REOFFERING CIRCULAR DATED JUNE 6, 2018

NOT A NEW ISSUE

RATINGS:
Moody's: A1
S&P: A
(See **RATINGS** herein)

$300,000,000
State of Connecticut
General Obligation Bonds
(2017 Series C)

Date of Initial Issuance: June 28, 2017

Due: As shown on inside front cover

On June 28, 2017, the State of Connecticut (the "State") issued its $300,000,000 General Obligation Bonds (2017 Series C) (the " Bonds"). The full faith and credit of the State is pledged for the payment of the principal of and interest on the Bonds as the same become due. See **THE BONDS - Nature of Connecticut's General Obligation** herein.

The Bonds bear interest from their Date of Initial Issuance payable on each Interest Payment Date until maturity, or earlier redemption, at the Weekly Rate, Flexible Rate, Adjusted SIFMA Rate or Fixed Rate. The initial interest rate is the Adjusted SIFMA Rate. The determination of the Weekly Rate, the Flexible Rate, the Adjusted SIFMA Rate or Fixed Rate or Rates, the provisions for converting the Bonds from and to the Weekly Mode, the Flexible Rate Mode, another Adjusted SIFMA Rate Mode or the Fixed Rate Mode, the provisions for optional and mandatory redemption, for mandatory tender of the Bonds for purchase and the definitions and other terms and provisions of the Bonds are as provided in **Appendix I-C** attached hereto.

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

The initial purchase of the Bonds was not subject to the terms of the Securities and Exchange Commission's Rule 15c2-12 ("Rule 15c2-12") and no official statement or preliminary official statement was prepared in connection with the issuance and initial sale of the Bonds. This Reoffering Circular is prepared pursuant to the terms of the initial bond purchase contract with respect to the Bonds in connection with a resale of the Bonds by the initial purchaser and is not prepared in connection with any remarketing of the Bonds.

Reference is hereby made to **Appendix I-C "Certain Provisions of the Bonds"** and **Appendix I-D "Continuing Covenant Agreement"** for a description of the Bonds and of the rights and obligations of the State, the Purchaser and the Bondholders. Capitalized terms used but not defined herein shall have the meanings ascribed to them in **Appendix I-C** or **Appendix I-D**, as the case may be.

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

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

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

Honorable Denise L. Nappier
Treasurer of the State of Connecticut

Barclays

Dated: June 6, 2018

State of Connecticut
$300,000,000General Obligation Bonds (2017 Series C)

Dated: June 28, 2017 **Due: June 1, 2037** **Interest Rate: SIFMA Rate plus 1.05%*** **Price: 100%** **CUSIP[1]: 20772J7W6**

(plus accrued interest, if any)

*This Interest Rate is in effect as of the date of this Reoffering Circular but is subject to change as described herein. See **Appendix I-C "Certain Provisions of the Bonds"** hereto.

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

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

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SUMMARY

This Summary does not constitute a part of the Reoffering Circular for the issuance by the State of Connecticut of its $300,000,000 State of Connecticut General Obligation Bonds (2017 Series C) (the "Bonds") This Summary is for informational purposes only and is subject in all respects to a more complete discussion contained in the Reoffering Circular.

Security	The Bonds are general obligation bonds of the State of Connecticut (the "State"), and the full faith and credit of the State is pledged for the payment of the principal of and interest on the Bonds as the same become due.
Federal Tax Exemption of the Bonds	In the opinion of Bond Counsel and Tax Counsel, rendered on, and speaking only as of, June 28 2017 (the "Date of Initial Issuance") and in reliance upon and assuming the accuracy of and continuing compliance by the State with its representations and covenants relating to certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), under existing law on the Date of Initial Issuance, interest on the Bonds was excluded from gross income for federal income tax purposes and was not an item of tax preference for purposes of the federal alternative minimum tax; however, with respect to certain corporations (as defined for federal income tax purposes) subject to the federal alternative minimum tax, such interest was taken into account in computing the federal alternative minimum tax, as described under **TAX EXEMPTION OF THE BONDS** herein.
State of Connecticut Tax Exemption of the Bonds	In the opinion of Bond Counsel and Tax Counsel, rendered on, and speaking only as of the Date of Initial Issuance, under existing statutes on the Date of Initial Issuance, interest on the Bonds was excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and was excluded from amounts on which the net Connecticut minimum tax was based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. See **TAX EXEMPTION OF THE BONDS** herein.
Interest and Principal Payment Dates	The Bonds bear interest from their dated date payable on each Interest Payment Date until maturity, or earlier redemption, at the Weekly Rate, Flexible Rate, Adjusted SIFMA Rate or Fixed Rate. The initial interest rate is the Adjusted SIFMA Rate as stated in the Bonds. The determination of the Weekly Rate, the Flexible Rate, the Adjusted SIFMA Rate or Fixed Rate or Rates and the provisions for converting the Bonds from and to the Weekly Mode, the Flexible Rate Mode, another Adjusted SIFMA Rate Mode or the Fixed Rate Mode shall be as provided in **Appendix I-C** hereto.
Denominations	The Bonds are issued in registered book-entry-only form, without coupons, in denominations of $100,000 or any integral multiple of $5,000 in excess thereof.
Redemption and Tender	The Bonds are subject to optional, mandatory sinking fund and extraordinary mandatory redemption and mandatory tender for purchase, as provided in **Appendix I-C** hereto. The redemption price (expressed as percentages of the principal amounts of Bonds to be redeemed) is 100% of the principal amount of the Bonds to be redeemed plus interest accrued and unpaid to the redemption date. The Bonds are subject to mandatory for tender for purchase on (i) June 1, 2024, (ii) on a Conversion Date or (iii) on any date at the option of the State if on such date, the Applicable Spread is at Level 4, Level 5 or Level 6, as described in **Appendix I-C** hereto. Bonds may not be tendered for purchase at the option of Bondholders.
Paying Agent	U.S. Bank National Association, 225 Asylum Street, Hartford, Connecticut 06103, is the State's Paying Agent.
Legal Counsel	At the Date of Initial Issuance, Day Pitney LLP of Hartford, Connecticut acted as Lead Bond Counsel; Hawkins Delafield & Wood LLP of Hartford, Connecticut; Pullman & Comley, LLC of Bridgeport, Connecticut; Robinson & Cole LLP of Hartford, Connecticut; Shipman & Goodwin LLP of Hartford, Connecticut; and Squire Patton Boggs (US) LLP of New York, New York acted as Bond Counsel with respect to certain series of the Bonds. Day Pitney LLP is Lead Disclosure Counsel and Soeder & Associates, LLC of Hartford, Connecticut, acted as Co-Disclosure Counsel. Robinson & Cole LLP acted as Lead Tax Counsel and Soeder & Associates, LLC acted as Co-Tax Counsel.
Additional Information	Additional information may be obtained upon request to the Office of the State Treasurer, Denise L. Nappier, Attn: Christopher P. Martin, Assistant Treasurer for Debt Management, 55 Elm Street, Hartford, Connecticut 06106, (860) 702-3288.

REOFFERING CIRCULAR
$300,000,000
STATE OF CONNECTICUT
GENERAL OBLIGATION BONDS (2017 SERIES C)

INTRODUCTION

This Reoffering Circular, including the cover page and inside front cover page, this Introduction, Part I and Part II and the Appendices thereto, of the State of Connecticut (the "State") is provided for the purpose of presenting certain information relating to the State in connection with its $300,000,000 General Obligation Bonds (2017 Series C) (the "Bonds").

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

PART I
INFORMATION CONCERNING THE BONDS

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PART I

INFORMATION CONCERNING THE BONDS
$300,000,000
STATE OF CONNECTICUT
GENERAL OBLIGATION BONDS (2018 Series C)

THE BONDS

Description of the Bonds

On June 28, 2017, the State of Connecticut (the "State") issued $300,000,000 General Obligation Bonds (2017 Series C) (the "Bonds") comprised of the following issues:

$ 32,880,000	General Obligation Bonds (2017 Series C-1)
$ 98,675,000	General Obligation Bonds (2017 Series C-2)
$ 36,920,000	General Obligation Bonds (2017 Series C-3)
$ 101,225,000	General Obligation Bonds (2017 Series C-4)
$ 30,300,000	General Obligation Bonds (2017 Series C-5)

The Bonds are dated June 28, 2017 (the "Date of Initial Issuance"), and bear interest from such date payable on each Interest Payment Date until maturity, or earlier redemption, at the Weekly Rate, Flexible Rate, Adjusted SIFMA Rate or Fixed Rate. The initial interest rate is the Adjusted SIFMA Rate. See **Appendix I-C "Certain Provisions of the Bonds"** and **Appendix I-D "Continuing Covenant Agreement"** hereto for a description of the Bonds and of the rights and obligations of the State, the Purchaser (as defined herein) and the Bondholders.

Capitalized terms used but not defined herein shall have the meanings ascribed to them in **Appendix I-C** or **Appendix I-D**, as the case may be.

The Bonds are issuable only as fully registered bonds, without interest coupons, in denominations of $100,000 or any integral multiple of $5,000 in excess thereof.

The Bonds will mature on the dates and in the years and in the principal amounts set forth on the inside front cover page of this Reoffering Circular.

The Bonds are general obligation bonds of the State and the full faith and credit of the State is pledged for the payment of the principal of and interest on the Bonds as the same become due. The Bonds were issued pursuant to the State general obligation bond procedure act (Section 3-20 of the General Statutes of Connecticut, as amended). The Bonds were issued pursuant to resolutions adopted by the State Bond Commission, and other proceedings related thereto, including a Certificate of Determination of the Treasurer of the State dated as of June 28, 2017. See **THE BONDS - Nature of Connecticut's General Obligation** herein.

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

The Bonds are being issued for various projects and purposes and are authorized by the bond acts listed in **Appendix I-A herein**.

Redemption and Tender Provisions

The Bonds are subject to optional, mandatory sinking fund and extraordinary mandatory redemption, as provided in **Appendix I-C** hereto. The redemption price (expressed as percentages of the principal amounts of Bonds to be redeemed) will be 100% of the principal amount of the Bonds to be redeemed plus interest accrued and unpaid to the redemption date.

The Bonds are subject to mandatory for tender for purchase (i) on June 1, 2024, (ii) on a Conversion Date or (iii) on any date at the option of the State if on such date, the Applicable Spread is at Level 4, Level 5 or Level 6, as described in **Appendix I-C** hereto. The Bonds may not be tendered for purchase at the option of Bondholders.

See **Appendix I-C** for a description of redemption and tender procedures and notices.

Nature of Connecticut's General Obligation

Each Bond constitutes a contract between the State and the owner thereof.

The State general obligation bond procedure act, pursuant to which the Bonds are issued, provides that the Bonds shall be general obligations of the State and that the full faith and credit of the State are pledged for the payment of the principal of and interest on said Bonds as the same become due. Such act further provides that, as part of the contract of the State with the owners of said Bonds, appropriation of all amounts necessary for the punctual payment of such principal and interest is made, and the Treasurer shall pay such principal and interest as the same become due.

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

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

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

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

Book-Entry-Only System

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC

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

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

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

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

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

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

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

to time. Payment of principal and interest, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

LEGALITY FOR INVESTMENT

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

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

RATINGS

Moody's Investors Service ("Moody's") and S&P Global Ratings ("S&P") have assigned their municipal bond ratings of A1 and A, respectively, to the Bonds. Moody's and S&P have each assigned a "stable" credit outlook on the State's general obligation debt. Each such rating and credit outlook reflects only the views of the respective rating agency, and an explanation of the significance of such rating and credit outlook may be obtained from such rating agency. There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by such rating agency if in the judgment of such rating agency circumstances so warrant. A downward revision or withdrawal of any such rating may have an adverse effect on the market prices of the Bonds.

TAX EXEMPTION OF THE BONDS

Opinion of Bond Counsel and Tax Counsel - Federal Tax Exemption

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

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

Bonds, the State covenanted to comply with certain provisions of the Code and made certain representations designed to assure compliance with such requirements of the Code.

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

No other opinion was expressed by Bond Counsel or Tax Counsel regarding the federal tax consequences of the ownership of, or the receipt or accrual of interest on, the Bonds. No independent investigation has been done by Bond Counsel or Tax Counsel to determine the subsequent compliance by the State with the Tax Compliance Agreement and the Tax Certificate.

Other Federal Tax Matters

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

State Taxes

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

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

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

General

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

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

with respect to the impact of future legislation on the Bonds. Prospective purchasers of the Bonds should consult their own tax and financial advisors regarding such matters.

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

CONTINUING COVENANT AGREEMENT

The State and the Purchaser entered into a Continuing Covenant Agreement dated June 28, 2017 in connection with the Bonds, a copy of which is attached hereto as **Appendix I-D.**

DOCUMENTS ACCOMPANYING THE REOFFERING CIRCULAR

State Treasurer's Certificate

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

Approving Opinions of Bond Counsel and Opinions of Disclosure Counsel

The State Treasurer, with the approval of the Attorney General of the State of Connecticut, appointed the following firms to serve as Bond Counsel with respect to the Bonds, and delivery of the Bonds was subject to the approving opinions of Bond Counsel rendered on, and speaking only as of, the Date of Initial Issuance, as follows:

(a) Hawkins Delafield & Wood LLP with respect to the $32,880,000 General Obligation Bonds (2017 Series C-1);

(b) Pullman & Comley, LLC with respect to the $98,675,000 General Obligation Bonds (2017 Series C-2)

(c) Robinson & Cole LLP with respect to the $36,920,000 General Obligation Bonds (2017 Series C-3);

(d) Shipman & Goodwin LLP with respect to the $101,225,000 General Obligation Bonds (2017 Series C-4); and

(e) Squire Patton Boggs (US) LLP with respect to the $30,300,000 General Obligation Bonds (2017 Series C-5).

The opinion of each Bond Counsel rendered on, and speaking only as of, the Date of Initial Issuance, with respect to the series of the Bonds indicated above is in the form included as **Appendix I-B** to this Reoffering Circular. Certain Bond Counsel have served as underwriters' counsel in connection with other State bond issues.

In connection with this Reoffering Circular, certain legal matters will be passed upon for the State by its Disclosure Counsel, Day Pitney LLP of Hartford, Connecticut. In addition, the firm of Soeder & Associates, LLC of Hartford, Connecticut, serves as Co-Disclosure Counsel.

Each opinion is given on, and speaks only as of, its date, and counsel has assumed no obligation to revise or supplement any opinion to reflect any facts or circumstances that may hereafter or thereafter come its attention or any changes in law that may hereafter or thereafter occur.

MUNICIPAL ADVISOR

Acacia Financial Group, Inc. and PFM Financial Advisors LLC, served as co-municipal advisors to assist the State in the issuance of the Bonds.

PURCHASER

Barclays Capital Inc. was the initial purchaser of the Bonds.

ADDITIONAL INFORMATION

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

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

STATE OF CONNECTICUT

Dated at Hartford, Connecticut
this 6th day of June, 2018

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

TABLE OF STATUTORY AUTHORIZATIONS

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

A. $ 32,880,000.00 General Obligation Bonds (2017 Series C-1)

1. $ 343,500.00 General State Purposes Bonds (2005 Special Session Act, Sections 31 through 38, Series N) authorized by Sections 31 through 38 of Special Act No. 05-1 of the General Assembly of the State of Connecticut, June 2005 Special Session, as amended.

2. $ 3,425,000.00 General State Purposes Bonds (2011 Act, Sections 31 through 38, Series K) authorized by Sections 31 through 38 of Public Act No. 11-57 of the General Assembly of the State of Connecticut, January 2011 Session, as amended.

3. $ 3,225,818.00 General State Purposes Bonds (2011 Act, Section 75, Series D) authorized by Section 75 of Public Act No. 11-57 of the General Assembly of the State of Connecticut, January 2011 Session, as amended.

4. $ 2,000,000.00 General State Purposes Bonds (2013 Act, Sections 13(a) through 13(d)(1), 13(e) through 13(g) and 13(i), Series F) authorized by Sections 12 through 19 and more particularly subsections 13(a) through 13(d)(1), 13(e) through 13(g) and 13(i) of Public Act No. 13-239 of the General Assembly of the State of Connecticut, January 2013 Session, as amended.

5. $ 15,289,413.75 General State Purposes Bonds (2013 Act, Sections 32(a) through 32(d)(1), 32(e) through 32(f) and 32(h), Series E) authorized by Sections 31 through 38 and more particularly subsections 32(a) through 32(d)(1), 32(e) through 32(f) and 32(h) of Public Act No. 13-239 of the General Assembly of the State of Connecticut, January 2013 Session, as amended.

6. $ 3,624,918.25 General State Purposes Bonds (2013 Act, Section 52, Series B) authorized by Section 52 of Public Act No. 13-239 of the General Assembly of the State of Connecticut, January 2013 Session, as amended.

7. $ 4,971,350.00 General State Purposes Bonds (2015 Special Session Act, Sections 13(a) through 13(d), 13(e)(1), 13(e)(4), 13(h) and 13(j), Series F) authorized by Sections 12 through 19 and more particularly subsections 13(a) through 13(d), 13(e)(1), 13(e)(4), 13(h) and 13(j) of Public Act No. 15-1 of the General Assembly of the State of Connecticut, June 2015 Special Session, as amended.

B. $ 98,675,000.00 General Obligation Bonds (2017 Series C-2)

1. $ 56,939,597.89 Community Conservation Development Bonds (1979 Act, Section 21(a), Series VV) authorized by Section 21(a) of Public Act No. 79-607 of the General Assembly of the State of Connecticut, as amended.

2. $ 6,125,000.00 Housing Development and Rehabilitation Bonds (January 2013 Session Act, Sections 27 to 30, Series D) authorized by Sections 27 to 30 of Public Act No. 13-239 of the General Assembly of the State of Connecticut, January 2013 Session, as amended.

3. $ 30,555,862.11 Housing Development and Rehabilitation Bonds (2015 Act, Sections 8 through 11, Series B) authorized by Sections 8 through 11 of Public Act No. 15-1 of the General Assembly of the State of Connecticut, June 2015 Special Session, as amended.

4. $ 5,054,540.00 Housing Development and Rehabilitation Bonds (2015 Act, Sections 27 through 30, Series A) authorized by Sections 27 through 30 of Public Act No. 15-1 of the General Assembly of the State of Connecticut, June 2015 Special Session, as amended.

C. $ 36,920,000.00 General Obligation Bonds (2017 Series C-3)

1. $ 2,125,000.00 General State Purposes Bonds (2011 Act, Sections 2(a) through 2(k) and 2(n) through 2(q), Series I) authorized by Sections 2(a) through 2(k) and 2(n) through 2(q) of Public Act. No. 11-57 of the General Assembly of the State of Connecticut, January 2011 Session, as amended.

2. $ 2,281,312.00 General State Purposes Bonds (2013 Act, Sections 2(a) through 2(g), 2(i) through 2(j) and 2(m) through 2(o), Series H) authorized by Sections 2(a) through 2(g), 2(i) through 2(j) and 2(m) through 2(o) of Public Act No. 13-239 of the General Assembly of the State of Connecticut, January 2013 Session, as amended.

3. $ 1,880,000.00 General State Purposes Bonds (2013 Act, Sections 21(a) through 21(g), 21(i) through 21(j) and 21(m) through 21(o), Series D) authorized by Sections 21(a) through 21(g), 21(i) through 21(j) and 21(m) through 21(o) of Public Act No. 13-239 of the General Assembly of the State of Connecticut, January 2013 Session, as amended.

4. $ 25,886,400.00 General State Purposes Bonds (2014 Act, Sections 2(a) through 2(h) and 2(k), Series D) authorized by, Sections 2(a) through 2(h) and 2(k) of Public Act No. 14-98 of the General Assembly of the State of Connecticut, February 2014 Session, as amended.

5. $ 1,100,000.00 General State Purposes Bonds (2015 Special Session Act, Sections 2(a) through 2(j), 2(l) through 2(m) and 2(o) through 2(p), Series B) authorized by Sections 2(a) through 2(j), 2(l) through 2(m) and 2(o) through 2(p) of Public Act No. 15-1 of the General Assembly of the State of Connecticut, June 2015 Special Session, as amended.

6. $ 3,147,288.00 General State Purposes Bonds (2015 Special Session Act, Sections 21(a) through 21(i) and 21(o) through 21(q), Series A) authorized by Sections 21(a) through 21(i) and 21(o) through 21(q) of Public Act No. 15-1 of the General Assembly of the State of Connecticut, June 2015 Special Session, as amended.

7. $ 500,000.00 General State Purposes Bonds (2016 Special Session Act, Sections 2(a) through 2(c), Series B) authorized by Sections 2(a) through 2(c) of Public Act No. 16-4 of the General Assembly of the State of Connecticut, May 2016 Special Session, as amended.

D. 101,225,000.00 General Obligation Bonds (2017 Series C-4)

1. $ 85,305,610.69 General State Purposes Bonds (2007 Special Session Act, Section 105, Series M) authorized by Section 105 of Public Act No. 07-7 of the General Assembly of the State of Connecticut, June 2007 Special Session, as amended.

2. $ 920,169.00 General State Purposes Bonds (2009 Special Session Act, Section 42(e), Series G) authorized by Section 42(e) of Public Act No. 09-2 of the

General Assembly of the State of Connecticut, September 2009 Special Session, as amended.

3. $ 14,999,220.31 General State Purposes Bonds (2015 Special Session Act, Section 21(n), Series B) authorized by Section 21(n) of Public Act No. 15-1 of the General Assembly of the State of Connecticut, June 2015 Special Session, as amended.

E. $ 30,300,000.00 General Obligation Bonds (2017 Series C-5)

1. $ 22,500,000.00 Local Capital Improvement Fund Bonds (1987 Act, Sections 11 through 14, Series JJJ) authorized by Sections 11 through 14 of Public Act No. 87-584 of the General Assembly of the State of Connecticut, January 1987 Session, as amended.

2. $ 300,000.00 General State Purposes Bonds (2013 Act, Section 21(h), Series D) authorized by Section 21(h) of Public Act No. 13-239 of the General Assembly of the State of Connecticut, January 2013 Session, as amended.

3. $ 7,500,000.00 General State Purposes Bonds (2014 Act, Section 2(i), Series C) authorized by Section 2(i) of Public Act No. 14-98 of the General Assembly of the State of Connecticut, February 2014 Session, as amended.

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FORM OF BOND COUNSEL OPINION

The opinion of each Bond Counsel with respect to the series of the Bonds for which such firm was appointed to serve as Bond Counsel was dated the date of original issuance of the Bonds and was delivered on such date in substantially in the following form:

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

We have acted as bond counsel to our client, the State of Connecticut (the "State"), in connection with, and have examined a record of proceedings relative to, the issuance of $_____ General Obligation Bonds (2017 Series C-_) of the State (the "Bonds"). The Bonds are issued contemporaneously with other general obligation bonds of the State of the same series in the aggregate principal amount of $300,000,000.

The Bonds are comprised of the issue[s] of bonds identified within the Bonds which were authorized by the statutory provision[s] identified therein [and have been consolidated as a single issue]. The Bonds are issued under and pursuant to proceedings taken in accordance with Section 3-20 of the General Statutes of Connecticut, Revision of 1958, as amended, resolutions adopted by the State Bond Commission and proceedings taken in conformity therewith, including a Certificate of Determination executed by the State Treasurer and filed with the Secretary of the State Bond Commission, a Tax Certificate and a Tax Compliance Agreement.

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

We have not been engaged and we have not undertaken to review the accuracy, completeness or sufficiency of the offering material relating to the Bonds and we express no opinion relating thereto.

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

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

investment of the proceeds of the Bonds, and the timely payment to the United States of any arbitrage rebate amounts with respect to the Bonds.

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

In rendering the foregoing opinions regarding the federal income tax treatment of interest on the Bonds, we have relied upon and assumed without undertaking to verify the same by independent investigation, but have no knowledge of any inaccuracies, (i) the material accuracy of the representations, statements of intention and reasonable expectations, and certifications of fact contained in the Tax Certificate and the Tax Compliance Agreement, and (ii) the continuing compliance by the State with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, or continues to be, excluded from gross income for federal income tax purposes, as provided in the covenants set forth in the Tax Compliance Agreement as to such matters. We also have relied upon, with no independent investigation, the approving opinions of bond counsel with respect to the other general obligation bonds of the State of Connecticut issued contemporaneously with the Bonds in the aggregate principal amount of $434,865,000 as to the validity and legality of such bonds and as to the exclusion of the interest thereon from gross income of the owners thereof for federal income tax purposes.

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

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

The rights of the owners of the Bonds and the enforceability of the Bonds may be limited by insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights generally, and by equitable principles, and the exercise of judicial discretion, whether considered at law or in equity. This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully yours,

Appendix I-C

CERTAIN PROVISIONS RELATED TO THE BONDS

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DEFINITIONS

"*Adjusted SIFMA Rate*" means, for any Bond in an Adjusted SIFMA Rate Mode, the rate of interest thereon determined for each Adjusted SIFMA Rate Period in accordance with the provisions of the Bonds which shall be the sum of the SIFMA Rate in effect from time to time, plus an additional rate amount determined as set forth herein.

"*Adjusted SIFMA Rate Mode*" means the period during which the Bonds bear interest at the Adjusted SIFMA Rate.

"*Adjusted SIFMA Rate Period*" means for any Bond the period of time during which such Bond bears interest at the same Adjusted SIFMA Rate, determined in accordance with the provisions of the Bonds.

"*Adjustment Date*" shall be Wednesday of each week, or if such day is not a U.S. Government Securities Business Day, the next succeeding U.S. Government Securities Business Day.

"*Applicable Spread*" means, initially [redacted] basis points ([redacted]%), which is subject to maintenance of the current Rating (as defined below). In the event of a change in the lowest Rating assigned by any of S&P or Moody's, the Applicable Spread shall be the rate per annum associated with such new Rating as set forth in the following matrix:

LEVEL	S&P RATING	MOODY'S RATING	APPLICABLE SPREAD
Level 1	A+ or above	A1 or above	[redacted]%
Level 2	A	A2	[redacted]%
Level 3	A-	A3	[redacted]%
Level 4	BBB+	Baa1	[redacted]%
Level 5	BBB	Baa2	[redacted]%
Level 6	BBB- or below	Baa3 or below	[redacted]%

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

"*Beneficial Owner*" means each actual purchaser of each Bond.

"*Bondholder*" or "*Bondowner*" means a registered owner of any of the Bonds.

"*Bonds*" means any of the $300,000,000 State of Connecticut General Obligation Bonds (2017 Series C).

"*Bond Counsel*" means legal counsel of recognized national standing in the field of obligations the interest on which is excluded from gross income for federal income tax purposes, selected by the State.

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

"*Calculation Agent*" means the entity appointed by the State from time to time to perform the duties described herein relating to the calculation of the Adjusted SIFMA Rate on the Bonds while Bonds are in the Adjusted SIFMA Rate Mode. The Paying Agent is acting as the initial Calculation Agent for the Bonds.

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

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

"*Continuing Covenant Agreement*" means the Continuing Covenant Agreement dated the Delivery Date between the State and Barclays Capital Inc. in connection with the Bonds.

"*Delivery Date*" means June 28, 2017.

"*Direct Participant*" means a participant of DTC.

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

"*Favorable Opinion of Bond Counsel*" means, with respect to any action the occurrence of which requires such an opinion, an opinion of Bond Counsel, to the effect that such action is permitted under the Bonds and will not, in and of itself, result in the inclusion of interest on the Bonds in gross income for federal income tax purposes (subject to the inclusion of any exceptions contained in the opinion delivered upon original issuance of the Bonds).

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

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

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

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

"*Flexible Rate Period*" means for any Bond the period of time during which such Bond bears interest at the same Flexible Rate, determined in accordance with the provisions of the Bonds.

"*Indirect Participant*" means United States and non United States securities brokers and dealer, banks, trust companies, clearing corporations and others that clear through or maintain a custodial relationship with a Direct Participant.

"*Interest Payment Date*" means initially August 1, 2017 and thereafter means (i) with respect to Bonds bearing interest at an Adjusted SIFMA Rate, the first Business Day of each calendar month following any month during which interest has accrued at an Adjusted SIFMA Rate; (ii) with respect to Bonds bearing interest at a Weekly Rate, the first Business Day of each calendar month following any month during which interest has accrued at a Weekly Rate; (iii) with respect to Bonds bearing interest at a Flexible Rate for a period of less than one year, the Business Day after the last day of the Flexible Rate Period applicable thereto; (iv) with respect to Bonds bearing interest at a Flexible Rate for a period of one year or more, the first Business Day of each January and July and the Business Day after the last day of the Flexible Rate Period and (v) with respect to Bonds bearing interest at a Fixed Rate, the first Business Day of each January and July.

"*Liquidity Facility*" means any liquidity facility, insurance policy, line of credit, letter of credit, standby bond purchase agreement or other liquidity support or mechanism obtained, delivered, made, entered into or otherwise obtained for the purpose of providing funds for the purchase of tendered Bonds, including any liquidity facility, insurance policy, line of credit, standby bond purchase agreement or other liquidity support or mechanism obtained, delivered, made, entered into or otherwise obtained for the purpose of providing funds for the purchase of tendered Bonds as a replacement for or in substitution of an existing liquidity facility, insurance policy, line of credit, letter of credit, standby bond purchase agreement or other liquidity support or mechanism obtained, delivered, made, entered into or otherwise obtained for the purpose of providing funds for the purchase of tendered Bonds.

"*Maximum Rate*" means the highest rate permitted by law

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

"Moody's" means Moody's Investors Service, Inc., its successors and assigns.

"*Paying Agent*" means the bank or banks, if any, designated by the State to receive and disburse the principal of and interest on the Bonds, initially U.S. Bank National Association, its successors and assigns.

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

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

"*Rate Determination Date*" means (i) for Bonds bearing interest at a Weekly Rate or an Adjusted SIFMA Rate, each Wednesday, or the preceding Business Day if any such Wednesday is not a Business Day; (ii) for Bonds bearing interest at a Flexible Rate, the first Business Day of each Flexible Rate Period and (iii) for Bonds bearing interest at a Fixed Rate, the date the Remarketing Agent shall determine the Fixed Rate which shall be a date agreed upon by the State and Remarketing Agent and shall be a date after the notice of Conversion is delivered and date prior to the Conversion Date.

"Rating" shall mean, with respect to each Rating Agency, the lowest of the long term unenhanced debt rating assigned by such Rating Agency to Material Indebtedness (as such term is defined in the Continuing Covenant Agreement) of the State. In the event of a split Rating (i.e., one Rating Agency's Rating is at a different level than the Rating of the other Rating Agency), the Applicable Spread shall be based upon the level in which the lowest Rating appears (for the avoidance of doubt, Ratings in Level 6 are lower than Ratings in Level 1). Any change in the Applicable Spread resulting from a change in a Rating shall be and become effective as of and on the date of the announcement of the change in such Rating. References to Ratings above are references to rating categories as presently determined by such Rating Agencies and in the event of adoption of any new or changed rating system by any such Rating Agency, the Rating from the rating agency in question referred to above shall be deemed to refer to the rating category under the new rating system that most closely approximates the applicable rating category as currently in effect. Any such change in the Applicable Spread shall apply on the date on which the change occurs.

"Rating Agency" shall mean either of Moody's or S&P.

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

"*Remarketing Agent*" means any firm or firms designated by the State to determine the Weekly Rate, the Flexible Rate or Rates, the Adjusted SIFMA Rate or the Fixed Rate and to remarket tendered Bonds pursuant to a Remarketing Agreement, if required.

"*Remarketing Agreement*" means an agreement entered into by the State and a Remarketing Agent setting forth the provisions pursuant to which tendered Bonds are to be remarketed, as the same may be amended from time to time.

"*S&P*" means S&P Global Ratings, its successors and assigns.

"*SIFMA Rate*" means, for any day, a per annum rate, expressed as a decimal, equal to the most recently effective Securities Industry and Financial Markets Association Municipal Swap Index (the "SIFMA Index") which is compiled from the weekly interest rate resets of tax-exempt variable rate issues which meet specific criteria established from time to time by the Securities Industry and Financial Markets Association published on Wednesday of each week, or if any Wednesday is not a U.S. Government Securities Business Day, the next succeeding U.S. Government Securities Business Day. If at any time is not available, the Calculation Agent shall use instead an index that the Calculation Agent determines most closely approximates the SIFMA Index; provided that so long as the Continuing Covenant Agreement is in effect, the Calculation Agent shall determine such replacement index after consultation with the Purchaser (as defined in the Continuing Covenant Agreement).

"*State*" means the State of Connecticut.

"*Tender Agent*" means the bank or banks, if any, designated by the State to perform the duties of tender agent pursuant to the Bonds, initially U.S. Bank National Association, its successors or assigns.

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

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

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

INTEREST RATES OF VARIABLE RATE BONDS

Adjusted SIFMA Rate Mode

Determination of Rate.

The Bonds shall initially bear interest at an Adjusted SIFMA Rate. From the Delivery Date until June 1, 2024, the Adjusted SIFMA Rate shall, except as set forth herein, be the sum of the SIFMA Rate in effect from time to time, plus the Applicable Spread, payable on the first Business Day of each month, until maturity, earlier redemption or date of mandatory tender. If an Event of Default (as such term is defined in the Continuing Covenant Agreement) has occurred and is continuing, the Bonds shall bear interest at a rate per annum

equal to the sum of the SIFMA Rate in effect from time to time, plus the Applicable Spread plus [redacted]% per annum ([redacted] basis points) (the "Default Rate").

The Adjusted SIFMA Rate will be determined by the Calculation Agent; provided, however, the Adjusted SIFMA Rate shall not exceed the Maximum Rate. The Adjusted SIFMA Rate shall adjust on each Adjustment Date, based upon the SIFMA Rate published for such week, with the effective date for each adjustment of the Adjusted SIFMA Rate to be each Thursday or if such date is not a U.S. Government Securities Business Day, the next succeeding U.S. Government Securities Business Day. Upon determining the Adjusted SIFMA Rate for a given week, the Calculation Agent shall notify the State of such determination, which notice, if provided by telephone, shall be promptly confirmed in writing. Such notice shall be provided by not later than 3:00 p.m., New York Time on the Adjustment Date. Interest on the Bonds will be computed on the basis of the actual number of days elapsed over a year of 365 or 366 days, as the case may be, and will be payable to the registered owner as of the close of business on the fifteenth day of the month preceding such interest payment date, or the preceding Business Day if such fifteenth day is not a Business Day.

The determination of the Adjusted SIFMA Rate (absent manifest error) shall be conclusive and binding upon the State, the registered owners and the Beneficial Owners of the Bonds. If for any reason the Adjusted SIFMA Rate shall not be established, the Bonds shall bear interest at the Adjusted SIFMA Rate last in effect until such time as a new Adjusted SIFMA Rate shall be established pursuant to the terms of the Bonds; provided, if the Calculation Agent shall not determine the Adjusted SIFMA Rate for two consecutive weeks, the Adjusted SIFMA Rate shall be determined by an alternate calculation agent selected by the State and, so long as the Continuing Covenant Agreement is in effect, reasonably acceptable to the Purchaser (as defined in the Continuing Covenant Agreement).

Weekly Rate Mode

Determination of Rate. Bonds in the Weekly Rate Mode bear interest at the Weekly Rate payable monthly on each Interest Payment Date. Interest is computed on the basis of a 365- or 366-day year, as applicable, for the actual number of days elapsed. Interest is payable to the registered owners who are such registered owners on the Record Date. The Weekly Rate shall be determined each week by the Remarketing Agent by 4:00 p.m. New York Time on each Rate Determination Date and shall take effect on each Thursday following such Rate Determination Date, regardless of whether any such Thursday is a Business Day, and be in effect to and including the following Wednesday, regardless of whether such Wednesday is a Business Day (the "Weekly Rate Period"). The Weekly Rate for each Weekly Rate Period shall be that interest rate which, in the judgment of the Remarketing Agent, would cause the Bonds to have a market value equal to 100% of the principal amount thereof (exclusive of accrued interest), taking into account prevailing market conditions as of the Rate Determination Date. However, in no event shall the Weekly Rate exceed the Maximum Rate.

In the event the Remarketing Agent fails to determine a Weekly Rate on any Rate Determination Date for Bonds in the Weekly Rate Mode, the Bonds shall bear interest at the interest rate equal to the most recent SIFMA Rate as of the Rate Determination Date for each

Weekly Period a Weekly Rate is not determined, until a new Weekly Rate is determined by the Remarketing Agent.

Notice of Interest Rate. The Remarketing Agent shall give notice of each Weekly Rate to the Paying Agent by 12:30 p.m., New York Time, on each Rate Determination Date. Such notice shall be given in writing, electronically or by telephone; provided that any telephonic notice shall be promptly confirmed in writing. The Paying Agent shall promptly notify the State and the Tender Agent of each Weekly Rate.

Flexible Rate Mode

Determination of Flexible Rate and Flexible Rate Period. Bonds in the Flexible Rate Mode bear interest at a Flexible Rate or Rates payable on each Interest Payment Date upon presentation and surrender of the Bonds at the corporate trust office of the Paying Agent. Interest is computed on the basis of a 365- or 366-day year, as applicable, for the actual number of days elapsed. Interest is payable to the registered owners who are such registered owners on the Record Date. The Flexible Rate for each Flexible Rate Period and each Flexible Rate Period applicable to a Bond shall be determined by the Remarketing Agent by 12:45 p.m., New York Time, on the first Business Day of each Flexible Rate Period, and shall take effect on the day following the last day of the preceding Flexible Rate Period, Weekly Rate Period or Adjusted SIFMA Rate Period and be in effect to and including the last day of the Flexible Rate Period. Each Flexible Rate and Flexible Rate Period for any Bond shall be that interest rate and period which, in the judgment of the Remarketing Agent, would cause that Bond to have a market value equal to 100% of the principal amount thereof (exclusive of accrued interest, if any), taking into account prevailing market conditions as of the Rate Determination Date. However, in no event shall any Flexible Rate on any Bond exceed the Maximum Rate.

Each Flexible Rate Period shall commence on a Business Day and end on a Business Day. Any Bond may bear interest at a Flexible Rate and for a Flexible Rate Period which is different from every other Bond, provided, that all Bonds bearing interest at the same Flexible Rate Period shall bear interest at the same Flexible Rate.

In the event the Remarketing Agent fails to determine a Flexible Rate and a Flexible Rate Period for Bonds in the Flexible Rate Mode, the Flexible Rate Periods for such Bonds shall begin on each Business Day and extend through the day preceding the next Business Day, and the Bonds shall bear interest at a rate equal to the most recent SIFMA Rate as of the Rate Determination Date for each Flexible Rate Period, until a new Flexible Rate Period and Flexible Rate is determined by the Remarketing Agent.

Notice of Interest Rate. The Remarketing Agent shall give notice of each Flexible Rate and Flexible Rate Period and the amount of Bonds bearing interest at each Flexible Rate and Flexible Rate Period to the Paying Agent by 1:45 p.m., New York Time, on each Rate Determination Date. Such notice shall be given in writing, electronically or by telephone; provided that telephonic notice shall be promptly confirmed in writing. The Paying Agent shall promptly notify the State and the Tender Agent of each Flexible Rate and Flexible Rate

Period and the amount of Bonds bearing interest at each Flexible Rate and Flexible Rate Period.

Binding Effect. Each determination of the interest rate for the Bonds, the terms of each Flexible Rate Period and the amount of Bonds bearing the same Flexible Rate for the same Flexible Rate Period shall be conclusive and binding upon the Bondholders, the State, the Remarketing Agent, the Tender Agent, and the Paying Agent. Upon telephonic request to the Remarketing Agent from the State, the Tender Agent, the Paying Agent or any Bondholder, the Remarketing Agent shall inform such person of the interest rate or rates, the terms of any Flexible Rate Period and the amount of Bonds bearing the same Flexible Rate for the same Flexible Rate Period, then in effect on the Bonds. Failure of the Remarketing Agent to give any of the notices described in the Bonds, or any defect therein, shall not affect the interest rate or rates to be borne by any Bond nor in any way change the rights or obligations of Bondholders to tender their Bonds for purchase in accordance with the Bonds.

CONVERSION

On and after June 1, 2024, the Bonds may be converted at any time (i) from the Weekly Rate Mode to an Adjusted SIFMA Rate Mode, a Flexible Rate Mode or a Fixed Rate Mode, (ii) from the Flexible Rate Mode to an Adjusted SIFMA Rate Mode, a Weekly Rate Mode or a Fixed Rate Mode or (iii) from an Adjusted SIFMA Rate Mode to a Weekly Rate Mode, a Flexible Rate Mode, another SIFMA Rate Mode or a Fixed Rate Mode. Any Conversion Date for Bonds converting to an Adjusted SIFMA Rate Mode, Weekly Rate Mode or Flexible Rate Mode shall be a Business Day. The Conversion Date for Bonds converting to a Fixed Rate Mode must be an Interest Payment Date. No Conversion to a Weekly Rate Mode or Flexible Rate Mode shall occur unless the State has entered into a Tender Agent Agreement with a Tender Agent and a Remarketing Agreement with a Remarketing Agent in the manner provided for in the Bonds and the State has received a Favorable Opinion of Bond Counsel. No Conversion to a new Adjusted SIFMA Rate Mode or Fixed Rate Mode shall occur unless the State has entered into a Remarketing Agreement with a Remarketing Agent in the manner provided for in the Bonds and the State has received a Favorable Opinion of Bond Counsel.

The State shall give written notice of Conversion at least thirty (30) days prior to the Conversion Date to the Tender Agent, the Paying Agent, any rating agency then rating the Bonds and the Remarketing Agent, if any, which notice shall specify the proposed Conversion Date and the conditions to conversion, if any, and shall request the Paying Agent to give written notice of such Conversion to Bondholders as described below under "Mandatory Tender", as appropriate.

If the conditions to Conversion to another interest rate mode are not satisfied, the Conversion shall not take effect and the Bonds shall remain in the existing interest rate mode, provided however, if the State fails to purchase the Bonds on the June 1, 2024 mandatory tender date, the Bonds shall bear interest at a rate per annum equal to the Default Rate and the Bonds shall become subject to the extraordinary mandatory redemption provisions set forth below.

Conversion of Bonds to Weekly Rate or Flexible Rate

The State may direct that all of the Bonds be converted to bear interest at a Weekly Rate or a Flexible Rate by written notice to the Remarketing Agent, if any, the Tender Agent and the Paying Agent at least thirty (30) days before the proposed Conversion Date. Any Conversion Date shall be a Business Day. No Conversion to a Weekly Rate Mode or Flexible Rate Mode shall occur unless the State has entered into a Tender Agent Agreement with a Tender Agent and a Remarketing Agreement with a Remarketing Agent in the manner provided for in the Bonds and the State has received a Favorable Opinion of Bond Counsel. If the Bonds are to be converted to a Weekly Rate Mode, all of the provisions relating to Bonds in a Weekly Rate Mode described above under "Weekly Rate Mode" shall apply and if the Bonds are to be converted to a Flexible Rate Mode, all of the provisions relating to Bonds in a Flexible Rate Mode described above under "Flexible Rate Mode" shall apply.

Conversion of Bonds to an Adjusted SIFMA Rate

The State may direct that all of the Bonds be converted to bear interest at another Adjusted SIFMA Rate by written notice to the Remarketing Agent, if any, the Tender Agent and the Paying Agent at least thirty (30) days before the proposed Conversion Date wherein the Adjusted SIFMA Rate shall be the SIFMA Rate in effect at such time, plus for each maturity of Bonds to be converted, an additional rate amount to be set by the Remarketing Agent. The Conversion Date must be a Business Day. Not later than fifteen (15) days prior to the date of conversion of all or a portion of the Bonds to an Adjusted SIFMA Rate, the Paying Agent shall give notice of the conversion to an Adjusted SIFMA Rate to all owners of Bonds selected to be converted. The Remarketing Agent shall determine the initial Adjusted SIFMA Rate not later than 3:00 p.m., New York Time, on the Rate Determination Date. The Adjusted SIFMA Rate shall be the minimum interest rates which, in the judgment of the Remarketing Agent, will result in a sale of the Bonds of the applicable Series at a price equal to the Purchase Price on the Conversion Date. The Remarketing Agent shall notify the Paying Agent, the Tender Agent and the State of the Adjusted SIFMA Rate and the Bonds in the Adjusted SIFMA Rate Mode by 3:30 p.m., New York Time, on the Rate Determination Date. Such notice shall be given in writing, electronically or by telephone; provided that telephonic notice shall be promptly confirmed in writing. The Remarketing Agent shall make the Adjusted SIFMA Rates available by telephone to any Bondholder, the State, the Paying Agent and the Tender Agent. Upon request of any Bondholder, the State or the Paying Agent, the Tender Agent shall give notice of such rates by electronic means. Such determination shall be conclusive and binding upon the State, the Paying Agent, the Tender Agent, the Remarketing Agent and the Bondholders.

The State shall give written notice of Conversion at least thirty (30) days prior to the Conversion Date to the Tender Agent, the Paying Agent and the Remarketing Agent, if any, which notice shall specify the proposed Conversion Date and the conditions to conversion, if any, and shall request the Tender Agent to give written notice of such Conversion to Bondholders as described below under "MANDATORY TENDER", as appropriate.

If the notices referred to above have been given, the State has entered into a Remarketing Agreement with a Remarketing Agent, the State has received a Favorable

Opinion of Bond Counsel, the Bonds selected for conversion have been remarketed and the tendering Bondholders have been paid the Purchase Price therefor, the Conversion to an Adjusted SIFMA Rate shall occur.

All provisions relating to Bonds in an Adjusted SIFMA Rate Mode shall apply to the Bonds converted to the Adjusted SIFMA Rate.

Conversion of Bonds to Fixed Rate

The State may direct that all of the Bonds be converted to bear interest at a Fixed Rate to maturity by written notice to the Remarketing Agent, if any, the Tender Agent and the Paying Agent at least thirty (30) days before the proposed Conversion Date. The Conversion Date must be an Interest Payment Date. Not later than fifteen (15) days prior to the Conversion Date of all or a portion of the Bonds to a Fixed Rate the Paying Agent shall give notice of the Conversion to a Fixed Rate to all owners of Bonds selected to be converted. If on the date the Remarketing Agent determines the Fixed Rate, the Remarketing Agent also determines that the Bonds to be converted would bear a lower effective net interest cost if such Bonds were serial Bonds or serial Bonds and term Bonds with the maturity (or mandatory sinking fund redemption payment) dates and principal amounts matching the serial Bond payments, the Bonds shall become serial Bonds or serial Bonds and term Bonds with such maturity (or mandatory sinking fund redemption payment) dates and principal amounts and shall bear separate Fixed Rates for each maturity. The Remarketing Agent shall determine the Fixed Rate or Rates not later than 4:00 p.m. New York City time on the Rate Determination Date. The Fixed Rate or Rates shall be the minimum interest rates which, in the judgment of the Remarketing Agent, will result in a sale of the Bonds of the applicable Series at a price equal to the Purchase Price on the Conversion Date; provided, however, the Bonds may be sold at a market premium or market discount from the stated principal amount of such Bonds so long as the State has received a Favorable Opinion of Bond Counsel. The Remarketing Agent shall notify the Paying Agent, the Tender Agent and the State of the Fixed Rates and the Bonds in the Fixed Rate Mode by 4:30 p.m., New York Time, on the Rate Determination Date. Such notice shall be given in writing, electronically or by telephone; provided that telephonic notice shall be promptly confirmed in writing. The Remarketing Agent shall make the Fixed Rates available by telephone to any Bondholder, the State, the Paying Agent and the Tender Agent. Upon request of any Bondholder, the State or the Paying Agent, the Tender Agent shall give notice of such rates by electronic means. Such determination shall be conclusive and binding upon the State, the Paying Agent, the Tender Agent, the Remarketing Agent and the Bondholders. On the Conversion Date applicable to the Bonds to be converted, the Bonds to be converted shall be subject to mandatory tender at a purchase price equal to 100% of the principal amount thereof, plus accrued interest, subject to and in accordance with the Bonds; provided, however, that in the event of a failed conversion to a Fixed Rate, the Bonds will not be subject to mandatory tender, will be returned to their owners and will remain in the applicable Adjusted SIFMA Rate Mode, Weekly Rate Mode or the Flexible Rate Mode such Bonds were in prior to the failed Conversion.

The State shall give written notice of Conversion at least thirty (30) days prior to the Conversion Date to the Tender Agent, the Paying Agent and the Remarketing Agent, if any,

which notice shall specify the proposed Conversion Date and the conditions to conversion, if any, and shall request the Tender Agent to give written notice of such Conversion to Bondholders as described below under "Mandatory Tender", as appropriate.

If the notices referred to above have been given, the State has entered into a Remarketing Agreement with a Remarketing Agent, the State has received a Favorable Opinion of Bond Counsel, the Bonds selected for conversion have been remarketed and the tendering Bondholders have been paid the Purchase Price therefor, the Conversion to a Fixed Rate shall occur. After the Conversion Date, interest on Bonds converted to a Fixed Rate will be calculated on the basis of a 360-day year of twelve 30-day months and will be payable on January 1 and July 1 in each year to the registered owner as of the close of business on the fifteenth day of June and December in each year or the preceding Business Day if such fifteenth day is not a Business Day.

Failure to Convert

If the conditions to a Conversion are not satisfied, the Conversion shall not take effect and the Bonds shall not be subject to mandatory tender, shall be returned to their Bondowners and shall remain in the applicable Adjusted SIFMA Rate Mode, Weekly Rate Mode or the Flexible Rate Mode that such Bonds were in prior to the failed Conversion.

REDEMPTION

Optional Redemption

The Bonds are subject to optional redemption, at the election of the Treasurer, on or after June 1, 2022 at any time, in whole or in part prior to maturity. The redeemed Bonds may be in such amounts and in such order of maturity and in such Series and bear such interest rate or rates (but by lot among bonds bearing the same interest rate within a maturity of a Series) as the Treasurer may determine. The redemption price (expressed as percentages of the principal amounts of bonds to be redeemed) is set forth in the following table, to which will be added interest accrued and unpaid to the redemption date:

Redemption Date	Redemption Price
From June 1, 2022 and thereafter	100%

Mandatory Sinking Fund Redemption

Except as otherwise provided herein, the Bonds are subject to mandatory sinking fund redemption in part pro rata at a redemption price equal to one hundred percent (100%) of the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date specified for redemption, on June 1 in each of the years, by Series and in the principal amount and specified in each of such years set forth in the following table:

Sinking Fund Payment

Maturity	Series					Total
June 1,	2017 C-1	2017 C-2	2017 C-3	2017 C-4	2017 C-5	2017 Series C
2019	$ 15,785,000					$ 15,785,000
2021	15,790,000					15,790,000
2022	1,305,000	$ 4,485,000				5,790,000
2023		15,790,000				15,790,000
2024		15,790,000				15,790,000
2025		15,790,000				15,790,000
2026		15,790,000				15,790,000
2027		15,790,000				15,790,000
2028		15,240,000	$ 27,260,000			42,500,000
2029			9,660,000	$ 6,130,000		15,790,000
2030				42,500,000		42,500,000
2031				1,575,000		1,575,000
2032				15,790,000		15,790,000
2033				15,790,000		15,790,000
2034				15,790,000		15,790,000
2035				3,650,000	$ 12,140,000	15,790,000
2036					9,080,000	9,080,000
2037					9,080,000	9,080,000
TOTAL	$ 32,880,000	$ 98,675,000	$ 36,920,000	$ 101,225,000	$ 30,300,000	$300,000,000

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

Extraordinary Mandatory Redemption

If the State fails to purchase the Bonds on the June 1, 2024 mandatory tender date, the Bonds shall automatically become subject to extraordinary mandatory redemption and shall be redeemed by the State in quarterly installments ("Quarterly Redemption Amounts")

commencing on (and including) September 1, 2024 and, thereafter, on each March 1, June 1, September 1 and December 1 (each, a "Quarterly Redemption Date"), with the entire then outstanding principal amount of the Bonds to be redeemed on June 1, 2027 (the period commencing on September 1, 2024 and ending on June 1, 2027 is herein referred to as the "Redemption Period"). Each Quarterly Redemption Amount shall be that amount of principal which will result in equal (as nearly as possible) aggregate Quarterly Redemption Amounts over the Redemption Period. During such period, the Bonds shall not be subject to mandatory sinking fund redemption.

Redemption Procedure and Notice

So long as DTC or a successor securities depository is the sole registered owner of the Bonds, partial redemptions will be done in accordance with DTC procedures. It is the State's intent that redemption allocations made by DTC, the DTC Participants or such other intermediaries that may exist between the State and the Beneficial Owners be made on a pro rata pass-through distribution of principal basis as described below. If the Bonds are registered in book-entry only form and so long as DTC or a successor securities depository is the sole registered owner of the Bonds, the particular Bonds or portions thereof to be redeemed shall be selected on a pro rata pass-through distribution of principal basis in accordance with DTC procedures, provided that, so long as such Bonds of a series are held in book-entry form, the selection for redemption of such Bonds shall be made in accordance with the operational arrangements of DTC then in effect, and, if the DTC operational arrangements do not allow for redemption on a pro rata pass-through distribution of principal basis, such Bonds will be selected for redemption, in accordance with DTC procedures, by lot. However, the State can provide no assurance that DTC, the DTC Participants or any other intermediaries will allocate redemptions among Beneficial Owners on such pro-rata pass-through distribution basis.

Notice of redemption shall be mailed not less than twenty (20) nor more than sixty (60) days prior to the redemption date to the registered owner of such bond at such owner's address as it appears on the registration books of the State. So long as Cede & Co., as nominee of The Depository Trust Company ("DTC"), is the registered owner of the Bonds, all notices of redemption shall be sent only to DTC. If notice of redemption with respect to particular bonds shall have been given as aforesaid, said bonds shall become due and payable at the applicable redemption price or prices on the redemption date designated in said notice, and if, on the redemption date, moneys for the payment of such redemption price or prices and of interest on said bonds accrued to the redemption date shall be available for such payment on said date, then from and after the redemption date interest on said bonds shall cease to accrue and become payable. The redemption price of the Bonds shall be payable upon presentation and surrender of this bond at the office of the Paying Agent.

Upon or after a Conversion, the Bonds may be subject to such other optional or mandatory redemption provisions, determined by and at the option of the State.

OPTIONAL AND MANDATORY TENDER

Agreement to Tender Bonds

Bonds may not be tendered for purchase at the option of Bondholders. The Bonds are subject to mandatory tender for purchase (i) on June 1, 2024, (ii) on a Conversion Date or (iii) on any date at the option of the State if on such date, the Applicable Spread is at Level 4, Level 5 or Level 6. Not later than fifteen (15) days prior to the mandatory tender for purchase pursuant to clause (i) or clause (iii) in the immediately preceding sentence, the Paying Agent shall give notice of such mandatory tender for purchase to all owners of the Bonds. Any Bondholder, by its acceptance of the Bonds, agrees to tender its Bonds to the Tender Agent for purchase on dates on which such Bonds are subject to mandatory tender, and upon such transfer, to surrender such Bonds, properly endorsed for transfer in blank. Any notice mailed as provided herein shall be conclusively presumed to have been duly given, whether or not the Bondholder receives the notice, and the failure of such Bondholder to receive any such notice shall not affect the validity of the action described in such notice. Upon a Conversion, the Bonds may be subject to such other optional and mandatory tender provisions determined by and at the option of the State.

Adjusted SIFMA Rate Mode

The Bonds bearing interest at an Adjusted SIFMA Rate are subject to mandatory tender for purchase on the date on which the interest rate mode on the Bonds is converted to a new Adjusted SIFMA Rate Mode or to another interest rate mode. The purchase price for such tenders shall be equal to the Purchase Price. If Bonds are to be converted, the Tender Agent shall give written notice of such Conversion to the Bondholders of the Bonds subject to Conversion by first class mail or at the State's option certified mail, return receipt requested, at least twenty (20) days prior to the Conversion Date setting forth, among other things: (a) the proposed Conversion Date; (b) that the Bonds shall be subject to mandatory tender on the Conversion Date; and (c) the conditions to Conversion, if any.

Weekly Rate Mode

Bonds bearing interest at a Weekly Rate are subject to mandatory tender for purchase upon Conversion to another interest rate mode. If Bonds are to be converted from the Weekly Rate Mode to another interest rate mode, Bonds to be so converted are subject to mandatory tender for purchase on the Conversion Date at a purchase price equal to the Purchase Price. The State shall give written notice of such Conversion to the Tender Agent, the Paying Agent and the Remarketing Agent at least thirty (30) days prior to the Conversion Date. The Tender Agent shall give written notice of such Conversion to the Bondholders by first class mail or at the State's option certified mail, return receipt requested, at least twenty (20) days prior to the Conversion Date setting forth, among other things: (a) the proposed Conversion Date; (b) that the Bonds shall be subject to mandatory tender on the Conversion Date; and (c) the conditions to Conversion, if any.

Flexible Rate Mode

If Bonds are to be converted from the Flexible Rate Mode to another interest rate mode, Bonds to be so converted are subject to mandatory tender for purchase on the Conversion Date at a purchase price equal to the Purchase Price. The State shall give written notice of such Conversion to the Tender Agent, the Paying Agent and the Remarketing Agent at least thirty (30) days prior to the Conversion Date. The Tender Agent shall give written notice of such Conversion to the Bondholders by first class mail or at the State's option certified mail, return receipt requested, at least twenty (20) days prior to the Conversion Date, setting forth, among other things: (a) the proposed Conversion Date; (b) that the Bonds shall be subject to mandatory tender on the Conversion Date; and (c) the conditions to Conversion, if any.

Fixed Rate Mode

Bonds bearing interest at a Fixed Rate are **not** subject to mandatory tender for purchase.

GENERAL PROVISIONS RELATING TO TENDERS AND TENDER AGENT

Delivery and Payment for Tendered Bonds

The Tender Agent, on behalf of the State, shall purchase any Bonds properly tendered for purchase in accordance with the provisions of the Bonds. Delivery to the Tender Agent of Bonds to be tendered for purchase, upon mandatory tender, together with wire payment instructions satisfactory to the Tender Agent, is required to be made by 10:00 a.m., New York Time, on the Business Day which is the Purchase Date in order for tendering Bondholders to be paid in immediately available funds by 4:00 P.M., New York Time, on such day. If the Bonds are delivered after 10:00 a.m., New York Time, payment will be made on the next Business Day without any additional accrued interest. Bonds which are required to be tendered for purchase, upon mandatory tender, shall cease bearing interest from and after the date tender is required regardless of whether such Bonds are presented for payment and Bondholders shall have no further rights with respect to such Bonds other than the right to receive payment of the purchase price upon surrender of the Bonds so long as the Tender Agent has on deposit funds from the State sufficient for such purchase. The Tender Agent shall hold all Bonds (or portions thereof in authorized denominations) delivered to it for purchase for the benefit of the respective Bondholder thereof until moneys representing the purchase price or redemption price of such Bonds (or portions thereof in authorized denominations), as the case may be, shall have been delivered to or for the account of or to the order of the Bondholders thereof.

Procedure for Purchase of Bonds

On the date any Bonds are to be purchased, the Tender Agent, or the Remarketing Agent (so long as all of the tendered Bonds have been remarketed), as the case may be, shall purchase such Bonds at the Purchase Price thereof. If such Bonds are not purchased on such date, the failure by the State to purchase such tendered Bonds shall constitute a default by the

State and the Bonds shall bear interest at a rate per annum equal to the Default Rate and shall be subject to the extraordinary mandatory redemption provisions set forth above.

Non-Delivery of Bonds

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

The Tender Agent shall at the end of the fifth Business Day after each date upon which Bonds are deemed tendered, deposit with the Paying Agent all funds then held by the Tender Agent by virtue of the fact that Bonds deemed tendered on such date were not presented for purchase to the Tender Agent in accordance with the provisions thereof. The Paying Agent shall set aside such amount on its books and hold the same for the payment to the prior Bondholders of such Bonds of the purchase price thereof. Any such moneys which remain unclaimed for two (2) years after the date such moneys were so deposited with the Paying Agent shall at the written request of the State be paid by the Paying Agent to the State as its absolute property and free from any lien or trust, and the Paying Agent shall thereupon be released and discharged with respect thereto and the prior Bondholders of such Bonds shall look only to the State for the payment of the purchase price of such Bonds.

Other Duties

The Tender Agent agrees to: (a) hold all Bonds properly tendered to it for purchase as agent and bailee of, and for the benefit of, the respective Bondholders which shall have so tendered such Bonds until moneys representing the purchase price of such Bonds shall have been delivered to or for the account of or to the order of such Bondholders; (b) hold all moneys delivered to it for the purchase of Bonds as agent and bailee of, and for the benefit of, the purchaser which shall have so delivered such moneys, until the Bonds purchased with such moneys shall have been delivered to or for the account of such purchaser; (c) keep such books and records as shall be consistent with industry practice and make such books and records available for inspection by the other parties; (d) provide to the Paying Agent a list of the names and addresses of registered owners of such Bonds (i) for Bonds bearing interest at the Adjusted SIFMA Rate, as of the close of business on the fifteenth day of the month preceding an interest payment date, or the preceding Business Day if such fifteenth day is not a Business Day as soon as practicable after the close of business on such date and (ii) for all other Bonds, as soon as practicable after the close of business on each Record Date, but in each case, in no case later than 1:00 p.m., New York Time, on the applicable Interest

Payment Date; and (e) give notices as required at the times and in the manner specified in the Bonds.

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

Any successor Tender Agent shall be a commercial bank having trust powers or a trust company or a national banking association, having a capital and surplus aggregating at least $50,000,000 and authorized by law to perform all the duties imposed upon it hereby and shall be rated Baa 3 or higher by Moody's. The Tender Agent may at any time resign and be discharged of the duties and obligations created hereby by giving at least sixty (60) days' notice to the State. The Tender Agent may be removed at any time by the State upon at least thirty (30) days' notice. No such resignation or removal shall take effect until the appointment of, and the acceptance of such appointment by, a successor Tender Agent. Successor Tender Agents may be appointed from time to time by the State. Upon the resignation or removal of the Tender Agent, the Tender Agent shall deliver any Bonds and moneys held by it in such capacity to its successor.

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

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

In the event that the Tender Agent is required to act pursuant to the terms hereof upon the receipt of telephonic notice, such notice shall be promptly confirmed in writing. If

such notice shall not be so confirmed, the Tender Agent shall be entitled to rely upon such telephonic notice for all purposes whatsoever.

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

BOOK-ENTRY BONDS

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

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

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

For so long as the Bonds are registered in the name of Cede & Co., Inc. as nominee for DTC, payment of the Purchase Price shall be paid directly to DTC in accordance with any Letter of Representation with DTC.

REMARKETING AGREEMENT

No Conversion to another Adjusted SIFMA Rate Mode, Weekly Rate Mode, Flexible Rate Mode or Fixed Rate Mode shall occur unless the State has entered into a Remarketing Agreement with a Remarketing Agent.

The Remarketing Agent shall accept the duties and obligations thereof by execution and delivery of a Remarketing Agreement with the State under which the Remarketing Agent will agree, among other things, to perform the duties of Remarketing Agent as provided in the Bonds, to keep records regarding the remarketing of Bonds and determining the interest rates

on the Bonds and to make such records available for inspection by the State at all reasonable times.

The Remarketing Agent shall be authorized by law to perform all the duties imposed upon it by the Bonds. The Remarketing Agent may resign or may be removed at any time upon at least thirty (30) days' written notice. The Remarketing Agent may terminate its duties in certain circumstances upon notice to the State as provided in the Remarketing Agreement.

If the Remarketing Agent resigns or is removed, the State shall provide notice to the Tender Agent and shall have the power to appoint another Remarketing Agent, and the former Remarketing Agent shall pay over, assign and deliver any moneys and Bonds held by it in such capacity, other than Bonds held for its own account, to its successor.

The Remarketing Agent is required to use its best efforts to remarket Bonds properly tendered for purchase at par. If all of the Bonds have been remarketed, the Remarketing Agent shall effect and process such purchases and sales. If less than all of the tendered Bonds have been remarketed, the Remarketing Agent shall provide all the moneys derived from the remarketing of the Bonds to the Tender Agent by 11:30 a.m. New York Time, on the Purchase Date.

LIQUIDITY FACILITY

Upon a Conversion, the Treasurer may determine it is in the best interest of the State to obtain a Liquidity Facility with respect to the Bonds. Any Liquidity Facility may contain such terms as the State may determine, and the Bonds may be amended on the date of such Conversion without consent of the Bondholders to reflect the terms of a Liquidity Facility.

If, at any time, the State obtains a Liquidity Facility, then the Tender Agent shall give prompt notice to the Bondholders that the State has obtained a Liquidity Facility. The notice shall state (a) the principal terms of the Liquidity Facility; and (b) that the Bonds shall be subject to mandatory tender on the effective date of the Liquidity Facility, and explaining the terms of such mandatory tender.

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Appendix I-D

CONTINUING COVENANT AGREEMENT DATED JUNE 28, 2017

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Execution Copy

CONTINUING COVENANT AGREEMENT

Dated June 28, 2017

Between

STATE OF CONNECTICUT

and

BARCLAYS CAPITAL INC.

$300,000,000 State of Connecticut General Obligation Bonds
(2017 Series C)

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CONTINUING COVENANT AGREEMENT

THIS CONTINUING COVENANT AGREEMENT dated June 28, 2017 (as amended, modified or restated from time to time, this "*Agreement*"), is between the **STATE OF CONNECTICUT** (the "*State*") and **BARCLAYS CAPITAL INC.** (including its successors and assigns, and including any successor designated hereunder, the "*Purchaser*").

RECITALS

WHEREAS, the State has agreed to issue its Bonds pursuant to resolutions approved by the Connecticut State Bond Commission on February 1, 2017 (collectively, the "*Bond Commission Resolutions*"), and a Certificate of Determination of the Connecticut State Treasurer dated as of June 28, 2017 (the "*Certificate of Determination*", and collectively with the Bond Commission Resolutions, the "*Resolution*"); and

WHEREAS, the Purchaser has agreed to purchase the Bonds, and as a condition to such purchase, the Purchaser has required that the State enter into this Agreement.

NOW, THEREFORE, to induce the Purchaser to purchase the Bonds, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the State and the Purchaser hereby agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

Section 1.01 Defined Terms. As used in this Agreement, the following terms shall have the meanings set forth below:

"Act" means Section 3-20 of the Connecticut General Statutes, Revision of 1958, as amended to date.

"Affiliate" means any other Person controlling or controlled by, or under common control with, the State or the Purchaser, as applicable. For purposes of this definition, "control," when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting rights, membership, the power to appoint members, trustees or directors, by contract or otherwise.

"Agreement" has the meaning set forth in the introductory paragraph hereof.

"Anti-Terrorism Laws" has the meaning set forth in Section 4.01(n) hereof.

"Applicable Spread" has the meaning set forth in Appendix I to the Bonds.

"Authorized Officer" means the Treasurer of the State of Connecticut, or his successor in functions, if any.

"Bank Agreement" means any credit agreement, loan agreement, liquidity agreement, standby bond purchase agreement, reimbursement agreement, direct purchase agreement (such as a continuing covenant agreement or supplemental bondholder's agreement), bond purchase agreement, swap contract or other agreement or instrument under which, directly or indirectly, any Person or Persons undertake to loan, make or provide funds to make payment of, or to purchase, hedge or provide credit enhancement to or on behalf of the State for any indebtedness of the State.

"Bond Counsel" means the firms of attorneys nationally recognized on the subject of municipal finance selected by the State.

"Bondholder" means the Purchaser and each Purchaser Transferee or Non-Purchaser Transferee so long as such Purchaser Transferee or Non-Purchaser Transferee is an owner or beneficial owner of Bonds.

"Bond Purchase Contract" means the Bond Purchase Contract, dated as of June 23, 2017, between Barclays Capital Inc. and the State.

"Bonds" means the $300,000,000 State of Connecticut General Obligation Bonds (2017 Series C).

"Business Day" means any day which is not (i) a Saturday or a Sunday, or (ii) a day on which the principal office of the Purchaser is lawfully closed.

"Certificate of Determination" has the meaning set forth in the recitals.

"Change in Law" means the occurrence, after the Effective Date, of any of the following: (a) the adoption or taking effect of any Law, including, without limitation, any Risk-Based Capital Guidelines, (b) any change in any Law or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, ruling, guideline, regulation or directive (whether or not having the force of law) by any Governmental Authority; *provided* that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, ruling, guidelines, regulations or directives thereunder or issued in connection therewith and (ii) all requests, rules, rulings, guidelines, regulations or directives promulgated by the Purchaser for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case including pursuant to Basel III, shall in each case be deemed to be a "Change in Law," regardless of the date enacted, adopted or issued.

"Code" means the Internal Revenue Code of 1986, as amended.

"Debtor Relief Laws" means the Bankruptcy Code of the United States, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium,

rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect.

"Default" means any event or condition that, with the giving of any notice, the passage of time, or both, would be an Event of Default.

"Default Rate" means, for any day, the sum of (i) the SIFMA Rate plus (ii) the Applicable Spread plus (iii) [redacted]%.

"Designated Jurisdiction" means any country or territory to the extent that such country or territory itself is the subject of any Sanction.

