income, net realized gains and losses, and benefits paid are set forth below for each of the past five fiscal years.

TABLE 18

Teachers' Retirement Fund

	Year Ending June 30				
	1996	**1997**	**1998**	**1999**	**2000**
General Fund Contributions................	$139,953,000	$147,884,700	$179,365,000	$188,334,000	$204,445,443
Employee Contributions................	164,108,864	149,349,291	155,242,385	154,682,000	168,207,183
Total Contributions..........	$304,061,864	$297,233,991	$334,607,385	$343,016,000	$372,652,626
Investment Income[(a)]	296,656,577	310,312,287	337,652,602	347,734,968	410,683,507
Net Realized Gains (Losses)	124,818,990 [(b)]	(156,146,313) [(c)]	510,763,178 [(d)]	777,827	461,947,176
Benefits Paid	439,211,963	478,327,334	523,035,137	562,962,086	630,885,706

(a) Investment Income (exclusive of net realized gains and losses).
(b) The Fund's investment portfolio was restructured by the Treasurer during the 1996 fiscal year. The restructuring resulted in an atypical amount of assets with significant capital appreciation being sold.
(c) The vast majority of net realized losses are attributable to sales in the Fund's real estate portfolio.
(d) Due to the statutory cap on the percentage of equity securities that the Treasurer could hold in the investment portfolio of the various pension funds, the Treasurer was required to rebalance the investment portfolio by selling approximately $1,250 million of appreciated equity securities during the 1998 fiscal year. Such sales resulted in an unusually high amount of realized gains allocable to the Fund for such period.

Other Retirement Systems

The other minor retirement systems funded by the State include the Judicial Retirement System, the General Assembly Pension System, the State Attorneys' Retirement Fund and the Public Defenders' Retirement Fund. As of June 30, 2000, there were approximately 215 active members of these plans and approximately 230 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, 2000, approximately 61,513 State employees were entitled to Social Security coverage. The amount expended by the State for Social Security coverage for fiscal year 1999-00 was $164 million. Of this amount, $152.8 million was paid from the General Fund and $11.2 million was paid from the Transportation Fund.

The State provides post-retirement health care and life insurance benefits to all employees who retire from State employment. As of June 30, 2000, a total of 32,101 retirees were eligible to receive such benefits; and, a total of 30,827 retirees and 23,156 retirees, respectively, were actually receiving health care benefits and life insurance benefits. For the fiscal year 1999-00, $173.9 million was expended for such coverage. 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 the fiscal year 2000-01, $180.4 million was appropriated.

The State makes a General Fund appropriation to the Teachers' Retirement Fund to cover the portion of retiree health insurance costs which is not funded from the amounts available in the Teachers' Retirement Health Insurance Fund: $2,718,181 was expended for fiscal year 1995-96; $3,213,564 was expended for fiscal year 1996-97; $3,500,000 was expended for fiscal year 1997-98; $8,445,295 was expended for fiscal year 1998-99; $8,007,343 was expended for fiscal year 1999-00; and $10,646,815 has been appropriated for fiscal year 2000-01. No fund has been established for the accumulation of assets with which to pay such benefits in future years; therefore, significant General Fund appropriations will be required for each fiscal year. The increase in the expenditure between fiscal year 1997-98 and fiscal year 1998-99 is largely attributable to legislation which became effective July 1, 1998 which generally requires the State to subsidize the health insurance costs of retired teachers who are not members of the 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. Of the total expenditures for fiscal year 1999-00 and the total appropriations for fiscal year 2000-01, expenditures of $4,323,636 and appropriations of $5,280,000 are attributable to this legislation. Since July 1, 1994, retiree health benefits have been self-insured.

Additional Information

The June 30, 2000 audited financial statements which are included as **Appendix III-C** hereto, and in particular notes 9 through 11 and the required PERS Supplementary Information of the accompanying General Purpose Financial Statements, provide additional information about the foregoing retirement systems and their funding. In addition, paragraph B of note 22 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, its officers and employees, are defendants in numerous lawsuits. The ultimate disposition and fiscal consequences of these lawsuits are not presently determinable. The Attorney General's Office has reviewed the status of pending lawsuits and reports that it is the opinion of the Attorney General that such pending litigation will not be finally determined so as to result individually or in aggregate in a final judgment against the State which would materially adversely affect its financial position, except that in the cases described below the fiscal impact of an adverse decision might be significant but is not determinable at this time. The cases described in this section generally do not include any individual case where the fiscal impact of an adverse judgment is expected to be less than $15 million, but adverse judgments in a number of such cases could, in the aggregate and in certain circumstances, have a significant impact.

Sheff v. O'Neill is a Superior Court action brought in 1989 on behalf of black and Hispanic school children in the Hartford school district. The plaintiffs sought a declaratory judgment that the public schools in the greater Hartford metropolitan area are segregated de facto by race and ethnicity and are inherently unequal to their detriment. They also sought injunctive relief against state officials to provide them with an "integrated education." On April 12, 1995, the Superior Court entered judgment for the State. On July 9, 1996, the State Supreme Court reversed the Superior Court judgment 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 response to a motion filed by the plaintiffs, the Superior Court in 1998 ordered the State to show cause as to whether there has been compliance with the Supreme Court's ruling. In a Memorandum of Decision issued March 3, 1999, the Superior Court found that the State complied with the 1996 decision of the Supreme Court. The Superior Court noted that the plaintiffs failed to allow the State enough time to take additional steps in its remedial process. Therefore, the plaintiffs may be able to pursue their claim at a later date.

The Connecticut Traumatic Brain Injury Association, Inc. v. Hogan is a Federal District Court civil rights action brought in 1990 on behalf of all persons with retardation or traumatic brain injury who have been, or may be, placed in Norwich, Fairfield Hills or Connecticut Valley Hospitals. The plaintiffs claim that the treatment and training they need is unavailable in state hospitals for the mentally ill and that placement in those hospitals violates their constitutional rights. The plaintiffs seek relief which would require that the plaintiff class members be transferred to community residential settings with appropriate support services. This case has been settled as to all persons with mental retardation by their eventual discharge from Norwich and Fairfield Hills Hospital. The case is still proceeding as to those persons with traumatic brain injury and the class of plaintiffs has been expanded to include persons with acquired brain injury who are in the custody of the Department of Mental Health and Addiction Services. The Court in 1998 expanded the class of plaintiffs to include persons who are or have been in the custody of the Department of Mental Health and Addiction Services at any time during the pendency of the case without reference to a particular facility.

Johnson v. Rowland is a Superior Court action brought in 1998 in the name of several public school students and the Connecticut municipalities in which the students reside, seeking a declaratory judgment that the State's current system of financing public education through local property taxes and State payments to municipalities determined under a statutory Education Cost Sharing ("ECS") formula violates the Connecticut Constitution. Additionally, the suit seeks various injunctive orders requiring the State to, among other things, cease implementation of the present system, modify the ECS formula, and fund the ECS formula at the level contemplated in the original 1988 public act which established the ECS.

Donald P. Karp, Administrator of the Estate of Leslie J. Karp v. State of Connecticut is a Superior Court action brought in 1999, pursuant to a grant of permission to sue by the legislature, seeking money damages for the death of Leslie J. Karp, M.D., who was killed in a head on collision with a vehicle operated by Edward Kiley. The plaintiff alleges that the death of his decedent was caused by the carelessness and negligence of the State through the Office of Adult Probation in their supervision of Kiley who was placed in the suspended prosecution program. This case has been settled.

Hospital Tax Cases. In 1999 several hospitals appealed to the Superior Court from the Commissioner of Revenue Services' denial of their claims for partial refunds of the hospital tax imposed on a hospital's gross earnings and for partial refunds of sales tax imposed upon patient care services. The hospitals claim that these taxes should not be imposed with regard to charges for tangible property transferred incidental to the provision of patient care services. Refunds are claimed for the last three years. It is anticipated that other hospitals in the State may bring similar suits.

PTI, Inc. v. Philip Morris et al. was filed in the Federal Court for the Central District of California in 1999 against the State of Connecticut and the Attorney General in his official and individual capacities. The plaintiffs re-import and distribute cigarettes that have previously been sold by their manufacturers to foreign markets. The plaintiffs challenge certain provisions of the 1998 Master Settlement Agreement (MSA) entered into by virtually all states and territories to resolve litigation by the respective states against the major domestic tobacco companies. The plaintiffs further challenge certain state statutes, including those banning the sale of re-imported cigarettes, so-called Non Participating Manufacturer statutes, that would decrease the price advantage that re-imported cigarettes enjoy over other cigarettes. The plaintiffs claim that various provisions of the MSA and these state statutes violate the federal constitution, antitrust and civil rights laws. The plaintiffs seek declaratory and injunctive relief, compensatory, special and punitive damages, plus attorneys fees and costs. The court has granted the State's motion to dismiss this case.

Carr v. Wilson-Coker is a Federal District Court action brought in 2000 in which the plaintiffs seek to represent a class of certain Connecticut Medicaid beneficiaries. The plaintiffs claim that the Commissioner of the Department of Social Services fails to provide them with reasonable and adequate access to dental services and to adequately compensate providers of dental services. The plaintiffs seek declaratory and injunctive relief, plus attorneys' fees and costs.

While the various cases described in this paragraph involving alleged ***Indian Tribes*** do not claim significant monetary damages from the State, the cases are mentioned because they claim 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 the remaining suits is the alleged Golden Hill Paugussett Tribe and the lands involved are generally located in Bridgeport, Trumbull, Orange, Shelton and Seymour. There may be additional suits filed by other alleged Indian Tribes claiming ownership of land located in the State of Connecticut but to which the State is not a party. One such claim involves the alleged Schaghticoke Indian Tribe claiming privately and town held lands in the Town of Kent. The State has also challenged the decision of the Federal Department of the Interior which allows the Mashantucket Pequot Tribe to add land holdings of the Tribe outside of its reservation to the land held in trust for its benefit by the Department. The added land was not part of the Tribe's original reservation designated under the Federal Settlement Act with the Tribe. The additional land was purchased by the Tribe. The United States Court of Appeals for the Second Circuit has recently rejected the State's claim that the Federal Settlement Act does not allow the Federal Department of the Interior to take this additional land and add it to the Tribe's reservation land. The parties may seek review of this decision, but, in any event, additional issues remain to be decided in the case and the Second Circuit remanded the case for further proceedings.

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Appendix III-A

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.

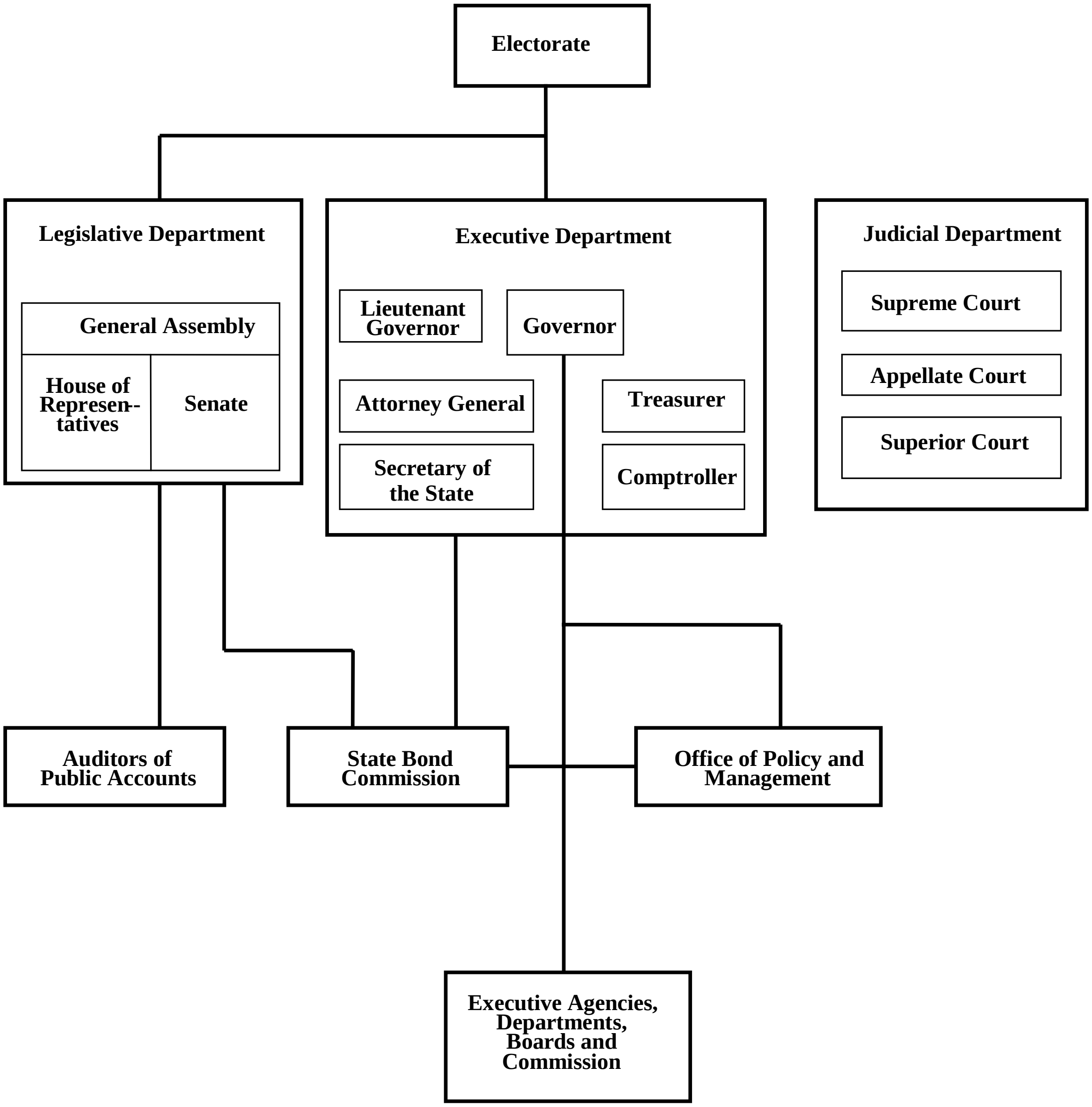
Under Connecticut law, all municipal governmental bodies have only the powers specifically granted to them by the State and the ancillary powers that are necessarily implied by powers explicitly granted. Municipalities which have the power to tax and to issue debt are explicitly denied the power by statute 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 2000, and the new members will take office in January 2001.

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 present 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 1998 and assumed office in January 1999. 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 normally delegates 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 183 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 nine Appellate Court judges nominated by the Governor and appointed by the General Assembly to eight-year terms.

The Connecticut Supreme Court reviews decisions of the Appellate Court and, in certain cases, of the Superior Court. Except in cases where original jurisdiction exists in the Supreme Court, there is no right of review in the Supreme Court unless specifically provided by statute. The Supreme Court consists of seven Justices (one Chief Justice and six Associate Justices) nominated by the Governor and appointed by the General Assembly to eight-year terms.

In addition to the principal trial and appellate courts, there is a Court of Probate in each of 130 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)	1996	1997(c)	1998	1999	2000
Legislative	415	415	427	438	434
General Government	4,241	3,960	3,745	3,853	3,910
Regulation and Protection	4,636	4,376	4,200	4,319	4,550
Conservation and Development	1,420	1,410	1,399	1,420	1,463
Health and Hospitals	9,105	8,444	8,280	8,709	8,747
Transportation	4,024	3,790	3,675	3,610	3,643
Human Services	2,492	2,477	2,347	2,391	2,375
Education, Libraries and Museums	13,125	12,990	13,494	14,130	14,357
Corrections	10,088	9,856	9,346	9,454	10,027
Judicial	2,786	2,852	2,971	3,068	3,224
Totals	52,332	50,570	49,884	51,392	52,730

(a) Table shows approximate filled full-time positions as of June 30 in each of the listed years.
(b) A breakdown of the agencies, boards, commissions and similar bodies included in each of the listed government function headings as of June 30, 2000 is shown in **Table A-5** below.

(c) The state offered an Early Retirement Incentive Program with a window of April 1 through August 1, 1997. Approximately 1,200 full time employees took advantage of this program through June 30, 1997.

SOURCE: Office of Policy and Management

TABLE A-3
State Employees as of June 30, 2000[a]
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	434						434
General Government	3,141	12	10	391	36	320	3,910
Regulation and Protection	2,171	670	614	158	930	7	4,550
Conservation and Development	735		8	295	299	126	1,463
Health and Hospitals	8,364			69	301	13	8,747
Transportation		3,524		119			3,643
Human Services	2,027		16	2	317	15	2,375
Education, Libraries and Museums	9,770			4,406	181		14,357
Corrections	9,875			89	63		10,027
Judicial	3,151			12	61		3,224
Totals	39,668	4,206	648	5,539	2,188	481	52,730

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

SOURCE: Office of Policy and Management

Collective Bargaining Units and Process. The General Statutes guaranty 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. 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[a]

Bargaining Unit/Status Group	Percentage of State Employees Represented[b]	Contract Status, if any
Covered by Collective Bargaining		
Administrative Clerical	10.30%	Contract in place through 6/30/2002
Correction Officers	9.53%	Contract in place through 6/30/2001
Maintenance and Service	8.69%	Contract in place through 6/30/1999[c]
Health Care Non-Professionals	8.62%	Contract in place through 6/30/2001
Social and Human Services	7.66%	Contract in place through 6/30/2002
Administrative and Residual	6.18%	Contract in place through 6/30/2003
Engineering, Scientific and Technical	5.08%	Contract in place through 6/30/2001
Health Care Professionals	4.87%	Contract in place through 6/30/2001
University Health Professionals (University of Connecticut Health Center)	3.04%	Contract in place through 6/30/2002
Judicial Employees	2.65%	Contract in place through 6/30/2002
University of Connecticut Faculty	2.41%	Contract in place through 6/30/2001
Connecticut State University Faculty	2.23%	Contract in place through 6/30/2001
University of Connecticut Professional Employee Association	2.21%	Contract in place through 6/30/2001
State Police	2.11%	Contract in place through 6/30/2004
Congress of Connecticut Community Colleges	2.00%	Contract in place through 6/30/2001
Vocational Technical School Teachers	2.00%	Contract in place through 6/30/2003
Education Professionals (Institutions)	1.82%	Contract in place through 6/30/2001
Judicial Professionals	1.69%	Contract in place through 6/30/2002
Protective Services	1.62%	Contract in place through 6/30/2004
Other Bargaining Units (11 Units)	2.87%	Varies by Unit
Total Covered by Collective Bargaining	87.59%	
Not Covered by Collective Bargaining		
Auditors of Public Accounts	0.18%	Not Applicable
Other Employees	12.23%	Not Applicable
Total Not Covered by Collective Bargaining	12.41%	
Total Full-Time Work Force	100.00%	

(a) Public Act No. 97-148 granted collective bargaining rights effective July 1, 1999 to a group of per diem employees (Special Deputy Sheriffs) who are not included here. Negotiations with this group were suspended pending a referendum in November 2000. As the result of this just completed referendum, these employees will be transferred from the Executive to the Judicial Branch.
(b) Percentages expressed reflect approximately 52,730 filled full-time positions as of June 30, 2000.
(c) Successor Contract in arbitration.

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 the Status of Women
Commission on Children
Commission on Latino and Puerto Rican Affairs
African-American Affairs Commission

General Government
Governor's Office
Secretary of the State
Lieutenant Governor's Office
State Elections Enforcement Commission
Ethics Commission
Freedom of Information Commission
Judicial Selection Commission
State Properties Review 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
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

Regulation and Protection
Department of Public Safety
Police Officers Standards and Training Council
Board of Firearms Permit Examiners
Department of Motor Vehicles
Military Department
Commission on Fire Prevention and Control
Department of Banking
Department of Insurance
Office of Consumer Counsel
Department of Public Utility Control
Department of Consumer Protection
Department of Labor
Office of 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
Connecticut Historical Commission
Department of Economic and Community Development
Agricultural Experiment Station

Health and Hospitals
Department of Public Health
Office of Health Care Access
Office of the Medical Examiner
Department of Mental Retardation
Department of Mental Health and Addiction Services
Psychiatric Security Review Board

Transportation
Department of Transportation

Human Services
Department of Social Services
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 College
Teachers' Retirement Board
Regional Community-Technical Colleges
Connecticut State University

Corrections
Department of Correction
Board of Pardons
Board of Parole
Department of Children and Families
County Sheriffs

Judicial
Judicial Department
Public Defenders Services Commission

(a) In addition to the ten listed government function headings, the State also employs a "non-functional" heading under which are grouped various miscellaneous accounts including debt service and State employee fringe benefit accounts.
(b) Listing of agencies, boards, commissions and similar bodies is as of July 1, 2000.

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.

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STATE ECONOMY

Connecticut is a highly developed and urbanized state. It is situated directly between the financial centers of Boston and New York. Connecticut is located on the northeast coast and is the southernmost of the New England States. It is bordered by Long Island Sound, New York, Massachusetts and Rhode Island. More than one quarter of the total population of the United States and approximately 60% of the Canadian population live within 500 miles of the State.

Economic Resources

Population Characteristics. Connecticut had an estimated population of 3,282,000 in 1999. The State's population growth rate, which exceeded the United States' rate of population growth during the period 1940 to 1970, slowed substantially during later decades. The following table presents the population trends of Connecticut, New England and the United States since 1940.