"Determination of Taxability" means and shall be deemed to have occurred on the first to occur of the following:

1. on that date when the State files any statement, supplemental statement or other tax schedule, return or document which discloses that an Event of Taxability shall have in fact occurred;

2. on the date when any Bondholder or any former Bondholder notifies the State that it has received a written opinion by a nationally recognized firm of attorneys of substantial expertise on the subject of tax-exempt municipal finance to the effect that an Event of Taxability shall have occurred unless, within one hundred eighty (180) days after receipt by the State of such notification from any Bondholder or any former Bondholder, the State shall deliver to such Bondholder or former Bondholder a ruling or determination letter issued to or on behalf of the State by the Commissioner or any District Director of the Internal Revenue Service (or any other governmental official exercising the same or a substantially similar function from time to time) to the effect that an Event of Taxability shall not have occurred;

3. on the date when the State shall be advised in writing by the Commissioner or any District Director of the Internal Revenue Service (or any other government official or agent exercising the same or a substantially similar function from time to time) that, based upon filings of the State, or upon any review or audit of the State or upon any other ground whatsoever, an Event of Taxability shall have occurred; or

4. on that date when the State shall receive notice from the Purchaser, a Bondholder or a former Bondholder that the Internal Revenue Service (or any other government official or agency exercising the same or a substantially similar function from time to time) has assessed as includable in the gross income of the Purchaser or such Bondholder or former Bondholder the interest on any Bond due to the occurrence of an Event of Taxability.

"Dollar" and *"$"* mean lawful money of the United States.

"Domestic Taxing Authority" means the United States, any State of the United States or any political subdivision or other local taxing authority located therein.

"Effective Date" means June 28, 2017, subject to the satisfaction or waiver by the Purchaser of the conditions precedent set forth in Section 3.01(a) hereof.

"Event of Default" with respect to this Agreement has the meaning set forth in Section 6.01 of this Agreement.

"Event of Taxability" means (i) a change in Law or fact or the interpretation thereof, or the occurrence or existence of any fact, event or circumstance which has the effect of causing interest paid or payable on any Bond to become includable, in whole or in part, in the gross income of any Bondholder or any former Bondholder for federal income tax purposes or (ii) the entry of any decree or judgment by a court of competent jurisdiction, or the taking of any official action by the Internal Revenue Service or the Department of the Treasury, which decree, judgment or action shall be final under applicable procedural law, in either case, which has the effect of causing interest paid or payable on any Bond to become includable, in whole or in part, in the gross income of any Bondholder or any former Bondholder for federal income tax purposes.

"Executive Order" has the meaning set forth in Section 4.01(n) hereof.

"Excess Interest Amount" has the meaning set forth in Section 2.05 hereof.

"Excluded Taxes" means, with respect to the Purchaser or any Bondholder, taxes imposed on or measured by its overall net income (however denominated) by the jurisdiction (or any political subdivision thereof) under the laws of which the Purchaser or such Bondholder is organized or in which its principal office is located.

"Fiscal Year" means the fiscal year of the State ending on June 30 of each calendar year or such other fiscal year as may be adopted by the State from time to time to the extent permitted hereunder.

"Fitch" means Fitch Ratings and any successor thereto.

"Generally Accepted Accounting Principles" or *"GAAP"* means generally accepted accounting principles in effect from time to time in the United States and applicable to entities such as the State, including, without limitation, those principles set forth in the statements and pronouncement of the Government Accounting Standards Board.

"Governmental Authority" means the government of the United States or any other nation, or of any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Purchaser).

"Kroll" means Kroll Bond Rating Agency, Inc.

"Laws" means, collectively, all international, foreign, federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

"Margin Stock" shall have the meaning assigned to that term in Regulation U promulgated by the Board of Directors of the Federal Reserve System, as now and hereafter from time to time in effect.

"*Material Adverse Effect*" means: (a) a material impairment of the ability of the State to perform its obligations under any Related Document to which it is a party; (b) a material adverse effect upon the legality, validity, binding effect or enforceability against the State of any Related Document to which it is a party; or (c) a material adverse effect upon the rights, security, interests or remedies of the Purchaser or any Bondholder hereunder or under any other Related Document.

"Material Indebtedness" means any payment obligations of the State (including but not limited to the Bonds, Swap Contracts and Bank Agreements) constituting a general obligation of the State to which its full faith and credit is pledged and which is issued or incurred pursuant to the Act.

"Maximum Interest Rate" means the maximum rate of interest on the relevant obligation permitted by applicable law.

"*Modified Material Indebtedness*" means, at any date, without duplication, (a) all obligations of the State evidenced by bonds, debentures, notes or other similar instruments constituting a general obligation of the State to which its full faith and credit is pledged, issued or incurred pursuant to the Act, (b) all payment obligations of the State under any hedge or interest rate swap agreement (and in the case of this clause (b), only (x) with respect to hedge or interest rate swap agreements that provide interest rate support and (y) insofar as the obligations in respect of such hedge or interest rate swap agreements constitute regularly scheduled payments that relate to the Bonds, or any obligations described in clause (a) of this definition) and (c) the amount of all direct reimbursement obligations (i.e., obligations to pay the principal or interest on amounts drawn or advanced under any such letter of credit or similar facility) of the State arising under letters of credit (including standby and commercial) and similar instruments the obligations under which constitute a general obligation of the State to which its full faith and credit is pledged, issued or incurred pursuant to the Act.

"Moody's" means Moody's Investors Service, Inc. and any successor rating agency.

"Non-Purchaser Transferee" means any purchaser or transferee of all or a portion of the Bonds other than a Purchaser Transferee.

"Obligations" means all amounts payable by the State, and all other obligations to be performed by the State, pursuant to this Agreement, the Bonds and the other Related Documents (including any amounts to reimburse the Purchaser for any advances or expenditures by it under any of such documents) and including interest and fees that accrue hereunder after the commencement by or against the State of any proceeding under any Debtor Relief Laws naming the State as the debtor in such proceeding, regardless of whether such interest and fees are allowed claims in such proceeding.

"OFAC" has the meaning set forth in Section 4.01(n) hereof.

"Other Taxes" means, to the extent levied by a Domestic Taxing Authority, all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or under any other Related Document or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Related Document.

"Patriot Act" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Title III of Pub. L. 107 56 (signed into law October 26, 2001).

"Paying Agent" means the bank or banks, if any, designated by the State to perform the duties of paying agent pursuant to the Bonds, initially U.S. Bank National Association, its successors or assigns.

"Person" means an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or any agency or instrumentality thereof.

"Purchaser" means, initially, Barclays Capital Inc., and its successors and assigns, and upon the receipt from time to time by the State of a notice described in Section 7.06(a) from time to time means the Person designated in such notice as the Purchaser, as more fully provided in Section 7.06(a) hereof.

"Purchaser Affiliate" means, (i) the Purchaser, (ii) any Person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Purchaser or another Purchaser Affiliate, and includes, without limitation, Barclays Bank PLC, and (ii) a trust or other custodial arrangement established by the Purchaser or a Purchaser Affiliate. A Person shall be deemed to control another Person for the purposes of this definition if such first Person possesses, directly or indirectly, the power to direct, or cause the direction of, the management and policies of the second Person, whether through the ownership of voting securities, common directors, trustees or officers, by contract or otherwise.

"Purchaser Transferee" has the meaning set forth in Section 7.06(b) hereof.

"Registrar" means U.S. Bank National Association as registrar under the Bonds.

"Reimbursed Taxes" means all Taxes other than Excluded Taxes.

"Related Documents" means this Agreement, the Resolution, the Bond Purchase Contract, the Tax Agreement, the Bonds and any and all future renewals and extensions or restatements of, or amendments or supplements to, any of the foregoing permitted hereunder and thereunder.

"Related Parties" means, with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of such Person and of such Person's Affiliates.

"Resolution" has the meaning set forth in the recitals.

"Risk-Based Capital Guidelines" means (i) the risk-based capital guidelines in effect in the United States on the Effective Date, including transition rules, and (ii) the corresponding capital regulations promulgated by regulatory authorities outside the United States including transition rules, and any amendments to such regulations adopted prior to the Effective Date.

"Sanctions" means any sanction administered or enforced by the United States Government (including OFAC and the United States Department of State), the United Nations Security Council, the European Union, Her Majesty's Treasury or other relevant sanctions authority.

"S&P" means S&P Global Ratings, a Standard & Poor's Financial Services LLC business, and any successor rating agency.

"SIFMA Rate" has the meaning set forth in the Bonds.

"State" means the State of Connecticut.

"Swap Contract" means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc. or any International Foreign Exchange Master Agreement, including any such obligations or liabilities thereunder.

"Tax Agreement" means the Tax Compliance Agreement and Tax Certificate of the State executed in connection with this Agreement and the Bonds.

"Taxable Date" means the date on which interest on any Bond is first includable in gross income of any Bondholder (including, without limitation, any previous Bondholder) thereof as a result of an Event of Taxability as such a date is established pursuant to either (i) the Determination of Taxability or (ii) an opinion by an attorney or firm of attorneys of nationally recognized standing on the subject of tax exempt municipal finance.

"Taxable Period" has the meaning set forth in Section 2.04(a) hereof.

"Taxable Rate" means, for any day, the product of (i) the interest rate on the related Bond in effect pursuant to the terms hereof and (ii) 1.54.

"Taxes" means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Domestic Taxing Authority, including any interest, fines, additions to tax or penalties applicable thereto.

"Tender Agent" means the bank or banks, if any, designated by the State to perform the duties of tender agent pursuant to the Bonds, initially U.S. Bank National Association, its successors or assigns.

"United States" and *"U.S."* mean the United States of America.

Section 1.02 Other Interpretive Provisions. With reference to this Agreement and each Related Document, unless otherwise specified herein or in such Related Document:

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include," "includes" and *"including"* shall be deemed to be followed by the phrase "without limitation." The word *"will"* shall be construed to have the same meaning and effect as the word *"shall."* Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Related Document), (ii) any reference herein to any Person shall be construed to include such Person's successors and assigns, (iii) the words *"hereto," "herein," "hereof"* and *"hereunder,"* and words of similar import when used in any Related Document, shall be construed to refer to such Related Document in its entirety and not to any particular provision thereof, (iv) all references in a Related Document to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, the Related Document in which such references appear, (v) any reference to any law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (vi) the words "asset" and "property" shall be

construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(b) In the computation of periods of time from a specified date to a later specified date, the word *"from"* means *"from and including;"* the words *"to"* and *"until"* each mean *"to but excluding;"* and the word *"through"* means *"to and including."*

(c) Section headings herein and in the other Related Documents are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Related Document.

Section 1.03 Accounting Terms. All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP applied on a consistent basis, as in effect from time to time, *except* as otherwise specifically prescribed herein.

Section 1.04 Rounding. Any financial ratios required to be maintained by the State pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

Section 1.05 Times of Day. Unless otherwise specified, all references herein to times of day shall be references to New York time (daylight or standard, as applicable).

ARTICLE II

PURCHASE OF BONDS; THE STATE'S OBLIGATIONS

Section 2.01 Purchase of Bonds.

(a) Upon the terms and conditions and in reliance on the representations, warranties and covenants of the State set forth in the Bond Purchase Contract, the other Related Documents and herein, the Purchaser has agreed to purchase the Bonds.

(b) On the Effective Date, the State shall deliver to the Purchaser, or cause to be delivered, the documents described in the Bond Purchase Contract and in Article IV hereof.

Section 2.02 Payment Obligations. The State hereby unconditionally, irrevocably and absolutely agrees to make, or cause to be made, prompt and full payment of all payment obligations owed to the Purchaser and the Bondholders under the Related Documents and to pay, or cause to be paid, any other Obligations owing to the Purchaser and the Bondholders whether now existing or hereafter arising, irrespective of their nature, whether direct or indirect, absolute or contingent, with interest thereon at the rate or rates provided herein or in such Related Documents and under such Obligations. The State unconditionally, irrevocably and absolutely agrees to pay to the Purchaser and the Bondholders the following:

(a) Interest in such amounts, on such dates and at such interest rates as set forth in the Resolution;

(b) Principal on the dates and in the amounts set forth in the Bonds;

(c) Within thirty (30) days after demand:

1. if an Event of Default shall have occurred, all costs and expenses of the Purchaser (including, without limitation, the reasonable fees and out of pocket expenses for counsel or other reasonably required consultants to the Purchaser in connection with advising the Purchaser as to its rights and responsibilities under this Agreement and the other Related Documents) in connection with the enforcement (whether by means of legal proceedings or otherwise) of any of its rights under this Agreement, the other Related Documents and such other documents which may be delivered in connection therewith.

(d) All other amounts payable by the State to the Purchaser and the Bondholders under this Agreement or the Related Documents.

To the extent that the Purchaser or a Bondholder receives payment through ownership of the Bonds, the State's obligation to make payments pursuant to clauses (a) and (b) of this Section, to the extent of the payment so received by the Purchaser or the Bondholder, shall be deemed satisfied.

In addition, if at any time any Domestic Taxing Authority shall require revenue or other documentary stamps or any other tax in connection with the execution or delivery of this Agreement or other Related Documents, then, if the State lawfully may pay for such stamps, taxes or fees, the State shall pay, when due and payable, for all such stamps, taxes and fees, including interest and penalties thereon, and the State agrees to hold the Purchaser and the Bondholders harmless from and against any and all liabilities with respect to or resulting from any delay of the State in paying, or omission of the State to pay, such stamps, taxes and fees hereunder.

Section 2.03 Default Rate.

If an Event of Default has occurred and is continuing, the Obligations shall bear interest at the Default Rate, which shall be payable by the State to each Bondholder (or, if applicable, the Purchaser) upon demand therefor and be calculated on the basis of a 365 or 366 day year, as applicable, and actual days elapsed.

Section 2.04 Determination of Taxability.

(a) In the event a Determination of Taxability occurs, to the extent not payable to each Bondholder (or to the Purchaser for the period that it was the Bondholder of any of the Bonds) under the terms of the Resolution and the Bonds, the State hereby agrees to pay to the Purchaser, for the benefit of each affected Bondholder, on demand therefor (1) an amount equal to the difference between (A) the amount of interest that would have been paid to such

Bondholder (or, if applicable, the Purchaser) on the Bonds during the period for which interest on any of the Bonds is included in the gross income of such Bondholder (or, if applicable, the Purchaser) if the Bonds had borne interest at the Taxable Rate, beginning on the Taxable Date (the "Taxable Period"), and (B) the amount of interest actually paid to the Bondholder (or, if applicable, the Purchaser) during the Taxable Period, and (2) an amount equal to any interest, penalties or charges owed by such Bondholder (or, if applicable, the Purchaser) as a result of interest on the Bonds becoming included in the gross income of such Bondholder (or, if applicable, the Purchaser), together with any and all reasonable attorneys' fees, court costs, or other reasonable out of pocket costs incurred by the Purchaser in connection therewith.

(b) Subject to the provisions of clauses (c) and (d) below, such Bondholder (or, if applicable, the Purchaser) shall afford the State the opportunity, at the State's sole cost and expense, to contest (1) the validity of any amendment to the Code which causes the interest on any of the Bonds to be included in the gross income of such Bondholder (or, if applicable, the Purchaser) or (2) any challenge to the validity of the tax exemption with respect to the interest on the Bonds, including the right to direct the necessary litigation contesting such challenge (including administrative audit appeals).

(c) The obligations of the State under this Section 2.04 shall survive the termination of this Agreement, the termination of any of the other Related Documents, and the redemption or other payment in full of the Bonds.

Section 2.05 Maximum Interest Rate.

(a) (i) If the amount of interest payable for any period in accordance with the terms hereof or the Bonds exceeds the amount of interest that would be payable for such period had interest for such period been calculated at the Maximum Interest Rate, then interest for such period shall be payable in an amount calculated at the Maximum Interest Rate.

(ii) Any interest that would have been due and payable for any period but for the operation of the immediately preceding subclause (i) shall accrue and be payable as provided in this subclause (ii) and shall, less interest actually paid to each Bondholder (or, if applicable, the Purchaser) for such period, constitute the "Excess Interest Amount." If there is any accrued and unpaid Excess Interest Amount as of any date, then the principal amount with respect to which interest is payable shall bear interest at the Maximum Interest Rate until payment to each Bondholder (and, if applicable, the Purchaser) of the entire Excess Interest Amount allocable to each Bondholder and/or the Purchaser.

(iii) Notwithstanding the foregoing, on the date on which no principal amount with respect to the Bonds remains unpaid, the State shall pay to each Bondholder (and, if applicable, the Purchaser) a fee equal to any accrued and unpaid Excess Interest Amount allocable to such Bondholder and/or the Purchaser.

(b) Survival. The obligations of the State under this Section 2.05 shall survive the termination of this Agreement and the redemption or other payment in full of the Bonds.

Section 2.06 Increased Costs.

(a) Increased Costs Generally. If any Change in Law shall:

1. impose, modify or deem applicable any reserve, liquidity ratio, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or advances, loans or other credit extended or participated in by, the Purchaser or any Bondholder;

2. subject the Purchaser or any Bondholder to any Tax of any kind whatsoever with respect to this Agreement or the Bonds, or change the basis of taxation of payments to the Purchaser or such Bondholder in respect thereof (except for Reimbursed Taxes or Other Taxes covered by Section 2.07 and the imposition of, or any change in the rate of any Excluded Tax payable by the Purchaser or such Bondholder); or

3. impose on the Purchaser or any Bondholder any other condition, cost or expense affecting this Agreement or the Bonds;

and the result of any of the foregoing shall be to increase the cost to the Purchaser or such Bondholder of maintaining this Agreement or owning the Bonds, or to reduce the amount of any sum received or receivable by the Purchaser or such Bondholder hereunder or under the Bonds (whether of principal, interest or any other amount) then, upon written request of the Purchaser or such Bondholder as set forth in clause (c) of this Section, the State shall pay to the Purchaser, for the benefit of itself and each affected Bondholder, such additional amount or amounts as will compensate the Purchaser or such Bondholder, as the case may be, for such additional costs incurred or reduction suffered in accordance with clause (c) of this Section. Such additional amounts shall be treated by the Purchaser as a fee and not included as additional interest on the Bonds.

(b) Capital Requirements. If the Purchaser or any Bondholder determines that any Change in Law affecting the Purchaser or such Bondholder or the Purchaser's or such Bondholder's parent or holding company, if any, regarding capital requirements, has or would have the effect of reducing the rate of return on the Purchaser's or such Bondholder's capital or the capital of the Purchaser's or such Bondholder's parent or company holding, if any, as a consequence of this Agreement, or ownership of the Bonds, to a level below that which the Purchaser or such Bondholder or the Purchaser's or such Bondholder's parent or holding company could have achieved but for such Change in Law (taking into consideration the Purchaser's or such Bondholder's policies and the policies of the Purchaser's or such Bondholder's parent or holding company with respect to capital adequacy), then from time to time upon written request of the Purchaser or such Bondholder as set forth in clause (c) of this Section, the State shall pay to the Purchaser or such Bondholder, as the case may be, such additional amount or amounts as will compensate the Purchaser or such Bondholder or the Purchaser's or such Bondholder's parent or holding company for any such reduction suffered in accordance with clause (c) of this Section. Such additional amounts shall be treated by the Purchaser as a fee and not included as additional interest on the Bonds.

(c) *Certificates for Reimbursement.* A certificate of the Purchaser or any Bondholder setting forth the amount or amounts necessary to compensate the Purchaser or any such Bondholder or the Purchaser's or any such Bondholder's parent or holding company, as the case may be, as specified in paragraph (a) or (b) of this Section and delivered to the State, shall be conclusive absent manifest error. The State shall pay the Purchaser or any such Bondholder, as the case may be, the amount shown as due on any such certificate within thirty (30) days after receipt thereof.

(d) *Delay in Requests.* Failure or delay on the part of the Purchaser or any such Bondholder to demand compensation pursuant to this Section shall not constitute a waiver of the Purchaser's or any such Bondholder's right to demand such compensation.

(e) *Survival.* Without prejudice to the survival of any other agreement of the State hereunder, the agreements and obligations of the State contained in this Section shall survive the termination of this Agreement and the payment in full of the Bonds and the obligations of the State thereunder and hereunder.

Section 2.07 Taxes.

(a) *Payments Free of Taxes.* Any and all payments by or on account of any obligation of the State hereunder or under the Bonds shall be made without counterclaim, setoff, condition or qualification and free and clear of, and without reduction or withholding for, or by reason of any Reimbursed Taxes or Other Taxes; provided that if the State shall be required by Applicable Law to withhold or deduct any Reimbursed Taxes (including any Other Taxes) from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Purchaser or such Bondholder receives an amount equal to the sum it would have received had no such deductions been made, (ii) the State shall make such deductions and (iii) the State shall timely pay the full amount deducted to the relevant Governmental Authority in accordance with Applicable Law.

(b) *Payment of Other Taxes.* Without limiting the provisions of paragraph (a) above, the State shall timely pay any Other Taxes to the relevant Governmental Authority in accordance with Applicable Law.

(c) *Payment by the State.* The State shall pay to the Purchaser and each other Bondholder, within thirty (30) days after demand therefor, the full amount of any Reimbursed Taxes or Other Taxes (including Reimbursed Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Purchaser or such Bondholder and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Reimbursed Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate stating the amount of such payment or liability delivered to the State by the Purchaser or such Bondholder shall be conclusive absent manifest error. In addition, the State shall reimburse the Purchaser and the other Bondholders, within thirty (30) days after demand therefor, for any incremental Taxes that may become payable by the Purchaser or any Bondholder as a result of any failure of the State to pay any Taxes when due to the appropriate Governmental Authority or to deliver to the

Purchaser and the other Bondholders, pursuant to clause (d), documentation evidencing the payment of Taxes.

(d) *Evidence of Payments.* As soon as practicable after any payment of Reimbursed Taxes or Other Taxes by the State to a Governmental Authority, the State shall deliver to the Purchaser or such other Bondholder, as applicable, a copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence, to the extent available, of such payment reasonably satisfactory to the Purchaser or such Bondholder, as applicable.

(e) *Treatment of Certain Refunds.* If the Purchaser or any other Bondholder determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been reimbursed pursuant to this Section (including additional amounts paid by the State pursuant to this Section), it shall pay to the State an amount equal to such refund (but only to the extent of reimbursement payments made, or additional amounts paid, under this Section with respect to the Taxes or Other Taxes giving rise to such refund), net of all out of pocket expenses of the Purchaser or such Bondholder, as applicable, and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); provided that the State, upon the request of the Purchaser or such Bondholder, as applicable, agrees to repay the amount paid over pursuant to this Section (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Purchaser or such Bondholder, as applicable, in the event the Purchaser or such Bondholder, as applicable, is required to repay such refund to such Governmental Authority. Notwithstanding anything to the contrary in this paragraph (e), in no event will the Purchaser or such Bondholder, as applicable, be required to pay any amount to a reimbursing party pursuant to this paragraph (e) the payment of which would place the Purchaser or such Bondholder, as applicable, in a less favorable net after tax position than the Purchaser or such Bondholder, as applicable, would have been in if the reimbursement payments or additional amounts giving rise to such refund had never been paid. This paragraph shall not be construed to require the Purchaser or such Bondholder, as applicable, to make available its tax returns (or any other information relating to its taxes which it deems confidential) to the State or any other Person.

(f) *Survival.* Without prejudice to the survival of any other agreement of the State hereunder, the agreements and obligations contained in this Section shall survive the termination of this Agreement and the payment in full of the Bonds and the obligations of the State thereunder and hereunder.

Section 2.08 Obligations Absolute. The payment obligations of the State under this Agreement shall be unconditional and irrevocable and shall be paid strictly in accordance with the terms of this Agreement under all circumstances.

ARTICLE III

CONDITIONS PRECEDENT TO PURCHASE OF BONDS

Section 3.01 Conditions of Purchase of Bonds. (a) The obligation of the Purchaser to purchase the Bonds is subject to the conditions precedent that the Purchaser shall have received, on or before the Effective Date, the items described in the Bond Purchase Contract and the items listed below in this Section, each dated and in form and substance as is satisfactory to the Purchaser:

1. Copies of the Resolution and any other resolutions of the State approving the execution and delivery of this Agreement and the other Related Documents and the other matters contemplated hereby, certified by the Authorized Officer of the State as being true and complete and in full force and effect on the Effective Date;

2. A certificate by the Authorized Officer of the State certifying the names and signatures of the persons authorized to sign, on behalf of the State, this Agreement and the other Related Documents to be executed on the Effective Date;

3. Originals (or copies certified to be true copies by the State) of all governmental and regulatory approvals, if any, at the time required to be obtained by the State with respect to this Agreement and the other Related Documents and the transactions contemplated hereby and thereby, together with a list of any approvals still to be received, if any;

4. An executed original of this Agreement and all other Related Documents;

5. The Bonds;

6. The following opinions, dated the Effective Date and addressed to the Purchaser or on which the Purchaser is otherwise expressly authorized to rely:

(A) From Bond Counsel, an opinion as to the due authorization, execution, delivery and enforceability of the Bonds, this Agreement and the other Related Documents to which the State is a party, and such other customary matters as the Purchaser may reasonably request; and

(B) From Bond Counsel, an opinion that the interest on the Bonds and amounts designated as interest payments under this Agreement are excluded from gross income and such other customary matters as the Purchaser may reasonably request.

7. A certificate dated the Effective Date and executed by an Authorized Officer certifying (i) to the knowledge of the State, that there has been no event or circumstance since June 12, 2017, that has had or could be reasonably expected to have, either individually or in the aggregate, a material adverse effect upon State since June 12, 2017, (ii) that the representations and warranties contained in Article IV hereof and the other Related Documents are true and correct in all material respects on the Effective Date and (iii) no event has occurred and is continuing, or would result from entry into this Agreement or issuance, sale and delivery of the Bonds, which would constitute a Default or Event of Default.

Section 3.02 Additional Conditions Precedent. The obligation of the Purchaser to purchase the Bonds on the Effective Date is subject to the further conditions precedent that:

(a) The State agrees, by its execution hereof, that no later than forty-five (45) days after the Effective Date, the Purchaser shall have received reimbursement (or direct payment) of the Purchaser's expenses (including the reasonable legal fees and expenses of McDermott Will & Emery LLP) and any other reasonable fees incurred in connection with the transaction contemplated by this Agreement and the other Related Documents;

(b) The Bonds (i) shall have a CUSIP number assigned to them, and (ii) shall be registered with The Depository Trust Company or another securities depository acceptable to the Purchaser; and

(c) All other legal matters pertaining to the execution and delivery of the Bonds, this Agreement and the other Related Documents shall be satisfactory to the Purchaser and its counsel, and the Purchaser shall have received such other statements, certificates, agreements, documents and information with respect to the State and the other parties to the Related Documents and matters contemplated by this Agreement as the Purchaser may reasonably request.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

Section 4.01 Representations and Warranties. The State makes the following representations and warranties to the Purchaser as of the date hereof:

(a) This Agreement constitutes an express contract within the meaning of Section 3-21-a of the General Statues of Connecticut, as amended.

(b) The State has complied or will comply on or prior to the Effective Date with the Act and the Resolution, in all respects related to the transactions contemplated hereby and by the Related Documents. The State of Connecticut Bond Commission and the Treasurer of the State of Connecticut have full legal right, power and authority to authorize the issuance of bonds of the State (including the Bonds) for the purposes set forth in the Act, and to adopt the Resolution, and the Treasurer has full legal right, power and authority to approve and authorize the execution of this Agreement and the Related Documents and to carry out and consummate all other transactions contemplated by each of the aforesaid documents.

(c) Prior to or concurrently with the acceptance hereof, the Treasurer of the State of Connecticut has duly authorized and approved the execution and delivery of, and the performance by the State of its obligations contained in this Agreement and the Related Document, and the consummation by the State of all other transactions contemplated hereby, and there are no governmental approvals which have not been obtained and which are necessary for the State to undertake its obligations under this Agreement and the Related Documents and the consummation of such transactions. All governmental approvals required to be obtained in connection with the execution, delivery, performance, validity or enforceability of this

Agreement and the other Related Documents (including the Bonds) have been obtained and are in full force and effect.

(d) The execution, delivery and performance of this Agreement and the other Related Documents to which the State is or will be a party (a) did not, at any relevant time, and do not violate any provision of any law or regulation (including, without limitation, Regulations T, U or X of the Board of Governors of the Federal Reserve System, or any successor regulations), or of any judgment, order or decree of any court, tribunal or Governmental Authority, bureau or agency, (b) did not, at any relevant time, and do not and will not violate any provision of any mortgage, indenture, contract, loan agreement, note, resolution, agreement or other undertaking or instrument by which the State or any of its assets is bound and (c) except as provided in the Resolution, did not, at any relevant time, and does not and will not result in the creation or imposition of any lien on any of its assets pursuant to the provisions of any of the foregoing.

(e) There is no action, suit, inquiry, arbitration, administrative proceeding or investigation, at law or in equity, before or by any court, public board or body, tribunal or Governmental Authority, pending or, to the best knowledge of the State, threatened against the State, seeking to prohibit, restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, or this Agreement or any of the other Related Documents or contesting any authority for the issuance of the Bonds or the execution of this Agreement or any of the other Related Documents nor, to the best knowledge of the State, is there any basis therefor, wherein an unfavorable decision, ruling or finding could reasonably be expected (in any single case or in the aggregate) to have a Material Adverse Effect.

(f) None of the this Agreement, Resolution, the Related Documents or the Bonds provide for any payments that would violate any applicable law, rule or regulation relating to permissible maximum rates of interest.

(g) Connecticut General Statutes Section 3-21a gives jurisdiction to the Connecticut courts to enter judgment against the State founded upon any express contract between the State and the purchasers and subsequent owners and transferees of bonds and notes issued by the State, including, without limitation, the Bonds, reserving to the State all legal defenses except governmental immunity.

(h) The State's obligation to make payments hereunder constitutes a general obligation of the State to which its full faith and credit is pledged and a legal valid and binding obligation of the State which is enforceable in accordance with its terms.

(i) Assuming due authorization, execution and delivery by each of the other parties thereto, each of this Agreement, the Resolution and the other Related Documents in which the State is named as a party constitutes the legal, valid and binding obligation of the State, enforceable in accordance with its terms, subject, as to enforceability, to applicable bankruptcy, moratorium, insolvency or similar laws affecting the rights of creditors generally and to certain principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). Each of the Related Documents is or will be on the Effective Date in full force and effect.

(j) No default by the State has occurred and is continuing in the payment of the principal of or premium, if any, or interest on any Material Indebtedness. No Default or Event of Default under this Agreement has occurred and is continuing and no default or event of default under (and as defined in) any of the other Related Document has occurred and is continuing. The State is not in material default under (a) any order, writ, injunction or decree of any Governmental Authority having jurisdiction over the affairs of the State, or (b) any laws (including the Act) applicable to the State, or (c) any contract, agreement or instrument to which the State is a party or by which it or its property is bound, default under which could reasonably be expected to have a Material Adverse Effect.

(k) The most recent audited statement of financial position of the State and the related statement of activities, balance sheet and statement of cash flows for the fiscal year then ended and the auditors' reports with respect thereto, copies of which have heretofore been furnished to the Purchaser, are complete and correct and fairly present the financial condition, changes in financial position and results of operations of the State, at such date and for such Fiscal Year, and were prepared in accordance with generally accepted accounting principles or mandated State statutory principles in effect from time to time. Since the date of the most recent audited statement of financial position of the State, there has been no material adverse change in the financial condition or operations of the State that could reasonably be expected to result in a Material Adverse Effect.

(l) No part of the proceeds of any Bonds has been used for the purpose, whether immediate, incidental or ultimate, to purchase or carry any Margin Stock, or to extend credit to others for the purpose of purchasing or carrying any Margin Stock.

(m) The State has not taken any action or omitted to take any action, and knows of no action taken or omitted to be taken by any other person or entity, which action, if taken or omitted, would cause interest on the Bonds to be subject to personal income taxes levied by the United States or the State.

(n) The State shall use its best efforts to (a) ensure that it shall not be listed on the Specially Designated Nationals and Blocked Person List or other similar lists maintained by the Office of Foreign Assets Control ("OFAC"), the Department of the Treasury or included in any Executive Orders, that prohibits or limits the Purchaser from making any advance or extension of credit to the State or from otherwise conducting business with the State and (b) ensure that the proceeds of any Bonds purchased by the Purchaser hereunder shall not be used to violate any of the foreign asset control regulations of OFAC or any enabling statute or Executive Order relating thereto.

(o) To the knowledge of the State, neither the State nor any employee thereof, is an individual or entity that is, or is owned or controlled by any individual or entity that is (A) currently the subject or target of any Sanctions, (B) included on OFAC's List of Specially Designated Nationals or any similar list enforced by any other relevant sanctions authority or (C) located, organized, or resident in a Designated Jurisdiction.

ARTICLE V

COVENANTS

As long as this Agreement is in effect, and until all amounts payable under the Bonds and hereunder are paid in full, the State will perform and observe the covenants set forth below, unless the Purchaser shall otherwise consent in writing:

Section 5.01 Information. The State shall keep proper books of record and account in which full, true and correct entries will be made of all dealings and transactions of or in relation to affairs, operations, transactions and activities of the State in accordance with generally accepted accounting principles or mandated state statutory principles in effect from time to time, and will furnish to the Purchaser a copy of each of the following (provided that it shall constitute delivery of the items set forth in clause (a) of this Section 5.01 if posted on the Electronic Municipal Market Access website of the Municipal Securities Rulemaking Board or the State's website within the time required by the period set forth in clause (a) of this Section:

(a) As soon as available and, in any event, within two hundred seventy (270) days after the close of each fiscal year of the State, (i) the 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; (ii) financial statements of its General Fund on a budgeted basis (on the basis of the modified cash method of accounting);

(b) within five (5) Business Days after becoming aware of the occurrence of any Default or Event of Default, if such Default or Event of Default is then continuing, written notice from an authorized representative of the State, setting forth the details thereof and the action that the State is taking or proposes to take with respect thereto; and

(c) with reasonable promptness, such other data regarding the financial position, results of operations or business of the State as the Purchaser may reasonably request from time to time.

Section 5.02 Access to Records. To the extent permitted by law and at no cost to the State at any reasonable time, with reasonable advance notice, the Purchaser or its agents or representatives shall be permitted to examine and make copies of those records and books of account under the control of the State Office of the Treasurer which relate to the transactions contemplated by the Related Documents and this Agreement and to discuss those affairs which relate to the transactions contemplated by the Related Documents and this Agreement with the State Office of the Treasurer.

Section 5.03 Related Documents Covenants. To the extent permitted by law the State will perform each of the covenants and agreements required of it pursuant to the Related Documents, which provisions, as well as the related defined terms contained therein are hereby

incorporated by reference herein with the same effect as if each and every such provision and defined term were set forth herein in its entirety.

Section 5.04 Compliance with Laws. The State will comply with all laws, orders, writs, rules, or regulations of any Governmental Authority binding upon or applicable to it except for instances of noncompliance that (a) are being contested in good faith by appropriate proceedings being diligently pursued, or (b) would not have, individually or in the aggregate, a Material Adverse Effect.

Section 5.05 Amendments. Without the prior written consent of the Purchaser, which shall not be unreasonably withheld, the State shall not amend, modify or supplement, nor agree to any amendment or modification of or supplement to any of the Related Documents, which will modify the duties or obligations of the Paying Agent or Tender Agent or adversely affect the security for the Bonds or the other Obligations or the State's ability to repay when due the Bonds or the other Obligations or the interests, security, rights, duties, obligations or remedies of the Purchaser or the Bondholders without the prior written consent of the Purchaser.

Section 5.06 Ratings. During the term of this Agreement, the State will maintain at least two long-term unenhanced debt ratings on its Material Indebtedness from Kroll, Moody's, Fitch and S&P, at least one of which shall be, at all times, a rating from S&P or Moody's. The State covenants and agrees that it shall not at any time withdraw any long-term unenhanced rating on its Material Indebtedness from any of Moody's or S&P if the effect of such withdrawal would be to cure a Default or an Event of Default under this Agreement or reduce the Applicable Spread.

Section 5.07 Appointment of Successors and Replacements. The State shall not, without the prior written consent of the Purchaser (which consent shall not be unreasonably withheld or delayed), appoint or consent to the appointment of a successor Tender Agent.

Section 5.08 Additional Negative Covenants. So long as any of the Bonds or any Obligations remain unpaid hereunder, the State shall not do any of the following, without the prior written consent of the Purchaser, which consent' shall not be unreasonably withheld:

(a) take any action or omit to take any action which, if taken or omitted, would adversely affect the exclusion from gross income of such interest on the Bonds for purposes of the exemption of such interest from Federal and State income taxes; and

(b) use the proceeds of the Bonds, or permit the use of the proceeds of the Bonds, in violation of Regulation U, as amended, promulgated by the Board of Governors of the Federal Reserve System.

Section 5.09 Filing of Agreement. Immediately following the Effective Date, the State shall deliver, or cause to be delivered, to the Municipal Securities Rulemaking Board for filing with EMMA a copy of this Agreement (including all events of default and remedies), which copy may be redacted as appropriate.

Section 5.10 Notification to Rating Agencies. Within not more than thirty (30) days following the Effective Date, the State shall notify in writing the rating agencies then rating the general obligation debt of the State of the execution and delivery of the Bonds and this Agreement and the material terms hereof (including all events of default and remedies).

Section 5.11 Disclosnre in Financial Statements. The State shall reflect the Bonds and, to the extent applicable, this Agreement in any statement of assets and liabilities reflecting the financial position of the State.

ARTICLE VI

EVENTS OF DEFAULT, REMEDIES

Section 6.01 Events of Default and Remedies. If any of the following events shall occur, each such event shall be an "*Event of Default*":

(a) the State shall fail to pay when due any amount payable hereunder (other than the principal of or interest on the Bonds) within ten (10) days of the State's receipt of notice thereof or under any Related Document beyond any period of grace granted thereunder; or

(b) (A) the State shall default in the due performance or observance of any of the covenants set forth in Section 5.05, 5.06 or 5.08 hereof; or (B) the State shall fail to observe or perform any covenant or agreement contained (or incorporated by reference) in this Agreement (other than those referred to in any other Event of Default hereunder) or any Related Document to which it is a party for thirty (30) days after written notice thereof has been given to it by the Purchaser; or

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

(d) pursuant to the provisions of any such resolution, indenture, contract or instrument, the maturity of any Material Indebtedness (other than the Bonds) shall have been or may be accelerated or may be required to be prepaid prior to the stated maturity thereof; or

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

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

(g) (A) any material provision of the Act, the Resolution or any other Related Document shall at any time, and for any reason, cease to be valid and binding on the State or shall be declared to be null and void, invalid or unenforceable as the result of a final nonappealable judgment by any federal or state court or as a result of any legislative or administrative action by any Governmental Authority having jurisdiction over the State; (B) the State repudiates or otherwise denies that it has any further liability or obligation under or with respect to any material provision of the Act, the Resolution or any other Related Document; (C) any Governmental Authority with jurisdiction to rule on the validity or enforceability of any material provision of the Act, the Resolution or any other Related Document shall find or rule, in a judicial or administrative proceeding, that any such provision is not valid or not binding on, or enforceable against, the State; or (D) the State contests in a judicial or administrative proceeding the validity or enforceability of any material provision of this Agreement, the Act, the Resolution or any other Related Document; or

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

(i) (A) the failure to pay when due (whether by scheduled maturity, required prepayment, acceleration, mandatory tender, demand or otherwise in accordance with its terms) any installment of principal, interest, premium or purchase price payable on the Bonds (or any general obligation bonds ranking on a parity therewith); or (B) the State shall fail to pay the principal, interest or premium or other amount payable (whether by scheduled maturity, required prepayment, acceleration, mandatory tender, demand or otherwise in accordance with its terms) on any Modified Material Indebtedness (other than the Bonds), and such failure shall continue beyond any applicable period of grace specified in any underlying resolution, indenture, contract or instrument providing for the creation of or concerning such Modified Material Indebtedness; or

(j) (A) the State shall commence any case, proceeding or other action (1) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, including the Bonds, or (2) seeking appointment of a receiver, trustee, liquidator, custodian or other similar official for it or for all or any substantial part of its assets; or (B) there shall be commenced against the State any case, proceeding or other action of a nature referred to in clause (a) above which (x) results in an order for such relief or in the appointment of a receiver or similar official or (y) remains undismissed, undischarged or unbonded for a period of sixty (60) days from the commencement thereof; or (C) there shall be commenced against the State any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets, which (x) results in the entry of an order for any such relief or (y) which shall not have been

vacated, discharged, or stayed or bonded pending appeal within sixty (60) days from the commencement thereof; or (D) the State shall make a general assignment for the benefit of its creditors; or (E) the State shall admit in writing its inability to pay its indebtedness as it becomes due; or (F) the State becomes insolvent within the meaning of Section 101(32) of the Bankruptcy Code; (G) the State shall take any action in furtherance of, or indicating its consent to, approval of or acquiescence in, any of the acts set forth in any of clauses (A), (B), (C), (D), (E) or (F) above; or (H) a debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction on the payment of all Material Indebtedness of the State or the Bonds shall have been (x) declared or announced (whether or not in writing) by the State or (y) imposed, declared or announced (whether or not in writing) as a result of a finding, ruling or other determination by a Governmental Authority having jurisdiction over the State; or

(k) (A) any provision of this Agreement, the Act, the Resolution or the Bonds relating to (1) the payment, when due, of the principal or interest payable on all Modified Material Indebtedness or any Bonds or (2) the pledge of the full faith and credit of the State supporting all Modified Material Indebtedness or the Bonds shall at any time, and for any reason, cease to be valid and binding on the State or shall be declared to be null and void, invalid or unenforceable as the result of a final nonappealable judgment by any federal or state court or as a result of any legislative or administrative action by any Governmental Authority having jurisdiction over the State; (B) the State, acting through an official of the State having authority to do so, repudiates or otherwise publicly denies that it has any further liability or obligation under or with respect to any provision of this Agreement, the Act, the Resolution or the Bonds relating to (1) the payment, when due, of the principal or interest payable on all Material Indebtedness or any Bonds or (2) the pledge of the full faith and credit of the State supporting all Modified Material Indebtedness or any Bonds; (C) the State, acting through an official of the State having authority to do so, repudiates or otherwise publicly denies that it has any further liability or obligation under the Bonds, or the Bonds shall at any time and for any reason cease to be a general obligation of the State as determined by any Governmental Authority having jurisdiction over the State; (D) any Governmental Authority with jurisdiction to rule on the validity or enforceability of this Agreement, the Act, the Resolution, or the Bonds shall find or rule, in a judicial or administrative proceeding, that any provision of any of the foregoing relating to (1) the payment, when due, of the principal or interest payable on all Modified Material Indebtedness or any Bonds or (2) the pledge of the full faith and credit of the State supporting all Modified Material Indebtedness or any Bonds is not valid or not binding on, or enforceable against, the State; or (E) the State (1) makes a claim in a judicial or administrative proceeding that the State has no further liability or obligation under this Agreement, the Act, the Resolution or the Bonds, as and to the extent such entity has obligations thereunder, to pay, when due, the principal or interest payable on the Bonds, as applicable, or (2) contests in a judicial or administrative proceeding the validity or enforceability of any provision of this Agreement, the Act, the Resolution or the Bonds relating to (x) the payment, when due, of the principal or interest payable on all Modified Material Indebtedness or any Bonds; or (y) the pledge of the full faith and credit of the State supporting the Modified Material Indebtedness or any Bonds.

Section 6.02 Remedies. If an Event of Default specified in Section 6.01 hereof shall occur and be continuing, the Purchaser may take one or more of the following actions at any time and from time to time (regardless of whether the actions are taken at the same or different times):

(a) by written notice to the State, declare the outstanding amount of the Obligations under this Agreement (other than principal and interest on the Bonds) to be immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived, and an action therefor shall immediately accrue; and/or

(b) either personally or by attorney or agent without bringing any action or proceeding, or by a receiver to be appointed by a court in any appropriate action or proceeding, take whatever action at law or in equity may appear necessary or desirable to collect the amounts due and payable under the Related Documents or to enforce performance or observance of any obligation, agreement or covenant of the State, whether for specific performance of any agreement or covenant of the State or in aid of the execution of any power granted to the Purchaser in the Related Documents; and/or

(c) cure any Default, Event of Default or event of nonperformance hereunder or under any Related Document; *provided, however,* that the Purchaser shall have no obligation to effect such a cure; and/or

(d) pursue any rights and remedies it may have under the Related Documents; and/or

(e) pursue any action available at law or in equity.

In addition to the foregoing, upon the occurrence of any Event of Default hereunder, the Bonds and all Obligations due and payable hereunder shall bear interest at the Default Rate. The State agrees to pay to the Purchaser on demand all expenses incurred or paid by the Purchaser, including reasonable attorneys' fees, disbursements, and court costs, in connection with any Event of Default hereunder or in connection with of any of the terms of this Agreement or any of the Related Documents. The Purchaser acknowledges that it has no right to accelerate the principal of and interest on the Bonds pursuant to the terms of this Agreement.

Section 6.03 Remedies Cumulative; Solely for the Benefit of the Purchaser and Bondholders. To the extent permitted by law, each and every right, power and remedy herein specifically given to the Purchaser and Bondholders in the Related Documents shall be cumulative, concurrent and nonexclusive and shall be in addition to every other right, power and remedy herein specifically given or now or hereafter existing at law, in equity or by statute, and each and every right, power and remedy (whether specifically herein given or otherwise existing) may be exercised from time to time and as often and in such order as may be deemed expedient by the Purchaser, and the exercise or the beginning of the exercise of any power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any other right, power or remedy.

The rights and remedies of the Purchaser specified herein are for the sole and exclusive benefit, use and protection of the Purchaser and the Bondholders, and the Purchaser and the Bondholders are entitled, but shall have no duty or obligation to the State or any other Person or otherwise, to exercise or to refrain from exercising any right or remedy reserved to the Purchaser and the Bondholders hereunder or under any of the other Related Documents.

ARTICLE VII

MISCELLANEOUS

Section 7.01 Amendments, Etc. No amendment or waiver of any provision of this Agreement or any other Related Document, and no consent to any departure by the State therefrom, shall be effective unless in writing signed by the Purchaser and the State, and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 7.02 Notices; Effectiveness; Electronic Communication. (a) Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in subsection (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by fax transmission or e-mail transmission to the address, fax number or e-mail address specified for such Person on Schedule I, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number specified for such Person on Schedule I. Notices and other communications sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices and other communications sent by fax transmission shall be deemed to have been given when sent (except that, if not given during normal business hours for the recipient, shall be deemed to have been given at the opening of business on the next Business Day for the recipient). Notices and other communications delivered through electronic communications to the extent provided in subsection (b) below, shall be effective as provided in such subsection (c).

(b) *Electronic Communications.* Notices and other communications to the Purchaser hereunder may be delivered or furnished by electronic communication (including e-mail and Internet or intranet websites) pursuant to procedures approved by the Purchaser. The Purchaser or the State, in its discretion, agrees to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it provided that the approval of such procedures may be limited to particular notices or communications.

(c) Unless the Purchaser otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), and (ii) notices or communications posted to an Internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor; provided that, for both clauses (i) and (ii), if such notice, email or other communication is not sent during the normal business hours of the recipient, such notice, email or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient.

(d) *Change of Address, Etc.* Each of the State and the Purchaser may change its address, fax number or telephone number or e-mail address for notices and other communications hereunder by notice to the other parties hereto.

(e) *Reliance by the Purchaser.* The Purchaser shall be entitled to rely and act upon any notices (including telephonic or electronic notices) purportedly given by or on behalf of the State even if (i) such notices were not made in a manner specified herein, were incomplete or were not preceded or followed by any other form of notice specified herein, or (ii) the terms thereof, as understood by the recipient, varied from any confirmation thereof. All telephonic notices to and other telephonic communications with the Purchaser may be recorded by the Purchaser, and each of the parties hereto hereby consents to such recording.

Section 7.03 No Waiver; Cumulative Remedies. No failure by the Purchaser to exercise, and no delay by the Purchaser in exercising, any right, remedy, power or privilege hereunder or under any other Related Document shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided, and provided under each other Related Document, are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

Section 7.04 Costs and Expenses; Damage Waiver. (a) The State shall pay (i) all reasonable out of pocket expenses incurred by Barclays Capital Inc. and its Affiliates (including the reasonable fees, charges and disbursements of counsel for Barclays Capital Inc. and its Affiliates), in connection with the preparation, negotiation, execution, and delivery of this Agreement and the other Related Documents (provided that the fees of counsel for Barclays Capital Inc. payable by the State in connection with the preparation, negotiation, execution, and delivery of this Agreement and the other Related Documents shall not exceed $[redacted]) or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), and (ii) all reasonable out of pocket expenses incurred by the Purchaser and its Affiliates (including the fees, charges and disbursements of any counsel for the Purchaser and its Affiliates) in connection with the enforcement or protection of its rights in connection with this Agreement and the other Related Documents, including its rights under this Section, including all such reasonable out of pocket expenses incurred during any workout or restructuring.

(b) *Waiver of Consequential Damages, Etc.* To the fullest extent permitted by law, the State shall not assert, and hereby waives, any claim against the Purchaser and its Affiliates and their respective officers, directors, employees and agents, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement, any other Related Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, the Bonds or the use of the proceeds thereof.

(c) *Payments.* All amounts due under this Section shall be payable not later than ninety (90) days after demand therefor.

(d) *Survival.* The agreements in this Section shall survive the payment in full of the Bonds, the repayment, satisfaction or discharge of all other Obligations and the termination of this Agreement.

Section 7.05 Payments Set Aside. To the extent that any payment by or on behalf of the State is made to the Purchaser or a Bondholder, and such payment or any part thereof is subsequently invalidated, declared to be fraudulent or preferential or required (including pursuant to any settlement entered into by the Purchaser in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made.

Section 7.06 Successors and Assigns; Designation of Replacement Purchaser.

(a) *Successors and Assigns Generally.* This Agreement is a continuing obligation and shall be binding upon State and its permitted successors, transferees and assigns and shall inure to the benefit of the Purchaser and the Bondholders and their respective successors, transferees and assigns. The State may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Purchaser. Each Bondholder may, in its sole discretion and in accordance with applicable Law, from time to time assign, sell or transfer in whole or in part, its interests in this Agreement, the Bonds and the other Related Documents. The Purchaser and each Bondholder may at any time pledge or assign a security interest subject to the restrictions of paragraph (e) of this Section.

(b) *Designation of Replacement Purchaser.* Barclays Capital Inc. shall be the sole Purchaser hereunder until such time as the Bondholders owning a majority of the aggregate principal amount of Bonds outstanding from time to time (the "*Majority Bondholders*") designate an alternate Person to serve as the Purchaser hereunder by delivery of written notice to the State and the Registrar and such Person accepts and agrees to act as the sole Purchaser hereunder and under the Related Documents. The Majority Bondholders may so designate an alternate Person to act as the sole Purchaser from time to time. Upon acceptance by such successor Purchaser and notification thereof to the State and the Registrar, the successor to the Purchaser for such purposes shall thereupon succeed to and become vested with all of the rights, powers, privileges and responsibilities of the Purchaser, and Barclays Capital Inc. or any other Person being replaced as the Purchaser shall be discharged from its duties and obligations as the Purchaser hereunder.

(c) *Sales and Transfers by the Purchaser or a Purchaser Affiliate to a Purchaser Transferee.* Without limiting the foregoing, a Bondholder may at any time sell or otherwise transfer all or a portion of the Bonds to one or more Persons that are each a Purchaser Affiliate (each, a "*Purchaser Transferee*") if written notice of such sale or transfer shall have been given to the State and the Registrar. From and after the date of such sale or transfer, the Purchaser or its designee (and their successors) shall continue to have all of the rights of the Purchaser hereunder and under the other Related Documents as if no such transfer or sale had occurred; *provided, however,* that (A) no such sale or transfer referred to in this clause (b) shall in any way

affect the obligations of the Purchaser hereunder, (B) the State shall be required to deal only with the Purchaser with respect to any matters under this Agreement and (C) in the case of a sale or transfer referred to in this clause (b), only the Purchaser shall be entitled to enforce the provisions of this Agreement against the State.

(d) *Sales and Transfers by a Bondholder to a Non-Purchaser Transferee.* Without limiting the foregoing, a Bondholder may at any time sell or otherwise transfer to one or more transferees which are not Purchaser Transferees all or a portion of the Bonds if written notice of such sale or transfer, including that such sale or transfer is to a Non-Purchaser Transferee, together with addresses and related information with respect to the Non-Purchaser Transferee, shall have been given to the State, the Registrar and the Purchaser (if different than the Bondholder) by such selling Bondholder and Non-Purchaser Transferee. From and after the date the State and the Purchaser have received written notice, (A) the Non-Purchaser Transferee shall have the rights and obligations of a Bondholder hereunder and under the other Related Documents, and (B) if the transferring Bondholder no longer owns any Bonds, then it shall relinquish its rights under the Related Documents; provided that in the case of a sale or transfer referred to in this clause (d), only the Purchaser (and its successor appointed by Majority Bondholders in accordance with clause (a) above) shall be entitled to enforce the provisions of this Agreement against the State.

(e) *Certain Pledges.* The Purchaser and any Bondholder may at any time pledge or grant a security interest in all or any portion of its rights under the Bonds, this Agreement and the Related Documents to secure obligations of the Purchaser and any Bondholder, including any pledge or assignment to secure obligations to a Federal Reserve Bank; *provided* that no such pledge or assignment shall release the Purchaser from any of its obligations hereunder or substitute any such pledgee or assignee for the Purchaser as a party hereto.

Section 7.07 Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Related Documents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 3.01, this Agreement shall become effective when it shall have been executed by the Purchaser and when the Purchaser shall have received counterparts hereof that, when taken together, bear the signatures of the other party hereto. Delivery of an executed counterpart of a signature page of this Agreement by fax transmission or e-mail transmission (e.g., *"pdf"* or *"tif"*) shall be effective as delivery of a manually executed counterpart of this Agreement. Without limiting the foregoing, to the extent a manually executed counterpart is not specifically required to be delivered under the terms of any Related Document, upon the request of any party, such fax transmission or e-mail transmission shall be promptly followed by such manually executed counterpart.

Section 7.08 Survival of Representations and Warranties. All representations and warranties made hereunder and in any other Related Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and

delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Purchaser, regardless of any investigation made by the Purchaser or on its behalf and notwithstanding that the Purchaser may have had notice or knowledge of any Default at the time of the issuance, sale and delivery of the Bonds, and shall continue in full force and effect as long as any other Obligation hereunder shall remain unpaid or unsatisfied.

Section 7.09 Severability. If any provision of this Agreement or the other Related Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Related Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 7.10 Governing Law; Jurisdiction; Etc. THIS AGREEMENT SHALL BE DEEMED TO BE A CONTRACT UNDER, AND SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK (WITHOUT REFERENCE TO CONFLICTS OF LAW PROVISIONS) AND APPLICABLE FEDERAL LAW; PROVIDED THAT THE EXISTENCE, LEGAL CAPACITY, OBLIGATIONS AND LIABILITIES OF THE STATE SHALL BE GOVERNED BY THE LAWS OF THE STATE OF CONNECTICUT.

Section 7.11 Waiver of Jury Trial. EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 7.12 Contractual Interpretation. The parties acknowledge that they have read and fully understand the terms of this Agreement, have consulted with such attorneys, accountants, advisors, or other professionals as they have deemed appropriate prior to executing this Agreement with adequate opportunity and time for review thereof, and are fully aware of its contents and of its legal effect. Accordingly, neither this Agreement nor any ambiguity herein shall be construed against any party on the grounds that such party drafted this Agreement and instead, this Agreement shall be interpreted as though drafted equally by all parties.

Section 7.13 No Advisory or Fiduciary Relationship. In connection with all aspects of the transactions contemplated by this Agreement and the Related Documents (including in connection with any amendment, waiver or other modification of this Agreement or of any Related Document), the State acknowledges and agrees that: (a)(i) any arranging, structuring and other services regarding this Agreement and the Related Documents provided by the Purchaser or any Affiliate of the Purchaser are arm's length commercial transactions between the State on the one hand, and the Purchaser and any Affiliate of the Purchaser on the other hand, (ii) the State has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (iii) the State is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated by this Agreement and the Related Documents; (b)(i) the Purchaser and each Affiliate of the Purchaser is and has been acting solely as a principal and has not been, is not, and will not be acting as an advisor, agent or fiduciary for the State or any other Person and (ii) neither the Purchaser nor any Affiliate of the Purchaser has any obligation to the State with respect to the transactions contemplated by this Agreement and the Related Documents, except those obligations expressly set forth herein; and (c) the Purchaser and each Affiliate of the Purchaser may be engaged in a broad range of transactions that involve interests that differ from those of the State, and neither the Purchaser nor any Affiliate of the Purchaser has any obligation to disclose any of such interests to the State. To the fullest extent permitted by applicable Laws, the State hereby waives and releases any claims that it may have against the Purchaser and each Affiliate of the Purchaser with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of the transactions contemplated by this Agreement and the Related Documents.

Section 7.14 Electronic Execution of Certain Documents. The words "execute," "execution," "signed," "signature," and words of like import in any Related Document (including waivers and consents) shall be deemed to include electronic signatures, the electronic matching of assignment terms and contract formations on electronic platforms approved by the Purchaser, or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law.

Section 7.15 USA Patriot Act. The Purchaser hereby notifies the State that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L.107-56 (signed into law October 26, 2001)) (the "Patriot Act"), it is required to obtain, verify and record information that identifies the State, which information includes the name and address of the State and other information that will allow the Purchaser to identify the State in accordance with the Patriot Act, and the State hereby agrees to take any action necessary to enable the Purchaser to comply with the requirements of the Patriot Act.

Section 7.16 Time of the Essence. Time is of the essence of the Related Documents.

Section 7.17 Entire Agreement. This Agreement and the other Related Documents represent the final agreement among the parties and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties. There are no unwritten oral agreements among the parties.

Section 7.18 Further Assurances. From time to time upon the request of either party hereto, the other shall promptly and duly execute, acknowledge and deliver any and all such further instruments and documents as the requesting party may in its reasonable discretion deem necessary or desirable to confirm this Agreement, and the other Related Documents, to carry out the purpose and intent hereof and thereof or to enable the requesting party to enforce any of its rights hereunder or thereunder. At any time, and from time to time, upon request by the Purchaser, the State will, at the State's expense, correct any defect, error or omission which may be discovered in the form or content of any of the Related Documents. Upon any failure by the State to do so, the Purchaser may make, execute and record any and all such instruments, certificates and other documents for and in the name of the State, all at the sole expense of the State, and the State hereby appoints the Purchaser the agent and attorney in fact of the State to do so, this appointment being coupled with an interest and being irrevocable. In addition, at any time, and from time to time, upon request by the Purchaser, the State will, at the State's expense, provide any and all further instruments, certificates and other documents as may, in the opinion of the Purchaser, be necessary or desirable in order to verify the State's identity and background in a manner satisfactory to the Purchaser.

Section 7.19 No Third Party Rights. Nothing in this Agreement, whether express or implied, shall be construed to give to any Person other than the State, the Purchaser, any Purchaser Transferee, any Non-Purchaser Transferee or any successors and assigns thereof, any legal or equitable right, remedy or claim under or in respect of this Agreement, which is intended for the sole and exclusive benefit of the aforementioned parties.

Section 7.20 Non-Discrimination.

(a) The following subsections are set forth herein as required by Section 4a-60 of the Connecticut General Statutes, as amended; references in this Section 7.20 to "contractor" shall mean the Purchaser; and references to "commission" shall mean the Connecticut Commission on Human Rights and Opportunities. To the extent required by applicable law, the contractor agrees as follows:

i. The contractor agrees and warrants that in the performance of this Agreement such contractor will not discriminate or permit discrimination against any person or group of persons on the grounds of race, color, religious creed, age, marital status, national origin, ancestry, sex, gender identity or expression, intellectual disability, mental disability or physical disability, including, but not limited to, blindness, unless it is shown by such contractor that such disability prevents performance of the work involved, in any manner prohibited by the laws of the United States or of the state of Connecticut. The contractor further agrees to take affirmative action to insure that applicants with job-related qualifications are employed and that employees are treated when employed without regard to their race, color, religious creed, age, marital status, national origin, ancestry, sex, gender identity or expression, intellectual disability, mental disability or physical disability, including, but not limited to, blindness, unless it is shown by such contractor that such disability prevents performance of the work involved;

ii. The contractor agrees, in all solicitations or advertisements for employees placed by or on behalf of the contractor, to state that it is an "affirmative action-equal opportunity employer" in accordance with regulations adopted by the commission;

iii. the contractor agrees to provide each labor union or representative of workers with which such contractor has a collective bargaining agreement or other contract or understanding and each vendor with which such contractor has a contract or understanding, a notice to be provided by the commission advising the labor union or workers' representative of the contractor's commitments under this section, and to post copies of the notice in conspicuous places available to employees and applicants for employment;

iv. the contractor agrees to comply with each provision of this section and Connecticut General Statutes Sections 46a-68e and 46a-68f and with each regulation or relevant order issued by said commission pursuant to sections 46a-56, 46a-68e and 46a-68f; and

v. the contractor agrees to provide the Commission on Human Rights and Opportunities with such information requested by the commission, and permit access to pertinent books, records and accounts, concerning the employment practices and procedures of the contractor as relate to the provisions of this section and Connecticut General Statutes Section 46a-56.

(b) If this Agreement is a public works contract, the contractor agrees and warrants that it will make good faith efforts to employ minority business enterprises as subcontractors and suppliers of materials on such public works project.

(c) "Minority business enterprise" means any small contractor or supplier of materials fifty-one per cent (51 %) or more of the capital stock, if any, or assets of which is owned by a person or persons: (1) Who are active in the daily affairs of the enterprise, (2) who have the power to direct the management and policies of the enterprise and (3) who are members of a minority, as such term is defined in subsection (a) of Connecticut General Statutes Section 32-9n; and "good faith" means that degree of diligence which a reasonable person would exercise in the performance of legal duties and obligations. "Good faith efforts" shall include, but not be limited to, those reasonable initial efforts necessary to comply with statutory or regulatory requirements and additional or substituted efforts when it is determined that such initial efforts will not be sufficient to comply with such requirements.

(d) Determination of the contractor's good faith efforts shall include but shall not be limited to the following factors: The contractor's employment and subcontracting policies, patterns and practices; affirmative advertising, recruitment and training; technical assistance activities and such other reasonable activities or efforts as the commission may prescribe that are designed to ensure the participation of minority business enterprises in public works projects.

(e) The contractor shall develop and maintain adequate documentation, in a manner prescribed by the commission, of its good faith efforts.

(f) The contractor shall include the provisions of subsection (a) above in every subcontract or purchase order entered into in order to fulfill any obligation of this Agreement with the State and such provisions shall be binding on a subcontractor, vendor or manufacturer unless exempted by regulations or orders of the commission. The contractor shall take such action with respect to any such subcontract or purchase order as the commission may direct as a means of enforcing such provisions including sanctions for noncompliance in accordance with Connecticut General Statutes Section 46a-56; provided, if such contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the commission, the contractor may request the State of Connecticut to enter into any such litigation or negotiation prior thereto to protect the interests of the State and the State may so enter.

(g) The following subsections are set forth herein as required by Secton 4a-60a of the Connecticut General Statutes:

i. the contractor agrees and warrants that in the performance of this Agreement such contractor will not discriminate or permit discrimination against any person or group of persons on the grounds of sexual orientation, in any manner prohibited by the laws of the United States or of the State of Connecticut, and that employees are treated when employed without regard to their sexual orientation;

ii. the contractor agrees to provide each labor union or representative of workers with which such contractor has a collective bargaining agreement or other contract or understanding and each vendor with which such contractor has a contract or understanding, a notice to be provided by the Commission on Human Rights and Opportunities advising the labor union or workers' representative of the contractors commitments under this section, and to post copies of the notice in conspicuous places available to employees and applicants for employment;

iii. the contractor agrees to comply with each provision of this section and with each regulation or relevant order issued by said commission pursuant to Section 46a-56 of the Connecticut General Statutes; and

iv. the contractor agrees to provide the Commission on Human Rights and Opportunities with such information requested by the commission, and permit access to pertinent books, records and accounts, concerning the employment practices and procedures of the contractor which relate to the provisions of this section and Section 46a-56 of the Connecticut General Statutes.

(h) The contractor shall include the provisions of subsection (g) above in every subcontract or purchase order entered into in order to fulfill any obligation of this Agreement with the State and such provisions shall be binding on a subcontractor, vendor or manufacturer unless exempted by regulations or orders of the commission. The contractor shall take such action with respect to any such subcontract or purchase order as the commission may direct as a means of enforcing such provisions including sanctions for noncompliance in accordance with Section 46a-56 of the Connecticut General Statutes; provided that, if such contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such

direction by the commission, the contractor may request the State of Connecticut to enter into any such litigation or negotiation prior thereto to protect the interests of the State and the State may so enter.

(i) For the purposes of this entire Non-Discrimination section, "Agreement" includes any extension or modification of this Agreement, "contractor" includes any successors or assigns of the contractor, "marital status" means being single, married as recognized by the State of Connecticut, widowed, separated or divorced, "mental disability" means one or more mental disorders, as defined in the most recent edition of the American Psychiatric Association's "Diagnostic and Statistical Manual of Mental Disorders", or a record of or regarding a person as having one or more such disorders, and "gender identity or expression" means a person's gender-related identity, appearance or behavior, whether or not that gender-related identity, appearance or behavior is different from that traditionally associated with the person's physiology or assigned sex at birth, which gender-related identity can be shown by providing evidence including, but not limited to, medical history, care or treatment of the gender-related identity, consistent and uniform assertion of the gender-related identity or any other evidence that the gender-related identity is sincerely held, part of a person's core identity or not being asserted for an improper purpose. For the purposes of this Section 7.20, "Agreement" does not include a contract where each contractor is (1) a political subdivision of the State, including, but not limited to, a municipality, (2) a quasi-public agency, as defined in Section 1-120 of the Connecticut General Statutes, (3) any other state, including but not limited to any federally recognized Indian tribal governments, as defined in Section 1-267 of the Connecticut General Statutes, (4) the federal government, (5) a foreign government, or (6) an agency of a subdivision, agency, state or government described in the immediately preceding enumerated items (1), (2), (3), (4) or (5).

(j) In accordance with the foregoing acknowledgements and agreements, and as required by Public Act No. 09-158, attached hereto as Attachment A is contractor's nondiscrimination certificate. Contractor shall update such certificate not later than 30 days after the effective date of any change in the information provided in such certification, and shall certify annually that the most recent certification on file is current and accurate.

Section 7.21 Third Party Fee Disclosure. The Contractor acknowledges and agrees that:

(a) Pursuant to Section 3-13j of the Connecticut General Statutes, any person or entity who would be a party to a contract for investment services with the Office of the Treasurer shall disclose to the Treasurer, in writing, all third-party fees attributable to such contract before any such contract may take effect;

(b) INTENTIONALLY LEFT BLANK

(c) Section 4a-81 of the Connecticut General Statutes prohibits the Office of the Treasurer from entering into any contract for goods or services with an annual value of $50,000 or more unless it obtains an affidavit from the vendor attesting as to whether such vendor has entered into any written or oral consulting agreements in connection with its contract with the Office of the Treasurer.

(d) In accordance with the foregoing acknowledgement and agreements, the contractor agrees to have its chief official authorized to enter into this Agreement complete and submit to the Treasurer a sworn affidavit in the form of Attachment A (the "Third Party Fee Disclosure Affidavit").

(e) The contractor represents that the information it has disclosed on the Third Party Fee Disclosure Affidavit is accurate and complete as of the date of this Agreement. The contractor covenants to promptly report any changes to the disclosure provided on the Third Party Fee Disclosure Affidavit and to file an updated affidavit with the Treasurer on an annual basis as of June 30 of each contract year.

Section 7.22 Campaign Contributions.

(a) The parties hereto acknowledge and agree that Sections 9-612 and 9-613 of the Connecticut General Statutes (as may be amended from time to time, the "Elections Laws") among other things, prohibit contributions to and limit solicitations on behalf of a candidate for the Treasurer of the State of Connecticut. The contractor covenants not to make any campaign contributions or solicitations in violation of such Election Laws for the term of this Agreement. The contractor further represents and agrees that (i) the contractor, (ii) any and all directors or persons with 5% or greater ownership in the contractor, (iii) any and all individuals employed as president, treasurer or executive vice president by the contractor, (iv) any and all officers and employees of the contractor with managerial or discretionary responsibilities with respect to the State, (v) the spouse or dependent child who is eighteen years of age or older of any of the foregoing, or (vi) a political committee established or controlled by the contractor or any such individuals, did not during the last election cycle contribute to or solicit contributions on behalf of, and will not (for the term of this Agreement) contribute to, or solicit contributions on behalf of, any exploratory committee or candidate committee established by a candidate for nomination or election to the Office of the Treasurer of the State of Connecticut. See Attachment A.

(b) If this Agreement has a value equal to or more than $50,000 in a calendar year, then the Treasurer hereby notifies the Contractor that, pursuant to the Elections Laws, no principal of the Contractor, as defined in the Elections Laws ("Principal"), shall make a political contribution to or on or after January 1, 2011, knowingly solicit a political contribution from Contractor's employees or from a subcontractor or principal's of a subcontractor of Contractor on behalf of: (i) an exploratory committee or candidate committee established by a candidate for election to any of the following offices of the State: Governor, Lieutenant Governor, Secretary of State, Treasurer, Comptroller, or Attorney General; (ii) a political committee authorized to make contributions or expenditures to or for the benefit of such candidates; or (iii) a party committee (each and together, a "Prohibited Contribution"). If the Contractor or a Principal makes or solicits a Prohibited Contribution, then the Treasurer at her sole discretion may void this Agreement immediately and without notice. If the Contractor or a Principal makes or solicits a Prohibited Contribution and the Treasurer decides not void this Agreement, then this Agreement shall not be amended for that period of time proscribed by the Elections Laws.

(c) For all State contracts as defined in Public Act No. 10-1 having a value in a calendar year of $50,000 or more or a combination or series of such agreements or contracts

having a value of $100,000 or more, the Contractor's authorized signatory to this Agreement expressly acknowledges receipt of the State Elections Enforcement Commission's notice advising State contractors of State campaign contribution and solicitation prohibitions, and will inform its Principals of the contents of such notice. See Attachment A.

[SIGNATURE PAGE FOLLOWS.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the Effective Date.

STATE OF CONNECTICUT

By _____
Name: [redacted]
Title:

BARCLAYS CAPITAL INC.

By _____
Name:
Title:

SCHEDULE I

ADDRESSES

The State:	State of Connecticut Office of the Treasurer 55 Elm Street Hartford, CT 06106 Attention: Assistant Treasurer for Debt Management Telephone: [redacted] Facsimile: [redacted]
The Purchaser:	Barclays Capital Inc. 745 Seventh Avenue, 19th Floor New York, New York 10019 Attention: Municipal Credit Group Telephone: [redacted] Facsimile:
With respect to payments:	Barclays Capital Inc. 745 Seventh Avenue, 2nd Floor New York, New York 10019 Attention: Municipal Bond Desk Telephone: [redacted]

Attachment A

INFORMATION STATEMENT OF THE
STATE OF CONNECTICUT

FEBRUARY 15, 2018

This Information Statement of the State of Connecticut (the "State") contains information through February 15, 2018. The State expects to include this Information Statement in its Official Statements for securities offerings as a "Part II" and has numbered the pages accordingly. The State expects to update this Information Statement from time to time with supplementary information in connection with such offerings, but except as expressly noted all information is as of February 15, 2018. Such updates are expected to include certain interim financial information prepared on a statutory basis, but are not expected to include interim financial information prepared in accordance with GAAP.

This Information Statement and any appendices attached hereto, should be read collectively and in their entirety.

This Information Statement may be obtained electronically at www.buyctbonds.com or by contacting the Office of the State Treasurer, Attn.: Assistant Treasurer for Debt Management, 55 Elm Street, Hartford, Connecticut 06106, (860) 702-3035.

Constitutional Elected Officers

Governor	**Dannel P. Malloy**
Lieutenant Governor	**Nancy S. Wyman**
Secretary of the State	**Denise W. Merrill**
Treasurer	**Denise L. Nappier**
Comptroller	**Kevin P. Lembo**
Attorney General	**George C. Jepsen**

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FORWARD-LOOKING INFORMATION AND BONDHOLDER CONSIDERATIONS

This Information Statement and its appendices attached hereto include "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Without limiting the foregoing, the words "may," "believe," "could," "might," "possible," "potential," "project," "will," "should," "expect," "intend," "plan," "predict," "anticipate," "estimate," "approximate," "contemplate," "continue," "target," "goal" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these words. All forward-looking statements included in this Information Statement and its appendices are based on information available to the State up to, and including, the date of this document, and the State assumes no obligation to update any such forward-looking statements to reflect events or circumstances that arise after the date hereof or after the date of any report containing such forward-looking statement, as applicable. Actual results could differ materially from those anticipated in these forward-looking statements as a result of certain important factors, including, but not limited to (i) the effect of and from, future federal budgetary matters, including federal grants and other forms of financial aid to the State; (ii) macroeconomic economic and business developments, both for the country as a whole and particularly affecting the State; future energy costs; (iii) health care related matters including Medicaid reimbursements; (iv) federal defense spending; (v) financial services industry developments; (vi) litigation or arbitration; (vii) natural disasters and other acts of God; (viii) changes in retirement rates, inflation rates, interest rates, increases in healthcare costs, longevity rates and other factors used in estimating future obligations of the State, among others; (ix) others contained in this Information Statement and its appendices. Investors should carefully review all of the factors.

INTRODUCTION

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

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

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

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

State Economic Initiatives discusses formal programs enacted by the General Assembly targeted to encourage economic growth within the State.

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

Other Funds, Debt and Liabilities provides an overview of certain obligations of the State that are not accounted for in the General Fund but that are contingent liabilities of the State. Certain additional information regarding these other funds, debt and liabilities of the State is included in **Appendix II-C** to this Information Statement.

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

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

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

Appendices II-A through II-E to this Information Statement contain detailed information relating to the information summarized in the Information Statement and should be read in their entirety. **Appendix II-A** provides information concerning the organization of the State government and services. **Appendix II-B** provides information about the State's economy. **Appendices II-C and II-D** provide financial statements of the State. **Appendix II-E** provides additional budgetary and financial information.

The State's fiscal year begins on July 1 and ends on June 30. References to "Fiscal Year" throughout this Information Statement refer to the referenced fiscal year ending June 30. For example, Fiscal Year 2018 refers to the fiscal year beginning July 1, 2017 and ending June 30, 2018.

The Information Statement speaks only as of its date. For information about the State after February 15, 2018, the State expects to update this Information Statement from time to time with supplementary information identified as such and included herein and the reader should refer to this Information Statement in its entirety.

FINANCIAL PROCEDURES

The information in this section contains information through February 15, 2018 except as may otherwise be set forth below.

SUPPLEMENTARY INFORMATION AS OF JUNE 6, 2018

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

Budget Discipline	***Balanced Budget Requirement***	The State Constitution provides that the General Assembly may not authorize general budget expenditures in excess of estimated revenues. State law (CGS 2-35) requires that total net appropriations for each fund shall not exceed estimated revenues for such fund.
Financial Controls	***Spending Cap***	The General Assembly is prohibited from increasing expenditures from year to year by a percentage exceeding the greater of the percentage increase in personal income or the percentage increase in inflation, with certain exceptions.
Budget Discipline	***Biennial Budget***	The budget covers a two year period and the power to propose, enact, and implement such budget rests with the Governor and General Assembly.
Budget Discipline	***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.
Financial Controls	***Debt Limit***	By statute, the State may not authorize general obligation debt in excess of a multiple of 1.6 of General Fund tax receipts, subject to statutory exceptions. The Treasurer certifies as to the debt limit in connection with each authorization of debt by the General Assembly and the State Bond Commission. In addition, there are additional issuance limits imposed on the Treasurer.
Forecasting and Monitoring	***Regular Revenue Forecasting, Monitoring of Fiscal Progress and Multiple-Year Planning Tools***	Monthly reports from the Comptroller and the Office of Policy and Management, and periodic reports from other governmental entities, including the Legislature's Office of Fiscal Analysis.
Financial Controls	***Rescission Authority and Deficit Mitigation***	The Governor is required to propose mitigation plans should projections indicate a General Fund deficit greater than 1% of total General Fund appropriations. The Governor is authorized to reduce allotments up to 5% of any appropriation, but not to exceed 3% of any fund and to make further reductions with legislative approval.
Budget Discipline	***Budget Reserve Fund***	Constitutional and statutory regime for funding the Budget Reserve Fund.
Financial Controls	***GAAP Based Budgeting***	The State has transitioned from the use of a modified cash basis of accounting to the application of Generally Accepted Accounting Principles, as prescribed by the Government Accounting Standards Board.

Transition to GAAP		See **Accounting Procedures –** ***Financial Reporting***

The Budgetary Process

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

In 1996, the Connecticut Supreme Court ruled in *Nielson v. State* that the provisions of the constitutional budget cap require the passage of additional legislation by a three-fifths majority in each house of the General Assembly for implementation of the spending cap. In a 2015 opinion, the State Attorney General concluded that unless and until the General Assembly adopts, by the necessary three-fifths vote of the members of each house of the General Assembly, the definitions required by the constitutional spending cap, the constitutional spending cap has no legal effect. Pursuant to Public Act No. 17-2 of the June Special Session, (referred to herein as the "2017 Budget Act"), the General Assembly adopted definitions by a three-fifths vote.

The General Assembly had been following a statutory provision similar to the Constitutional budget cap. In addition to the exclusion of debt service from the budget cap, the new definitions exclude expenditures of any federal funds granted to the State or its agencies, expenditures to implement federal mandates and court orders in the first fiscal year in which such expenditures are authorized, expenditures for federal programs in which the State is participating for which the State received federal matching funds in the first fiscal year in which such expenditures are authorized and temporarily payments for a portion of the state employee and teachers' pension contributions. In addition, a base year adjustment is made in any fiscal year in which an expenditure item is moved on or off budget.

In addition to the above limitations on the authorization of general budget expenditures, on and after July 1, 2019, a new cap on General Fund and Special Transportation Fund appropriations prohibits the General Assembly from authorizing General Fund and Special Transportation Fund appropriations for any fiscal year that, in the aggregate, exceed a specified percentage (declining from 99.5% to 98%) of the estimated revenues included in the budget act, subject to certain exceptions.

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

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

Budget Document. The budget document is published and transmitted to the General Assembly in February of each odd-numbered year. A report summarizing recommended adjustments or revisions is submitted by the Governor to the General Assembly on the day on which the General Assembly first convenes in even-numbered years. By statute, the budget document must contain the Governor's budget message, the Governor's program for meeting the expenditure needs of the State, as well as financial statements detailing the condition of State debt, the financial position of all major State operating funds, recommended appropriations and State revenues on an actual basis for the last completed fiscal year and on an estimated basis for the fiscal year in progress and the fiscal years to which the budget relates. The Governor also will recommend the manner in which any deficit will be met or any surplus used.

Adoption of the Budget. Following publication and presentation of the budget document to the General Assembly, the Governor or a representative then appears before the appropriate committee of the General Assembly to explain and address questions concerning the budget document or related reports. Prior to June 30 of each odd-numbered year, the General Assembly enacts legislation making appropriations for the next two fiscal years and setting forth revenue estimates for those years.

Line Item Veto. Under the State Constitution, the Governor has the power to veto any line of any itemized appropriations bill while at the same time approving the remainder of the bill. The General Assembly may separately reconsider and repass such disapproved appropriation items by a two thirds vote of each house.

Statutory Debt Limit. In addition to the biennial budget, the General Assembly also authorizes a variety of types of debt. Section 3-21 of the Connecticut General Statutes provides that no bonds, notes or other evidences of indebtedness for borrowed money payable from General Fund tax receipts of the State shall be authorized by the General Assembly or issued except as shall not cause the aggregate amount of (1) the total amount of bonds, notes or other evidences of indebtedness payable from General Fund tax receipts authorized by the General Assembly but which have not been issued and (2) the total amount of such indebtedness that has been issued and remains outstanding, to exceed 1.6 times the total estimated General Fund tax receipts of the State for the fiscal year in which any such authorization will become effective or in which such indebtedness is issued, as estimated for such fiscal year by the joint standing committee of the General Assembly having cognizance of finance, revenue and bonding. However, in computing the aggregate amount of indebtedness at any time, there are certain statutory exclusions and deductions. See **STATE DEBT – State Direct General Obligation Debt – *Statutory Debt Limit***.

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

Fiscal Accountability Report. By November 15 annually, the Secretary of OPM and the Director of OFA each submit the following to the joint standing committees of the General Assembly having cognizance of matters relating to appropriations and the budgets of State agencies and to finance, revenue and bonding: (1) for the current biennium and the next ensuing three fiscal years an estimate of State revenues, the level of expenditure change from current year expenditures allowable by consensus revenue estimates in each fund, any changes to current year expenditures necessitated by fixed cost drivers, and the aggregate changes to current year expenditures required to accommodate fixed cost drivers without exceeding current revenue estimate; (2) the projected tax credits to be used in the current biennium and the next ensuing three fiscal years, and the assumptions on which such projections are based; (3) a summary of any estimated deficiencies in the current fiscal year, the reasons for such deficiencies, and the assumptions upon which such estimates are based; (4) the projected balance in the Budget Reserve Fund at the end of each uncompleted fiscal year of the current biennium and the next ensuing three fiscal years; (5) the projected bond authorizations, allocations and issuances in each of the next ensuing five fiscal years and their impact on the debt service of the major funds of the State; (6) an analysis of revenue and expenditure trends and of the major cost drivers affecting State spending, including identification of any areas of concern and efforts undertaken to address such areas, including efforts to obtain federal funds; and (7) an analysis of possible uses of surplus funds, including the Budget Reserve Fund, debt retirement and funding of pension liabilities.

By November 30 annually, the legislative committees then meet with the Secretary of OPM and the Director of OFA to consider the submitted reports. Pursuant to the 2017 Budget Act, the November 15, 2017 reports were not required to be submitted.

Financial Controls

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

Governor's Role in Expenditure Control. Before an appropriation for a budgeted agency becomes available for expenditure, the agency must submit to the Governor not less than 20 days before the beginning of the fiscal year for which the appropriation is made, a requisition for the allotment of funds needed for each quarter of the fiscal year. Appropriations for capital outlays may be allotted in any manner the Governor deems advisable. The Governor may reduce the budget allotment request by not more than three percent of the total appropriation from any fund or not more than five percent of any appropriation under certain circumstances. Such allotments are subject to further modification by the Governor throughout the course of the fiscal year if conditions warrant. If the cumulative monthly financial statement issued by the Comptroller indicates a projected General Fund deficit greater than one per cent of the total of General Fund appropriations, the Governor is required, within thirty days of such statement date, to file a report with the joint standing committees of the General Assembly on appropriations and on finance, revenue and bonding. The report must include a plan that the Governor shall implement to modify agency allotments to the extent necessary to prevent a deficit. The Governor is not authorized to reduce allotment requisitions or allotments in force concerning aid to municipalities or any budgeted agency of the legislative or judicial branch, except that the Governor may propose an aggregate allotment reduction of a specified amount for the legislative or judicial branch.

Comptroller's Role in Expenditure Control. The Comptroller is responsible for keeping an account in connection with each appropriation. No warrant, draft or order may be issued by the Comptroller in excess of the available balance of the applicable account unless the General Assembly has passed a deficiency bill for

the purpose or unless such appropriation has been increased by the Governor in the limited circumstances of emergency expenditures or allotment modifications. The Comptroller is required to issue cumulative monthly financial reports concerning the State General Fund on or before the first day of the following month. OPM provides estimates to the Comptroller by the twentieth day of each month of the revenues and expenditures for the current fiscal year for use by the Comptroller in preparing the Comptroller's monthly report.

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

Use of Appropriations; Unexpended 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. 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.

SUPPLEMENTARY INFORMATION AS OF JUNE 6, 2018

Unappropriated Surplus – Budget Reserve Fund. The State Constitution provides that any 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 2017 Budget Act which was passed by a three-fifths vote of each house of the General Assembly restructured the funding and use of the Budget Reserve Fund. All revenue in excess of $3.15 billion received by the State each fiscal year from estimated and final payments of the personal income tax imposed under chapter 229 of the general statutes is to be transferred by the Treasurer to the Budget Reserve Fund. Pursuant to the midterm budget adjustments enacted into law through Public Act No. 18-81, this amount is subject to annual adjustment by the compound annual growth rate of personal income in the State over the preceding five calendar years and further subject to amendment by a vote of at least three-fifths of the members of each house of the General Assembly due to changes in State or federal tax law or policy or significant adjustments to economic growth or tax collections. The State received approximately $3.164 billion in Fiscal Year 2017 from estimated and final payments of such personal income tax, which does not include withholding tax receipts. The Treasurer is also required to 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 15% of the net General Fund appropriation for the current fiscal year, no further transfers shall be made by the Treasurer and the amount of such funds in excess of that transferred to such fund shall be deemed to be appropriated, as selected by the Treasurer in the best interests of the State to (i) the State Employees Retirement Fund according to a formula set forth in the general statutes or (ii) the Teachers' Retirement Fund up to 5% of the unfunded actuarial accrued liability. Thereafter, amounts are appropriated for redemption, purchase or extinguishment of outstanding indebtedness or additional contributions to the State Employees Retirement Fund or Teachers' Retirement Fund or, under specified conditions, may be transferred to the General Fund. Whenever the amount in the Budget Reserve Fund equals 5% or more of the net General Fund appropriations for the current fiscal year, the General Assembly may transfer funds in excess of the 5% threshold from the Budget Reserve Fund, the purpose of paying unfunded past service liability of the State Employees Retirement Fund or the Teachers' Retirement Fund as the General Assembly, in consultation with the Treasurer determines to be in the best interests of the State. Whenever in any fiscal year the Comptroller has determined the amount of a deficit applicable with respect to the immediately preceding fiscal year, to the extent necessary, the amount of funds credited to the Budget Reserve Fund shall be deemed to be appropriated for purposes of funding such deficit. In addition, the General Assembly may transfer funds from the Budget Reserve Fund to the General Fund if any consensus revenue estimate for the current biennium projects a decline in General Fund revenues for the

current biennium of 1% or more from the total amount of General Fund estimated revenue on which the budget act or adjusted revenue plan enacted by the General Assembly was based or from the April 30th annual consensus revenue estimate. Any such transfer may be made at any time during the remainder of the current biennium.

Notwithstanding the above, legislation is passed from time to time that assigns different uses to such surpluses. The balance in the Budget Reserve Fund as of June 30, 2017, was $212.9 million, which is 1.1% of the net General Fund appropriations for Fiscal Year 2018.

Accounting Procedures

Books and Records. The State uses an enterprise resource planning system called Core-CT to address its automated financial accounting and human resources needs. This statewide system uses technology to manage financial transaction activities ranging from contracting and purchasing to payment and reporting. The State's financial applications are fully integrated with human resources, providing a single comprehensive management and reporting system.

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

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

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

The statutory basis of accounting used for budgetary financial reporting and the modified accrual basis used for GAAP financial reporting are different and, as a result, often produce varying financial results, primarily because of differences in the recognition of revenues and expenditures. As described below under "**GAAP Based Budgeting**", commencing in Fiscal Year 2014 appropriations have been made in line with the accrual of expenses for GAAP purposes, and the differences between the two methods are less significant than they would be without the budgetary conversion to GAAP budgeting, discussed below. Under the statutory basis, expenditures are recorded in the fiscal year in which the payment is processed versus when the expense is realized under a GAAP basis. In addition, there is a recording of expenditure accruals to the fiscal year in which specific goods and services are received even though payment is not processed until the next fiscal year. Such accrued expenditures include State of Connecticut payroll expenses, general agency operating expenses, and Medicaid expenses. Certain appropriations that have not lapsed are reflected in the balance sheet through a reserve for continuing appropriations. Under the statutory basis, there are limited modifications from the cash basis in recording revenues which are permitted by statute or decision of the Comptroller. Under the modified accrual basis used for GAAP financial recording, generally all revenues are recognized when they are realized or realizable and earned.

The audited statutory basis financial statements for the fiscal year ending June 30, 2017 and the audited financial statements of the State prepared using the guidance of GAAP for the fiscal year ending June 30, 2017 appear in **Parts II-C** and **II-D**.

GAAP Based Budgeting. Legislation passed in 2011 required the transition from the previously used modified cash basis of accounting to GAAP. This legislation required that the budget, commencing with Fiscal Year 2014, be prepared in accordance with GAAP, commonly referred to as GAAP budgeting. While GASB does not recognize a concept of GAAP budgeting or prescribe standards for GAAP budgeting, the State interprets the policy objectives of the GAAP budgeting requirement as a requirement to authorize expenditures in line with the accrual of the expenditures, to estimate revenues in line with the accrual of revenues, and an intention, over time, to eliminate the GAAP deficit. The transition to the implementation of the use of GAAP accrual principles with respect to the preparation of the biennial budget included changing the meaning of a deficit as it relates to the requirement that the Governor's budget includes recommendations to the General Assembly regarding the manner in which any deficit shall be met. As a result, prior to the start of the biennium for which the budget document is transmitted to the General Assembly, the Governor now accounts for the amount necessary to extinguish any unreserved negative balance in each budgeted fund as addressed in the most recently issued statutory basis annual financial report issued by the Comptroller. The Governor is not required to account for the extinguishment of any unreserved negative balance resulting from adjustments that are not accounted for within the budget process.

The Comptroller initiated a process intended to result in the implementation of the policy objectives of GAAP with respect to the preparation and maintenance of the biennial budget and the annual financial statements of the State previously prepared on a modified cash basis. The Comptroller established an opening combined balance sheet for each appropriated fund reflecting GAAP accrual principles. This combined balance sheet reflected as a deferred charge the accumulated deficit in the General Fund on June 30, 2013 of $1,217.1 million, as determined on the modified accrual basis of GAAP and identified in the comprehensive annual financial report of the State as the unassigned fund balance in the General Fund, commonly referred to as the accumulated GAAP deficit. As part of a two-part plan to extinguish such deficit, the State issued bonds in October 2013 in the amount of $560.43 million generating net proceeds of approximately $600 million, which was deposited in the General Fund and applied to reduce the accumulated GAAP deficit ("GAAP Bonds"). The second part of the plan was additional legislation that deemed appropriated the amounts needed to amortize the difference between the remaining accumulated GAAP deficit from Fiscal Year 2016 to Fiscal Year 2028. The GAAP Bonds contain a contractual covenant with bondholders that no future action of the General Assembly shall diminish the appropriation so long as the GAAP Bonds are outstanding, unless the Governor declares an emergency or there are other extraordinary circumstances.

In accordance with the second part of the plan, the deferred charge of the accumulated deficit discussed above is required to be amortized in each fiscal year of each biennial budget commencing with Fiscal Year 2016, and for the next succeeding twelve fiscal years. Commencing with Fiscal Year 2018 and for the succeeding ten years, the Secretary of OPM is required to annually publish an amortization schedule to fully reduce the negative unassigned balance by June 30, 2028. Additionally, the unreserved negative balance in the General Fund reported in the comprehensive annual financial report of the State for Fiscal Year 2014, reduced by (i) the negative unassigned balance of the General Fund for Fiscal Year 2013 and (ii) any funds from resources deposited in the General Fund for the purpose of reducing the negative unassigned balance of the General Fund, resulting in $108.7 million, is required to be amortized in each fiscal year of each biennial budget commencing with Fiscal Year 2018 and for the succeeding ten fiscal years. To date, there has been one amortization payment made for the GAAP deficit in the amount of $47.6 million in Fiscal Year 2016. In recent years, enacted budgets have postponed the amortization payments and most recently, pursuant to the 2017 Budget Act, the Fiscal Year 2018 and Fiscal Year 2019 amortization payments of $57.5 million in each year were postponed. While delaying the amortization of the accumulated GAAP deficit, this plan is intended to result in the elimination of the accumulated GAAP deficit as of June 30, 2013 by the end of Fiscal Year 2028. Although the State's two-part plan has resulted in the reduction of the overall GAAP deficit and the

mitigation of its growth, the GAAP deficit has continued to grow over time largely due to the growth in spending accruals within the budgeted funds.

The negative unassigned fund balance in the General Fund to be amortized by June 30, 2028 pursuant to Public Act No. 17-61 was $679,628,154 as of June 30, 2017.

Cash Management and Investment

The Treasurer has the investment responsibility for all funds of the State and functions as the trustee of all State pension, retirement and trust funds. The Treasurer is authorized to invest funds under the control of the Treasurer, subject to certain conditions, including in certain circumstances the approval of the Investment Advisory Council, in a variety of investments allowed by statute.

Cash Management. The cash management system and the investment by the Treasurer of State monies, other than monies invested on a longer-term basis, including pension and certain trust funds, are based on the concept of available cash. Available cash consists of the State's common cash pool and funds invested in certain accounts in the Short-Term Investment Fund ("STIF"), including proceeds of various State bonding programs and miscellaneous other STIF accounts. The common cash pool is comprised of the operating cash of most State funds, including the General Fund and the Budget Reserve Fund, and is held or invested in bank deposits, STIF, and other short term investments. It is the State's practice to permit temporary inter-fund transfers to the common cash pool as needed to address mismatches in the timing of receipts and disbursements. This cash management policy is intended to provide flexibility for expenditures to occur when they are needed without the need to resort to short-term financing mechanisms that could impose additional costs on the State. Cash transferred pursuant to these temporary inter-fund transfers is returned as cash pool balances allow. The State's available cash varies from day to day. The week-ending balances of available cash for Fiscal Year 2017 averaged $2.3 billion.

In addition, the Treasurer has the authority to establish, and has in the past established, lines of credit and other short-term financing mechanisms to secure the availability of cash.

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

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

Other Funds. Other State monies are held in certain other funds. Up to $100 million of the State's operating cash may be invested in certificates of deposit of community banks and credit unions, pursuant to Section 3-

24k of the CGS. In addition, investments may be made in individual securities pursuant to Section 3-31a of the CGS. Allowable investments under Section 3-31a of the CGS include United States government and agency obligations, shares or interests in an investment company or investment trust registered under the Investment Company Act of 1940, whose portfolio is limited to obligations of the United States, its agencies or instrumentalities, or repurchase agreements collateralized by such obligations, certificates of deposit, commercial paper, savings accounts, and bank acceptances. The Treasurer has adopted guidelines for investments made under Section 3-31a of the CGS that specify credit and diversification standards, and limit individual security maturities to three years and the total amount invested to $1.5 billion. Pursuant to Section 3-28a of the CGS and guidelines adopted by the Treasurer, the Treasurer is authorized to invest funds of the Medium-Term Investment Fund in obligations of the United States government and its agencies and instrumentalities, certificates of deposit, commercial paper, corporate debt securities, savings accounts and bankers acceptances, repurchase agreements collateralized by such securities and investment funds or pools comprised of securities in which the Medium-Term Investment Fund may directly invest.

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

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

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

STATE GENERAL FUND

The information in this section contains information through February 15, 2018 except as may otherwise be set forth below.

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

GAAP based audited financial statements for certain funds including the General Fund of the State for Fiscal Year 2017 are included as **Appendix II-C** to this Information Statement. Modified cash basis audited financial statements for the General Fund for Fiscal Year 2013 and statutory basis audited financial statements for the General Fund for Fiscal Years 2014 through 2017 are included in **Appendix II-D** to this Information Statement. The adopted budget and final financial statutory basis results for Fiscal Year 2017, the adopted budget and estimated budget (as of April 30, 2018) for Fiscal Year 2018, and the adopted budget for Fiscal Year 2019 are included as **Appendix II-E** to this Information Statement. Unless otherwise stated, amounts set forth in the discussion that follows under this caption **STATE GENERAL FUND** refer to such amounts as calculated on the statutory basis of accounting.

General Fund Revenues

Forecasted, Adopted and Historical Revenues

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

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

Fiscal Year 2018 and 2019 Adopted Revenues. General Fund revenues are forecasted by the legislature at the adoption of the budgets for Fiscal Years 2018 and 2019 ("Adopted Revenues") and are reflected in **Appendix II-E** to this Information Statement.

General Fund revenues are derived primarily from the collection of State taxes, including the personal income tax, the sales and use tax and the corporation business tax. The State, as of the forecast date, expected to

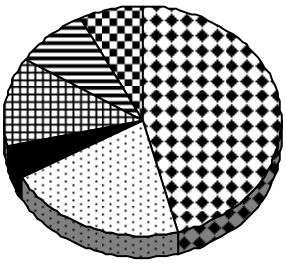
derive approximately 85 percent and 84 percent of its General Fund revenues from taxes during Fiscal Year 2018 and Fiscal Year 2019, respectively. A summary of anticipated General Fund revenue sources based on the Adopted Revenues for Fiscal Years 2018 and 2019, is set forth below:

SUPPLEMENTARY INFORMATION AS OF JUNE 6, 2018

The amounts for Fiscal Year 2019 reflect the adoption of the midterm budget adjustments enacted pursuant to Public Act No. 18-81.

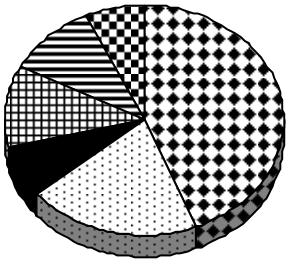
Adopted General Fund Revenues (In Millions)

Adopted Revenues Fiscal Year 2018 $18,723.7 [a]



Personal Income Tax	$ 9,182.5	45.8%
Sales and Use Tax	4,220.5	21.0%
Corporate Business Tax	933.3	4.7%
Other Taxes[b]	2,482.2	12.4%
Unrestricted Federal Grants	1,732.9	8.6%
Other Non-Tax Revenues[c]	1,503.9	7.5%

Adopted Revenues Fiscal Year 2019 $19,006.4 [a]



Personal Income Tax	$ 9,107.6	43.9%
Sales and Use Tax	4,151.3	20.0%
Corporate Business Tax	1,520.2	7.3%
Other Taxes[b]	2,420.7	11.7%
Unrestricted Federal Grants	2,112.4	10.2%
Other Non-Tax Revenues[c]	1,455.9	7.0%

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

(a) The pie charts reflect the total of the listed tax and revenue amounts of $20,055.3 million for Fiscal Year 2018 and $20,768.1 million for Fiscal Year 2019, while the amounts in the title of the pie charts reflect reductions resulting from tax refunds, R&D Credit Exchange, transfers to other funds and volatility cap adjustments of $1,331.6 million for Fiscal Year 2018 and $1,761.7 million for Fiscal Year 2019. See **Appendix II-E** for anticipated adjustments to adopted tax revenues.

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

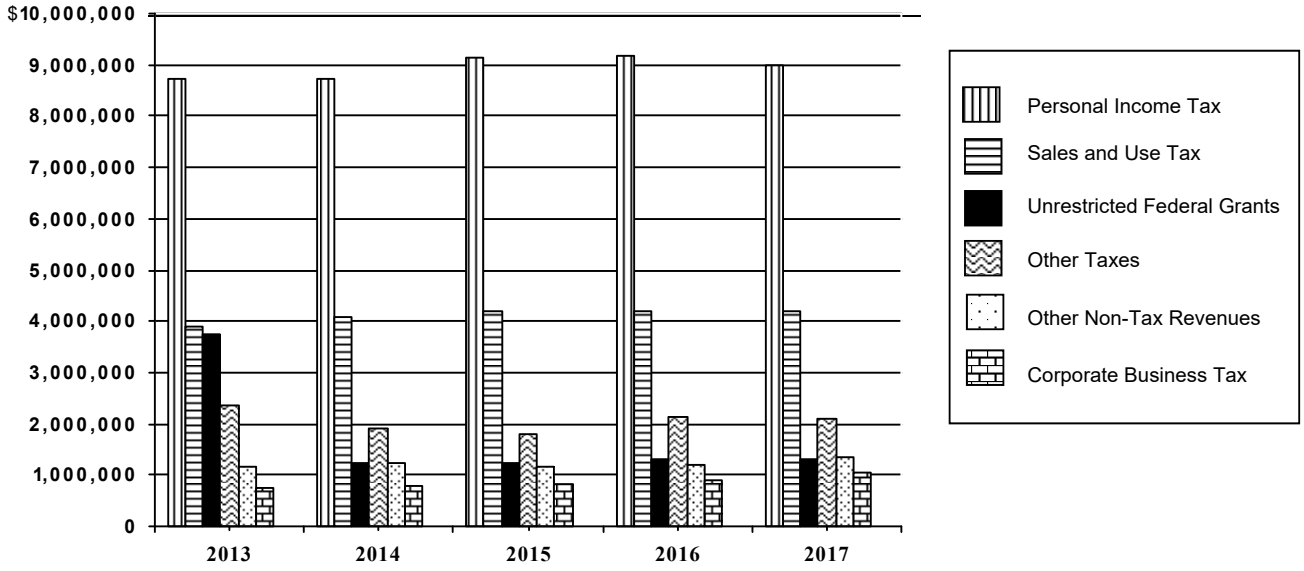
(c) Other non-tax revenues are comprised of special revenue transfers; Indian gaming payments; licenses, permits and fees; sales of commodities and services; rents, fines and escheats; investment income; other miscellaneous revenues; designated Tobacco Settlement Revenues and special transfers to the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

SOURCE: Public Act No. 17-2 of the June Special Session, as amended by Public Act No. 17-4 of the June Special Session and Public Act No. 17-1 of the January 2018 Special Session as amended by Public Act No. 18-81.

Historical General Fund Revenues

Actual General Fund revenues for Fiscal Years 2013 through 2017 are set forth in **Appendix II-D** to this 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)



	2013	2014	2015	2016	2017
Taxes:					
Personal Income Tax	$ 8,719,245	$ 8,718,659	$ 9,151,037	$ 9,181,648	$ 8,988,667
Sales Tax	3,896,998	4,100,564	4,205,051	4,181,852	4,192,203
Corporate Business Tax	742,515	782,239	814,805	880,449	1,037,565
Other Taxes[(b)]	2,343,005	1,909,126	1,792,973	2,142,039	2,106,400
Subtotal	$15,701,763	$15,510,588	$15,963,866	$16,385,988	$16,324,835
R & D Credit Exchange	(4,086)	(5,055)	(7,878)	(7,623)	(5,485)
Refunds of Taxes	(1,144,993)	(1,182,397)	(1,163,639)	(1,223,198)	(1,263,824)
Total Net Taxes	$14,552,684	$14,323,136	$14,792,349	$15,155,167	$15,055,526
Other Revenue:					
Federal Grants (Unrestricted)	$ 3,733,909	$ 1,243,861[(d)]	$ 1,241,244[(d)]	$ 1,301,532[(d)]	$ 1,325,237
Other Non-Tax Revenues[(c)]	1,143,366	1,229,032	1,174,912	1,207,958	1,353,113
Transfers to Other Funds	(128,028)	(61,800)	(61,780)	(61,688)	(58,100)
Transfers from Other Funds	103,100	873,828[(e)]	135,313	177,853	27,192
Total Other Revenues	$ 4,852,347	$ 3,284,921	$ 2,489,689	$ 2,625,655	$ 2,647,442
Total Revenues	$19,405,031	$17,608,057	$17,282,038	$ 17,780,822	$17,702,968

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

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

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

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

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

SOURCE: 2013, 2014, 2015, 2016 and 2017 Annual Reports of the State Comptroller.

Components of Revenue

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

Sales and Use Taxes. A Sales Tax is imposed, subject to certain limitations, on the gross receipts from certain transactions within the State of persons engaged in business in the State, including (a) retail sales of tangible personal property, (b) the rendering of certain services, (c) the leasing or rental of tangible personal property, (d) the production, fabrication, processing, printing, or imprinting of tangible personal property to special order or with materials furnished by the consumer, (e) the furnishing, preparation or serving of food, meals, or drinks, and (f) hotel, lodging house rooms or bed and breakfast establishment for a period not exceeding thirty consecutive calendar days. A Use Tax is imposed, with certain exceptions, on the consideration paid for certain services or purchases or rentals of tangible personal property used within the State pursuant to a transaction not subject to the Sales Tax. The tax rate for each of the Sales and Use Taxes is 6.35%. A separate rate of 15% is charged on the occupancy of hotel rooms or lodging house rooms and 11% for bed and breakfast establishments. Various exemptions from the Sales and Use Taxes are provided, based on the nature, use or price of the property or services involved or the identity of the purchaser. Tax returns and accompanying payments with respect to these taxes are generally due monthly on or before the last day of the month next succeeding the taxable month.

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

- The first method of computing the Corporation Business Tax is a tax measured by the net income of a taxpayer (the "Income-Base Tax"). Net income means federal gross income with limited variations less certain deductions, most of which correspond to the deductions allowed under the Internal Revenue Code of 1986, as amended. The Income-Base Tax is at a rate of 7.5% for taxable years commencing on and after January 1, 2000.
- The second method of computing the Corporation Business Tax is a tax on capital. This tax is determined either as a specific maximum dollar amount or at a flat rate on a defined base, usually related in whole or in part to the corporation's capital stock and balance sheet surplus, profit and deficit.
- The third method of computing the Corporation Business Tax is a minimum tax in the amount of $250.

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

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

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

Federal Grants. Depending upon the particular program being funded, federal grants-in-aid are normally conditioned, to some degree, on resources provided by the State. Most unrestricted federal grant revenue is based on expenditures. The largest components of federal grants in Fiscal Year 2017 were related to medical assistance provided to low income individuals under Medicaid and temporary assistance for needy families. The State also receives certain restricted federal grants that are not reflected in annual appropriations but that nonetheless are accounted for in the General Fund. In addition, the State receives certain federal grants that are not accounted for in the General Fund but are allocated to the Special Transportation Fund, various Capital Project Funds and other funds.

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

- Beginning with Fiscal Year 2014, the State significantly altered the manner in which it handles federal Medicaid grants for budget and accounting purposes. Previously, the State appropriated Medicaid expenditures on a gross basis within the Department of Social Services, and reflected any federal reimbursements related to those expenditures as revenues, resulting in both the State and federal share of Medicaid costs being included in the State appropriation for Medicaid. Beginning with Fiscal Year 2014, the State commenced net budgeting Medicaid expenditures within the Department of Social Services, resulting in only the State's share of Medicaid expenditures being appropriated. These changes reduced both appropriations and revenues by $2,768.7 million in Fiscal Year 2014 and $3,204.9 million in Fiscal Year 2015, compared to the prior method.
- Beginning January 1, 2014, the Affordable Care Act (ACA) increased income eligibility under Medicaid from 53% of the federal poverty level to 133% of the federal poverty level, referred to as Medicaid expansion. Prior to calendar year 2017, the Medicaid expansion population was 100% federally reimbursed. It is now being reimbursed at 95% and will be phased down to 90% in 2020 absent any federal changes. To the extent services under DSS' Medicaid account are covered through federal reimbursement, the costs are not included in the State's General Fund budget.

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

General Fund Expenditures

Appropriated and Historical Expenditures

Fiscal Year 2018 and 2019 Appropriated Expenditures. State expenditures are categorized for budget and appropriation purposes under ten functional headings, with expenditures by agency generally shown as subheadings in the following functional categories, listed in order of magnitude of expenditure for the current budget biennium: Human Services; Education, Libraries and Museums; Non-Functional (debt service and miscellaneous expenditures including fringe benefits); Health and Hospitals; Corrections; General

Government; Judicial; Regulation and Protection; Conservation and Development; and Legislative. State expenditures for Department of Transportation functions are generally paid from the Special Transportation Fund, although minor expenditures for transportation related expenditures are occasionally paid from the General Fund. See – **OTHER FUNDS, DEBT AND LIABILITIES - Special Transportation Fund and Debt** herein.

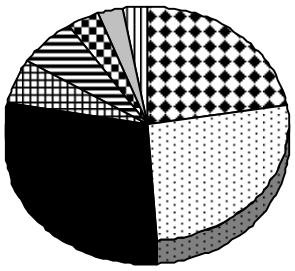
The adopted budget and final financial statutory basis results for Fiscal Year 2017, the adopted budget and estimated budget (as of April 30, 2018) for Fiscal Year 2018 and the adopted budget for Fiscal Year 2019 are included as **Appendix II-E** to this Information Statement. A summary of appropriated General Fund expenditures for Fiscal Years 2018 and 2019 is set forth below.

SUPPLEMENTARY INFORMATION AS OF JUNE 6, 2018

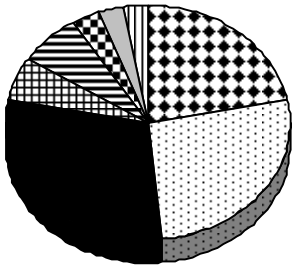
The amounts for Fiscal Year 2019 reflect the adoption of the midterm budget adjustments enacted pursuant to Public Act No. 18-81.

Appropriated General Fund Expenditures (In Millions)

Appropriated Expenditures Fiscal Year 2018 $18,673.9 [(a)]



Appropriated Expenditures Fiscal Year 2019 $18,998.2 [(a)]



	Fiscal Year 2018			Fiscal Year 2019		
Human Services	$ 4,408.1	22.5%	Human Services	$ 4,332.6	22.8%
Education, Libraries and Museums	5,185.4	26.5%	Education, Libraries and Museums	5,209.0	27.4%
Non-Functional	5,609.8	28.7%	Non-Functional	5,166.5	27.2%
Health and Hospitals	1,196.8	6.1%	Health and Hospitals	1,190.7	6.3%
Corrections	1,386.1	7.1%	Corrections	1,344.1	7.1%
General Government	687.2	3.5%	General Government	694.5	3.7%
Judicial	561.5	2.9%	Judicial	565.1	3.0%
Other Expenditures[(b)]	538.0	2.8%	Other Expenditures(b)	517.0	2.7%

(a) The pie charts reflect the total listed expenditures of $19,572.9 million for Fiscal Year 2018 and $19,019.7 million for Fiscal Year 2019, while the references in the title of the pie charts reflect adjustments for unallocated lapses of $898.9 million for Fiscal Year 2018 and $21.5 million for Fiscal Year 2019. See **Appendix II-E** for anticipated adjustments to appropriated expenditures.

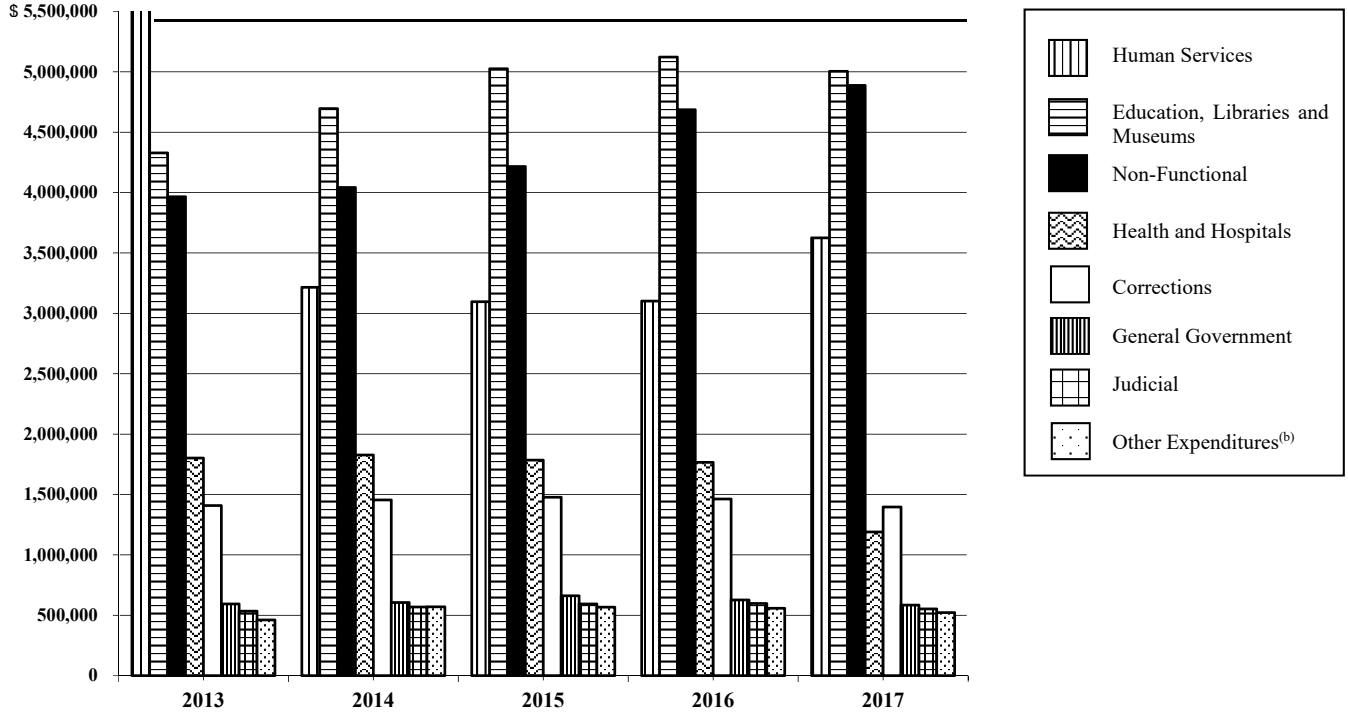
(b) Other expenditures are comprised of appropriations for Regulation and Protection; Conservation and Development; and Legislative.

SOURCE: Public Act No. 17-2 of the June Special Session, as amended by Public Act No. 17-4 of the June Special Session and Public Act No. 17-1 of the January 2018 Special Session, as amended by Public Act No. 18-81.

Historical General Fund Expenditures

Actual General Fund expenditures for Fiscal Years 2013 through 2017 are set forth in **Appendix II-D** to this Information Statement. A summary of the composition of General Fund expenditures for the last five fiscal years is illustrated below:

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



	2013	2014	2015	2016	2017
Human Services	$ 5,931,567	$ 3,215,827[(c)]	$ 3,095,929[(c)]	$ 3,102,021[(c)]	$3,624,957[(c)(d)]
Education, Libraries and Museums	4,328,894	4,695,646	5,025,391	5,122,029	5,003,923
Non-Functional	3,965,211	4,042,481	4,215,341	4,686,059	4,888,164
Health and Hospitals	1,801,952	1,827,308	1,785,337	1,765,944	1,189,787[(d)]
Corrections	1,408,761	1,454,442	1,476,753	1,463,065	1,397,113
General Government	593,367	605,677	661,000	627,035	584,707
Judicial	534,512	569,056	593,314	597,584	552,369
Other Expenditures[(b)]	461,403	569,607	566,624	557,521	522,020
Totals	$19,025,667	$16,980,044	$17,419,689	$17,921,258	$17,763,040

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

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

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

(d) The Community Residential Services program, which expended $522.4 million in Fiscal Year 2017, was transferred from the Health and Hospital function to Human Services in Fiscal Year 2017.

Note: Totals may not add due to rounding.

SOURCE: 2013, 2014, 2015, 2016 and 2017 Annual Reports of the State Comptroller.

Components of Expenditures

Human Services. Virtually all of the State expenditures for Human Services are allocated to the Department of Social Services for various programs and services, including Medicaid payments, Temporary Assistance to Families, and General Assistance payments. Beginning with Fiscal Year 2014, the State commenced net budgeting Medicaid expenditures within the Department of Social Services, resulting in only the State's share of payments to private Medicaid providers being appropriated. Federal payments applied to such costs are not appropriated. This has reduced both appropriations and revenues by $2,768.7 million in Fiscal Year 2014 and $3,204.9 million in Fiscal Year 2015 compared to the cost of current services.

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

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

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

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

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

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

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

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

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

Expenditures by Type

General Fund appropriations and the corresponding State expenditures can be categorized into two groups, non-fixed costs and fixed costs. Non-fixed costs can be described as the costs of State administration and include expenditures used directly to operate the facilities and programs of State agencies. This includes such items as salaries and wages for State employees; utility and fuel costs; food; institutional and office supplies; equipment; rent for office space and other facilities; and other current expenses, variable costs and discretionary items.

SUPPLEMENTARY INFORMATION AS OF JUNE 6, 2018

Fixed costs, consist largely of payments to State employee and teacher benefits including pensions and retiree health; entitlement programs such as Medicaid; and payments of debt service. Fixed costs amount to approximately 48.8% of total General Fund expenditures for Fiscal Year 2017 and 49.8% of total General Fund estimated expenditures for Fiscal Year 2018. A summary of non-fixed and fixed costs for the General Fund is shown below.

TABLE 1[(a)]

Fixed Costs – General Fund
Summarized by Major Expenditure Category
(In Millions)

	Fiscal Year 2016 (Actual)	Fiscal Year 2017 (Actual)	Fiscal Year 2018 (Estimated)
Non-Fixed Costs	$9,483.3	$9,087.2	$9,415.4
Fixed Costs:			
Debt Service	1,967.7	2,058.2	2,291.1
Teachers' Pensions	975.6	1,012.2	1,271.0
State Employees Retirement System	1,096.8	1,124.7	1,050.4
Other State Pensions	19.8	16.2	18.1
State and Teacher OPEB	665.9	726.4	837.3
Medicaid	2,391.1	2,407.1	2,581.6
All Other Entitlement Accounts[(b)]	1,321.0	1,331.0	1,303.7
Total Fixed Costs	$8,437.9	$8,675.8	$9,353.2
Fixed Cost Percent of Total Expenditures	47.1%	48.8%	49.8%

(a) Table 1 includes actual expenditures for Fiscal Years 2016 and 2017, and estimated expenditures for Fiscal Year 2018 per OPM's May 21, 2018 letter to the Comptroller.

(b) Includes entitlement programs under the Department of Mental Health and Addiction Services, Department of Development Services, Department of Social Services, Department of Children and Families and adjudicated claims under the Office of the State Comptroller.

Note: Totals may not add due to rounding.

SOURCE: Office of Policy and Management

Fiscal Year 2017 Operations

Pursuant to the Comptroller's audited statutory based financial report provided on October 31, 2017, as of June 30, 2017, General Fund revenues were $17,703.0 million, General Fund expenditures and net miscellaneous adjustments and reservations (including net appropriations continued and estimated lapses) were $17,725.7 million and the General Fund deficit for Fiscal Year 2017 was $22.7 million. A transfer from the Budget Reserve Fund to the General Fund eliminated the shortfall. As a result of such transfer, the balance in the Budget Reserve Fund decreased from the prior level of $235.6 million to $212.9 million, which is equal to 1.1% of the net General Fund appropriations for Fiscal Year 2018.

Forecasted Operation

Consensus Revenue Estimates

SUPPLEMENTARY INFORMATION AS OF JUNE 6, 2018

Pursuant to Section 2-36c of the Connecticut General Statutes, on April 30, 2018, OPM and OFA issued their consensus revision to their January 16, 2018 consensus revenue estimates for the current biennium and the three ensuing fiscal years as follows:

General Fund Consensus Revenue Estimate
(in Millions)

	Fiscal Year				
	2018	**2019**	**2020**	**2021**	**2022**
Revenue Estimate January 16, 2018	$18,479.6	$18,625.4	$17,510.1	$17,612.9	$17,753.5
Revenue Estimate April 30, 2018	18,051.6	19,056.6	17,442.9	17,534.8	17,668.4
Amount Changed	(428.0)	431.2	(67.2)	(78.1)	(85.1)

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

Fiscal Accountability Report

Pursuant to the 2017 Budget Act, the fiscal accountability reports due for November 15, 2017 were not required to be submitted. The last fiscal accountability report submitted by OPM and OFA were on November 15, 2016. Pursuant to the requirements of Public Act No. 16-3 of the May Special Session, the methodology for those reports varied from that used in prior years. The reports show the level of expenditure change from current year expenditures allowable by consensus revenue estimates in the General Fund, the changes to current year expenditures necessitated by fixed cost drivers which include generally, pension and other retiree costs, debt service, Medicaid, and certain other costs for the Department of Social Services and the Department of Children and Families, and the aggregate changes to current year expenditures required to accommodate such fixed cost drivers without exceeding current revenue estimates.

When comparing estimated costs for "fixed components" of the budget to the November 2016 consensus revenue forecast, both reports estimated fixed cost growth in the General Fund exceeding revenue growth for Fiscal Year 2018 by approximately $1.2 to $1.3 billion requiring a reduction in non-fixed costs by such amount in order to achieve a balanced budget. Beyond Fiscal Year 2018, revenue and fixed cost growth were anticipated to be more closely matched.

The reports indicated the State's expenditure cap would allow growth in capped expenditure of approximately $300 million in Fiscal Year 2018 over Fiscal Year 2017 levels. Allowable growth rates are 2.00% in Fiscal Year 2018 over Fiscal Year 2017, 2.3% in Fiscal Year 2019 over Fiscal Year 2018, and 3.4% in Fiscal Year 2020 over Fiscal Year 2019.

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

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

Governor's Recommended Budget for Fiscal Years 2018 and 2019

On February 8, 2017, the Governor presented to the General Assembly his proposed budget for Fiscal Years 2018 and 2019. The Governor's proposed budget was not adopted and the General Assembly ended its regular session without a budget.

Adopted Biennium Budget for Fiscal Years 2018 and 2019

The General Assembly ended its regular session without adoption of a biennial budget. In a subsequent special session, in October 2017, the General Assembly passed the 2017 Budget Act for the biennium ending June 30, 2019. The Governor signed the 2017 Budget Act on October 31, 2017. However, he used his veto power to line-item veto appropriations in support of a new hospital tax proposal, citing its potential unsound legal basis in federal law. The Governor indicated that the bill impermissibly conditioned the payment of the tax to the hospitals to the receipt of supplemental payments and further established an unacceptable tax rate. He urged lawmakers to use a mechanism which the Governor had previously recommended and which he thinks will be in compliance with federal law.

The act makes General Fund appropriations of $18,738.8 million in Fiscal Year 2018, which represents 4.8% growth over Fiscal Year 2017 appropriations, and $18,907.4 million in Fiscal Year 2019. The budget projects General Fund revenues of $18,739.3 million in Fiscal Year 2018 and $18,908.2 million in Fiscal Year 2019, resulting in a projected surplus of $0.5 million in Fiscal Year 2018 and $0.8 million in Fiscal Year 2019.

The budget bill includes $1,654.2 million in revenue enhancements in Fiscal Year 2018 and $1,734.7 million in Fiscal Year 2019. The significant revenue changes include:

- Revisions to the Hospital Provider Tax that are expected to yield $343.9 million in Fiscal Year 2018 and $343.9 million in Fiscal Year 2019.
- Additional federal revenue due to increased payments to hospitals that are expected to yield $448.4 million in Fiscal Year 2018 and $448.4 million in Fiscal Year 2019.
- Suspension of transfers from the Sales Tax to the Municipal Revenue Sharing Account that will yield $327.8 million in Fiscal Year 2018 and $335.4 million in Fiscal Year 2019.
- Various fund transfers to the General Fund that will yield $172.8 million in Fiscal Year 2018 and $213.1 million in Fiscal Year 2019.
- Limitations to the property tax credit and the earned income tax credit under the Personal Income Tax that are expected to yield $90.3 million in Fiscal Year 2018 and $90.3 in Fiscal Year 2019.
- Increases in various Tobacco Taxes that are expected to yield $35.3 million in Fiscal Year 2018 and $50 million in Fiscal Year 2019.

The significant expenditure changes as compared to current services include:

- Savings related to the State's workforce are expected to yield $700.0 million in Fiscal Year 2018 and $867.6 million in Fiscal Year 2019.
- Reductions to various education related grants to towns are expected to yield $159.6 million in Fiscal Year 2018 and $182.1 million in Fiscal Year 2019.

- Reductions to higher education totaling $68.4 million in Fiscal Year 2018 and $85.5 million in Fiscal Year 2019.
- The above savings were offset with increases primarily related to payments to hospitals totaling $586.2 million in Fiscal Year 2018 and $518.1 million in Fiscal Year 2019.
- Section 2-33a of the Connecticut General Statutes sets out the State's expenditure cap. The adopted budget would be $785.8 million below the expenditure cap for Fiscal Year 2018 and $198.5 million below the expenditure cap for Fiscal Year 2019.

In November the General Assembly passed Public Act No. 17-4 of the June Special Session which, among other items, addressed the Governor's concerns regarding the hospital tax proposal and restored the supplemental payment appropriation to hospitals that the Governor had earlier line-item vetoed. General Fund appropriations were revised to $18,690.1 in Fiscal Year 2018 and $18,790.6 million in Fiscal Year 2019. Public Act No. 17-4 of the June Special Session did not make any revisions to the revenue estimates contained in the 2017 Budget Act which therefore would yield a projected surplus of $49.2 million in Fiscal Year 2018 and $117.6 million in Fiscal Year 2019. It should be noted that on November 13, 2017, the State released a revised consensus revenue forecast which lowered projected General Fund revenues. See discussion below under Fiscal Year 2018 Operations for the latest projected balance in the General Fund.

In January 2018 the General Assembly passed Public Act No. 17-1 of the January 2018 Special Session to restore eligibility requirements under the Medicare Savings Program to Fiscal Year 2017 levels. This action resulted in a Medicaid cost increase of approximately $20.5 million with a corresponding reduction in Federal Grants revenue by $33.4 million in Fiscal Year 2018. The act also included a reduction to the Teachers' Retirement Board's Retirement Contribution account by $19.4 million in Fiscal Year 2018 to reflect a revised actuarial valuation. In addition, the General Assembly increased the Fiscal Year 2018 lapse target by $17.3 million and eliminated a $17.8 million transfer of Fiscal Year 2018 General Fund resources to Fiscal Year 2019. These actions reduced Fiscal Year 2018 appropriations by $16.2 million to $18,673.9 million and reduced Fiscal Year 2018 revenue by $15.6 million to $18,723.7 million resulting in a revised surplus of $49.8 million. The elimination of the $17.8 million transfer to Fiscal Year 2019 reduced projected Fiscal Year 2019 revenues to $18,890.4 million which resulted in a reduction in the projected Fiscal Year 2019 surplus to $99.8 million.

Fiscal Year 2018 Operations

By statute, the State's fiscal position is reported on or before the first day of each month by the Comptroller. Pursuant to Section 4-66 of the Connecticut General Statutes, by the twentieth day of each month, OPM provides projected estimates to the Comptroller of revenues and expenditures for the current fiscal year for use by the Comptroller in preparing the Comptroller's monthly report. The following summarizes OPM's and the Comptroller's estimates of General Fund revenues; expenditures and miscellaneous adjustments (including net appropriations continued and estimated lapses); and surplus/(deficit) balance in the General Fund for the 2018 Fiscal Year as of the referenced ending period in accordance with specific budgetary basis accounting standards set forth by statute which incorporate new budgeted expenditure accruals consistent with specific statutory reporting requirements:

SUPPLEMENTARY INFORMATION AS OF JUNE 6, 2018

OPM and Comptroller Estimates Fiscal Year 2018
(in Millions)

	OPM's Report			Comptroller's Report		
Period Ending[a]	Revenues	Expenditures[b]	Surplus/ (deficit)	Revenues[c]	Expenditures[b] [c]	Surplus/ (deficit) [c]
February 28, 2018	$18,497.4	$18,690.1	$(192.7)	$18,497.4	$18,695.1	$(197.7)
March 31, 2018	$18,051.6	$18,433.4	$(381.8)	$18,051.6	$18,438.9	$(386.7)
April 30, 2018	$18,051.6	$18,769.1	$(717.5)	$18,051.6	$18,772.6	$(721.0)

(a) Estimates reflect projections for Fiscal Year 2018 as of the period ending date.
(b) Expenditures include net appropriations, continued and estimated lapses and miscellaneous adjustments.
(c) Figures derived from the Comptroller's monthly letters to the Governor.

The Secretary of OPM noted that statutory provisions require the State to process certain hospital rate and supplemental payments in advance of full federal approval. The State's submissions are currently under federal review, but it is unclear whether and when federal approvals will be obtained. The estimates of March 31, 2018 and April 30, 2018 assume that the approvals will be delayed beyond the end of the current fiscal year, resulting in a budgetary impact of approximately $150 million, due largely to the shift of receipt of federal reimbursement from Fiscal Year 2018 to Fiscal Year 2019, although such a shift would be revenue-neutral across the biennial budget period. If federal approvals are not received, these payments are subject to recovery by the State, mitigating any potential budgetary impact over the biennium.

On April 30, 2018, OFA projected a deficit in the General Fund of $384.6 million for Fiscal Year 2018.

OPM's estimate for the Fiscal Year 2018 operations of the General Fund (as of the period ending April 30, 2018) has been outlined in Appendix II-E to this Annual Information Statement. The next monthly report of OPM is expected on June 20, 2018 and the next monthly report of the Comptroller is expected on July 1, 2018. The projections discussed above are only estimates and no assurances can be given that future events will materialize as estimated, or that subsequent estimates or adjustments by OPM, the Comptroller or other State agencies will not reflect changes in the estimated or final result of Fiscal Year 2018 operations of the General Fund. In addition, adjustments or audit or actions of the State may also result in changes in the final result of Fiscal Year 2018 operations of the General Fund.

The operating results for the period ending October 31, 2017 projected, and subsequent operating results continue to project, a deficit greater than one percent of net General Fund appropriations, requiring the submission of a deficit mitigation plan by the Governor to the legislature pursuant to Section 4-85 of the General Statutes. On December 13, 2017 the Governor issued a deficit mitigation plan that provided the General Assembly with both revenue and expenditure options totaling $302.0 million. To date, the General Assembly has not taken any action to address the current shortfall.

On May 21, 2018, OPM revised its projected deficit in the General Fund to $717.5 million for Fiscal Year 2018, an increase of $335.7 million from the prior month. The change is the result of Public Act No. 18-81 which carries forward $341.7 million in resources from Fiscal Year 2018 that would have ordinarily lapsed at year end for use in Fiscal Year 2019 primarily for hospital supplemental payments. As a result of transfers required by the volatility cap, as well as actions taken in Public Act No. 18-81, OPM projects that $556.4 million of General Fund resources will be transferred to the Budget Reserve Fund. This projected transfer will increase the current balance in the Budget Reserve Fund from $212.9 million to $769.3 million at the end of Fiscal Year 2018. In the Comptroller's June 1, 2018 letter to the Governor, the Comptroller projected that

$552.9 million of General Fund resources will be transferred to the Budget Reserve Fund, resulting in a projected balance of $765.8 million in the Budget Reserve Fund at the end of Fiscal Year 2018.

Midterm Budget Revisions for Fiscal Year 2019

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 5, 2018, the Governor presented a status report including detailed projects of expenditures and revenues and proposed midterm budget revisions for Fiscal Year 2019. The Governor's Budget Proposal adjusted the Fiscal Year 2019 General Fund appropriations by $65.4 million to $18,856.0 million, resulting in a projected surplus of $4.0 million and growth of 0.9% over Fiscal Year 2018 appropriations.

In addition to the proposed midterm budget revisions, the Governor also presented a three year budget report for Fiscal Years 2020, 2021 and 2022. The report indicated out-year projected revenues, expenditures and balances in the General Fund as follows:

Three Year Budget Report
(In Millions)

Fiscal Year	2020	2021	2022
Revenues	$ 18,708.6	$ 18,870.3	$ 19,045.4
Expenditures	19,552.7	20,375.2	20,988.7
Surplus / (Deficit) [(a)]	$ (844.1)	$ (1,504.9)	$ (1,943.3)

(a) Article 3 Section 18 of the State Constitution requires a balanced budget.

Instead of adopting the Governor's proposed midterm budget adjustments, the General Assembly passed and the Governor signed into law, Public Act No. 18-81 which makes midterm budget revisions for Fiscal Year 2019 along with additional legislation to implement the budget and policy changes reflected in the budget. Based upon the most recent consensus revenue estimate issued on April 30, 2018 by the Office of Policy and Management and the legislature's Office of Fiscal Analysis and adjusted for policy changes contained in the budget, revenues are anticipated to be $19,006.4 million, expenditures are anticipated to be $18,998.2 million, and the revised budget is estimated to result in a General Fund surplus of $8.2 million for Fiscal Year 2019 and would be approximately $0.5 million below the expenditure cap.

The revised Fiscal Year 2019 budget includes policy changes that are projected to result in approximately $50.2 million in reduced revenue from the consensus revenue forecast. The more significant changes include:

- Accelerating the car sales tax diversion to the Special Transportation Fund
- Imposing a new revenue neutral pass through entity tax with a corresponding personal income tax credit
- Reducing the energy conservation and load management transfer to the General Fund
- Restoring eligibility for the Medicaid savings program

The revised budget represents an increase in appropriations of approximately $207.6 million compared to the originally adopted budget for Fiscal Year 2019. The more significant changes include:

- Restoring eligibility for Medicare Savings Program
- Funding cost of living adjustments for various private providers
- Increasing funding for municipal aid

The midterm budget adjustments related to bond authorizations passed by the General Assembly and expected to be signed by the Governor include an increase of $182.0 million in general obligation bond authorizations to take effect in Fiscal Year 2019 and cancels $406.3 million in existing authorizations. The midterm budget adjustments have been reflected in **Appendix II-E** to this Information Statement.

SUPPLEMENTARY INFORMATION AS OF JUNE 6, 2018

Connecticut Commission on Fiscal Stability and Economic Growth

Pursuant to the 2017 Budget Act, the General Assembly established a Commission on Fiscal Stability and Economic Growth to develop and recommend policies to achieve state government fiscal stability and promote economic growth and competitiveness to (i) achieve consistently balanced and timely budgets that are supportive of the interests of families and business and the revitalization of major cities within the State and (ii) materially improve the attractiveness of the State for existing and future business and residents. This commission delivered a report on March 1, 2018 presenting a "Plan for Connecticut" which they believe will lead to budget stability and economic growth within the State. The commission noted in its report that (i) the United States as a whole and Connecticut's neighboring states have economies that are growing while the State's economy is smaller than it was in 2004, (ii) the State is losing ground on numerous key measures of competitiveness such as tax climate, business climate, transportation quality and vitality of cities, and (iii) the State is facing ongoing budget deficits of $2 billion to $3 billion in Fiscal Year 2020 and beyond, growing by approximately $500 million per year. The commission made several recommendations for the legislature to adopt noting that the recommendations are linked and the plan's success is dependent on all recommendations being adopted. The recommendations included tax changes, employee benefit and collective bargaining changes, reform of the Teachers' Retirement System, reinvestment in transportation and cities and revenue and expenditure limits, among others.

Public Act No. 18-81 requires several reviews of the recommendations made by the Commission on Fiscal Stability and Economic Growth. Section 56 of the act establishes a new seven member panel to examine the Commission's recommendation of rebalancing the State's taxes in order to stimulate economic growth and report its findings to the Finance, Revenue and Bonding Committee prior to January 1, 2019. Section 57 requires the Office of Policy and Management to review the commission's recommendation on improving the efficiency of state revenue collection and agency expense management and report those findings to the Finance, Revenue and Bonding Committee prior to February 1, 2019. Section 58 establishes a new six member panel to examine the Commission's recommendation on reforming the Teachers' Retirement System and report its findings to the Appropriations Committee prior to January 1, 2019. There is no assurance that the legislature will adopt any or all of the recommendations.

General Fund Budget History

The table below summarizes the results of operation of the General Fund on a budgetary-basis. Summaries of actual revenues and expenditures on the budgetary (modified cash/statutory) basis for the Fiscal Years 2013 through 2017 are set forth in **Appendix II-D** to this Information Statement.

TABLE 2

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

Fiscal Year	2013	2014	2015	2016	2017
Total General Fund Revenues[b]	$ 19,405.0	$ 17,608.1	$17,282.0	$17,780.8	$17,703.0
Net Appropriations/Expenditures[c]	19,007.0	17,359.6	17,395.2	17,951.2	17,725.7
Operating Surplus/(Deficit)	$ 398.0[d]	$ 248.5[e]	$ (113.2)[f]	$ (170.4)[g]	$ (22.7)[h]

(a) Fiscal Year 2013 is reported on a modified cash basis while Fiscal Years 2014-2017 are reported on a statutory basis. See **Accounting Procedures** under **FINANCIAL PROCEDURES** for further explanation.

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

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

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

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

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

(g) The Fiscal Year 2016 deficit was eliminated through the release of a portion of funds from the Budget Reserve Fund.

(h) The Fiscal Year 2017 deficit was eliminated through the release of a portion of funds from the Budget Reserve Fund.

SOURCE: Comptroller's Office

The table below shows the reconciliation of the actual operations surplus (deficit) under the budgetary (modified cash/statutory) basis to the GAAP basis of accounting for the last five fiscal years. Audited GAAP based financial statements for Fiscal Year 2017 are included in **Appendix II-C**.

TABLE 3

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

Fiscal Year	2013	2014	2015	2016	2017
Modified Cash/Statutory Basis Operating Surplus/ (Deficit) [a]	$ 398.0	$ 656.8	$ (113.2)	$ (170.4)	$ (22.7)
Adjustments:					
Increases (decreases) in revenue accruals:					
Governmental Receivables	(38.7)	(29.5)	147.7	(139.0)	(24.4)
Other Receivables	(74.5)	44.6	44.0	112.5	161.8
(Increases) decreases in expenditure accruals:					
Accounts Payable and Other Liabilities	87.8	(110.2)	(213.7)	(275.5)	19.8
Salaries and Fringe Benefits Payable	(32.8)	12.0	8.7	16.6	22.8
Increase (decrease) in Continuing Appropriations	(17.9)	(26.5)	(21.0)	31.6	(36.3)
GAAP Based Operating Surplus/(Deficit)	$ 321.9	$ 547.2	$ (147.5)	$ (424.2)	$ 121.0

(a) Fiscal Year 2013 is reported on a modified cash basis while Fiscal Years 2014-2017 are reported on a statutory basis. See **Accounting Procedures** under **FINANCIAL PROCEDURES** for further explanation.

SOURCE: Comptroller's Office

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

TABLE 4

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

Fiscal Year	2013	2014	2015	2016	2017
Operating Surplus/(Deficit)	$ 398.0	$ 248.5	$ (113.2)	$(170.4)	$ (22.7)
Fund Transfers and Reserves					
Transfers to Budget Reserve Fund	177.2	248.5	0.0	0.0	0.0
Transfers from Budget Reserve Fund	--	--	113.2	170.4	22.7
Reserve for Subsequent Fiscal Year Operations[b]	220.8	--	--	--	--
Total Transfers/Reserves	$ 0.0	$ 0.0[c]	$ 0.0	$ 0.0	$ 0.0
Unreserved Fund Balance Surplus/(deficit)	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0

(a) Fiscal Year 2013 is reported on a modified cash basis while Fiscal Years 2014-2017 are reported on a statutory basis. See **Accounting Procedures** under **FINANCIAL PROCEDURES** for further explanation.

(b) $30 million reserved in Fiscal Year 2013 was released in Fiscal Year 2015.