TABLE B-1
Population
(In Thousands)

	Connecticut		New England		United States	
Calendar Year	Total	% Change	Total	% Change	Total	% Change
1940….	1,709	%	8,437	%	132,165	%
1950….	2,007	17.4	9,314	10.4	151,326	14.5
1960….	2,535	26.3	10,509	12.8	179,323	18.5
1970….	3,032	19.6	11,847	12.7	203,302	13.4
1980….	3,108	2.5	12,349	4.2	226,542	11.4
1990….	3,287	5.8	13,207	6.9	248,710	9.8
1991….	3,289	0.0	13,201	(0.0)	252,153	1.4
1992….	3,275	(0.4)	13,188	(0.1)	255,030	1.1
1993….	3,272	(0.1)	13,216	0.2	257,783	1.1
1994….	3,268	(0.1)	13,243	0.2	260,327	1.0
1995….	3,265	(0.1)	13,283	0.3	262,803	1.0
1996….	3,267	0.1	13,329	0.3	265,229	0.9
1997….	3,269	0.1	13,378	0.4	267,784	1.0
1998….	3,273	0.1	13,429	0.4	270,248	0.9
1999….	3,282	0.3	13,496	0.5	272,691	0.9

Note: 1940-1990, April 1 Census
1991-1999, Mid-year estimates

SOURCE: United States Department of Commerce, Bureau of the Census

The State is highly urbanized with a 1999 population density of 677 persons per square mile, as compared with 77 for the United States as a whole. Approximately 84% of the population resides within the State's three largest metropolitan areas of Hartford (34%), Bridgeport and New Haven (25% each).

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, is well situated for overseas air freight operations and is accessible from all areas of the State and Western Massachusetts.

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.

Connecticut provides financial assistance for all of the urban and rural bus services operating in the State. In addition, the State supports commuter express bus operations, American with Disability Act services, and ridesharing programs. Rail commuter service operates between New Haven and New York City and related points. Also, rail commuter service operates between New London and New Haven.

Connecticut initiated a transportation infrastructure renewal program in 1984 and continues that program today. It has resulted in the restoration and enhancement of the major components of the transportation system and provides for the continued maintenance of these systems.

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, New England and Canada. These interconnections allow the companies serving Connecticut to meet large or unexpected electric load requirements from resources located outside of Connecticut's boundaries. All electric utilities in the State are members of the New England Power Pool and operate as part of the regional bulk power system. An independent system operator, ISO New England, Inc., operates this regional system.

Legislation passed in 1998 provided for the restructuring of the electric industry in Connecticut. As of July 2000, most consumers in Connecticut can choose an independent electric supplier as their provider of electricity. The electricity is still 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.

The restructuring legislation mandated a 10 percent rate reduction (from 1996 levels) subject to specific adjustments during the period of 2000 to 2003. This "standard offer" service is available to all consumers except those that had already entered into special contracts with the electric companies. The legislation also provides a procedure allowing for the recovery of utility's stranded costs, including the issuance of revenue bonds.

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 two 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 has also been recently acquired by Northeast Utilities.

Since 1996 the DPUC is allowing 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). Three LECs currently offer local telephone services in Connecticut. They are The Southern New England Telephone Company (SNET), which has recently been acquired by SBC Communications, Inc., Woodbury Telephone Company (a wholly-owned subsidiary of SNET) and Verizon New York Inc. Connecticut also has approximately 114 CLECs certified to provide local exchange services including AT&T Communications of New England, 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, particularly in the transportation sector and for heating oil and is thus affected by developments in the international oil market.

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 following table shows total and per capita personal income for Connecticut residents during the period from 1990 to 1999 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		Connecticut Per Capita as % of	
	Total (Millions)	Per Capita	New England	United States
1990	$ 87,935	$26,736	116.8%	135.7%
1991	88,344	26,860	115.5	133.2
1992	93,779	28,635	117.1	135.5
1993	96,867	29,605	117.4	136.0
1994	99,788	30,535	116.4	135.0
1995	104,315	31,949	116.5	135.4
1996	109,354	33,472	116.1	135.6
1997	116,347	35,591	116.7	137.4
1998	122,564	37,447	115.7	136.9
1999	128,983	39,300	115.0	137.6

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)
1990	3.8%	3.5%	6.9%	(0.1)%	(0.4)%	2.8%
1991	0.5%	1.4%	3.5%	(3.1)%	(2.1)%	(0.2)%
1992	6.2%	5.0%	6.0%	3.6%	2.5%	3.5%
1993	3.3%	3.3%	4.1%	0.9%	0.9%	1.6%
1994	3.0%	4.3%	5.0%	0.9%	2.1%	2.8%
1995	4.5%	4.9%	5.3%	2.3%	2.6%	3.1%
1996	4.8%	5.4%	5.6%	2.8%	3.4%	3.6%
1997	6.4%	6.3%	6.0%	4.4%	4.2%	3.9%
1998	5.3%	6.5%	6.5%	4.0%	5.2%	5.2%
1999	5.2%	6.1%	5.4%	3.7%	4.5%	3.8%

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 the State and the United States in 1999.

TABLE B-4

Sources of Personal Income By Place of Residence
Calendar 1999
(In Millions)

	Conn	Percent of Total	U.S.	Percent of Total
Wages in Non-manufacturing	$61,965	48.04%	$3,687,600	47.34%
Property Income (Div., Rents & Int.)	23,545	18.25%	1,477,375	18.97%
Wages in Manufacturing	16,513	12.70%	782,400	10.04%
Transfer Payments less Social Insurance Paid	8,692	6.74%	677,750	8.70%
Other Labor Income	7,991	6.20%	501,075	6.43%
Proprietor's Income	10,277	7.97%	663,450	8.52%
Personal Income—Total	$128,983	100.00%	$7,789,650	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 and the region's economic vitality is evidenced in the rate of growth of its Gross State Product. Gross State Product is the market value of all final goods and services produced by labor and property located within the State. The economies of Connecticut and New England were, for much of the 1980s, among the strongest performers in the nation in this category. While the growth rates of both

Connecticut and New England slowed in the initial years of the 1990s, the growth rates have steadily increased during the rest of the 1990s. According to the latest available data, in 1997 Connecticut's growth rate outpaced that of New England and the nation, but slowed somewhat in 1998.

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	**Dollars**	**% Growth**	**Dollars**	**% Growth**	**Dollars**	**% Growth**
1989	95,016	5.9%	333,670	5.2%	5,411,353	6.3%
1990	98,914	4.1%	339,573	1.8%	5,706,658	5.5%
1991	100,373	1.5%	343,923	1.3%	5,895,430	3.3%
1992	103,766	3.4%	357,024	3.8%	6,209,096	5.3%
1993	107,993	4.1%	373,192	4.5%	6,513,026	4.9%
1994	112,588	4.3%	394,281	5.7%	6,930,791	6.4%
1995	118,973	5.7%	416,073	5.5%	7,309,516	5.5%
1996	124,693	4.8%	439,550	5.6%	7,715,901	5.6%
1997	134,792	8.1%	471,712	7.3%	8,240,312	6.8%
1998	142,099	5.4%	501,809	6.4%	8,745,219	6.1%

(a) sum of the GSP for the States in New England.
(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 1996 chained dollars.

TABLE B-6

Gross State Product
(In Millions of 1996 Chained Dollars)

	Connecticut		New England		United States	
Year	**Dollars**	**% Growth**	**Dollars**	**% Growth**	**Dollars**	**% Growth**
1989	117,339	1.8%	407,133	1.4%	6,538,643	2.4%
1990	117,268	(0.1)%	398,250	(2.2)%	6,630,742	1.4%
1991	114,555	(2.3)%	388,451	(2.5)%	6,615,685	(0.2)%
1992	114,803	0.2%	391,240	0.7%	6,774,505	2.4%
1993	115,803	0.9%	397,345	1.6%	6,918,389	2.1%
1994	117,689	1.6%	409,864	3.2%	7,203,002	4.1%
1995	121,117	2.9%	422,407	3.1%	7,433,965	3.2%
1996	124,693	3.0%	439,550	4.1%	7,715,901	3.8%
1997	132,534	6.3%	464,268	5.6%	8,120,854	5.2%
1998	138,053	4.2%	488,566	5.2%	8,537,669	5.1%

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 diverse economy. The table shows that, in 1998, Connecticut's output was concentrated in three areas: finance, services and manufacturing, which contributed two-thirds of the State's total output.

TABLE B-7

Gross State Product by Industry in Connecticut
(In Millions of Dollars)

Sector	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
Manufacturing	18,547	19,949	19,901	19,452	18,420	18,983	20,017	21,233	22,626	23,513
Construction[(a)]	5,085	4,131	3,545	3,494	3,675	3,836	4,163	4,281	4,733	5,018
Agriculture[(b)]	613	677	637	704	791	774	748	817	849	923
Utilities[(c)]	6,022	6,722	6,803	7,212	7,619	8,021	8,400	8,185	8,681	9,138
Wholesale Trade	6,660	6,574	6,762	7,013	7,051	7,477	7,904	8,371	9,449	9,776
Retail Trade	8,674	8,528	8,361	8,340	8,548	8,825	9,012	9,326	9,894	10,595
Finance[(d)]	23,014	23,814	25,258	26,607	29,155	29,768	32,177	34,076	37,365	39,841
Services[(e)]	17,404	19,148	19,470	20,995	22,487	24,205	25,577	27,065	29,538	31,206
Government	8,996	9,370	9,636	9,948	10,247	10,700	10,975	11,339	11,657	12,089
Total GSP	95,016	98,914	100,373	103,766	107,993	112,588	118,973	124,693	134,792	142,099

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 and personal services.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

Employment

The following table compares non-agricultural establishment employment for Connecticut, New England and the United States between 1990 and 1999.

TABLE B-8

Non-agricultural Employment[a]
(In Thousands)

	Connecticut		New England		United States	
Calendar Year	Employment	Percent Growth	Employment	Percent Growth	Employment	Percent Growth
1990	1,623.5	(2.53)%	6,359.8	(3.30)%	109,403	1.41%
1991	1,555.1	(4.22)%	6,042.1	(4.99)%	108,255	(1.05)%
1992	1,526.1	(1.86)%	5,995.6	(0.77)%	108,590	0.31%
1993	1,531.1	0.33%	6,079.9	1.41%	110,693	1.94%
1994	1,543.8	0.83%	6,200.7	1.99%	114,138	3.11%
1995	1,561.8	1.17%	6,328.2	2.06%	117,190	2.67%
1996	1,583.8	1.41%	6,433.1	1.66%	119,598	2.05%
1997	1,612.7	1.82%	6,574.2	2.19%	122,678	2.58%
1998	1,642.8	1.87%	6,719.5	2.21%	125,848	2.58%
1999	1,671.4	1.74%	6,852.3	1.98%	128,770	2.32%

(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 1999.

TABLE B-9

Connecticut Non-agricultural Employment, 1999
(In Thousands)

	Connecticut		United States	
	Total	%	Total	%
Services[a]	526.6	31.50%	39,025	30.31%
Trade[b]	359.5	21.51%	29,713	23.07%
Manufacturing	269.2	16.11%	18,543	14.40%
Government	235.6	14.10%	20,163	15.66%
Finance[c]	140.7	8.42%	7,573	5.88%
Utilities[d]	78.1	4.67%	6,823	5.30%
Construction[e]	61.7	3.69%	6,930	5.38%
	1,671.4	100.00%	128,770	100.00%

(a) Covers a considerable variety of activities, including professional, business and personal services.
(b) Includes wholesale and retail trade.
(c) Includes finance, insurance, and real estate.
(d) Includes transportation, communications, electric, gas and sanitary services.
(e) Includes mining.

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:

TABLE B-10

Connecticut Non-agricultural Employment
(Annual Averages In Thousands)

Year	Manufacturing	Trade[a]	Services[b]	Government[c]	Finance[d]	Utilities[e]	Construction[f]	Total Non-agricultural Employment[g]
1990	341.01	360.38	424.96	210.39	151.57	72.39	62.85	1,623.54
1991	322.42	339.57	415.83	207.60	147.50	69.98	52.24	1,555.15
1992	305.71	331.33	423.08	207.32	142.34	67.98	48.32	1,526.06
1993	294.15	330.33	438.08	210.68	139.78	69.53	48.53	1,531.07
1994	285.29	335.24	449.84	217.23	135.72	70.46	50.00	1,543.77
1995	279.06	341.07	465.16	220.87	133.04	71.28	51.32	1,561.79
1996	274.73	347.24	480.54	222.85	131.67	73.60	53.13	1,583.76
1997	276.19	351.67	495.02	225.67	132.22	74.95	56.99	1,612.71
1998	276.97	355.65	510.70	227.57	136.50	75.83	59.58	1,642.80
1999	269.16	359.48	526.56	235.57	140.72	78.19	61.69	1,671.37

(a) Includes wholesale and retail trade.
(b) Covers a considerable variety of activities, including professional, business and personal services.
(c) Includes employees of Indian Tribal entities and their gaming operations.
(d) Includes finance, insurance, and real estate.
(e) Includes transportation, communications, electric, gas and sanitary services.
(f) Includes mining.
(g) Totals may not equal sum of individual categories due to rounding.

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

Manufacturing

Manufacturing has traditionally been of prime economic importance to Connecticut but has declined 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.

TABLE B-11

Manufacturing Employment
(In Thousands)

Calendar	Connecticut		New England		United States	
Year	Number	% Growth	Number	% Growth	Number	% Growth
1990	341.0	(5.08)%	1,215.8	(6.30)%	19,078	(1.61)%
1991	322.4	(5.46)%	1,136.8	(6.50)%	18,405	(3.53)%
1992	305.7	(5.18)%	1,094.4	(3.73)%	18,108	(1.61)%
1993	294.2	(3.76)%	1,069.2	(2.30)%	18,078	(0.17)%
1994	285.3	(3.03)%	1,055.3	(1.30)%	18,323	1.36%
1995	279.1	(2.17)%	1,049.1	(0.59)%	18,525	1.10%
1996	274.7	(1.58)%	1,040.4	(0.83)%	18,498	(0.15)%
1997	276.2	0.55%	1,045.6	0.50%	18,675	0.96%
1998	277.0	0.29%	1,046.3	0.07%	18,808	0.71%
1999	269.2	(2.82%)	1,017.6	(2.74)%	18,543	(1.41%)

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, helicopters 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, nonelectrical machinery, and electrical equipment for the total number employed in 1999.

TABLE B-12

Manufacturing Employment
By Industry
(In Thousands)

Calendar Year	Transportation Equipment	Fabricated Metals	Nonelectrical Machinery	Electrical Machinery	Other[(a)]	Total Manufacturing Employment
1990	80.48	38.04	44.01	34.55	143.93	341.01
1991	77.90	34.49	39.50	31.09	139.44	322.42
1992	70.53	33.35	37.15	29.12	135.56	305.71
1993	62.90	33.57	36.15	28.07	133.46	294.15
1994	56.89	33.96	35.33	27.68	131.43	285.29
1995	52.68	34.29	35.09	27.72	129.28	279.06
1996	50.62	34.01	34.93	28.25	126.92	274.73
1997	50.13	34.63	34.65	28.80	127.98	276.19
1998	50.30	35.28	34.68	28.66	128.05	276.97
1999	48.86	33.75	33.15	26.96	126.44	269.16

(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 1990 at over 341,010 workers. Since that year, employment in manufacturing was on a downward trend with only a slight increase in 1997 and 1998. A number of factors, such as heightened foreign competition, a sharp decrease in defense spending, and improved productivity played a significant role in affecting the overall level of manufacturing employment. Total manufacturing jobs in Connecticut rebounded in 1997 and further improved in 1998, but continued to decline to a recent low of 269,160 in 1999. The total number of manufacturing jobs dropped 71,850 and 21.1% for the ten year period since 1990.

Exports. In Connecticut, the export sector of manufacturing has assumed an increasingly important role in overall economic growth. From 1994 to 1999, the State's export of goods grew at an average annual rate of 4.4%. The following table shows the growth in exports of manufacturing products.

TABLE B-13

Exports Originating in Connecticut
(In Millions)

	1994	1995	1996	1997	1998	1999	% of 1999 Total	Average % Growth 1994-99
A. Manufacturing Products								
Chemicals	$843.4	$753.4	$679.5	$594.5	$588.7	$570.5	7.2%	(7.4)%
Primary Metals	202.6	278.4	226.6	390.5	244.5	259.7	3.3%	12.0%
Fabricated	274.1	301.9	355.7	333.9	291.9	318.5	4.0%	3.7%
Nonelectrical	670.7	825.0	783.7	994.7	954.1	972.1	12.3%	8.5%
Electrical	579.3	669.9	710.6	747.6	615.1	593.4	7.5%	1.1%
Transportation	1,910.5	1,712.5	1,907.0	2,261.2	3,002.1	2,761.9	35.1%	8.9%
Instrument	675.2	667.9	754.6	919.1	940.9	1,008.2	12.8%	8.6%
Waste & Scrap	145.6	119.0	136.9	152.8	127.4	93.9	1.2%	(6.9)%
Others	1,087.7	1,217.1	1,274.9	1,390.1	1,347.6	1,299.5	16.5%	3.8%
Total	$6,389.1	$6,545.1	$6,829.5	$7,784.4	$8,112.3	$7,877.7	100%	4.4%
% Growth	1.0%	2.4%	4.3%	14.0%	4.2%	(2.9)%		
B. Gross State Product[(a)]	$112,588	$118,973	$124,693	$134,792	$142,099	$150,938[(b)]		
Mfg Exports as a % of GSP	5.7%	5.5%	5.5%	5.8%	5.7%	5.2%		

(a) In millions.
(b) GSP for 1999 is estimated by the Office of Policy and Management and is assumed to grow at the same rate as income derived from wages and salaries, which is estimated by the United States Department of Commerce, Bureau of Economic Analysis.

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 defense related business. Approximately one-quarter of the manufacturing establishments and approximately one-quarter of the manufacturing employees are involved in defense related businesses. Nonetheless, this sector's significance in the State's economy has declined considerably. Connecticut has witnessed a marked reduction in the amount of federal spending earmarked for defense related industries in the State. In fiscal 1999, Connecticut received $3,169.4 million of prime contract awards. This accounted for 2.8% of national total awards and ranked twelfth in total defense dollars awarded and fourth in per capita dollars awarded among the 50 states. In fiscal year 1999, Connecticut had $966 in per capita defense awards, compared to the national average of $421. As measured by a three year moving average of defense contract awards as a percent of Gross State Product, awards to Connecticut based firms has fallen to 2.0% of Gross State Product in fiscal 1999, down from 5.1% of Gross State Product in fiscal year 1990.

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	% Change from Prior Year Connecticut	% Change from Prior Year U.S.
1989-90	4,241,210	10th	(30.3)%	1.1%
1990-91	4,978,594	8th	17.4%	2.4%
1991-92	3,099,444	11th	(37.7)%	(9.5)%
1992-93	2,894,638	12th	(6.6)%	1.7%
1993-94	2,450,069	14th	(15.4)%	(3.4)%
1994-95	2,718,021	12th	10.9%	(1.2)%
1995-96	2,638,260	13th	(2.9)%	0.4%
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%

SOURCE: United States Department of Defense

Non-manufacturing. 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 84% by 1999. This trend has decreased the State's dependence on manufacturing. The State's non-manufacturing sector expanded by 2.7% in 1999 as compared to approximately 2.1% in each of the previous three years.

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)

Calendar	Connecticut		New England		United States	
Year	Number	% Growth	Number	% Growth	Number	% Growth
1990	1,282.5	(1.83)%	5,127.5	(2.88)%	90,328	2.07 %
1991	1,232.7	(3.88)%	4,890.2	(4.63)%	89,843	(0.54)%
1992	1,220.4	(1.00)%	4,886.3	(0.08)%	90,485	0.71 %
1993	1,236.9	1.35 %	4,995.6	2.24 %	92,620	2.36 %
1994	1,258.5	1.75 %	5,129.8	2.69 %	95,815	3.45 %
1995	1,282.7	1.92 %	5,263.6	2.61 %	98,658	2.97 %
1996	1,309.0	2.05 %	5,376.8	2.15 %	101,098	2.47 %
1997	1,336.5	2.10 %	5,527.8	2.81 %	104,003	2.87 %
1998	1,365.8	2.19 %	5,672.3	2.61 %	107,043	2.92 %
1999	1,402.2	2.67 %	5,833.9	2.85 %	110,233	2.98 %

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 1990, 1997, 1998 and 1999 is shown in the table below. Total non-manufacturing employment has been broken down by industry. Percent changes over the fiscal year and over the decade are also provided.