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

SOURCE: Comptroller's Office

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

TABLE 5

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

Fiscal Year	2013	2014	2015	2016	2017
Unreserved Fund Balance (Deficit) Modified Cash/Statutory Basis[a]	$ 0.0	$ 0.0	$ 0.0	$ 116.1	$ 116.1
GAAP Based Adjustments					
Additional Assets					
Taxes Receivable					
Income Tax Accrual Reduction	(372.5)	(437.0)	(475.0)	(447.1)	(387.5)
Eliminate Corporation Accrual	(8.9)	(7.8)	(19.3)	(18.5)	(39.6)
Additional Taxes Receivable	4.4	4.4	1.9	4.3	5.1
Net Increase (Decrease) Taxes	(377.0)	(440.4)	(492.4)	(461.3)	(422.0)
Net Accounts Receivable	291.4	326.8	398.1	388.0	449.5
Federal and Other Grants Receivable[b]	325.3	37.5	185.6	46.2	21.9
Due From Other Funds	26.2	39.2	48.7	46.4	43.7
GAAP Conversion Bonds	--	598.5	--	--	--
Total Additional Assets	$ 265.9	$ 561.6	$ 140.0	$ 19.3	$ 93.1
Additional Liabilities					
Salaries and Fringe Payable	(147.4)	65.5	(74.2)	90.8	113.6
Accounts Payable—Department of Social Services	(550.8)	(1.9)[c]	(31.2)	(42.9)	(11.4)
Accounts Payable—Trade & Other	(575.3)	(538.5)	(432.3)	(728.6)	(681.1)
Payable to Federal Government	(124.6)	(202.9)	(304.7)	(360.8)	(357.7)
Due to Other Funds	(84.9)	(81.0)	(90.8)	(92.8)	(93.7)
Total Additional Liabilities	$ (1,483.0)	$ (758.8)	$ (933.2)	$ (1,134.3)	$ (1,030.3)
Statutory Requirement – Change in Accounting Method	--	(529.9)	--	--	--
Unreserved Fund Balance (Deficit) GAAP Basis	$ (1,217.1)	$ (727.1)	$ (793.2)	$ (998.9)	$ (821.1)

(a) Fiscal Year 2013 is reported on a modified cash basis while Fiscal Years 2014-2017 are reported on a statutory basis. See Accounting Procedures under FINANCIAL PROCEDURES for further explanation.

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

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

SOURCE: Comptroller's Office

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

TABLE 6

General Fund Fund Balances-GAAP Basis
(In Millions)

Fiscal Year	2013	2014	2015	2016	2017
Reserved:					
Budget Reserve	$ 270.7	$ 519.2	$ 406.0	$ 235.6	$ 212.9
Future Budget Years	220.8	30.5	81.2	--	-
Loans & Advances to Other Funds	30.5	34.7	36.5	38.1	40.3
Inventories	15.5	15.7	14.6	14.4	13.3
Continuing Appropriations	91.0	85.9	65.0	96.6	60.2
Total	$ 628.5	$ 686.0	$ 603.3	$ 384.7	$ 326.7
Unreserved:	(1,217.1)	(727.2)	(793.2)	(998.9)	(821.1)
Total Fund Balance	$ (588.6)	$ (41.2)	$ (189.9)	$ (614.2)	$ (494.4)

SOURCE: Comptroller's Office

STATE ECONOMIC INITIATIVES

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

First Five

Legislation passed in 2011 allowed the State's existing incentive and tax credit programs to be combined and augmented in order to create incentive packages for the first five companies that promise to either create not less than 200 new jobs within two years or invest not less than $25 million and create not less than 200 new jobs within five years. Several companies including Cigna, ESPN, NBC Sports, Bridgewater Associates, Henkel Corporation and AQR Capital Management have agreed to participate in this program, pledging to create over 4,600 combined jobs in Connecticut in return for forgivable loans, grants, and tax credits from the State and potential further tax credits depending on expenditure levels of certain of the companies. After securing these commitments, legislation was passed to expand the program to allow incentives to be bundled in this manner for up to 15 companies.

Bioscience Connecticut

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

Bioscience Innovation Fund

Legislation passed in 2013 which, in concert with the bioscience initiative above, would support the State's growing bioscience sector by strengthening the State's capacity to create competitive investment tools and attract additional federal and private dollars. The State will invest $204 million in the new Bioscience Innovation Fund over a twelve year period which will be administered by Connecticut Innovations, Inc.

Economic and Manufacturing Assistance Act

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

including administrative expenses and business support services such as labor training, day care, energy conservation, and pollution control and recycling.

Small Business Assistance Revolving Loan Program

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

Small Business Express Program

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

Subsidized Training and Employment Program

Legislation passed in 2011 provides for job creation incentives to employers to expand opportunities for unemployed workers. Under the program, small businesses and manufacturers with less than 50 full-time workers may receive wage and training subsidies of up to $12,500 per newly-hired person over six months if they hire an unemployed worker who meets the program eligibility requirements.

Business Tax Credits

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

STATE DEBT

The information in this section contains information through February 15, 2018 except as may otherwise be set forth below.

SUPPLEMENTARY INFORMATION AS OF JUNE 6, 2018

The following information supplements information contained within this STATE DEBT section:

On April 11, 2018 the State issued $250,000,000 General Obligation Bonds (2018 Series A) maturing in varying amounts between April 15, 2019 through April 15, 2021, April 15, 2023 through April 15, 2026 and April 15, 2028 through April 15, 2038 and bearing interest at rates ranging from 3.75% per annum to 5.00% per annum and $276,440,000 General Obligation Refunding Bonds (2018 Series B) maturing in varying amounts between April 15, 2019 through April 15, 2023 and April 15, 2025 through April 15, 2028 and bearing interest at rates ranging from 4.00% per annum to 5.00% per annum.

On May 3, 2018 the University of Connecticut issued $276,075,000 University of Connecticut General Obligation Bonds, 2018 Series A maturing in varying amounts between April 15, 2019 through April 15, 2036 and April 15, 2038 and bearing interest at rates ranging from 3.00% per annum to 5.00% per annum.

See also **Midterm Budget Revisions for Fiscal Year 2019** under **STATE GENERAL FUND** for additional information regarding bond authorizations.

Constitutional Provisions

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

SUPPLEMENTARY INFORMATION AS OF JUNE 6, 2018

Types of State Debt

Pursuant to various public and special acts, the State has authorized a variety of types of debt. These types fall generally into the following categories: direct general obligation debt, which is payable from the State's General Fund; special tax obligation debt, which is payable from specified taxes and other funds that are maintained outside the State's General Fund; and special obligation and revenue debt, which is payable from specified revenues or other funds that are maintained outside the State's General Fund, including credit revenue bonds secured by a pledge of withholding tax receipts. In addition, the State provides annual appropriation support for, or is contingently liable on, the debt of certain State quasi-public agencies and political subdivisions. Whenever any general statute or public or special act, authorizes special tax obligation bonds or general obligations bonds of the State to be used for any purpose, such general statute or public or special act shall be deemed to have authorized such bonds to be issued as either special tax obligation bonds or general obligation bonds; provided in no event shall the total of the principal amount of special tax obligation bonds and general obligation bonds issued pursuant to the authority of any general statute or public or special

act exceed the amount authorized thereunder. For purposes of presentation of authorized amounts included in the various tables and discussion herein, they are being included in the category in which they were originally authorized. See **OTHER FUNDS, DEBT AND LIABILITIES** for information concerning debt and contingent liabilities on debt other than direct general obligation debt.

State Direct General Obligation Debt

Statutory Authorization and Security Provisions. The State issues general obligation bonds pursuant to specific bond acts and Section 3-20 of the General Statutes (the "General Obligation Bond Procedure Act" or the "Act"). The Act provides that such bonds shall be general obligations of the State and that the full faith and credit of the State are pledged for the payment of the principal of and interest on such bonds as the same become due. The Act further provides that, as a part of the contract of the State with the owners of such bonds, there is made an appropriation of all amounts necessary for the punctual payment of principal and interest on such bonds, and the Treasurer shall pay such principal and interest as the same become due. In addition, the 2017 Budget Act authorized a new form of bonds secured by a statutory pledge of the State's withholding tax receipts ("credit revenue bonds"). See ***New Credit Revenue Bond Program.***

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

SUPPLEMENTARY INFORMATION AS OF JUNE 6, 2018

Statutory Debt Limit. Section 3-21 of the Connecticut General Statutes provides that no bonds, notes or other evidences of indebtedness for borrowed money payable from General Fund tax receipts of the State shall be authorized by the General Assembly or issued except as shall not cause the aggregate amount of (1) the total amount of bonds, notes or other evidences of indebtedness payable from General Fund tax receipts authorized by the General Assembly but which have not been issued and (2) the total amount of such indebtedness that has been issued and remains outstanding, to exceed 1.6 times the total estimated General Fund tax receipts of the State for the fiscal year in which any such authorization will become effective or in which such indebtedness is issued, as estimated for such fiscal year by the joint standing committee of the General Assembly having cognizance of finance, revenue and bonding. However, in computing the aggregate amount of indebtedness at any time, there shall be excluded or deducted (i) the principal amount of revenue anticipation notes having a maturity of one year or less, (ii) refunded indebtedness, (iii) bond anticipation notes, (iv) borrowings payable solely from the revenues of a particular project, (v) the balances of debt retirement funds associated with indebtedness subject to the debt limit as certified by the Treasurer, (vi) the amount of federal grants certified by the Secretary of OPM as receivable to meet the principal of certain indebtedness, (vii) all authorized and issued indebtedness to fund any budget deficit of the State for any fiscal year ending on or before June 30, 2009, (viii) all authorized debt to fund the tax increment bond program of Connecticut Innovations, Inc., (ix) 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, (x) any indebtedness issued for the purpose of meeting cash flow needs, (xi) any indebtedness issued for the purpose of covering emergency needs in times of natural disaster and (xii) any indebtedness authorized for transportation projects up to $500 million pursuant to Section 41 of House Bill No. 5590. On and after July 1, 2018, the Treasurer may not issue general obligation bonds or notes or credit revenue bonds that exceed in the aggregate $1.9 billion in any fiscal year,

subject to certain exclusions, which limit shall be subject to prescribed inflationary adjustments commencing July 1, 2019. The Governor shall not approve allotment requisitions that would result in the issuance of general obligation bonds or notes or credit revenue bonds that exceed in the aggregate $1.9 billion in any fiscal year, subject to certain exclusions, which limit shall be subject to prescribed inflationary adjustments commencing July 1, 2019. For purposes of the debt limit statute, all bonds and notes issued or guaranteed by the State and payable from General Fund tax receipts are counted against the limit, except for the exclusions or deductions described above, and certain other debt specifically excluded by statute. In addition, the amount of authorized but unissued debt for the UConn 2000 program is limited to the amount permitted to be issued under the cap under Section 3-21 of the Connecticut General Statutes. See ***Types of Direct General Obligation Debt — UConn 2000 Financing Program***.

Under the Connecticut General Statutes, the Treasurer is required to compute the aggregate amount of indebtedness as of January 1 and July 1 each year and at other statutorily prescribed times and to certify the results of such computation to the Governor and the General Assembly. If the aggregate amount of indebtedness reaches 90% of the statutory debt limit, the Governor shall review each bond act for which no bonds, notes or other evidences of indebtedness have been issued, and recommend to the General Assembly priorities for repealing authorizations for remaining projects so that the aggregate amount of indebtedness authorized will be below 90% of the statutory debt limit. The General Assembly is not required to act upon such recommendations.

The total tax receipts for Fiscal Year 2018 as last estimated by the General Assembly's joint standing committee on finance, revenue and bonding, the calculation of the debt limit, the aggregate amount of outstanding debt and of authorized but unissued debt subject to such limit, and the debt incurring margin, all as of February 15, 2018, are described in the following table.

SUPPLEMENTARY INFORMATION AS OF JUNE 6, 2018

TABLE 7

Statutory Debt Limit
As of February 15, 2018

Total General Fund Tax Receipts	$15,549,400,000	
Multiplier	1.6	
Debt Limit		$24,879,040,000
Outstanding Debt[(a)]	$14,622,571,886	
Guaranteed Debt[(b)]	$ 1,421,390,000	
Authorized Debt[(c)]	$ 5,429,180,612	
Total Subject to Debt Limit		$21,473,142,498
Aggregate Net Debt		$21,473,142,498
Debt Incurring Margin		$ 3,405,897,502

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

(b) See **OTHER FUNDS, DEBT AND LIABILITIES – Contingent Liability Debt**. **Table 7** reflects only guarantees for certain outstanding debt of Southeastern Connecticut Water Authority and UConn 2000 Bonds secured by the State's debt service commitment.

(c) Includes UConn 2000 Bonds secured by the State's debt service commitment that are authorized but unissued under the statutory cap for Fiscal Year 2018.

SOURCE: State Treasurer's Office

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

SUPPLEMENTARY INFORMATION AS OF JUNE 6, 2018

Upon authorization, the principal amount of bonds so authorized is deemed to be appropriated for such purpose or project and, subject to allotment thereof by the Governor, contracts may be awarded and obligations incurred with respect to the project or purpose in amounts not exceeding the authorized principal amount. Such contracts and obligations may at any particular time exceed the amount of the bond proceeds received by the State up to that time. The Commission also determines the terms and conditions of the bonds authorized or delegates such determination to the Treasurer. The Commission generally meets monthly. Commencing January 1, 2017 and for each calendar year thereafter, the Commission may not authorize general obligation or credit revenue bond issuances of greater than $2.0 billion in the aggregate in any calendar year, subject to prescribed inflationary adjustments commencing January 1, 2018 and the exclusion of up to $500 million for transportation projects authorized pursuant to Section 41 of House Bill No. 5590.

Bond Covenant. For each fiscal year during which general obligation bonds or credit revenue bonds of the State issued on and after May 15, 2018 and prior to July 1, 2020 are outstanding, the State shall include a covenant in such bonds (which shall be applicable for a period of five years from the date of the issuance of such bonds) that no public act or special act of the general assembly taking effect on or after May 15, 2018, and prior to July 1, 2023, shall alter the obligation of the State to comply with the provisions of (i) Section 4-30a of the general statutes (funding of the Budget Reserve Fund and permissible expenditures therefrom), (ii) Section 2-33c of the general statutes in effect on October 31, 2017 (the cap on General Fund and Special Transportation fund aggregate appropriations), (iii) Section 2-33a of the general statutes (cap on spending), (iv) subsections (d) and (g) of Section 3-20 (limitation of $2.0 billion on the authorization of bonds by the State Bond Commission in any calendar year), and (v) Section 3-21 of the general statutes (the debt limit, including the limitation on the issuance by the State of general obligation bonds or credit revenue bonds to $1.9 billion in each fiscal year subject to certain exclusions and inflation adjustments, and the requirement that the Governor control spending allotments to ensure compliance with such limitation). Alterations are permissible (i) if and when adequate provision is made by law for the protection of the holders of the bonds, or (ii) (1) if and when the Governor declares an emergency or the existence of extraordinary circumstances, (2) at least 3/5 of the members of the General Assembly vote to alter such required compliance during the fiscal year for which the emergency or existence of extraordinary circumstances are determined, and (3) any such alteration is for the fiscal year in progress only.

Types of Direct General Obligation Debt

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

The types of projects and purposes for which the State has authorized general obligation debt include the following: acquisition, construction, renovation and improvement of buildings and facilities for State

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

New Credit Revenue Bond Program. The 2017 Budget Act authorized the State to issue a new form of credit revenue bonds secured by a statutory gross pledge of the State's withholding tax receipts to fund its capital projects.

It is intended that through the issuance of the credit revenue bonds, that the State will achieve the following three goals. First, it is expected that due to the pledge of the State's withholding tax receipts, such bonds will have higher credit ratings and lower borrowing costs resulting in savings when compared to the issuance of general obligation bonds. Second, it is intended that the issuance of the credit revenue bonds will improve the State's general obligation credit because such savings will annually be transferred into the State's Budget Reserve Fund. Third, it is intended that the issuance of the credit revenue bonds will improve the value of the State's outstanding general obligation bonds. It is anticipated that, over time, the credit rating of the State's outstanding general obligation bonds will improve so that there would be no great advantage in continuing the issuance of the credit revenue bonds and the State would revert to issuance of general obligation bonds.

As established in the 2017 Budget Act, credit revenue bonds will be revenue bonds secured by a statutory lien on withholding tax receipts of the State. These receipts will be paid into segregated pledged accounts from which the trustee for the credit revenue bonds will withdraw amounts to be set aside for debt service on the credit revenue bonds. Withholding tax revenues withdrawn to be set aside for debt service on the credit revenue bonds will not be available to pay debt service on general obligation bonds. Amounts in the segregated pledged accounts in excess of the amounts withdrawn for debt service will be swept daily into other accounts of the State, free of the credit revenue bond lien and available for all purposes of the General Fund, including payment of debt service on the State's general obligation bonds. The credit revenue bonds will have no claim on any other revenues of the State and will not be subject to acceleration. The credit revenue bonds may be issued for any purpose for which general obligation bonds are authorized, including refunding bonds, and, if issued, would be in lieu of general obligation bonds. Credit revenue bonds will be authorized in the same manner as general obligation bonds, and accounted for within the State's General Fund. The credit revenue bonds will be treated as general obligation bonds for purposes of the State bond cap, and therefore do not represent an avenue for additional bond issuance. Issuance of credit revenue bonds is subject to an additional bonds test requiring a debt service coverage ratio of 3x.

SUPPLEMENTARY INFORMATION AS OF JUNE 6, 2018

As of May 24, 2018, no credit revenue bonds have been issued. No assurances can be given that the credit revenue bond program will be implemented or, if implemented, will be successful in achieving its goals, including debt service savings, increased balances in the State's Budget Reserve Fund, and improvement in the credit rating of the State's general obligation credit.

Teachers' Retirement Fund Pension Obligation Bonds. In April 2008 the State issued $2,277 million of bonds to fund up to $2 billion of the unfunded accrued liability in the Teachers' Retirement Fund plus capitalized interest and issuance costs. $2,369.5 million (reflecting the accreted value) of such bonds are outstanding as of February 15, 2018. While the bonds are outstanding, the State is required to appropriate

annually the actuarially-determined annual required contribution to the Teachers' Retirement Fund. The bonds are general obligations of the State, but are excluded from the calculation of the statutory debt limit.

UConn 2000 Financing Program. The University of Connecticut is a separate corporate entity and instrumentality of the State empowered to issue bonds and construct certain infrastructure improvements at the University's various campuses. Known as UConn 2000, the infrastructure improvement program now is estimated to cost $4,619.3 million to be financed over a thirty-two year period. The UConn 2000 program contemplates total issuance of $4,282.9 million general obligation bonds of the University secured by the State's debt service commitment, which is an annual amount for any debt service requirements when due and payable. Under the enabling legislation, appropriations of all amounts of the State's debt service commitment are made out of the resources of the State's General Fund and the Treasurer is obligated to make such payments. For this reason, all general obligation borrowings by the University that are secured by the State's debt service commitment are treated as part of the State's general obligation debt, and are reflected in **Tables 8 through 14**. The amount of the University's bonds secured by the State's debt service commitment is capped for each fiscal year, but any amount not used may be carried forward to future fiscal years. As of February 15, 2018, $3,358.6 million of such debt secured by the State's debt service commitment had been issued (including refunding bonds), of which $1,420.5 million remain outstanding, with a remaining authorization of $302.4 million. It is anticipated that additional authorizations will become effective in future fiscal years.

Special obligation bonds of the University are secured by particular revenues of the University and are not subject to the cap on the University's general obligation debt service commitment bonds and are not counted against the State's debt limit.

The General Assembly has and may continue to authorize capital improvements for the University of Connecticut in addition to the UConn 2000 Program. General obligation bonds authorized for such purposes are reflected in the Authorized but Unissued Direct General Obligation Debt shown in **Table 12**. However, the construction of a new $203 million ambulatory care center at the University of Connecticut Health Center authorized in 2011, but financed through a lease financing through the University of Connecticut Health Center Finance Corporation is not reflected in **Table 12**.

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

Tax Increment Financing. Connecticut Innovations, Inc. ("CI") is authorized to issue tax increment bonds for certain types of economic development projects. Under the program the amount of such bonds that may be issued is limited so that the debt service on the bonds may not exceed the estimated increases in the sales tax and the admissions, cabaret and dues taxes generated by the project and allocated by CI for debt service on the bonds. 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 Commission. Such tax increment bonds are not reflected in **Table 7**, but are reflected in **Tables 8 through 12**.

Supportive Housing Financing. The Connecticut Housing Finance Authority ("CHFA") in conjunction with other state agencies developed a collaborative plan to create affordable housing and support services for specified eligible persons. The program is to be funded in part through mortgages, tax credits and grants from CHFA and the Department of Economic and Community Development. CHFA is authorized to issue bonds in

support of the program and the Commission has authorized the Treasurer and OPM to enter into a contract to provide State assistance and pay debt service on the bonds in the form of payments of principal, interest, interest swap payments, liquidity fees, letter of credit fees, trustee fees and other similar bond-related expenses. Bonds supported by such State assistance may not exceed $105 million in the aggregate. As of February 15, 2018, $56.6 million of such bonds were outstanding. Any provision in the contract providing for the payment of annual debt service constitutes a full faith and credit obligation of the State, and any bonds for which the State provides assistance are excluded from the calculation of the statutory debt limit.

Emergency Mortgage Assistance Program. CHFA is authorized to issue up to $50 million of bonds to fund an Emergency Mortgage Assistance Program and the Treasurer and OPM are required to enter into a contract to provide State assistance to pay debt service on such bonds in the form of payments of principal, interest, interest swap payments, liquidity fees, letter of credit fees, trustee fees and similar bond-related expenses. As of February 15, 2018, the entire $50 million had been issued, of which $38.1 million was then outstanding. Any provision in the contract providing for the payment of annual debt service constitutes a full faith and credit obligation of the State, and any bonds for which the State provides assistance are excluded from the calculation of the statutory debt limit.

Economic Recovery Notes. The Treasurer was authorized to issue notes to fund the State's budget deficit for Fiscal Year 2009, to pay costs of issuance of such notes and certain interest payable or accrued on such notes and to exempt these notes from the calculation of the statutory debt limit. In December 2009, the State issued $915,795,000 of such Economic Recovery Notes which are no longer outstanding.

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Municipal Contract Assistance. The 2017 Budget Act created a new Municipal Accountability Advisory Board ("MARB") to supervise distressed municipalities in the State, and authorized the State, acting through the Treasurer and the Secretary of OPM, to enter into contract assistance agreements with municipalities operating as "Tier III" or "Tier IV" municipalities under the MARB. Such contract assistance may provide for payment by the State of all or a portion of annual debt service on refunding bonds issued to refund outstanding indebtedness of such a municipality, plus costs of issuance. The legislation also authorized the State to provide alternate forms of credit support, provided the alternate support is not in excess of the amount of contract assistance otherwise available. The contract assistance would be deemed appropriated, and would constitute the full faith and credit obligation of the State. Currently, both the City of Hartford and the City of West Haven are "Tier III" municipalities; there are no "Tier IV" municipalities. Hartford's outstanding debt is approximately $540 million. The State and Hartford entered into an agreement which obligates the State to make payments equal to principal and interest, when due, on all of Hartford's currently outstanding general obligation bonds with the State retaining the right to restructure the outstanding debt in the future. This contract assistance program is in addition to, but not in duplication of, assistance available to municipalities and described under "OTHER FUNDS – Assistance to Municipalities".

Certain Short-Term Borrowings. The Connecticut General Statutes authorize the Treasurer, subject to the approval of the Governor, to borrow such funds, from time to time, as may be necessary, and to issue obligations of the State therefor, which shall be redeemed by the Treasurer whenever, in the opinion of the Treasurer, there are funds in the treasury available for such purpose, or not later than two years from the date of issuance, whichever is earlier. The State has established programs of temporary note issuances and credit facilities from time to time to cover periodic cash flow requirements. No temporary notes are outstanding and no such credit facilities are in effect.

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

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

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

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

Swap Agreements as of February 15, 2018

Bond Issue	Notional Amount	Termination Date	Fixed Rate Paid by State
2005 Series B	$ 20,000,000	June 1, 2020	5.20%

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

SUPPLEMENTARY INFORMATION AS OF JUNE 6, 2018

TABLE 8

Direct General Obligation Indebtedness[a]
Principal Amount Outstanding as of February 15, 2018
(In Thousands)

General Obligation Bonds	$14,038,169
Pension Obligation Bonds	2,369,532
UConn 2000 Bonds	1,420,535
Other [b]	302,343
Long Term General Obligation Debt Total	$18,130,579
Short Term General Obligation Debt Total	400,000
Gross Direct General Obligation Debt	$18,530,579
Net Direct General Obligation Debt	$18,530,579

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

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

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

Outstanding Long Term General Obligation Debt and Debt Ratios

Fiscal Year	**2013**	**2014**	**2015**	**2016**	**2017**
Gross Direct Debt[a]	$14,762,696	$15,819,826	$16,879,336	$17,704,949	$18,534,494
Ratio of Debt to Personal Income[b]	6.40%	6.62%	6.89%	7.14%	7.48%
Ratio of Debt to Estimated Full Value of Equalized Grand List[c]	2.90%	3.06%	3.17%	3.27%	3.42%
Per Capita Debt[d]	$4,098	$4,394	$4,697	$4,934	$5,166

(a) In thousands. Includes gross direct general obligation bonded indebtedness outstanding (including economic recovery notes) as of June 30 of each fiscal year as set out in **Table 11** which includes bonds that are considered self-liquidating.

(b) See **Appendix II-B, Table B-2**. Personal Income: 2013 — $230.6 billion; 2014 — $239.1 billion, 2015 — $244.9 billion; and 2016 — 247.9 billion. The 2017 ratio uses 2016 data.

(c) Full value estimated by OPM. Uses final equalized net grand lists: 2011 – $508.6 billion; 2012 – $517.2 billion; 2013 – $532.3 billion; 2014 – $541.1 billion; and 2015 – $541.7 billion. Property is assessed as of October 1 in each year for the tax levy effective the following July 1. The 2013 ratio uses 2011 data; 2014 ratio uses 2012 data; 2015 ratio uses 2013 data; 2016 ratio uses 2014 data; and 2017 ratio uses 2015 data.

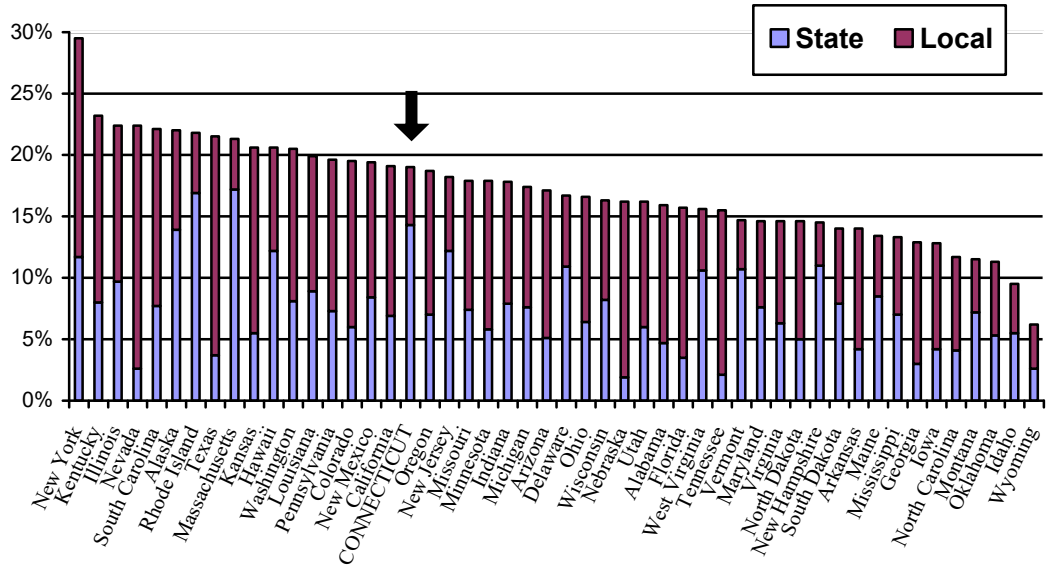
(d) See **Appendix II-B, Table B-1**. State population in thousands: 2013 — 3,602; 2014 — 3,600; 2015 — 3,594; 2016 — 3,588; and 2017 — 3,588.

Aggregate State and Local Debt

The following table sets forth the per capita aggregate debt level of each state, including debt issued at both the state and local levels, compared to per capita personal income within the state. As the chart shows, the State of Connecticut is 33rd among all states in a ranking of states with the least aggregate debt per capita as a percentage of per capita personal income. The chart below also indicates that the State has the seventh lowest ratio of per capita local debt to per capita personal income and fourth lowest ratio of local debt to aggregate debt. This is due in part to the State's practice of financing school construction primarily at the state level and the absence of county-level government in the State.

TABLE 9a(a)(b)

Combined State and Local Debt Compared to State Personal Income



(a) The percentages along the vertical axis are calculated by dividing per capita aggregate debt over per capita personal income. Population figures used in the underlying calculations are the population estimates as of July 1, 2016 from the U.S. Census Bureau, Population Division. State and local debt figures used in the underlying calculations are from the U.S. Census Bureau, 2015 Annual Surveys of State and Local Finances. Per capita income figures used in the underlying calculations are from the Bureau of Economic Analysis, which used data from 2016.

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

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

Debt Service Schedule. The following table sets forth the principal, sinking fund and interest payments required on all outstanding long-term direct general obligation debt of the State, as of February 15, 2018. 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.

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TABLE 10

Summary of Principal, Mandatory Sinking Fund Payments, and Interest on Long-Term Direct General Obligation Debt[(a)] As of February 15, 2018

Fiscal Year	Principal Payments[(b)]	Interest Payments[(b)(c)]	Total Debt Service
2018	$ 713,080,113	$ 335,321,279	$ 1,048,401,392
2019	1,394,721,471	776,482,369	2,171,203,840
2020	1,338,135,614	719,153,858	2,057,289,472
2021	1,317,071,206	662,472,143	1,979,543,349
2022	1,282,024,111	655,830,899	1,937,855,010
2023	1,315,021,122	610,821,097	1,925,842,219
2024	1,215,279,066	579,923,767	1,795,202,833
2025	1,162,627,437	528,114,617	1,690,742,053
2026	1,136,380,000	390,730,185	1,527,110,185
2027	1,089,565,000	336,145,820	1,425,710,820
2028	1,036,735,000	282,334,977	1,319,069,977
2029	924,450,000	232,770,486	1,157,220,486
2030-2038	4,063,940,000	556,742,921	4,620,682,921
Totals	$ 17,989,030,140	$ 6,666,844,417	$ 24,655,874,557

(a) Includes long-term general obligation debt as outlined in **Table 8**. The future principal payments ($17,989,030,140), plus accreted interest ($141,548,869), total the amount of such long-term debt ($18,130,579,009) as shown in **Table 8**. See footnotes (b) and (c) for further explanation.

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

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

Year Issued	Amount Issued	Amount Outstanding	Maturities	Interest Rate
2005	$ 300,000,000	$ 10,000,000	2019-2023	3.50%
2005*	20,000,000	20,000,000	2020	5.20
2011	337,620,000	64,740,000	2018	3.50
2011	75,000,000	25,000,000	2019	3.50
2012	212,400,000	94,400,000	2018-2020	3.50
2012	219,865,000	50 000,000	2018-2024	3.50
2013	244,570,000	164,570,000	2018-2025	3.50
2013	115,000,000	55,000,000	2018-2020	3.50
2014	47,000,000	36,000,000	2018-2023	3.50
2015	200,000,000	175,000,000	2018-2024	3.50
2015	180,745,000	110,035,000	2018-2022	3.50
2016	300,000,000	300,000,000	2019-2034	3.50
2017	300,000,000	300,000,000	2019-2037	3.50
2017	134,865,000	134,865,000	2019-2024	3.50
Totals	$2,687,065,000	$1,539,610,000		

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

SOURCE: State Treasurer's Office

Outstanding Long-Term Direct General Obligation Debt

The following table sets forth the total long-term direct general obligation debt outstanding (including economic recovery notes) at the end of each of the last ten fiscal years. The long-term debt outstanding includes 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
2008	$13,102,857
2009	14,008,863
2010	15,066,507
2011	14,680,676
2012	14,678,736
2013	14,762,696
2014	15,819,826
2015	16,879,336
2016	17,704,949
2017	18,534,494

SOURCE: State Treasurer's Office

Future Issuance of Direct General Obligation Debt

Authorized But Unissued Direct General Obligation Debt. The General Assembly has empowered the Commission to authorize direct general obligation bonds pursuant to certain bond acts. The table below shows, as of February 15, 2018, the amount of bonds authorized by bond acts in effect, the amount the Commission has authorized, the amount of bonds issued pursuant to Commission authorizations, the balance remaining authorized but unissued and the balance available for authorization. The following table shows the same information for UConn 2000 bonds secured by the State's debt service commitment authorized to be issued under the cap through June 30, 2018.

SUPPLEMENTARY INFORMATION AS OF JUNE 6, 2018

TABLE 12

Authorized but Unissued Direct General Obligation Debt
As of February 15, 2018
(In Thousands)

	State Direct Debt[a]	Pension Obligation Bonds[b]	UCONN 2000[c]	Tax Increment[d]	Total
Bond Acts in Effect	$38,832,518	$2,276,578	$2,975,777	$74,750	$44,159,624
Amount Authorized[e]	36,158,342	2,276,578	2,975,777	74,750	41,485,447
Amount Issued	33,704,278	2,276,578	2,673,377	68,040	38,722,273
Authorized but Unissued	2,454,064	0	302,400	6,710	2,763,174
Available for Authorization	2,674,177	0	0	0	2,674,177

(a) Includes CHFA Supportive Housing Bonds, CHFA Emergency Mortgage Assistance Program Bonds and GAAP Deficit Bonds. Excludes CRDA Bonds, CHEFA Child Care Facilities Bonds, General Obligation Economic Notes and lease financings.

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

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

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

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

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

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

SUPPLEMENTARY INFORMATION AS OF JUNE 6, 2018

TABLE 13

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

Fiscal Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019[(b)]
New Authorizations	1,965.0	1,564.5	1,195.4	1,147.2	1,724.8	2,673.3	1,993.6	2,843.6	2,391.5	2,661.3	1,875.6	1,800.0
Reductions	(206.9)	0.0	(140.5)	(474.6)	(10.8)	(22.3)	(12.0)	(27.8)	(272.5)	(985.7)	(263.3)	(406.3)
Net New Authorizations	1,758.1	1,564.5	1,054.9	672.6	1,714.0	2,651.0	1,981.6	2,815.8	2,119.0	1,675.6	1,612.3	1,393.7

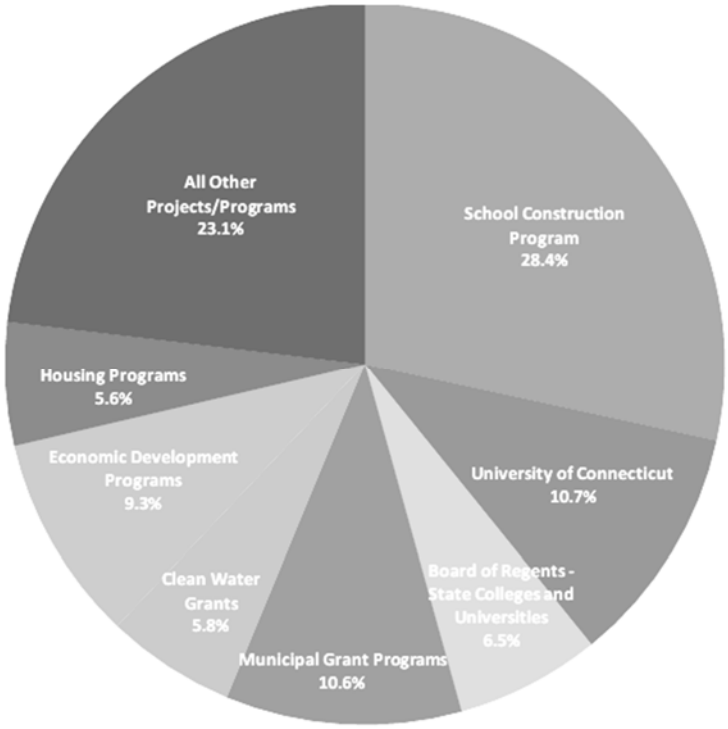
(a) Does not include Pension Obligation Bonds, Economic Recovery Notes, lease financings, tax increment or cash flow borrowings. Does not include GAAP Deficit Bonds authorized in Fiscal Year 2014 in an aggregate principal amount sufficient to generate net proceeds of not more than $598.5 million. Includes amount for UConn 2000 bonds available under the cap for Fiscal Years 2008 through 2019, as amended, but does not include additional amounts which may exceed the cap to finance reserve funds, issuance costs and capitalized interest. Amounts are listed in the fiscal year that the bond authorizations become effective. Does not include any authorizations which take effect after Fiscal Year 2019. See **Table 14**.

(b) Pursuant to House Bill 5590 effective July 1, 2018 passed by the General Assembly and expected to be signed by the Governor.

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

TABLE 14

Projected General Obligation Bond Allocations for Fiscal Years 2017 – 2020



SOURCE: Office of Policy and Management as of November 2016. No subsequent projections have been produced.

OTHER FUNDS, DEBT AND LIABILITIES

The information in this section contains information through February 15, 2018 except as may otherwise be set forth below.

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

Special Transportation Fund and Debt

In 1984 the State adopted legislation establishing a transportation infrastructure program and authorizing Special Tax Obligation ("STO") bonds to finance the program. The transportation infrastructure program is a continuous program for planning, construction and improvement of transportation infrastructure, and is administered by the Department of Transportation.

The cost of the transportation infrastructure program for Fiscal Years 1985-2022, which will be met from federal, State, and local funds, is currently estimated at $39.2 billion. The State's share of such cost, estimated at $18.6 billion, is to be funded from transportation-related taxes, fees and revenues deposited in the Special Transportation Fund, as described below, and from the proceeds of STO bonds. The portion of State program costs not financed by STO bonds is estimated at $0.8 billion and includes the expenses of the transportation infrastructure program that either are not sufficiently large or do not have a long enough life expectancy to justify the issuance of long-term bonds.

The State's share of the cost of the infrastructure program for Fiscal Years 1985-2022 to be financed by STO bonds currently is estimated at $17.8 billion.

During Fiscal Years 1985-2019, $35.1 billion of the total transportation infrastructure program was approved by the appropriate governmental authorities. The remaining $4.1 billion of such infrastructure costs is anticipated to be funded with the proceeds of $2.1 billion of future special tax obligation bonds, $2.0 billion in anticipated federal funds, and $40.8 million in anticipated revenues and other available funds.

The State has established the Special Transportation Fund for the purpose of budgeting and accounting for all transportation-related taxes, fees and revenues credited to such Fund and securing the STO bonds. STO bonds are payable solely from revenues of the Special Transportation Fund and other pledged receipts, funds or moneys. The aggregate of certain transportation related taxes and other transportation related revenue sources, and any direct pay federal interest subsidy received by the State in connection with the issuance of any taxable STO bonds (Build America Bonds) are intended to cover the cost of the State's share of the infrastructure program, including debt service requirements on STO bonds.

SUPPLEMENTARY INFORMATION AS OF JUNE 6, 2018

Whenever any general statute or public or special act, authorizes special tax obligation bonds or general obligations bonds of the State to be used for any purpose, such general statute or public or special act shall be deemed to have authorized such bonds to be issued as either special tax obligation bonds or general obligation bonds; provided in no event shall the total of the principal amount of special tax obligation bonds and general

obligation bonds issued pursuant to the authority of any general statute or public or special act exceed the amount authorized thereunder. For purposes of presentation of authorized amounts included in the various tables and discussion herein, they are being included in the category in which they were originally authorized.

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

TABLE 15

Special Tax Obligation Bonds
As of February 15, 2018
(In Millions)

	New Money	Refundings[a]	Total
Bond Acts in Effect	$16,076.2	N/A	$16,076.2
Amount Authorized[b]	14,458.3	N/A	14,458.3
Amount Issued	11,520.2	$4,226.9	15,747.1
Authorized but Unissued	2,938.1	N/A	2,938.1
Available for Authorization	1,617.9	N/A	1,617.9
Amount Outstanding	4,823.0	717.5	5,540.5

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

SOURCE: State Treasurer's Office

SUPPLEMENTARY INFORMATION AS OF JUNE 6, 2018

In 2015, Governor Malloy proposed a 30-year, $100 billion transportation initiative to modernize Connecticut's infrastructure. In conjunction with that proposal the Governor established the Transportation Finance Panel and appointed its members consisting of experts in transportation, finance and economic development. The panel was charged with examining funding options and developing recommendations for the implementation of Governor Malloy's transportation initiative and on January 15, 2016 the panel presented its report to the Governor. In 2015, legislation created a new statutory transportation "lock box" which established the Special Transportation Fund as a perpetual fund, the resources of which are to remain in the Special Transportation Fund to be expended solely for transportation purposes, including the payment of debt service. All sources of moneys required by State law to be credited to the Special Transportation Fund after June 29, 2015 are to continue to be credited to such fund to the extent the State collects or receives such

moneys. Further, in 2017, the General Assembly approved a resolution which created a new statutory transportation "lock box", and proposed that an amendment to the Constitution of the State to that effect be presented to the electors at the general election to be held on November 6, 2018. In connection with the Fiscal Year 2019 midterm budget adjustments, the General Assembly passed into law, the acceleration of the transfer of the motor vehicles sales tax to the Special Transportation Fund by two years.

Other Special Revenue Funds and Debt

Bradley International Airport. Bradley International Airport, located in Windsor Locks, Connecticut, is owned and operated by the Connecticut Airport Authority ("CAA"), a quasi-public authority of the State. The General Assembly authorized the issuance of revenue bonds for improvements at Bradley International Airport payable from all or a portion of the revenues generated at the Airport. As of February 15, 2018, there were $109.3 million of Bradley International Airport Revenue Refunding Bonds outstanding. In addition, the State is a party to certain interest rate swap agreements with respect to certain of these bonds. Any obligations of the State under the interest rate swap agreements are payable from all or a portion of the revenues generated at the Airport. See ***Quasi Public Agencies - Connecticut Airport Authority ("CAA")***.

Additional special obligation bonds to finance self-sustaining special facilities at Bradley International Airport payable solely from the revenues derived from such special facilities were authorized in 1993. In March 2000 the State issued $53.8 million Bradley International Airport Special Obligation Parking Revenue Bonds to finance the construction of a five story parking garage facility at the airport and as of February 15, 2018, $25.3 million of such bonds were outstanding.

State Revolving Fund ("SRF"). The General Assembly has authorized the issue of revenue bonds for the purpose of funding various State and federally mandated water pollution control and drinking water projects for up to $3,533.8 million, of which $2,216.6 million have been issued. The revenue bonds are payable solely from the revenues or other receipts, funds or moneys of the SRF. The proceeds of the revenue bonds are loaned primarily to Connecticut municipalities and public water systems to finance water pollution control and drinking water improvements, and the loan repayments by the municipalities and public water systems secure the revenue bonds. The loan obligations of the municipalities and public water systems are secured by either the full faith and credit of each such entity, or the revenues and other funds of a municipal sewer or public water system. As of February 15, 2018, $993.5 million revenue bonds were outstanding (including refunding bonds).

Unemployment Compensation. The State pays unemployment compensation benefits from the State's Unemployment Compensation Fund, which is funded by unemployment compensation taxes collected from employers. To fund possible shortfalls, the State may borrow from the Federal Unemployment Trust Fund or issue bonds in an aggregate amount outstanding at any time not in excess of $1.0 billion, plus amounts for certain reserves and costs of issuance. No such borrowings or bonds are outstanding and none are anticipated.

Second Injury Fund. The Second Injury Fund is a State-run workers' compensation insurance fund that pays lost wages and medical benefits to qualified injured workers. The Second Injury Fund is now closed to future second injury claims. However, there remain authorized the issuance of an amount not to exceed $750 million in revenue bonds and notes outstanding at any one time to provide funds for paying past claims. No bonds or short-term borrowings are currently outstanding. The State's management objective is to pay additional claims and settlements from current income and, if necessary, short term borrowings.

Contingent Liability Debt

The General Assembly has the power to impose limited or contingent liabilities upon the State in such a manner as it may deem appropriate and as may serve a public purpose. This power has been used to support the efforts of quasi-public agencies, municipalities and other authorities formed to carry out essential public

and governmental functions by authorizing these entities to issue indebtedness backed, partially or fully, by General Fund resources of the State. Not all entities that are authorized to issue such indebtedness have done so, and the description below of the State's limited or contingent liability is restricted only to specific indebtedness backed by the State.

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

By statute, the Connecticut Green Bank, CAA, CHEFA, CHESLA, CHFA, CI, CRDA, MIRA and CPA may borrow money or issue bonds or notes that are guaranteed by the State or for which there is a State supported SCRF with the approval of the Treasurer or the Deputy Treasurer, and for certain of these quasi-public issuers, the Secretary of the Office of Policy and Management ("OPM"). The approval shall be based on documentation provided by the authority that the authority anticipates receiving sufficient revenues to (1) pay the principal of and interest on the bonds and notes to be issued, (2) establish, increase and maintain any reserves deemed by the authority to be advisable to secure the payment of the principal of and interest on such bonds and notes, (3) pay the cost of maintaining, servicing and properly insuring the purpose for which the proceeds of the bonds and notes have been issued, if applicable, and (4) pay such other costs as may be required.

Similarly, no municipality may issue any obligation for which there is a State supported SCRF without the approval of the Treasurer. The Treasurer's approval shall be based upon factors delineated in the general statutes, including the establishment of a property tax intercept procedure to service the municipality's debt.

Quasi-Public Agencies

The State has established a number of quasi-public agencies that are not departments, institutions or agencies of the State. They are, however, bodies politic and corporate that constitute public instrumentalities and political subdivisions of the State. These organizations provide a wide range of services that might otherwise be provided directly by the State.

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

Connecticut Airport Authority ("CAA"). CAA has ownership of and responsibility for the management and operations of Bradley International Airport and the State's other general aviation airports. The CAA is authorized to issue revenue bonds, including bonds backed by a SCRF.

Connecticut Green Bank ("Green Bank"). The Green Bank, was designated for the purposes of administering the Clean Energy Fund. The Green Bank is an energy finance authority, designed to leverage public and private funds to drive investment and increase clean energy deployment in Connecticut. The Green Bank is authorized to issue bonds to facilitate its activities, which bonds may be secured by a SCRF.

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

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

Connecticut Higher Education Supplemental Loan Authority ("CHESLA"). CHESLA, a subsidiary of CHEFA, provides financial assistance in the form of education loans to students in or from the State. CHESLA is also authorized to provide loans to refinance eligible education loans of qualified borrowers. CHESLA is authorized to issue bonds the proceeds of which are used to fund or refinance education loans to applicants meeting certain eligibility requirements. The repayment of such loans is used to make debt service payments on CHESLA bonds. CHESLA bonds are further secured by a SCRF.

Connecticut Housing Finance Authority ("CHFA"). CHFA was established to meet the needs of low and moderate income families and persons for decent housing and to encourage and assist the development and construction of multi-family housing. CHFA is authorized to issue bonds the proceeds of which are used to fund mortgage loans to applicants meeting certain eligibility requirements. CHFA also is authorized to make or purchase construction and permanent mortgage loans that are guaranteed or insured by the United States of America or any agency or instrumentality thereof, by the Federal Home Loan Mortgage Corporation, by a private mortgage insurance company or the State or the Authority itself without limitation as to amount and to make or purchase mortgage loans not so insured or guaranteed in an aggregate amount not to exceed $2.25 billion. In order to finance these activities, CHFA established a Housing Mortgage Finance Program and issued its general obligation bonds under a General Bond Resolution. Bonds issued under CHFA's General Bond Resolution are secured by a SCRF.

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

Connecticut Innovations ("CI"). CI is authorized to offer various financing programs including The Mortgage Insurance and Loan Program (the "Insurance Fund"). As of February 15, 2018, $19.5 million of

State bonds have been authorized but remain unissued to fund the Insurance Fund and loans insured by the Insurance Fund totaled $1.32 million.

Under its General Obligation Bond Program, CI may issue bonds secured by a SCRF to finance eligible economic development and information technology projects. As of February 15, 2018, no such bonds are outstanding. Although there remains legislative authority for the issuance of bonds secured by SCRFs under the Umbrella Bond Program, no loans have been initiated under that program since 1985, and CI does not anticipate a resumption of any lending activity under that program.

Capital Region Development Authority ("CRDA"). CRDA was granted authority to issue revenue bonds for a convention center project in the City of Hartford. The bonds are backed by State contractual assistance equal to annual debt service. CRDA retains authority to use SCRFs in connection with additional revenue bonds, but there are currently no plans to do so. The CRDA's charge includes projects to stimulate development and redevelopment in the City of Hartford and the surrounding towns.

Materials Innovation and Recycling Authority ("MIRA"). MIRA is charged with the development and operation of solid waste disposal, volume reduction, recycling, intermediate processing, resource recovery and related support facilities necessary to carry out the State's Solid Waste Management Plan. MIRA bonds may be secured by a SCRF.

Connecticut Port Authority ("CPA"). The CPA is charged with marketing and coordinating the development of the State's ports and maritime economy. CPA bonds may be secured by a SCRF.

UConn 2000 Special Obligation Financing. The University of Connecticut may issue special obligation bonds that may be secured by a SCRF. The University may also issue special obligation bonds that are not secured by such a SCRF. As of February 15, 2018, the University has outstanding $99.255 million special obligation student fee revenue bonds that are not secured by such a SCRF.

Assistance to Municipalities

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

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

Outstanding Special Capital Reserve Fund Debt

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

TABLE 16

Special Capital Reserve Fund Debt
As of February 15, 2018
(In Millions)

Indebtedness Secured by SCRF	Authorized Debt	Outstanding Debt	Minimum SCRF Requirement
Capital Region Development Authority	$ (a)	$ 82.7	$ N.A.
Connecticut Airport Authority	(a)	0.0	0.0
Connecticut Green Bank	100.0	2.96	0.26
Connecticut Health and Educational Facilities Authority			
Connecticut State University System	(a)	318.7	32.4
Hospital Equipment Program	100.0	0.0	0.0
UCONN Health Center Program	(a)	0.0	0.0
Connecticut Higher Education Supplemental Loan Authority	300.0	152.8	18.5
Connecticut Housing Finance Authority			
Housing Mortgage Finance Program[c]	(a)	4,012.8	255.0
Special Needs Housing Mortgage Finance Program	(a)	64.3	5.0
Connecticut Innovations	450.0	0.0	0.0
Connecticut Port Authority	(a)	0.0	0.0
Materials Innovation and Recycling Authority	725.0	0.0	0.0
Southeastern Connecticut Water Authority[b]	15.0	0.86	N.A.
University of Connecticut[b]	(a)	0.0	N.A.

(a) No statutory limit.

(b) Debt is secured by a non SCRF State guarantee.

(c) Amounts as of February 1, 2018 and do not reflect redemptions since that date.

Other Debt Service and Contractual Commitments

CHEFA Child Care Program. CHEFA is authorized to issue Child Care Facilities Bonds and loan the proceeds to various entities to finance child care facilities. Debt service payments are made by the State Treasurer and the State Office of Early Childhood is obligated to reimburse a portion of the debt service payments from intercepts of revenues from providers. Any obligation by the State Treasurer to pay such debt service is subject to annual appropriation. As of February 15, 2018 CHEFA had approximately $51.14 million in Child Care Facilities Bonds outstanding under this program with annual debt service of approximately $4.84 million, of which the State Office of Early Childhood is committed to reimburse approximately $0.76 million. The State's obligation under the assistance agreement is not included in any of the debt calculations in **Tables 7, 8, 9, 10, 11, 12 or 16**. Two other Child Care Facilities programs also authorize the Commissioner of the State Office of Early Childhood to enter into guaranties of loans made to entities to finance the development of child care and child development centers or programs. CHEFA is administering this program on behalf of the State Office of Early Childhood, and is currently limiting the aggregate amount of guaranties to the balance of

monies in the reserve funds for the respective programs. The State's obligations in connection with these programs are not included in any of the debt calculations in **Tables 7, 8, 9, 10, 11, 12 or 16**.

Capital Region Development Authority. The Commission approved up to $122.5 million of revenue bonds and other borrowings for the Hartford convention center project. The predecessor authority to CRDA issued $110 million of its revenue bonds backed by the State's contract assistance agreement equal to annual debt service on the revenue bonds, of which $82.7 million was outstanding as of February 15, 2018. The State's obligation under the contract assistance agreement is limited to $9.0 million per year, and the CRDA's debt obligations are structured not to exceed this amount. An additional $12.5 million of borrowing, not backed by the contract assistance agreement, has also been incurred. Debt service on the revenue bonds is payable from debt service appropriations in the General Fund and CRDA is obligated to reimburse the State for such contract assistance payments from parking and energy fee revenues after payment of operating expenses of the parking garage and the energy facility. Under the agreement between CRDA and the State, after completion of the convention center project, CRDA is required to maintain pledged revenues equal to 1.2 times debt service, after operating expenses. The State's obligation under the assistance agreement is not included in any of the debt calculations in **Tables 7, 8, 9, 10, 11, 12 or 16**.

A delay in completion of all elements of the project, along with higher than anticipated startup expenses and operating expenses have resulted in insufficient parking revenues, after operating expenses, to fully reimburse the State for debt service payments. This situation is expected to continue at least until all elements of the project are completed and placed in service. As debt service on CRDA's revenue bonds continues to be paid under the contract assistance agreement, CRDA's reimbursement obligation will increase, and this reimbursement obligation will need to be satisfied before excess parking revenues are available to fund the operations of the convention center, which itself is partially funded by General Fund appropriations from the State to CRDA.

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

For school construction projects approved during the 1997 legislative session and thereafter, the State pays the costs of its share of construction projects on a progress payment basis during the construction period. Each year the legislature authorizes grant commitments in varying amounts. The State expects to authorize new school construction grant commitments of approximately $650 million that take effect in Fiscal Year 2018. As of June 30, 2017, the Commissioner estimates that current grant obligations under the program for school construction projects approved during the 1997 legislative session and thereafter are approximately $2,986 million, which includes approximately $11,186 million in grants approved as of such date less payments already made of $8,200 million.

Prior to 1997 the grant program was conducted differently. Under the pre-1997 grant program, school construction project grants are paid to the cities, towns and districts in installments that correspond to the debt service payments due on the bonds or notes issued by the municipality to finance project costs. As of June 30, 2017, under the pre-1997 grant program, the State is obligated to various cities, towns and regional school districts for approximately $45.9 million in aggregate principal installment payments and $3.3 million in aggregate interest subsidies, for a total of $49.2 million.

The legislature has authorized the issuance of State bonds for both grant programs based on the amount of grants that the Commissioner of Administrative Services estimates will be paid during each fiscal year. Since

there is generally a lapse of one or more years from the time grant commitments are approved to the time grant payments are required to be made, the amount of unpaid grant commitments will be significantly greater than the amount of bonds authorized to fund the grant commitments.

Connecticut Lottery Corporation. The Connecticut Lottery Corporation (the "Corporation") was created in 1996 as a public instrumentality of the State to operate the State's lottery pursuant to the Connecticut Lottery Corporation Act (the "CLC Act"). The State and the Corporation purchase annuities under contracts with insurance companies that provide payments corresponding to the obligation for payments to lottery prize winners. The State has transferred to the Corporation all annuities purchased by it, and the Corporation has assumed responsibility for the collection of revenue generated from the lottery and for the payment of all lottery prizes. Under the CLC Act, the termination of the Corporation would not affect any outstanding contractual obligation of the Corporation and the State would succeed to the obligations of the Corporation under any such contract. As of June 30, 2017 the current and long-term liabilities of the Corporation total $223 million.

PENSION AND RETIREMENT SYSTEMS

The information in this section contains information through February 15, 2018 except as may otherwise be set forth below.

The State sponsors several public employee retirement systems and also provides other post-employment benefits. This section will describe these plans in turn. It should be noted that the characteristics of the pension plan systems, where significant assets are available to meet the State's obligations, are different than the characteristics of the systems providing other post-employment benefits, which have not accumulated significant assets. Both types of plans have unfunded liabilities that represent significant financial obligations of the State, both now and in the future. In round numbers, the unfunded actuarial accrued liability ("UAAL") of the major pension systems aggregate approximately $33.6 billion and the UAAL of the other major post-employment benefits systems aggregate approximately $20.9 billion.

PENSION SYSTEMS -- OVERVIEW

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

The transition of the plans from a "pay-as-you-go" basis to a fully funded actuarial basis requires setting aside significant assets. As it would be impractical to set aside the accumulated liability in a short period, it was contemplated that the plans would achieve full funding over a period of time. The actuarially determined employer contribution ("ADEC") (formerly referred to as the actuarially recommended contribution or "ARC") is the recommended annual payment by the State to the applicable pension plan in order to achieve full funding of the plan over the applicable period, assuming that the actuarial assumptions are met.

When both of the State's major pension plans were converted to an actuarial funding method, the original time period set to achieve full funding was set at 40 years, a period that was subsequently extended. Under the funding models in effect as of June 30, 2017, the remaining period as of that date to reach full funding would have been approximately 30.0 years for the State Employees' Retirement Fund and approximately 20.0 years for the Teachers' Retirement Fund, as long as the State fully funded the annual funding requirement recommended by the actuary and the actuarial assumptions were realized.

Recently, various State officials had proposed the State begin consideration as to whether the current funding model for pension benefits continues to be appropriate. Concerns had arisen regarding projected increases in State pension contributions under the current funding method that could be required in the latter years of the fixed amortization period in order to achieve 100% funding of the UAAL.

In 2016, the Governor created a task force of the stakeholders in the State's retirement systems, including the State Treasurer, the Comptroller, the State Employee Bargaining Agent Coalition ("SEBAC") and the State employees it represents, and Connecticut teachers, to develop a consensus as to making the State's retirement systems more affordable and more sustainable by avoiding the need to fund higher future State contributions towards the end of the fixed amortization period and to smooth out the future annual cost of funding the State's pensions over time. The Task Force, working with the plan actuaries, met and reviewed several scenarios and strategies for SERS. Based on this, the State, acting through OPM, began discussions with SEBAC, arriving at a memorandum of understanding on December 8, 2016, the effect of which modifies the funding calculation

and amortization schedule for SERS. The modifications were incorporated into the actuarial assumptions and methods used in the SERS actuarial valuation as of June 30, 2016, discussed herein.

No specific recommendations with respect to TRS have been made by either the Task Force or OPM at this time. Any different methodology, if adopted, could change the manner in which the State funds the TRS, the time period over which it is funded, and the manner in which the annual funding amount is calculated. To be implemented, any proposal would need to take into account various accounting, actuarial, statutory and contractual factors including adherence to the TRS pension obligation bond covenant described below. No representation is made about the possible results of the consideration of these proposals and the impact they may have on the State's current funding model.

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

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

While the UAAL for each plan is large and the funded ratio is low, in addition to statutory commitments (which can be, and have been, changed by legislation), and unlike many similar plans, the State now has contractual commitments requiring annual funding of the ADEC. In the case of TRS, the State is required to fund the annual amount as a condition of a bond covenant which runs through the end of the plan's amortization period in 2032. In the case of SERS, the State is required to annually fund the ADEC pursuant to its bargaining agreement with SEBAC.

The 2017 Budget Act for Fiscal Years 2018 and 2019 established a Connecticut Pension Sustainability Commission to study the feasibility of placing State capital assets in a trust and maximizing those assets for the sole benefit of the State pension system. The Commission shall (1) perform a preliminary inventory of State capital assets for the purpose of determining the extent and suitability of those assets for inclusion in such a trust, (2) study the potential impact that the inclusion and maximization of such State capital assets in such a trust may have on the unfunded liability of the State pension system, (3) make recommendations on the appropriateness of placing State assets in a trust and maximizing those assets for the sole benefit of the State pension system, (4) examine the State facility plan prepared , and the inventories of State real property, and (5) if found to be appropriate by the members of the Commission, make recommendations for any legislative or administrative action necessary for establishing a process to (A) create and manage such a trust, and (B) identify specific State capital assets for inclusion in such a trust. Not later than January 1, 2019, the Commission shall submit a report on its findings and recommendations to the Finance, Revenue and Bonding Committee of the General Assembly. The Commission shall terminate on the date that it submits its report or January 1, 2019, whichever is later.

SUPPLEMENTARY INFORMATION AS OF JUNE 6, 2018

The 2017 Budget Act for Fiscal Years 2018 and 2019 also established a Teachers' Retirement System Viability Commission consisting of the members of the Teachers' Retirement Board and a global consulting firm with significant experience and expertise in human resources, talent development and health and retirement benefits and investments. The Commission was charged with developing and implementing a plan to maintain the financial viability of the Teachers' Retirement Fund. Not later than ninety days after the entrance into arrangements with the consulting firm, the Commission was directed to submit the plan, and any proposed legislation necessary to implement the plan, to the Appropriations and Education Committees of the General Assembly. The Commission shall terminate not later than one year after the date it submits such report. In developing the plan, the Commission was directed to give significance to the financial capability of the State, including: (1) The fiscal health of the State, (2) the balance in the Budget Reserve Fund, (3) the short and long-term liabilities of the State, including, but not limited to, the State's ability to meet minimum funding levels required by law, contract or court order, (4) the State's initial budgeted revenue for the State for the previous five fiscal years as compared to the actual revenue received by the State for such fiscal years, (5) State revenue projections for the fiscal years during the period in which the proposed plan is to be in operation, (6) the economic outlook for the State, and (7) the State's access to capital markets. The financial capability of the State was not include the State's ability to raise revenue through new or increased taxes.

On March 19, 2018 the Commission released its report regarding the development and implementation of a plan to maintain the financial viability of the TRF. In the report the Commission, among other matters, analyzed the viability of three alternate models of funding the TRF (the "viability plans"), and compared them to the current funding model. All three of the viability plans extend the amortization of the UAAL and full funding of the TRF beyond the Fiscal Year 2032 end of the plan's current amortization period. In addition, the viability plans use a lowered measure of investment return (a 7.0% median annual return and volatility of 11.0% annual standard deviation of return), resulting in an assumed investment return (also the assumed discount rate) of 6.9% (as compared to the current assumed investment return of 8.0%). As noted elsewhere, a reduced rate of return assumption has the effect, in isolation, of increasing the UAAL and the ADEC.

The three viability plans modeled are:

- a "POB Settlement" plan, under which the current funding policy and assumptions continue until Fiscal Year 2025, when all the TRF Bonds would be retired with the diversion of the State's required ADEC for Fiscal Year 2025. With the end of the TRF Bonds covenant restrictions upon redemption, the discount rate would be decreased to 6.9%, and a 25-year layered amortization methodology implemented for future changes to the UAAL.
- a "Changed Funding Policy" plan, under which the discount rate would decrease to 6.9%, the current UAAL would be re-amortized over 30-years with a 5-year phase-in to a level dollar amortization method, and a 25-year layered amortization methodology implemented for future changes to the UAAL.
- an "Asset Transfer" plan, under which a State asset (such as the State Lottery, State-owned buildings, etc.) generating approximately $350 million in net revenue with an expected rate of increase in revenue of 2.0% per year, and an assumed market value of $5 billion, would be transferred to the TRF in Fiscal Year 2019. Current assumptions and methods would be maintained until the first valuation following the asset transfer. Assuming the asset transfer would improve the funded ratio of TRF to at least 70.0% and would permit a change to the TRF discount rate and funding policy under the emergency clause of the TRF Bonds covenant, the discount rate would be decreased to 6.9%, and a 25-year layered level dollar amortization methodology implemented for future changes to the UAAL. Modeling was also provided with the change in funding methodology eliminated.

The Commission's report also includes open group modeling by the consulting actuary for the TRF of future ADECs through Fiscal Year 2066 for the three viability plans and the current funding model (but using the 6.9% used by the viability plans rather than the 8% currently employed). The application of the discount rate to the current funding model results in significant increases to the annual contribution requirements for various of the out years from those shown in the baseline open group modeling set out in Table 22a.

The Commission found, among other things, that:

- Model outputs consistently indicate a benefit to the TRF at the reduced assumed rate of investment return (discount rate).
- Model outputs heavily depend on the continued dedication of the State to fully fund the future ADECs. If the implementation of a viability plan includes the earlier than scheduled end to the TRF Bonds covenant restrictions, it is important that an equally strong alternative to the covenant be adopted which mandates the State continue the same funding discipline into the future as has been required by the bond covenant.
- The analysis of the viability plans shows the implementation of a level dollar amortization method improves the funding of the TRF.
- Each alternate model demonstrates a potential to improve short and long-term viability of TRF, but may also have other potential considerations not addressed in the Commission's report.

ACTUARIAL VALUATIONS

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

One measure of the level of plan funding is the "funded ratio", which is calculated by dividing the actuarial value of the assets of the plan by the actuarial accrued liability of the plan. The actuarial valuation will state the funded ratio for each plan, and is shown herein. Also shown is the funded ratio calculated based on the market value of the assets of the plan.

The actuarial valuation also will state an actuarially determined employer contribution, the ADEC, which is the recommended payment of the State to the applicable pension plan. These recommendations are used in the next budget cycle. The actuarially determined employer contribution consists of two components: (1) normal cost, which represents the portion of the present value of retirement benefits that are allocable to active members' current year of service, and (2) an amortization of a portion of the UAAL. The normal cost is partially funded from active member contributions, if required under the particular plan, with the remainder funded by State contributions. The UAAL amortization component is made over the length of time chosen as the amortization period, and designed to eliminate the UAAL and bring the plan to the state of being fully funded. Following the full amortization of the UAAL, to maintain this full funding only the normal cost amount would need to be contributed, plus any contribution necessary due to the effect of actual experience compared to the actuarial assumptions.

One of the most significant factors in determining the annual UAAL amortization amount, and determining the point in time when the plan should be fully funded, is the remaining period over which the UAAL will be amortized. This period is 20.0 years (as of June 30, 2017) for the Teachers' Retirement Fund, having originally started with an amortization period of 40 years. The State Employees' Retirement Fund now uses a layered amortization method, as described above, with a weighted average amortization period 24.1 years (as of June 30, 2017). A second important factor is determining the amount to be amortized in each year of the remaining amortization period. Prior to entering into the December 8, 2016 memorandum of understanding, both of the State plans used a "level percent of payroll" formula for this purpose, where in each year the same percent of assumed payroll for that year is calculated as the amount to be amortized. This method assumes that the amortization payments increase in future years by the assumed increase in payroll since it calculates amortization payments as a constant percentage of projected payroll over a given number of years. This makes the assumption of the rate at which payroll increases each year an important assumption. TRS continues to use a "level percent of payroll" amortization method. SERS is now phasing in a "level dollar" amortization over a five year period, where the cost is amortized in equal dollar amounts to be paid over the specified number of years. This method generally results in decreasing inflation-adjusted payments over time.

Both SERS and TRS now use an "entry age normal" actuarial cost method to calculate the annual amortization payments needed to amortize the UAAL. The entry age normal method calculates the annual normal cost for a member as a uniform and constant rate of employer contribution which, if applied to the compensation of the average new member during the entire period of the member's anticipated covered service, would be required in addition to contributions of the member to meet the cost of all benefits payable on behalf of the member. The actuaries have indicated that the entry age normal method is the most widely used cost method of large public sector plans and has demonstrated the highest degree of contribution stability to alternative methods. It also is the only method allowed under the new Governmental Accounting Standards Board ("GASB") reporting standards which came into effect for 2014. Prior to the most recent actuarial valuation method, SERS used a "projected unit credit" method. The projected unit credit method calculates the annual normal cost as the present value of the portion of the projected benefit attributable to the year following the actuarial valuation date, generally resulting with respect to an individual member in an increase in the annual normal cost as an employee draws closer to the end of service.

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

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

STATE EMPLOYEES' RETIREMENT FUND

The State Employees' Retirement Fund ("SERF") is one of the systems maintained by the State with approximately (i) 50,019 active members, consisting of 36,320 vested members and 13,699 non-vested members, (ii) 1,412 deferred vested members, and (iii) 48,191 retired members and beneficiaries as of June 30, 2016.

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

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

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

SEBAC 2017 Agreement

On July 31, 2017, the General Assembly approved an agreement between the State and SEBAC ("SEBAC 2017") which made substantial changes to pension and healthcare benefits for State employees and retirees, including:

- Wage freezes in Fiscal Years 2017, 2018, and 2019, followed by wage increases in Fiscal Years 2020 and 2021
- Revisions to the healthcare plan design and premium cost sharing arrangement for current employees
- Conversion to a Medicare Advantage healthcare plan for all current and future retirees
- Increased employee pension contributions for all existing SERS members
- Revised COLA formula and timing for post June 30, 2022 SERS retirees
- A new hybrid defined benefit / defined contribution retirement tier for all new SERS employees

In addition to the employee concessions noted above, the State agreed to extend the expiration date of the existing agreement with SEBAC regarding pension and healthcare benefits (but not regarding wage or working conditions) from June 30, 2022 to June 30, 2027 and to provide layoff protection through June 30, 2021 for existing employees.

January 2017 Actuarial Valuation and June 2017 Revised Actuarial Valuation and Fiscal Years 2018 and 2019 Employer Contribution Requirements

The SER Commission received on January 19, 2017 from Cavanaugh Macdonald Consulting, LLC an actuarial valuation as of June 30, 2016 which was approved by the SER Commission on January 19, 2017. The January 2017 actuarial valuation incorporates a December 8, 2016 memorandum of understanding between the State and SEBAC which was approved by the General Assembly on February 1, 2017. The SER Commission received from Cavanaugh Macdonald Consulting, LLC a revised actuarial valuation as of June 30, 2016, dated June 5, 2017 which was approved by the SER Commission on August 17, 2017. The June 2017 revised actuarial valuation reflects the terms of SEBAC 2017, described above.