TABLE B-16

Connecticut Non-manufacturing Employment By Industry
(In Thousands)

Industry	Calendar 1990	Calendar 1997	Calendar 1998	Calendar 1999	Percent Change 1998-99	Percent Change 1990-99
Construction[(a)]	62.85	56.99	59.58	61.69	3.54%	(1.85)%
Transportation	40.68	43.02	43.64	44.37	1.67%	9.06%
Communications	18.53	18.05	18.94	18.83	(0.62)%	1.58%
Utilities	13.17	12.58	12.39	12.34	(0.36)%	(6.27)%
Wholesale Trade	74.38	85.10	86.46	87.10	0.74%	17.10%
Retail Trade	286.00	266.57	269.19	272.38	1.18%	(4.76)%
Finance and Real Estate	71.44	62.44	67.14	70.86	5.54%	(0.81)%
Insurance	80.13	69.78	69.37	69.86	0.71%	(12.81)%
Services[(b)]	424.96	495.02	510.70	526.56	3.11%	23.91%
Federal Government	25.50	23.50	22.61	22.27	(1.51)%	(12.68)%
State and Local Government[(c)]	184.90	203.47	205.82	215.96	4.93%	16.80%
Total Non-manufacturing Employment[(d)]	1,282.53	1,336.51	1,365.83	1,402.21	2.66%	9.33%

____

(a) Includes mining.
(b) Covers a considerable variety of activities, including professional and business services.
(c) Includes employees of Indian Tribal entities and their gaming operations.
(d) Totals may not agree with detail due to rounding.

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.

TABLE B-17

Retail Trade In Connecticut
(In Millions)

		Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000	% Of Fiscal Year 2000 Total	Average % Growth Fiscal Year 96-00
SIC52	Hardware Stores	$1,371	$1,436	$1,512	$2,320	$2,418	5.7%	16.9%
SIC53	General Merchandise	3,618	3,636	3,793	3,742	3,744	8.8%	0.9%
SIC54	Food Products	6,128	6,127	6,479	6,922	7,139	16.7%	3.9%
SIC55	Automotive Products	6,935	7,488	7,654	7,963	8,712	20.4%	5.9%
SIC56	Apparel & Accessory	1,586	1,696	1,896	2,047	2,195	5.1%	8.5%
SIC57	Furniture & Appliances	3,156	3,724	4,333	4,011	4,299	10.1%	8.5%
SIC58	Eating & Drinking	2,546	2,685	2,799	2,966	3,148	7.4%	5.5%
SIC59	Misc. Shopping Stores	7,857	8,579	9,425	9,865	10,975	25.7%	8.7%
	Total[(a)]	$33,197	$35,371	$37,891	$39,836	$42,630	100.0%	6.5%
% Change from Previous Year		4.8%	6.5%	7.1%	5.1%	7.0%		
Durables (SIC 52,55,57)		$11,462	$12,648	$13,499	$14,294	$15,429	36.2%	7.7%
% Change from Previous Year		4.8%	10.3%	6.7%	5.9%	7.9%		
Non Durables (all other SICs)		$21,735	$22,723	$24,392	$25,542	$27,201	63.8%	5.8%
% Change from Previous Year		4.7%	4.5%	7.3%	4.7%	6.5%		

(a) Totals may not agree with detail due to rounding.

SOURCE: Connecticut Department of Revenue Services

Unemployment Rates. After enjoying an extraordinary boom during the mid-1980s, Connecticut, as well as the rest of the Northeast, experienced an economic slowdown during the recession of the early 1990s. The unemployment rate in the State rose to a high of 7.6% in 1992, which was above the national average of 6.9%. Since then it has generally been declining and has remained mostly below the national average. It fell to 3.2% in 1999 and is averaging 2.3% for the first six months of 2000, well below the national average of 4.2% and 4.0%, respectively, for the same periods.

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.

The following table compares unemployment rate averages of Connecticut, New England and the United States between 1990 and the first half of 2000. Connecticut's unemployment rate of 2.3% for the first half of 2000 is below the national average of 4.0%.

TABLE B-18
Unemployment Rate

Year	Unemployment Rate		
	Connecticut	New England	United States
1990	6.8	5.7	5.6
1991	7.6	8.0	6.9
1992	6.3	8.0	7.5
1993	5.6	6.8	6.9
1994(a)	5.5	5.9	6.1
1995	5.7	5.4	5.6
1996	5.7	4.8	5.4
1997	5.1	4.4	4.9
1998	3.4	3.5	4.5
1999	3.2	3.3	4.2
2000(b)	2.3	2.8	4.0

____

(a) Beginning with estimates for January 1994, State and area labor force statistics reflect a number of important changes. These include implementation of a major redesign of the Current Population Survey (CPS); introduction of updated population controls to the CPS; improved regression models for smaller states such as Connecticut; and incorporation of selected 1990 Census data in the geographic redefinition of labor market areas and in local area labor force estimation.

(b) Reflects average for the first six months.

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

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APPENDIX III-C

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Statistical Section .... Not Included

NANCY WYMAN
COMPTROLLER

STATE OF CONNECTICUT

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

MARK E. OJAKIAN
DEPUTY COMPTROLLER

January 23, 2001

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 ending June 30, 2000. The statements and the Independent Auditors' Report are extracted from the Comprehensive Annual Financial Report of the State of Connecticut which is prepared by my office and have been prepared in conformity with generally accepted accounting principles.

Sincerely,

Nancy Wyman

Nancy Wyman
State Comptroller

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

KEVIN P. JOHNSTON

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

ROBERT G. JAEKLE

INDEPENDENT AUDITORS' REPORT

Governor John G. Rowland
Members of the General Assembly

We have audited the accompanying general purpose financial statements of the State of Connecticut as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the State's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Special Transportation Fund accounts within the Transportation Fund, which represent 20 percent and 70 percent, respectively, of the assets and revenues of the Special Revenue Funds; we did not audit the financial statements of the Transportation Special Tax Obligations Fund, which represent 100 percent of the assets and revenues of the Debt Service Funds; we did not audit the financial statements of the Bradley International Airport, the Connecticut Lottery Corporation, or the John Dempsey Hospital Fund, which represent 86 percent and 99 percent, respectively, of the assets and revenues of the Enterprise Funds; we did not audit the financial statements of the Clean Water Fund, which represent four percent and one percent, respectively, of the assets and revenues of the Trust and Agency Funds; we did not audit the financial statements of the Connecticut Housing Finance Authority, the Connecticut Resources Recovery Authority, the Connecticut Development Authority, the Connecticut Health and Educational Facilities Authority, the Connecticut Higher Education Supplemental Loan Authority, the Capital City Economic Development Authority and Connecticut Innovations Incorporated, which represent 100 percent of the assets and revenues of the Component Unit Funds; and, we did not audit the financial statements of the Connecticut State University or the University of Connecticut Foundation, which represent 35 percent and 44 percent, respectively, of the assets and revenues of the Higher Education and University Hospital 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 solely on the reports of other auditors. All of the aforementioned audits were conducted in accordance with generally accepted auditing standards. In addition, the audits of the Connecticut Resources Recovery Authority, Connecticut Higher Education Supplemental Loan Authority, Connecticut Housing Finance Authority, Connecticut Development Authority, Connecticut Lottery Corporation, Connecticut Innovations Incorporated, and Clean Water Fund, 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, except that the audits of certain component units of the State, as described above, were not conducted in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose 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 and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, and based on our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of Connecticut as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2001, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As discussed in Note 22 to the financial statements, 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.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the State of Connecticut taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the general purpose financial statements taken as a whole.

The data in the statistical section listed in the table of contents was not audited by us and, accordingly, we express no opinion thereon.

Kevin P. Johnston
Auditor of Public Accounts

Robert G. Jaekle
Auditor of Public Accounts

January 23, 2001
State Capitol
Hartford, Connecticut

General Purpose Financial Statements

Combined Balance Sheet
All Fund Types, Account Groups, and Discretely Presented Component Units
June 30, 2000
(Expressed in Thousands)

	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service
Assets and Other Debits:						
Cash and Cash Equivalents	$ 686,635	$ 455,998	$ -	$ 23,064	$ 60,574	$ 19,127
Investments:						
Equity in Combined Investment Funds	-	-	-	-	-	-
External Investment Pool	-	-	-	-	-	-
Other	47,705	22,502	-	-	600,329	-
Securities Lending Collateral	-	-	-	-	-	-
Receivables:						
Taxes	707,511	43,405	-	-	-	-
Accounts, Net of Allowances	236,519	4,944	2	821	50,098	5,849
Tuition	-	-	-	-	-	-
Loans, Net of Allowances	-	320,402	-	-	82,355	-
Interest	-	220	6,185	-	29,311	-
Notes Receivable	-	-	-	-	-	-
Federal Grants Receivable	82,205	12,016	-	9,084	710	-
Non-Federal Grants Receivable	2,323	12,414	-	-	-	-
Deposits with U.S. Treasury	-	-	-	-	-	-
Due From Other Funds	9,482	137,942	-	10,388	4,429	3,497
Due From Component Units	-	-	-	-	-	-
Due From Primary Government	-	-	-	-	-	-
Advances To Other Funds	4,950	-	-	-	-	-
Receivable From Other Governments	518,104	20,248	-	50,333	331	-
Inventories and Prepaid Items	37,672	13,784	-	-	4,919	4,269
Restricted Assets	-	-	530,064	-	122,313	-
Property, Plant & Equipment	-	-	-	-	221,013	45,458
Other Assets	-	-	-	-	10,619	1,352
Other Debits:						
Amount Available for Debt Retirement	-	-	-	-	-	-
Amount to be Provided for Debt Retirement	-	-	-	-	-	-
Total Assets and Other Debits	**$ 2,333,106**	**$ 1,043,875**	**$ 536,251**	**$ 93,690**	**$ 1,187,001**	**$ 79,552**
Liabilities, Equity and Other Credits:						
Liabilities:						
Accounts Payable and Accrued Liabilities	$ 925,911	$ 58,482	$ -	$ 103,354	$ 148,718	$ 25,241
Due To Other Funds	68,318	2,733	6,185	118,891	5,884	266
Due To Primary Government	-	-	-	-	-	-
Due To Component Units	2	18,802	-	-	-	-
Advances From Other Funds	-	-	-	-	-	4,950
Payable To Other Governments	53,003	-	-	-	-	-
Deferred Revenue	686,189	28,767	5,282	2,313	623	1,314
Escrow Deposits	-	-	-	-	-	-
Notes and Loans Payable	-	-	-	-	-	-
Securities Lending Obligation	-	-	-	-	-	-
Agency Deposit Liabilities	-	-	-	-	-	-
General Obligation Bonds	-	-	-	-	-	-
Transportation Related Bonds	-	-	-	-	-	-
Expendable Trust Fund Obligations	-	-	-	-	-	-
Revenue Bonds	-	-	-	-	228,712	-
Capital Leases	-	-	-	-	-	-
Claims and Judgements	-	-	-	-	-	-
Compensated Absences	-	-	-	-	42	4,763
Net Pension Obligation	-	-	-	-	-	-
Workers Compensation Liability	-	-	-	-	-	-
Liability for Landfill Closure Costs	-	-	-	-	-	-
Amount Held for Institutions	-	-	-	-	-	-
Liability for Escheat Property	44,768	-	-	-	-	-
Malpractice Liability	-	-	-	-	6,389	-
Long-Term Annuities Payable	-	-	-	-	486,568	-
Total Liabilities	1,778,191	108,784	11,467	224,558	876,936	36,534
Equity and Other Credits:						
Investment in Fixed Assets	-	-	-	-	-	-
Contributed Capital	-	-	-	-	104,224	1,380
Retained Earnings:						
Reserved	-	-	-	-	49,041	-
Unreserved	-	-	-	-	156,800	41,638
Fund Balances:						
Reserved	1,229,906	408,417	524,784	-	-	-
Unreserved, undesignated	(674,991)	526,674	-	(130,868)	-	-
Total Equity and Other Credits	554,915	935,091	524,784	(130,868)	310,065	43,018
Total Liabilities, Equity and Other Credits	**$ 2,333,106**	**$ 1,043,875**	**$ 536,251**	**$ 93,690**	**$ 1,187,001**	**$ 79,552**

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

Fiduciary Fund Types: Trust and Agency	Account Groups: General Fixed Assets	Account Groups: General Long-Term Debt	Higher Education Funds	Total Primary Government (Memorandum only)	Component Units	Total Reporting Entity (Memorandum only)
$ 358,764	$ -	$ -	$ 498,749	$ 2,102,911	$ 351,952	$ 2,454,863
21,913,603	-	-	622	21,914,225	-	21,914,225
1,085,851	-	-	-	1,085,851	-	1,085,851
111,209	-	-	228,118	1,009,863	534,503	1,544,366
1,666,080	-		-	1,666,080	-	1,666,080
-	-	-	-	750,916	-	750,916
46,427	-	-	101,762	446,422	15,783	462,205
-	-	-	1,229	1,229	-	1,229
545,226	-	-	30,362	978,345	3,085,764	4,064,109
17,472	-	-	-	53,188	43,982	97,170
-	-	-	-	-	792	792
120	-	-	-	104,135	-	104,135
-	-	-	-	14,737	-	14,737
840,790	-	-	-	840,790	-	840,790
11,462	-	-	55,802	233,002	-	233,002
-	-	-	44,915	44,915	-	44,915
-	-	-	-	-	18,804	18,804
-	-	-	-	4,950	-	4,950
7,319	-	-	-	596,335	-	596,335
4,643	-	-	13,019	78,306	1,295	79,601
412,648	-	-	-	1,065,025	860,239	1,925,264
-	3,770,684	-	2,119,460	6,156,615	225,570	6,382,185
562,842	-	-	11,848	586,661	48,490	635,151
-	-	539,525	-	539,525	-	539,525
-	-	13,880,024	-	13,880,024	-	13,880,024
$ 27,584,456	**$ 3,770,684**	**$ 14,419,549**	**$ 3,105,886**	**$ 54,154,050**	**$ 5,187,174**	**$ 59,341,224**
$ 35,844	$ -	$ -	$ 126,830	$ 1,424,380	$ 76,379	$ 1,500,759
20,160	-	-	11,028	233,465	-	233,465
-	-	-	-	-	44,915	44,915
-	-	-	-	18,804	-	18,804
-	-	-	-	4,950	-	4,950
-	-	-	-	53,003	-	53,003
23,511	-	-	44,719	792,718	5,866	798,584
-	-	-	-	-	117,018	117,018
-	-	-	6,251	6,251	-	6,251
1,666,080	-	-	-	1,666,080	-	1,666,080
728,513	-	-	6,586	735,099	-	735,099
-	-	7,221,893	-	7,221,893	-	7,221,893
-	-	3,069,525	-	3,069,525	-	3,069,525
-	-	610,065	-	610,065	-	610,065
556,046	-	-	306,069	1,090,827	3,613,065	4,703,892
-	-	49,406	-	49,406	-	49,406
-	-	15,079	-	15,079	-	15,079
-	-	294,091	76,309	375,205	-	375,205
-	-	2,875,890	-	2,875,890	-	2,875,890
-	-	283,600	-	283,600	-	283,600
-	-	-	-	-	24,992	24,992
-	-	-	-	-	371,499	371,499
-	-	-	-	44,768	-	44,768
-	-	-	-	6,389	-	6,389
-	-	-	-	486,568	-	486,568
3,030,154	-	14,419,549	577,792	21,063,965	4,253,734	25,317,699
-	3,770,684	-	1,939,016	5,709,700	-	5,709,700
-	-	-	-	105,604	250,122	355,726
-	-	-	-	49,041	533,956	582,997
-	-	-	-	198,438	149,362	347,800
23,349,697	-	-	380,007	25,892,811	-	25,892,811
1,204,605	-	-	209,071	1,134,491	-	1,134,491
24,554,302	3,770,684	-	2,528,094	33,090,085	933,440	34,023,525
$ 27,584,456	**$ 3,770,684**	**$ 14,419,549**	**$ 3,105,886**	**$ 54,154,050**	**$ 5,187,174**	**$ 59,341,224**

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
All Governmental Fund Types and Expendable Trust Funds

For The Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Taxes	$ 8,282,510	$ 562,223	$ -	$ -
Licenses, Permits and Fees	127,530	328,001	-	-
Tobacco Settlement	-	149,960	-	-
Intergovernmental	2,284,739	103,388	-	372,301
Charges for Services	41,772	35,157	-	-
Fines, Forfeits and Rents	39,996	22,358	-	-
Casino Gaming Payments	318,986	-	-	-
Restricted Federal and Other Grants/Accounts	720,925	97,145	-	-
Health Insurance Contributions	-	-	-	-
Investment Earnings and Interest on U.S. Deposits	53,450	18,430	33,367	-
Assessments	-	-	-	-
Miscellaneous	128,011	89,472	-	11,928
Total Revenues	11,997,919	1,406,134	33,367	384,229
Expenditures:				
Current:				
Legislative	68,590	-	-	-
General Government	812,515	178,234	-	-
Regulation and Protection	255,354	268,392	-	-
Conservation and Development	98,624	256,783	-	-
Health and Hospitals	1,146,347	5,962	-	-
Transportation	1,607	398,895	-	-
Human Services	3,769,993	10,203	-	-
Education, Libraries and Museums	2,064,733	379,792	-	-
Health Insurance Payments	-	-	-	-
Corrections	1,153,099	3,817	-	-
Judicial	399,144	8,531	-	-
Restricted Federal and Other Grants/Accounts	713,174	99,926	-	-
Capital Projects	-	-	-	745,784
Debt Service:				
Principal Retirement	547,561	25,445	169,578	-
Interest and Fiscal Charges	364,027	8,603	168,118	-
Advance Refunding Escrow	125,758	81,923	-	-
Total Expenditures	11,520,526	1,726,506	337,696	745,784
Excess (Deficiency) of Revenues Over Expenditures	477,393	(320,372)	(304,329)	(361,555)
Other Financing Sources (Uses):				
Proceeds from Sale of Bonds and Notes	-	637,025	-	358,655
Operating Transfers In	338,360	241,145	351,259	-
Operating Transfers Out	(892,067)	(458,943)	(46,802)	(112,066)
Capital Lease Obligations	3,433	2,231	-	-
Total Other Financing Sources (Uses)	(550,274)	421,458	304,457	246,589
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	(72,881)	101,086	128	(114,966)
Fund Balances (deficit) - July 1	619,455	901,620	524,656	(15,902)
Equity Transfer In-Return of Contributed Capital	4,950	-	-	-
Equity Transfer to Component Units	-	(67,618)	-	-
Changes in Reserves for Inventories	3,391	3	-	-
Fund Balances (deficit) - June 30	**$ 554,915**	**$ 935,091**	**$ 524,784**	**$ (130,868)**

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

Fiduciary Fund Type Expendable Trust	Total (Memorandum only)
$ 361,564	$ 9,206,297
-	455,531
-	149,960
8,467	2,768,895
-	76,929
-	62,354
-	318,986
-	818,070
40,358	40,358
71,999	177,246
230,364	230,364
3,697	233,108
716,449	14,538,098
-	68,590
7,801	998,550
433,877	957,623
-	355,407
-	1,152,309
-	400,502
-	3,780,196
-	2,444,525
37,859	37,859
-	1,156,916
-	407,675
-	813,100
-	745,784
205,870	948,454
33,668	574,416
-	207,681
719,075	15,049,587
(2,626)	(511,489)
20,000	1,015,680
107,000	1,037,764
(91,976)	(1,601,854)
-	5,664
35,024	457,254
32,398	(54,235)
1,098,856	3,128,685
-	4,950
-	(67,618)
-	3,394
$ 1,131,254	**$ 3,015,176**

Combined Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Non-GAAP Budgetary Basis
General Fund and Budgeted Special Revenue Funds

For the Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	General Fund		
	Budget	Actual	Variance
Revenues:			
Budgeted			
Taxes, Net of Refunds	$ 8,292,100	$ 8,272,948	$ (19,152)
Operating Transfers In	337,800	337,785	(15)
Casino Gaming Payments	319,000	318,986	(14)
Licenses, Permits, and Fees	122,800	127,544	4,744
Other	262,400	257,469	(4,931)
Federal Grants	2,078,800	2,078,914	114
Operating Transfers Out	(180,000)	(180,000)	-
Total Budgeted	**11,232,900**	**11,213,646**	**(19,254)**
Federal and Other Restricted	1,530,667	937,641	(593,026)
Total Revenues	**12,763,567**	**12,151,287**	**(612,280)**
Expenditures:			
Budgeted			
Legislative	62,597	54,541	8,056
General Government	713,432	564,092	149,340
Regulation and Protection	231,829	207,001	24,828
Conservation and Development	95,322	78,155	17,167
Health and Hospitals	1,034,336	1,005,233	29,103
Transportation	2,219	2,218	1
Human Services	3,478,427	3,430,561	47,866
Education, Libraries, and Museums	2,750,332	2,637,518	112,814
Corrections	986,957	957,555	29,402
Judicial	313,967	309,319	4,648
Non Functional	2,018,886	1,954,711	64,175
Total Budgeted	**11,688,304**	**11,200,904**	**487,400**
Federal and Other Restricted	1,530,667	937,641	593,026
Total Expenditures	**13,218,971**	**12,138,545**	**1,080,426**
Appropriations Lapsed	108,969	-	(108,969)
Excess (Deficiency) of Revenues Over Expenditures	**(346,435)**	**12,742**	**359,177**
Other Financing Sources (Uses):			
Prior Year Appropriations Carried Forward	668,195	668,195	-
Appropriations Continued to Fiscal Year 2000-2001	-	(378,431)	(378,431)
Miscellaneous Adjustments	-	(2,071)	(2,071)
Total Other Financing Sources (Uses)	**668,195**	**287,693**	**(380,502)**
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	**$ 321,760**	300,435	**$ (21,325)**
Budgetary Fund Balances (deficit) - July 1		1,383,612	
Changes in Reserves		(416,485)	
Budgetary Fund Balances - June 30		**$ 1,267,562**	