The January 2017 actuarial valuation and the June 2017 revised actuarial valuation reported the following results as of June 30, 2016 with respect to the SERF:

	January 2017 Actuarial Valuation	**June 2017 Revised Actuarial Valuation**
Market Value of Assets	$10,636.7 million	$10,636.7 million
Actuarial Value of Assets	$11,923.0 million	$11,923.0 million
Actuarial Accrued Liability	$33,616.7 million	$32,310.3 million
UAAL	$21,693.8 million	$20,387.4 million
Funded Ratio (based on the actuarial value of assets)	35.5%	36.9%
Funded Ratio (based on the market value of assets)	31.6%	32.9%

The January 2017 actuarial valuation was based upon the following assumptions and methodologies, among others:

- 6.90% investment return assumption (including inflation at 2.50%)
- Entry Age Normal actuarial cost method
- Projected salary increases of 3.5% to 19.5% (including inflation at 2.50%)
- Cost-of-living adjustments of 2.25% to 3.25%
- Social security wage base increase of 3.5%
- Payroll growth of 3.5%
- Changes to the demographic assumptions including the rates of withdrawal, disability retirement, service retirement and mortality (including the extension of post-retirement life expectancy by an estimated 1.5 years for males and 2.0 years for females)
- The actuarial value of assets recognizes 20% of the difference between the market value of assets and the expected actuarial value of assets
- The amortization period is a weighted average of the portion of the UAAL as of 1984 (amortized over a period ending in 2032) and the balance of the UAAL (amortized over a closed 30 year period beginning in 2016). Future actuarial gains or losses will be phased in over closed 25 year periods. Weighted average amortization period of UAAL of 25.1 years
- Level dollar amortization method to be phased in over a five year period

The June 2017 revised actuarial valuation was based upon the same assumptions and methodologies as used in the January 2017 actuarial valuation, other than the following:

- For Fiscal Years 2016 through 2018, the projected rate of salary increases was reduced to 0%, and the projected rate of promotion and merit salary increases was reduced by 50% from the prior assumption
- Cost-of-living adjustments ("COLA") of 1.95% for employees retiring on and after July 1, 2022
- The partial COLA available during the COLA moratorium period to take into account a potential environment where CPI is higher will result in the first COLA being 0.15% higher (2.10%)
- An approximately 20% increase in rates of retirement in the year before July 1, 2022 to reflect potential behavior of future eligible members to avoid the July 1, 2022 COLA change and moratorium

The January 2017 actuarial valuation and the June 2017 revised actuarial valuation determined the actuarially determined employer contribution ("ADEC") requirements for Fiscal Years 2018 and 2019, and the annual

contribution rates as a percentage of payroll, based on a covered payroll as of June 30, 2016 of $3,720.8 million, as follows:

	January 2017 Actuarial Valuation	**June 2017 Revised Actuarial Valuation**
ADEC for Fiscal Year 2018	$1,648.4 million	$1,443.1 million
Fiscal Year 2018 ADEC as Percent of Payroll	44.31%	38.8%
ADEC for Fiscal Year 2019	$1,819.9 million	$1,574.5 million
Fiscal Year 2019 ADEC as Percent of Payroll	47.26%	42.3%

The 2017 Budget Act for Fiscal Years 2018 and 2019 contains appropriations sufficient, together with anticipated grant reimbursement from Federal and other funds, to fully fund the employer contribution requirement for those years pursuant to the June 2017 revised actuarial valuation.

The June 2017 revised actuarial valuation breaks out the normal cost component and the UAAL amortization component for Fiscal Years 2018 and 2019 as follows:

Annual Employer Contributions for:	**2018**		**2019**	
	Amount (in millions)	Percent of Payroll	Amount (in millions)	Percent of Payroll
Employer Normal Cost	$262.7	7.1%	$245.7	6.6%
Amortization of Net Unfunded Actuarial Accrued liabilities (amortized over 25.1 and 24.1 years, respectively)	$1,180.4	31.7%	$1,328.8	35.7%
Total Employer Contribution Requirement	$1,443.1	38.8%	$1,574.5	42.3%

SOURCE: June 2017 Revised Actuarial Valuation.

November 2017 "Roll Forward" Actuarial Valuation and Fiscal Year 2019 Employer Contribution Requirements

The SER Commission received from Cavanaugh Macdonald Consulting, LLC a "roll forward" actuarial valuation as of June 30, 2017, dated November 10, 2017. This roll forward valuation is an informational update to the actuaries' projected required employer contribution amount, based on the actual experience of the investment return for the June 30, 2017 plan year and roll forward techniques, and offers a best estimate as to what payroll and liabilities were as of June 30, 2017. The actuaries do not recommend that the results of a roll forward valuation be used as the basis for adjusting the scheduled contribution requirements but rather as information as to the expected condition of the Fund as of the end of the interim year. Using the roll forward valuation results, the actuaries determined that the employer contribution requirement for Fiscal Year 2019, based on an Entry Age Normal actuarial cost method and level dollar amortization contribution method to be phased in over a five year period, would be $1,568.9 million, a decrease of $5.6 million from the amount calculated in the June 2017 revised actuarial valuation and used in the 2017 Budget Act for Fiscal Years 2018 and 2019.

Set forth in the following table are State contributions to the SERF, Federal grant programs, employee contributions, investment income, net realized gains and losses, net unrealized gains and losses, benefits paid, actuarially determined employer contributions and market value of assets for each of the past five fiscal years, and the actuarial accrued liabilities, the actuarial values of fund assets, the resulting unfunded accrued liabilities and the funded ratios on an actuarial and market basis for the actuarial valuations as of June 30, 2014 and June 30, 2016 and interim "roll forward" valuations as of June 30, 2013, June 30, 2015 and June 30, 2017. The actuaries do not recommend that the results of a roll forward valuation be used as the basis for adjusting the scheduled contribution requirements but rather as information as to the expected condition of the Fund as of the end of the interim year.

SUPPLEMENTARY INFORMATION AS OF JUNE 6, 2018

TABLE 17
State Employees' Retirement Fund
(In Millions)

	2013	2014	2015	2016	2017
General Fund Contributions	$ 721.5	$ 916.0	$ 970.9	$ 1,096.8	$ 1,124.7
Transportation Fund Contributions	107.9	108.3	130.1	122.1	129.2
Federal and other Reimbursements	228.8	244.5	270.6	282.8	288.4
Employee Contributions	164.0	144.8	187.3	134.9	132.6
Total Contributions	$ 1,222.2	$ 1,413.6	$ 1,558.9	$ 1,636.6	$ 1,674.9
Benefits Paid[a]	$ 1,487.7	$ 1,563.0	$ 1,653.6	$ 1,729.1	$ 1,845.3
Investment Income/Net Gains (Losses)	$ 997.6	$ 1,447.1	$ 370.2[b]	$ (0.3)[b]	$ 1,509.7[b]
Actuarially Determined Employer Contribution	$ 1,059.7	$ 1,268.9	$ 1,379.2	$ 1,514.5	$ 1,569.1
Percentage of Actuarially Determined Employer Contribution Made	99.9%	100.0%	99.5%	99.2%	98.3%
Actuarial Accrued Liabilities	$23,768.2	$25,505.6	$26,255.5	$32,310.3[c]	$33,077.6
Actuarial Values of Assets	$ 9,784.5	$10,584.8	$11,375.8	$11,923.0	$12,593.8
Unfunded Accrued Liabilities	$13,983.7	$14,920.8	$14,879.7	$20,387.4[d]	$20,483.9[d]
Market Value of Assets	$ 9,182.4[e]	$10,472.6[f]	$10,668.4[g]	$10,636.7[h]	$11,929.2[i]
Funded Ratio (actuarial value)	41.2%	41.5%	43.3%	36.9%	38.1%
Funded Ratio (market value)	38.6%	41.1%	40.6%	32.9%	36.1%
Ratio of Actuarial Value of Assets to Market Value of Assets	106.6%	101.1%	106.6%	112.1%	105.6%

(a) Does not include refunds with respect to withdrawals of account balances by inactive members who terminate membership.

(b) Adjusted to comply with GASB 72.

(c) The increase in the Actuarial Accrued Liabilities from June 30, 2015 to June 30, 2016 did not result from changes to SERS retirement benefits, but rather, in substantial part, from changes in the actuarial assumptions and methodologies used for the January 2017 actuarial valuation, as described above, from those used in prior actuarial valuations. Among the more significant assumption and methodology changes were the reduction of the investment return assumption from 8.00% to 6.90%, changes to the demographic assumptions including the extension of post-retirement life expectancy, changes to expected experience and a change of the actuarial cost method from the "projected unit credit" method to the "entry age normal" method.

(d) Does not total due to rounding.

(e) As reported in Roll Forward Actuarial Valuation. This amount includes $5,839,847 of receivables.

(f) As reported in Actuarial Valuation. This amount includes $6,198,255 of receivables.

(g) As reported in Roll Forward Actuarial Valuation. This amount includes $6,158,929 of receivables.

(h) As reported in Actuarial Valuation. This amount includes $15,989,968 of receivables.

(i) As reported in Roll Forward Valuation. This amount includes $14,976,110 of receivables.

The June 2017 revised actuarial valuation updates the break out of the normal cost component and the amortization component associated with the several tiers of employees for Fiscal Year 2016 from the January 2017 actuarial valuation as set forth below:

TABLE 18

Normal Cost by Tier

Group	Number of Active Members[(a)]	Average Age (years)[(a)]	Average Service (years)[(a)]	Normal Cost	Normal Rate (percent of payroll)
Tier I-Hazardous	35	58.7	31.9	$ 675,195	22.52%
Tier I-Plan B	1,428	59.5	34.6	$ 10,388,234	8.36%
Tier I-Plan C	45	61.1	34.4	$ 59,181	1.82%
Tier II-Hazardous	1,512	51.0	22.5	$ 23,602,751	18.48%
Tier II-Others	11,204	54.9	24.9	$ 58,339,773	6.14%
Tier IIA-Hazardous	5,957	44.0	12.5	$ 69,904,811	14.14%
Tier IIA-Others	16,063	48.4	11.3	$ 55,973,359	5.00%
Tier III-Hazardous	2,551	34.4	2.5	$ 15,479,691	9.57%
Tier III Hybrid	2,087	50.4	12.7	$ 9,179,224	4.92%
Tier III-Others	9,137	38.7	2.3	$ 19,130,429	4.04%
Total	50,019	47.3	13.5	$262,732,648	7.28%

(a) As of June 30, 2016.

Modeling of Future Funded Ratios and Annual Contributions through Fiscal Year 2047

The consulting actuary for the SERF prepared a baseline open group model of future funded ratios and annual contribution requirements for the SERF through Fiscal Year 2047. The modeling presented in Table 19 is based on the assumptions used for the actuarial valuation and actuarial methods of future annual employer contribution requirement figures as set out in the November 2017 roll forward actuarial valuation. The modeling does not represent a forecast, estimate or projection. The modeling does not reflect future factors or conditions that would cause the actual future experience of the SERF to diverge from the model. In particular, future actuarial valuations mandated by statute over the period of the modeling will result in recalculation of the annual employer contribution requirements for each biennial budget. No representation is made that future annual employer contribution requirements or funded ratios will conform to the modeling.

TABLE 19

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

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

Fiscal Year Ending June 30	Valuation Date June 30	Funded Ratio as of Valuation Date	Normal Cost	Amortization of Unfunded Accrued Liability	Total State Contribution	Employee Contribution	Total State and Employee Contribution
2018	2016	36.9%	$262,733	$1,180,377	$1,443,110	$134,246	$1,577,356
2019	2017	37.7	245,705	1,328,832	1,576,040	133,925	1,709,965
2020	2018	38.1	237,511	1,484,392	1,724,715	148,939	1,873,654
2021	2019	38.3	206,356	1,696,942	1,907,587	154,467	2,062,054
2022	2020	39.1	200,526	1,862,243	2,068,570	159,553	2,228,123
2023	2021	40.8	193,862	2,007,274	2,208,581	164,757	2,373,338
2024	2022	42.7	185,336	2,023,795	2,218,249	170,665	2,388,914
2025	2023	45.1	179,657	2,023,719	2,214,273	177,317	2,391,591
2026	2024	47.5	174,869	2,022,027	2,209,635	184,012	2,393,647
2027	2025	49.9	169,935	2,020,266	2,204,912	190,928	2,395,840
2028	2026	52.3	164,353	2,018,483	2,199,630	198,154	2,397,784
2029	2027	54.7	159,312	2,016,422	2,194,714	205,255	2,399,970
2030	2028	57.2	152,812	2,014,421	2,188,495	212,926	2,401,420
2031	2029	59.7	147,574	2,011,785	2,182,940	221,147	2,404,087
2032	2030	62.2	142,632	2,008,793	2,177,373	229,918	2,407,291
2033	2031	64.9	138,457	1,523,947	1,690,746	238,986	1,929,732
2034	2032	67.7	134,390	1,479,172	1,644,362	248,775	1,893,137
2035	2033	69.4	131,494	1,472,506	1,637,252	258,971	1,896,222
2036	2034	71.1	129,214	1,468,670	1,633,616	269,222	1,902,839
2037	2035	72.9	126,630	1,464,768	1,629,689	279,769	1,909,458
2038	2036	74.8	124,113	1,460,346	1,625,354	290,733	1,916,087
2039	2037	76.9	121,918	1,455,337	1,620,797	302,021	1,922,819
2040	2038	79.1	120,140	1,449,761	1,616,107	313,586	1,929,693
2041	2039	81.5	118,659	1,443,581	1,611,133	325,378	1,936,511
2042	2040	84.0	117,301	1,436,913	1,605,837	337,390	1,943,227
2043	2041	86.8	116,176	1,429,688	1,600,232	349,718	1,949,950
2044	2042	89.8	115,336	1,413,810	1,586,271	362,360	1,948,632
2045	2043	93.1	114,711	1,374,788	1,549,401	375,329	1,924,730
2046	2044	96.5	114,200	1,321,776	1,498,669	388,639	1,887,308
2047	2045	100.2	113,776	1,278,024	1,457,310	402,324	1,859,634

(a) In fiscal year ending June 30, 2048 and thereafter the annual employer contribution requirement consists only of the payment of the normal costs, which represents the portion of the present value of retirement benefits that are allocable to active members' current year of service. In the model, there no longer remains an unfunded actuarial accrued liability to be amortized.

Contribution, Eligibility and Benefits Requirements

Generally, State employees hired before July 2, 1984 participate in the Tier I plan of the SERF, which requires employee contributions. As of July 1, 2016 approximately 3.0% of the total work force was covered under the Tier I Plan. Other employees generally participate in the Tier II plan, which is non-contributory for certain members and provides somewhat lesser benefits. As of July 1, 2016, approximately 25.4% of the total workforce was covered under the Tier II plan. Employees hired after July 1, 1997 participate in the Tier IIA plan, which requires contributions from its employee members. As of July 1, 2016, approximately 44.0% of the total work force was covered under the Tier IIA Plan. The 2011 agreement between the State and SEBAC ("SEBAC 2011") provides for two new retirement plans for State employees first hired on and after July 1, 2011, Tier III employees and, for unclassified employees of the Connecticut State System of Higher Education and the central office staff of the Department of Higher Education only, the Hybrid Plan. As of July 1, 2016, approximately 23.4% of the total work force was covered under the Tier III Plan and approximately 4.2% of the total work force was covered under the Hybrid Plan. SEBAC 2011 also provides a one-time, irrevocable opportunity for current members of the Connecticut Alternate Retirement Program to transfer membership to the new Hybrid Plan and purchase credit for their prior State service in that plan at the full actuarial cost. From time-to-time the State has instituted, and in the future may institute, early retirement incentive plans that may impact retirement plan eligibility and benefits.

The average annual benefit payable to a retired Tier I, Tier II, Tier IIA, or Hybrid Plan member in fiscal year ending June 30, 2016 was approximately $46,522, $29,465, $10,215 and $34,094, respectively. As of June 30, 2016, there were no retired Tier III members. The SERF also provides disability and pre-retirement death benefits.

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

TABLE 20

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

Tier	Member Contribution Requirements	Eligibility For Normal Retirement Benefits	Normal Retirement Benefits Based On Final Average Earnings ("FAE")[a]
Tier I - Hazardous	5.5% of earnings up to the Social Security Taxable Wage Base plus 5% of earnings above that level	20 years of hazardous duty credited service	50% of FAE plus 2% for each year of service in excess of 20 years
Tier I - Plan A or C	6.5% of earnings	Earliest of age 55 with 25 years of service, age 60 with 10 years of service, or age 70 with 5 years of service	2% of FAE times years of service. At age 70, greater of 2.5% of FAE times years of service (maximum 20 years) or 2.0% of FAE times years of service with a minimum benefit with 25 years of $833.34per month 25 years of service of $833.34 per month
Tier I - Plan B	3.5% of earnings up to Social Security Taxable Wage Base plus 5% of earnings above that level	Earliest of age 55 with 25 years of service, age 60 with 10 years of service, or age 70 with 5 years of service	2% of FAE times years of service up to Social Security maximum age; for retirements after Social Security maximum age, 1% of FAE up to $4,800, plus 2% of FAE in excess of $4,800 times years of service, with a minimum benefit with 25 years of service of $833.34 per month; for retirements at or after age 70, the greater of 1.25% of FAE up to $4,800 plus 2.5% of FAE in excess of $4,800 times years of service (maximum 20 years) or 1.0% of FAE up to $4,800 plus 2% of FAE in excess of $4,800 times year of service. Minimum benefit with 25 years is $833.34 per month
Tier II – Hazardous	5.5% of earnings	20 years of hazardous duty credited service	2.5% of FAE times years of service up to 20 years plus 2.0% of FAE times years of service in excess of 20 years, if any, with a minimum benefit with 25 years of service of $360 per month
All Other Tier II	1.5% of earnings	Prior to July 1, 2022: Earliest of age 62 with 10 years of vesting service (effective July 1, 1992), age 60 with 25 years of vesting service, age 70 with 5 years of vesting service, or age 62 with 5 years of actual state service for terminations on or after July 1, 1997 Effective July 1, 2022: Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service	1.40% of FAE plus (a) 0.433% of FAE in excess of the year's Breakpoint (but not greater than Social Security Covered Compensation) times years of service up to 35 years, and (b) 1.625% of FAE times any years of service in excess of 35 years, with a minimum benefit with 25 years of service of $360 per month
Tier IIA – Hazardous	6.5% of earnings	20 years of hazardous duty credited service	2.5% of FAE times years of service up to 20 years plus 2.0% of FAE times years of service in excess of 20 years, if any, with a minimum benefit with 25 years of service of $360 per month
All Other Tier IIA	3.5% of earnings	Prior to July 1, 2022: Earliest of age 62 with 10 years of vesting service (effective July 1, 1992), age 60 with 25 years of vesting service, age 70 with 5 years of vesting service, or age 62 with 5 years of actual state service for terminations on or after July 1, 1997 Effective July 1, 2022: Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service	1.40% of FAE plus (a) 0.433% of FAE in excess of the year's breakpoint (not greater than Social Security Covered Compensation) times years of service up to 35 years, and (b) 1.625% of FAE times any years of service in excess of 35 years, with a minimum benefit with 25 years of service of $360 per month

Tier	Member Contribution Requirements	Eligibility For Normal Retirement Benefits	Normal Retirement Benefits Based On Final Average Earnings ("FAE")[a]
Tier III - Hazardous	6.5% of earnings	25 years of hazardous duty credited service or age 50 with at least 20 years of hazardous duty credited service	2.5% of FAE times years of service up to 20 years plus 2% for each year of service in excess of 20
All Other Tier III	3.5% of earnings	Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service	1.40% of FAE plus (a) 0.433% of FAE in excess of the year's breakpoint (but not greater than Social Security Covered Compensation) times years of service up to 35 years, and (b) 1.625% of FAE times any years of service in excess of 35 years, with a minimum benefit with 25 years of service of $360 per month
Hybrid Plan	5% of earnings for members first hired on or after July 1, 2011 5% of earnings for members with original date of hire on or after July 1, 1997 3% of earnings for members with original date of hire prior to July 1, 1997	Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service For those members with original date of hire prior, on or after July 1, 1997 but prior to July 1, 2011 eligible for the following: Prior to July 1, 2022: Earliest of age 62 with 10 years of vesting service (effective July 1, 1992), age 60 with 25 years of vesting service, age 70 with 5 years of vesting service, or age 62 with 5 years of actual state service for terminations on or after July 1, 1997 Effective July 1, 2022: Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service	1.40% of FAE plus (a) 0.433% of FAE in excess of the year's breakpoint (but not greater than Social Security Covered Compensation) times years of service up to 35 years, and (b) 1.625% of FAE times any years of service in excess of 35 years, with a minimum benefit with 25 years of service of $360 per month[b]
Tier IV-Hazardous	8% of earnings plus 1% of earnings to plan qualified under I.R.C. 401(a)	25 years of hazardous duty credited service	2.5% of FAE times years of service up to 20 years plus 2% for each year of service in excess of 20
All other Tier IV	5% of earnings plus 1% of earnings to plan qualified under I.R.C. 401(a)	Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service	1.33% of FAE and (b) 1.625% of FAE times any years of service in excess of 35 years, with a minimum benefit with 25 years of service of $360 per month
Hybrid Plan	8% of earnings plus 1% of earnings to plan qualified under I.R.C. 401(a)	Earliest of age 63 with 25 years of vesting service or age 65 with at least 10 but less than 25 years of vesting service	1.33% of FAE and (b) 1.625% of FAE times any years of service in excess of 35 years, with a minimum benefit with 25 years of service of $360 per month

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

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

The SERF provides annual cost-of-living allowance adjustments each July 1 as set forth below:

TABLE 21

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

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

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

GASB 67 and GASB 68 Disclosure

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

Governmental Accounting Standards Board Statement No. 68 ("GASB 68") requires, among other things, that Pension Expense ("PE") be calculated and a proportionate share of NPL and PE be recognized in the employer's financial reporting. PE includes amounts for service cost (the normal cost under the Entry Age Normal actuarial cost method for the year), interest on the TPL, changes in benefit structure, amortization of increases/decreases in liability due to actuarial experience and actuarial assumption changes, and amortization of investment gains/losses. The actuarial experience and assumption change impacts are amortized over the average expected remaining service life of the plan membership as of the measurement date, and investment gains/losses are amortized over five years. PE should not be considered a proxy for funding or contribution levels.

The SER Commission received from Cavanaugh Macdonald Consulting, LLC a report prepared as of June 30, 2017 and dated November 15, 2017 containing information to assist the SER Commission in meeting the requirements of GASB 67. Much of the material provided in the report is based on the data, assumptions and results of the June 2017 revised actuarial valuation as of June 30, 2016. Standard roll-forward techniques were utilized to determine the total pension liability as of the June 30, 2017 measurement date. In addition the reduction in the total pension liability due to SEBAC 2017 has been measured and attributed to benefit changes. This report reported the following results as of June 30, 2017 with respect to the SERF in accordance with GASB 67:

November 2017 GASB 67 Report as of June 30, 2017	
Total Pension Liability	$33,052.7 million
Fiduciary Net Position	11,981.8 million
Net Pension Liability	21,070.9 million
Ratio of Fiduciary Net Position to Total Pension Liability	36.25%

The GASB 67 report used a discount rate of 6.90%, which was the rate used in the June 2017 revised actuarial valuation as of June 30, 2016, since the results currently indicate that the FNP will not be depleted at any point in the future. GASB 67 also requires sensitivity calculations based on a SEIR of 1% in excess and 1% less than the SEIR used, which would decrease the NPL to $16,963.5 million or increase the NPL to $24,368.1 million, respectively.

The SER Commission has received from Cavanaugh Macdonald Consulting, LLC a draft report prepared as of June 30, 2017 and dated January 30, 2018 containing information to assist the SER Commission in meeting the requirements of GASB 68. This draft report indicates a Pension Expense of $1,411.0 million for the fiscal year ending June 30, 2017.

The audited financial statements for Fiscal Year 2017 which are included as Appendix II-C hereto, and in particular note 10 and the Pension Plans Required Supplementary Information of the accompanying Basic Financial Statements, reflect the supplemental information reported in the February 16, 2017 GASB 67 and March 8, 2017 GASB 68 reports. As those reports were prepared as of June 30, 2016 based on data, assumptions and results of the January 2017 actuarial valuation, they do not reflect data, assumptions and results of the June 2017 revised actuarial valuation or November 2017 Roll Forward actuarial valuation.

TEACHERS' RETIREMENT FUND

The Teachers' Retirement Fund ("TRF"), administered by the Teachers' Retirement Board, provides benefits for any teacher, principal, supervisor, superintendent or other eligible employee in the public school systems of the State, with certain exceptions. While setting and paying salaries for teachers, municipalities do not provide contributions to the maintenance of the fund. As of June 30, 2017, there were 100,494 active and former employees and beneficiaries, consisting of (i) 51,684 active members, (ii) 5,904 inactive vested members, (iii) 4,595 inactive non-vested members, (iv) 1,737 annuity reserve members, and (v) 36,274 retired members and beneficiaries, including 300 members on disability allowance.

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

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

October 2015 Experience Study, November 2016 Actuarial Valuation and Fiscal Years 2018 and 2019 Employer Contribution Requirements

The TRF received an experience study dated October 29, 2015 prepared by Cavanaugh Macdonald Consulting, LLC, the actuaries for the Teachers' Retirement Fund, for the five-year period ending June 30, 2015, assessing the reasonability of the actuarial assumptions and valuation methods used by the retirement system. As a result of the study, the actuaries recommended that revised assumptions be adopted by the Teachers' Retirement Board for future use, which assumptions the Board adopted at its meeting held November 4, 2015. The revised assumptions were incorporated into the actuarial valuation completed as of June 30, 2016, to be used to calculate the State's employer contribution requirements for the fiscal years ending June 30, 2018 and June 30, 2019. The following changes to the prior assumptions significantly impact the calculation of the UAAL:

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

The TRF received from Cavanaugh Macdonald Consulting, LLC an actuarial valuation as of June 30, 2016 dated November 2, 2016. The November 2016 actuarial valuation reported the following results as of June 30, 2016 with respect to the TRF:

November 2016 Actuarial Valuation as of June 30, 2016	
Market Value of Assets	$15,584.6 million
Actuarial Value of Assets	$16,712.3 million
Actuarial Accrued Liability	$29,839.9 million
UAAL	$13,127.6 million
Funded Ratio (based on the actuarial value of assets)	56.01%
Funded Ratio (based on the market value of assets)	52.23%

Most notably, the UAAL grew by $2,213 million from the UAAL calculated in the October 2014 actuarial valuation due to changes in assumptions adopted by the board as a result of the 2015 experience study for the five-year period ending June 30, 2015. The November 2016 actuarial valuation was based upon the following assumptions among others:

- 8.0% earnings assumption (including inflation at 2.75%)
- Projected salary increases of 3.25% to 6.5% (including inflation at 2.75%)
- Assumed rates of mortality are updated to most recent trends and project further improvements in mortality rates through 2020
- Cost-of-living adjustments of 3.0% annually for members retired before September 1992, 2.0% for members retired on and after September 1, 1992 and hired prior to July 1, 2007 and 1.75% for members retired on and after September 1, 1992 and hired on or after July 1, 2007
- Payroll Growth Rate of 3.25%
- Net effective amortization period for the computed State contribution amounts for Fiscal Year 2016 is 17.6 years

The November 2016 actuarial valuation determined the following employer contribution requirements, based on an individual entry-age actuarial cost method and level percent-of-payroll contributions: (i) $1,290.4 million for Fiscal Year 2018; and (ii) $1,332.4 million for Fiscal Year 2019, resulting in an annual employer contribution rate of 30.35% of payroll.

The TRF uses the Entry Age Normal cost method to allocate the plan's actuarial present value of future benefits to various periods based on service. The amortization period begins with 40 years as of July 1, 1991 for the contribution for fiscal year beginning July 1, 1992 and the annual required employer contribution amount is based on a level percentage of payroll payments over such declining period of years. The net effective amortization period for the computed State contribution amounts for Fiscal Year 2017 is approximately 16.6 years. While this method of funding should lead to full funding by the end of the amortization period, the repayment of the UAAL is not level. Because of this, even if the State were to contribute the full amount of the actuarially determined employer contributions and all other actuarial assumptions were met, the UAAL for the TRF is not anticipated to be reduced significantly until the later years of the amortization period. Following full amortization of the UAAL, the actuarially determined employer contribution would decrease substantially as it would consist solely of the funding of normal costs representing the portion of the present value of retirement benefits that are allocable to active members' current year of service.

November 2017 Actuarial Valuation and Fiscal Years 2018 and 2019 Employer Contribution Requirements

The 2017 Budget Act for Fiscal Years 2018 and 2019 increased the member contribution from 6% to 7% of annual salary effective on and after January 1, 2018. The budget act also required the Teachers' Retirement Board, on or before December 1, 2017, to request a revised actuarial valuation for the Fiscal Years 2018 and 2019 based on such change in the mandatory contribution percentage for those fiscal years, and to certify to the General Assembly for those fiscal years the amount necessary, based on such revised actuarial valuation, to maintain the TRF on an actuarial reserve basis.

The TRF received from Cavanaugh Macdonald Consulting, LLC a revised actuarial valuation as of June 30, 2016, dated November 15, 2017, which was approved by the Teachers' Retirement Board on November 15, 2017. The November 2017 actuarial valuation was based upon the same assumptions and methodologies as used in the November 2016 valuation other than the increase, described above, in the member mandatory contribution percentage. The Actuarial Accrued Liability, UAAL and funded ratios have been updated in Table 22 below to reflect the results of the November 2017 valuation.

The November 2017 actuarial valuation determined the following employer contribution requirements, based on an individual entry-age actuarial cost method and level percent-of-payroll contributions: (i) $1,271.0 million for Fiscal Year 2018; and (ii) $1,292.3 million for Fiscal Year 2019, resulting in an annual employer contribution rate of 29.44% of payroll. The 2017 Budget Act for Fiscal Years 2018 and 2019 contains appropriations sufficient to fully fund the employer contribution requirement for those years pursuant to the November 2017 actuarial valuation.

The 2017 Budget Act for Fiscal Years 2018 and 2019 requires the Teachers' Retirement Board not later than June 30, 2018 to conduct a study of the impact of potential changes in actuarial assumptions used in the valuation of the TRF, including the assumed annual investment rate of return and the period and methodology for amortization of unfunded liabilities, on the annual actuarially determined employer contributions, funded and unfunded liabilities, and funding ratio estimated over a period of not less than 30 years. The Board is required to submit not later than December 1, 2018 a summary of the results of the study and any recommendations for changes to the actuarial assumptions to the Appropriations and Education Committees of the General Assembly.

Set forth in the following table are State contributions to the TRF, employee contributions, investment income, net realized gains and losses, net unrealized gains and losses, benefits paid, actuarially determined employer contributions and market value of assets for each of the past five fiscal years, and the actuarial accrued liabilities, the actuarial values of fund assets, the resulting unfunded accrued liabilities and the funded ratios on an actuarial and market basis for the actuarial valuations as of June 30, 2014 and June 30, 2016.

TABLE 22

Teachers' Retirement Fund[a]
(In Millions)

	2013	2014	2015	2016	2017
General Fund Contributions	$ 787.5	$ 948.5	$ 984.1	$ 975.5	$ 1,012.2
Employee Contributions[b]	274.3	275.5	279.0	290.5	297.3
Total Contributions	$ 1,061.9	$ 1,224.0	$ 1,263.1	$ 1,266.0	$ 1,309.5
Benefits Paid[c]	$ 1,625.7	$ 1,714.4	$ 1,773.4	$ 1,842.9	$ 1,889.2
Investment Income/Net Gains (Losses)	$ 1,584.3	$ 2,250.8	$ 569.1[d]	$ (18.8)[d]	$2,199.6[d]
Actuarially Determined Employer Contribution	$ 787.5	$ 948.5	$ 984.1	$ 975.5	$ 1,012.2
Percentage of Actuarially Determined Employer Contribution Made	100.0%	100.0%	100.0%	100.0%	100.0%
Actuarial Accrued Liabilities	N/A	$26,349.2	N/A	$29,860.3	N/A
Actuarial Values of Assets	N/A	$15,546.5	N/A	$16,712.3	N/A
Unfunded Accrued Liabilities	N/A	$10,802.7	N/A	$13,148.0	N/A
Market Value of Assets	$14,480.5	$16,220.9[e]	$16,110.4	$15,584.6[e]	$17,126.8[e]
Funded Ratio (actuarial value)	N/A	59.0%	N/A	55.97%	N/A
Funded Ratio (market value)	N/A	61.6%	N/A	52.19%	N/A
Ratio of Actuarial Value of Assets to Market Value of Assets	N/A	96.0%	N/A	107.2%	N/A

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

(b) Includes municipal contributions under early retirement incentive programs ($361,042 during Fiscal Year 2013, $668,924 during Fiscal Year 2014, $668,924 during Fiscal Year 2015, $510,391 during Fiscal Year 2016 and $$495,853 during Fiscal Year 2017). Does not include employee contributions to the Teachers' Retirement Health Insurance Fund.

(c) Does not include refunds with respect to withdrawals of account balances by inactive members who terminate membership ($14,658,485 during Fiscal Year 2013, $18,241,716 during Fiscal Year 2014, $50,328,762 during Fiscal Year 2015, $46,125,368 during Fiscal Year 2016 and $73,284,402 during Fiscal Year 2017).

(d) Adjusted to comply with GASB 72.

(e) Figure derived from actuarial valuation.

Pension Obligation Bonds

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

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

Modeling of Future Funded Ratios and Annual Contributions through Fiscal Year 2047

The Office of Policy and Management ("OPM") engaged the consulting actuary for the TRF to prepare a baseline open group model of future funded ratios and annual contribution requirements for the TRF through Fiscal Year 2048. The modeling presented in the table below is based on the assumptions used for the actuarial valuation and actuarial methods of future annual employer contribution requirement figures as set out in the November 2016 actuarial valuation, including, but not limited to, a 8.00% investment return assumption, an Entry Age Normal actuarial cost method, and a net effective amortization period for the computed State contribution amounts for Fiscal Year 2016 of 17.6 years. The modeling does not represent a forecast, estimate or projection. The modeling does not reflect future factors or conditions that would cause the actual future experience of the TRF to diverge from the model. In particular, future actuarial valuations mandated by statute over the period of the modeling will result in recalculation of the annual employer contribution requirements for each biennial budget. No representation is made that future annual employer contribution requirements or funded ratios will conform to the modeling.

TABLE 22a

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

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

Fiscal Year Ending June 30	Valuation Date June 30	Unfunded Accrued Liability Beginning of Valuation Year	Funded Ratio = Assets/ Accrued Liability	Employer Normal Cost	Amortization of Unfunded Accrued Liability	Total State Contribution	Annual Valuation Payroll
2018	2016	$13,127,607	56.0%	$193,879	$1,096,550	$1,290,429	$3,949,926
2019	2017	13,325,644	56.0	195,002	1,137,366	1,332,368	4,037,948
2020	2018	13,836,033	55.5	198,347	1,257,380	1,455,727	4,134,594
2021	2019	14,121,659	55.7	201,970	1,338,310	1,540,280	4,238,379
2022	2020	13,937,152	57.3	205,744	1,381,805	1,587,549	4,346,746
2023	2021	13,653,607	59.1	209,667	1,426,714	1,636,381	4,459,766
2024	2022	13,302,068	61.0	214,205	1,720,784	1,934,989	4,577,034
2025	2023	12,875,708	63.1	218,370	1,776,709	1,995,079	4,698,138
2026	2024	12,109,055	66.0	223,195	1,834,452	2,057,647	4,824,078
2027	2025	11,223,364	69.2	228,141	1,894,072	2,122,213	4,953,812
2028	2026	10,206,687	72.6	233,211	1,955,629	2,188,840	5,087,450
2029	2027	9,046,589	76.2	238,406	2,017,986	2,256,392	5,225,092
2030	2028	7,729,918	80.1	243,666	2,083,571	2,327,237	5,365,437
2031	2029	6,243,425	84.3	249,615	2,151,287	2,400,902	5,509,355
2032	2030	4,570,539	88.7	255,654	2,221,204	2,476,858	5,655,961
2033	2031	2,693,769	93.5	261,772	131,720	393,492	5,805,005
2034	2032	594,691	98.6	268,666	136,001	404,667	5,957,895
2035	2033	501,609	98.8	275,762	140,421	416,183	6,115,244
2036	2034	397,227	99.1	283,086	144,985	428,071	6,277,661
2037	2035	280,919	99.4	290,597	149,697	440,294	6,444,235
2038	2036	151,883	99.7	299,030	154,562	453,592	6,615,603
2039	2037	0	100.0	307,180	0	307,180	6,795,902
2040	2038	0	100.0	316,296	0	316,296	6,981,115
2041	2039	0	100.0	325,745	0	325,745	7,172,780
2042	2040	0	100.0	334,741	0	334,741	7,370,882
2043	2041	0	100.0	344,748	0	344,748	7,573,456
2044	2042	0	100.0	355,111	0	355,111	7,782,878
2045	2043	0	100.0	365,076	0	365,076	8,001,285
2046	2044	0	100.0	376,361	0	376,361	8,229,386
2047	2045	0	100.0	387,272	0	387,272	8,467,968

(a) In fiscal year ending June 30, 2039 and thereafter the annual employer contribution requirement consists only of the payment of the normal costs, which represents the portion of the present value of retirement benefits that are allocable to active members' current year of service. In the model, there longer remains an unfunded actuarial accrued liability to be amortized.

Contribution, Eligibility and Benefits Requirements

Each member of the TRF is required to contribute 7% of annual salary for the pension benefit effective on and after January 1, 2018 (an increase of 1% from its prior level). The State's contribution requirement is determined in accordance with Section 10-183z of the Connecticut General Statutes, which requires the retirement system to be funded on an actuarial reserve basis.

Eligibility for normal retirement benefits is available at age 60 for those with 20 years of credited Connecticut service, or 35 years of credited service including at least 25 years of service in Connecticut. The normal retirement benefit is 2% of average annual salary received during three years of highest salary times years of credited service (maximum benefit is 75% of average annual salary received during three years of highest salary), subject to certain maximum dollar limits under the Internal Revenue Code of 1986, as amended. In addition, amounts derived from the accumulation of supplemental account contributions made prior to July 1, 1989 and voluntary contributions by the member are payable. Effective January 1, 1999, there is a minimum monthly retirement benefit of $1,200 to members who retire under the normal retirement provisions and who have completed at least 25 years of full time Connecticut service at retirement. The plan also provides reduced early retirement and pro-ratable retirement benefit, disability benefits, return with interest on certain contributions upon termination of employment, and pre-retirement death benefits for spouses and dependent children. The average annual benefit payable to a retired member in fiscal year ending June 30, 2017 was approximately $52,131.

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

TABLE 23

Teachers' Retirement Benefit Cost-Of-Living Allowances

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

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

GASB 67 and GASB 68 Disclosure

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

Governmental Accounting Standards Board Statement No. 68 ("GASB 68") requires, among other things, that Pension Expense ("PE") be calculated and a proportionate share of NPL and PE be recognized in the employer's financial reporting. PE includes amounts for service cost (the normal cost under the Entry Age Normal actuarial cost method for the year), interest on the TPL, changes in benefit structure, amortization of increases/decreases in liability due to actuarial experience and actuarial assumption changes, and amortization of investment gains/losses. The actuarial experience and assumption change impacts are amortized over the average expected remaining service life of the plan membership as of the measurement date, and investment gains/losses are amortized over five years. PE should not be considered a proxy for funding or contribution levels.

SUPPLEMENTARY INFORMATION AS OF JUNE 6, 2018

The Teachers' Retirement Board received from Cavanaugh Macdonald Consulting, LLC a report prepared as of June 30, 2017 and dated April 25, 2018 containing supplemental information to assist the Board in meeting the requirements of GASB 68. This supplement reported a collective pension expense of $1,561.8 million for the fiscal year ending June 30, 2018.

The Teachers' Retirement Board received from Cavanaugh Macdonald Consulting, LLC a report prepared as of June 30, 2017 and dated October 24, 2017 containing supplemental information to assist the Board in meeting the requirements of GASB 67. Much of the material provided in the report is based on the data, assumptions and results of the November 2016 actuarial valuation as of June 30, 2016. This report reported the following results as of June 30, 2017 with respect to the TRF in accordance with GASB 67:

October 2017 GASB 67 Report as of June 30, 2017	
Total Pension Liability	$30,636.6 million
Fiduciary Net Position	17,134.3 million
Net Pension Liability	13,502.3 million
Ratio of Fiduciary Net Position to Total Pension Liability	55.93 %

The GASB 67 report used a discount rate of 8.00%, which was the rate used in the November 2016 actuarial valuation as of June 30, 2016, since the results currently indicate that the FNP will not be depleted at any point in the future. GASB 67 also requires sensitivity calculations based on a SEIR of 1% in excess and 1% less than the SEIR used, which would decrease the NPL to $10,629.0 million or increase the NPL to $16,900.9 million, respectively.

The Teachers' Retirement Board received from Cavanaugh Macdonald Consulting, LLC a report prepared as of June 30, 2016 and dated March 6, 2017 containing supplemental information to assist the Board in meeting the requirements of GASB 68. This supplement reported a collective Pension Expense of $1,533.5 million for the fiscal year ending June 30, 2017. See also Note 10 of **Appendix II-C**.

The audited financial statements for Fiscal Year 2017 which are included as **Appendix II-C** hereto, and in particular note 10 and the Pension Plans Required Supplementary Information of the accompanying Basic Financial Statements, reflect the supplemental information reported in the October 24, 2017 GASB 67 report and March 6, 2017 GASB 68 report.

INVESTMENT OF PENSION FUNDS

Eleven investment funds serve as the investment medium for both the State Employees' Retirement Fund and the Teachers' Retirement Fund, as listed below along with the percentage allocation of holdings for the SERF and the TRF as of June 30, 2017 in each of these funds. See also **FINANCIAL PROCEDURES** herein.

TABLE 24

Pension Fund Investment Allocations
As of June 30, 2017

	State Employees' Retirement Fund	Teachers' Retirement Fund
Mutual Equity Fund	22.2%	22.3%
Developed Markets International Stock Fund	20.4	20.3
Emerging Markets International Stock Fund	9.5	9.7
Real Estate Fund	6.9	7.0
Core Fixed Income Fund	7.4	6.7
Inflation Linked Bond Fund	5.1	3.5
Emerging Markets Debt Fund	4.1	5.4
High Yield Debt Fund	5.4	5.7
Liquidity Investment Fund	3.4	5.2
Private Investment Fund	9.6	8.1
Alternative Investment Fund	6.0	6.1
	100.0%	100.0%

SOURCE: Combined Investment Funds 2017 Comprehensive Annual Financial Report.

Investment Returns

Annualized Net Returns on Investment Assets in Retirement Funds
Periods Ending June 30, 2017

	5 Year	10 Year	15 Year	20 Year	25 Year
SERF	8.80%	4.87%	6.86%	6.56%	7.78%
TRF	8.80%	4.97%	6.98%	6.66%	7.87%

OTHER RETIREMENT SYSTEMS

The other minor retirement systems funded by the State include the Judges, Family Support Magistrates and Compensation Commissioners Retirement System (the Judicial Retirement System), the General Assembly Pension System, the State Attorneys' Retirement Fund and the Public Defenders' Retirement Fund. As of June 30, 2016, there were approximately 175 active members of these plans and approximately 254 retired members.

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

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

SOCIAL SECURITY AND OTHER POST-EMPLOYMENT BENEFITS ("OPEB")

Social Security

State employees and teachers are treated in various ways for purposes of federal social security. Most state employees are covered under social security, and most teachers are not. As of June 30, 2017, approximately 55,069 State employees were entitled to Social Security coverage. The following table summarizes this treatment.

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

The amount expended by the State for Social Security coverage for fiscal year ending June 30, 2017 was $283.2 million. Of this amount, $213.5 million was paid from the General Fund and $15.6 million was paid from the Special Transportation Fund and the balance was recovered from other funds, including federal funds and higher education funds. The State has appropriated $214.5 million for Social Security coverage for fiscal year ending June 30, 2018. Of this amount, $198.8 million has been appropriated from the General Fund and $15.7 million has been appropriated from the Special Transportation Fund.

Other Post-Employment Benefits – State Employees

The State provides post-retirement health care and life insurance benefits to eligible employees who retire from State employment. The State currently finances the cost of such benefits on a pay-as-you-go basis through a

transfer of an appropriation from the General Fund to a trust fund (the "OPEB Trust") established for the payment of post-retirement health care and life insurance benefits, and for the accumulation of assets with which to pay post-retirement health care benefits and post-retirement life insurance benefits to future retirees. Beginning on July 1, 2009 new hires were required to contribute 3% of salary for ten years, to be deposited into the trust. Commencing July 1, 2010, employees with less than five years of service were required to contribute 3% of salary until they completed ten years of service, to be deposited into the trust. SEBAC 2011 extended the requirement of trust contributions to all health-care eligible State employees phased in beginning July 1, 2013, as follows: 0.5% of salary for fiscal year ending June 30, 2013, 2.0% of salary for fiscal year ending June 30, 2014, and 3.0% of salary for fiscal ending June 13, 2015 and thereafter, with a period of required contribution of ten years or the beginning of retirement (whichever occurs first). SEBAC 2017 extended the requirement of trust contributions for a period of fifteen (15) years to all State employees hired on or after July 1, 2017. As of June 30, 2017, the fair market value of the net assets within the trust totaled $569.5 million, adjusted to comply with GASB 72, invested in the Combined Investment Funds. See also notes 13 and 14 of **Appendix II-C** hereto and **FINANCIAL PROCEDURES** herein. It is not currently anticipated that the trust will provide any significant contribution to the funding for post-retirement health care and life insurance benefits in the near future. The 2017 Budget Act for Fiscal Years 2018 and 2019 includes for each year, an appropriation of $91.2 million to match State employee contributions to the OPEB Trust. The State will need to make significant General Fund appropriations for post-retirement health care and life insurance benefits in upcoming fiscal years. Because the plan is being funded on a pay-as-you-go basis, the amounts are much less than the annual required employer contribution payment calculated for the plan, which includes a component to amortize the UAAL.

The State received an analysis from The Segal Company dated May 31, 2017 of the impact on the State's liability for post-retirement health care benefits for eligible persons covered under SERS and other State retirement systems, excluding the TRS, from the implementation of a Medicare Advantage plan for the State's Medicare-eligible retirees, as provided by SEBAC 2017. The 2016 OPEB Report indicated that the State's actuarial accrued liability for OPEB as of June 30, 2015, was $19.1 billion. That liability had been projected to increase to $20.9 billion as of June 30, 2017, based on the 2016 OPEB Report. Implementing Medicare Advantage with Prescription Drug ("MA-PD") plan rates is estimated to decrease the OPEB liability to $15.6 billion, a reduction of $5.3 billion or 25.4%. The analysis was based on the assumptions used for the actuarial valuation and actuarial methods set out in the 2016 OPEB Report, except that the report's calculations incorporated an average premium rate, as proposed by UnitedHealthcare ("UHC") in their final price proposal, effective January 1, 2018, for current retirees of $826 per year for the medical portion of the MA-PD, and $2,747 per year for the prescription portion. Future retirees were valued with the post-2011 plan rates of $713 per year for medical and $2,018 for prescription drug. The calculations account for the rate guarantees proposed by UHC for 2019, and assume costs beyond that point increase with the standard trend assumptions from 2019 OPEB Report.

Implementation of GASB Statement No. 45 regarding accounting and financial reporting for post-employment benefits other than pensions requires the State to obtain an analysis of the unfunded actuarial accrued liability of such post-retirement health care and life insurance benefits and to recognize the annual required contribution to fund that actuarial liability in its financial statements commencing with those for fiscal year ending June 30, 2008. The State received an actuarial report dated August 24, 2016 ("2016 OPEB Report") with respect to the State's liability for post-retirement health care benefits (which include medical, prescription drug, dental and life insurance benefits) for eligible persons covered under SERS and other State retirement systems, excluding the TRS from The Segal Company, which indicated the following as of June 30, 2015:

August 2016 OPEB Report as of June 30, 2015		
Actuarial Accrued Liability	$19,119.6 million	
UAAL	18,889.9 million	
Actuarial Value of Assets	229.6 million	Based on Market Value at June 30, 2015
Funded Ratio	1.20%	
Annual Required Contribution	$1,443.7 million (Fiscal Year 2016) (comprised of normal cost of $364.4 million, amortization of UAAL of $1,036.8 million, and adjustment for timing of $42.5 million)	Based on a projected unit credit actuarial cost method and level percent-of-payroll amortization over 30 years (with 22 years remaining as of June 30, 2015)
Annual OPEB Cost	$1,435.6 million (Fiscal Year 2016)	The annual OPEB cost adjusts the annual required contribution and contribution in relation to the annual required contribution. The annual OPEB cost is the cost of OPEB actually booked as an expense for the fiscal year.

In Fiscal Years 2015 and 2016, the State contributed 36.10% and 42.2% of the ADEC and 35.43% and 42.4% of the Annual OPEB Cost, respectively.

The 2016 OPEB Report included the following assumptions, among others:

- A discount rate of 5.7%
- Payroll growth rate of 3.75%
- Medical cost trend rate of 5.0%
- Drug cost trend rate of 10.0% graded to 5.0% over 5 years
- Dental and Part B trend rates of 5.0%
- Projected salary increases of 3.25% to 20.0%
- Updated medical, prescription drug and dental claim costs for recent experience and adjusting trend rates for medical and prescription drug
- Explicit administrative expense of $250 per participant through June 30, 2018 and increasing at 3% per year thereafter
- Average contribution of $174 was used for plans requiring contributions in the valuation year
- An average contribution of $356 was used in the valuation year for dental benefits. Average premium used to calculate the early retirement premiums was updated to $14,271
- Adjustment of the retiree contribution increase
- Adjustment of the assumption for Medicare Part B
- Includes certain plan changes made pursuant to revised agreements with SEBAC

In June 2015, GASB released new accounting standards for public sector OPEB plans and sponsoring employees, including GASB Statements Nos. 74 (effective for Fiscal Year 2017) and 75 (effective for Fiscal Year 2018). Generally, the changes made by the new GASB statements to OPEB plan reporting substantially parallel the changes made by GASB Statements Nos. 67 and 68 to pension plan reporting. The State is in the process of preparing to implement the new GASB statements, and anticipates timely implementation.

The State received from The Segal Group reports prepared as of June 30, 2017 and dated December 6, 2017 and January 5, 2018 (the "2017 OPEB Reports") containing supplemental information to assist the State in

meeting the requirements of GASB 45 and GASB 74 with respect to the State's liability for post-retirement health care benefits (which include medical, prescription drug, dental and life insurance benefits) for eligible persons covered under SERS and other State retirement systems, excluding the TRS. The January 5, 2018 "roll forward" actuarial valuation report indicated the following as of June 30, 2017:

January 2018 Actuarial Valuation as of June 30, 2017	
Total OPEB Liability	$17,928.0 million
Fiduciary Net Position	$542.3 million
Net OPEB Liability ("NOL")	$17,385.7 million
Ratio of Fiduciary Net Position to Total OPEB Liability	3.03%
Actuarially Determined Employer Contribution (Fiscal Year 2017)	$1,043.1 million
Annual OPEB Cost (Fiscal Year 2017)	$1,034.2 million

In Fiscal Year 2017, the State contributed $667.4 million, 64.0% of the Actuarially Determined Employer Contribution and 0.65% of the Annual OPEB Cost.

The 2017 OPEB Reports were based upon the same assumptions, methodologies and plan provisions as used in the 2016 OPEB Report, other than the following:

- Changes to the discount rate applied to projected benefit payments from 5.70% as of June 30, 2015 to 3.01% as of June 30, 2016 and 3.74% as of June 30, 2017, decreasing the OPEB liability by $5,228.6 million.
- A change in the actuarial cost method from projected unit credit as of June 30, 2015 to Entry Age Normal as of June 30, 2017, decreasing the OPEB liability by $2,164.9 million
- The report reflects the implementation of a Medicare Advantage plan for the State's Medicare-eligible retirees effective January 1, 2018, decreasing the OPEB liability by $5,309.4 million
- The report reflects plan changes made pursuant to revised agreements with SEBAC for post-October 1, 2017 non-Medicare eligible new retirees pertaining to premium shares and health care design changes, decreasing the OPEB liability by $723.6 million

GASB 74 also requires calculations of the sensitivity of the NOL to changes in the health care cost trend rates and the discount rate. The tables below presents the NOL of the Plan, calculated using the health care cost trend rates, as well as what the Fund's NOL as of June 30, 3017 would be if it were calculated using a health care cost trend rate that is 1% lower or higher than the current rate, and rate that is 1% lower or higher than the current discount rate:

Net OPEB Liability Changes to Health Care Cost Trend Rates			
Health Care Cost Trend Rates	1% Decrease	Current (Medical: 5.00%; Prescription Drug: 10% graded to 5.0% over 5 years; Dental and Plan B: 5:00%)	1% Increase
Net OPEB Liability (in millions)	$14,936.3	$17,385.7	$20,477.9
Net OPEB Liability Changes to Discount Rates			
Discount Rate	1% Decrease (2.74%)	Current (3.74%)	1% Increase (4.74%)
Net OPEB Liability (in millions)	$20,116.0	$17,385.7	$15,158.8

For Fiscal Years 2013 through 2017, the State paid $587.4 million, $548.7 million, $598.6 million, $646.0 million and $706.5 million, respectively, for retirees' health care costs. While not a part of post-employment costs, for Fiscal Years 2013 through 2017, the State paid $559.8 million, $614.3 million, $635.1 million, $662.9 million and $644.7 million, respectively, for General Fund eligible employees' health care costs. For fiscal years ending June 30, 2018 and June 30, 2019, the projected General Fund expenditures on retirees' health care costs and on General Fund eligible employees' health care costs were $725.9 million and $635.4 million, respectively. For fiscal year ending June 30, 2017, General Fund expenditures on life insurance benefits were $7.7 million, and the projected General Fund expenditures for fiscal year ending June 30, 2018 on life insurance benefits was $7.6 million.

Set forth below for each of the past five fiscal years are the number of employees retired from State employment eligible to receive post-retirement health care and life insurance benefits, the number of retirees, respectively, actually receiving health care benefits and life insurance benefits, and the amount of General Fund appropriations by the State for such coverage.

TABLE 25

State Employee Retirees Health Care and Life Insurance Benefits
(In Millions)

	2013	2014	2015	2016	2017
Retirees Eligible to Receive Benefits	47,510	48,844	50,356	51,350	52,916
Retirees Receiving Health Care Benefits	45,092	46,037	47,556	48,089	49,596
Retirees Receiving Life Insurance Benefits	28,204	28,580	29,164	30,064	29,431
General Fund Appropriations for Retiree Health Care and Life Insurance Benefits (millions)	$596.1[(a)]	$557.5[(b)]	$598.6[(c)]	$653.7[(d)]	$649.4[(e)]

(a) The $596.1 million appropriated for Fiscal Year 2013 includes a combined appropriation of $8.7 million for active employees and retiree life insurance benefits. Of the $596.1 million appropriation, $587.4 million was expended on retiree health care benefits and $4.4 million was expended on retiree life insurance benefits.

(b) The $557.5 million appropriated for Fiscal Year 2014 includes a combined appropriation of $8.8 million for active employees and retiree life insurance benefits. Of the $557.5 million appropriation, $548.7 million was expended on retiree health care benefits and $4.4 million was expended on retiree life insurance benefits.

(c) The $598.6 million appropriated for Fiscal Year 2015 includes a combined appropriation of $7.6 million for active employees and retiree life insurance benefits. Of the $598.6 million appropriation, $591.1 million was expended on retiree health care benefits and $4.4 million was expended on retiree life insurance benefits.

(d) The $653.7 million appropriated for Fiscal Year 2016 includes a combined appropriation of $7.8 million for active employees and retiree life insurance benefits. Of the $653.7 million appropriation, $646.0 million was expended on retiree health care benefits and $4.6 million was expended on retiree life insurance benefits.

(e) The $649.4 million appropriated for Fiscal Year 2017 includes a combined appropriation of $7.7 million for active employees and retiree life insurance benefits. Of the $649.4 million appropriation, $644.7 million was expended on retiree health care benefits and $4.7 million was expended on retiree life insurance benefits.

Other Post-Employment Benefits – Teachers

The State is required to (i) make General Fund appropriations to the Teachers' Retirement Board to cover one-third of retiree health insurance costs plus any portion of the balance of such costs that is not funded from the amounts available in the Teachers' Retirement Health Insurance Fund; (ii) subsidize the health insurance costs of retired teachers who are not members of the Teachers' Retirement Board's health benefit plan; and (iii) provide an additional health insurance subsidy of at least $110 per month on behalf of retired teachers who are ineligible to participate in Medicare Part A "premium free" and who pay at least $220 per month to participate

in the local board of education retiree health benefit plans. The State made General Fund appropriations of $34.4 million, $22.4 million, $20.2 million, $19.9 million and $19.2 million for Fiscal Years 2014, 2015, 2016, 2017 and 2018 respectively, to subsidize the Teachers' Retirement Health Insurance Fund. The 2017 Budget Act for Fiscal Years 2018 and 2019 includes $19.2 million for each of Fiscal Years 2018 and 2019, to subsidize the Fund. The Governor's midterm budget adjustments for Fiscal Year 2013, reduced the State's appropriation from 33% to 25% of the Medicare supplemental health insurance program cost, and utilized retiree drug subsidies which would have otherwise already been available to the Teachers' Retirement Health Insurance Fund, to offset, in part, the State's share of retiree health costs. As of Fiscal Year 2015 the retiree drug subsidies have expired. For Fiscal Year 2016, the State contribution was further reduced to 15% of the Medicare supplemental health insurance program cost. The 2017 Budget Act for Fiscal Years 2018 and 2019 includes funding of $14.6 million each year for the Medicare supplemental health insurance program cost.

The Teachers' Retirement Board anticipates that balances in the Teachers' Retirement Health Insurance Fund will be reduced in upcoming years due to a combination of healthcare cost increases, the State's flat funding of its contributions to the Fund, the relatively static number of active Connecticut teachers contributing to the Fund, and the increasing number of retirees participating in the Board's health benefit plan. In order to address this concern in part, the Board has implemented an Anthem Blue Cross Medicare Advantage PPO plan, effective July 1, 2018. The Anthem plan will replace the existing Stirling Benefits Regular Medicare/ supplemental benefits plan as the base benefit program, with the Stirling Benefits plan continuing as an optional benefit plan. Members opting to remain in the Stirling Benefits plan will be required to pay the full excess cost of the plan. In addition the Teachers' Retirement Board has made changes to its prescription drug plan, including modifications to compound drug rules, increases in deductible amounts, increases in the coinsurance rate for generic drugs, and increases in the maximum coinsurance amount.

The Teachers' Retirement Health Insurance Fund is invested in the Short Term Investment Fund. See also **FINANCIAL PROCEDURES** herein. Fund assets do not constitute plan assets for purposes of GASB Statements Nos. 43 and 45, and for actuarial valuation purposes fund assets are not treated as valuation assets available to offset the accrued liability of the plan. Since July 1, 1994, retiree health benefits sponsored through the Teachers' Retirement Board have been self-insured.

Implementation of GASB Statement No. 45 requires the State to obtain an analysis of the unfunded actuarial accrued liability of such retiree health insurance benefits and to recognize the annual required contribution to fund that actuarial liability in its financial statements. The Teachers' Retirement Board received an actuarial valuation as of June 30, 2016 dated November 1, 2016 from Cavanaugh Macdonald Consulting, LLC of the State's liability with respect to post-retirement health care benefits for members of the Teachers' Retirement Fund and for retired teachers who are not members of the Teachers' Retirement Board's health benefit plan. The report indicates an actuarial accrued liability as of June 30, 2016 of $2,997.5 million on an unfunded basis, based upon certain stated assumptions including a 4.25% earnings assumption and a 30 year amortization period and no valuation assets available to offset the liabilities of the plan. Against these liabilities, as of June 30, 2016 the plan had no present assets for valuation purposes. The actuarial valuation determined a $166.8 million employer contribution requirement for Fiscal Year 2017 based on an individual entry-age actuarial cost method and level percent-of-payroll contributions and applying a 4.25% discount rate resulting in an annual employer contribution of 4.09% of payroll.

In June 2015, GASB released new accounting standards for public sector OPEB plans and sponsoring employees, including GASB Statements Nos. 74 (effective for Fiscal Year 2017) and 75 (effective for Fiscal Year 2018). Generally, the changes made by the new GASB statements to OPEB plan reporting substantially parallel the changes made by GASB Statements Nos. 67 and 68 to pension plan reporting. The State is in the process of preparing to implement the new GASB statements, and anticipates timely implementation. It is anticipated that the discount rate determined in accordance with the new GASB statements used in calculating the actuarial accrued liability of the plan will decrease from the discount rate currently used. All other factors unchanged, a decrease in the discount rate would result in an increase in the actuarial accrued liability of the plan.

The Teachers' Retirement Board received from Cavanaugh Macdonald Consulting, LLC a report prepared as of June 30, 2017 and dated November 1, 2017 containing supplemental information to assist the Board in meeting the requirements of GASB 74 with respect to the Teachers' Retirement Health Insurance Fund. Much of the material provided in the report is based on the data, assumptions and results of the November 2016 actuarial valuation as of June 30, 2016. This report reported the following results as of June 30, 2017 with respect to the TRF in accordance with GASB 74:

November 2017 GASB 74 Report as of June 30, 2017	
Total OPEB Liability	$3,538.8 million
Fiduciary Net Position	63.4 million
Net OPEB Liability ("NOL")	3,475.3 million
Ratio of Fiduciary Net Position to Total OPEB Liability	1.79 %

The GASB 74 report used a discount rate of 3.56%, the Municipal Bond Index Rate as of June 30, 2016, since the results currently indicate that the Fiduciary Net Position will be depleted in the future. The report used an initial health care cost trend rate of 7.75%, and an ultimate initial health care cost trend rate of 5.00%, with 2022 as the year of ultimate trend rate.

GASB 74 also requires calculations of the sensitivity of the NOL to changes in the health care cost trend rates and the discount rate. The tables below present the NOL of the Plan, calculated using the health care cost trend rates, as well as what the Fund's NOL as of June 30, 2017 would be if it were calculated using a health care cost trend rate that is 1% lower or higher than the current rate, and a SEIR that is 1% lower or higher than the current SEIR:

Net OPEB Liability Changes to Health Care Cost Trend Rates			
Health Care Cost Trend Rates	1% Decrease (6.25% Initial; 4.00% Ultimate)	Current (7.25% Initial; 5.00% Ultimate)	1% Increase (8.25% Initial; 6.00% Ultimate)
Net OPEB Liability (in millions)	$2,861.5	$3,475.3	$4,301.9
Net OPEB Liability Changes to Discount Rates			
Discount Rate	1% Decrease (2.56%)	Current (3.56%)	1% Increase (4.56%)
Net OPEB Liability (in millions)	$4,188.3	$3,475.3	$2,914.7

Set forth below for each of the past five fiscal years are State contributions to the Teachers' Retirement Health Insurance Fund to cover retiree health insurance costs and the portions of such contribution attributable to post-retirement Medicare supplement health insurance and to the health insurance cost subsidy for retired teachers who are not members of the Board's health benefit plan, active and retired teachers' contributions, investment income, Federal drug subsidy receipts, the expenditures from the Fund, and the reported fund balance of the Fund as of June 30.

TABLE 26

Teachers' Retirement Health Insurance Fund
(In Thousands)

	Fiscal Year				
	2013	**2014**	**2015**	**2016**	**2017**
General Fund Contribution Attributable To Post Retirement Medicare Supplement Health Insurance	$ 21,816.2[c]	$ 20,793.6[d]	$ 19,698.1[a]	$ 14,566.8	$ 14,566.8
General Fund Contribution Attributable To Non-Board Health Insurance Cost Subsidy	5,223.9	5,198.9	5,447.3	5,392.8	5,355.1
Total General Fund Contributions	$ 27,040.1	$ 25,992.5	$ 25,145.4	$ 19,959.6	$ 19,922.0
Teacher Contributions (Active and Retired)	85,483.6	86,225.0	85,566.4	92,135.4	95,690.6
Investment Income	124.5	12,753.0	109.1	220.1	369.0
Federal Drug Subsidy	0 [a]	0 [b]	0	0	0
Total Receipts	$112,648.2	$ 124,970.5	$ 85,675.5	$ 92,355.5	$ 96,059.6
Fund Expenditures	($101,450.5)	($105,325.5)	($124,992.1)[d]	$(129,654.3)	$(133,159.6)
Fund Balance as of June 30	$102,974.3	$ 109,532.4[c]	$ 95,361.2	$ 78,022.0	$ 60,844.4

(a) Retiree Federal Drug Subsidy amount of $10,203,832 included in General Fund Contribution Attributable to Post-Retirement Medicare Supplement Health Insurance and not shown in Federal Drug Subsidy receipts below.

(b) Retiree Federal Drug Subsidy amount of $9,362,367 included in General Fund Contribution Attributable to Post-Retirement Medicare Supplement Health Insurance and not shown in Federal Drug Subsidy receipts below.

(c) A fifteen year audit of the fund has determined the reported fund balance of June 30, 2014 was overstated by $13.0 million. A correcting adjustment was made as of June 30, 2015.

(d) Correcting adjustment as to prior fund expenditures; does not reflect actual activity.

Additional Information

The audited financial statements for Fiscal Year 2017 which are included as **Appendix II-C** hereto, and in particular notes 10 through 14 and note 16 and the Pension Plans and Other Postemployment Benefit Plans Required Supplementary Information of the accompanying Basic Financial Statements, provide additional information about the foregoing retirement systems and their funding.

The cumulative value of the annual differences between the State's contribution to a public employee pension or OPEB plan and the actuarially determined employer contribution to the plan for that fiscal year constitutes the "net pension obligation" or "net OPEB obligation" of the State with respect to such plan, and is reported as a liability in the State's financial statements. The net pension obligation or net OPEB obligation of the State with respect to a plan is not the equivalent of the State's actuarial accrued liability with respect to such plan.

LITIGATION

The information in this section contains information through February 15, 2018 except as may otherwise be set forth below.

The State and its officers and employees are parties to numerous legal proceedings, many of which normally occur in government operations. The final outcomes of most of these legal proceedings are not, in the opinion of the Attorney General, either individually or in the aggregate likely to have a material adverse impact on the State's financial position.

There are, however, several legal proceedings which, if decided adversely against the State, either individually or in the aggregate may require the State to make material future expenditures or may impair revenue sources. It is not possible to determine the impact that the outcomes of these proceedings, either individually or in the aggregate, could have on the State's financial position. Among these proceedings, an adverse judgment in the matters described below, in the opinion of the Attorney General, individually could have a fiscal impact on the State of $50 million or more.

Sheff v. O'Neill is a Superior Court action originally brought in 1989, on behalf of school children in the Hartford school district. In 1996, the State Supreme Court reversed a judgment the Superior Court had entered for the State. The Court directed the legislature to develop appropriate measures to remedy the racial and ethnic segregation in the Hartford public schools. The Supreme Court also directed the Superior Court to retain jurisdiction of this matter. The 1997 General Assembly enacted Public Act No. 97-290, An Act Enhancing Educational Choices and Opportunities, in response to the Supreme Court decision.

The parties reached a settlement agreement which was deemed approved by the General Assembly and approved by the Superior Court on March 12, 2003. That agreement obliged the State over a four year period to institute a number of measures and programs designed to advance integration for Hartford Students. That agreement expired in June, 2007, but the State and the plaintiffs have subsequently negotiated a number of follow on agreements obligating the State to programming and other efforts designed to promote achievement of specified integration goals. The parties negotiated a stipulation that governs the parties' obligations through June of 2016 which received legislative approval pursuant to the provisions of Connecticut General Statutes Section 3-125a. The parties entered into a stipulation extending current efforts through June 30, 2017 and which included a commitment to mediation. The parties' efforts to continue mediation efforts were unsuccessful. Plaintiffs were granted an injunction that maintained the requirements of the stipulated judgment, pending a full hearing on the State's compliance with the Supreme Court decision. The parties continue to discuss a resolution of the case.

State Employees Bargaining Agent Coalition ("SEBAC") v. Rowland is a Federal District Court case in which a purported class of laid off State employees sued the Governor and the Secretary of the Office of Policy and Management alleging that they were laid off in violation of their constitutional rights. The parties have reached a settlement which provides for cash payments estimated at approximately $44 million payable over the next three fiscal years, and additional vacation and personal time accruals. The overall value of the settlement is estimated at $100 million to $125 million. The parties are in the process of calculating economic damages for each class member who sustained damages as a result of the layoffs. The settlement also resolved two related cases that were brought in the Connecticut Superior Court: Conboy v. State of Connecticut and Parzio v. State of Connecticut.

American Indian Tribes. It is possible that land claims could be brought by American Indian groups who have petitioned the Federal Government for federal recognition. In any of the land claims matters, irrespective of whether federal recognition is granted, denied or upheld, a particular tribe could institute or renew land claims against the State or others, or press the claims it has already asserted. The federal Bureau of Indian Affairs ("BIA") has adopted new regulations for the federal recognition of tribes under relaxed standards, but those regulations do not presently allow for previously denied petitioners, such as the Schaghticoke Tribal

Nation, Golden Hill Paugussett Tribe and the Eastern Pequot Tribal Nation, to seek recognition under new regulations. The Historical Eastern Pequot Tribe ("HEP") has filed a petition with the BIA seeking to be acknowledged as a federal American Indian Tribe. The BIA declined to accept the petition on the grounds that the HEP were previously denied acknowledgment. The HEP has appealed to the U.S. Department of Interior's Office of Hearings and Appeals.

In October, 2016, the Schaghticoke Tribal Nation initiated a lawsuit against the State and the Commissioner of Energy and Environmental Protection seeking approximately $610.5 million for the alleged unconstitutional taking of reservation lands in the nineteenth and early twentieth centuries. The suit alleges that from 1801 to 1918, state-appointed overseers sold portions of the Schaghticoke Tribal Nation reservation and used the proceeds of those sales to lend monies to State residents in the form of mortgages and loans and not for the benefit of the Schaghticoke Tribal Nation. It alleges that these actions were in violation of the federal and state constitutional prohibitions against taking property without just compensation and in breach of the State's fiduciary duties. It seeks money damages and declaratory and injunctive relief to account for the funds allegedly due and to make the Schaghticoke whole. In ruling on part of the defendants' motion to dismiss on December 27, 2017, the trial court dismissed the plaintiff's takings claim as to reservation lands because the plaintiff lacked a property interest in those lands. The plaintiff's other claims remain pending in state superior court.

Bouchard v. State Employees Retirement Commission is a state court proceeding representing an administrative appeal from a denial by the State Employees Retirement Commission ("SERC") of a request to recalculate the pensions of three retirees, based on the 2007 case of ***Longley v. State Employees Retirement Commission*** and its progeny. In ***Longley*** the State Supreme Court held that SERC was required to include a retiree's final prorated longevity payment in their final year salary, for the purpose of calculating retirement benefits. SERC initially interpreted ***Longley***, with the exception of the ***Longley*** plaintiffs, as prospective in application. In April 2009, SERC adopted a resolution to extend ***Longley*** retroactively to October 2, 2001. The plaintiffs in ***Bouchard et al.***, comprise State employees who retired prior to October 2, 2001, who have appealed the denial and seek a recalculation of current pension benefits, an award of past underpayment of benefits and attorney's fees. This case had been certified as a class but the trial court denied plaintiffs' request for a mandatory class action. The approximate size of the class would be 18,000 retirees. On June 18, 2015, the trial court ordered SERC to apply *Longley* to the three named plaintiffs' retirement income calculation from the time of retirement. The court also ordered postjudgment interest of 5% per annum from the date of final judgment until the date the judgment is fully paid. The trial court also ruled that the plaintiff's request for mandatory class action relief for those similarly situated is barred by the three year statute of limitations under Connecticut General Statutes Section 52-577. The plaintiff appealed to the Appellate Court on September 30, 2015. SERC cross-appealed to preserve its position that no liability exists. On September 2, 2016, the Connecticut Supreme Court transferred this matter to itself pursuant to Connecticut Practice Book Section 65-1. On February 2, 2018, the court ruled in favor of the SERC by denying both the individual relief sought by the plaintiffs and the class certification.

Martinez v. Malloy is a federal district court suit brought in August of 2016 in which several students, and their parents or legal guardians, from the Hartford and Bridgeport school districts brought suit asserting federal constitutional claims. They allege that they are not receiving a minimally adequate education in the traditional public schools that they attend, in violation of the Due Process Clause and the Equal Protection Clause of the U.S. Constitution. In particular, they allege that the State's failure to provide a minimally adequate education is the result of various statutes ("the Alternative Choice Statutes") and educational policies that limit the number of students who may attend charter and magnet schools or who may participate in the Open Choice program, which permits certain urban students to attend school in nearby suburban towns. By way of relief, plaintiffs ask the Court to declare the Alternative Choice Statutes unconstitutional and to enjoin their enforcement. The State has filed a motion to dismiss the action, which is pending.

D.J. v. Conn. State Board of Ed is a federal court case brought by a special education student and a purported class of similarly situated special education students. Plaintiffs allege that state law violates the Individuals

with Disabilities in Education Act ("IDEA") by terminating the obligation of local school districts to provide special education at the end of the school year in which a special education student turns 21. Plaintiffs' allegations are premised on the fact that Connecticut provides education services to non-special education students beyond the age of 21 and that such a distinction is not permitted under the IDEA. Plaintiffs seek a declaration that Connecticut violates the IDEA by limiting public schools' obligation to provide education services to all special education students before the end of the school year of their 22nd birthday. The plaintiffs further seek compensatory education for the class which is made up of all special education students deprived of special education services after reaching the of age 21 for the two years before the action was filed and during the pendency of the case. If plaintiffs are successful, the State could be ordered to ensure the provision of a one year extension of current duration of services for all special education students. The State has filed a motion for summary judgment and an objection to certification of the class, both of which are pending.

Juan F. v. Malloy. Since 1991, the State Department of Children and Families ("DCF") has been operating under the provisions of a federal consent decree in the Juan F. v. Malloy case, which relates to the child welfare system. The State has entered into several agreements over time resulting in outcome measurer intended to lead to the end of judicial oversight of the agency. The State has continued to work with the plaintiffs and the Court Monitor to meet the requirements of the Exit Plan and has continued to achieve outcome measures. Reflecting this progress, the latest agreement reduces and revises the number of outcome measures necessary to end judicial oversight.

SUPPLEMENTARY INFORMATION AS OF JUNE 6, 2018

Leticia Colon De Mejia, et al. v. Malloy, et. al. is a federal district court case in which the plaintiffs seek to declare unconstitutional and enjoin the General Assembly's transfer of $14 million from the State's Clean Energy Fund and $63.5 million from the State's Energy Conservation and Load Management Fund to the State General Fund in each of the fiscal years ending on June 30, 2018 and June 30, 2019, for a total of $155 million. Because the legislature restored $10 million of those transfers at the conclusion of the legislative session ending May 9, 2018, if the plaintiffs prevail, the total adverse revenue impact to the General Fund would be $145 million.

OTHER MATTERS

In Fiscal Year 2012, the State began levying a tax on the net patient revenue of each hospital in the State. A petition for a declaratory ruling was received by the Department of Social Services ("DSS") and the Department of Revenue Services ("DRS") claiming that this tax is invalid as implemented under various constitutional and administrative theories. The determination of DSS and DRS with respect to the petition could affect the collection of the tax going forward, provide the basis for potential refund claims, or result in litigation. On September 22, 2016, DSS and DRS rejected the assertions of the petitioning hospitals. The petitioning hospitals subsequently appealed the Departments' ruling to the Superior Court. That appeal is pending. No representation is made concerning the possible resolution or financial impact of this matter, or what actions the State might implement in response to any adverse rulings.

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APPENDIX II-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.

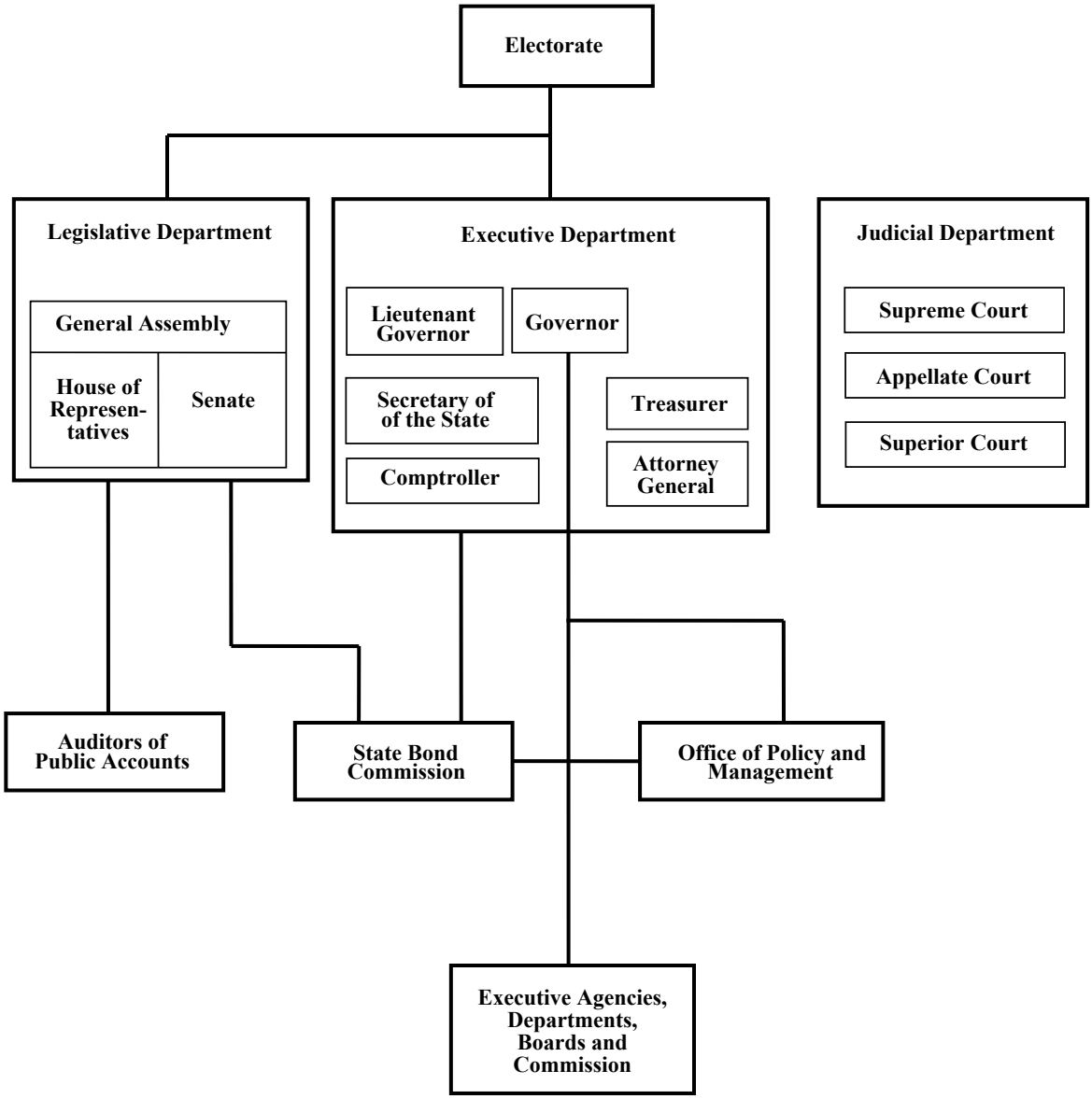
Under Connecticut law, all municipal governmental bodies have only the powers specifically granted to them by the State and the ancillary powers that are necessarily implied by powers explicitly granted. Municipalities which have the power to tax and to issue debt are explicitly denied the power by statute 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 2016, and the new members took office in January 2017.

A regular session of the General Assembly is held each year. These sessions run from January through June in odd-numbered years and February through May in even-numbered years. The General Assembly reconvenes for special sessions in general only in emergencies or to consider bills or appropriations vetoed by the Governor. Even-year sessions are supposed to be limited to budgetary, revenue and financial matters, bills and resolutions raised by committees of the General Assembly and certified emergencies.

Two Auditors of Public Accounts, who cannot be of the same political party, are appointed by the General Assembly to four-year terms. The State Auditors are required to make an annual audit of the accounts of the Treasurer and the Comptroller and, biennially or as frequently as they deem necessary, to audit the accounts of each officer, department, commission, board and court of the State government authorized to expend State appropriations. The Auditors are required to report unauthorized, illegal, irregular or unsafe handling or expenditure of State funds or any actual or contemplated breakdown in the safeguarding of any resources of the State promptly upon discovery to the Governor, the State Comptroller, the Attorney General and appropriate legislative agencies. Each budgeted agency of the State must keep its accounts in such form and by such methods as to exhibit facts required by the State Auditors. A full-time staff assists the State Auditors. Employees of the State Auditors are included under the legislative function in **Tables A-2** and **A-3** below.

Executive Department. The Governor, Lieutenant Governor, Secretary of the State, Treasurer, Comptroller and Attorney General, whose offices are mandated by the State's Constitution, were elected at the general election in November 2014 for terms beginning in January 2015. Elections for all of these offices are held every four years. The Governor and Lieutenant Governor are elected as a unit.

The supreme executive power of the State is vested in the Governor. The Governor has the constitutional responsibility for ensuring that the laws are faithfully executed, giving the General Assembly information on the state of the government, and recommending to the General Assembly such measures as the Governor may deem expedient. The Governor is empowered to veto bills and line items in appropriations bills, but the General Assembly may reconsider and repass such matters upon a two-thirds vote of each house, whereupon such bills or appropriations become law. Broad appointive and investigative powers are conferred upon the Governor by statute. The Lieutenant Governor serves as President of the Senate and becomes Governor in case of the inability of the Governor to exercise the powers and perform the duties of the office.

The Treasurer is primarily responsible for receiving and disbursing all monies belonging to the State, superintending the collection of State taxes and revenues and the investment of State funds, administering certain State trust funds and managing State property. Subject to the approval of the Governor, the Treasurer is authorized, when necessary, to make temporary borrowings evidenced by State obligations. In addition, the State Bond Commission may delegate to the Treasurer the responsibility for determining the terms and conditions and carrying out the issuance of State debt.

The Secretary of the State administers elections, has custody of all public records and documents, and certifies to the Treasurer and the Comptroller the amount and purpose of each appropriation made by the General Assembly.

The Comptroller's primary duties include adjusting and settling public accounts and demands and prescribing the method of keeping and rendering all public accounts. All warrants and orders for the disbursement of public money are registered with the Comptroller. The Comptroller also has authority to require reports from State agencies upon any matter of property or finance and to inspect all records in any public office, and is responsible for examining the amount of all debts and credits of the State. The Comptroller is required to issue monthly reports on the financial condition of the State, which are prepared on a modified cash basis and are not audited.

The Attorney General has general supervision over all legal matters in which the State is an interested party except those legal matters over which prosecuting officers have discretion. The duties of the office include giving advice and, on request, rendering legal opinions to the legislative and executive departments as to questions of law. Among the Attorney General's statutory duties concerning State financial matters are membership on the State Bond Commission, the approval of all State contracts or leases and appearing before any committee of the General Assembly to represent the State's best interests when any measure affecting the State Treasury is pending.

In addition to the constitutionally mandated offices, the General Statutes provide for a number of executive branch agencies, departments and commissions, each of which generally has its own agency head appointed by the Governor, in most cases with the advice and consent of one or both houses of the General Assembly. Of these statutorily established offices, the one most directly related to the fiscal operation and condition of the State is the Office of Policy and Management. The Secretary of the Office of Policy and Management is directly responsible to the Governor for policy development in four major areas: budget and financial management, policy development and planning, management and program evaluation, and intergovernmental policy. The Office of Policy and Management has significant responsibility in preparing the State budget, in assisting the Governor in policy development and in representing the State in most collective bargaining negotiations. It is the duty of the Office of Policy and Management to prepare and furnish to the General Assembly and Comptroller financial and accounting statements relating to the State's financial condition and general accounts, and to examine and assist in the organization, management and policies of departments and institutions supported by the State in order to improve their effectiveness. The Secretary of the Office of Policy and Management, like the Comptroller, is empowered to inspect the financial records and to require reports of State agencies.

Employees of the executive department are included in **Tables A-2** and **A-3** below under all function headings except the legislative and judicial functions. A list of the major executive branch agencies, departments and commissions, by function headings, is found in **Table A-5**.

Judicial Department. The State's judicial department consists of three principal trial and appellate courts: the Superior Court, the Appellate Court, and the Supreme Court.

The Superior Court is vested with original trial court jurisdiction over all civil and criminal matters. By statute, there are 201 authorized Superior Court judges, with approximately 145 sitting judges as of January 1, 2018, each nominated by the Governor and appointed by the General Assembly to eight-year terms.

The Appellate Court hears appeals from decisions of the Superior Court except for certain matters which are directly appealable to the Supreme Court. There are nine Appellate Court judges nominated by the Governor and appointed by the General Assembly to eight-year terms.

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

In addition to the principal trial and appellate courts, there is a Court of Probate in each of 54 probate districts situated throughout the State.

Employees of the judicial department are shown in **Tables A-2** and **A-3** under the judicial function heading.

Quasi-Public Agencies. In addition to the budgeted components of State government provided for in the State's Constitution and the General Statutes, important State-wide governmental functions are performed by quasi-public agencies, authorities and similar bodies created under the General Statutes. A number of these entities receive significant funding from the State, although they are not budgeted agencies of the State. Each of these entities is governed by a board of directors chosen in accordance with its respective enabling statute. These boards generally include legislative appointees, gubernatorial appointees and ex-officio directors holding certain executive branch offices.

State Employees

Employment Statistics. Statistics regarding approximate filled permanent full-time positions within budgeted components of State government are shown on the following two tables.

TABLE A-2

State Employees[a]
By Function of Government

Function Headings[b]	2013	2014	2015	2016	2017
Legislative	660	706	721	693	557
General Government	3,064	3,072	3,092	2,995	2,849
Regulation and Protection	4,188	4,349	4,345	4,201	4,075
Conservation and Development	1,367	1,381	1,397	1,365	1,491
Health and Hospitals	7,082	6,979	6,977	6,807	5,906
Transportation	3,759	3,885	4,008	4,258	4,638
Human Services	1,817	1,824	1,915	1,834	1,677
Education	16,129	16,689	17,272	17,311	17,232
Corrections	8,446	8,813	8,826	8,695	8,248
Judicial	4,479	4,555	4,543	4,490	4,068
Total	50,991	52,253	53,096	52,649	50,741

(a) Table shows count of employees by fund category and function of government paid in April of each year. Employees working in multiple government functions or paid through multiple fund sources are counted multiple times.

(b) A breakdown of the budgeted agencies, boards, commissions and similar bodies included in each of the listed government function headings is shown in **Table A-5**.

SOURCE: Office of Policy and Management

TABLE A-3

State Employees as of April 2017[a)(b)]
By Function of Government and Fund Categories

Function Headings	General Fund	Special Transportation Fund	Other Appropriated Funds	Special Funds – Non-Appropriated	Federal Funds	TOTALS
Legislative	557					557
General Government	2,601		20	98	130	2,849
Regulation and Protection	2,122	677	408	610	258	4,075
Conservation and Development	779	31	125	61	495	1,491
Health and Hospitals	5,541		6		359	5,906
Transportation		3,043		637	958	4,638
Human Services	1,622				55	1,677
Education	5,523		6	11,226	477	17,232
Corrections	8,151			79	18	8,248
Judicial	4,008		21		39	4,068
Total	30,904	3,751	586	12,711	2,789	50,741

(a) Table shows a count of employees by fund categories. Employees working in multiple government functions or paid through multiple fund sources are counted multiple times.

(b) Reflects funding source based on Core-CT chart of accounts coding.

SOURCE: Office of Policy and Management

Collective Bargaining Units and Process. The General Statutes guarantee State employees, other than elected or appointed officials and certain management employees and others with access to confidential information used in collective bargaining, the right to organize and participate in collective bargaining units. There are presently 42 such bargaining units representing State employees.

The General Statutes establish the general parameters of the collective bargaining process with respect to bargaining units representing State employees. At any given point in time, there are generally a number of collective bargaining units with agreements under negotiation. All collective bargaining agreements require approval of the General Assembly. The General Assembly may approve any such agreement as a whole by a majority vote of each house or may reject any such agreement as a whole by a majority vote of either house. 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.

If an agreement is rejected, the matter shall be returned to the parties who shall initiate arbitration. The parties may submit any award issued pursuant to such arbitration to the General Assembly in the same manner as the rejected agreement. If the arbitration award is rejected by the General Assembly, the matter shall be returned again to the parties for further arbitration. Any award issued pursuant to such further arbitration shall be deemed approved the General Assembly.

The General Statutes deny State employees the right to strike. Questions concerning employment or bargaining practices prohibited by the sections of the General Statutes governing collective bargaining with regard to State employees may generally be brought before the State Board of Labor Relations.

Information regarding employees participating in collective bargaining units and employees not covered by collective bargaining is shown in the following table:

TABLE A-4

Full-Time Work Force
Collective Bargaining Units and
Those Not Covered by Collective Bargaining

Bargaining Unit/Status Group	Percentage of State Employees Represented[a]	Contract Status, if any[b]
Covered by Collective Bargaining		
Administrative and Residual (P-5)	5.52%	Contract in place through 6/30/2021
Administrative Clerical (NP-3)	6.03	Contract in place through 6/30/2021
American Federation of School Administrators	0.10	Contract in place through 6/30/2021
Assistant Attorneys General	0.36	Contract in negotiation
Board for State Academic Awards	0.13	Contract in place through 6/30/2021
Community College Administration - AFSCME	0.17	Contract in place through 6/30/2021
Community College Administration – CCCC	1.44	Contract in place through 6/30/2021
Community College AFT – Counselors/Librarians	0.03	Contract in place through 6/30/2021
Community College Faculty – AFT	0.35	Contract in place through 6/30/2021
Community College Faculty – CCCC	1.30	Contract in place through 6/30/2021
Connecticut Association of Prosecutors	0.47	Contract in place through 6/30/2021
Correctional Officers (NP-4)	8.78	Contract in place through 6/30/2021
Correctional Supervisor (NP-8)	0.97	Contract in place through 6/30/2021
Criminal Justice Inspectors	0.12	Contract in place through 6/30/2021
Criminal Justice Residual	0.23	Contract in place through 6/30/2021
DPDS Public Defenders	0.31	Contract in place through 6/30/2021
DPDS Supervising Attorney - AFSCME	0.05	Contract in place through 6/30/2021
Education Administrative (P-3A)	0.43	Contract in place through 6/30/2021
Education Technical (P-3B)	0.99	Contract in place through 6/30/2021
Engineering, Scientific and Technical (P-4)	4.86	Contract in place through 6/30/2021
Health Care Unit-Non-Professional (NP-6)	5.34	Contract in place through 6/30/2021
Health Care Unit-Professional (P-1)	5.83	Contract in place through 6/30/2021
Higher Education – Professional Employees	0.05	Contract in place through 6/30/2021
Judicial - Judicial Marshals	1.12	Contract in place through 6/30/2021
Judicial – Law Clerks	0.11	Contract in place through 6/30/2021
Judicial – Non-Professional	2.31	Contract in place through 6/30/2021
Judicial – Professional	2.34	Contract in place through 6/30/2021
Judicial - Supervising Judicial Marshals	0.11	Contract in place through 6/30/2021
Protective Services (NP-5)	1.60	Contract in place through 6/30/2021
Service/Maintenance (NP-2)	7.36	Contract in place through 6/30/2021
Social and Human Services (P-2)	7.90	Contract in place through 6/30/2021
State Vocational Federation of Teachers	2.33	Contract in place through 6/30/2021
State Police (NP-1)	2.00	Contract in place through 6/30/2018
State Police Lieutenants and Captains (NP-9)	0.07	Contract in place through 6/30/2021
State University-Faculty	2.95	Contract in place through 6/30/2021
State University- Non-Faculty Professional	1.58	Contract in place through 6/30/2021
UCHC – Faculty	0.74	Contract in place through 6/30/2021
UCHC University Health Professionals	3.68	Contract in place through 6/30/2021
UConn – Faculty	3.55	Contract in place through 6/30/2021
UConn – Graduate Employees	2.90	Contract in place through 6/30/2021
UConn – Law School Faculty	0.09	Contract in place through 6/30/2021
UConn - Non-Faculty	3.68	Contract in place through 6/30/2021
Total Covered by Collective Bargaining	90.27%	
Not Covered by Collective Bargaining		
Auditors of Public Accounts	0.22%	Not Applicable
Other Employees	9.51%	Not Applicable
Total Not Covered by Collective Bargaining[c]	9.73%	
Total Full-Time Work Force	100.00%	

(a) Percentage expressed reflects approximately 48,245 filled full-time positions as of February 5, 2018.

(b) With the exception of the State Police bargaining unit which expires June 30, 2018, and the newly-formed Assistant Attorneys General bargaining unit, all collective bargaining contracts expire on June 30, 2021.

(c) Additional bargaining units have been certified and are in negotiations and other bargaining units have made applications for certification.

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 Women, Children and Seniors
Commission on Equity and Opportunity

General Government
Governor's Office
Lieutenant Governor's Office
Secretary of the State
Office of Governmental Accountability
State Treasurer
State Comptroller
Department of Revenue Services
Office of Policy and Management
Department of Veterans Affairs
Department of Administrative Services
Attorney General
Division of Criminal Justice

Regulation and Protection
Department of Emergency Services and Public Protection
Department of Motor Vehicles
Military Department
Department of Banking
Insurance Department
Office of Consumer Counsel
Office of the Health Care Advocate
Department of Consumer Protection
Department of Labor
Commission on Human Rights and Opportunities
Workers' Compensation Commission

Conservation and Development
Department of Agriculture
Department of Energy and Environmental Protection
Council on Environmental Quality
Department of Economic and Community Development
Department of Housing
Agricultural Experiment Station

Health and Hospitals
Department of Public Health
Office of Health Strategy
Office of the Chief Medical Examiner
Department of Developmental Services
Department of Mental Health and Addiction Services
Psychiatric Security Review Board

Transportation
Department of Transportation

Human Services
Department of Social Services
Department of Rehabilitation Services

Education, Libraries and Museums
Department of Education
State Library
Office of Early Childhood
University of Connecticut
University of Connecticut Health Center
Connecticut State Colleges and Universities
Office of Higher Education
Teachers' Retirement Board

Corrections
Department of Corrections
Department of Children and Families

Judicial
Judicial Department
Public Defender Services Commission

(a) In addition to the ten listed government function headings, the State also employs a "non-functional" heading under which are grouped various miscellaneous accounts including debt service and State employee fringe benefit accounts.

(b) Listing of agencies, boards, commissions and similar bodies is as of July 1, 2017.

SOURCE: Office of Policy and Management

In addition to services provided directly by the State, various State-wide and regional quasi-public agencies, authorities and similar bodies also provide services. Such entities principally assist in the financing of various types of facilities and projects. In addition to their own budgetary resources and the proceeds of their borrowings, a number of such entities have received substantial funding from the State, which the entities generally use to provide financial assistance to the general public and the private and nonprofit sectors.

Because Connecticut does not have an intermediate county level of government between State and local government, local entities provide all governmental services not provided by the State and quasi-public agencies. Such services are financed principally from property tax revenues, State funding of various types and federal funding.

Department of Emergency Services and Public Protection. The Department of Emergency Services and Public Protection (DESPP) is responsible for providing a coordinated, integrated program for the protection of life and property and for state-wide emergency management and homeland security. Through the Division of Emergency Management and Homeland Security (DEMHS), the Department is responsible for the preparation of a comprehensive civil preparedness plan and program, including integration and coordination with planning and activities of the federal government, other states, and towns, cities and tribal nations within the State. The State's plans include the State Response Framework and the State Recovery Framework. For planning purposes, DEMHS has given priority for preparedness to the following potential scenarios: (i) a severe weather event in or affecting Connecticut; (ii) a terrorist attack in or affecting Connecticut (cyber and/or physical), and (iii) a release of contamination from the Millstone Power Plant. Current planning activities at the State level include multiple cyber security initiatives. DESPP also operates the State fusion center – the Connecticut Intelligence Center, a multi-agency, multi-jurisdictional entity which collects, analyzes and disseminates intelligence information to law enforcement and other related groups. DEMHS includes a Radiological Emergency Preparedness Unit, which, among other things, conducts regular exercises evaluated by the Federal Emergency Management Agency (FEMA). Pursuant to the Connecticut General Statutes, the Commissioner of the Department is required to file an annual report each January to the joint standing committee of the General Assembly having cognizance of matters relating to public safety, which report specifies and evaluates statewide emergency management and homeland security activities during the preceding calendar year. In April 2015, the State received accreditation for its emergency management and homeland security activities from the nationally recognized Emergency Management Accreditation Program.

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The information in this section contains information through February 15, 2018 except as may otherwise be set forth below.

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 the Long Island Sound, New York, Massachusetts and Rhode Island. Over one quarter of the total population of the United States and more than 50% of the Canadian population live within a 500-mile radius of the State.

Economic Resources

Population Characteristics. The State's population growth rate, which exceeded the United States' rate of population growth during the period from 1940 to 1970, slowed substantially and trailed the national average markedly during the past four decades. The following table presents the population trends of Connecticut, New England, and the United States since 1940. Connecticut's population increased 1.42% from 2008 to 2017 versus 3.3% in New England and 7.1% for the nation. The mid-2017 population in Connecticut was estimated at 3,588,184, a 0.0% change from a year ago, compared to increases of 0.4% and 0.7% for New England and the United States, respectively. From 2008 to 2017, within New England, Massachusetts (6.0%) and New Hampshire (2.0%) experienced growth higher than Connecticut (1.42%); while Rhode Island (0.4%), Maine (0.4%), and Vermont (-0.1%) all experienced lower or falling growth.

TABLE B-1

Population
(In Thousands)

	Connecticut		New England		United States	
Calendar Year	Total	% Change	Total	% Change	Total	% Change
1940 Census	1,709		8,437		132,165	
1950 Census	2,007	17.4%	9,314	10.4%	151,326	14.5%
1960 Census	2,535	26.3	10,509	12.8	179,323	18.5
1970 Census	3,032	19.6	11,847	12.7	203,302	13.4
1980 Census	3,108	2.5	12,349	4.2	226,542	11.4
1990 Census	3,287	5.8	13,207	6.9	248,710	9.8
2000 Census	3,406	3.6	13,923	5.4	281,422	13.2
2010 Census	3,574	4.9	14,445	3.7	308,746	9.7
2008….	3,546	0.5	14,340	0.4	304,094	1.0
2009….	3,562	0.5	14,404	0.4	306,772	0.9
2010….	3,574	0.3	14,445	0.3	308,746	0.6
2011….	3,592	0.5	14,529	0.6	311,644	0.9
2012….	3,598	0.2	14,585	0.4	313,993	0.8
2013….	3,602	0.1	14,643	0.4	316,235	0.7
2014….	3,600	(0.1)	14,696	0.4	318,623	0.8
2015….	3,594	(0.2)	14,726	0.2	321,040	0.8
2016….	3,588	(0.2)	14,758	0.2	323,406	0.7
2017….	3,588	0.0	14,810	0.4	325,719	0.7

Note: 1940-2010, April 1 Census. Figures are for census comparison purposes.
2008-2017 Mid-year estimates. Estimates for New England include the sum of six states – Connecticut, Massachusetts, New Hampshire, Rhode Island, Maine and Vermont.

SOURCE: United States Census Bureau

The State is highly urbanized with a 2017 population density of 741 persons per square mile, as compared with 92 for the United States as a whole. Of the eight counties in the State, according to the U.S. Bureau of Census for the 2010 Census count, 75% of the population resides within Fairfield (26%), Hartford (25%), and New Haven (24%) counties.

SUPPLEMENTARY INFORMATION AS OF JUNE 6, 2018

Education. In 2016 Connecticut ranked 4th in the nation with 38% of the State population over the age of 25 holding a bachelor's degree or higher.

Connecticut is home to over 45 colleges and universities, including among others: Yale University, Wesleyan University, Trinity College, Connecticut College, University of Connecticut, Southern Connecticut State University, Central Connecticut State University, Eastern Connecticut State University, Western Connecticut State University, Fairfield University, Quinnipiac University, Hartford Seminary, Coast Guard Academy, University of New Haven, University of Hartford, and Sacred Heart University.

Industry Landscape. Connecticut is home to some of the country's leading companies, including the following members of the 2017 Fortune 500: United Technologies, Aetna, Cigna, Hartford Financial Services, Praxair, Stanley Black & Decker, Terex, Emcor Group, and Priceline.com. The historical presence of the insurance industry in the State, and especially in its capital city of Hartford, has caused it to be referred to as the "insurance capital of the world".

Transportation. Connecticut has an extensive network of expressways and major arterial highways which provide easy access to local and regional markets. Bradley International Airport, in Windsor Locks, currently offers approximately 100 weekday departures to 34 non-stop destinations and is served by virtually all the major passenger and cargo air carriers. It is accessible from all areas of the State and western Massachusetts.

The Connecticut Department of Transportation funds and oversees the operation of rail, bus, paratransit and ferry services throughout the State. The New Haven Line (including the Waterbury, Danbury and New Canaan branch lines) and Shore Line East provide service to communities between New London and New York City and intermediate points, serving approximately 43 million passengers per year. New state-funded, CT*rail* high-speed rail service will begin on the Hartford Line in 2018, serving communities between New Haven, CT and Springfield, MA. State-funded, contracted public bus and paratransit transportation programs provide over 43 million passenger trips a year on urban transit, commuter express bus, rural transit, and Americans with Disabilities Act paratransit services. The overall program includes State-funded CT*transit* bus services in 8 urbanized areas and CT*fastrak* bus rapid transit services provided in the greater Hartford area, as well as urban and rural transit and paratransit services provided by 13 independent transit districts. The State also operates two historic passenger and vehicular ferries, linking communities on the Connecticut River.

Railroad freight service is provided to most major towns and cities in the State, and connections are provided with major eastern railroads, as well as direct access to Canadian markets. Positioned between the ports of New York and Boston, with access to European and South American markets, the State's deep draft harbors at Bridgeport, New Haven, and New London offer similar direct access to international markets and U.S. ports.

Utility Services. The power grid that supplies electricity to the entire State is owned and operated by both private and municipal electric companies. Transmission lines connect Connecticut with New York, Massachusetts and Rhode Island. These interconnections allow the companies serving Connecticut to meet large or unexpected electric load requirements from resources located outside of Connecticut's boundaries. All electric utilities in the State are members of the New England Power Pool and operate as part of the regional

bulk power system, the Regional Transmission Organization for New England. An independent system operator, ISO New England, Inc., operates this regional system.

Most consumers in Connecticut can choose an independent electric supplier as their provider of electricity. Consumers that do not choose an independent electric supplier will automatically be placed on Connecticut's standard service. The electricity is delivered to the consumer over the wires of the regulated distribution companies (Eversource Energy and The United Illuminating Company). Electric suppliers are not subject to rate regulation by the State Public Utilities Regulatory Authority (PURA), formerly known as the Department of Public Utility Control (DPUC), but must receive a license issued by the PURA before commencing service to consumers. In general, Connecticut consumers located in a municipally owned electric service territory can continue to purchase and receive their electrical needs from the municipal electric company.

Legislation enacted in 2011 merged PURA under a new Department of Energy and Environmental Protection (DEEP) structure, where it continues its mandates related to rates, reliability and safety, but now must also be guided in accordance with the goals of DEEP as outlined in its Integrated Resource Plan and Comprehensive Energy Strategy. These include a focus on clean energy, creating jobs and building a state energy economy. The legislation declares DEEP as a successor to the PURA, and divides DEEP into three bureaus, Energy, Environmental Protection and PURA. This legislation also established the position of a procurement manager which now resides within PURA.

The procurement manager is responsible for developing a plan for the procurement of electric generation services and related wholesale electricity market products that will enable each electric distribution company to manage a portfolio of contracts to reduce the average cost of "standard service" while maintaining "standard service" cost volatility within reasonable levels.

Lastly, the legislation created a quasi-public authority, the Connecticut Green Bank to administer the Clean Energy Fund which is funded by a charge on consumer's electric bills. Pursuant to legislation, Green Bank's scope was expanded to include more types of projects the fund can support with respect to the financing of clean energy sources and energy efficiency.

Natural gas is delivered to Connecticut through pipelines that traverse the State. Natural gas pipeline supplies are generally shipped to Connecticut from Canada and the Gulf of Mexico area. Connecticut also receives natural gas through the interstate pipelines from a terminal located in Boston, Massachusetts which is supplied by tanker ships. Natural gas service is provided to parts of the State through one municipal and three private gas distribution companies, including Eversource Energy, Connecticut Natural Gas Company, and Southern Connecticut Gas Company. Over the past few years, UIL Holdings Corp. has acquired both Connecticut Natural Gas and Southern Connecticut Gas. UIL Holdings Corp., the parent company of The United Illuminating Company, is a New Haven, Connecticut-based utility holding company.

Since 1996 the PURA has allowed some competitive market forces to enter the natural gas industry in Connecticut. Commercial and industrial gas consumers can choose non-regulated suppliers for their natural gas requirements. The gas is delivered to the consumer using the local distribution company's mains and pipelines. This competitive market is not yet available to the residential consumer.

In addition to the electric and natural gas industries, telecommunications services are also open to competition. Local exchange telephone service is provided in the State by local exchange carriers (LECs) and competitive local exchange carriers (CLECs). Two LECs currently offer local telephone services in Connecticut. They are Frontier Corporation and Verizon New York, Inc. Connecticut also has 116 CLECs certified to provide local exchange services including Comcast Phone of Connecticut, Inc., Cox Connecticut Telecommunication, LLC and Connecticut Telephone and Communications Systems, Inc.

Connecticut is dependent upon oil, including imported oil, for a portion of its energy requirements. This dependence is greatest in the transportation sector. Connecticut also relies on heating oils in both the

residential and commercial sectors, and is reliant on residual oils and diesel fuels for the production of electricity. This petroleum dependence can make Connecticut particularly affected by developments in the oil commodity markets. Events that affect the international or domestic production of oil, the domestic and international refining capabilities, or the transportation of petroleum products within the United States or into the New England region can affect Connecticut's local oil markets.

Although Connecticut is heavily dependent upon petroleum, the State is ranked one of the most efficient states for energy consumption. According to the most recent available data from the Energy Information Administration, an independent agency within the U.S. Department of Energy that collects and analyzes energy data, Connecticut consumed 3.3 thousand British Thermal Units (BTU) per 2009 chained dollar of Gross State Product in 2015, the latest available data, ranking it the 2nd most efficient state among the 50 states and 44.1% less than the national average of 5.9 thousand BTU. When compared to the national per person average, Connecticut residents use a moderate amount of energy. Connecticut consumed 210 million BTU of energy per person in 2015, ranking it 46th among the 50 states and 30.7% less than the national average of 303 million BTU.

Energy prices in Connecticut were up compared to 2016, and remain elevated relative to the nation. Nationally, home heating oil, gasoline and natural gas prices have begun to rise after hitting a 10 year low in 2016, signaling a market correction may be occurring after dramatic declines in prices starting in 2014. For the past decade the United States has experienced a significant rise in oil production, due in large part to technological innovations in the area of shale oil fracking. To maintain market share oil exporters increased production, even as prices declined, as many of their economies rely heavily on such energy resources. All of this, in combination with a reduction in demand in Europe and weak economic growth in China and emerging markets, have led to a historic oversupply in the oil market which drove prices down.

Economic Performance

Personal Income. Connecticut has a high level of personal income. Historically, the State's average per capita income has been among the highest in the nation. The high per capita income is due to the State's concentration of relatively high paying manufacturing jobs along with a higher portion of residents working in the non-manufacturing sector in such areas as finance, insurance, and real estate, as well as educational services. A concentration of major corporate headquarters located within the State also contributes to the high level of income. In calendar year 2016, per capita personal income in Connecticut equaled $69,085, the highest of any state in the nation. This high level of personal income is not concentrated in a single county, but is widely distributed throughout the State. County-level data from the United States Department of Commerce, Bureau of Economic Analysis for calendar year 2015 indicates that if they were states, five of the State's eight counties would each rank within the top ten of all states in the nation for state per capita personal income. The following table shows total and per capita personal income for Connecticut residents during the period from 2007 to 2016 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 Percent of	
	Total (Millions of Dollars)	Per Capita (Dollars)	New England	United States
2007	$204,296	$57,872	117.7%	145.8%
2008	217,102	61,199	119.4	149.3
2009	215,234	60,393	119.6	153.6
2010	222,405	62,109	119.3	154.4
2011	229,212	63,807	118.1	150.4
2012	233,711	64,951	116.6	146.9
2013	230,615	64,029	115.4	144.2
2014	239,070	66,424	115.7	143.1
2015	244,941	68,170	113.6	140.9
2016	247,887	69,085	112.9	140.4

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)
2007	7.2%	5.2%	5.3%	4.6%	2.7%	2.7%
2008	6.3	4.7	4.2	3.2	1.7	1.1
2009	(0.9)	(1.0)	(3.3)	(0.5)	(0.6)	(3.2)
2010	3.3	3.5	3.2	2.4	2.1	1.5
2011	3.1	4.3	6.2	1.0	2.0	3.7
2012	2.0	3.5	5.0	(0.2)	1.9	3.0
2013	(1.3)	(0.0)	1.1	(2.0)	(1.2)	(0.2)
2014	3.7	3.8	5.3	2.0	2.2	3.7
2015	2.5	4.8	5.0	2.0	4.4	4.6
2016	1.2	2.2	2.4	0.0	1.0	1.2

Note — Real dollars are adjusted for inflation using the national personal consumption expenditures price index and regional price parities.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

The following table indicates the sources of personal income by place of residence for Connecticut and the United States in 2016.

TABLE B-4

Sources of Personal Income By Place of Residence
Calendar Year 2016
(In Millions)

	Conn.	Percent of Total	U.S.	Percent of Total
Wages in Non-manufacturing	$112,481	45.4%	$ 7,277,400	45.7%
Property Income (Div., Rents & Int.)	53,958	21.8	3,085,100	19.4
Wages in Manufacturing	13,906	5.6	807,800	5.1
Transfer Payments less Social Insurance Paid	14,080	5.7	1,523,100	9.6
Other Labor Income	28,162	11.4	1,893,400	11.9
Proprietor's Income	25,299	10.2	1,341,900	8.4
Personal Income — Total	$247,887	100.0%	$15,928,700	100.0%

Note—Columns may not add due to rounding.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

Gross State Product. The State's and the region's economic vitality are evidenced in the rate of growth of their respective Gross State Products. The State's Gross State Product is the current market value of all final goods and services produced by labor and property located within the State.

In 2016, the State produced $259.9 billion worth of goods and services and $227.6 billion worth of goods and services in 2009 chained dollars.

The following table shows the Gross State Product in current dollars for Connecticut, New England, and the United States.

TABLE B-5

Gross State Product
(In Millions)

	Connecticut		New England[(a)]		United States[(b)]	
Calendar Year	$	Percent Growth	$	Percent Growth	$	Percent Growth
2007	236,640	6.9%	799,219	4.8%	14,477,636	4.5%
2008	238,211	0.7	807,857	1.1	14,718,588	1.7
2009	233,562	(2.0)	805,107	(0.3)	14,418,740	(2.0)
2010	234,528	0.4	828,780	2.9	14,964,383	3.8
2011	234,233	(0.1)	845,612	2.0	15,517,934	3.7
2012	239,462	2.2	872,280	3.2	16,155,255	4.1
2013	240,976	0.6	885,847	1.6	16,691,517	3.3
2014	244,628	1.5	913,977	3.2	17,427,609	4.4
2015	255,517	4.5	963,385	5.4	18,120,714	4.0
2016	259,919	1.7	990,817	2.8	18,624,475	2.8

(a) Sum of the New England States' Gross State Products.

(b) Denotes the Gross Domestic Product, which is the total market value of all final goods and services produced in the U.S.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

The following table shows the Gross State Product in 2009 chained dollars.

TABLE B-6

Gross State Product
(In Millions of 2009 Chained Dollars*)

Calendar Year	Connecticut $	Connecticut Percent Growth	New England $	New England Percent Growth	United States $	United States Percent Growth
2007	247,248	4.2%	830,459	2.1%	14,873,734	1.8%
2008	243,856	(1.4)	825,187	(0.6)	14,830,359	(0.3)
2009	233,562	(4.2)	805,106	(2.4)	14,418,739	(2.8)
2010	232,357	(0.5)	821,438	2.0	14,783,809	2.5
2011	228,454	(1.7)	826,442	0.6	15,020,565	1.6
2012	228,212	(0.1)	834,016	0.9	15,354,627	2.2
2013	224,931	(1.4)	830,130	(0.5)	15,612,175	1.7
2014	223,311	(0.7)	838,425	1.0	16,013,283	2.6
2015	227,503	1.9	861,775	2.8	16,471,516	2.9
2016	227,592	0.0	870,654	1.0	16,716,164	1.5

* 2009 chained dollar series are calculated as the product of the chain-type quantity index and the 2009 current-dollar value of the corresponding series, divided by 100. Figures for the United States represent Gross Domestic Product.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

The table below shows the contribution to Connecticut's Gross State Product of the manufacturing and non-manufacturing sectors in the State's economy. The table shows that in 2016 Connecticut's production was concentrated in four areas: finance, insurance and real estate (FIRE), services, manufacturing and government. Production in these four industries accounted for 76.3% of total production in Connecticut compared to 78.6% in 2009 and 72.0% for the nation in 2016. This demonstrates that Connecticut's economy is more heavily concentrated in a few industries than the nation as a whole and that this concentration has changed little in recent years.

The output contribution of manufacturing, however, has been declining over time as the contributions of services has been increasing. The share of production from the manufacturing sector decreased from 11.9% in 2009 to 10.9% in 2016 caused by increased competition with foreign countries and other states. The broadly defined services in the private sector, which excludes industries in agriculture and construction, wholesale and retail trades, but includes industries in information, professional and technical services, health care and education, FIRE, and other services, have decreased to 59.9% of the total GSP in 2016 from 60.7% in 2009. The broadly defined services in the private sector increased by 9.8% from 2009 to 2016 compared to 13.9% for the public sector during the comparable period. A stable service sector may help smooth the business cycle, reducing the span and depth of recessions and prolonging the length of expansions. Normally, activities in service sectors relative to manufacturing are less susceptible to pent-up demand, less subject to inventory-induced swings, less intensive in capital requirements, and somewhat less vulnerable to foreign competition. Therefore, this shift to the service sectors may serve to smooth output fluctuations.

TABLE B-7

Gross State Product by Industry in Connecticut
(In Millions)

Calendar Year	2009	2010	2011	2012	2013	2014	2015	2016
Sector								
Manufacturing	$ 27,688	$ 28,080	$ 26,734	$ 27,636	$ 28,635	$ 27,618	$ 28,740	$ 28,273
Construction[(a)]	7,380	6,816	6,787	7,172	7,221	7,517	8,211	8,644
Agriculture[(b)]	295	320	306	316	362	279	281	274
Utilities[(c)]	7,887	7,892	8,040	7,964	8,278	8,675	8,927	8,533
Wholesale Trade	13,032	13,831	14,149	15,168	15,523	16,012	16,768	16,842
Retail Trade	11,498	11,617	12,046	12,782	12,922	13,315	13,920	14,269
Information	9,907	9,779	9,594	9,788	11,298	11,208	12,734	13,126
Finance[(d)]	74,106	72,976	71,426	69,981	66,718	66,812	69,345	71,540
Services[(e)]	57,780	58,785	60,353	63,824	64,626	67,062	69,357	71,092
Government	23,990	24,435	24,799	24,834	25,393	26,132	27,236	27,327
Total GSP	$233,562	$234,528	$234,234	$239,463	$240,976	$244,627	$255,518	$259,918

Note—Columns may not add due to rounding.

(a) Includes mining.

(b) Includes forestry and fisheries.

(c) Includes transportation, communications, electric, gas, and sanitary services.

(d) Includes finance, insurance and real estate.

(e) Covers a variety of activities, including professional, business, education, health care and personal services.

SOURCE: United States Department of Commerce, Bureau of Economic Analysis

Employment

Non-agricultural employment includes all persons employed except federal military personnel, the self-employed, proprietors, unpaid workers, and farm and household domestic workers. The following table compares non-agricultural establishment employment for Connecticut, New England, and the United States between 2007 and 2016. Connecticut's nonagricultural employment reached a high in March 2009 of 1,713,300 persons employed, but began declining with the onset of the recession falling to 1,594,200 jobs by February 2010, and has since risen to 1,685,200 by December 2017.

TABLE B-8

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

Calendar Year	Connecticut Employment	Connecticut Percent Growth	New England Employment	New England Percent Growth	United States Employment	United States Percent Growth
2007	1,698.5	1.0%	7,070.0	0.9%	137,997.2	1.1%
2008	1,699.1	0.0	7,071.4	0.0	137,240.3	(0.5)
2009	1,626.3	(4.3)	6,817.1	(3.6)	131,300.2	(4.3)
2010	1,607.9	(1.1)	6,802.7	(0.2)	130,353.3	(0.7)
2011	1,624.3	1.0	6,866.6	0.9	131,941.0	1.2
2012	1,637.7	0.8	6,950.7	1.2	134,170.7	1.7
2013	1,650.0	0.8	7,035.4	1.2	136,379.4	1.6
2014	1,661.2	0.7	7,133.4	1.4	138,937.3	1.9
2015	1,674.1	0.8	7,239.1	1.5	141,813.1	2.1
2016	1,679.5	0.3	7,331.5	1.3	144,305.5	1.8

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

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

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

Composition of Employment. The following table shows the distribution of non-agricultural employment in Connecticut and the United States in 2016. The table shows that Connecticut has a larger share of employment in services, manufacturing, and finance than the nation as a whole.

TABLE B-9

Connecticut Non-agricultural Employment, Calendar Year 2016
(In Thousands)

	Connecticut Total	Connecticut Percent	United States Total	United States Percent
Services[a]	766.2	45.6%	64,047.5	44.4%
Trade[b]	298.5	17.8	27,236.3	18.9
Manufacturing	156.3	9.3	12,348.3	8.6
Government	236.5	14.1	22,228.1	15.4
Finance[c]	130.0	7.7	8,284.8	5.7
Information[d]	32.3	1.9	2,772.3	1.9
Construction[e]	59.6	3.6	7,388.3	5.1
Total[f]	1,679.5	100.0%	144,305.5	100.0%

(a) Covers a considerable variety of activities, including professional, business, education, health care and personal services.

(b) Includes wholesale and retail trade, transportation, and utilities.

(c) Includes finance, insurance, and real estate.

(d) Includes publishing, broadcasting, telecommunications, internet providers, and data processing.

(e) Includes natural resources and mining.

(f) Totals may not equal sum of individual categories due to rounding and seasonal statistical data adjustments.

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

Recent trends in the State's non-agricultural employment are reflected in the following table. Throughout the last five decades, while manufacturing employment in Connecticut has been steadily declining, employment in the services industries has surged. In calendar year 2016, approximately 90.7% of the State's workforce was employed in non-manufacturing jobs, up from roughly 50% in the early 1950s.

TABLE B-10

Connecticut Non-agricultural Employment
(Annual Averages In Thousands)

Calendar Year	Manufacturing	Trade[a]	Services[b]	Government	Finance[c]	Information[d]	Construction[e]	Total Non-agricultural Employment[f]
2007	187.8	308.0	698.6	251.7	144.6	38.4	69.4	1,698.5
2008	184.4	305.7	706.8	254.8	143.4	37.8	66.1	1,699.1
2009	168.4	289.0	691.2	250.6	137.6	34.3	55.2	1,626.3
2010	162.8	285.9	695.3	246.4	135.2	31.7	50.6	1,607.9
2011	163.4	288.9	711.0	242.8	135.0	31.3	52.0	1,624.3
2012	161.8	291.2	727.2	241.0	133.1	31.3	52.0	1,637.7
2013	160.2	293.8	738.9	240.5	130.6	32.0	54.0	1,650.0
2014	157.2	295.7	751.4	240.1	128.8	32.1	56.0	1,661.2
2015	156.9	297.1	760.0	239.1	130.1	32.5	58.4	1,674.1
2016	156.3	298.5	766.2	236.5	130.0	32.3	59.6	1,679.5

(a) Includes wholesale and retail trade, transportation, and utilities.

(b) Covers a considerable variety of activities, including professional, business, education, health care and personal services.

(c) Includes finance, insurance, and real estate.

(d) Includes publishing, broadcasting, telecommunications, internet providers, and data processing.

(e) Includes natural resources and mining.

(f) Totals may not equal sum of individual categories due to rounding and seasonal statistical adjustments.

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

Manufacturing

The manufacturing industry, despite its continuing downward employment trend over the past five decades, has traditionally served as an economic base industry and has been of prime economic importance to Connecticut. Based on the level of personal income derived from this sector, Connecticut ranked 21st in the nation for its dependency on manufacturing wages in calendar year 2016. The following table provides a ten-year historical picture of manufacturing employment in Connecticut, the New England region and the United States. This downward movement in manufacturing employment levels is also reflected in the New England region and the nation. The transformation in the State's manufacturing base confirms that the State's employment share in the manufacturing sector is converging to the national average. In calendar year 2016 approximately 9.3% of the State's workforce, versus 8.6% for the nation, was employed in the manufacturing sector.

TABLE B-11

Manufacturing Employment
(In Thousands)

Calendar Year	Connecticut Number	Connecticut Percent Growth	New England Number	New England Percent Growth	United States Number	United States Percent Growth
2007	187.8	(1.6)%	705.9	(1.6)%	13,877.8	(2.0)%
2008	184.4	(1.8)	687.8	(2.6)	13,403.4	(3.4)
2009	168.4	(8.7)	620.0	(9.9)	11,847.8	(11.6)
2010	162.8	(3.3)	602.5	(2.8)	11,528.7	(2.7)
2011	163.4	0.3	603.5	0.2	11,727.1	1.7
2012	161.8	(0.9)	601.3	(0.4)	11,927.0	1.7
2013	160.2	(1.0)	598.2	(0.5)	12,019.5	0.8
2014	157.2	(1.8)	595.1	(0.5)	12,185.1	1.4
2015	156.9	(0.2)	595.9	0.1	12,335.3	1.2
2016	156.3	(0.4)	591.1	(0.8)	12,348.3	0.1

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

Connecticut has a diverse manufacturing sector, with the construction of transportation equipment (primarily aircraft engines and submarines) being the dominant industry. The State is also a leading producer of military and civilian helicopters. Employment in the transportation equipment sector is followed by fabricated metals, machinery, and computer and electronics for the total number employed in 2016.

TABLE B-12

Manufacturing Employment
By Industry
(In Thousands)

Calendar Year	Transportation Equipment	Fabricated Metals	Computer & Electronics	Machinery	Other[a]	Total Manufacturing Employment[b]
2007	43.6	33.4	14.1	18.2	78.6	187.8
2008	44.3	33.1	14.2	17.7	75.1	184.4
2009	43.1	29.4	13.4	16.0	66.5	168.4
2010	42.2	28.1	13.3	15.0	64.2	162.8
2011	42.2	28.6	13.4	14.8	64.4	163.4
2012	42.0	29.2	13.0	14.5	63.0	161.8
2013	41.4	30.0	12.8	14.1	61.9	160.2
2014	40.1	29.7	12.6	14.0	60.8	157.2
2015	40.7	29.2	12.3	14.1	60.6	156.9
2016	41.8	29.3	11.6	13.6	60.1	156.3

(a) Includes other industries such as wood products, furniture, glass/stone, primary metals, and instruments in the durable sector, as well as all industries such as chemicals, paper, and plastics in the nondurable sector.

(b) Totals may not equal sum of individual categories due to rounding and seasonal statistical adjustments.

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

During the past ten years, Connecticut's manufacturing employment was at its highest in 2007 at 187,800 workers. Since that year, employment in manufacturing continued on a downward trend. A number of factors,

such as heightened foreign competition, outsourcing to offshore locations, and improved productivity played a significant role in affecting the overall level of manufacturing employment. Total manufacturing jobs in Connecticut continued to decline to a recent low of 156,300 in 2016. The total number of manufacturing jobs dropped 31,500, or 16.8%, from its decade high in 2007.

Exports. In Connecticut, the export sector of manufacturing is an important component of the overall economy. According to figures published by the United States Census Bureau Foreign Trade Division, compiled by the World Institute for Strategic Economic Research, exports of manufacturing products registered at $14.4 billion in 2016, accounting for 5.5% of Gross State Product. From 2012 to 2016, the State's export of goods fell at a compound annual rate of 2.4% versus 2.1% growth for the Gross State Product. The following table shows the growth in exports of manufacturing products.

TABLE B-13

Exports Originating in Connecticut
(In Millions)

	Calendar Year					Percent of 2016	Compound Annual Growth Rate
	2012	2013	2014	2015	2016	Total	2012-2016
A. Manufacturing Products							
Transportation Equipment	$ 7,158.2	$ 8,004.8	$ 7,318.6	$ 7,012.6	$ 6,217.3	43.2%	(3.5)%
Computer & Electronics	1,365.9	1,237.0	1,270.6	1,191.0	1,109.0	7.7	(5.1)
Machinery, Except Electronics	1,761.2	1,758.8	2,072.8	1,666.6	1,770.4	12.3	0.1
Fabricated Metal Production	690.4	720.2	733.6	706.7	789.0	5.5	3.4
Chemicals	1,026.2	992.6	971.0	1,039.5	864.7	6.0	(4.2)
Misc. Manufacturing	273.1	307.8	330.7	326.2	327.3	2.3	4.6
Electrical Equipment	873.3	900.1	1,002.9	1,032.9	958.7	6.7	2.4
Plastics & Rubber	267.6	239.8	233.5	230.3	224.9	1.6	(4.3)
Paper	146.3	141.1	142.7	131.2	137.0	1.0	(1.6)
Primary Metal Mfg.	704.3	648.2	637.8	675.6	505.1	3.5	(8.0)
Others	1,604.6	1,476.3	1,248.6	1,229.7	1,490.8	10.4	(1.8)
Total	$ 15,871.1	$ 16,426.7	$ 15,962.8	$ 15,242.4	$ 14,394.2	100.0%	(2.4)%
% Growth	(2.2)%	3.5%	(2.8)%	(4.5)%	(5.6)%		
B. Gross State Product[(a)]	$239,461.8	$240,975.5	$244,627.8	$255,517.0	$259,918.5		2.1%
Mfg Exports as a % of GSP	6.6%	6.8%	6.5%	6.0%	5.5%		

(a) In millions.

SOURCE: United States Census Bureau Foreign Trade Division
World Institute for Strategic Economic Research

Defense Industry. One important component of the manufacturing sector in Connecticut is the defense industry. Approximately one quarter of the State's manufacturing employees are employed in defense related business. Nonetheless, this sector's significance in the State's economy has declined considerably since the early 1980s. Connecticut had witnessed a marked reduction in the amount of federal spending earmarked for defense related industries in the State; however, these amounts have been climbing most years since federal Fiscal Year 2002. In federal Fiscal Year 2016 Connecticut received $14.1 billion of prime contract awards. These total awards accounted for 5.1% of national total awards and ranked 4th in total defense dollars awarded and first in per capita dollars awarded among the 50 states. In federal Fiscal Year 2016, Connecticut had $3,952 in per capita defense awards, compared to the national average of $863. As measured by a three year moving average of defense contract awards as a percent of Gross State Product, awards to Connecticut-based firms were 5.0% of Gross State Product in Fiscal Year 2016.

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, Lockheed Martin with its Sikorsky Division in Stratford, and General Dynamics Corporation's Electric Boat Division in Groton.

The following table provides a historical perspective of defense contract awards for the past ten fiscal years. Defense contracts are awarded in their entirety and multi-year awards are credited in the year they are awarded, thus giving rise to some of the fluctuation.

TABLE B-14

Defense Contract Awards

Federal Fiscal Year	Connecticut Total Contract Award (Thousands)	Connecticut Rank Among States Total Awards	Percent Change from Prior Year	
			Connecticut	U.S.
2007	$ 8,616,669	12th	12.4%	14.0%
2008	12,225,659	9th	41.9	18.8
2009	11,851,941	9th	(3.1)	(6.7)
2010	11,238,751	8th	(5.2)	(2.4)
2011	12,491,324	7th	11.1	2.0
2012	12,750,298	7th	2.1	(3.1)
2013	10,032,845	8th	(21.3)	(15.8)
2014	13,207,927	4th	31.6	(3.0)
2015	12,146,972	5th	(8.0)	(2.8)
2016	14,139,317	4th	16.4	10.1

SOURCE: United States Department of Defense

Non-manufacturing. The non-manufacturing sector is comprised of industries that primarily provide services. Services differ significantly from manufactured goods in that the output is generally intangible, it is produced and consumed concurrently, and it cannot be inventoried. Consumer demand for services is not as postponable as the purchase of goods, making the flow of demand for services more stable. An economy will therefore generally become more stable as it becomes more service oriented. Over the past several decades the non-manufacturing sector of the State's economy has risen in economic importance, from just over 50% of total State employment in 1950 to approximately 90.7% by 2016. This trend has diluted the State's dependence on manufacturing. From 2007 to 2016, Connecticut had a loss of 19,000 jobs in non-agricultural employment. During this period total non-manufacturing jobs increased by 12,400, while manufacturing jobs declined by 31,500.

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 Year	Connecticut Number	Connecticut Percent Growth	New England Number	New England Percent Growth	United States Number	United States Percent Growth
2007	1,510.7	1.4%	6,364.2	1.2%	124,119.3	1.5%
2008	1,514.7	0.3	6,383.5	0.3	123,836.8	(0.2)
2009	1,457.9	(3.7)	6,197.1	(2.9)	119,452.3	(3.5)
2010	1,445.1	(0.9)	6,200.2	0.1	118,824.6	(0.5)
2011	1,461.0	1.1	6,263.2	1.0	120,213.9	1.2
2012	1,475.9	1.0	6,349.3	1.4	122,243.7	1.7
2013	1,489.9	0.9	6,437.2	1.4	124,359.9	1.7
2014	1,504.0	0.9	6,538.3	1.6	126,752.2	1.9
2015	1,517.2	0.9	6,643.2	1.6	129,477.8	2.2
2016	1,523.1	0.4	6,740.4	1.5	131,957.3	1.9

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 92.8% of the State's employment in the non-manufacturing sector. Connecticut non-manufacturing employment for 2007, 2014, 2015 and 2016 is shown in the table below. Total non-manufacturing employment has been broken down by industry. Percent changes over the year and over the decade are also provided. Between 2007 and 2016, employment in the service industry expanded by 67,600 workers driving an increase of 12,400 non-manufacturing jobs, amid a time when all other non-manufacturing jobs registered a decrease in jobs.

TABLE B-16

Connecticut Non-manufacturing Employment By Industry
(In Thousands)

Industry	Calendar Year 2007	Calendar Year 2014	Calendar Year 2015	Calendar Year 2016	Percent Change 2014-16	Percent Change 2007-16
Construction[(a)]	69.4	56.0	58.4	59.6	2.1%	(14.0)%
Information	38.4	32.1	32.5	32.3	(0.4)	(15.9)
Trade[(b)]	308.0	295.7	297.1	298.5	0.5	(3.1)
Finance, Insurance & Real Estate	144.6	128.8	130.1	130.0	(0.1)	(10.1)
Services[(c)]	698.6	751.4	760.0	766.2	0.8	9.7
Federal Government	19.6	17.4	17.7	17.9	0.8	(8.9)
State and Local Government	232.1	222.7	221.3	218.6	(1.2)	(5.8)
Total Non-manufacturing Employment[(d)]	1,510.7	1,504.0	1,517.2	1,523.1	0.4%	0.8%

(a) Includes natural resources and mining.

(b) Includes wholesale & retail trade, transportation, and utilities.

(c) Covers a considerable variety of activities, including professional, business, education, health care and personal services.

(d) Totals may not agree with detail due to rounding and seasonal statistical data adjustments.

SOURCE: Connecticut State Labor Department

Retail Trade. Personal spending on goods and services generally accounts for over two-thirds of the Gross Domestic Product. Approximately half of personal spending is generally done through retail stores. At the State level, retail trade therefore constitutes approximately one third of the State's economic activity, measured by Gross State Product. During the last decade, variations in retail trade closely matched variations in Gross State Product growth, making retail trade an important barometer of economic health.

The following table shows the major group in each North American Industry Classification System (NAICS) code as well as the State's retail trade history for the past five fiscal years. Connecticut retail trade in Fiscal Year 2017 totaled $56,030.3 billion, an increase of 1.2% from Fiscal Year 2016. Sales in the durable goods category, which were severely impacted during the recession, registered three consecutive yearly declines before beginning to recover in Fiscal Year 2011 and accelerating further through Fiscal Year 2017. Durable goods are mostly big ticket items such as appliances, furnishings, and automobiles.

TABLE B-17

Retail Trade In Connecticut[a]
(In Millions)

NAICS		Fiscal Year 2013	Percent of Fiscal Year 2013 Total	Fiscal Year 2014	Percent of Fiscal Year 2014 Total	Fiscal Year 2015	Percent of Fiscal Year 2015 Total	Fiscal Year 2016	Percent of Fiscal Year 2016 Total	Fiscal Year 2017	Percent of Fiscal Year 2017 Total	Compound Annual Growth Rate 2013-2017
441	Motor Vehicle and Parts Dealers	$ 8,392.7	16.1%	$9,098.9	17.0%	$ 9,585.4	17.6%	$ 9,898.6	17.9%	$10,072.3	18.0%	4.7%
442	Furniture and Home Furnishings Stores	1,665.0	3.2	1,706.5	3.2	1,768.2	3.2	1,897.6	3.4	2,009.3	3.6	4.8
443	Electronics and Appliance Stores	1,619.7	3.1	1,641.0	3.1	1,653.1	3.0	1,643.8	3.0	1,656.5	3.0	0.6
444	Building Material and Garden Supply Stores	2,585.0	5.0	2,715.1	5.1	2,836.0	5.2	3,034.6	5.5	3,020.9	5.4	4.0
445	Food and Beverage Stores[b]	11,101.7	21.3	11,183.5	20.9	10,742.8	19.7	10,964.2	19.8	11,045.6	19.7	(0.1)
446	Health and Personal Care Stores	4,413.1	8.5	4,714.6	8.8	4,847.5	8.9	5,074.7	9.2	5,274.6	9.4	4.6
447	Gasoline Stations	3,789.5	7.3	3,774.4	7.0	3,329.8	6.1	3,196.1	5.8	3,297.8	5.9	(3.4)
448	Clothing and Clothing Accessories Stores	2,920.4	5.6	2,945.6	5.5	2,992.7	5.5	3,083.1	5.6	3,035.6	5.4	1.0
451	Sporting Goods, Hobby, Book and Music Stores	1,070.9	2.1	1,055.0	2.0	1,054.6	1.9	1,084.9	2.0	1,125.1	2.0	1.2
452	General Merchandise Stores	5,439.3	10.5	5,380.8	10.0	5,508.7	10.1	5,503.2	9.9	5,419.0	9.7	(0.1)
453	Miscellaneous Store Retailers	5,163.2	9.9	5,052.6	9.4	5,739.5	10.5	5,773.9	10.4	5,978.1	10.7	3.7
454	Nonstore Retailers	3,858.6	7.4	4,332.5	8.1	4,496.1	8.2	4,204.1	7.6	4,095.5	7.3	1.5
	Total[a]	$52,019.2	100.0%	$53,600.6	100.0%	$54,554.4	100.0%	$55,358.8	100.0%	$56,030.3	100.0%	1.9%
Durables (NAICS 441, 442, 443, 444)		$14,262.0	27.4%	$15,162.0	28.3%	$15,843.0	29.0%	$16,475.0	29.8%	$16,759.0	29.9%	4.1%
Non Durables (all other NAICS)		$37,757.0	72.6%	$38,439.0	71.7%	$38,712.0	71.0%	$38,884.0	70.2%	$39,271.0	70.1%	1.0%

(a) Totals may not agree with detail due to rounding.

SOURCE: Connecticut Department of Revenue Services

Unemployment Rates. The unemployment rate is the proportion of persons in the civilian labor force who do not have jobs but are actively looking for work. Unemployment rates tend to be high during economic slowdowns and low when the economy is expanding. The rate is widely utilized as a proxy for consumer confidence. In general, when the unemployment rate is high consumer spending is lower and vice versa.

After enjoying an extraordinary boom during the late 1990s, Connecticut, as well as the rest of the Northeast and the Nation, experienced an economic slowdown during the recession of the early 2000s. The unemployment rate in the State reached a low of 2.4% in 2000, compared to New England's average of 2.8% and the national average of 4.0%. After climbing to 5.4% in 2003, Connecticut's unemployment rate declined to 4.3% by 2006, but climbed during the most recent recession to 9.1% in 2010. Connecticut's average unemployment rate fell to 4.8% in 2017 (average of the first six months) compared to the New England average of 3.9% and the national average of 4.5% for the same period.

The following table compares the unemployment rate averages of Connecticut, New England, and the United States for the calendar years 2008 through 2017.

SUPPLEMENTARY INFORMATION AS OF JUNE 6, 2018

TABLE B-18

Unemployment Rate

Calendar Year	Unemployment Rate		
	Connecticut	New England	United States
2008	5.7%	5.6%	5.8%
2009	8.1	8.2	9.3
2010	9.1	8.3	9.6
2011	8.8	7.7	8.9
2012	8.3	7.2	8.1
2013	7.7	6.8	7.4
2014	6.6	5.8	6.2
2015	5.6	4.8	5.3
2016	5.0	4.0	4.9
2017[(a)]	4.7	3.8	4.4

(a) On a preliminary basis, Connecticut's unemployment rate was estimated at 4.5% for April 2018 compared to the national average of 3.9%. No assurances can be provided that such rates will not change.

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

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KEVIN LEMBO
STATE COMPTROLLER

MARTHA CARLSON
DEPUTY COMPTROLLER

STATE OF CONNECTICUT
OFFICE *of the* STATE COMPTROLLER
55 Elm Street
Hartford, CT 06106

December 29, 2017

The Honorable Denise L. Nappier
State Treasurer
55 Elm Street
Hartford, CT 06106

Dear Treasurer Nappier:

I have reviewed the accompanying general purpose financial statements of the State of Connecticut for the Fiscal Year ended June 30, 2017. The statements and the subsequent Independent Auditors' Report are incorporated within the Comprehensive Annual Report of the State of Connecticut, which is prepared by my office using the guidance of generally accepted accounting principles.

Sincerely,

Kevin Lembo
State Comptroller

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

ROBERT J. KANE

INDEPENDENT AUDITORS' REPORT

Governor Dannel P. Malloy
Members of the General Assembly

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Connecticut as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the state's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We did not audit:

Government-wide Financial Statements

- the financial statements of the Special Transportation Fund account within the Transportation Fund and the Transportation Special Tax Obligations account within the Debt Service Fund, which in the aggregate, represent 2 percent of the assets, 2 percent of the net position and 8 percent of the revenues of the Governmental Activities;
- the financial statements of the John Dempsey Hospital account within the University of Connecticut and Health Center, the Connecticut State University System, Connecticut Community Colleges, Bradley International Airport Parking Facility, and the federal accounts for the Clean Water Fund and Drinking Water Fund, which in the aggregate, represent 56 percent of the assets, 48 percent of the net position and 34 percent of the revenues of the Business Type Activities;
- the financial statements of the discretely presented component units.