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

Budgeted Special Revenue Funds			(Total Memorandum Only)		
Budget	Actual	Variance	Budget	Actual	Variance
$ 548,000	$ 547,028	$ (972)	$ 8,840,100	$ 8,819,976	$ (20,124)
196,800	196,770	(30)	534,600	534,555	(45)
-	-	-	319,000	318,986	(14)
314,100	319,433	5,333	436,900	446,977	10,077
105,845	105,126	(719)	368,245	362,595	(5,650)
3,000	2,974	(26)	2,081,800	2,081,888	88
(2,000)	(2,000)	-	(182,000)	(182,000)	-
1,165,745	**1,169,331**	**3,586**	**12,398,645**	**12,382,977**	**(15,668)**
368,981	182,036	(186,945)	1,899,648	1,119,677	(779,971)
1,534,726	**1,351,367**	**(183,359)**	**14,298,293**	**13,502,654**	**(795,639)**
-	-	-	62,597	54,541	8,056
2,333	2,284	49	715,765	566,376	149,389
142,582	116,983	25,599	374,411	323,984	50,427
677	638	39	95,999	78,793	17,206
-	-	-	1,034,336	1,005,233	29,103
395,956	330,500	65,456	398,175	332,718	65,457
3,105	2,883	222	3,481,532	3,433,444	48,088
-	-	-	2,750,332	2,637,518	112,814
-	-	-	986,957	957,555	29,402
-	-	-	313,967	309,319	4,648
606,103	571,801	34,302	2,624,989	2,526,512	98,477
1,150,756	**1,025,089**	**125,667**	**12,839,060**	**12,225,993**	**613,067**
368,981	182,036	186,945	1,899,648	1,119,677	779,971
1,519,737	**1,207,125**	**312,612**	**14,738,708**	**13,345,670**	**1,393,038**
43,909	-	(43,909)	152,878	-	(152,878)
58,898	**144,242**	**85,344**	**(287,537)**	**156,984**	**444,521**
57,172	57,172	-	725,367	725,367	-
-	(72,700)	(72,700)	-	(451,131)	(451,131)
-	(1,806)	(1,806)	-	(3,877)	(3,877)
57,172	**(17,334)**	**(74,506)**	**725,367**	**270,359**	**(455,008)**
$ 116,070	126,908	**$ 10,838**	**$ 437,830**	427,343	**$ (10,487)**
	402,700			1,786,312	
	(85,072)			(501,557)	
	$ 444,536			**$ 1,712,098**	

Combined Statement of Revenues, Expenses, and Changes in Retained Earnings/Fund Balances All Proprietary Fund Types, Nonexpendable Trust Funds, and Discretely Presented Component Units

For The Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	Proprietary Fund Types		Fiduciary Fund Type	Total Primary Government
	Enterprise	Internal Service	Nonexpendable Trust	(Memorandum only)
Operating Revenues:				
Charges for Services	$ 43,502	$ 106,657	$ -	$ 150,159
Interest on Financing Activities	2,402	-	10,181	12,583
Investment Earnings	-	199	32,699	32,898
Patient Service Revenue	114,841	-	-	114,841
Intergovernmental	-	-	12,270	12,270
Civic Center Lease Operations	-	-	-	-
Lottery Sales	837,509	-	-	837,509
Miscellaneous	5,485	287	417	6,189
Total Operating Revenues	1,003,739	107,143	55,567	1,166,449
Operating Expenses:				
Cost of Sales and Services	570,818	43,144	-	613,962
Administrative	72,386	44,768	1,133	118,287
Depreciation and Amortization	16,040	19,714	-	35,754
Interest on Financing Activities	5,704	-	29,607	35,311
Patient Care	86,341	-	-	86,341
Other Program Expenses	5,381	-	836	6,217
Civic Center Lease Oper. (includes depreciation expense of $1,677)	-	-	-	-
Solid Waste Operations	-	-	-	-
Total Operating Expenses	756,670	107,626	31,576	895,872
Operating Income (Loss)	247,069	(483)	23,991	270,577
Nonoperating Revenues (Expenses):				
Interest and Investment Income	50,048	-	-	50,048
Interest and Fiscal Charges	(46,799)	-	-	(46,799)
Other	11,351	-	-	11,351
Total Nonoperating Income (Expense)	14,600	-	-	14,600
Income (Loss) Before Operating Transfers	261,669	(483)	23,991	285,177
Operating Transfers:				
Operating Transfers In	10,830	-	8,652	19,482
Operating Transfers Out	(253,598)	-	(3,629)	(257,227)
Net Income (Loss)	18,901	(483)	29,014	47,432
Add Items Affecting Contributed Capital:				
Depreciation on Equipment Acquired through Capital Grants	-	-	-	-
Total Add Back Items	-	-	-	-
Retained Earnings/Fund Balances-July 1(as restated)	187,726	42,121	478,456	708,303
Equity Transfer From Primary Government	-	-	-	-
Equity Transfer Out	(786)	-	-	(786)
Retained Earnings/Fund Balances - June 30	**$ 205,841**	**$ 41,638**	**$ 507,470**	**$ 754,949**

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

Proprietary Fund Type Component Units	Total Reporting Entity (Memorandum only)
$ 160,097	$ 310,256
217,727	230,310
-	32,898
-	114,841
-	12,270
15,555	15,555
-	837,509
25,020	31,209
418,399	1,584,848
-	613,962
41,492	159,779
21,676	57,430
199,528	234,839
-	86,341
22,394	28,611
18,247	18,247
113,516	113,516
416,853	1,312,725
1,546	272,123
93,984	144,032
(16,872)	(63,671)
(399)	10,952
76,713	91,313
78,259	363,436
-	19,482
-	(257,227)
78,259	125,691
122	122
122	122
539,405	1,247,708
65,532	65,532
-	(786)
$ 683,318	**$ 1,438,267**

Combined Statement of Cash Flows
All Proprietary Fund Types, Nonexpendable Trust Funds, and
Discretely Presented Component Units

For The Fiscal Year Ended June 30, 2000

(Expressed in Thousands)

	Proprietary Fund Types		Fiduciary Fund Type	Total
	Enterprise	Internal Service	Nonexpendable Trust	Primary Government (Memorandum only)
Cash Flows From Operating Activities:				
Operating Income (Loss)	$ 247,069	$ (483)	$ 23,991	$ 270,577
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:				
Amortization and Depreciation	16,040	19,714	-	35,754
Provision for Loan Losses	4,698	-	-	4,698
Investment Income	-	(199)	(32,699)	(32,898)
Interest Expense	5,704	-	29,607	35,311
Changes in Assets and Liabilities:				
(Increase) Decrease in Receivables	(379)	123	(2,820)	(3,076)
(Increase) Decrease in Due From Other Funds	(1,382)	8	-	(1,374)
(Increase) Decrease in Receivable From Other Governments	(422)	-	-	(422)
(Increase) Decrease in Inventories and Prepaid Expenses	(110)	(653)	-	(763)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	12,392	22,616	721	35,729
Increase (Decrease) in Due To Other Funds	693	(13,295)	-	(12,602)
Issuance of Loans, Notes & Installment Contracts Receivable	-	-	(55,810)	(55,810)
Collection of Loans, Notes & Installment Contracts Receivable	2,263	-	-	2,263
Miscellaneous Operating Activities	(2,131)	(2,946)	579	(4,498)
Net Cash Provided by (Used in) Operating Activities	284,435	24,885	(36,431)	272,889
Cash Flows From Noncapital Financing Activities:				
Contributed Capital	-	-	-	-
Proceeds From Sale of Bonds and Notes	-	-	-	-
Retirement of Bonds and Notes Payable	(36,585)	-	(22,630)	(59,215)
Interest on Bonds and Notes Payable	(46,332)	-	(28,262)	(74,594)
Transfers From Other Funds	10,830	-	8,652	19,482
Transfers To Other Funds	(253,598)	-	(3,629)	(257,227)
Bond Issuance and/or Redemption Costs	-	-	-	-
Miscellaneous Noncapital Financing Activities-Deletions	-	-	-	-
Net Cash Provided by (Used in) Noncapital Financing Activities	(325,685)	-	(45,869)	(371,554)
Cash Flows From Capital And Related Financing Activities:				
Purchase of Fixed Assets	(27,207)	(25,925)	-	(53,132)
Proceeds From Sale of Bonds and Notes	53,800	-	-	53,800
Retirement of Bonds and Notes Payable	(3,600)	-	-	(3,600)
Interest on Bonds and Notes Payable	(6,161)	-	-	(6,161)
Capital Contributions or Grants	1,333	-	-	1,333
Miscellaneous Capital and Related Financing Activities-Additions	-	-	-	-
Miscellaneous Capital and Related Financing Activities-Deletions	(785)	-	-	(785)
Net Cash Provided by (Used in) Capital and Related Financing Activities	17,380	(25,925)	-	(8,545)
Cash Flows From Investing Activities:				
Proceeds From Sales of Investment Securities	81,952	-	55,473	137,425
Purchase of Investment Securities	(18,847)	-	(2,978)	(21,825)
Interest and Income on Investments	10,520	199	31,604	42,323
Miscellaneous Capital and Related Investing Activities-net	-	-	-	-
Net Cash Provided by (Used in) Investing Activities	73,625	199	84,099	157,923
Increase (Decrease) in Cash	49,755	(841)	1,799	50,713
Cash and Cash Equivalents - July 1 (as restated)	123,291	19,968	6,970	150,229
Cash and Cash Equivalents - June 30	**$ 173,046**	**$ 19,127**	**$ 8,769**	**$ 200,942**
Reconciliation of Cash and Cash Equivalents to Balance Sheet:				
Cash and Cash Equivalents - June 30 (Balance Sheet)	$ 60,574		$ 358,764	
Plus-Cash and Cash Equivalents in Restricted Assets	112,472		-	
Less-Cash and Cash Equivalents in Other Fiduciary Fund Types	-		349,995	
Cash and Cash Equivalents - June 30	**$ 173,046**		**$ 8,769**	

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

Proprietary Fund Type Component Units	Total Reporting Entity (Memorandum only)
$ 1,546	$ 272,123
23,353	59,107
18,892	23,590
-	(32,898)
200,652	235,963
1,231	(1,845)
(3,246)	(4,620)
-	(422)
(736)	(1,499)
31,874	67,603
-	(12,602)
(419,245)	(475,055)
458,020	460,283
6,356	1,858
318,697	591,586
7,213	7,213
257,860	257,860
(378,960)	(438,175)
(201,566)	(276,160)
-	19,482
-	(257,227)
(2,856)	(2,856)
(2,882)	(2,882)
(321,191)	(692,745)
(4,975)	(58,107)
371,621	425,421
(23,817)	(27,417)
(16,667)	(22,828)
-	1,333
5,553	5,553
(512,292)	(513,077)
(180,577)	(189,122)
589,767	727,192
(360,617)	(382,442)
85,834	128,157
(16,096)	(16,096)
298,888	456,811
115,817	166,530
337,831	488,060
$ 453,648	**$ 654,590**
$ 351,952	
101,696	
-	
$ 453,648	

Statement of Plan Net Assets
Pension Trust Funds (Defined Benefit Pension Plans)

June 30, 2000

(Expressed in Thousands)

	State Employees	State Teachers	Judicial
Assets:			
Cash and Cash Equivalents	$ -	$ -	$ -
Receivables:			
Accounts, Net of Allowances	1,963	8,431	16
Interest	449	1,381	17
Total Receivables	2,412	9,812	33
Investments:			
Equity in Combined Investment Fund	8,284,938	11,940,223	141,210
Total Investments	8,284,938	11,940,223	141,210
Securities Lending Collateral	637,252	902,521	9,840
Due From Other Funds	4,754	-	-
Receivable From Other Governments	-	5,191	-
Total Assets	**$ 8,929,356**	**$ 12,857,747**	**$ 151,083**
Liabilities and Equity:			
Liabilities:			
Accounts Payable and Accrued Liabilities	$ 18	$ -	$ -
Due To Other Funds	439	5,871	-
Securities Lending Obligation	637,252	902,521	9,840
Total Liabilities	637,709	908,392	9,840
Fund Balance:			
Reserved for Employees' Pension Benefits	8,291,647	11,949,355	141,243
Total Fund Balance	8,291,647	11,949,355	141,243
Total Liabilities and Fund Balances	**$ 8,929,356**	**$ 12,857,747**	**$ 151,083**

Connecticut Municipal Employees	Probate Judges	State's Attorneys'/ Public Defender	Total
$ 502	$ 8	$ 65	$ 575
3,128	5	-	13,543
148	11	1	2,007
3,276	16	1	15,550
1,373,222	70,761	902	21,811,256
1,373,222	70,761	902	21,811,256
101,565	5,808	39	1,657,025
-	-	-	4,754
-	-	-	5,191
$ 1,478,565	**$ 76,593**	**$ 1,007**	**$ 23,494,351**
$ -	$ -	$ -	$ 18
-	-	-	6,310
101,565	5,808	39	1,657,025
101,565	5,808	39	1,663,353
1,377,000	70,785	968	21,830,998
1,377,000	70,785	968	21,830,998
$ 1,478,565	**$ 76,593**	**$ 1,007**	**$ 23,494,351**

Statement of Changes in Net Assets
Pension Trust Funds and Investment Trust Fund

For the Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	Pension Trust		
	State Employees	State Teachers	Judicial
Additions:			
Contributions:			
Plan Participants	$ 43,783	$ 154,326	$ 1,127
State	342,760	204,445	9,324
Municipalities	-	7,921	-
Total Contributions	386,543	366,692	10,451
Investment Income	1,025,923	1,469,363	19,122
Less: Investment Expenses	(50,955)	(72,952)	(949)
Net Investment Income	974,968	1,396,411	18,173
Pool's Share Transactions	-	-	-
Operating Transfers In	-	-	-
Miscellaneous	-	-	13
Total Additions	1,361,511	1,763,103	28,637
Deductions:			
Administrative	295	-	-
Benefit Payments and Refunds	596,303	630,886	11,836
Distributions to Pool Participants	-	-	-
Other Program Expenses	3,263	-	-
Total Deductions	599,861	630,886	11,836
Net Increase (Decrease) in Net Assets	761,650	1,132,217	16,801
Net assets held in trust for pension benefits and pool participants:			
July 1, 1999	7,529,997	10,817,138	124,442
June 30, 2000	**$ 8,291,647**	**$ 11,949,355**	**$ 141,243**

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

Connecticut Municipal Employees	Pension Trust Probate Judges	State's Attorneys'/ Public Defender	External Investment Pool	Total
$ 12,835	$ 218	$ 35	$ -	$ 212,324
-	-	-	-	556,529
32,004	-	-	-	39,925
44,839	218	35	-	808,778
170,975	7,979	79	85,182	2,778,623
(8,492)	(396)	(4)	(575)	(134,323)
162,483	7,583	75	84,607	2,644,300
-	-	-	(8,570)	(8,570)
-	979	-	-	979
-	18	-	-	31
207,322	8,798	110	76,037	3,445,518
6	13	-	-	314
49,974	2,016	95	-	1,291,110
-	-	-	84,607	84,607
-	990	-	-	4,253
49,980	3,019	95	84,607	1,380,284
157,342	5,779	15	(8,570)	2,065,234
1,219,658	65,006	953	1,093,150	20,850,344
$ 1,377,000	**$ 70,785**	**$ 968**	**$ 1,084,580**	**$ 22,915,578**

Combined Statement of Changes in Fund Balances
Higher Education Funds

For The Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	Current Funds Unrestricted	Current Funds Restricted	Endowment and Similar Funds
Revenues and Other Additions:			
Current Funds Revenues and Additions	$ 649,333	$ 172,061	$ -
Private Gifts and Grants	-	-	33
Investment Earnings	-	-	438
Interest on Loans Receivable	-	-	-
Expended for Plant Facilities	-	-	-
Retirement of Indebtedness	-	-	-
Sale of Bonds	-	-	-
Foundation Revenues	-	-	-
Miscellaneous	-	-	195
Total Revenues and Other Additions	649,333	172,061	666
Expenditures and Other Deductions:			
Education and General	1,077,073	162,311	-
Auxiliary Enterprises	117,521	51	-
Patient Care	115,576	135	-
Indirect Costs Recovered	-	18,362	-
Loan Cancellations and Write-offs	-	-	-
Interest on Indebtedness	-	-	-
Capital Expenditures	-	-	-
Disposal of Plant Facilities	-	-	-
Depreciation	-	-	-
Administrative Costs	-	-	-
Retirement of Indebtedness	-	-	-
Foundation Expenditures	-	-	-
Other	4,186	269	362
Total Expenditures and Other Deductions	1,314,356	181,128	362
Transfers Among Funds - Additions (Deductions)			
Manadatory:			
Retirement of Indebtedness	(9,061)	-	-
Nonmandatory:			
Transfer From Foundation	-	10,445	-
Transfer To Foundation	(4,110)	-	-
Other	(12,327)	990	139
Total Transfers Among Funds	(25,498)	11,435	139
Operating Transfers from the State's Governmental Funds	697,742	-	-
Net Increase (Decrease) in Fund Balances	7,221	2,368	443
Fund Balances (deficit) - July 1	74,912	32,980	8,687
Fund Balances (deficit) - June 30	**$ 82,133**	**$ 35,348**	**$ 9,130**

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

Loan Funds	Plant Funds	Affiliated Organization	Total
$ -	$ -	$ -	$ 821,394
100	-	-	133
290	6,080	-	6,808
448	-	-	448
-	199,424	-	199,424
-	8,635	-	8,635
-	130,000	-	130,000
-	-	70,786	70,786
146	16,257	-	16,598
984	360,396	70,786	1,254,226
-	-	-	1,239,384
-	-	-	117,572
-	-	-	115,711
-	-	-	18,362
60	-	-	60
-	9,748	-	9,748
-	232,134	-	232,134
-	11,103	-	11,103
-	41,805	-	41,805
235	159	-	394
-	8,635	-	8,635
-	-	16,518	16,518
-	633	-	5,450
295	304,217	16,518	1,816,876
-	9,061	-	-
-	-	(10,445)	-
-	-	4,110	-
595	10,603	-	-
595	19,664	(6,335)	-
-	103,114	-	800,856
1,284	178,957	47,933	238,206
33,014	1,938,836	201,459	2,289,888
$ 34,298	**$ 2,117,793**	**$ 249,392**	**$ 2,528,094**

Combined Statement of Revenues, Expenditures, and Other Changes
Higher Education Funds

For The Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	Current Funds		
	Unrestricted	Restricted	Total
Revenues and Transfers from Foundation:			
Student Tuition and Fees	$ 295,385	$ -	$ 295,385
Federal Grants and Contracts	32,315	105,235	137,550
State Grants and Contracts	10,166	27,499	37,665
Private Gifts and Grants	12,124	16,701	28,825
Patient Service	105,711	-	105,711
Sales and Services	169,679	-	169,679
Investment Earnings	13,651	1,494	15,145
Miscellaneous	10,302	1,084	11,386
Total Revenues	649,333	152,013	801,346
Transfer from Foundation	-	10,445	10,445
Total Revenues and Transfer from Foundation	649,333	162,458	811,791
Expenditures and Mandatory Transfers:			
Education and General:			
Instruction	$ 457,794	$ 10,569	$ 468,363
Research	27,001	79,126	106,127
Public Service	33,633	10,045	43,678
Academic Support	127,434	6,997	134,431
Student Services	99,723	2,581	102,304
Institutional Support	175,130	1,296	176,426
Scholarship and Fellowships	59,380	51,692	111,072
Plant Operations and Maintenance	96,978	5	96,983
Total Educational and General Expenditures	1,077,073	162,311	1,239,384
Patient Care	115,576	135	115,711
Auxiliary Enterprises	117,521	51	117,572
Other Self-Supporting Enterprises	4,186	-	4,186
Mandatory Transfers:			
Retirement of Indebtedness	9,061	-	9,061
Total Expenditures and Mandatory Transfers	1,323,417	162,497	1,485,914
Other Transfers - Additions (Deductions):			
Operating Transfers from the State's Governmental Funds	697,742	-	697,742
Transfer to Foundation	(4,110)	-	(4,110)
Other Non-mandatory Transfers	(12,327)	990	(11,337)
Excess of Restricted Receipts over Transfers to Revenues	-	1,686	1,686
Refunded to Grantors	-	(269)	(269)
Total Other Transfers and Additions (Deductions)	681,305	2,407	683,712
Net Increase (Decrease) in Fund Balances	**$ 7,221**	**$ 2,368**	**$ 9,589**

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

Statement of Cash Flows
Affiliated Organization

For The Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

Cash Flows From Operating Activities:	
Change in Fund Balance	$ 47,933
Adjustments to Reconcile Change in Fund Balance to Net Cash Used in Operating Activities:	
Receipts to Establish or Increae Permanent Endowments	(13,761)
Net Realized and Unrealized Gains on Investments	(22,549)
Gifts of Marketable Securities	(2,890)
Funds Held in Trust by Others	(1,720)
Loss on Sale of Donated Property and Collections	656
Depreciation and Other	264
Increase in Cash Surrender Value of Life Insurance	(2)
Changes in Assets and Liabilities:	
(Increase) in Pledges and Contributions Receivable, Net	(7,435)
(Increase)/Decrease in Other Assets	(1,020)
Increase in Accounts Payable and Accrued Expenses	(2,238)
Increase in Trusts and Annuities Payable	329
Total Adjustments	(50,366)
Net Cash Used in Operating Activities	(2,433)
Cash Flows From Investing Activities:	
Purchases of Investments	(146,068)
Sales of Investments	131,277
Purchases of Property and Equipment	(2,509)
Net Cash Used in Investing Activities	(17,300)
Cash Flows From Financing Activities:	
Receipts to Establish or Increase Permanent Endowments	13,761
Proceeds from Issuance of Long Term Debt	8,000
Increase in Deferred Bond Issuance Costs	(240)
Net Cash Used in Financing Activities	21,521
Net Decrease in Cash and Cash Equivalents	1,788
Cash and Cash Equivalents - July 1	13
Cash and Cash Equivalents - June 1	$ 1,801

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

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Notes To Financial Statements
June 30, 2000

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 (GASB), except for the financial statements of the University of Connecticut Foundation, Incorporated (an affiliated organization). Those statements are prepared according to generally accepted accounting principles as prescribed in pronouncements of the Financial Accounting Standards Board.

b. Financial Reporting Entity

As required by generally accepted accounting principles, the accompanying financial statements include (1) all funds, agencies, boards, commissions, and account groups that comprise the State's legal entity, (2) legally separate organizations for which the State is financially accountable (component units), and (3) a legally separate organization for which the nature and significance of its relationship with the State is such that exclusions would cause the State's financial statements to be misleading (affiliated organization). 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.