Fund Financial Statements

- the financial statements of the Special Transportation Fund account, which represents 97 percent of the assets and 97 percent of the revenues of the Transportation Fund;
- the financial statements of the Transportation Special Tax Obligations account, which represents 100 percent of the assets and 100 percent of the revenues of the Debt Service Fund;
- the financial statements of the John Dempsey Hospital account within the University of Connecticut and Health Center, the Connecticut State University System, the Connecticut Community Colleges, Bradley International Airport Parking Facility, and the federal accounts for the Clean Water Fund and Drinking Water Fund, which in the aggregate, represent 56 percent of the assets, 48 percent of the net position and 34 percent of the revenues of the Enterprise Funds.

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned funds and accounts, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. In addition, the financial statements of the Special Transportation Fund, Transportation Special Tax Obligations Fund, Drinking Water Fund, Clean Water Fund, Connecticut Airport Authority, Capital Region Development Authority, Connecticut Lottery Corporation, Materials Innovation and Recycling Authority, Connecticut Health and Educational Facilities Authority, Connecticut Health Insurance Exchange, Connecticut Housing Finance Authority, Connecticut Innovations Incorporated and the Connecticut Green Bank were audited by other auditors in accordance with standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. The audits of the financial statements of the Bradley International Airport Parking Facility, Connecticut State University System, Connecticut Community Colleges, and the University of Connecticut Foundation were not conducted in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, for the State of Connecticut, as of June 30, 2017, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 23 and 25, the State of Connecticut adopted Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures.* This statement requires the disclosure of tax abatements resulting from agreements that are entered into by the state and agreements that are entered into by other governments that reduce the state's tax revenues. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, pension plan schedules and information, and the other post-employment benefits schedules, as listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's

responses to our inquiries, the basic financial statements, and other knowledge we obtained during the course of our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Connecticut's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017, on our consideration of the State of Connecticut's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report will be issued under separate cover in the *Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters for the Fiscal Year Ended June 30, 2017, State of Connecticut Comprehensive Annual Financial Report* and is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

John C. Geragosian
State Auditor

Robert J. Kane
State Auditor

December 29, 2017
State Capitol
Hartford, Connecticut

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MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The following is a discussion and analysis of the State's financial performance and condition providing an overview of the State's activities for the fiscal year ended June 30, 2017. The information provided here should be read in conjunction with the letter of transmittal in the front of this report and with the State's financial statements, which follow this section.

HIGHLIGHTS

Government-wide Financial Statements
The State's total net position (deficit) increased $802 million (or 2.1 percent) as a result of this year's operations. Net position (deficit) of governmental activities increased by $1.2 billion (or 2.8 percent) and net position of business-type activities increased by $440 million (or 7.0 percent). At year-end, net position (deficit) of governmental activities and business-type activities totaled a negative $45.4 billion and $6.7 billion, respectively.

Component units reported net position of $2.4 billion, an increase of $46.2 million or 2.0 percent from the previous year. The majority of the net position is attributable to the Connecticut Housing Finance Authority, a major component unit.

Fund Financial Statements
The governmental funds reported combined ending fund balance of $2.9 billion, an increase of $1.0 billion in comparison with the prior year. Of this total fund balance, $195.6 million represents nonspendable fund balance, $3.2 billion represents restricted fund balance, $303.5 million represents committed fund balance, and $6.5 million represents assigned fund balance. A negative $829.7 million unassigned fund balance offsets these amounts. This deficit belongs primarily to the General Fund, decreased by $177.7 million during the fiscal year.

The State's stabilization account, the General Fund Budget Reserve Account (Rainy Day Fund) ended the fiscal year with a balance of $212.9 million.

Tax revenues in the governmental funds decreased $85.4 million or .05 percent. General fund tax revenues decreased $135.4 million or .09 percent.

The Enterprise funds reported net position of $6.7 billion at year-end, an increase of $440.1 million during the year, substantially all of which was invested in capital assets or restricted for specific purposes.

Long–Term Debt
Total long-term debt was $74.5 billion for governmental activities at year-end, of which $25.5 billion was bonded debt.

Total long-term debt was $2.1 billion for business-type activities at year-end, of which $1.6 billion was bonded debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State's basic financial statements. The State's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information to provide additional support to the basic financial statements.

Government-wide Financial Statements – Reporting the State as a Whole
The Statement of Net Position and the Statement of Activities beginning on page II-C-25 together comprise the government-wide financial statements. These financial statements are designed to provide readers with a broad overview of the State's finances, in a manner similar to a private-sector business. All revenues and expenses are recognized regardless of when cash is received or spent, and all assets, deferred outflows of resources, liabilities and deferred inflows of resources, including capital assets and long-term debt, are reported at the entity level. The government-wide statements report the State's net position and changes in net position. Over time, increases and decreases in net position measure whether the

State's overall financial condition is getting better or worse. Non-financial factors such as the State's economic outlook, changes in its demographics, and the condition of capital assets and infrastructure should also be considered when evaluating the State's overall condition.

The statement of net position presents information on all of the State's assets and deferred outflows of resources, and liabilities and deferred inflows of resources with the difference between all reported as net position. Net position is displayed in three components – net investment in capital assets; restricted; and unrestricted.

The statement of activities presents information showing how the State's net position changed during fiscal year 2017. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both the Statement of Net Position and Statement of Activities report three separate activities. These activities are described as follows:

- **Governmental Activities** – The State's basic services fall under this activity including legislative, general government, regulation and protection, conservation and development, health and hospital, transportation, human services, education, corrections, and judicial. Taxes and intergovernmental revenues are major funding sources for these programs.

- **Business-type Activities** – The State operates certain activities much like private-sector companies by charging fees to cover all or most of the costs of providing goods and services. The major business-type activities of the State include the University of Connecticut and Health Center, Board of Regents (Connecticut State Universities & Community Colleges), Employment Security Fund, and Clean Water Fund.

- **Discretely Presented Component Units** – A number of entities are legally separate from the State, yet the State remains financially accountable for them. The major component units of the State are Connecticut Housing Finance Authority, Connecticut Lottery Corporation, and Connecticut Airport Authority.

Fund Financial Statements – Report the State's Most Significant Funds

The fund financial statements beginning on page II-C-29 provide detailed information about individual major funds, not the State as a whole. A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the State can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental Funds –** Most of the State's basic services are accounted for in governmental funds and are essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental funds use the modified accrual basis of accounting, which measures the flow of current financial resources that can be converted to cash and the balances left at year-end that are available for future spending. This short-term view of the State's financial position helps determine whether the State has sufficient resources to cover expenditures for its basic services in the near future.

  Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the State's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate the comparison between governmental funds and governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

The State reports five individual governmental funds. Information is presented separately in the governmental fund statements for the General Fund, Debt Service Fund, Transportation Fund, Restricted Grants and Accounts Fund, and Grants and Loan Programs Fund, all of which are considered major funds.

- **Proprietary Funds** – Proprietary funds include enterprise funds and internal service funds and account for activities that operate more like private-sector businesses and use the full accrual basis of accounting. Enterprise funds charge fees for services provided to outside customers. Enterprise funds are reported as business-type activities on the government-wide financial statements. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the State's various functions. The State uses Internal Service funds to account for correction industries, information technology, and administrative services. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

  The State reports four individual proprietary funds. Information is presented separately in the proprietary fund statements for the University of Connecticut and Health Center, Board of Regents (Connecticut State Universities & Connecticut Community Colleges), Employment Security, and Clean Water all of which are considered major funds. Data from the other enterprise funds is combined into a single, aggregated presentation.

- **Fiduciary Funds –** Fiduciary funds account for resources held by the State in a trustee or agency capacity for others. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the State's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position.

- **Component Units –** The government-wide financial statements report information for all component units into a single, aggregated presentation. Information is provided separately in the component unit fund statements for the Connecticut Housing Finance Authority, Connecticut Lottery, and Connecticut Airport Authority. Data from the other component units is combined into a single, aggregated presentation.

Reconciliation between Government-wide and Fund Statements

The financial statements include schedules on pages II-C-31 and II-C-33 which reconcile and explain the differences between the amounts reported for governmental activities on the government-wide statements (full accrual basis of accounting, long-term focus) with amounts reported on the governmental fund statements (modified accrual basis of accounting, short-term focus). The following are some of the major differences between the two statements.

- Capital assets and long-term debt are included on the government-wide statements, but are not reported on the governmental fund statements.

- Capital outlay spending results in capital assets on the government-wide statements, but is expenditures on the governmental fund statements.

- Bond proceeds result in liabilities on the government-wide statements, but are other financing sources on the governmental fund statements.

- Net Pension Liability and Net OPEB Obligation are included on the government-wide statements, but are not reported on the governmental fund statements.

- Certain tax revenues that are earned but not yet available are reported as revenue on the government-wide statements, but are deferred inflows of resource on the governmental fund statements.

Notes to the Financial Statements
The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the component unit fund financial statements.

Required Supplementary Information (RSI)
Following the basic financial statements are budgetary comparison schedules for major funds with legally adopted budgets. In addition, within the RSI there is a reconciliation schedule for Budgetary vs. GAAP basis of accounting. The RSI also includes information regarding the State's funding progress and employer contributions for pension and other postemployment benefits, and change in employers' net pension liability.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

Net Position
The combined net position deficit of the State increased $802 million or 2.1 percent. In comparison, last year the combined net position deficit increased $2.5 billion or 7.0 percent. The net position deficit of the State's governmental activities increased $1.2 billion (2.8 percent) to $45.4 billion during the current fiscal year.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
ASSETS						
Current and Other Assets	$ 4,074	$ 4,674	$ 2,477	$ 4,166	$ 6,551	$ 8,840
Capital Assets	16,653	13,706	6,888	4,539	23,541	18,245
Total Assets	20,727	18,380	9,365	8,705	30,092	27,085
Deferred Outflows of Resources	11,183	2,656	14	12	11,197	2,668
LIABILITIES						
Current Liabilities	4,716	4,501	691	715	5,407	5,216
Long-term Liabilities	72,236	60,580	1,976	1,714	74,212	62,294
Total Liabilities	76,952	65,081	2,667	2,429	79,619	67,510
Deferred Inflows of Resources	328	83	3	19	331	102
NET POSITION						
Net Investment in Capital Assets	4,568	4,531	4,126	3,794	8,694	8,325
Restricted	2,888	1,977	1,018	1,090	3,906	3,067
Unrestricted	(52,826)	(50,636)	1,565	1,385	(51,261)	(49,251)
Total Net Position (Deficit)	$ (45,370)	$ (44,128)	$ 6,709	$ 6,269	$ (38,661)	$ (37,859)

Total invested in capital assets net of related debt was $4.6 billion (buildings, roads, bridges, etc.) and $2.9 billion was restricted for specific purposes, resulting in an unrestricted net position deficit of $52.8 billion for governmental activities. This deficit is the result of having long-term obligations that are greater than currently available resources. The State has recorded the following outstanding long-term obligations which contributed to the deficit; a) general obligation bonds outstanding of $18.4 billion to finance various municipal grant programs (e.g., school construction) and $2.2 billion issued to finance a contribution to a pension trust fund, and b) other long-term obligations in the amount of $49.0 billion, which are partially funded or not funded by the State (e.g., net pension liability and OPEB obligations and compensated absences).

Net position of the State's business-type activities increased $440.0 million (7.0 percent) to $6.7 billion during the current fiscal year. Of this amount, $4.1 billion invested in capital assets and $1.0 billion was restricted for specific purposes, resulting in unrestricted net positions of $1.6 billion. These resources are not available to make up for the net position deficit of the State's governmental activities. The State can only use these net positions to finance the ongoing operations of its Enterprise funds (such as the University of Connecticut and Health Center and others).

Changes in net position for the years ended June 30, 2017 and 2016 were as follows:

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

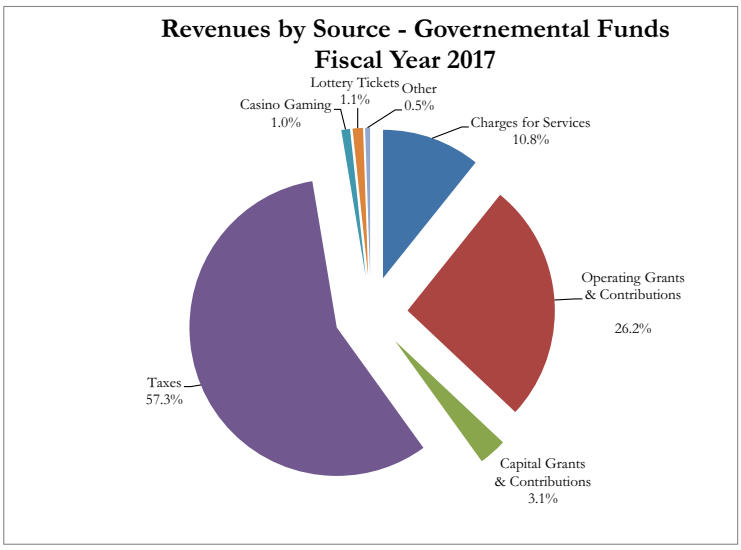
	Governmental Activities		Business-Type Activities		Total		% change
	2017	2016	2017	2016	2017	2016	17-16
REVENUES							
Program Revenues							
Charges for Services	$ 3,038	$ 1,998	$ 2,887	$ 2,820	$ 5,925	$ 4,818	23.0%
Operating Grants and Contributions	7,368	7,179	367	594	7,735	7,773	-0.5%
Capital Grants and Contributions	863	779	1	6	864	785	10.1%
General Revenues							
Taxes	16,141	16,204	-	-	16,141	16,204	-0.4%
Casino Gaming Payments	270	266	-	-	270	266	1.5%
Lottery Tickets	326	335	-	-	326	335	-2.7%
Other	153	207	16	13	169	220	-23.2%
Total Revenues	28,159	26,968	3,271	3,433	31,430	30,401	3.4%
EXPENSES							
Legislative	129	140	-	-	129	140	-7.9%
General Government	2,281	2,545	-	-	2,281	2,545	-10.4%
Regulation and Protection	977	968	-	-	977	968	0.9%
Conservation and Development	1,221	1,104	-	-	1,221	1,104	10.6%
Health and Hospital	2,714	2,772	-	-	2,714	2,772	-2.1%
Transportation	1,594	2,238	-	-	1,594	2,238	-28.8%
Human Services	9,470	9,116	-	-	9,470	9,116	3.9%
Education, Libraries, and Museums	5,185	5,315	-	-	5,185	5,315	-2.4%
Corrections	2,211	2,308	-	-	2,211	2,308	-4.2%
Judicial	1,074	1,135	-	-	1,074	1,135	-5.4%
Interest and Fiscal Charges	878	829	-	-	878	829	5.9%
University of Connecticut & Health Center	-	-	2,310	2,255	2,310	2,255	2.4%
Board of Regents	-	-	1,360	1,363	1,360	1,363	-0.2%
Employment Security	-	-	726	686	726	686	5.8%
Clean Water	-	-	36	38	36	38	-5.3%
Other	-	-	66	67	66	67	-1.5%
Total Expenses	27,734	28,470	4,498	4,409	32,232	32,879	-2.0%
Excess (Deficiency) Before Transfers	425	(1,502)	(1,227)	(976)	(802)	(2,478)	
Transfers	(1,667)	(1,746)	1,667	1,746	-	-	
Increase (Decrease) in Net Position	(1,242)	(3,248)	440	770	(802)	(2,478)	
Net Position (Deficit) - Beginning	(44,128)	(40,880)	6,269	5,499	(37,859)	(35,381)	
Net Position (Deficit) - Ending	(45,370)	(44,128)	6,709	6,269	(38,661)	(37,859)	2.1%

Changes in Net Position

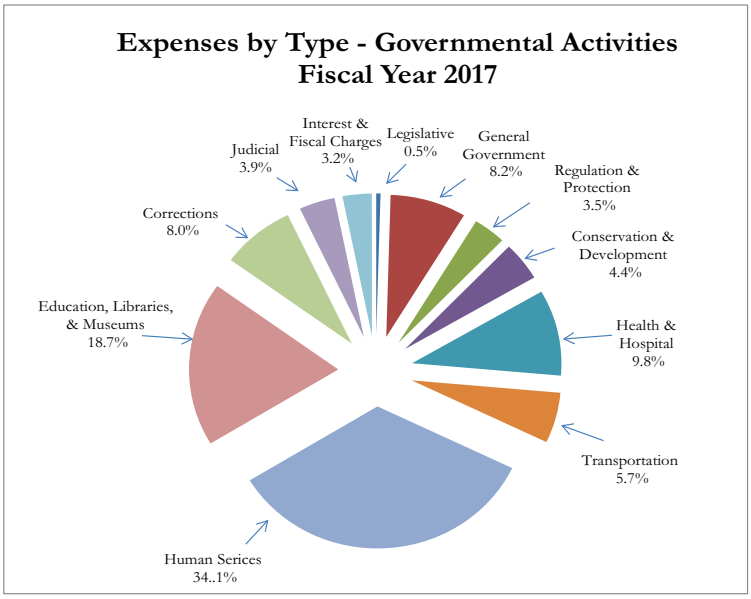
This year the State's governmental activities received 57.3 percent of its revenue from taxes and 29.3 percent of its revenues from grants and contributions. In the prior year, taxes accounted for 60.1 percent and grants and contributions were 29.5 percent of total revenues. Charges for services such as licenses, permits and fees, rents and fines, and other miscellaneous collections comprised 10.8 percent of total revenue in fiscal year 2017, compared to 7.4 percent in fiscal year 2016.

Governmental Activities

The following graph is a representation of the Statement of Activities revenues for governmental activities. Governmental activities revenues increased by $1.2 billion, or 4.4 percent. This increase is primarily due to an increase of $1.0 billion from charges for services.

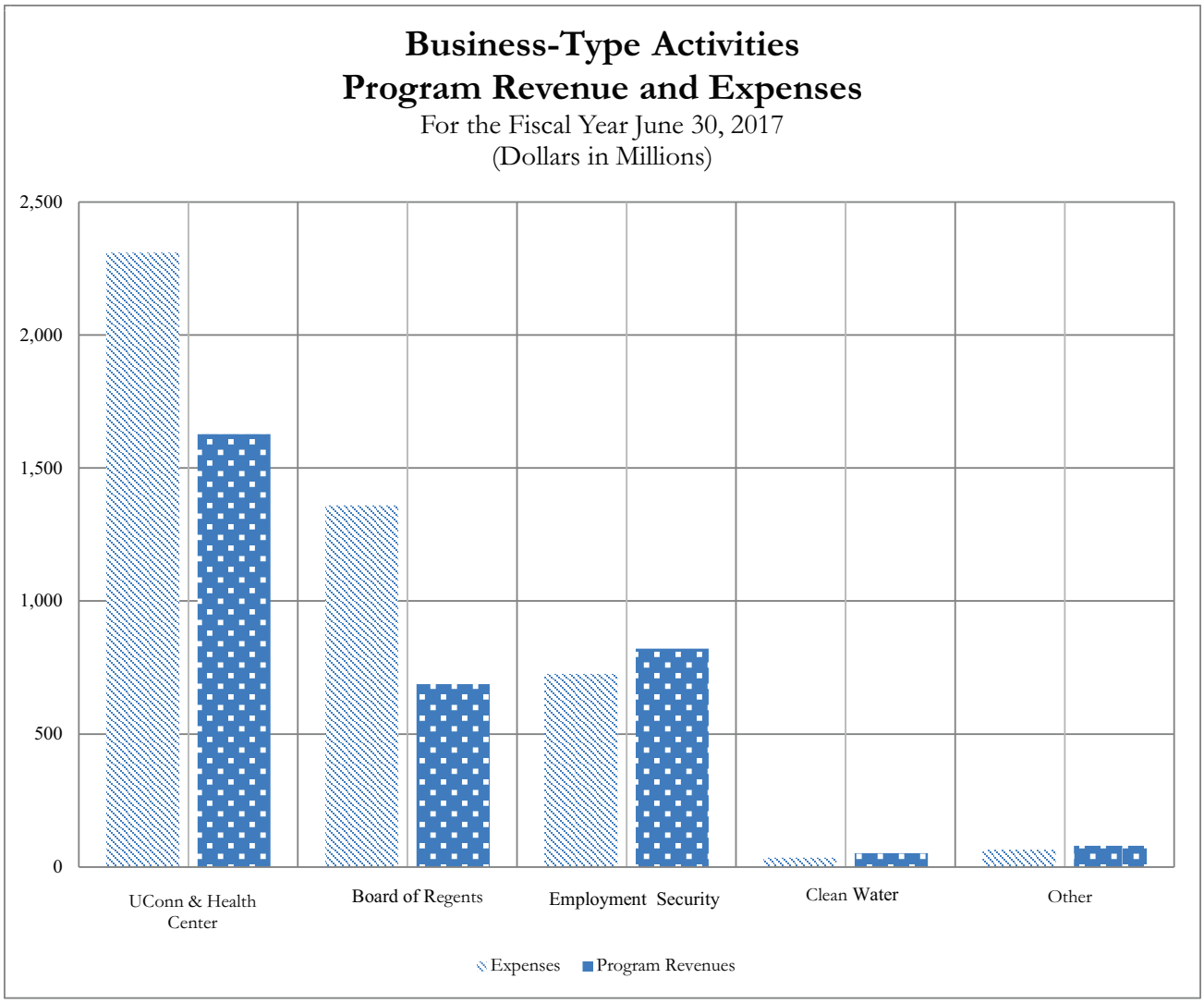


The following graph is a representation of the Statement of Activities expenses for governmental activities. Governmental activities expenses decreased by $736 million, or 2.6 percent. The decrease is mainly attributable to decreased spending in general government.



Business-Type Activities

Net position of business-type activities increased by $440 million during the fiscal year. The following chart highlights the changes in net position for the major enterprise funds.



During the year, total revenues of business-type activities decreased 4.7 percent to $3.3 billion, while total expenses increased 2.0 percent to $4.5 billion. In comparison, last year total revenues increased 3.0 percent, while total expenses increased 1.3 percent. The increase in total expenses of $89 million was due mainly to an increase in University of Connecticut and Health Center expenses of $55 million or 2.4 percent. Although, total expenses exceeded total revenues by $1.2 billion, this deficiency was reduced by transfers of $1,667 million, resulting in an increase in net position of $440 million.

FINANCIAL ANALYSIS OF THE STATE'S GOVERNMENTAL FUNDS

As of the end of the fiscal year, the State's governmental funds had fund balances of $2.9 billion, an increase of $1.0 billion over the prior year ending fund balances. Of the total governmental fund balances, $3.2 billion represents fund balance that is considered restricted for specific purposes by external constrains or enabling legislation; $195.6 million represents fund balance that is non-spendable; $310.0 million represents fund balance that is committed or assigned for specific purposes. A negative $829.7 million unassigned fund balance offsets these amounts.

General Fund
The General Fund is the chief operating fund of the State. At the end of the fiscal year, the General Fund had a fund balance deficit of $494.4 million, a decrease of $119.8 million in comparison with the prior year. Of this total fund balance, $326.7 million represents non-spendable fund balance or committed for specific purposes, leaving a deficit of $821.1 million in unassigned fund balance.

Specific changes to the General Fund balance included the following:

- Nonspendable fund balance increased by $1.1 million or 2.0 percent.
- Committed fund balance decreased by $59.0 million or 17.8 percent. There also was a statutory transfer from the Budget Reserve Fund (Rainy Day Fund) for $22.7 million, after the transfer the fund ended the year with a balance of $212.9 million.
- Unassigned fund balance deficit decreased by $177.7 million.

At the end of fiscal year 2017, General Fund revenues were 1.6 percent, or $287.1 million, higher than fiscal year 2016 revenues. This change in revenue results from increases of $456.7 million primarily attributable to federal grants ($134.9 million), casino gaming payments ($4.0 million), fines, forfeits, and rents ($174.0 million), and other revenue ($143.8 million). These increases were offset by decreases of $169.6 million primarily attributable to taxes ($135.4 million), licenses, permits and fees ($20.6 million), and other revenue ($13.6 million).

At the end of fiscal year 2017, General Fund expenditures were 1.8 percent, or $306.1 million, lower than fiscal year 2016. This was primarily attributable to a decrease in health & hospitals of $532.5 million. Net other financing sources and uses increased by $48.1 million.

Debt Service Fund
At the end of fiscal year 2017, the Debt Service Fund had a fund balance of $827.1 million, all of which was restricted, an increase of $88.9 million in comparison with the prior year.

Transportation Fund
The State's Transportation Fund had a fund balance of $182.1 million at the end of fiscal 2017. Of this amount, $26.9 million was in nonspendable form and $155.2 million was restricted or committed for specific purposes. Fund balance decreased by $29.7 million during the current fiscal year.

At the end of fiscal year 2017, Transportation Fund revenues increased by $42.9 million, or 3.1 percent, and expenditures decreased by $24.3 million, or 2.6 percent. The increased revenue is primarily due to an increase in licenses, permits, and fees.

Restricted Grants and Accounts Fund
At the end of fiscal year 2017, the Restricted Grants and Accounts Fund had a fund balance of $428.1 million, all of which was restricted for specific purposes, an increase of $230.2 million in comparison with the prior year.

Total revenues were 12.7 percent, or $855.2 million, higher than in fiscal year 2016. Overall, total expenditures were 10.1 percent, or $685.2 million, higher than fiscal year 2016.

Grant and Loan Programs
As of June 30, 2017, the Grant and Loan Programs Fund had a fund balance of $843.3 million, all of which was restricted for specific purposes, an increase of $153.8 million in comparison with the prior year.

FINANCIAL ANALYSIS OF THE STATE'S PROPRIETARY FUNDS

Proprietary funds report activities of the State that are similar to for-profit business. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. Accordingly, a discussion of the financial activities of the Proprietary funds is provided in that section.

FINANCIAL ANALYSIS OF THE STATE'S FIDUCIARY FUNDS

The State maintains Fiduciary funds for the assets of Pension and Other Employee Benefit Trust funds, an Investment Trust fund, and a Private-Purpose Trust fund. The net positions of the State's Fiduciary funds totaled $34.2 billion, an increase of $3.3 billion when compared to the prior year ending net position.

Budget Highlights-General Fund

The State budget is formulated during odd-numbered years; the General Assembly generates a two-year (biennial) budget. The process begins with the Executive Branch, when the governor asks the commissioner of each state agency to prepare draft budgets for the following biennium. Over several months the governor's budget office, the Office of Policy and Management (OPM), compiles this information, makes changes as it sees fit, and then works to match the agencies' spending projections with revenue estimates for the same period.

The result referred to as the 'governor's budget,' is delivered to the General Assembly in a formal address by the governor in early February. The annual budget address often includes policy, initiatives, spending proposals, and vehicles through which additional revenue may be generated. In the address, the governor identifies his priorities for the biennium.

Thereafter, the legislature goes through a similar process to determine spending priorities and corresponding revenue requirements. Later in the session, the Appropriations and Finance Committees approve a budget, which is often different from the governor's. Negotiations with the governor's office reconcile the two versions and determine the final budget language and the state's fiscal path for the following two years. Lastly, the budget must be voted on and passed by both the House and Senate and signed into law by the governor.

The General Fund ended Fiscal Year 2017 with a deficit of $22,696,231. A transfer from the Budget Reserve Fund eliminated the shortfall. The Transportation Fund had an operating deficit of $45,225,502, which left a positive fund balance of $97,615,054 at the close of Fiscal Year 2017.

After the transfer to the General Fund, the Budget Reserve Fund has a balance of $212,886,689. The reserves at the beginning of Fiscal Year 2017 were $235,582,920.

In evaluating the Fiscal Year 2017 General Fund deficit, some context may be instructive. The revised budget for FY 2017 included appropriation levels that were $847.2 million lower than the original budget plan for FY 2017, as adopted in Public Act 15-244. The net reductions in the revised budget for FY 2017 were largely driven by underperforming revenue collections as reflected in the April 30, 2016 consensus revenue forecast, the last of FY 2016.

The revised budget for FY 2017 had a negative growth rate of -0.32 percent, comparing the revised appropriations for FY 2017 to actual FY 2016 expenditures. In the end, General Fund FY 2017 expenditures of $17,763,039,724 came in $100.9 million below the revised budget plan.

Overall, General Fund expenditures that are classified as fixed costs continued to grow in FY 2017. Fixed costs, as defined by Connecticut General Statutes (CGS) section 2-36(b), include categories such as entitlements, debt service, pension payments and retirement health insurance costs.

Debt service costs, including UCONN 2000 debt, grew by $103.6 million in FY 2017 compared with the prior year, an increase of 5.7 percent. Retirement health costs rose by $60.5 million in FY 2017, representing growth of 9.4 percent. Pension contributions, including the State Employee Retirement and Teachers' Retirement Systems, increased by $64.5 million or 3.1 percent. Medicaid expenditures, the largest line item in the General Fund, grew by only $16 million in FY 2017, less than one percent over FY 2016.

Despite rising fixed costs, year-over-year expenditures declined in FY 2017 by $158.2 million compared with FY 2016 actuals, a decline of nearly one percent. This was accomplished by more stringent cost controls applied to other types of General Fund spending. Personal services expenditures, the primary appropriation for General Fund employee salaries, decreased by $155.3 million in FY 2017, a reduction of 6.8 percent. Position reductions in the General Fund also translated into $32.9 million in lower costs for active employee health insurance and Social Security taxes. Other expenses, which state agencies use for a wide variety of non-salary items, decreased by $52.4 million, a decline of 10.4 percent. Another notable reduction included General Fund block grants for higher education units, which fell by $67.5 million or 9.5 percent.

Disappointing revenue performance led to deficit mitigation efforts in the fourth quarter of FY 2017, including allotment reductions and revenue transfers contained in Public Act 17-51. In particular, April tax collections were significantly lower than expected. For the year, Personal Income Tax receipts, the largest single General Fund revenue source, came in $530.3 million below FY 2017 budget targets and $193 million below FY 2016 final results. A closer look at the components of the income tax revealed that there was modest growth of 1.3 percent in the withholding portion of receipts compared with the prior year totals. However, despite a rising stock market, the estimated and final payments portion of the income tax came in well below projected levels. Collections for these more volatile components, which are related to capital gains and bonus payments, dropped by 7.8 percent compared with FY 2016. One possible explanation for this trend is that wealthy state residents may be holding off selling assets in anticipation of tax reductions at the Federal level. In addition, investors are relying more heavily on tax efficient vehicles such as Exchange Traded Fund (ETFs), which are designed to minimize taxes on capital gains.

Sales and Use Tax receipts, the second largest General Fund tax category, ended the year $136.5 million below the budget plan. On a positive note, the Corporations Tax offset some of these revenue shortfalls by coming in $193.8 million above target in FY 2017. The Inheritance and Estate Tax also over-performed budget projections by $44.1 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2017 totaled $19.8 billion (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment, infrastructure, and construction in progress. The net increase in the State's investment in capital assets for the fiscal year was $1.6 billion.

Major capital asset events for governmental activities during the fiscal year include additions to buildings and land of $339.9 million and depreciation expense of $717.9 million.

The following table is a two-year comparison of the investment in capital assets presented for both governmental and business-type activities:

State of Connecticut's Capital Assets
(Net of Depreciation, in Millions)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Land	$ 1,788	$ 1,747	$ 69	$ 68	$ 1,857	1,815
Buildings	2,836	2,605	3,385	3,253	6,221	5,858
Improvements Other Than Buildings	127	141	197	184	324	325
Equipment	49	-	344	348	393	348
Infrastructure	5,096	4,613	-	-	5,096	4,613
Construction in Progress	4,988	4,545	877	686	5,865	5,231
Total	$ 14,884	$ 13,651	$ 4,872	$ 4,539	$ 19,756	$ 18,190

Additional information on the State's capital assets can be found in Note 9 of this report.

Long-Term Debt - Bonded Debt

At the end of the current fiscal year, the State had total debt outstanding of $27.1 billion. Pursuant to various public and special acts, the State has authorized the issuance of the following types of debt: general obligation debt (payable from the General Fund), special tax obligation debt (payable from the Debt Service Fund), and revenue debt (payable from specific revenues of the Enterprise funds).

The following table is a two-year comparison of bonded debt presented for both governmental and business-type activities:

State of Connecticut's Bonded Debt (in millions)
General Obligation and Revenue Bonds

	Governmental Activies		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	$ 18,399	$ 17,395	$ -	$ -	$ 18,399	$ 17,395
Transportation Related bonds	5,042	4,520	-	-	5,042	4,520
Revenue Bonds	-	-	1,443	1,271	1,443	1,271
Long-Term Notes	177	353	-	-	177	353
Premiums and Deferred Amounts	1,887	1,672	175	12	2,062	1,684
Total	$ 25,505	$ 23,940	$ 1,618	$ 1,283	$ 27,123	$ 25,223

The State's total bonded debt increased by $1.9 billion (7.5 percent) during the current fiscal year. This increase resulted mainly from an increase in general obligation bonds of $1.0 billion.

Section 3-21 of the Connecticut General Statutes provides that the total amount of bonds, notes or other evidences of indebtedness payable from General Fund tax receipts authorized by the General Assembly but have not been issued and the total amount of such indebtedness which has been issued and remains outstanding shall not exceed 1.6 times the total estimated General Fund tax receipts of the State for the current fiscal year. In computing the indebtedness at any time, revenue anticipation notes, refunded indebtedness, bond anticipation notes, tax increment financing, budget deficit bonding, revenue bonding, balances in debt retirement funds and other indebtedness pursuant to certain pprovisions of the General Statutes shall be excluded from the calculation. As of July 2017, the State had a debt incurring margin of $3.6 billion.

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

	Governmental Activies		Business-Type Activities		Total Primary Government	
	2017	2016	2017	216	2017	2016
Net Pension Liability	$ 37,192	$ 27,449	$ -	$ -	$ 37,192	$ 27,449
Net OPEB Obligation	10,450	9,928	-	-	10,450	9,928
Compensated Absences	513	511	193	190	706	701
Workers Compensation	718	684	-	-	718	684
Other	120	147	327	349	447	496
Total	$ 48,993	$ 38,719	$ 520	$ 539	$ 49,513	$ 39,258

The State's other long-term obligations increased by $10.3 billion (26.1 percent) during the fiscal year. This increase was due mainly to an increase in the net pension liability (Governmental activities) of $9.7 billion or 35.5 percent. Additional information on the State's long-term debt can be found in Notes 16 and 17 of this report.

ECONOMIC OUTLOOK AND NEXT YEAR'S BUDGET

According to state Department of Labor (DOL) statistics, Connecticut gained 12,200 nonfarm seasonally-adjusted payroll jobs over the course of FY 2017 and had a total of 1,692,800 employed residents as of June 2017. As the fiscal year closed, unemployment stood at 5.0 percent, down one-tenth of a percent from the beginning of the fiscal year. Connecticut had recovered 82.3 percent (98,000 jobs) of the 119,100 seasonally adjusted jobs lost in the Great Recession (March 2008 to February 2010) by the end of the fiscal year.

After mixed results in calendar 2016, the housing market in Connecticut improved during the first six months of 2017. According to Berkshire Hathaway Home Services, sales and prices were up for both single family homes and condominiums in the first quarter of 2017 compared with the same period in 2016. In the second quarter of 2017, Connecticut experienced a 5.7 percent increase in sales volume year-over-year and 9.1 percent decrease in days on the market. Compared with the same period in the prior year, the median price for single family homes increased 3.1 percent and condominiums increased 3.0 percent.

During FY 2017, Connecticut's economy experienced lower levels of growth compared with past recoveries. After advancing at a 2 percent rate in the fourth quarter of 2016, Connecticut's GDP growth slowed to 0.6 percent in the first quarter of 2017, which ranked 37th among all states. Personal income was expanding in Connecticut at an annual rate of just one percent during Fiscal Year 2017. Personal income growth in the second quarter of 2017 was 0.8 percent, which ranked 22nd among U.S. states.

Despite the deep recession of 2008 and the slow pace of recovery, Connecticut continues to be a wealthy state. The Bureau of Economic Analysis reports that in 2016, Connecticut had a per capita personal income (PCPI) of $69,311. This PCPI ranked 1st in the United States and was 141 percent of the national average of $49,246. The 2016 PCPI reflected an increase of 1.4 percent from 2015. The 2015-2016 national change was 1.6 percent. In 2006, the PCPI of Connecticut was $54,191 and ranked 1st in the United States. The 2006-2016 compound annual growth rate of PCPI was 2.5 percent. The compound annual growth rate for the nation was 2.6 percent.

Over the past several decades, the national economy has seen increasing wage disparity between skilled and unskilled workers. Accordingly, Connecticut's high income is partially explained by the educational achievement of its citizens. Almost 22 percent of the state's adult population has a bachelor's degree and nearly 17 percent possess a graduate degree or higher according to the U.S. Census Bureau. This puts Connecticut's national ranking at 8th and 4th respectively in the educational attainment of its adult population.

The state continues to be a leader in technology and innovation within its industries. On a per capita basis, Connecticut ranked 6th among states in research and development spending. The state ranked 8th nationally in patents granted per population. The state's principal industries today produce jet engines and parts, submarines, electronics and electrical machinery, computer equipment, and helicopters, as well as cutting-edge pharmaceuticals (Connecticut ranks 4th in the nation in bioscience patents per capita). Much of Connecticut's manufacturing is for the military.

As in many other states, Connecticut's traditional core sectors are being reshaped by national trends and global competition. Manufacturing's contribution to the state economy as measured by GDP has been cut in half over recent decades. At the end of 1990, total manufacturing payroll employment in the state posted over 290,000 jobs; at the end of 2016, that job total was just over 156,000.

Finance, insurance and real estate (FIRE) is an important industry grouping that in 2016 contributed the highest dollar amount to the state's Real Gross Domestic Product at over one quarter of the total. However, the financial crisis that caused the 2008 recession significantly reduced employment in this sector. Jobs in the financial sector remain approximately 13,000 below the 2008 pre-recession peak. These are some of the highest paying jobs within the state. Over the past ten years in Connecticut, the strongest job gains have been in industries with below average wages. The largest gains have been posted in educational services, health care and social assistance, and accommodation and food services, but wages in these sectors are about 20 percent below the statewide average.

Looking forward Connecticut has numerous competitive advantages and challenges in shaping its economy. As discussed in the introductory section above, Connecticut has been steadily regaining jobs that were lost to the 2008 recession. There are also indications of pay gains in many sectors. The state's labor force has the 5th highest productivity rate in the country, which should help sustain higher wages into the future. Connecticut can boast of a high quality of life in attracting and retaining businesses. Connecticut has a ranking of 5th among all states in quality of life measures with the 2nd highest median family income, the 3rd highest overall health of residents, and the 7th lowest rate of property crime.

Connecticut surely has challenges ahead in stabilizing its state budget, improving its transportation system and revitalizing its urban centers to accommodate growing preferences for urban living. Our state is well positioned to create a strong economy moving into the future. The state ranked 8th nationally in its readiness for the "New Economy", which measures knowledge jobs, globalization, the digital economy, and innovation capacity among other factors. The stability of future state budgets is dependent on this economic growth. Job growth, wage growth and capital gains have been dependable indicators of state revenue growth and the resulting budget balance.

CONTACTING THE STATE'S OFFICES OF FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report, please contact the State Comptroller's Office at 1-860-702-3352.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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STATEMENT OF NET POSITION

June 30, 2017

(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 1,470,178	$ 846,008	$ 2,316,186	$ 296,688
Deposits with U.S. Treasury	-	482,330	482,330	-
Investments	116,653	77,040	193,693	449,856
Receivables, (Net of Allowances)	2,679,234	646,613	3,325,847	110,001
Due from Primary Government	-	-	-	6,520
Inventories	44,378	12,572	56,950	5,937
Restricted Assets	-	142,418	142,418	1,019,300
Internal Balances	(245,277)	245,277	-	-
Other Current Assets	8,276	25,001	33,277	21,648
Total Current Assets	4,073,442	2,477,259	6,550,701	1,909,950
Noncurrent Assets:				
Cash and Cash Equivalents	-	528,321	528,321	-
Due From Component Units	37,910	-	37,910	-
Investments	-	58,372	58,372	208,037
Receivables, (Net of Allowances)	903,227	999,220	1,902,447	437,300
Restricted Assets	827,125	425,743	1,252,868	4,738,258
Capital Assets, (Net of Accumulated Depreciation)	14,884,431	4,872,356	19,756,787	771,013
Other Noncurrent Assets	83	3,684	3,767	63,507
Total Noncurrent Assets	16,652,776	6,887,696	23,540,472	6,218,115
Total Assets	$ 20,726,218	$ 9,364,955	$ 30,091,173	$ 8,128,065
Deferred Outflows of Resources				
Accumulated Decrease in Fair Value of Hedging Derivatives	$ 826	$ -	$ 826	$ 44,569
Unamortized Losses on Bond Refundings	79,122	13,819	92,941	79,527
Related to Pensions	11,103,357	-	11,103,357	84,957
Other Deferred Outflows	-	396	396	55
Total Deferred Outflows of Resources	$ 11,183,305	$ 14,215	$ 11,197,520	$ 209,108
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	$ 966,482	$ 392,433	$ 1,358,915	$ 108,118
Due to Component Units	6,520	-	6,520	-
Due to Primary Government	-	-	-	37,910
Due to Other Governments	359,059	770	359,829	-
Current Portion of Long-Term Obligations	2,262,093	162,939	2,425,032	193,464
Amount Held for Institutions	-	-	-	216,998
Unearned Revenue	22,312	41,270	63,582	-
Medicaid Liability	632,473	-	632,473	-
Liability for Escheated Property	387,182	-	387,182	-
Other Current Liabilities	80,079	93,580	173,659	62,253
Total Current Liabilities	4,716,200	690,992	5,407,192	618,743
Noncurrent Liabilities:				
Non-Current Portion of Long-Term Obligations	72,235,501	1,975,649	74,211,150	5,289,968
Total Noncurrent Liabilities	72,235,501	1,975,649	74,211,150	5,289,968
Total Liabilities	$ 76,951,701	$ 2,666,641	$ 79,618,342	$ 5,908,711
Deferred Inflows of Resources				
Related to Pensions	$ 327,673	$ -	$ 327,673	$ 27,766
Other Deferred Inflows	-	3,338	3,338	2,000
Total Deferred Inflows of Resources	$ 327,673	$ 3,338	$ 331,011	$ 29,766
Net Position				
Net Investment in Capital Assets	$ 4,568,371	$ 4,126,277	$ 8,694,648	$ 458,330
Restricted For:				
Transportation	83,834	-	83,834	-
Debt Service	754,529	4,508	759,037	7,664
Federal Grants and Other Accounts	421,152	-	421,152	-
Capital Projects	504,776	126,207	630,983	114,613
Grant and Loan Programs	849,411	-	849,411	-
Clean Water and Drinking Water Projects	-	729,809	729,809	-
Bond Indenture Requirements	-	-	-	865,197
Loans	-	2,565	2,565	-
Permanent Investments or Endowments:				
Expendable	-	-	-	99,232
Nonexpendable	112,934	14,970	127,904	436,911
Other Purposes	161,273	139,870	301,143	108,481
Unrestricted (Deficit)	(52,826,131)	1,564,985	(51,261,146)	308,268
Total Net Position (Deficit)	$ (45,369,851)	$ 6,709,191	$ (38,660,660)	$ 2,398,696

The accompanying Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services, Fees, Fines , and Other	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Legislative	$ 128,659	$ 4,144	$ 23	$ -
General Government	2,281,216	975,905	67,300	-
Regulation and Protection	976,521	860,719	164,789	-
Conservation and Development	1,220,870	79,620	136,339	-
Health and Hospitals	2,713,513	618,482	192,261	-
Transportation	1,593,860	90,663	-	863,002
Human Services	9,470,826	220,670	6,031,992	-
Education, Libraries, and Museums	5,185,450	43,041	620,684	-
Corrections	2,211,201	11,118	137,914	-
Judicial	1,073,970	133,588	16,580	-
Interest and Fiscal Charges	877,822	-	-	-
Total Governmental Activities	27,733,908	3,037,950	7,367,882	863,002
Business-Type Activities:				
University of Connecticut & Health Center	2,310,348	1,355,686	267,290	1,388
Board of Regents	1,360,029	628,345	58,038	-
Employment Security	725,609	799,630	21,424	-
Clean Water	36,234	35,800	8,921	-
Other	66,328	67,202	11,614	-
Total Business-Type Activities	4,498,548	2,886,663	367,287	1,388
Total Primary Government	$ 32,232,456	$ 5,924,613	$ 7,735,169	$ 864,390
Component Units				
Connecticut Housing Finance Authority (12/31/16)	$ 204,781	$ 169,992	$ -	$ -
Connecticut Lottery Corporation	1,221,620	1,216,393	-	-
Connecticut Airport Authority	82,733	99,187	-	7,930
Other Component Units	292,357	277,390	45	2,339
Total Component Units	$ 1,801,491	$ 1,762,962	$ 45	$ 10,269
General Revenues:				
Taxes:				
Personal Income				
Corporate Income				
Sales and Use				
Other				
Restricted for Transportation Purposes:				
Motor Fuel				
Other				
Casino Gaming Payments				
Tobacco Settlement				
Lottery Tickets				
Unrestricted Investment Earnings				
Transfers-Internal Activities				
Total General Revenues, Contributions, and Transfers				
Change in Net Position				
Net Position (Deficit)- Beginning (as restated)				
Net Position (Deficit)- Ending				

The accompanying Notes to the Financial Statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (124,492)	$ -	$ (124,492)	$ -
(1,238,011)	-	(1,238,011)	-
48,987	-	48,987	-
(1,004,911)	-	(1,004,911)	-
(1,902,770)	-	(1,902,770)	-
(640,195)	-	(640,195)	-
(3,218,164)	-	(3,218,164)	-
(4,521,725)	-	(4,521,725)	-
(2,062,169)	-	(2,062,169)	-
(923,802)	-	(923,802)	-
(877,822)	-	(877,822)	-
(16,465,074)	-	(16,465,074)	-
-	(685,984)	(685,984)	-
-	(673,646)	(673,646)	-
-	95,445	95,445	-
-	8,487	8,487	-
-	12,488	12,488	-
-	(1,243,210)	(1,243,210)	-
(16,465,074)	(1,243,210)	(17,708,284)	-
-	-	-	(34,789)
-	-	-	(5,227)
-	-	-	24,384
-	-	-	(12,583)
-	-	-	(28,215)
8,065,612	-	8,065,612	-
828,100	-	828,100	-
4,226,788	-	4,226,788	-
2,022,836	-	2,022,836	-
907,641	-	907,641	-
90,199	-	90,199	-
269,906	-	269,906	-
123,360	-	123,360	-
326,415	-	326,415	-
29,061	16,357	45,418	74,472
(1,666,956)	1,666,956	-	-
15,222,962	1,683,313	16,906,275	74,472
(1,242,112)	440,103	(802,009)	46,257
(44,127,739)	6,269,088	(37,858,651)	2,352,439
$ (45,369,851)	$ 6,709,191	$ (38,660,660)	$ 2,398,696

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FUND FINANCIAL STATEMENTS

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2017

(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Grant & Loan Programs	Other Funds	Total Governmental Funds
Assets							
Cash and Cash Equivalents	$ -	$ -	$ 39,579	$ 439,477	$ 292,646	$ 686,428	$ 1,458,130
Investments	-	-	-	-	-	116,653	116,653
Securities Lending Collateral	-	-	-	-	-	8,094	8,094
Receivables:							
Taxes, Net of Allowances	1,380,503	-	139,358	-	-	-	1,519,861
Accounts, Net of Allowances	423,986	-	19,530	138,160	6,531	74,305	662,512
Loans, Net of Allowances	3,419	-	-	46,686	557,203	295,919	903,227
From Other Governments	21,853	-	-	464,033	-	8,822	494,708
Interest	-	1,419	236	-	-	-	1,655
Other	-	-	-	-	-	13	13
Due from Other Funds	43,672	-	1,419	270	5	279,441	324,807
Due from Component Units	36,918	-	-	992	-	-	37,910
Inventories	13,255	-	26,906	-	-	-	40,161
Restricted Assets	-	827,125	-	-	-	-	827,125
Total Assets	$ 1,923,606	$ 828,544	$ 227,028	$ 1,089,618	$ 856,385	$ 1,469,675	$ 6,394,856
Liabilities, Deferred Inflows, and Fund Balances							
Liabilities							
Accounts Payable and Accrued Liabilities	$ 350,217	$ -	$ 31,042	$ 236,945	$ 6,650	$ 95,425	$ 720,279
Due to Other Funds	356,302	1,419	-	3,360	31	204,905	566,017
Due to Component Units	-	-	-	6,520	-	-	6,520
Due to Other Governments	357,717	-	-	1,342	-	-	359,059
Unearned Revenue	10,263	-	-	-	-	12,049	22,312
Medicaid Liability	256,355	-	-	376,118	-	-	632,473
Liability For Escheated Property	387,182	-	-	-	-	-	387,182
Securities Lending Obligation	-	-	-	-	-	8,094	8,094
Other Liabilities	50,302	-	-	21,683	-	-	71,985
Total Liabilities	1,768,338	1,419	31,042	645,968	6,681	320,473	2,773,921
Deferred Inflows of Resources							
Receivables to be Collected in Future Periods	649,686	-	13,835	15,586	6,449	71,982	757,538
Fund Balances							
Nonspendable:							
Inventories/Long-Term Receivables	53,592	-	26,906	-	-	-	80,498
Permanent Fund Principal	-	-	-	-	-	115,072	115,072
Restricted For:							
Debt Service	-	827,125	-	-	-	-	827,125
Transportation Programs	-	-	124,856	-	-	-	124,856
Federal Grant and State Programs	-	-	-	428,064	-	-	428,064
Grants and Loans	-	-	-	-	841,956	-	841,956
Other	-	-	-	-	-	965,495	965,495
Committed For:							
Continuing Appropriations	60,237	-	30,389	-	-	-	90,626
Budget Reserve Fund	212,887	-	-	-	-	-	212,887
Assigned To:							
Grants and Loans	-	-	-	-	1,299	-	1,299
Other	-	-	-	-	-	5,207	5,207
Unassigned	(821,134)	-	-	-	-	(8,554)	(829,688)
Total Fund Balances	(494,418)	827,125	182,151	428,064	843,255	1,077,220	2,863,397
Total Liabilities, Deferred Inflows, and Fund Balances	$ 1,923,606	$ 828,544	$ 227,028	$ 1,089,618	$ 856,385	$ 1,469,675	$ 6,394,856

The accompanying Notes to the Financial Statements are an integral part of this statement.

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2017

(Expressed in Thousands)

Total Fund Balance - Governmental Funds		$ 2,863,397
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (see Note 9). These consist of:		
Cost of capital assets (excluding internal service funds)	29,942,437	
Less: Accumulated depreciation (excluding internal service funds)	(15,106,922)	
Net capital assets		14,835,515
Some assets such as receivables, are not available soon enough to pay for current period's expenditures and thus, are offset by unavailable revenue in the governmental funds.		757,538
Deferred losses on refundings are reported in the Statement of Net Position (to be amortized as interest expense) but are not reported in the funds.		79,122
Deferred outflows for pensions are reported in the Statement of Net Position but are not reported in the funds (see Note 10).		11,103,357
Long-term debt instruments such as bonds and notes payable, are not due and payable in the current period and, therefore, the outstanding balances are not reported in the funds (see Note 16). Also, unamortized debt premiums and interest payable are reported in the Statement of Net Position but are not reported in the funds. These balances consist of:		
General obligation bonds payable	(18,398,554)	
Transportation bonds payable	(5,041,840)	
Notes payable	(177,120)	
Unamortized premiums	(1,887,084)	
Accrued interest payable	(239,917)	
Net long-term debt		(25,744,515)
Other liabilities not due and payable in the current period and, therefore, not reported in the funds (see Note 16).		
Net pension liability	(37,192,071)	
Net OPEB obligation	(10,450,182)	
Obligations for worker's compensation	(718,016)	
Capital leases payable	(30,900)	
Compensated absences (excluding internal service funds)	(511,386)	
Claims and judgments payable	(51,163)	
Landfill postclosure care	(36,297)	
Total other liabilities		(48,990,015)
Deferred inflows for pensions are reported in the Statement of Net Position but are not reported in the funds (see Note 11).		
Pension related		(327,673)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		53,423
Total Net Position - Governmental Activities		$ (45,369,851)

The accompanying Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For The Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Grant & Loan Programs	Other Funds	Total Governmental Funds
Revenues							
Taxes	$ 15,081,933	$ -	$ 997,102	$ 2	$ -	$ -	$ 16,079,037
Licenses, Permits, and Fees	272,860	-	331,109	5,239	-	88,002	697,210
Tobacco Settlement	-	-	-	-	-	123,360	123,360
Federal Grants and Aid	1,992,063	-	12,168	6,158,944	-	67,709	8,230,884
State Grants and Aid	-	-	-	-	-	-	-
Lottery Tickets	326,415	-	-	-	-	-	326,415
Charges for Services	39,146	-	64,403	-	-	1,071	104,620
Fines, Forfeits, and Rents	188,171	-	19,777	-	-	1,000	208,948
Casino Gaming Payments	269,906	-	-	-	-	-	269,906
Investment Earnings	2,332	5,670	3,001	1,406	6,523	10,129	29,061
Interest on Loans	-	-	-	-	-	26	26
Miscellaneous	328,989	34	9,214	1,445,304	25,114	148,234	1,956,889
Total Revenues	18,501,815	5,704	1,436,774	7,610,895	31,637	439,531	28,026,356
Expenditures							
Current:							
Legislative	114,809	-	-	3,512	-	24	118,345
General Government	1,047,920	-	4,583	243,776	541,834	274,813	2,112,926
Regulation and Protection	441,687	-	108,074	162,863	13,919	173,966	900,509
Conservation and Development	245,635	-	4,548	370,448	346,383	162,843	1,129,857
Health and Hospitals	1,696,573	-	-	797,531	79,303	44,712	2,618,119
Transportation	-	-	800,933	746,400	26,441	-	1,573,774
Human Services	4,402,146	-	2,371	4,371,066	2,747	3,552	8,781,882
Education, Libraries, and Museums	4,194,885	-	-	581,632	22,757	2,856	4,802,130
Corrections	2,018,674	-	-	22,497	1,550	2,103	2,044,824
Judicial	918,746	-	-	24,356	-	49,331	992,433
Capital Projects	-	-	-	-	-	998,917	998,917
Debt Service:							
Principal Retirement	1,466,316	270,550	530	-	-	-	1,737,396
Interest and Fiscal Charges	590,212	232,842	627	175,560	3,167	7,377	1,009,785
Total Expenditures	17,137,603	503,392	921,666	7,499,641	1,038,101	1,720,494	28,820,897
Excess (Deficiency) of Revenues Over Expenditures	1,364,212	(497,688)	515,108	111,254	(1,006,464)	(1,280,963)	(794,541)
Other Financing Sources (Uses)							
Bonds Issued	-	-	-	-	1,159,573	1,951,627	3,111,200
Premiums on Bonds Issued	-	60,565	-	-	95,248	271,511	427,324
Transfers In	393,645	592,966	6,430	177,420	-	259,864	1,430,325
Transfers Out	(1,640,595)	(7,294)	(548,532)	(58,494)	(94,549)	(745,567)	(3,095,031)
Refunding Bonds Issued	-	761,545	-	-	-	-	761,545
Payment to Refunded Bond Escrow Agent	(499)	(821,209)	-	-	-	-	(821,708)
Capital Lease Obligations	4,174	-	-	-	-	-	4,174
Total Other Financing Sources (Uses)	(1,243,275)	586,573	(542,102)	118,926	1,160,272	1,737,435	1,817,829
Net Change in Fund Balances	120,937	88,885	(26,994)	230,180	153,808	456,472	1,023,288
Fund Balances (Deficit) - Beginning	(614,189)	738,240	211,890	197,884	689,447	620,748	1,844,020
Change in Reserve for Inventories	(1,166)	-	(2,745)	-	-	-	(3,911)
Fund Balances (Deficit) - Ending	$ (494,418)	$ 827,125	$ 182,151	$ 428,064	$ 843,255	$ 1,077,220	$ 2,863,397

The accompanying Notes to the Financial Statements are an integral part of this statement.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

Net change in fund balances - total governmental funds		$ 1,023,288
Amounts reported for governmental activities in the Statement of Activities are different because:		
Long-term debt proceeds provide current financial resources to governmental funds, while the repayment of the related debt principal consumes those financial resources. These transactions, however, have no effect on net position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. In the current period, these amounts consist of		
Debt issued or incurred:		
Bonds issued	(3,111,200)	
Refunding bonds issued	(761,545)	
Premium on bonds issued	(427,324)	
Principal repayment:		
Principal Retirement	1,736,668	
Payments to refunded bond escrow agent	821,708	
Capital lease payments	5,788	
Net debt adjustments		(1,735,905)
Some capital assets acquired this year were financed with capital leases. The amount financed by leases is reported in the governmental funds as a source of financing, but lease obligations are reported as long-term liabilities on the Statement of Activities		(4,346)
Capital outlays are reported as expenditures in the governmental funds. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the current period, these amounts and other reductions were as follows:		
Capital outlays (including construction-in-progress)	1,930,500	
Depreciation expense (excluding internal service funds)	(709,388)	
Retirements	(36,131)	
Net capital outlay adjustments		1,184,981
Inventories are reported as expenditures in the governmental funds when purchased. However, in the Statement of Activities the cost of these assets is recognized when those assets are consumed. This is the amount by which purchases exceeded consumption of inventories.		(3,911)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not recognized in the funds. In the current period, the net adjustments consist of:		
Increase in accrued interest	(33,374)	
Increase in interest accreted on capital appreciation debt	(17,945)	
Amortization of bond premium	195,037	
Amortization of loss on debt refundings	(17,676)	
Increase in Net OPEB obligation	(522,231)	
Increase in compensated absences	(1,528)	
Increase in workers compensation	(33,615)	
Decrease in claims and judgments	11,686	
Decrease in landfill postclosure cost	13,136	
Increase in pension liability	(9,732,099)	
Increase in deferred outflows related to pensions	8,219,049	
Increase in employer contributions subsequent to the NPL measurement date	81,476	
Net expense accruals		(1,838,084)
Some revenues in the Statement of Activities do not provide current financial resources and, therefore, are deferred inflows of resources in the funds. Also, revenues related to prior periods that became available during the current period are reported in the funds but are eliminated in the Statement of Activities. This amount is the net adjustment.		132,396
Internal service funds are used by management to charge the costs of certain activities, to individual funds. The net revenues (expenses) of internal service funds are included with governmental activities in the Statement of Activities.		(531)
Change in net position - governmental activities		$ (1,242,112)

The accompanying Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2017

(Expressed in Thousands)

	Business-Type Activities						Governmental
	Enterprise Funds						Activities
	University of Connecticut & Health Center	Board of Regents	Employment Security	Clean Water	Other Funds	Total	Internal Service Funds
Assets							
Current Assets:							
Cash and Cash Equivalents	$ 472,988	$ 317,861	$ 2,200	$ 4,651	$ 48,308	$ 846,008	$ 12,048
Deposits with U.S. Treasury	-	-	482,330	-	-	482,330	-
Investments	660	76,380	-	-	-	77,040	-
Receivables:							
Accounts, Net of Allowances	143,250	35,836	187,659	-	7,971	374,716	106
Loans, Net of Allowances	2,293	3,627	-	232,648	18,346	256,914	-
Interest	-	-	-	6,372	251	6,623	-
From Other Governments	-	2,654	5,103	-	603	8,360	-
Due from Other Funds	126,793	143,069	856	-	-	270,718	4,980
Inventories	12,572	-	-	-	-	12,572	4,217
Restricted Assets	142,418	-	-	-	-	142,418	-
Other Current Assets	16,718	8,258	-	-	25	25,001	182
Total Current Assets	917,692	587,685	678,148	243,671	75,504	2,502,700	21,533
Noncurrent Assets:							
Cash and Cash Equivalents	-	141,185	-	300,752	86,384	528,321	-
Investments	15,045	34,456	-	8,871	-	58,372	-
Receivables:							
Loans, Net of Allowances	10,591	8,112	-	850,707	129,810	999,220	-
Restricted Assets	1,199	-	-	329,691	94,853	425,743	-
Capital Assets, Net of Accumulated Depreciation	2,934,513	1,913,030	-	-	24,813	4,872,356	48,916
Other Noncurrent Assets	2,981	414	-	-	289	3,684	83
Total Noncurrent Assets	2,964,329	2,097,197	-	1,490,021	336,149	6,887,696	48,999
Total Assets	$ 3,882,021	$ 2,684,882	$ 678,148	$ 1,733,692	$ 411,653	$ 9,390,396	$ 70,532
Deferred Outflows of Resources							
Unamortized Losses on Bond Refundings	$ 4,431	$ -	$ -	$ 9,186	$ 202	$ 13,819	$ -
Other Deferred Outflows	-	396	-	-	-	396	-
Total Deferred Outflows of Resources	$ 4,431	$ 396	$ -	$ 9,186	$ 202	$ 14,215	$ -
Liabilities							
Current Liabilities:							
Accounts Payable and Accrued Liabilities	$ 250,411	$ 117,588	$ 2,432	$ 10,478	$ 11,524	$ 392,433	$ 2,023
Due to Other Funds	20,904	4,098	439	-	-	25,441	12,931
Due to Other Governments	-	-	770	-	-	770	-
Current Portion of Long-Term Obligations	70,684	28,259	-	53,891	10,105	162,939	89
Unearned Revenue	-	41,270	-	-	-	41,270	-
Other Current Liabilities	85,417	8,163	-	-	-	93,580	-
Total Current Liabilities	427,416	199,378	3,641	64,369	21,629	716,433	15,043
Noncurrent Liabilities:							
Noncurrent Portion of Long-Term Obligations	428,201	442,197	-	920,450	184,801	1,975,649	2,066
Total Noncurrent Liabilities	428,201	442,197	-	920,450	184,801	1,975,649	2,066
Total Liabilities	$ 855,617	$ 641,575	$ 3,641	$ 984,819	$ 206,430	$ 2,692,082	$ 17,109
Deferred Inflows of Resources							
Other Deferred Inflows	$ 3,338	$ -	$ -	$ -	$ -	$ 3,338	$ -
Total Deferred Inflows of Resources	$ 3,338	$ -	$ -	$ -	$ -	$ 3,338	$ -
Net Position (Deficit)							
Net Investment in Capital Assets	$ 2,380,794	$ 1,748,685	$ -	$ -	$ (3,202)	$ 4,126,277	$ 48,998
Restricted For:							
Debt Service	-	-	-	-	4,508	4,508	-
Clean and Drinking Water Projects	-	-	-	577,031	152,778	729,809	-
Capital Projects	126,207	-	-	-	-	126,207	-
Nonexpendable Purposes	14,483	487	-	-	-	14,970	-
Loans	2,565	-	-	-	-	2,565	-
Other Purposes	34,119	105,751	-	-	-	139,870	-
Unrestricted (Deficit)	469,329	188,780	674,507	181,028	51,341	1,564,985	4,425
Total Net Position	$ 3,027,497	$ 2,043,703	$ 674,507	$ 758,059	$ 205,425	$ 6,709,191	$ 53,423

The accompanying Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS

For The Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

	Business-Type Activities						Governmental Activities
	Enterprise Funds						
	University of Connecticut & Health Center	Board of Regents	Employment Security	Clean Water	Other Funds	Totals	Internal Service Funds
Operating Revenues							
Charges for Sales and Services (Net of allowances & discounts $231,420)	$ 1,158,573	$ 483,777	$ -	$ -	$ 27,211	$1,669,561	$ 53,578
Assessments	-	-	784,745	-	36,299	821,044	-
Federal Grants, Contracts, and Other Aid	184,334	22,560	7,539	-	-	214,433	-
State Grants, Contracts, and Other Aid	25,942	26,211	13,885	-	-	66,038	-
Private Gifts and Grants	57,014	9,267	-	-	-	66,281	-
Interest on Loans	-	-	-	23,361	2,944	26,305	-
Other	103,033	27,143	14,885	-	748	145,809	109
Total Operating Revenues	1,528,896	568,958	821,054	23,361	67,202	3,009,471	53,687
Operating Expenses							
Salaries, Wages, and Administrative	2,086,905	1,222,393	-	579	19,666	3,329,543	34,056
Unemployment Compensation	-	-	725,609	-	-	725,609	-
Claims Paid	-	-	-	-	26,216	26,216	-
Depreciation and Amortization	156,853	95,409	-	-	1,127	253,389	17,890
Other	56,376	31,048	-	-	1,744	89,168	-
Total Operating Expenses	2,300,134	1,348,850	725,609	579	48,753	4,423,925	51,946
Operating Income (Loss)	(771,238)	(779,892)	95,445	22,782	18,449	(1,414,454)	1,741
Nonoperating Revenue (Expenses)							
Interest and Investment Income	3,100	3,852	-	8,097	1,308	16,357	440
Interest and Fiscal Charges	(10,214)	(11,179)	-	(35,655)	(5,870)	(62,918)	-
Other - Net	94,080	117,425	-	12,439	(11,705)	212,239	(462)
Total Nonoperating Revenues (Expenses)	86,966	110,098	-	(15,119)	(16,267)	165,678	(22)
Income (Loss) Before Capital Contributions, Grants, and Transfers	(684,272)	(669,794)	95,445	7,663	2,182	(1,248,776)	1,719
Capital Contributions	1,388	-	-	-	-	1,388	-
Federal Capitalization Grants	-	-	-	8,921	11,614	20,535	-
Transfers In	1,002,324	674,660	-	674	-	1,677,658	-
Transfers Out	-	-	(10,176)	-	(526)	(10,702)	(2,250)
Change in Net Position	319,440	4,866	85,269	17,258	13,270	440,103	(531)
Total Net Position (Deficit) - Beginning	2,708,057	2,038,837	589,238	740,801	192,155	6,269,088	53,954
Total Net Position (Deficit) - Ending	$ 3,027,497	$2,043,703	$ 674,507	$ 758,059	$ 205,425	$6,709,191	$ 53,423

The accompanying Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

	Business-Type Activities						Governmental Activities
	Enterprise Funds						
	University of Connecticut & Health Center	Board of Regents	Employment Security	Clean Water	Other	Totals	Internal Service Funds
Cash Flows from Operating Activities							
Receipts from Customers	$ 1,167,664	$ 473,693	$ 796,894	$102,726	$76,068	$ 2,617,045	$ 53,931
Payments to Suppliers	(644,599)	(279,864)	-	-	(7,933)	(932,396)	(30,241)
Payments to Employees	(1,450,375)	(911,507)	-	(532)	(12,806)	(2,375,220)	(10,573)
Other Receipts (Payments)	392,898	45,340	(787,855)	(115,470)	(52,643)	(517,730)	138
Net Cash Provided by (Used in) Operating Activities	(534,412)	(672,338)	9,039	(13,276)	2,686	(1,208,301)	13,255
Cash Flows from Noncapital Financing Activities							
Proceeds from Sale of Bonds	27,479	-	-	363,345	49,503	440,327	-
Retirement of Bonds and Annuities Payable	-	-	-	(61,232)	(9,233)	(70,465)	-
Interest on Bonds and Annuities Payable	-	-	-	(32,628)	(6,121)	(38,749)	-
Transfers In	511,205	574,562	-	674	-	1,086,441	-
Transfers Out	-	-	(10,176)	-	(526)	(10,702)	(2,250)
Other Receipts (Payments)	28,227	127,359	(9,122)	(123,126)	(3,401)	19,937	(462)
Net Cash Flows from Noncapital Financing Activities	566,911	701,921	(19,298)	147,033	30,222	1,426,789	(2,712)
Cash Flows from Capital and Related Financing Activities							
Additions to Property, Plant, and Equipment	(455,704)	(68,154)	-	-	-	(523,858)	(11,437)
Proceeds from Capital Debt	322,521	82,293	-	-	-	404,814	-
Principal Paid on Capital Debt	(90,618)	(7,493)	-	-	-	(98,111)	-
Interest Paid on Capital Debt	(50,552)	(13,467)	-	-	-	(64,019)	-
Transfer In	225,603	148,618	-	-	-	374,221	-
Federal Grant	-	-	-	8,921	(93)	8,828	-
Other Receipts (Payments)	54,191	(104,458)	-	-	11,000	(39,267)	-
Net Cash Flows from Capital and Related Financing Activities	5,441	37,339	-	8,921	10,907	62,608	(11,437)
Cash Flows from Investing Activities							
Proceeds from Sales and Maturities of Investments	-	78,300	-	-	-	78,300	-
Purchase of Investment Securities	(1,171)	(124,355)	-	-	-	(125,526)	-
Interest on Investments	2,559	3,581	8,432	8,484	1,315	24,371	440
(Increase) Decrease in Restricted Assets	-	-	-	(130,586)	-	(130,586)	-
Other Receipts (Payments)	-	-	-	(22,557)	(44,399)	(66,956)	-
Net Cash Flows from Investing Activities	1,388	(42,474)	8,432	(144,659)	(43,084)	(220,397)	440
Net Increase (Decrease) in Cash and Cash Equivalents	39,328	24,448	(1,827)	(1,981)	731	60,699	(454)
Cash and Cash Equivalents - Beginning of Year	577,277	434,598	4,027	6,632	47,577	1,070,111	12,502
Cash and Cash Equivalents - End of Year	$ 616,605	$ 459,046	$ 2,200	$ 4,651	$48,308	$ 1,130,810	$ 12,048
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities							
Operating Income (Loss)	$ (771,238)	$(779,892)	$ 95,445	$ 22,782	$18,449	$(1,414,454)	$ 1,741
Adjustments not Affecting Cash:							
Depreciation and Amortization	208,786	94,688	-	-	1,127	304,601	17,890
Other	124,703	(7,290)	-	-	-	117,413	-
Change in Assets and Liabilities:							
(Increase) Decrease in Receivables, Net	(331)	664	(91,610)	(36,058)	(243)	(127,578)	153
(Increase) Decrease in Due from Other Funds	-	571	3,590	-	-	4,161	200
(Increase) Decrease in Inventories and Other Assets	(1,989)	(1,019)	-	-	(16,040)	(19,048)	29
Increase (Decrease) in Accounts Payables & Accrued Liabilities	(94,343)	19,940	1,756	-	(607)	(73,254)	(6,758)
Increase (Decrease) in Due to Other Funds	-	-	(142)	-	-	(142)	-
Total Adjustments	236,826	107,554	(86,406)	(36,058)	(15,763)	206,153	11,514
Net Cash Provided by (Used In) Operating Activities	$ (534,412)	$(672,338)	$ 9,039	$ (13,276)	$ 2,686	$(1,208,301)	$ 13,255
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets							
Cash and Cash Equivalents - Current	$ 472,988	$ 317,861					
Cash and Cash Equivalents - Noncurrent	-	141,185					
Cash and Cash Equivalents - Restricted	143,617	-					
	$ 616,605	$ 459,046					
Noncash Investing, Capital, and Financing Activities:							
Proceeds from refunding bonds	$ 36,960	$ -					
Amortization of Premiums, Discounts, and net loss on debt refunding's	13,018	-					
Mortgage Proceeds held by Trustee in construction escrow	2,315	-					
Accruals of expenses related to construction in progress	164	5,253					
Equipment acquired by capital lease	2,492	955					
	$ 54,949	$ 6,208					

The accompanying Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2017

(Expressed in Thousands)

	Pension & Other Employee Benefit Trust Funds	Investment Trust Fund External Investment Pool	Private-Purpose Trust Fund Escheat Securities	Agency Funds	Total
Assets					
Current:					
Cash and Cash Equivalents	$ 85,835	$ -	$ -	$ 198,844	$ 284,679
Receivables:					
Accounts, Net of Allowances	49,150	-	-	10,388	59,538
From Other Governments	580	-	-	-	580
From Other Funds	2,004	-	-	4,149	6,153
Interest	3,017	949	-	69	4,035
Investments (See Note 3)	32,432,137	1,382,076	-	-	33,814,213
Securities Lending Collateral	2,012,619	-	-	-	2,012,619
Other Assets	-	65	1,829	331,635	333,529
Noncurrent:					
Due From Employers	273,875	-	-	-	273,875
Total Assets	$ 34,859,217	$ 1,383,090	$ 1,829	$ 545,085	36,789,221
Liabilities					
Accounts Payable and Accrued Liabilities	$ 49,243	$ 980	$ -	$ 56,589	106,812
Securities Lending Obligation	2,012,619	-	-	-	2,012,619
Due to Other Funds	1,890	-	-	379	2,269
Funds Held for Others	-	-	-	488,117	488,117
Total Liabilities	$ 2,063,752	$ 980	$ -	$ 545,085	$ 2,609,817
Net Position					
Restricted for:					
Pension Benefits	$ 32,157,234	$ -	$ -		$ 32,157,234
Other Postemployment Benefits	638,230	-	-		638,230
Pool Participants	-	1,382,110	-		1,382,110
Individuals, Organizations, and Other Governments	-	-	1,829		1,829
Total Net Position	$ 32,795,464	$ 1,382,110	$ 1,829		$ 34,179,403

The accompanying Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS

For the Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

	Pension & Other Employee Benefit Trust Funds	Investment Trust Fund External Investment Pool	Private-Purpose Trust Fund Escheat Securities	Total
Additions				
Contributions:				
Plan Members	$ 674,496	$ -	$ -	$ 674,496
State	3,260,947	-	-	3,260,947
Municipalities	70,452	-	-	70,452
Total Contributions	4,005,895	-	-	4,005,895
Investment Income	4,182,031	154,758	-	4,336,789
Less: Investment Expense	(95,067)	(7,015)	-	(102,082)
Net Investment Income	4,086,964	147,743	-	4,234,707
Escheat Securities Received	-	-	31,141	31,141
Pool's Share Transactions	-	4,636	-	4,636
Other	3,716	-	-	3,716
Total Additions	8,096,575	152,379	31,141	8,280,095
Deductions				
Administrative Expense	6,358	-	-	6,358
Benefit Payments and Refunds	4,775,482	-	-	4,775,482
Escheat Securities Returned or Sold	-	-	28,946	28,946
Distributions to Pool Participants	-	147,743	-	147,743
Other	597	-	4,132	4,729
Total Deductions	4,782,437	147,743	33,078	4,963,258
Change in Net Position Held In Trust For:				
Pension and Other Employee Benefits	3,314,138	-	-	3,314,138
Individuals, Organizations, and Other Governments	-	4,636	(1,937)	2,699
Net Position - Beginning	29,481,326	1,377,474	3,766	30,862,566
Net Position - Ending	$ 32,795,464	$ 1,382,110	$ 1,829	$ 34,179,403

The accompanying Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF NET POSITION
COMPONENT UNITS

June 30, 2017

(Expressed in Thousands)

Assets	Connecticut Housing Finance Authority (12-31-16)	Connecticut Lottery Corporation	Connecticut Airport Authority	Other Component Units	Total
Current Assets:					
Cash and Cash Equivalents	$ -	$ 19,245	$ 95,829	$ 181,614	$ 296,688
Investments	-	5,651	-	444,205	449,856
Receivables:					
Accounts, Net of Allowances	-	27,354	7,654	41,023	76,031
Loans, Net of Allowances	-	-	-	25,891	25,891
Other	-	1,458	-	1,203	2,661
Due From Other Governments	-	-	5,418	-	5,418
Due From Primary Government	-	-	6,417	103	6,520
Restricted Assets	717,075	-	3,215	299,010	1,019,300
Inventories	-	-	-	5,937	5,937
Other Current Assets	-	4,646	-	17,002	21,648
Total Current Assets	717,075	58,354	118,533	1,015,988	1,909,950
Noncurrent Assets:					
Investments	-	119,050	-	88,987	208,037
Accounts, Net of Allowances	-	-	-	34,335	34,335
Loans, Net of Allowances	-	-	-	402,965	402,965
Restricted Assets	4,525,032	-	121,164	92,062	4,738,258
Capital Assets, Net of Accumulated Depreciation	3,567	865	318,957	447,624	771,013
Other Noncurrent Assets	-	6,680	-	56,827	63,507
Total Noncurrent Assets	4,528,599	126,595	440,121	1,122,800	6,218,115
Total Assets	$ 5,245,674	$ 184,949	$ 558,654	$ 2,138,788	$ 8,128,065
Deferred Outflows of Resources					
Accumulated Decrease in Fair Value of Hedging Derivatives	$ 28,305	$ -	$ 16,264	$ -	$ 44,569
Unamortized Losses on Bond Refundings	77,774	-	1,753	-	79,527
Related to Pensions	25,240	17,674	22,777	19,266	84,957
Other	-	-	-	55	55
Total Deferred Outflows of Resources	$ 131,319	$ 17,674	$ 40,794	$ 19,321	$ 209,108
Liabilities					
Current Liabilities:					
Accounts Payable and Accrued Liabilities	$ 23,252	$ 9,400	$ 16,587	$ 58,879	$ 108,118
Current Portion of Long-Term Obligations	162,942	6,384	6,960	17,178	193,464
Due To Primary Government	-	-	992	36,918	37,910
Amount Held for Institutions	-	-	-	216,998	216,998
Other Liabilities	-	32,171	6,306	23,776	62,253
Total Current Liabilities	186,194	47,955	30,845	353,749	618,743
Noncurrent Liabilities:					
Pension Liability	69,628	55,669	74,542	53,625	253,464
Noncurrent Portion of Long-Term Obligations	4,241,675	119,515	125,595	549,719	5,036,504
Total Noncurrent Liabilities	4,311,303	175,184	200,137	603,344	5,289,968
Total Liabilities	$ 4,497,497	$ 223,139	$ 230,982	$ 957,093	$ 5,908,711
Other Deferred Inflows					
Related to Pensions	$ 12,834	$ 3,991	$ 4,266	$ 6,675	$ 27,766
Other Deferred Inflows	-	-	-	2,000	2,000
Total Deferred Inflows of Resources	$ 12,834	$ 3,991	$ 4,266	$ 8,675	$ 29,766
Net Position					
Net Investment in Capital Assets	$ 3,567	$ 865	$ 200,260	$ 253,638	$ 458,330
Restricted:					
Debt Service	-	-	7,664	-	7,664
Bond Indentures	863,095	-	2,102	-	865,197
Expendable Endowments	-	-	-	99,232	99,232
Nonexpendable Endowments	-	-	-	436,911	436,911
Capital Projects	-	-	114,613	-	114,613
Other Purposes	-	-	-	108,481	108,481
Unrestricted (Deficit)	-	(25,372)	39,561	294,079	308,268
Total Net Position	$ 866,662	$ (24,507)	$ 364,200	$ 1,192,341	$ 2,398,696

The accompanying Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF ACTIVITIES
COMPONENT UNITS

For The Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Connecticut Housing Finance Authority (12/31/16)	$ 204,781	$ 169,992	$ -	$ -
Connecticut Lottery Corporation	1,221,620	1,216,393	-	-
Connecticut Airport Authority	82,733	99,187	-	7,930
Other Component Units	292,357	277,390	45	2,339
Total Component Units	$ 1,801,491	$ 1,762,962	$ 45	$ 10,269

General Revenues:
Investment Income
Total General Revenues
Change in Net Position
Net Position - Beginning (as restated)
Net Position - Ending

The accompanying Notes to the Financial Statements are an integral part of this statement.