Component Units

Component units are reported in the combined financial statements either in a separate column (discrete presentation) or in combination with similar funds of the State (blending presentation).

Discretely Presented Component Units

This column includes 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 significant funding for the organization's programs (applies only to the Connecticut Innovations, Incorporated and the Capital City Economic Development Authority). The financial data of the following organizations is included in this column.

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, 1999.

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 subdivision 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.

Condensed financial information for the major component units is disclosed in Note 20. Complete financial statements of the individual component units can be obtained from their respective administrative offices.

Blended Component Unit

The Connecticut Lottery Corporation was created in July 1996 as a public instrumentality and political subdivision of the State. The purposes of the Corporation are to manage the State's lottery in an entrepreneurial and business-like manner and to provide continuing and increased revenue to the people of the State through the lottery. The State appoints a voting majority of the Corporation's governing board, and the Corporation provides revenue to the State. In the combined financial statements, the Corporation is included in the Enterprise funds group (Primary Government).

Affiliated Organization

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.

The Foundation is not financially accountable to the University. However, the Foundation is included as a component unit because the nature and significance of its relationship to the University are such that exclusion would cause the University's financial statements to be misleading. The Foundation is reported in a separate column in the higher education funds group (Primary Government).

c. Fund Accounting

The financial activities of the State are accounted for in individual funds and account groups.

A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. In the financial statements, individual funds are classified in four fund categories and component units. The four fund categories are governmental funds, proprietary funds, fiduciary funds, and higher education funds.

Account groups are accounting entities used to account for the State's general fixed assets and long-term debt. These account groups are not funds because they do not reflect available financial resources and related liabilities. In the financial statements, the account groups are the general fixed asset account group and the general long-term debt account group.

Because the State of Connecticut has a significant number of legal funds, a functional basis combining presentation was chosen to facilitate the preparation and readability of the Comprehensive Annual Financial Report (CAFR). More detailed information on the legal funds can be found in the Annual Report of the Comptroller – a "modified cash" basis document also produced by the Office of the Comptroller.

Following is a description of the fund categories, account groups, and component units used in the accompanying financial statements.

Governmental Funds

1. General Fund – The General Fund is the general operating fund of the State. 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, correction, etc.).

2. Special Revenue Funds – These funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, major capital projects, and higher education sources) that are legally restricted to expenditures for specified purposes. For example, motor fuel taxes levied to fund Department of Transportation costs.

3. Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of, principal and interest on general long-term bonds and notes.

4. Capital Projects Funds – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and infrastructure projects (other than those financed by proprietary funds and higher education funds).

Proprietary Funds

1. Enterprise Funds – These funds are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

2. Internal Service Funds – These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the State, or to other governments, on a cost-reimbursement basis.

Fiduciary Funds

Trust and Agency Funds – These funds are used to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and other funds. These funds include expendable trust funds, nonexpendable trust funds, pension trust funds, an investment trust fund, and agency funds.

Account Groups

1. General Fixed Asset Account Group – This account group includes all the fixed assets (excluding infrastructure) that are not accounted for in the proprietary and higher education funds.

2. General Long-Term Debt Account Group – This account group includes all long-term obligations that are to be financed from governmental funds. These long-term obligations include the following:

- Unmatured principal on general obligation and transportation related bonds and notes.

- Other non-current liabilities for capital leases, compensated absences, unfunded pension costs, workers' compensation claims, and claims and judgements.

Higher Education Funds

The financial activities of the State's higher education institutions (University of Connecticut, State universities, and community-technical colleges) and an affiliated organization are accounted for in these funds, which are reported, in a separate column in the combined financial statements (Primary Government). The following fund categories and affiliated organization are included:

1. Current Funds – These funds are used to account for resources that will be expended in the near future for operating purposes. Included in the current fund category are unrestricted funds that the governing boards retain full control of, in achieving the institutions' purposes and restricted funds that may be utilized only in accordance with external restrictions.

2. Endowment Funds – These funds account for gifts that are restricted as to principal by the donor.

3. Loan Funds – These funds are used to account for loans to students and for resources available for such purposes.

4. Plant Funds – These funds account for resources that have been or will be used for institutional property acquisition, renewal, and replacement, and resources accumulated for the retirement of debt associated with institutional properties.

5. Agency Funds – These funds are funds held by an institution as custodian or fiscal agent for others such as student organizations, individual students, or faculty members.

6. Affiliated Organization – This column accounts for the financial activities of the University of Connecticut Foundation, Inc., a component unit of the University of Connecticut.

Component Units

The component units include proprietary type organizations that are legally separate from the State but that are considered part of the reporting entity.

d. Basis of Accounting

The accounting and financial reporting treatments applied to a fund is determined by its measurement focus and basis of accounting, which are described as follows:

Governmental Funds and Expendable Trust Funds

These funds are accounted for using a current financial resources measurement focus and a modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets and liabilities are normally included on the balance sheet. Fund balance represents a measure of "available spendable resources." Under the modified accrual basis of accounting, revenues are recorded when they are susceptible to accrual (i.e. both measurable and available). The word "available" means that the revenue is collectible within the current period or soon enough thereafter to pay period liabilities. Expenditures are recorded when the related fund liability is incurred except for principal and interest on general long-term debt which are recorded as expenditures when due.

Major revenue sources that are treated as susceptible to accrual include sales and use taxes, personal income taxes, public service corporation taxes, and special fuel taxes. Revenues from restricted grants (federal or other) are recorded when the related expenditure has been incurred. Medicaid revenue is recorded when the related receivable is recorded.

Proprietary Funds, Nonexpendable Trust Funds, Pension Trust Funds, Investment Trust Fund, Component Units, and Affiliated Organization

These funds are accounted for using a flow of economic resources measurement focus and an accrual basis of accounting. Under the flow of economic resources measurement focus, all assets and liabilities are included on the balance sheet. Fund equity (proprietary funds and component units) is segregated into contributed capital and retained earnings components. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when incurred.

According to GASB Statement No. 20, these funds (except for the affiliated organization) must comply with all applicable GASB pronouncements and all applicable pronouncements issued by the Financial Accounting Standards Board (FASB) and its predecessors as follows (provided those pronouncements do not conflict with or contradict GASB pronouncements):

Fund Type	FASB Statements Issued on or Prior to 11/30/89	FASB Statements Issued to Date
Proprietary Funds:		
John Dempsey Hospital		X
Others	X	
Nonexpendable Trust Funds	X	
Pension Trust Funds	X	
Investment Trust Funds	X	
Component Units:		
CT Development Authority		X
CT Housing Finance Authority	X	
CT Resources Recovery Authority	X	
CT Higher Education Supplemental Loan Authority	X	
CT Health & Educational Facilities Authority		X
CT Innovations, Inc.	X	
Capital City, EDA	X	

Agency Funds

These funds are accounted for using a modified accrual basis of accounting. Agency funds are custodial in nature (assets equal liabilities) and do not measure nor report results of operations.

Higher Education Funds

These funds (excluding the affiliated organization) are accounted for using a current financial resources measurement focus and an accrual basis of accounting with the following exceptions:

- All assets and liabilities are included on the balance sheet.

- Depreciation expense related to plant fund fixed assets is not recorded, except for fixed assets reported by the University of Connecticut.

- Revenues and expenditures of an academic term covering more than one fiscal year are reported in the fiscal year in which the program is predominately conducted.

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 carry forwards 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. Carried-forward 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 and Federal and other restricted grant revenues of the General and Trans-portation funds 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 all governmental funds for which a budget is legally adopted.

f. Budgetary vs. GAAP Basis of Accounting

The major differences between the budgetary (legal) and the GAAP (generally accepted accounting principles) basis of accounting 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) (see Note 1d).

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) (see Note 1d).

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.

4. Certain special revenue funds are not subject to legal budgets.

Because of the above differences, a reconciliation between the budgetary and GAAP basis is presented in Note 2.

g. 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.

Investments (see Note 4)
Equity in Combined Investment Funds is reported at fair value based on the funds' current share price.

The external investment pool is reported at amortized cost.

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.

Fair value is determined based on quoted market prices except for:

- The fair value of State bonds held by the Clean Water Fund (a nonexpendable trust fund) which is estimated using matrix pricing.

- 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 these 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. STIF and the Combined Investment Funds hold these investments.

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.

Fixed Assets and Depreciation
General fixed assets are reported at historical or estimated historical cost. Donated fixed assets are valued at estimated fair value on the date donated. The cost of interest incurred during construction of infrastructure fixed assets (highways, bridges, etc.) is not capitalized. No depreciation is provided for general fixed assets. Fixed assets in the enterprise and internal service funds are reported at cost. Interest cost incurred during construction at Bradley International Airport is capitalized as part of the assets. Depreciation of these fixed assets is determined using the straight-line method and is based upon the assets' estimated useful lives.

Fixed assets in the higher education funds are reported at cost. No depreciation is recorded on these fixed assets, except for the University of Connecticut's fixed assets. Depreciation of these fixed assets is determined using the straight-line method and is based on the assets' estimated useful lives.

Fixed assets of the component units are reported at cost. Depreciation of these fixed assets is determined using the straight-line method and is based upon the assets' estimated useful lives.

Food Stamps
Food stamps distributed to recipients during the year are recognized as both an expenditure and a revenue in the operating statement.

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 pension and nonexpendable trust funds based on their equity in the Combined Investment Funds.

Deferred Revenues
This liability account represents:

- Cash received by the State before the State has a legal claim to it (e.g. grant monies received before the incurring of qualifying expenditures).

- Revenues considered measurable but not available during the current period.

In subsequent periods, when the State has a legal claim to the cash received, or when the revenues become available, the liability for deferred revenues is removed from the balance sheet and revenue is recognized.

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 general long-term debt account group at its net or accreted value rather than at face value.

Other Long-term Obligations

The portion of the net pension obligation, workers' compensation claims, capital leases, claims and judgements, and accumulated compensated absences that are expected to be liquidated with available expendable financial resources is reported as an expenditure and a fund liability of the governmental and expendable trust funds that will pay it. The remaining portion that is not expected to be liquidated with available expendable financial resources is reported in the general long-term debt account group. In the proprietary funds, higher education funds, and component units such obligations are recorded as fund liabilities.

Vacation and sick policy is as follows: Employees hired on or before June 30, 1977, and mangers 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.

The State recognized a liability to the federal government for excess earnings received from investing special tax obligation bond proceeds (rebatable arbitrage). This liability is reported as a liability for claims and judgements.

h. Fund Equity

Contributed Capital

The amount of permanent capital in the enterprise funds, internal service funds, and component units which is contributed by governments and others.

Reserved Retained Earnings

The portion of retained earnings in the enterprise funds and component units which is legally restricted for specific future use.

Reserved Fund Balances

The portion of fund balances in the governmental, fiduciary, and higher education funds which is legally reserved for a specific future use, or which is not available for appropriation or expenditure.

i. Revenues, Expenditures, and Interfund Transactions

Taxes

Certain tax revenues that accrue to the State are considered "available" if the payer incurs the obligation to the State before year-end and payment is received within sixty days after year-end (see Note 6).

Licenses, Permits, and Fees

These items are not susceptible to accrual and are recognized as revenues when the cash is collected.

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 14).

Interfund Transactions

Interfund transactions are recorded as follows:

(1) Transfers, which are from funds that are receiving revenues to funds in which the resources are to be expended, are classified as operating transfers.

(2) Transactions that would be treated as revenues, expenditures or expenses if they involved organizations external to the State are treated similarly by the funds of the State.

(3) Reimbursements from one fund to another are treated as expenditures or expenses of the reimbursing fund and as a reduction of the expenditures or expenses of the reimbursed fund.

(4) Non-recurring or non-routine transfers of equity between funds and capital contributions to proprietary funds are classified as equity transfers.

j. Pension Trust Funds Transactions

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 (including securities lending transactions) are allocated ratably to these funds based on their equity in the Combined Investment Funds.

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 equity 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.

m. Total Columns – Memorandum Only

Total columns captioned "Memorandum Only" are presented only to facilitate financial analysis. Data in these columns do not present the financial position, the results of operations or cash flow in conformity with generally accepted accounting principles nor is such data comparable to a consolidation.

Note 2 Budgetary Basis vs. GAAP

The following is a reconciliation of the excess (deficiency) of revenues and other sources over expenditures and other uses as accounted between the budgetary and GAAP basis of accounting (amounts in thousands):

Financial Statements Fund Types	General	Special Revenue
Excess (deficiency) of revenues and other sources over expenditures and other uses (Budgetary basis)	$ 300,435	$ 126,908
Adjustments:		
Increases (decreases) in revenue accruals:		
Government Receivables	59,768	(3,456)
Other Receivables	15,458	(492)
(Increases) decreases in expenditure accruals:		
Accounts Payable and Other Liabilities	(161,454)	1,300
Salaries and Fringe Benefits Payable	120,796	5,821
Increases (decreases) in continuing appropriations	(289,764)	15,528
Reclass of fund balance adjustments:		
To operating expenditures	(118,120)	(81,809)
Excess (deficiency) of revenues and other sources over expenditures and other uses (GAAP basis) - budgeted funds	(72,881)	63,800
To record excess (deficiency) of revenues and other sources over expenditures and other uses for nonbudgeted funds	-	37,286
Excess (deficiency) of revenues and other sources over expenditures and other uses (GAAP basis)	$ (72,881)	$ 101,086

Note 3 Fund Deficits

The following funds have deficit balances at June 30, 2000, none of which constitutes a violation of statutory provisions (amounts in thousands).

Special Revenue	
Consumer Counsel and Public Utility Control	2,221
Capital Projects	
State Facilities	154,132

The Consumer Counsel and Public Utility Control Fund deficit has been addressed by Public Act 93-402, subsequently modified by Public Act 99-1 (June special session), which among other things, requires any GAAP deficits for budgeted funds existing as of June 30, 2003 to be amortized in fifteen equal increments beginning with the annual budget for fiscal year 2004-2005.

The State Facilities deficit will be eliminated in the future by the sale of bonds.

Note 4 Cash Deposits and Investments

In this note, the State's deposits and investments are classified in categories of "custodial credit risk." This is the risk that the State will not be able to (a) recover deposits if the depository bank fails or (b) recover the value of investments or collateral securities that are in the custody of an outside party if the counterparty to the investment or deposit transaction fails. Classification in category 1 means that the exposure of deposits or investments to potential custodial credit risk is low. The level of potential custodial credit risk is higher for those deposits or investments classified in category 2 and highest for those in category 3.

Cash Deposits (amounts in million)

At June 30, 2000, the reported amount of the State's deposits was $(76.7) for the Primary Government and $11.0 for the Component Units. The corresponding bank balance for such deposits was $139.0 for the Primary Government and $15.1 for the Component Units. Of the bank balance for the Primary Government $39.5 was insured by the Federal Deposit Insurance Corporation or held by the State's agent in the State's name (Category 1), and $99.5 was uninsured and uncollateralized (Category 3). Of the bank balance for the Component Units, $3.6 was insured by the Federal Deposit Insurance Corporation (Category 1), and $11.5 was uninsured and uncollateralized (Category 3).

Category 3 deposits include some deposits that are collateralized as required by state statute. Under the statute, any bank holding public deposits must at all times 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. However, 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.

Investments

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 ("STIF") and seven Combined Investment Funds (the "CIFS"), including one international investment fund.

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) and are disclosed in the investments schedules.

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 in the combined 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 combined financial statements. Instead, each fund type's investment in the internal portion of STIF is reported as "cash equivalents" in the combined balance sheet.

The CIFS are open-ended, unitized portfolios in which the State pension and other trust funds are eligible to invest. The State pension and other trust funds own the units of the CIFS. The State Treasurer is also authorized to invest monies of the CIFS in common stock, commercial equity real estate, foreign companies stocks and bonds, commercial and residential mortgages, foreign governments' obligations, mortgage-backed securities, and venture capital partnerships. CIFS' investments are reported at fair value and are disclosed in the investments schedules.

For financial reporting purposes, the CIFS are considered to be internal investment pools and are not reported in the combined financial statements. Instead, each fund type's investment in the CIFS is reported as "equity in combined investment funds" in the combined balance sheet.

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

The following investments schedules disclose the reported amount and fair value of the State's investment in total and by investment type as of June 30, 2000. Further, the reported amounts of these investments are classified according to the following categories of custodial credit risk. Category 1 includes investments that are insured or registered or for which the securities are held by the State or its agent in the State's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the State's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the State's name.

The CIFS account for the purchase and sale of investments using "trade date" accounting – investments are increased or decreased on the date the purchase or sales order is made although the investments are not received or delivered until a later date (settlement date). Thus, CIFS' investments schedule was prepared taking into account unsettled sales and purchases of investments. This means that investments under unsettled sales are included in the schedule, because the investments are still subject to custodial credit risk that could result in losses prior to settlement. Conversely, investments under unsettled purchases are excluded from the schedule, because the investments are still in the hands of the dealers.

Investments-Primary Government
Short-Term Investment Fund
(amounts in thousands)

Investment Type	Reported Amount Category 1	Fair Value
Repurchase Agreements	$ 464,865	$ 464,865
Certificates of Deposit-Negotiable	132,228	132,129
Commercial Paper	2,128,380	2,128,380
Corporate Notes	37,083	37,013
Bankers' Acceptances	34,018	34,045
Bank Notes	719,641	720,635
Federal Agency Securities	170,190	169,744
State of Israel Bonds	1,500	1,500
Total Investments	$ 3,687,905	$ 3,688,311

Investments-Primary Government
Combined Investment Funds
(amounts in thousands)

Investment Type	Reported Amount (Fair Value) Category 1	Category 3	Total
Certificates of Deposit-Negotiable	$ -	$ 138,830	$ 138,830
Asset Backed Securities	506,962		506,962
U.S. Government and Agency Securities:			-
Not on Securities Loan	1,516,797		1,516,797
On Securities Loan for Securities or LOC Collateral		26,566	26,566
Mortgage Backed Securities	633,563		633,563
Corporate Debt	3,061,030	1,261,148	4,322,178
Convertible Securities	292,055		292,055
U.S. Corporate Stock:			-
Not on Securities Loan	8,488,071		8,488,071
On Securities Loan for Securities or LOC Collateral		177,355	177,355
International Equity Securities:			
Not on Securities Loan	2,187,925		2,187,925
On Securities Loan for Securities or LOC Collateral		12,883	12,883
Short-term Investments		264,755	264,755
Preferred Stock	135,717	-	135,717
	$ 16,822,120	$ 1,881,537	$ 18,703,657
Investments not categorized because they are not evidenced by securities that exist in physical or book entry form:			
Real Estate Investment Trusts			31,908
Mutual Funds			42,018
Limited Liability Corporations			72,789
Trusts			54,567
Limited Partnerships			2,947,525
Annuities			14,595
Securities Held by Brokers-Dealers under Sec. Loans for Cash Collateral:			
U.S. Government and Agency Securities			607,880
U.S. Corporate Stock			378,132
International Equity Securities			525,142
Domestic Fixed Securities			102,012
International Fixed Securities			9,030
			$ 23,489,255

The pension trust funds own approximately 100 percent of the investments that are in categories 1 and 3.

Investments-Primary Government
Other
(amounts in thousands)

Investment Type	Reported Amount Category 1	Category 2	Category 3	Total	Fair Value
Collateralized Investment Agreements	$ 487,990	$ 55,849	$ -	$ 543,839	$ 543,839
State/Municipal Bonds	226,785	-	-	226,785	226,785
U.S. Government & Agency Securities	195,733	-	-	195,733	195,733
Repurchase Agreements	6,763	45,988	-	52,751	52,751
Common Stock	41,016	6,024	1,654	48,694	48,694
Corporate Bonds	10,752	7,439	-	18,191	18,191
Other	30,127	-	1,016	31,143	31,143
	$ 999,166	$ 115,300	$ 2,670	$ 1,117,136	$ 1,117,136
Investments not categorized because they are not evidenced by securities that exist in physical or book entry form:					
Annuity Contracts				543,818	543,818
Mutual Funds				91,229	91,229
Guaranteed Investment Contracts				37,007	37,007
Tax Exempt Proceeds Fund				98,232	98,232
Other				64,788	64,788
Total Investments				$ 1,952,210	$ 1,952,210

The Special Assessment fund owns approximately 88 percent of the investments that are in Category No. 2.

Investments-Component Units
(amounts in thousands)

Investment Type	Reported Amount Category 1	Category 2	Category 3	Total	Fair Value
U.S. Government & Agency Securities	$ 256,739	$ 10,160	$ 11,458	$ 278,357	$ 278,250
Common Stock	103,620	-	-	103,620	103,620
Repurchase Agreements	124,544	-	-	124,544	124,544
Collateralized Investment Agreements	2,585	-	21,818	24,403	24,403
Mortgage Backed Securities	235,857	-	-	235,857	235,857
Corporate Bonds	42,579	-	-	42,579	42,579
Other	54,191	-	2,984	57,175	57,175
	$ 820,115	$ 10,160	$ 36,260	866,535	866,428
Investments not categorized because they are not evidenced by securities that exist in physical or book entry form:					
Guaranteed Investment Contracts				242,150	242,150
Fidelity Funds				171,382	171,382
Limited Partnerships				15,296	15,296
Other				25,582	25,582
Total Investments				$ 1,320,945	$ 1,320,838

CHFA owns approximately 82 percent and CHESLA owns approximately 61 percent of the investments that are in categories 1 and 3, respectively.

Derivatives

GASB Technical Bulletin Number 94-1 defines derivatives as contracts whose value depends on, or derives from, the value of an underlying asset, reference rate, or index. According to this definition, the following State's investments or contracts are considered to be derivatives:

- Short-Term Investment Fund - Adjustable-rate federal agency, bank notes, and State of Israel securities whose interest notes vary directly with short-term money market indices and are reset daily, weekly, monthly, quarterly, or semi-annually.

- Combined Investment Funds - Adjustable–rate securities, asset backed securities, indexed Treasury securities, option contracts, mortgage backed securities (including interest-only strips), and foreign exchange contracts.

The State invests in derivatives to enhance investment returns or as in the case of foreign exchange contracts to facilitate trade settlements and to serve as foreign currency hedges.

The Mutual Fixed Income Fund (a Combined Investment Fund) invests in mortgage backed securities (MBSs), asset backed securities (ABSs), and interest-only strips. MBS's and ABS's are bonds issued by a special purpose trust that collects payments on an underlying collateral pool of mortgages or other loans and remits payments to bondholders. The bonds are structured in a series of classes or tranches, each with a different coupon rate and stated maturity date. Interest payments to the bondholders are made in accordance with the trust indentures and amounts received from borrowers in excess of interest payments and expenses are used to amortize the principal on the bonds. Such principal payments are made to retire the tranches of bonds in order of their stated maturity. Because mortgage prepayments are largely dependent on market interest rates, the ultimate maturity date of the bonds is unpredictable and is sensitive to changes in market interest rates, but is generally prior to the stated maturity date. At June 30, 2000, the fund held MBSs of $569.6 million and ABSs of $165.2 million.

Interest-only strips (IOs) are a specialized type of mortgage backed securities. The cash flow on these investments is derived from the interest payments on the underlying mortgage loans. Prepayments on underlying loans curtail these interest payments, reducing the value of the IOs and, as such, these instruments are extremely sensitive to changes in interest rates, which encourage or discourage such prepayments. As of June 30, 2000, the IOs had a value of $ 7.7 million.

From time to time, the International Stock, Mutual Fixed Income, and Private Investment Funds (Combined Investment Funds) utilize foreign currency contracts to facilitate transactions in foreign securities and to manage the funds currency exposure. Contracts to buy are used to acquire exposure to foreign currencies, while contracts to sell are used to hedge the funds' investments against currency fluctuations. Losses may arise from changes in the value of foreign currencies or failure of the counterparties to perform under the contracts' terms. As of June 30, 2000, the International Stock Fund reported an unrealized loss of $18.4 million from open forward currency contracts.

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. In the event any borrower fails to return the loaned securities or pay distributions thereon, the funds' lending agent is contractually obligated to purchase replacement securities, or return the cash collateral. At year-end, the funds had no credit exposure to the borrowers, because the amounts the funds owed the borrowers exceeded the amounts the borrowers owed the funds.

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 44 days; the average duration of the loans was unknown, although it is assumed to remain at one day.

Note 5 Loans

Loans receivable for the primary government and its component units, as of June 30, 2000, consisted of the following (amounts in thousands):

	Primary Government					
	Special Revenue	Enterprise	Trust and Agency	Higher Education	Total	Component Units
Mortgage	$ -	$ -	$ -	$ -	$ -	$ 2,925,874
Industrial	-	-	-	-	-	136,054
Housing	139,289	84,902	-	-	224,191	-
Clean Water	56,006	-	545,159	-	601,165	-
Student	-	-	-	22,501	22,501	-
Other	125,107	-	67	7,861	133,035	83,382
Less:						
Allowance for Losses	-	2,547	-	-	2,547	59,546
Loans Receivable Net	$ 320,402	$ 82,355	$ 545,226	$ 30,362	$ 978,345	$ 3,085,764

The mortgage loan program consists of home, multi-family, and construction loan mortgages made by the Connecticut Housing Finance Authority. Most home loans are insured by the Federal Housing Administration or guaranteed by the Veterans Administration. In addition, some home and multi-family loans are insured or guaranteed by private insurers. Permanent loans earn interest at rates ranging from 0 percent to 13.5 percent and have initial terms of 10 to 40 years. Construction loans earn interest at rates ranging from 0 percent to 9.92 percent. Upon completion of each development, the related permanent mortgage loan, which will generally be provided by the Authority, will be payable over 30 to 40 years at annual interest rates ranging from 0 percent to 9.92 percent. During the fiscal year, the State transferred to the Authority certain mortgage loans with a carrying amount of $65.5 million. These loans are reported as an equity transfer in the statement of operations of the Authority.

The Clean Water fund 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.

The industrial loan program consists of loans made by the Connecticut Development Authority 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 the proceeds of the related loans and have originating terms of 1 to 25 years and earn interest at rates ranging from 3 percent to 12 percent. As of June 30, 2000, loans in the amount of $35.9 million (including loans of $8.4 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 $8.4 million 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 6 Taxes Receivable

Taxes receivable consisted of the following as of June 30, 2000 (amounts in thousands):

	Funds	
	General	Special Revenue
Sales and Use	$ 421,964	$ -
Income Taxes	146,297	-
Corporations	69,955	-
Gasoline and Special Fuel	-	43,405
Various Other	87,134	
Less:Allowance for Uncollectibles	(17,839)	-
Taxes Receivable	$ 707,511	$ 43,405

Note 7 Restricted Assets

Restricted assets are defined as resources that are restricted by legal or contractual requirements. As of June 30, 2000, restricted assets for the primary government and its component units were comprised of the following (amounts in thousands):

	Primary Government					Component Units					
		Enterprise		Trust and Agency							
	Debt Service	Bradley Int'l Airport	John Dempsey Hospital (9-30-99)	Clean Water Fund	Total	Connecticut Development Authority	Connecticut Housing Finance Authority (12-31-99)	Connecticut Resources Recovery Authority	Connecticut Higher Education Supplemental Loan Authority	Connecticut Health & Educational Facilities Authority	Total
Cash & Cash Equivalents	$ 524,782	$ 107,454	$ 5,018	$ -	$ 637,254	$ 21,951	$ -	$ 74,678	$ -	$ 5,067	$ 101,696
Investments	-	6,530	1,135	412,648	420,313	28,921	295,060	508	10,799	414,563	749,851
Interest Receivable	5,282	528	-	-	5,810	-	1,608	750	-	784	3,142
Other	-	1,648	-	-	1,648	-	-	-	-	5,550	5,550
Total	$ 530,064	$ 116,160	$ 6,153	$ 412,648	$ 1,065,025	$ 50,872	$ 296,668	$ 75,936	$ 10,799	$ 425,964	$ 860,239

Note 8 Property, Plant, and Equipment

(1) A summary of changes in general fixed assets is as follows (amounts in thousands):

	Balance 7/1/99	Additions	Retirements	Balance 6/30/00
Land	$ 352,511	$ 29,812	$ 16,187	$ 366,136
Buildings	2,032,985	94,066	2,774	2,124,277
Improvements Other Than Buildings	236,661	24,307	4,268	256,700
Machinery & Equipment	1,187,514	101,961	544,839	744,636
Construction in Progress	211,693	185,615	118,373	278,935
Total	$ 4,021,364	$ 435,761	$ 686,441	$ 3,770,684

The beginning balance of Construction in Progress was reduced to account for certain building projects that were substantially completed and capitalized in 1999.

(2) Property, plant, and equipment for the primary government and its component units consisted of the following as of June 30, 2000 (amounts in thousands):

	Primary Government			
	Enterprise	Internal Service	Higher Education	Component Units
Land	$ 2,840	$ -	$ 39,067	$ 22,123
Buildings	150,271	-	1,455,223	178,091
Improvements Other than Buildings	122,590	95	129,275	183
Machinery & Equipment	54,140	150,979	615,928	193,628
Construction in Progress	42,279	-	157,166	1,291
Subtotal	372,120	151,074	2,396,659	395,316
Less: Accumulated Depreciation	151,107	105,616	277,199	169,746
Total	$ 221,013	$ 45,458	$ 2,119,460	$ 225,570

The following estimated useful lives are used to compute depreciation: Buildings 10-60 years; Land Improvements 2-50 years; Machinery and Equipment 2-21 years.

Note 9 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.

Plan Descriptions, Funding Policy, and Annual Pension Cost and Net Pension Obligation

Membership of each plan consisted of the following at the date of the latest actuarial evaluation:

	SERS 6/30/00	TRS 6/30/98	JRS 6/30/00
Retirees and beneficiaries receiving benefits	32,101	18,615	199
Terminated plan members entitled to but not yet receiving benefits	1,137	5,637	1
Active plan members	54,616	43,452	209
Total	87,854	67,704	409

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 and Hazardous Duty members are required to contribute 2 percent and 4 percent respectively, of their salary 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 IIA members are required to contribute 2 percent and hazardous duty members are required to contribute 5 percent. 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 10-183nn 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. For fiscal year 2000, the annual required contribution (ARC) was $240.5 million; however, the State contributed $204.4 million to the plan, reflecting a reduction of $36.1 million by the legislature to the State's TRS appropriation. 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, Net Pension Obligation, and Related Information

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	$ 342,760	$ 240,524	$ 9,324
Interest on net pension obligation	155,271	78,040	3
Adjustment to annual required contribution	(92,104)	(49,707)	(1)
Annual pension cost	405,927	268,857	9,326
Contributions made	342,760	204,445	9,324
Increase (decrease) in net pension obligation	63,167	64,412	2
Net pension obligation beginning of year	1,826,719	921,555	35
Net pension obligation end of year	$ 1,889,886	$ 985,967	$ 37

Three-year trend information is as follows (amounts in thousands):

	Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
SERS	1998	$ 630,293	53.1%	$ 1,752,773
	1999	389,508	81.0%	1,826,719
	2000	405,927	84.4%	1,889,886
TRS	1998	$ 239,878	74.8%	$ 857,929
	1999	251,960	74.7%	921,555
	2000	268,857	76.0%	985,967
JRS	1998	$ 9,310	100%	$ 34
	1999	9,284	100%	35
	2000	9,326	100%	37

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 $17.9 million and $27.2 million, respectively.

Note 10 Other Retirement Systems Administered by the State of Connecticut

The State acts solely as the administrator and custodian of the assets or the Connecticut Municipal Employees' Retirement System (CMERS) and the Connecticut Probate Judges and Employees Retirement System (CPJERS). Although these retirement systems are included as pension trust funds in the State's financial statements, the State makes no contribution and has no financial liability other than a fiduciary responsibility.

Plan Descriptions and Contribution Information

Membership of each plan consisted of the following at the date of the latest actuarial valuation:

	CMERS 6/30/99	CPJERS 12/31/99
Retirees and beneficiaries receiving benefits	4,234	198
Terminated plan members entitled to but not receiving benefits	96	34
Active plan members	7,811	342
Total	12,141	574
Number of participating employers	159	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 2.25 percent to 5.0 percent of their annual salary. Participating municipalities are required to contribute at an actuarial determined rate. The participating municipalities fund administrative costs of the plan.

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 11 Postemployment Benefits

In addition to the pension benefits described in Note 9, the State provides a postretirement health care and life insurance benefits, in accordance with State statutes, Sections 5-257(d) and 5-259(a), to all employees who retire from the State.

Currently 32,101 retirees of the State Employees Retirement System meet those eligibility requirements. When employees retire, the State may pay up to 100 percent of their health care insurance premium cost (including dependent's coverage) based on the plan chosen by the employee. In addition, the State pays 100 percent of the premium cost for a portion of the employees' life insurance, continued after retirement. The amount of life insurance, continued at no cost to the retiree, is determined based on the number of years of service that the retiree has with the State at time of retirement as follows: (a) if the retiree had 25 years or more of service, the amount of insurance will be one-half of the amount of insurance for which the retiree was insured immediately prior to retirement, but the reduced amount cannot be less than $7,500; (b) if the retiree had less than 25 years of service, the amount of insurance will be the proportionate amount that such years of service is to 25, rounded to the nearest $100. The State finances the cost of postretirement health care and life insurance benefits on a pay-as-you-go basis through an appropriation in the General Fund. During the year ended June 30, 2000, $173.9 million was paid in postretirement benefits.

Note 12 Capital and Operating Leases

a. 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):

2001	$	17,365
2002		17,427
2003		17,497
2004		14,514
2005		12,000
Thereafter		5,039
Total	$	83,842

Contingent revenues for the year ended June 30, 2000, were $2.2 million.

b. State as Lessee

Obligations under capital leases and operating leases as of June 30, 2000, were $67.1 million for capital leases and $51.2 million for noncancelable operating leases in excess of one year. The following is a schedule of annual future minimum payments under these obligations along with the present value of the related net minimum capital lease payments discounted at approximately 6 percent as of June 30, 2000 (amounts in thousands):

	Operating Leases	Capital Leases General Long-term
2001	$ 20,672	$ 8,290
2002	14,018	6,657
2003	8,741	6,243
2004	5,757	5,275
2005	1,922	4,207
Thereafter	55	36,477
Total future minimum payments	$ 51,165	67,149
Less: Imputed interest		17,743
Present value of net minimum lease payments		$ 49,406

Rental and lease payments for equipment charged to expenditures during the year ended June 30, 2000, totaled $43.7 million.

Note 13 Changes in General Long-Term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2000 (amounts in thousands):

	Balance July 1,1999	Issuances and Other Increases	Retirements and Other Decreases	Increase (Decrease) Accreted Value	Balance June 30,2000
General Obligation Bonds	$ 6,902,197	$ 994,540	$ 674,716	$ (128)	$ 7,221,893
Transportation Related Bonds	3,191,626	150,000	264,207	(7,894)	3,069,525
Expendable Trust Fund Obligations	795,935	20,000	205,870	-	610,065
Net Pension Obligation	2,748,309	684,110	556,529	-	2,875,890
Compensated Absences	274,772	27,508	8,189	-	294,091
Worker's Compensation	280,074	56,894	53,368	-	283,600
Capital Leases	52,050	5,664	8,308	-	49,406
Claims and Judgements	5,250	9,829	-	-	15,079
Total General Long-Term Debt Account Group	$ 14,250,213	$ 1,948,545	$ 1,771,187	$ (8,022)	$ 14,419,549

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances-All Governmental Fund Types reflects the net proceeds from the sale of bonds and notes in the amount of $1,015.7 million. This amount includes discounts on the sale of certain bonds and premium and accrued interest received at the time of sale in the amount of $.7 million.

Included in retirements of general obligation and transportation related bonds are $196.3 million of bonds which were defeased by cash of $207.7 million.

Additionally, $994.5 million of issuances and other increases for general obligation bonds include $130.8 million of bonds issued by the University of Connecticut and $18.7 million of bonds issued by CHEFA for which the State of Connecticut will pay the principal and interest.

As of June 30, 2000 a liability of $6 million for rebatable arbitrage is included in the liability for claims and judgements.

Note 14 Debt

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, 2000, were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Capital Improvements	2000-2020	2.95-9.875%	$ 2,107,419	$ 493,862
School Construction	2000-2020	3.4-9.75%	1,232,503	63,471
Municipal & Other Grants & Loans	2000-2018	3.25-9%	1,516,672	533,833
Elderly Housing	2002-2011	7-7.75%	19,905	-
Elimination of Water Pollution	2000-2022	4.5-7.525%	343,169	65,781
General Obligation Refunding	2000-2015	2.4-9.75%	1,407,325	-
Miscellaneous	2000-2029	3.5-9.5%	93,790	5,949
			6,720,783	$ 1,162,896
Accretion-Various Capital Appreciation Bonds			501,110	
		Total	$ 7,221,893	

Future amounts (in thousands) needed to pay principal and interest on general obligation bonds outstanding at June 30, 2000, were as follows:

Year Ending June 30,	Principal	Interest	Total
2001	$ 594,751	$ 373,942	$ 968,693
2002	562,992	343,334	906,326
2003	485,163	320,761	805,924
2004	495,791	310,532	806,323
2005	504,761	301,094	805,855
Thereafter	4,077,325	1,871,100	5,948,425
Total	$ 6,720,783	$ 3,520,763	$ 10,241,546

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, 2000, were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Specific Highways	2000-2017	4.25-5.50%	$ 14,938	$ 3,902
Infrastructure Improvements	2000-2019	2.65-10.0%	3,022,163	476,572
General Obligation Refunding	2000-2002	5.85-6.05%	26,229	-
Other	2005-2013	4.6-7.525%	613	165
			3,063,943	480,639
Accretion-Various Capital Appreciation Bonds			5,582	
		Total	3,069,525	

Future amounts (in thousands) required to pay principal and interest on transportation related bonds outstanding at June 30, 2000, were as follows:

Year Ending June 30,	Principal	Interest	Total
2001	$ 195,140	$ 158,939	$ 354,079
2002	196,280	148,946	345,226
2003	209,090	139,101	348,191
2004	208,535	128,661	337,196
2005	206,149	118,075	324,224
Thereafter	2,048,749	596,213	2,644,962
Total	$ 3,063,943	$ 1,289,935	$ 4,353,878

Demand Bonds

Included in general obligation bonds, there are variable rate demand bonds in the amount of $100 million. The bonds were issued in May 1997 to fund various State programs (e.g. community conservation development, economic development and manufacturing assistance, regional economic development, etc.) and will mature in the year 2014. Starting in the year 2005, the bonds will be subject to mandatory annual redemption in the principal amount of $10 million plus accrued interest (these amounts are included in the debt service schedule). Concerning the issuance of the bonds, the State signed various agreements, including a "Remarketing Agreement" with a broker/dealer firm and a "Standby Bond Purchase Agreement" with a foreign bank.

These bonds bear interest at a weekly rate or at a flexible rate for a flexible rate period, which cannot be longer than 270 days. Initially, all bonds bear interest at the weekly rate. After that, the bonds may be converted from time to time to the flexible rate or weekly rate at the option of the State. The State's remarketing agent determines the weekly or flexible rate and applicable flexible rate period.

Bonds bearing interest at the weekly rate are subject to purchase at the option of the holder at a purchase price equal to principal and accrued interest, if any, on a minimum seven days' notice and delivery to the State's agent. In addition, all bonds are subject to mandatory purchase upon (1) conversion from the weekly rate to the flexible rate or vice versa, (2) the end of each flexible rate period, and (3) expiration or substitution of the Standby Bond Purchase Agreement. The State's remarketing agent is responsible for using its best efforts to remarket bonds properly tendered for purchase.

The Standby Bond Purchase Agreement requires the bank to purchase bonds tendered and not remarketed in an amount not to exceed the principal on the bonds plus (for bonds bearing interest at the weekly rate) accrued interest up to 35 days at an annual interest rate not to exceed 15 percent; (1) for bonds held for up to 30 days after the purchase date, the Federal funds rate plus .50 percent; (2) for bonds held for more than 30 days but less than 90 days after the purchase date, the Federal funds rate plus 1.00 percent; and (3) for bonds held for more than 90 days after the purchase date, the higher of (a) the base commercial lending rate announced from time to time by the bank, or (b) the federal funds rate plus .50 percent.

The State is required under the Standby Bond Purchase Agreement to pay to the bank a quarterly fee of .065 percent per annum of the available commitment as of each payment date. The available commitment is an amount that the bank is committed to purchase under the agreement. Such amount was initially set in the agreement at $101.4 million and is adjusted from time to time according to provisions in the agreement. If the rating on the bonds were to fall below certain levels, or be withdrawn or suspended, the bank fee could go as high as .135 percent per annum.

The Standby Bond Purchase Agreement expires in the year 2002 and could be extended annually for another year. If certain events of default described in the agreement were to occur, the agreement could be terminated prior to that date.

Expendable Trust Fund Obligations

In July, August, and September 1993, the State issued $1,020.7 million of special assessment revenue bonds. The issuance of these special obligation revenue bonds was for the purpose of repaying loans made by the United States to Connecticut for payment of unemployment compensation benefits and assisting the State in meeting a portion of its unemployment compensation benefit obligations until increased employer assessments are levied. These bonds mature on various dates through 2001 and bear interest rates from 3.1 percent to 5.5 percent and shall be payable solely from revenues and requisitional funds specifically pledged for their payment.

The State has no contingent obligation either directly or indirectly with the payment of these bonds.

Future amounts (in thousands) needed to pay principal and interest on special assessment unemployment compensation bonds were as follows:

Year Ending June 30,	Principal	Interest	Total
2001	$ 150,265	$ 14,665	$ 164,930
2002	218,720	8,514	227,234
Total	$ 368,985	$ 23,179	$ 392,164

On November 1996, the State issued $100 million of second injury special assessment revenue bonds. The bonds were issued to reduce long-term liabilities of the fund by settling claims on a one-time lump sum basis. The bonds bear fixed interest rates ranging from 4.25 percent to 6.00 percent and mature each year at various amounts through the year 2012, starting on January 1 of 1998. Because the bonds will be paid solely from future assessment revenue of the fund, the State has no contingent obligation either directly or indirectly for the payment of such bonds.

Future amounts (in thousands) needed to pay principal and interest on second injury special assessment revenue bonds were as follows:

Year Ending June 30,	Principal	Interest	Total
2001	$ 5,330	$ 4,540	$ 9,870
2002	5,595	4,273	9,868
2003	5,875	3,994	9,869
2004	6,195	3,670	9,865
2005	6,505	3,361	9,866
Thereafter	56,580	12,489	69,069
Total	$ 86,080	$ 32,327	$ 118,407

Additionally, the bond indenture allows for the periodic issuance of subordinated Bond Anticipation Notes (BANs) in the form of commercial paper. As of June 30, 2000, the fund had $155 million in outstanding BANs. The State has entered into a Revolving Credit Agreement that ensures that the BANs can be refinanced on a long-term basis, and in October, the state replaced a portion of the BANs with $124 million of revenue bonds.

Interest Rate Swap Agreements

The State has entered into interest rate swap agreements for the following outstanding debt:

Type	Face Value (000's)	Interest Rate	Maturity Date
Transportation - STO's	$ 180,100	variable	2010

Based on these agreements, the State pays a fixed interest rate to the counterparty to the swap, and the counterparty pays the State a variable interest rate that is determined by the Agreement. The State continues to make payments to the bondholders, and only the net differences in interest payments are exchanged with the counterparty. By entering into these agreements, the State has in effect exchanged its variable rate liability for a fixed rate obligation.

The agreements call for the following exchange of interest rates:

Counterparty	Face Value (000's)	Interest Rate Assumed by State	Interest Rate Assumed by Counter party
AIG Corp.	$ 108,100	5.75%	65% of 1-month LIBOR* rate
Sumitomo Bank	$ 72,000	5.71%	65% of 1-month LIBOR* rate

*The primary fixed income index reference rates used in the Euro-markets.

Regarding these agreements, the State is exposed to the market risk relating to the relationship between the variable interest rate on the bonds (which is reset weekly) and the rate that it receives under the swap agreements (which is 65 percent of 1-month LIBOR). As of June 30, 2000, the AIG and Sumitomo interest rate swaps had unfavorable positions of $5.6 million and $1.4 million, respectively.

The counterparties guarantee both agreements, and the agreement with AIG Corp. has a collateral agreement, which goes into effect if the credit rating of AIG falls below a defined level.

Revenue Bonds

Revenue bonds are those bonds that are paid out of resources pledged in the enterprise funds, nonexpendable trust funds, higher education funds, and component units.

Revenue bonds outstanding at June 30, 2000, were as follows:

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding
Primary Government:			
Enterprise:			
Bradley Airport Operations	2000-2024	6.13-9.125%	$ 131,770
Rental Housing	2000-2002	5.25-9%	95,797
John Dempsey Hospital (as of 9-30-99)	2001-2009	7.125%	1,145
Nonexpendable:			
Clean Water Fund	2000-2022	3.45-11.0%	549,880
Higher Education:			
Investment in Plant	2001-2029	3.55-8.25%	306,069
Premium on Clean Water Fund bonds sold			6,166
		Total	$ 1,090,827
Component Units:			
CT Development Authority	2003-2019	4.3-8.75%	$ 106,111
CT Housing Finance Authority (as of 12-31-99)	2040	2.95-9.8%	3,158,120
CT Resources Recovery Authority	2000-2016	3.3-7.7%	263,760
CT Higher Education Supplemental Loan Authority	2000-2017	4.4-7.5%	107,690
CT Health & Educational Facilities Authority	2000-2004	4.32-14.94%	7,105
Discount on CHFA Bonds sold			(29,721)
		Total	$ 3,613,065

Revenue bonds issued by the component units do not constitute a liability or debt of the State, and the State is only contingently liable for these bonds as discussed in this section.

The following is a description of revenue bonds with restrictive covenants:

Primary Government

Bradley International Airport's revenue bonds were issued in 1982 in the amount of $100 million to finance costs of improvements to the airport. As of June 30, 2000, the following bonds were outstanding:

a) Airport revenue refunding bonds in the amount of $74.8 million. These bonds were issued in October, 1992, to redeem the 1982 revenue 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. In accordance with this indenture, certain assets of this fund have been restricted for the payment of bond principal and interest, construction projects and other uses.

b) Airport subordinated refunding bonds in the amount of $3.2 million. These bonds were issued in 1989 to help pay for certain expenses (e.g. issuance costs, redemption premium) incurred in the issuance of the 1992 refunding bonds.

Additionally, Bradley parking garage bonds were issued in the amount of $53.8 million. These bonds were issued in 2000 and are being used to build a parking garage at the airport.

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.

Component Units

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. Under the Umbrella Program, bonds outstanding at June 30, 2000 were $51.8 million. Assets totaling $53.7 million are pledged under the terms of the bond resolution for the payment of principal and interest on these bonds until such time as it is determined that there are surplus funds as defined in the bond resolution. Bonds issued under the Self-Sustaining Bond Program are discussed in the no-commitment debt section of this note. In addition, the Authority had $54.3 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, 1999, bonds outstanding under the bond resolution and the indenture were $3,145.6 million and $12.5 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 ($263 million at 12/31/99) on all outstanding bonds. In addition, all assets of the Authority's general and capital reserve funds ($3,443 million) are restricted until such time as they are determined to be "surplus funds." As of December 31, 1999, the Authority has entered into interest rate swap agreements for $259 million of its variable rate bonds. These agreements are similar in nature to the interest rate swap agreements section of this note. During the year, the Authority refunded some of its outstanding bonds, resulting in future cash flow savings of $.6 million and an economic gain of $.4 million.

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.

Connecticut Health and Educational Facilities Authority's revenue bonds are issued 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. Prior to July 1, 1979, the Authority issued general obligation bonds for which the Authority is ultimately responsible for the payment of principal and interest when due. After July 1, 1979, the Authority has issued only special obligation bonds, which are discussed in the no-commitment debt section of this note. At year-end , the Authority had $7.1 million in outstanding general obligation bonds.

Each Authority has established special capital reserve funds which secure all the outstanding bonds of the Authority at year-end (except as discussed below). 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 $236.1 million. For the Connecticut Health and Educational Facilities Authority, the general obligation bonds outstanding at year-end were not secured by the special capital reserve funds.

Future amounts (in thousands) required to pay principal and interest on revenue bonds outstanding at June 30, 2000 were as follows:

	Primary Government							
Ending	Enterprise Funds		Nonexpendable Trust		Higher Education		Component Units	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2001	$ 17,730	$ 13,498	$ 24,915	$ 27,812	$ 11,030	$ 16,424	$ 113,150	$ 204,995
2002	4,956	13,466	31,040	26,330	12,975	15,668	135,610	199,225
2003	85,354	11,002	27,050	24,764	14,157	14,965	136,048	191,891
2004	4,780	8,531	32,425	23,323	15,459	14,230	137,735	184,535
2005	7,065	8,092	37,885	21,549	13,973	13,423	138,691	177,060
Thereafter	108,827	59,140	396,565	143,046	238,475	136,120	2,981,552	1,927,581
	$ 228,712	$ 113,729	$ 549,880	$ 266,824	$ 306,069	$ 210,830	$ 3,642,786	$ 2,885,287

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 units section of this note. These bonds are paid solely from payments received from participating companies (or from proceeds of 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, 2000 were $1,263.9 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 agreements between the Authority and the operators. Letters of credit secures certain 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 default, neither the Authority nor the State guarantees payment of the debt, except for the State's contingent liability discussed below. Thus, the assets and liabilities related to these bond issues are not included in the Authority's financial statements. Total bonds outstanding at June 30, 2000 were $280.4 million. Of this amount, $74.9 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 fiduciary responsibility. Total special obligation bonds outstanding at June 30, 2000, were $3,464.3 million, of which $259.5 million was secured by the special capital reserve funds.

The State may be contingently liable for those bonds that are secured by the special capital reserve funds as discussed previously in the component units section of this note.

Debt Refundings

As of June 30, 2000, $1,741.9 million of outstanding general obligation, special tax obligation, and revenue bonds (including prior year's refundings) are considered defeased.

Note 15 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	
	Purchase of	Self-
Risk of Loss	Commercial Insurance	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 statue (e.g. per statue 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.

For the last three fiscal years, the amount of settlements did not materially exceed insurance coverage.

Most State employees and retirees participate in three health plans. For one of these plans, the State was self-insured in prior years. In fiscal year 2000 the State elected to purchase insurance coverage for this health plan, and liquidated the outstanding health plan liability.

The State records its risk management activities in the General fund, except for activities related to the medical malpractice risk which are recorded in the John Dempsey Hospital fund. At year-end, a liability for unpaid claims is recorded in each fund when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The liability is 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 for medical malpractice and for workers' compensation are actuarially determined. The liability for medical malpractice is reported at its present value, using a discount rate of 5 percent. The portion of the General fund liability considered to be long-term is recorded in the General Long-Term Debt account group. Changes in the claims liability accounts during the last two fiscal years were as follows (amounts in thousands):

	Medical Malpractice*	Workers' Compensation	Health Plan
Balance 6-30-98	$ 8,434	$ 278,927	$ 47,410
Incurred claims	1,900	51,358	291,678
Paid claims	(3,314)	(50,211)	(275,215)
Balance 6-30-99	7,020	280,074	63,873
Incurred claims	2,162	56,894	1,345
Paid claims	(2,793)	(53,368)	(65,218)
Balance 6-30-00	$ 6,389	$ 283,600	$ -

*Changes in the liability account are for fiscal years ending on 9-30-98 and 9-30-99.

Note 16 Interfund Receivables and Payables

Interfund receivable and payable balances at June 30, 2000, were as follows (amounts in thousands):

Fund	Interfund Receivables	Interfund Payables
General	$ 14,432	$ 68,320
Special Revenue:		
Transportation	18,985	668
Workers' Compensation	256	125
Banking	-	197
Consumer Counsel & Public Utility Control	-	181
Insurance	101	166
Criminal Injuries	147	-
Mashatucket Pequot & Mohegan	45,009	-
Regional Market	-	7
Soldiers, Sailors, & Marines	-	166
Employment Security	1,136	873
Grant and Loan Programs	23,584	18,841
Environmental Programs	30,298	230
Housing Programs	7,611	11
Other	10,815	70
	137,942	21,535
Debt Service	-	6,185
Capital Projects:		
State Facilities	-	118,110
Infrastructure	8,144	781
Transportation	2,244	-
	10,388	118,891
Enterprise:		
Bradley International Airport	-	995
John Dempsey Hospital (as of 9-30-99)	4,425	4,888
Other	4	1
	4,429	5,884

Internal Service:		
Correction Industries	95	4,952
Information & Technology	1,685	180
Administrative Services	1,717	84
	3,497	5,216
Expendable Trust:		
Employment Security	451	5,699
Retired Teachers	1,612	-
	2,063	5,699
Nonexpendable Trust:		
Soldiers, Sailors, & Marines	152	-
Other	4	214
	156	214
Pension Trust:		
State Employees	4,754	439
State Teachers	-	5,871
	4,754	6,310
Agency:		
Payroll & Fringe Benefit	4,489	-
Receipts & Pending Distribution	-	7,937
	4,489	7,937
Higher Education & University Hospital:		
Current Unrestricted	49,468	9,139
Current Restricted	14	1,464
Loan	-	314
Plant Funds	51,221	104
Endowment	-	1
Agency Funds	14	6
	100,717	11,028
Component Units:		
CT Development Authority	18,796	-
CT Health & Educational Facilities	-	44,915
CT Innovations, Incorporated	8	-
	18,804	44,915
Totals	$ 301,671	$ 302,134

As of June 30, 2000, interfund payables exceeded interfund receivables by $463 thousand. Additionally, residual equity transfers out exceeded residual equity transfers in by $786 thousand. Both of these differences were caused by the different reporting period used by John Dempsey Hospital, an enterprise fund.

Note 17 Retatement of Retained Earnings

As of June 30, 2000, the beginning retained earnings for the following funds were restated as follows (amounts in thousands):

Fund	Balance 6/30/99 Previously Reported	Correction of Reported Assets/ Liabilities	Balance 6/30/99 as Restated
Internal Service:			
Information Technology	$ 19,651	$ (2,561)	$ 17,090
Administrative Services	19,559	1,569	21,128
Component Units:			
Capital City Economic Development Authority	-	455	455

For the year 2000, the State added a new component unit to its financial reporting entity, the Capital City Economic Development Authority. This new addition has no significant effect on the operations or financial position of the State.

Note 18 Reserved Retained Earnings, Contributed Capital, and Reserved Fund Balances

Reserved Retained Earnings

Bradley International Airport, an enterprise fund, has $46.8 million restricted for debt service requirements and other programs of the airport. The Connecticut Lottery Corporation, an enterprise fund, has $2.3 million restricted for programs of the Corporation. The Connecticut Housing Finance Authority, a component unit, has $514.7 million restricted for debt service requirements and other programs of the Authority. The Connecticut Resources Recovery Authority, a component unit, has $19.3 million restricted for specific purposes.

Contributed Captial

The following is a summary of changes in the contributed capital accounts for the year ended June 30, 2000 (amounts in thousands):

	Primary Government		Component Units	
	Bradley International Airport	Correction Industries	Connecticut Resources Recovery Authority	Connecticut Innovations, Incorporated
Balance July 1, 1999	$ 102,541	$ 5,230	$ 1,835	$ 78,356
Contributions-State	-	-	-	2,086
Contributions-Other	1,333	-		5,127
Items added back to retained earnings	-	-	(122)	-
Returned to the State	-	(4,950)	-	-
Balance June 30, 2000	$ 103,874	$ 280	$ 1,713	$ 85,569

The beginning balance for Correction Industries was adjusted to reflect a return of capital that occurred in 1999.

Reserved Fund Balances

These balances are comprised as follows (amounts in thousands):

	Fund Type				
Reserved For	General	Special Revenue	Debt Service	Trust and Agency	Higher Education
Petty Cash	$ 1,091	$ -	$ -	$ -	$ -
Budget Reserve	564,038	-	-	-	-
Advances to Other Funds	4,950				
Inventories	37,672	13,784	-	-	-
Continuing Appropriations	343,471	72,700	-	-	-
Debt Service	13,210	1,531	524,784	-	-
School Construction Grants	265,474	-	-	-	-
Loans	-	320,402	-	-	-
Employees' Pension Benefits	-	-	-	21,830,998	-
Trust Activities	-	-	-	434,119	-
Restricted	-	-	-	-	380,007
Pool Participants	-	-	-	1,084,580	-
	$ 1,229,906	$ 408,417	$ 524,784	$ 23,349,697	$ 380,007

Reserved for continuing appropriations represents amounts of unexpended appropriations legally carried forward and available for encumbrances and expenditures in the succeeding year.

Reserved amounts in Higher Education represent amounts restricted for specific educational programs by federal grants, private gifts and endowments, and amounts reserved for student loans and debt service.

Note 19 Segment Information – Enterprise Funds

The State maintains five enterprise funds, which provide financing for State housing programs, airport services, hospital operations, lottery programs, and vocational education. Segment information for the year ended June 30, 2000, is as follows (amounts in thousands):

	Rental Housing	Bradley Airport Operations	John Dempsey Hospital (9-30-99)	CT Lottery Corporation	Other
Operating Revenue	$ 2,402	$ 41,307	$ 120,326	$ 837,509	$ 2,195
Depreciation and Amortization Expense	2	8,863	6,223	945	7
Operating Income (Loss)	(3,535)	10,629	(12,875)	252,786	64
Operating Transfers In	10,830	-	-	-	-
Operating Transfers Out	-	-	-	(253,598)	-
Net Non-Operating Revenues (Expenses)	3,829	8,563	548	1,660	-
Net Income (Loss)	11,124	19,192	(12,327)	848	64
Capital Contributions	-	1,333	-	-	-
Property, Plant & Equipment Additions (Deletions)	-	23,589	3,216	381	21
Net Working Capital	166,853	10,493	21,006	478,475	1,004
Total Assets	169,388	298,475	108,245	609,761	1,132
Bond and Other Long-Term Liabilities	95,797	131,770	7,534	486,568	42
Total Equity	71,058	159,613	76,118	2,261	1,015

Note 20 Condensed Financial Statements – Component Units (amounts in thousands)

Balance Sheets

	Connecticut Development Authority	Connecticut Housing Finance Authority (12-31-99)	Connecticut Resources Recovery Authority	Connecticut Health & Educational Facilities Authority	Other	Total
Assets:						
Current Assets	$ 211,796	$ 3,461,156	$ 86,938	$ 16,213	$ 276,772	$ 4,052,875
Property, Plant, and Equipment	19,988	2,734	202,501	137	210	225,570
Restricted Assets	50,872	296,668	75,936	425,964	10,799	860,239
Other Assets	4,052	29,662	13,312	-	1,464	48,490
Total Assets	$ 286,708	$ 3,790,220	$ 378,687	$ 442,314	$ 289,245	$ 5,187,174
Liabilities and Equity:						
Liabilities:						
Current Liabilities	$ 11,397	$ 28,830	$ 23,946	$ 2,610	$ 15,462	$ 82,245
Revenue Bonds	106,111	3,128,399	263,760	7,105	107,690	3,613,065
Other Liabilities	-	117,018	24,992	416,414	-	558,424
Total Liabilities	117,508	3,274,247	312,698	426,129	123,152	4,253,734
Equity:						
Contributed Capital	162,840	-	1,713	-	85,569	250,122
Retained Earnings	6,360	515,973	64,276	16,185	80,524	683,318
Total Equity	169,200	515,973	65,989	16,185	166,093	933,440
Total Liabilities and Equity	$ 286,708	$ 3,790,220	$ 378,687	$ 442,314	$ 289,245	$ 5,187,174

Statements of Revenues, Expenses, and Changes in Equity

	Connecticut Development Authority	Connecticut Housing Finance Authority (12-31-99)	Connecticut Resources Recovery Authority	Connecticut Health & Educational Facilities Authority	Other	Total
Operating Revenues	$ 27,802	$ 205,679	$ 166,141	$ 3,105	$ 15,672	$ 418,399
Operating Expenses:						
Depreciation and Amortization	270	4,876	16,136	52	342	21,676
Other	30,590	212,629	128,593	2,403	20,962	395,177
Operating Income (Loss)	(3,058)	(11,826)	21,412	650	(5,632)	1,546
Nonoperating Revenues (Expenses)	6,292	22,584	(12,784)	757	59,864	76,713
Net Income (Loss) for the Year	3,234	10,758	8,628	1,407	54,232	78,259
Equity-Beginning (as restated)	165,966	439,683	57,361	14,778	104,648	782,436
Equity transfer	-	65,532	-	-	-	65,532
Capital Contributions	-	-	-	-	7,213	7,213
Equity-Ending	$ 169,200	$ 515,973	$ 65,989	$ 16,185	$ 166,093	$ 933,440

Note 21 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 22 Commitments and Contingencies

A. Commitments

At June 30, 2000, the State, including its component units, had the following outstanding commitments:

1) Infrastructure (highways, roads, etc.) and other construction contracts and miscellaneous contracts with various vendors totaling approximately $1,533.8 million of which $870.3 million is expected to be reimbursed by federal grants or other payments.

2) School construction and alteration grants with various towns for $2,541.4 million and interest costs of $294.1 million for a total of $2,835.5 million. Funding for these projects is expected to come from bond sales.

3) Loan commitments, mortgage and grant programs, and loan guarantees total approximately $502.2 million. Funding for these programs is expected to come from bond sales.

B. Contingent Liabilities

The State has 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.

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 23 Subsequent Events

In July $125 million of special tax obligation bonds were issued, maturing at various dates through 2014 with interest rates from 4.375 percent to 5.625 percent.

In September, $100 million of second lien special tax obligation bonds were issued, maturing at various dates through 2020 with an interest rate of 6%.

In October, $124.1 million of special assessment second injury fund revenue bonds were issued, maturing at various dates through 2015 and having interest rates of 4.5 percent to 5.25 percent. These bonds replaced BANs that were outstanding as of June 30, 2000.

In December, $400 million of general obligation bonds were issued, maturing at various dates through 2016 and having interest rates of 4.2 percent to 5.5 percent. Additionally, $80 million of taxable general obligation bonds were issued. These bonds mature on various dates through 2004 and bear interest rates of 6.45 percent to 6.5 percent.

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Required PERS Supplementary Information

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						
6/30/95	$4,209.2	$7,838.2	$3,629.0	53.7%	$2,325.8	156.0%
6/30/96	$4,604.2	$8,138.6	$3,534.4	56.6%	$2,385.5	148.2%
6/30/97	$5,131.0	$8,833.2	$3,702.2	58.1%	$2,225.2	166.4%
6/30/98	$5,669.9	$9,592.4	$3,922.5	59.1%	$2,339.0	167.7%
6/30/99 *	-	-	-	-	-	-
6/30/00	$7,196.0	$11,512.1	$4,316.1	62.5%	$2,651.9	162.8%
*No actuarial valuation was performed as of June 30, 1999						
TRS						
6/30/94	$5,602.1	$8,222.6	$2,620.5	68.1%	$2,030.4	129.1%
6/30/95 *	-	-	-	-	-	-
6/30/96	$6,648.2	$9,626.8	$2,978.6	69.1%	$2,151.6	138.4%
6/30/97 *	-	-	-	-	-	-
6/30/98	$7,721.1	$10,970.1	$3,249.0	70.4%	$2,298.9	141.3%
6/30/99 *	-	-	-	-	-	-
*No actuarial valuations were performed as of June 30, 1995, 1997 and 1999						
JRS						
9/30/95	$70.5	$154.7	$84.2	45.6%	$19.2	438.5%
9/30/96	$77.8	$161.5	$83.7	48.2%	$19.5	429.2%
9/30/97	$87.8	$167.5	$79.7	52.4%	$20.2	394.6%
6/30/98	$98.1	$168.1	$70.0	58.4%	$21.2	330.2%
6/30/99	$110.7	$172.5	$61.8	64.2%	$21.9	282.2%
6/30/00	$123.4	$181.7	$58.3	67.9%	$24.1	241.9%
MERS						
6/30/94	$653.0	$635.0	$(18.0)	102.8%	$226.0	(8.0)%
6/30/95	$711.0	$661.0	$(50.0)	107.6%	$237.0	(21.1)%
6/30/96	$782.0	$692.2	$(89.8)	113.0%	$242.8	(37.0)%
6/30/97	$872.0	$731.1	$(140.9)	119.3%	$246.0	(57.3)%
6/30/98	$980.4	$814.1	$(166.3)	120.4%	$258.2	(64.4)%
6/30/99	$1,100.7	$860.1	$(240.6)	128.0%	$269.4	(89.3)%

PJRS

For the Probate Judges Retirement System because the UAAL is zero, the actuarial cost method becomes the"aggregate cost method and a schedule of funding progress is not required.

Required Supplementary Information
Schedules of Employer Contributions

(Expressed in Millions)

	SERS		TRS		JRS		MERS		PJRS	
Fiscal Year	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
1995	$535.3	54.3%	$154.0	86.0%	$9.0	100.0%	$22.2	100.0%	$-	-
1996	$501.1	66.9%	$164.7	85.0%	$9.2	100.0%	$23.2	100.0%	$0.35	100.0%
1997	$542.8	64.3%	$174.0	85.0%	$9.3	100.0%	$21.3	100.0%	$0.32	100.0%
1998	$567.6	59.0%	$211.0	85.0%	$9.3	100.0%	$18.8	100.0%	$0.20	100.0%
1999	$315.6	100.0%	$221.6	85.0%	$9.3	100.0%	$18.1	100.0%	$0.02	100.0%
2000	$342.8	100.0%	$240.5	85.0%	$9.3	100.0%	$32.0	100.0%	$-	-

Note: During 1995 and 2000 the only contributions to the Probate Judges Retirement System were the required member contributions.

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

	SERS	TRS	JRS	MERS	PJRS
Valuation date	6/30/00	6/30/98	6/30/00	6/30/99	12/31/99
Actuarial cost method	Projected unit credit	Entry age	Projected unit credit	Entry age	Entry Age
Amortization method	Level percent of pay	Level percent of pay	Level percent of pay	Flexible amortization	-
Remaining amortization period	33 Years	15-34 Years	31 Years	15-23 Years	-
Asset valuation method	5 year smoothed market	4 year smoothed market	5 year smoothed market	Adjusted market	Adjusted Market
Actuarial assumptions:					
Investment rate of return	8.5%	8.5%	8.5%	8.5%	8.5%
Projected salary increases	4.25-15.0%	5.0%	5.5%	7.0-7.5%	7.50%
Includes inflation at	5%	5%	5.5%	4.5%	3.5%
Cost-of-living adjustments	2.75-3.75%	3-5%	3.0-5.5%	3.0%	3%

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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

January 23, 2001

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, 1996-2000. 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 the reports of the Auditors of Public Accounts with respect to the balance sheets and related statements for the fiscal years ending June 30, 1996–2000.

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 for all periods shown.

Sincerely,

Nancy Wyman

Nancy Wyman
State Comptroller

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

KEVIN P. JOHNSTON

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

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, 1996, 1997, 1998, 1999 and 2000, 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 generally accepted auditing standards. 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 prescribed basis of accounting that demonstrates compliance with the modified cash basis and budget laws of the State of Connecticut, which is a comprehensive basis of accounting other than generally accepted accounting principles.

The financial statements referred to above present only the General Fund and are not intended to present fairly the financial position and results of operations of the State of Connecticut in conformity with generally accepted accounting principles.

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund as of June 30, 1996, 1997, 1998, 1999 and 2000, and the results of its operations for the years then ended, on 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

December 29, 2000
State Capitol
Hartford, Connecticut

GENERAL FUND[a]

Balance Sheet
As of June 30
(In Thousands)

	1996	1997	1998	1999	2000
Assets					
Cash and Short-Term Investments	$ -	$ -	$ 106,204	$ 263,256	$ 150,871
Accrued Taxes Receivable	702,461	632,854	641,845	664,504	667,036
Accrued Accounts Receivable	12,385	19,949	22,828	24,378	26,285
Federal and Other Grants Receivable and Unexpended	392,249	464,061	568,067	704,982	656,289
Investments			44,250	54,867	47,705
Due from Other Funds	7,946	4,532	5,070	4,753	4,692
Total Assets	$ 1,115,041	$ 1,121,396	$ 1,388,264	$ 1,716,740	$ 1,552,878
Liabilities, Reserves and Surplus					
Liabilities					
Deficiency in Cash and Short-Term Investments	$ 345,220	$ 144,554	$ -	$ -	$ -
Deferred Federal and Other Grant Revenue	81,335	91,596	189,738	319,484	266,260
Due to Other Funds	9,288	15,232	8,486	13,643	13,707
Total Liabilities	$ 435,843	$ 251,382	$ 198,224	$ 333,127	$ 279,967
Reserves					
Petty Cash Funds	$ 997	$ 995	$ 1,052	$ 1,088	$ 1,092
Statutory Surplus Reserves	249,967	262,639	312,911	71,759	300,435
Appropriations Continued to Following Year	428,234	606,380	876,077	1,310,766	971,384
Total Reserves	$ 679,198	$ 870,014	$ 1,190,040	$ 1,383,613	$ 1,272,911
Unappropriated Surplus (Deficit)	0	0	0	0	0
Total Liabilities, Reserves and Surplus	$ 1,115,041	$ 1,121,396	$ 1,388,264	$ 1,716,740	$ 1,552,878

(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. Public Act No. 99-173 revised the accrual date for corporation business taxes to July 31st. Those taxes for which July collections are accrued include sales and use tax, personal income tax, corporation business tax, gross earnings taxes on utility and petroleum companies, hospital gross receipts tax, taxes on alcoholic beverages, cigarettes, gasoline and special motor fuels. Additionally, Indian gaming payments received through July 31 are accrued.

GENERAL FUND

Statement of Revenues, Expenditures and Changes in Unappropriated Surplus
Fiscal Year Ended June 30
(In Thousands)

	1996	1997	1998	1999	2000
Unappropriated Surplus (Deficit), July 1	$ - 0 -	$ - 0 -	$ - 0 -	$ - 0 -	$ - 0 -
Total Revenues (per Appendix III-D-8)	9,911,085	10,262,342	10,922,192	11,360,260	12,151,287
Total Expenditures (per Appendix III-D-9)	9,646,098	9,880,241	10,429,797	10,994,680	12,138,545
Operating Balance	264,987	382,101	492,395	365,580	12,742
Reserved for Prior Year Appropriations					
Less Appropriations Carried Forward	(15,474)	(110,974)	(180,520)	(294,077)	289,764
Transferred In (Out) or Reserved for:					
Budget Reserve Fund	(160,467)	(95,939)	(161,694)	(30,474)	(34,960)
Economic Recovery Note Debt Retirement Fund	(89,500)	(166,700)			
Reserve for Debt Retirement/Avoidance			(151,217)	(41,285)	(265,474)
Other Adjustments	454	(8,488)	1,036	256	(2,072)
Unappropriated Surplus (Deficit), June 30	$ -0-	$ - 0 -	$ - 0 -	$ -0-	$ - 0 -

GENERAL FUND

Statement of Revenues
Fiscal Year Ended June 30
(In Thousands)

	1996	1997	1998	1999	2000
Taxes:					
Personal Income	$ 2,879,379	$ 3,110,868	$ 3,596,224	$ 3,820,837	$ 4,238,228
Sales and Use	2,460,133	2,611,456	2,772,109	2,932,191	3,096,780
Corporations	748,064	677,883	663,672	619,539	587,756
Insurance Companies	167,912	193,072	192,756	196,195	201,225
Inheritance and Estate	247,426	227,984	279,236	237,573	228,072
Alcoholic Beverages	40,400	39,671	39,772	40,281	40,965
Cigarettes	126,384	126,576	127,174	123,345	122,045
Admissions, Dues, Cabaret	23,334	25,887	24,955	26,942	26,716
Oil Companies	69,177	80,362	61,858	22,170	54,285
Public Service Corporations	191,967	179,365	170,418	167,704	166,263
Real Estate Conveyance	65,109	75,082	93,596	106,813	114,565
Hospital Gross Receipts	213,961	173,738	140,930	128,079	69,180
Miscellaneous	27,629	28,509	28,044	40,635	40,227
Refunds of Taxes	(410,500)	(490,548)	(580,830)	(645,000)	(713,359)
Transfer to Economic Recovery Fund	(92,190)	-	-	-	-
Other Revenue:					
Licenses, Permits, Fees	112,037	124,833	123,156	122,062	127,544
Sales of Commodities and Services	39,229	39,053	29,491	30,110	32,941
Transfer - Special Revenue	270,361	258,682	267,323	280,529	259,785
Investment Income	24,716	39,623	54,716	60,856	53,371
Transfers — To Other Funds	(85,000)	(85,000)	(180,000)	(90,000)	(180,000)
Fines, Escheats and Rents	33,829	33,130	37,097	55,763	45,659
Miscellaneous	122,716	112,736	118,373	112,962	125,498
Federal Grants	1,684,030	1,795,514	1,824,595	1,938,271	2,078,914
Indian Gaming Payments	148,703	203,601	257,576	288,532	318,986
Statutory Transfers From Other Funds	2,329	-	-	-	78,000
Total Unrestricted Revenue	9,111,135	9,582,077	10,142,241	10,616,389	11,213,646
Restricted Federal and Other Grants	799,950	680,265	779,951	743,871	937,641
Total Revenues[(a)]	$ 9,911,085	$ 10,262,342	$ 10,922,192	$ 11,360,260	$ 12,151,287

(a) See Operating Balance on **Appendix III-D-7** for surplus or deficit for each fiscal year.

GENERAL FUND

Statement of Expenditures
Fiscal Year Ended June 30
(In Thousands)

	1996	1997	1998	1999	2000
Legislative	$ 37,759	$ 40,058	$ 41,793	$ 50,978	$ 54,541
General Government					
Executive	16,667	7,234	8,022	8,731	9,929
Financial Administration	329,306	312,198	347,559	532,374	495,118
Legal	41,710	44,869	48,699	53,742	61,263
Total General Government	387,683	364,301	404,280	594,847	566,310
Regulation and Protection of Persons and Property					
Public Safety	51,362	56,270	57,327	107,942	129,216
Regulative	30,906	32,138	32,880	61,764	77,785
Total Regulation and Protection	82,268	88,408	90,207	169,706	207,001
Conservation and Development					
Agriculture	7,263	7,549	8,058	8,885	10,026
Environment	35,264	37,072	35,798	39,138	45,621
Historical Sites, Commerce and Industry	7,411	17,039	18,299	22,737	22,508
Total Conservation and Development	49,938	61,660	62,155	70,760	78,155
Health and Hospitals					
Public Health	59,823	63,080	63,170	70,334	79,445
Mental Retardation	467,239	514,368	540,359	579,290	627,435
Mental Health	183,453	184,899	214,248	255,905	298,353
Total Health and Hospitals	710,515	762,347	817,777	905,529	1,005,233
Human Services	3,234,159	3,277,044	3,371,318	3,231,095	3,430,561
Education, Libraries and Museums					
Department of Education	1,492,815	1,507,614	1,557,271	1,683,536	1,825,305
Education of the Blind and Deaf	16,764	14,276	13,133	14,618	16,052
University of Connecticut	196,125	207,279	232,876	234,464	260,972
Higher Education and the Arts	24,367	24,719	30,860	39,385	55,326
Libraries	10,946	11,645	12,126	13,729	14,326
Teachers Retirement	144,208	152,781	184,714	201,105	215,396
Community--Technical Colleges	89,619	94,296	95,604	105,064	115,432
State University	100,861	109,620	113,853	119,578	134,709
Total Education, Libraries and Museums	2,075,705	2,122,230	2,240,437	2,411,479	2,637,518
Corrections	693,414	757,341	762,917	845,239	957,555
Judicial	198,594	217,086	232,340	266,043	309,319
Non-Functional					
Debt Service	645,660	726,065	790,164	848,391	926,365
Miscellaneous	730,453	783,436	836,458	856,742	1,028,346
Total Non-Functional	1,376,113	1,509,501	1,626,622	1,705,133	1,954,711
Totals	8,846,148	9,199,976	9,649,846	10,250,809	11,200,904
Restricted Federal and Other Grants	799,950	680,265	779,951	743,871	937,641
Total Expenditures[(a)]	$ 9,646,098	$ 9,880,241	$ 10,429,797	$ 10,994,680	$ 12,138,545

(a) See Operating Balance on **Appendix III-D-7** for surplus or deficit for each fiscal year.

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GENERAL FUND REVENUES AND EXPENDITURES
ADOPTED BUDGET FOR 1999-00 AND ACTUAL BUDGET FOR 1999-00
MIDTERM ADJUSTED BUDGET AND ESTIMATED BUDGET FOR 2000-01
(In Millions)

	Adopted Budget 1999-00[a]	Actual Budget 1999-00[j]	Adopted Midterm Budget Adjustments 2000-01[l]	Estimated Budget 2000-01[o]
Revenues				
Taxes				
Personal Income Tax	$3,974.6[g]	$4,238.2	$4,218.0[g]	$4,560.0
Sales & Use	3,028.6	3,096.8	3,116.7	3,186.0
Corporation [b]	573.3	587.8	512.9	568.1
Hospital Gross Receipts [c]	79.6	69.2	0.0[l]	0.0[l]
Public Service	170.3	166.3	173.0	165.3
Inheritance & Estate	197.7	228.1	241.4	235.0
Insurance Companies	199.2	201.2	198.4	205.7
Cigarettes	121.9	122.0	116.2	105.0
Real Estate Conveyance	100.2	114.5	112.2	120.4
Oil Companies [d]	18.0	54.3	39.2	44.8
Alcoholic Beverages	40.0	41.0	40.0	41.4
Admissions, Dues, Cabaret	24.6	26.7	24.0	24.9
Miscellaneous	39.3	40.2	42.7	40.1
Total Taxes	$ 8,567.3	$ 8,986.3	$ 8,834.7	$9,236.7
Less Refunds	(741.5)	(713.4)	(729.8)	(793.1)
Net Taxes	$ 7,825.8	$ 8,272.9	$ 8,104.9	$8,503.6
Other Revenues				
Transfers- Special Revenues	250.0	259.8	265.2	265.0
Indian Gaming Payments	306.7	319.0	336.0	335.0
Licenses, Permits, Fees	124.0	127.5	121.8	124.0
Sales of Commodities & Services	32.0	32.9	32.0	32.3
Rents, Fines & Escheats	35.0	45.7	41.1	43.3
Investment Income	70.0	53.4	68.0	62.8
Miscellaneous	115.0	125.5	133.6	129.7
Total Other Revenue	$ 932.7	$ 963.8	$ 997.7	$ 992.1
Other Sources				
Federal Grants	1,989.5	2,078.9	2,122.3	2,252.0
Transfers from Tobacco Settlement Funds	78.0[h]	78.0	138.8[h]	138.8
Transfers to Other Funds [e]	(180.0)[i]	(180.0)[i]	(82.4)	(82.4)
Total Other Sources	$ 1,887.5	$ 1,976.9	$ 2,178.7	$ 2,308.4
Total Unrestricted Revenues	$10,646.0	$11,213.6	$11,281.3	$11,804.1
Restricted Federal & Other Grants [k]	750.0	937.6	750.0	837.5
Total Revenue	$11,396.0	$12,151.2	$12,031.3	$12,641.6
Appropriations/Expenditures				
Legislative	$53.9	$55.1	$59.0	$55.8
General Government	427.4	479.9	456.5	452.3
Regulation & Protection	196.0	197.1	213.7	211.5
Conservation & Development	75.0	87.3	78.5	77.8
Health & Hospitals	983.7	972.4	1,096.4[m]	1,108.1[m]
Transportation	0.0	0.0	35.0[n]	35.0[n]
Human Services	3,324.5	3,367.0	3,423.6	3,476.5

	Adopted Budget 1999-00[(a)]	Actual Budget 1999-00[(j)]	Adopted Midterm Budget Adjustments 2000-01[(l)]	Estimated Budget 2000-01[(o)]
Education, Libraries & Museums	2,535.4	2,614.2	2,651.7	2,642.2
Corrections	942.1	946.2	1,006.8	1,014.5
Judicial	297.7	299.5	324.1	322.6
Non- Functional				
Debt Service	942.5	925.0	1,015.1	1,015.1
Miscellaneous	964.0	967.4	1,040.4	1,039.7
Subtotal	$10,742.2	$10,911.1	$11,400.8	$11,451.1
Unallocated Lapse	(160.6)	0.0	(120.0)	(40.2)
Net Appropriations/Expenditures	$10,581.6	$10,911.1	$11,280.8	$11,410.9
Surplus (or Deficit) from Operations	$ 64.4	$ 302.5	$ 0.5	$ 393.2
Miscellaneous Adjustments	0.0	(2.1)	0.0	(3.7)
Balance[(f)]	$ 64.4	$ 300.4	$ 0.5	$ 389.5

NOTE: Columns may not add due to rounding.

(a) Per Special Act No. 99-10, the adopted biennial budget.

(b) Per Public Act No. 95-160, reflects the acceleration and further reduction in the corporate income tax rate to an eventual 7.5% by January 1, 2000.

(c) Per Public Act No. 00-170 eliminates the Hospital Gross Receipts tax on April 1, 2000.

(d) Per Public Act No. 00-170, reflects the transfer of revenue earmarked for the Special Transportation Fund.

(e) Transfer to Mashantucket Pequot and Mohegan Fund for grants to towns.

(f) Per Section 4-30a of the Connecticut General Statutes, any unappropriated surplus, up to five percent of General Fund expenditures, shall be deposited into the Budget Reserve Fund. In accordance with the provisions of Article XXVIII of the Amendments to the Connecticut State Constitution and Section 72 of Special Act 00-13, after the transfer of $34.9 million of the 1999-00 surplus to the Budget Reserve Fund, the remainder of roughly $265.5 million will be used for IT wiring and debt avoidance for school construction.

(g) Per Public Act No. 99-173, increases the maximum property tax credit against the Personal Income Tax to an eventual $500, effective January 1, 2000.

(h) Per Special Act No. 99-10, includes funds from the Master Tobacco Settlement Agreement.

(i) Per Public Act No. 99-10, increases the Mashantucket Pequot and Mohegan Fund transfer in the first year of the biennium by $90 million.

(j) Per the Comptroller's annual report for fiscal year 1999-00. The line item expenditures exclude expenditures of appropriations carried over from the prior fiscal year and include expenditures of appropriations carried over to the next fiscal year, as determined by the Office of Policy and Management.

(k) The figure reflected for Restricted Federal & Other Grants reflects realized revenues for the 1999-00 fiscal year and through September 30, 2000 for the 2000-01 fiscal year. Additional revenues may be received for the 2000-01 fiscal year. Expenditures of these grants are not included; the amount of such expenditures is generally the same as the amount of grants received.

(l) Per Special Act No. 00-13 and Public Act No. 00-170, the adopted Midterm Budget Adjustments.

(m) Includes the HUSKY adult expansion, expanding home care eligibility, and establishing a work incentive program for the disabled.

(n) Per Section 1 of Special Act No. 00-13, transfers the Town Aid Road Grant from Special Transportation Fund.

(o) Per the Comptroller's monthly report for the period ending September 30, 2000.

NOTE: The information in **Appendix III-E** contains only projections and no assurances can be given that subsequent projections will not indicate 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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