	Net (Expense) Revenue and Changes in Net Position				
	Connecticut Housing Finance Authority (12-31-16)	Connecticut Lottery Corporation	Connecticut Airport Authority	Other Component Units	Totals
	$ (34,789)	$ -	$ -	$ -	$ (34,789)
	-	(5,227)	-	-	(5,227)
	-	-	24,384	-	24,384
	-	-	-	(12,583)	(12,583)
	(34,789)	(5,227)	24,384	(12,583)	(28,215)
	12,397	6,366	624	55,085	74,472
	12,397	6,366	624	55,085	74,472
	(22,392)	1,139	25,008	42,502	46,257
	889,054	(25,646)	339,192	1,149,839	2,352,439
	$ 866,662	$ (24,507)	$ 364,200	$ 1,192,341	$ 2,398,696

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Note 1
Summary of Significant Accounting Policies

a. Basis of Presentation

The accompanying financial statements of the State of Connecticut have been prepared in conformity with generally accepted accounting principles as prescribed in pronouncements of the Governmental Accounting Standards Board, except for the financial statements of the University of Connecticut Foundation, Incorporated (a component unit), and the Board of Regents. Those statements are prepared according to generally accepted accounting principles as prescribed in pronouncements of the Financial Accounting Standards Board.

b. Reporting Entity

For financial reporting purposes, the State's reporting entity includes the "primary government" and its "component units." The primary government includes all funds, agencies, departments, bureaus, commissions, and component units that are considered an integral part of the State's legal entity. Component units are legally separate organizations for which the State is financially accountable. Financial accountability exists if (1) the State appoints a voting majority of the organization's governing board, and (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State.

Component units are reported in separate columns and rows in the government-wide financial statements (discrete presentation) to emphasize that they are legally separate from the primary government. Financial statements for the major component units are included in the accompanying financial statements after the fund financial statements. Audited financial statements issued separately by each component unit can be obtained from their respective administrative offices.

The following organizations (Connecticut Housing Finance Authority, Materials, Innovation, and Recycling Authority, Connecticut Health and Educational Facilities Authority, Connecticut Higher Education Supplemental Loan Authority, Connecticut Student Loan Foundation, and Capital Region Development Authority) are reported as component units because the State appoints a voting majority of the organization's governing board and is contingently liable for the organization's bonded debt that is secured by a special capital reserve fund, or other contractual agreement.

The State appoints a voting majority of the organization's governing board and has the ability to access the resources for the following organizations (Connecticut Innovations, Incorporated and Connecticut Green Bank) therefore, these organizations are reported as component units.

The Connecticut Lottery Corporation is reported as a component unit because the State appoints a voting majority of the corporation's governing board and receives a significant amount of revenues from the operations of the lottery.

The Connecticut Airport Authority is reported as a component unit because the nature and significance of its relationship with the State are such that it would be misleading to exclude the authority from the State's reporting entity.

The State's major and nonmajor component units are:

Connecticut Housing Finance Authority (CHFA)
CHFA was created for the purpose of increasing the housing supply and encouraging and assisting in the purchase, development, and construction of housing for low and moderate-income families and persons throughout the State. The Authority's fiscal year is for the period ending on December 31, 2016.

Connecticut Airport Authority (CAA)
The Connecticut Airport Authority was established in July 2011 to develop, improve and operate Bradley International Airport and the state's five general aviation airports (Danielson, Groton-New London, Hartford-Brainard, Waterbury-Oxford, and Windham airports).

Materials, Innovation, and Recycling Authority (MIRA)
MIRA is responsible for the planning, design, construction, financing, management, ownership, operations and maintenance of solid waste disposal, volume reduction, recycling, intermediate processing, resource recovery and related support facilities necessary to carry out the State's Solid Waste Management Plan.

Connecticut Higher Education Supplemental Loan Authority (CHESLA)
CHESLA was created to assist students, their parents, and institutions of higher education to finance the cost of higher education through its bond funds. Effective fiscal year 2013, CHESLA was statutorily consolidated into CHEFA, making CHESLA a subsidiary of CHEFA.

Connecticut Health and Educational Facilities Authority (CHEFA)
CHEFA was created to assist certain health care institutions, institutions of higher education, and qualified for-profit and not-for-profit institutions in the financing and refinancing of projects to be undertaken in relation to programs for these institutions.

Connecticut Student Loan Foundation (CSLF)
CSLF was established as a Connecticut State chartered nonprofit corporation established pursuant to State of Connecticut Statute Chapter 187a for the purpose of improving educational opportunity. CSLF is empowered to achieve this by originating and acquiring student loans and providing appropriate service incident to the administration of programs, which are established to improve educational opportunities. CSLF no longer originates or acquires student loans.

In July 2014, CSLF was statutorily consolidated with CHEFA as a subsidiary and became a quasi-public agency of the State of Connecticut.

Capital Region Development Authority (CRDA)
CRDA was established July 1, 2012 to market the major sports, convention, and exhibition venues in the region. CRDA became the successor to the Capital City Economic Development Authority, which was established in 1998.

Connecticut Innovations, Incorporated (CI)
CI was established to stimulate and promote technological innovation and application of technology within Connecticut and encourage the development of new products, innovations, and inventions or markets in Connecticut by providing financial and technical assistance.

Connecticut Green Bank (CGB)
CGB was established on July 1, 2011 through Public Act 11-80 as a quasi-public agency that supersedes Connecticut Clean Energy Fund. CGB uses public and private funds to finance and support clean energy investment in residential, municipal, small business and larger commercial projects and stimulate demand for clean energy and the deployment of clean energy sources within the state.

Connecticut Lottery Corporation (CLC)
The corporation was created in 1996 for the purpose of generating revenues for the State through the operation of a lottery.

In addition, the State also includes the following non-governmental nonprofit corporation as a component unit.

University of Connecticut Foundation, Incorporated
The Foundation was created exclusively to solicit, receive, and administer gifts and financial resources from private sources for the benefit of all campuses and programs of the University of Connecticut and Health Center, a major Enterprise fund. The Foundation is reported as a component unit because the nature and significance of its relationship with the State are such that it would be misleading to exclude the Foundation from the Sate's reporting entity.

c. Government-wide and Fund Financial Statements

Government-wide Financial Statements
The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between the governmental and business-type activities of the primary government by using separate columns and rows. Governmental activities are generally financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Net Position presents the reporting entity's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position is reported in three components:

1. Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds issued to buy, construct, or improve those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the purchase, construction, or improvement of those assets or related debt should be included in this component of net position.

2. Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

3. Unrestricted – This component of net position is the remaining balance of net position, after the determination of the other two components of net position.

When both restricted and unrestricted resources are available for use, the State generally uses restricted resources first, then unrestricted resources as needed. There may be occasions when restricted funds may only be spent in proportion to unrestricted funds spent.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated to the various functions or segments. Program revenues include a) fees, fines, and charges paid by the recipients of goods or services offered by the functions or segments and b) grants and contributions that are restricted to meeting the operational or capital needs of a particular function or segment. Revenues that are not classified as program revenues, including all taxes, are reported as general revenues.

Fund Financial Statements

The fund financial statements provide information about the State's funds, including its fiduciary funds and blended component units. Separate statements for each fund category (governmental, proprietary, and fiduciary) are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

In the governmental fund financial statements, fund balance (difference between assets and liabilities) is classified as nonspendable, restricted, and unrestricted (committed, assigned, or unassigned). Restricted represents those portions of fund balance where constraints on the resources are externally imposed or imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints by formal action of the Legislature, such as appropriation or legislation. Assigned fund balance is constrained by the Legislature's intent to be used for specific uses, but is neither restricted nor committed.

The State reports the following major governmental funds:

General Fund - This is the State's primary operating fund. It is used to account for all financial resources which are not required to be accounted in other funds and which are spent for those services normally provided by the State (e.g., health, social assistance, education, etc.).

Debt Service - This fund is used to account for the resources that are restricted for payment of principal and interest on special tax obligation bonds of the Transportation fund.

Transportation - This fund is used to account for motor fuel taxes, vehicle registration and driver license fees, and other revenues that are restricted for the payment of budgeted appropriations of the Transportation and Motor Vehicles Departments.

Restricted Grants and Accounts - This fund is used to account for resources which are restricted by Federal and other providers to be spent for specific purposes.

Grant and Loan Programs – This fund is used to account for resources that are restricted by state legislation for the purpose of providing grants and/or loans to municipalities and organizations located in the State.

The State reports the following major enterprise funds:

University of Connecticut & Health Center - This fund is used to account for the operations of the University of Connecticut, a comprehensive institution of higher education, which includes the University of Connecticut Health Center and John Dempsey Hospital.

Board of Regents - This fund is used to account for the operations of the State University System & the State Community Colleges which consists of four universities: Central, Eastern, Southern, and Western and twelve regional community colleges.

Colleges and universities do not have separate corporate powers and sue and are sued as part of the state with legal representation provided through the state Attorney General's Office. Since the colleges and universities are legally part of the state their financial operations are reported in the state's financial statements using the fund structure prescribed by GASB.

Employment Security - This fund is used to account for unemployment insurance premiums from employers and the payment of unemployment benefits to eligible claimants.

Clean Water - This fund is used to account for resources used to provide loans to municipalities to finance waste water treatment facilities.

In addition, the State reports the following fund types:

Internal Service Funds - These funds account for goods and services provided to other agencies of the State on a cost-reimbursement basis. These goods and services include prisoner-built office furnishings, information services support, telecommunications, printing, and other services.

Pension Trust Funds - These funds account for resources held in the custody of the state for the members and beneficiaries of the State's pension plans. These plans are discussed more fully in Notes 10, 11, and 12.

Other Post-Employment Benefit (OPEB) Trust Funds - These funds account for resources held in trust for the members and beneficiaries of the state's other post-employment benefit plans which are described in notes 13 and 14.

Investment Trust Fund - This fund accounts for the external portion of the State's Short-Term Investment Fund, an investment pool managed by the State Treasurer.

Private-Purpose Trust Fund - This fund accounts for escheat securities held in trust for individuals by the State Treasurer.

Agency Funds - These funds account for deposits, investments, and other assets held by the State as an agent for inmates and patients of State institutions, insurance companies, municipalities, and private organizations.

d. Measurement Focus and Basis of Accounting

Government-wide, Proprietary, and Fiduciary Fund Financial Statements

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Taxes and casino gaming payments are recognized as revenues in the period when the underlying exchange transaction has occurred. Grants and similar items are recognized as revenues in the period when all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the State's enterprise and internal service funds are charges to customers for sales and services, assessments, and intergovernmental revenues. Operating expenses for enterprise and internal service funds include salaries, wages, and administrative expenses, unemployment compensation, claims paid, and depreciation expense. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The State considers taxes and other revenues to be available if the revenues are collected within 60 days after year-end. Exceptions to this policy are federal grant revenues, which are considered to be available if collection is expected within 12 months after year-end, and licenses and fees which are recognized as revenues when the cash is collected. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general-long term debt and acquisitions under capital leases are reported as other financing sources.

e. Assets and Liabilities

Cash and Cash Equivalents (see Note 3)

In addition to petty cash and bank accounts, this account includes cash equivalents – short-term, highly liquid investments with original maturities of three months or less when purchased. Cash equivalents consist of investments in the Short-Term Investment Fund which are reported at the fund's share price.

In the Statement of Cash Flows, certain Enterprise funds exclude from cash and cash equivalents investments in STIF reported as noncurrent or restricted assets.

Investments (see Note 3)

Investments include Equity in Combined Investment Funds and other investments. Equity in Combined Investment Funds is reported at fair value based on the funds' current share price. Other investments are reported at fair value, except for the following investments which are reported at cost or amortized cost:

- Nonparticipating interest-earning investment contracts.
- Money market investments that mature within one year or less at the date of their acquisition.
- Investments of the External Investment Pool fund (an Investment Trust fund).

The fair value of other investments is determined based on quoted market prices except for:

- The fair value of State bonds held by the Clean Water and Drinking Water funds (Enterprise funds) which is estimated using a comparison of other State bonds.
- The fair value of securities not publicly traded held by the Connecticut Innovations, Incorporated, a Component Unit. The fair value of these investments is determined by an independent valuation committee of the Corporation, after giving consideration to pertinent information about the companies comprising the investments, including but not limited to recent sales prices of the issuer's securities, sales growth, progress toward business goals, and other operating data.

The State invests in derivatives. These investments are held by the Combined Investment Funds and are reported at fair value in each fund's statement of net position.

Inventories

Inventories are reported at cost. Cost is determined by the first-in first-out (FIFO) method. Inventories in the governmental funds consist of expendable supplies held for consumption whose cost was recorded as an expenditure at the time the individual inventory items were purchased. Reported inventories in these funds are offset by a fund balance designation (nonexpendable) to indicate that they are unavailable for appropriation.

Capital Assets and Depreciation

Capital assets include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, railways, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the State as assets with an initial individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated fair market value at the date of donation.

Collections of historical documents, rare books and manuscripts, guns, paintings, and other items are not capitalized. These collections are held by the State Library for public exhibition, education, or research; and are kept protected, cared for, and preserved indefinitely. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are also not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Buildings	40 years
Improvements Other than Buildings	10-20 years
Machinery and Equipment	5-30 years
Infrastructure	20-28 years

Securities Lending Transactions (see Note 3)

Assets, liabilities, income, and expenses arising from securities lending transactions of the Combined Investment Funds are allocated ratably to the participant funds based on their equity in the Combined Investment Funds.

Escheat Property

Escheat property is private property that has reverted to the State because it has been abandoned or has not been claimed by the rightful owners for a period of time. State law requires that all escheat property receipts be recorded as revenue in the General fund. Escheat revenue is reduced and a fund liability is reported to the extent that it is probable that escheat property will be refunded to claimants in the future. This liability is estimated based on the State's historical relationship between escheat property receipts and amounts paid as refunds, taking into account current conditions and trends.

Deferred Outflows of Resources

Deferred outflows of resources are defined as the consumption of net assets in one period that are applicable to future periods. These amounts are reported in the Statement of Net Position on the government-wide and fund financial statements in a separate section, after total assets.

Unearned Revenues

In the government-wide and fund financial statements, this liability represents resources that have been received, but not yet earned.

Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. Bond premiums and issuance costs are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium. Bond issuance costs are reported as an expense in the year they are incurred. Other significant long-term obligations include the net pension liability, OPEB obligation, compensated absences, workers' compensation claims, and federal loans. In the fund financial statements, governmental fund types recognize bond premiums and bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Capital Appreciation Bonds

Capital appreciation (deep-discount) bonds issued by the State, unlike most bonds, which pay interest semi-annually, do not pay interest until the maturity of the bonds. An investor who purchases a capital appreciation bond at its discounted price and holds it until maturity will receive an amount which equals the initial price plus an amount which has accrued over the life of the bond on a semiannual compounding basis. The net value of the bonds is accreted (the discount reduced), based on this semiannual compounding, over the life of the bonds. This deep-discount debt is reported in the government-wide statement of net position at its net or accreted value rather than at face value.

Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Vacation and sick policy is as follows: Employees hired on or before June 30, 1977, and managers regardless of date hired can accumulate up to a maximum of 120 vacation days. Employees hired after that date can accumulate up to a maximum of 60 days. Upon termination or death, the employee is entitled to be paid for the full amount of vacation days owed. No limit is placed on the number of sick days that an employee can accumulate. However, the employee is entitled to payment for accumulated sick time only upon retirement, or after ten years of service upon death, for an amount equal to one-fourth of his/her accrued sick leave up to a maximum payment equivalent to sixty days.

f. Derivative Instruments

The State's derivative instruments consist of interest rate swap agreements, all of which have been determined by the State to be effective cash flow hedges. Accumulated decreases in the fair value of some of the swaps are reported as deferred outflows of resources in the Statement of Net Position. These agreements are discussed in more detail in Note No. 18.

g. Deferred Inflows of Resources

Deferred inflows of resources are defined as the acquisition of net assets in one period that are applicable to future periods. These amounts are reported in the Statement of Net Position and Balance Sheet in a separate section, after total liabilities.

h. Interfund Activities

In the fund financial statements, interfund activities are reported as follows:

Interfund receivables/payables - The current portion of interfund loans outstanding at the end of the fiscal year is reported as due from/to other funds; the noncurrent portion as advances to/from other funds. All other outstanding balances between funds are reported as due from/to other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Interfund services provided and used - Sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund services provided and used are reported as revenues in seller funds and expenditures or expenses in purchaser funds. In the statement of activities, transactions between the primary government and its discretely presented component units are reported as revenues and expenses, unless they represent repayments of loans or similar activities.

Interfund transfers - Flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making transfers and as other financing sources in the funds receiving transfers. In proprietary funds, transfers are reported after nonoperating revenues and expenses.

Interfund reimbursements - Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements are not reported in the financial statements.

i. Endowments

The University of Connecticut and Health Center designate the University of Connecticut Foundation (a Component Unit of the State) as the manager of the University's and Health Center's endowment funds. The Foundation makes spending distributions to the University and Health Center for each participating endowment. The allocation is spent by the University and Health Center in accordance with the respective purposes of the endowments, the policies and procedures of the University, Health Center, and State statutes, and in accordance with the Foundation's endowment spending policy.

Additional information regarding endowments is presented in the UConn Foundation financial report.

j. Supplemental Nutrition Assistance Program (SNAP)

Nutrition assistance distributed to recipients during the year is recognized as an expenditure and a revenue in the governmental fund financial statements.

k. External Investment Pool

Assets and liabilities of the Short-Term Investment Fund are allocated ratably to the External Investment Pool Fund based on its investment in the Short-Term Investment Fund (see Note 3). Pool income is determined based on distributions made to the pool's participants.

l. Upcoming Accounting Pronouncements

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions.* The objective of this Statement is to improve accounting and financial reporting by state governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement is effective for fiscal years beginning after June 15, 2017. The State is currently evaluating the impact this standard will have on its financial statements.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* The objective of this Statement is to address accounting and financial reporting for certain asset retirement obligations (ARO's). This Statement is effective for fiscal years beginning after June 15, 2018. The State is currently evaluating the impact this standard will have on its financial statements.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities.* The objective of this Statement is to improve guidance concerning the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for fiscal years beginning after December 15, 2018. The State is currently evaluating the impact this standard will have on its financial statements.

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The purpose of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB

Statements. This Statement is effective for fiscal years beginning after June 15, 2017. The State is currently evaluating the impact this standard will have on its financial statements.

m. Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Note 2
Nonmajor Fund Deficits

The following funds have deficit fund/net position balances at June 30, 2017, none of which constitutes a violation of statutory provisions (amounts in thousands).

Capital Projects		
Transportation	$	718
Enterprise		
Bradley Parking Garage	$	18,906

The Transportation deficit will be eliminated in the future by the sale of bonds. Bonds have not been issued in this fund since fiscal year 2008.

The Bradley parking garage is designed to generate cash flows from operations that, after operating and maintenance expenses are sufficient to service debt and make State and developer payments as well as to provide a return to the State of minimum guarantee payments, both of which are reflected as expenses in the accompanying statement of operations and accumulated deficit.

Note 3
Cash Deposits and Investments

According to GASB Statement No. 40, "*Deposit and Investment Risk Disclosures*", the State is required to make certain disclosures about deposit and investment risks that have the potential to result in losses. Thus, the following deposit and investment risks are discussed in this note:

Interest Rate Risk - the risk that changes in interest rates will adversely affect the fair value of an investment.

Credit Risk - the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of Credit Risk - the risk of loss attributed to the magnitude of an investment in a single issuer.

Custodial Credit Risk (deposits) - the risk that, in the event of a bank failure, the State's deposits may not be recovered.

Foreign Currency Risk - the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit.

Primary Government

The State Treasurer is the chief fiscal officer of State government and is responsible for the prudent management and investment of monies of State funds and agencies as well as monies of pension and other trust funds. The State Treasurer with the advice of the Investment Advisory Council, whose members include outside investment professionals and pension beneficiaries, establishes investment policies and guidelines. Currently, the State Treasurer manages one Short-Term Investment Fund and twelve Combined Investment Funds.

Short-Term Investment Fund (STIF)

STIF is a money market investment pool in which the State, municipal entities, and political subdivisions of the State are eligible to invest. The State Treasurer is authorized to invest monies of STIF in United States government and agency obligations, certificates of deposit, commercial paper, corporate bonds, savings accounts, bankers' acceptances, repurchase agreements, and asset-backed securities. STIF's investments are reported at amortized cost (which approximates fair value) in the fund's statement of net position.

For financial reporting purposes, STIF is considered to be a mixed investment pool – a pool having external and internal portions. The external portion of STIF (i.e. the portion that belongs to participants which are not part of the State's financial reporting entity) is reported as an investment trust fund (External Investment Pool fund) in the fiduciary fund financial statements. The internal portion of STIF (i.e., the portion that belongs to participants that are part of the State's financial reporting entity) is not reported in the accompanying financial statements. Instead, investments in the internal portion of STIF by participant funds are reported as cash equivalents in the government-wide and fund financial statements.

For disclosure purposes, certificates of deposit held by STIF are reported in this note as bank deposits, not as investments.
As of June 30, 2017, STIF had the following investments and maturities (amounts in thousands):

Short-Term Investment Fund		
		Investment Maturities (in years)
Investment Type	Amortized Cost	Less Than 1
Federal Agency Securities	$ 1,358,486	$ 1,358,486
Bank Commercial Paper	1,813,698	1,813,698
Government Money Market Funds	90,211	90,211
Repurchase Agreements	700,000	700,000
Total Investments	$ 3,962,395	$ 3,962,395

Interest Rate Risk

The STIF's policy for managing interest rate risk is to limit investment to a very short weighted average maturity, not to exceed 90 days, and to comply with Standard and Poor's requirement that the weighted average maturity not to exceed 60 days. As of June 30, 2017, the weighted average maturity of the STIF was 35 days. Additionally, STIF is allowed by policy to invest in floating-rate securities. However, investment in these securities having maturities greater than two years is limited to no more than 30 percent of the overall portfolio. For purposes of the fund's weighted average maturity calculation, variable-rate securities are calculated using their rate reset date. Because these securities reprice frequently to prevailing market rates, interest rate risk is substantially reduced. As of June 30, 2017, the amount of STIF's investments in variable-rate securities was $1,026 million.

Credit Risk

The STIF's policy for managing credit risk is to purchase short-term, high-quality fixed income securities that fall within the highest short-term or long-term rating categories by nationally recognized rating organizations.

As of June 30, 2017, STIF's investments were rated by Standard and Poor's as follows (amounts in thousands):

Short-Term Investment Fund				
		Quality Ratings		
Investment Type	Amortized Cost	AAAm	AA+/A-1+	A/A-1
Federal Agency Securities	$ 1,358,486	$ -	$ 1,358,486	$ -
Corporate & Bank Commercial Paper	1,813,698	-	1,813,698	-
Government Money Market Funds	90,211	90,211	-	-
Repurchase Agreements	700,000	-	450,000	250,000
Total Investments	$ 3,962,395	$ 90,211	$ 3,622,184	$ 250,000

Concentration of Credit Risk

STIF reduces its exposure to this risk by insuring that at least 75 percent of fund assets will be invested in securities rated "A-1+" or equivalent. In addition exposure to any single non-governmental issuer will not exceed 5 percent (at the time a security is purchased), exposure to any single money market mutual fund (rated AAAm) will not exceed 5 percent of fund assets and exposure to money market mutual funds in total will not exceed 10 percent. As of June 30, 2017, STIF's investments in any one issuer that represents more than 5 percent of total investments were as follows (amounts in thousands):

Investment Issuer	Amortized Cost
Federal Home Loan Bank	$ 598,333
Federal Farm Credit Bank	$ 519,248
U.S. Bank	$ 250,000
Commercial Paper & Corporate Securities	$ 1,563,698
Merrill Lynch	$ 250,000
RBC Capital Markets	$ 450,000

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

The STIF follows policy parameters that limit deposits in any one entity to a maximum of ten percent of assets. Further, the certificate of deposits must be issued from commercial banks whose short-term debt is rated at least "A-1" by Standard and Poor's and "F-1" by Fitch and whose long-term debt is rated at least "A-" and its issuer rating is at least "C", or backed by a letter of credit issued by a Federal Home Loan bank. As of June 30, 2017, $2,506,783 of the bank balance of STIF's deposits of $2,507,533 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$	2,034,558
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State		472,225
Total	$	2,506,783

Combined Investment Funds (CIFS)

The CIFS are open-ended, unitized portfolios in which the State pension trust and permanent funds are eligible to invest. The State pension trust and permanent funds own the units of the CIFS. The State Treasurer is also authorized to invest monies of the CIFS in a broad range of fixed income and equity securities, as well as real estate properties, mortgages and private equity. CIFS' investments are reported at fair value in each fund's statement of net position.

For financial reporting purposes, the CIFS are considered to be external investment pools and are not reported in the accompanying financial statements. Instead, investments in the CIFS by participant funds are reported as equity in the CIFS in the government-wide and fund financial statements.

	Primary Government		
	Governmental Activities	Business-Type Activities	Fiduciary Funds
Equity in the CIFS	$ 115,073	$ 660	$ 32,432,138
Other Investments	1,580	33,659	1,382,076
Total Investments-Current	$ 116,653	$ 34,319	$ 33,814,214

The CIFS measures and records its investments using fair value measurement guidelines. Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The guidelines recognize a three tired fair value hierarchy, as follows: Level 1: Quoted prices for identical investments in active market; Level 2: Observable inputs other than quoted market price; and, Level 3: Unobservable inputs.

As of June 30, 2017, the CIFS had the following investments (amounts in thousands):

	Fair Value Measurements			
Investments by Fair Value Level	Total	Level 1	Level 2	Level 3
Cash Equivalents	$ 283,294	$ 652	$ 282,642	$ -
Asset Backed Securities	254,923	-	254,923	-
Government Securities	3,701,714	1,256,715	2,444,999	-
Government Agency Securities	716,185	-	716,185	-
Mortgage Backed Securities	280,579	-	280,579	-
Corporate Debt	4,037,233	-	3,939,688	97,545
Convertible Securities	51,662	-	51,662	-
Common Stock	15,327,224	15,327,224	-	-
Preferred Stock	77,158	59,691	17,467	-
Real Estate Investment Trust	319,239	273,996	45,243	-
Business Development Corporation	57,625	57,625	-	-
Mutual Fund	228,915	228,915	-	-
Limited Partnerships	522	522	-	-
Total	$ 25,336,273	$ 17,205,340	$ 8,033,388	$ 97,545

Investments Measured at the Net Asset Value (NAV)		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited Liability Corporation	1,157	$ -	Illiquid	N/A
Limited Partnerships	7,230,945	1,868,390	Illiquid	N/A
Total	7,232,102	$ 1,868,390		
Total Investments in Securities at Fair Value	$ 32,568,375			

Interest Rate Risk

CIFS' investment managers are given full discretion to manage their portion of CIFS' assets within their respective guidelines and constraints. The guidelines and constraints require each manager to maintain a diversified portfolio at all times. In addition, each core manager is required to maintain a target duration that is similar to its respective benchmark which is typically the Barclays Aggregate-an intermediate duration index.

Following is a schedule which provides information about the interest rate risks associated with the CIF investments. The investments include short-term cash equivalents including certificate of deposits and collateral, long-term investments and restricted assets by maturity in years. (amounts in thousands):

Combined Investment Funds					
		Investment Maturities (in Years)			
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10
Cash Equivalents	$ 283,294	$ 283,294	$ -	$ -	$ -
Asset Backed Securities	254,923	3,421	104,431	104,468	42,603
Government Securities	3,701,714	226,328	1,522,902	856,579	1,095,905
Government Agency Securities	716,185	95,298	53,914	21,968	545,005
Mortgage Backed Securities	280,579	-	63,068	20,777	196,734
Corporate Debt	4,037,233	1,360,182	1,448,361	916,314	312,376
Convertible Debt	51,662	1,157	9,879	12,517	28,109
	$ 9,325,590	$ 1,969,680	$ 3,202,555	$ 1,932,623	$ 2,220,732

Credit Risk

The CIFS minimizes exposure to this risk in accordance with a comprehensive investment policy statement, as developed by the Office of the Treasurer and the State's Investment Advisory Council, which provides policy guidelines for the CIFS and includes an asset allocation plan. The asset allocation plan's main objective is to maximize investment returns over the long term at an acceptable level of risk. As of June 30, 2017, CIFS' debt investments were rated by Moody's as follows (amounts in thousands):

Combined Investment Funds								
	Fair Value	Cash Equivalents	Asset Backed Securities	Government Securities	Government Agency Securities	Mortgage Backed Securities	Corporate Debt	Convertible Debt
Aaa	$ 2,614,409	$ -	$ 191,963	$ 1,565,409	$ 597,362	$ 180,885	$ 78,790	$ -
Aa	612,132	25,000	799	396,492	-	1,623	188,218	-
A	886,351	30,000	90	474,681	-	8,021	373,559	-
Baa	820,964	-	-	454,273	-	69	366,622	-
Ba	742,742	-	-	249,074	-	-	476,819	16,849
B	967,040	-	-	150,063	-	81	812,423	4,473
Caa	439,933	-	-	94,671	-	-	345,005	257
Ca	9,343	-	-	-	-	-	9,343	-
C	5,017	-	-	-	-	-	5,017	-
Prime 1	748,364	10,000	7,876	-	-	-	730,488	-
Prime 2	24,270	-	-	-	-	-	24,270	-
Prime 3	1,803	-	-	-	-	-	1,803	-
Government fixed not rated	130,876	-	-	12,053	118,823	-	-	-
Non Government fixed not rated	304,998	-	-	304,998	-	-	-	-
Not Rated	1,017,348	218,293	54,195	-	-	89,901	624,875	30,084
	$ 9,325,590	$ 283,293	$ 254,923	$ 3,701,714	$ 716,185	$ 280,580	$ 4,037,232	$ 51,663

Foreign Currency Risk

The CIFS manage exposure to this risk by utilizing a strategic hedge ratio of 50 percent for the developed market portion of the International Stock Fund (a Combined Investment Fund). This strategic hedge ratio represents the neutral stance or desired long-term exposure to currency for the ISF. To implement this policy, currency specialists actively manage the currency portfolio as an overlay strategy to the equity investment managers. These specialists may manage the portfolio passively or actively depending on opportunities in the market place. While managers within the fixed income portion of the portfolio are allowed to invest in

non-U.S. denominated securities, managers are required to limit that investment to a portion of their respective portfolios. As of June 30, 2017, CIFS' foreign deposits and investments were as follows (amounts in thousands):

Combined Investment Funds										
				Fixed Income Securities				Equities		
Foreign Currency	Total	Cash	Cash Equivalent Collateral	Government Securities	Corporate Debt	Asset Backed	Mortgage Backed	Common Stock	Preferred Stock	Real Estate Investment Trust Fund
Argentine Peso	$ 25,554	$ 737	$ -	$ 23,355	$ 1,462	$ -	$ -	$ -	$ -	$ -
Australian Dollar	438,685	499	-	97,525	7,887	-	-	308,418	-	24,356
Brazilian Real	258,328	814	-	107,364	-	(10)	-	143,790	6,370	-
Canadian Dollar	120,512	1,498	-	21,063	-	(46)	-	97,935	-	62
Chilean Peso	18,436	-	-	414	-	-	-	18,022	-	-
Colombian Peso	59,622	1,267	-	58,175	-	-	-	180	-	-
Czech Koruna	18,091	(1)	-	12,539	-	-	-	5,553	-	-
Danish Krone	117,934	120	-	1,281	-	-	-	116,533	-	-
Egyptian Pound	7,447	1,569	-	-	3,724	-	-	2,154	-	-
Euro Currency	2,352,031	4,208	-	246,732	6,902	(26)	-	2,066,018	17,324	10,873
Ghanaian Cedi	2,697	-	-	-	2,697	-	-	-	-	-
Hong Kong Dollar	715,346	1,500	-	-	-	-	-	706,796	-	7,050
Hungarian Forint	73,331	812	-	29,993	-	-	-	42,526	-	-
Iceland Krona	2	2	-	-	-	-	-	-	-	-
Indian Rupee	4,810	-	-	301	4,509	-	-	-	-	-
Indonesian Rupiah	155,858	613	-	54,874	38,907	-	-	61,464	-	-
Israeli Shekel	36,424	236	-	-	-	-	-	36,188	-	-
Japanese Yen	1,408,203	5,918	-	35,455	-	212	-	1,359,217	-	7,401
Georgian Lari	2,128	-	-	-	2,128	-	-	-	-	-
Malaysian Ringgit	93,381	1,551	-	77,031	-	-	-	14,799	-	-
Mexican Peso	233,226	301	-	185,997	3,631	253	-	43,044	-	-
New Zealand Dollar	143,220	877	-	127,518	-	-	-	14,825	-	-
Nigerian Naira	205	66	-	-	-	-	-	139	-	-
Norwegian Krone	58,529	460	-	6,414	-	-	-	51,655	-	-
Peruvian Nouveau Sol	26,246	-	-	26,246	-	-	-	-	-	-
Philippine Peso	46,125	6	-	1,945	-	-	-	44,174	-	-
Polish Zloty	145,366	67	-	100,204	-	-	-	45,095	-	-
Pound Sterling	1,233,150	2,467	6	240,599	7,083	(61)	3,216	967,734	-	12,106
Romanian Leu	9,502	264	-	9,238	-	-	-	-	-	-
Russian Ruble	57,047	1,331	-	55,591	-	-	-	125	-	-
Singapore Dollar	118,119	454	-	22,029	-	-	-	92,054	-	3,582
South African Rand	193,636	408	-	92,470	-	-	-	100,659	-	99
South Korean Won	453,526	173	-	-	-	-	-	425,915	27,438	-
Sri Lanka Rupee	6,677	-	-	-	6,646	-	-	31	-	-
Swedish Krona	190,501	(44)	-	4,384	-	-	-	186,161	-	-
Swiss Franc	501,035	434	-	-	-	-	-	500,601	-	-
Thailand Baht	147,824	94	-	26,369	-	-	-	121,266	-	95
Turkish Lira	170,169	248	-	57,057	4,031	-	-	108,758	-	75
Uruguayan Peso	3,981	-	-	3,981	-	-	-	-	-	-
	$ 9,646,904	$ 28,949	$ 6	$ 1,726,144	$ 89,607	$ 322	$ 3,216	$ 7,681,829	$ 51,132	$ 65,699

Derivatives

As of June 30, 2017, the CIFS held the following derivative investments (amounts in thousands):

	2017 Fair Value	2016 Fair Value
Adjustable Rate Securities	$ 652,183	$ 581,229
Asset Backed Securities	255,114	153,799
Mortgage Backed Securities	215,946	303,820
Collateralized Mortgage Obligations	64,633	98,208
TBA's	118,185	41,236
Interest Only	470	423
Options	775	1,281
Total	$ 1,307,306	$ 1,179,996

The Inflation Linked Bond Fund held futures with a negative notional cost of ($198,263 thousand) Also, the Core Fixed Income held futures with a negative notional cost of ($13,944 thousand). The High Yield Debt Fund held futures with a negative notional cost of ($16,140 thousand), the Developed Market International Stock held futures with a notional cost of ($132,461 thousand).

The CIFS invest in derivative investments for trading purposes and to enhance investment returns. The credit exposure resulting from these investments is limited to their fair value at year end.

The CIFS also invest in foreign currency contracts. Contracts to buy are used to acquire exposure to foreign currencies, while contracts to sell are used to hedge the CIFS' investments against currency fluctuations. Losses may arise from changes in the value of the foreign currency or failure of the counterparties to perform under the contracts' terms. As of June 30, 2017, the fair value of contracts to buy and contracts to sell was $7.8 billion and $7.8 billion, respectively.

Custodial Credit Risk-Bank Deposits

The CIFS minimize this risk by maintaining certain restrictions set forth in the Investment Policy Statement. The CIFS use a Liquidity Account which is a cash management pool investing in highly liquid money market securities. As of June 30, 2017, the CIFS had deposits with a bank balance of $89.1 million which was uninsured and uncollateralized.

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

Other Investments

The University of Connecticut measures and records its investments using fair value measurement guidelines. These guidelines have a three tired fair value hierarchy, as follows: Level 1; Quoted prices for identical investments in active market; Level 2: Observable inputs other than quoted market price; and, Level 3: Unobservable inputs. As of June 30, 2017, UConn had the following recurring fair value measurements. (amounts in thousands):

	Fair Value Measurements			
Investments by Fair Value Level	**Total**	**Level 1**	**Level 2**	**Level 3**
Cash Equivalents	$ 426	$ 426	$ -	$ -
Fixed Income Securities	1,771	1,771	-	-
Equity Securities	10,324	9,571	753	-
Partnerships	-	-	-	-
Total	$ 12,521	$ 11,768	$ 753	$ -

Investments Measured at the Net Asset Value (NAV)		**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Private Capital Partnerships	$ 1,422	$ 476	N/A	N/A
Private Real Estate Partnerships	137	39	N/A	N/A
Natural Resource Partnerships	630	86	N/A	N/A
Long/Short Equities	1	-	N/A	N/A
Relative Value	855	-	N/A	N/A
Other	232	-	N/A	N/A
Total	3,277	$ 601		
Total Investments in Securities at Fair Value	$ 15,798			

As of June 30, 2017, the State had other investments and maturities as follows (amounts in thousands):

Other Investments				
		Investment Maturities (in years)		
Investment Type	Fair Value	Less Than 1	1-5	6-10
State Bonds	$ 14,338	$ 290	$ 12,808	$ 1,240
U.S. Government and Agency Securities	242,495	97,991	5,364	139,140
Guaranteed Investment Contracts	112,388	9,964	34,809	67,615
Money Market Funds	28,898	28,898	-	-
Total Debt Investments	398,119	$ 137,143	$ 52,981	$ 207,995
Endowment Pool	14,484			
Corporate Stock	1,082			
Other Investments	232			
Total Investments	$ 413,917			

Credit Risk

As of June 30, 2017, other debt investments were rated by Standard and Poor's as follows (amounts in thousands):

Other Investments					
		Quality Ratings			
Investment Type	Fair Value	AA	A	BBB	Unrated
State Bonds	$ 14,338	$ 12,758	$ 1,580	$ -	$ -
U.S. Government and Agency Securities	146,224	146,224	-	-	-
Guaranteed Investment Contracts	112,388	14,565	64,488	14,128	19,207
Money Market Funds	28,898	-	-	-	28,898
Total	$ 301,848	$ 173,547	$ 66,068	$ 14,128	$ 48,105

Connecticut State Universities reported $96 million as U.S. Government Securities, these securities have no credit risk therefore, these securities are not included in the above table.

Custodial Credit Risk-Bank Deposits (amounts in thousands):

The State maintains its deposits at qualified financial institutions located in the state to reduce its exposure to this risk. These institutions are required to maintain, segregated from its other assets, eligible collateral in an amount equal to 10 percent, 25 percent, 100 percent, or 120 percent of its public deposits. The collateral is held in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank. As of June 30, 2017, $169,535 of the bank balance of the Primary Government of $173,349 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 89,379
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State	80,156
Total	$ 169,535

Component Units

The Connecticut Housing Finance Authority (CHFA) and the Connecticut Lottery Corporation (CLC) reported the following investments and maturities as of 12-31-16 and 6-30-17, respectively (amounts in thousands):

Major Component Units					
		Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1	1-5	6-10	More Than 10
Collateralized Mortgage Obligations	$ 626	$ -	$ -	$ 626	$ -
GNMA & FNMA Program Assets	1,268,049	-	-	724	1,267,325
Mortgage Backed Securities	654	-	-	93	561
Money Market	9,825	9,825	-	-	-
Municipal Bonds	53,426	286	1,329	1,748	50,063
STIF	492,323	492,323	-	-	-
Structured Securities	276	-	-	-	276
U.S. Government Agency Securities	870	-	-	-	870
Total Debt Investments	1,826,049	$ 502,434	$ 1,329	$ 3,191	$ 1,319,095
Annuity Contracts	124,701				
Total Investments	$ 1,950,750				

The CHFA and the CLC own 93.6 percent and 6.4 percent of the above investments, respectively. GNMA Program Assets represent securitized home mortgage loans of CHFA which are guaranteed by the Government National Mortgage Association. Annuity contracts are the only investment held by the CLC, which are not subject to investment risks discussed next.

Interest Rate Risk

CHFA

Exposure to declines in fair value is substantially limited to GNMA Program Assets. The Authority's investment policy requires diversification of its investment portfolio to eliminate the risk of loss resulting from, among other things, an over-concentration of assets in a specific maturity. This policy also requires the Authority to attempt to match its investments with anticipated cash flows requirements and to seek diversification by staggering maturities in such a way that avoids undue concentration of assets in a specific maturity sector.

Credit Risk

CHFA

The Authority's investments are limited by State statutes to United States Government obligations, including its agencies or instrumentalities, investments guaranteed by the state, investments in the state's STIF, and other obligations which are legal investments for savings banks in the state. The Fidelity Funds are fully collateralized by obligations issued by the United States Government or its agencies. Mortgage Backed Securities are fully collateralized by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Government National Mortgage Association, and Collateralized Mortgage Obligations are fully collateralized by the United States Department of Housing and Urban Development mortgage pools.

CHFA's investments were rated as of 12-31-16 as follows (amounts in thousands):

Component Units					
	Fair	Quality Ratings			
Investment Type	Value	AAA	CCC	D	Unrated
Collateralized Mortgage Obligations	$ 626	$ -	$ 626	$ -	$ -
Municipal Bonds	53,426	-	-	-	53,426
Money Market	9,825	-	-	-	9,825
STIF	492,323	492,323	-	-	-
Structured Securities	276	-	-	276	-
Total	$ 556,476	$ 492,323	$ 626	$ 276	$ 63,251

Concentration of Credit Risk

CHFA

The Authority's investment policy requires diversification of its investment portfolio to eliminate the risk of loss resulting from, among other things, an over-concentration of assets with a specific issuer. As of December 31, 2016, the Authority had no investments in any one issuer that represents 5 percent or more of total investments, other than investments guaranteed by the U.S. Government (GNMA and FNMA Program Assets), and investments in the State's STIF.

Security Lending Transactions

Certain of the Combined Investment Funds are permitted by State statute to engage in security lending transactions to provide incremental returns to the funds. The funds' Agent is authorized to lend available securities to authorized broker-dealers and banks subject to a formal loan agreement.

During the year, the Agent lent certain securities and received cash or other collateral as indicated on the Securities Lending Authorization Agreement. The Agent did not have the ability to pledge or sell collateral securities received absent a borrower default. Borrowers were required to deliver collateral for each loan equal to at least 102 percent of the market value of the domestic loaned securities or 105 percent of the market value of foreign loaned securities.

According to the Agreement, the Agent has an obligation to indemnify the funds in the event any borrower failed to return the loaned securities or pay distributions thereon. There were no such failures during the fiscal year that resulted in a declaration or notice of default of the borrower. During the fiscal year, the funds and the borrowers maintained the right to terminate all securities lending transactions upon notice. The cash collateral received on each loan was invested in an individual account known as the State of Connecticut Collateral Investment Trust. At year end, the funds had no credit risk exposure to borrowers because the fair value of the collateral held and the fair value of securities on loan were $2,020.8 million and $1,973.3 million, respectively.

Under normal circumstances, the average duration of collateral investments is managed so that it will not exceed 60 days. At year end, the average duration of the collateral investments was 8.86 days and an average weighted maturity of 53.79 days.

Note 4
Receivables-Current

As of June 30, 2017, current receivables consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Taxes	$ 1,734,808	$ -	$ -
Accounts	1,340,664	480,114	82,676
Loans-Current Portion	-	256,914	25,891
Other Governments	497,534	8,360	5,418
Interest	1,655	4,601	550
Other (1)	392	2,022	2,111
Total Receivables	3,575,053	752,011	116,646
Allowance for Uncollectibles	(895,819)	(105,398)	(6,645)
Receivables, Net	$ 2,679,234	$ 646,613	$ 110,001

(1) Includes a reconciling amount of $379 thousand from fund financial statements to government-wide financial statements.

Note 5
Taxes Receivable

Taxes receivable consisted of the following as of June 30, 2017 (amounts in thousands):

	Governmental Activities		
	General Fund	Transportation Fund	Total
Sales and Use	$ 677,132	$ -	$ 677,132
Income Taxes	600,968	-	600,968
Corporations	5,265	-	5,265
Gasoline and Special Fuel	-	139,489	139,489
Various Other	311,954	-	311,954
Total Taxes Receivable	1,595,319	139,489	1,734,808
Allowance for Uncollectibles	(214,816)	(131)	(214,947)
Taxes Receivable, Net	$ 1,380,503	$ 139,358	$ 1,519,861

Note 6
Receivables-Noncurrent

Noncurrent receivables for the primary government and its component units, as of June 30, 2017, consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Accounts	$ -	$ -	$ 34,335
Loans	914,683	999,489	412,625
Total Receivables	914,683	999,489	446,960
Allowance for Uncollectibles	(11,456)	(269)	(9,660)
Receivables, Net	$ 903,227	$ 999,220	$ 437,300

The Grants and Loans fund (governmental activities) makes loans through the Department of Economic and Community Development to provide financial support to businesses, municipalities, nonprofits, economic develop agencies and other partners for a wide range of activities that create and retain jobs; strengthen the competitiveness of the workforce; promote tourism, the arts and historic preservation; and help investigate and redevelop brownfields. The department's investments are helping build stronger neighborhoods and communities and improving the quality of life for state residents. These loans are payable over a ten year period with rates ranging from 2 percent to 4 percent.

Clean Water fund (business-type activities) loans funds to qualified municipalities for planning, design, and construction of water quality projects. These loans are payable over a 20 year period at an annual interest rate of 2 percent and are secured by the full faith and credit or revenue pledges of the municipalities, or both. At year end, the noncurrent portion of loans receivable was $850.7 million.

The Connecticut Higher Education Supplemental Loan Authority (a component unit) makes loans to individuals from the proceeds of bonds issued by the Authority. The loans bear interest rates ranging from 0 percent to 9.2 percent. At year end, the noncurrent portion of loans receivable was $100.0 million.

Note 7
Restricted Assets

Restricted assets are defined as resources that are restricted by legal or contractual requirements. As of June 30, 2017, restricted assets were comprised of the following (amounts in thousands):

	Cash & Cash Equivalents	Investments	Loans, Net of Allowances	Other	Total Restricted Assets
Governmental Activities:					
Debt Service	$ 827,125	$ -	$ -	$ -	$ 827,125
Total-Governmental Activities	$ 827,125	$ -	$ -	$ -	$ 827,125
Business-Type Activities:					
UConn/Health Center	$ 143,617	$ -	$ -	$ -	$ 143,617
Clean Water	201,807	127,884	-	-	329,691
Other Proprietary	86,019	8,834	-	-	94,853
Total-Business-Type Activities	$ 431,443	$ 136,718	$ -	$ -	$ 568,161
Component Units:					
CHFA	$ 503,002	$ 1,323,615	$ 3,288,519	$ 126,971	$ 5,242,107
CAA	121,188	-	-	3,191	124,379
Other Component Units	371,032	-	-	20,040	391,072
Total-Component Units	$ 995,222	$ 1,323,615	$ 3,288,519	$ 150,202	$ 5,757,558

Note 8
Current Liabilities

Accounts Payable and Accrued Liabilities

As of June 30, 2017, accounts payable and accrued liabilities consisted of the following (amounts in thousands):

	Vendors	Salaries and Benefits	Interest	Other	Total Payables & Accrued Liabilities
Governmental Activities:					
General	$ 133,407	$ 216,810	$ -	$ -	$ 350,217
Transportation	17,639	13,403	-	-	31,042
Restricted Accounts	224,965	11,981	-	-	236,946
Grants and Loans	4,349	113	-	2,188	6,650
Other Governmental	87,555	7,870	-	-	95,425
Internal Service	914	1,109	-	-	2,023
Reconciling amount from fund financial statements to government-wide financial statements	-	-	239,917	4,263	244,180
Total-Governmental Activities	$ 468,829	$ 251,286	$ 239,917	$ 6,451	$ 966,483
Business-Type Activities:					
UConn/Health Center	$ 129,752	$ 84,112	$ -	$ 36,547	$ 250,411
Board of Regents	22,912	85,504	2,397	6,776	117,589
Other Proprietary	9,712	-	12,778	1,943	24,433
Total-Business-Type Activities	$ 162,376	$ 169,616	$ 15,175	$ 45,266	$ 392,433
Component Units:					
CHFA	$ -	$ -	$ 15,200	$ 8,052	$ 23,252
Connecticut Lottery Corporation	7,942	-	1,458	-	9,400
Connecticut Airport Authority	3,850	4,972	1,122	6,643	16,587
Other Component Units	1,902	-	994	55,983	58,879
Total-Component Units	$ 13,694	$ 4,972	$ 18,774	$ 70,678	$ 108,118

Note 9
Capital Assets

Capital asset activity for the year was as follows (amounts in thousands):

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental Activities				
Capital Assets not being Depreciated:				
Land	$ 1,747,636	$ 76,887	$ 36,131	$ 1,788,392
Construction in Progress	4,544,315	1,732,295	1,288,170	4,988,440
Total Capital Assets not being Depreciated	6,291,951	1,809,182	1,324,301	6,776,832
Capital Assets being Depreciated:				
Buildings	4,321,300	346,617	47,494	4,620,423
Improvements Other than Buildings	466,705	9,237	3,293	472,649
Equipment	2,618,191	131,146	127,480	2,621,857
Infrastructure	14,673,328	924,600	-	15,597,928
Total Other Capital Assets at Historical Cost	22,079,524	1,411,600	178,267	23,312,857
Less: Accumulated Depreciation For:				
Buildings	1,716,901	115,417	47,494	1,784,824
Improvements Other than Buildings	325,349	23,502	3,293	345,558
Equipment	2,563,352	137,063	127,480	2,572,935
Infrastructure	10,059,972	441,969	-	10,501,941
Total Accumulated Depreciation	14,665,574	717,951	178,267	15,205,258
Other Capital Assets, Net	7,413,950	693,649	-	8,107,599
Governmental Activities, Capital Assets, Net	$ 13,705,901	$ 2,502,831	$ 1,324,301	$ 14,884,431

* Depreciation expense was charged to functions as follows:

Governmental Activities:	
Legislative	$ 4,897
General Government	21,838
Regulation and Protection	23,426
Conservation and Development	10,722
Health and Hospitals	9,698
Transportation	563,233
Human Services	986
Education, Libraries and Museums	30,220
Corrections	27,661
Judicial	16,707
Capital assets held by the government's internal service funds are charged to the various functions based on the usage of the assets	8,563
Total Depreciation Expense	$ 717,951

	Beginning Balance	Additions	Retirements	Ending Balance
Business-Type Activities				
Capital Assets not being Depreciated:				
Land	$ 68,631	$ -	$ 6	$ 68,625
Construction in Progress	686,070	254,863	63,589	877,344
Total Capital Assets not being Depreciated	754,701	254,863	63,595	945,969
Capital Assets being Depreciated:				
Buildings	5,311,471	297,545	12,705	5,596,311
Improvements Other Than Buildings	403,251	27,378	-	430,629
Equipment	1,042,391	75,327	60,330	1,057,388
Total Other Capital Assets at Historical Cost	6,757,113	400,250	73,035	7,084,328
Less: Accumulated Depreciation For:				
Buildings	2,059,224	163,359	11,437	2,211,146
Improvements Other Than Buildings	218,957	14,607	-	233,564
Equipment	694,936	75,332	57,037	713,231
Total Accumulated Depreciation	2,973,117	253,298	68,474	3,157,941
Other Capital Assets, Net	3,783,996	146,952	4,561	3,926,387
Business-Type Activities, Capital Assets, Net	$ 4,538,697	$ 401,815	$ 68,156	$ 4,872,356

Component Units

Capital assets of the component units consisted of the following as of June 30, 2017 (amounts in thousands):

Land	$	59,475
Buildings		700,310
Improvements other than Buildings		323,185
Machinery and Equipment		582,155
Construction in Progress		17,969
Total Capital Assets		1,683,094
Accumulated Depreciation		912,081
Capital Assets, Net	$	771,013

Note 10
State Retirement Systems

The State sponsors three major public employee retirement systems: the State Employees' Retirement System (SERS)-consisting of Tier I (contributory), Tier II (noncontributory) Tier IIA (contributory) and Tier III (contributory), the Teachers' Retirement System (TRS), and the Judicial Retirement System (JRS). The three plans in this note do not issue separate financial statements, nor are they reported as a part of other entities. Beginning in fiscal year 2018, all new hires to SERS will be in a new Tier IV Hybrid Plan structure. The financial statements and other required information are presented in Note 12 and in the Required Supplementary Information (RSI) section of the CAFR.

The State Comptroller's Retirement Division under the direction of the Connecticut State Employees' Retirement Commission administers SERS and JRS. The sixteen members are: the State Treasurer or a designee who serves as a non-voting ex-officio member, six trustees representing employees are appointed by the bargaining agents in accordance with the provisions of applicable collective bargaining agreements, one "neutral" Chairman, two actuarial trustees and six management trustees appointed by the Governor. The Teachers' Retirement Board administers TRS. The fourteen members of the Teachers' Retirement Board include: the State Treasurer, the Secretary of the Office of Policy and Management, the Commissioner of Education or their designees, who serve as ex-officio voting members. Six members who are elected by teacher membership and five public members appointed by the Governor.

Special Funding Situation

The employer contributions for the Teachers' Retirement System (TRS) are funded by the State on behalf of the participating municipal employers. Therefore, these employers are considered to be in a special funding situation and the State is treated as a non-employer contributing entity as defined by GASB 68. As a result, the State reports a liability, deferred outflows of resources and deferred inflows of resources, and expenses. Additionally, the autonomous Component Units that benefit from the services provided by employees of the State are considered, as defined by GASB 68 as non-employer contributing entities. As such they report a liability, deferred outflows of resources and deferred inflows of resources, and expenses as a result of being statutorily required to contribute to SERS.

a. Plan Descriptions and Funding Policy

Membership of each plan consisted of the following at the date of the latest actuarial evaluation:

	SERS 6/30/2016	TRS 6/30/2016	JRS 6/30/2016
Inactive Members or their Beneficiaries receiving benefits	48,191	36,065	250
Inactive Members Entitled to but not yet Receiving Benefits	1,412	2,085	3
Active Members	50,019	50,877	204

State Employees' Retirement System

Plan Description

SERS is a single-employer defined-benefit pension plan covering substantially all of the State full-time employees who are not eligible for another State sponsored retirement plan. Plan benefits, cost-of-living allowances, contribution requirements of plan members and the State, and other plan provisions are described in Sections 5-152 to 5-192 of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living allowances to plan members and their beneficiaries.

Funding Policy

The contribution requirements of plan members and the State are established and may be amended by the State legislature subject to the contractual rights established by collective bargaining. Tier I Plan B regular and Hazardous Duty members are required to contribute 2 percent and 4 percent of their annual salary, respectively, up to the Social Security Taxable Wage Base plus 5 percent above that level; Tier I Plan C members are required to contribute 5 percent of their annual salary; Tier II Plan Hazardous Duty members are required to contribute 4 percent of their annual salary; Tier IIA and Tier III Plans regular and Hazardous Duty members are required to contribute 2 percent and 5 percent of their annual salary, respectively. Individuals hired on or after July 1, 2011 otherwise eligible for the Alternative Retirement Plan (ARP) are eligible to become members of the Hybrid Plan in addition to their other existing choices. The Hybrid Plan has defined benefits identical to Tier II/IIA and Tier III for individuals hired on or after July 1, 2011, but requires employee contributions 3 percent higher than the contribution required from the applicable Tier II/IIA/III plan. Employees in the new Tier IV Hybrid Plan will be required to contribute 3 percent more than Tier II employees into the defined benefit plan. The State is required to contribute at an actuarially determined rate. Administrative costs of the plan are funded by the State.

Teachers' Retirement System

Plan Description

TRS is a cost-sharing multiple-employer defined-benefit pension plan covering any teacher, principal, superintendent, or supervisor engaged in service of public schools in the State. Plan benefits, cost-of-living allowances, required contributions of plan members and the State, and other plan provisions are described in Sections 10-183b to 10-183ss of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living allowances to plan members and their beneficiaries.

Funding Policy

The contribution requirements of plan members and the State are established and may be amended by the State legislature. Plan members are required to contribute 6 percent of their annual salary. Administrative costs of the plan are funded by the State.

Judicial Retirement System

Plan Description

JRS is a single-employer defined-benefit pension plan covering any appointed judge or compensation commissioner in the State. Plan benefits, cost-of-living allowances, required contributions of plan members and the State, and other plan provisions are described in Sections 51-49 to 51-51 of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living allowances to plan members and their beneficiaries.

Funding Policy

The contribution requirements of plan members and the State are established and may be amended by the State legislature. Plan members are required to contribute 6 percent of their annual salary. The State is required to contribute at an actuarially determined rate. Administrative costs of the plan are funded by the State.

b. Investments

The State Treasurer employs several outside consulting firms as external money and investment managers, to assist the Chief Investment Officer, as they manage the investment programs of the pension plans. Plan assets are managed primarily through asset allocation decisions with the main objective being to maximize investment returns over the long term at an acceptable level of risk. There is no concentration of investments in any one organization that represents 5.0 percent or more of plan net position available for benefits. The following is the asset allocation policy as of June 30, 2016.

	SERS		TRB		JRS	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equities	21.0%	5.8%	25.0%	5.8%	21.0%	5.8%
Developed Non-U.S. Equities	18.0%	6.6%	20.0%	6.6%	18.0%	6.6%
Emerging Markets (Non-U.S.)	9.0%	8.3%	9.0%	8.3%	9.0%	8.3%
Real Estate	7.0%	5.1%	5.0%	5.1%	7.0%	5.1%
Private Equity	11.0%	7.6%	10.0%	7.6%	11.0%	7.6%
Alternative Investment	8.0%	4.1%	8.0%	4.1%	8.0%	4.1%
Fixed Income (Core)	8.0%	1.3%	13.0%	1.3%	8.0%	1.3%
High Yield Bonds	5.0%	3.9%	2.0%	3.9%	5.0%	3.9%
Emerging Market Bond	4.0%	3.7%	4.0%	3.7%	4.0%	3.7%
Inflation Linked Bonds	5.0%	1.0%	6.0%	1.0%	5.0%	1.0%
Cash	4.0%	0.4%	6.0%	0.4%	4.0%	0.4%

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

***Rate of Return*:** For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan expense was 14.3 percent, 14.4 percent, and 13.0 percent for SERS, TRS, and JRS, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Net Pension Liability

The components of the net pension liability as of the measurement June 30, 2016 were as follows (amounts in millions):

	SERS	TRS	JRS
Total Pension Liability	$ 33,617	$ 29,840	$ 434
Fiduciary Net Position	10,654	15,595	190
Net Pension Liability	$ 22,963	$ 14,245	$ 244
Ratio of Fiduciary Net Position to Total Pension Liability	31.69%	52.26%	43.76%

Deferred Retirement Option Program (DROP)

Section 10-183v of the General Statute authorizes that a TRS member teacher receiving retirement benefits from the system may be reemployed for up to one full school year by a local board of education, the State Board of Education or by a constituent unit of the state system of higher education in a position (1) designated by the Commissioner of Education as a subject shortage area, or (2) at a school located in a school district identified as a priority school district. Such reemployment may be extended for an additional school year, by written request for approval to the Teachers' Retirement Board.

As of June 30, 2017 the balance held for the DROP was not available from the Teachers' Retirement Board.

Discount Rate

The discount rate used to measure the total pension liability was 6.9, 8.0, and 6.9 percent for SERS, TRS, and JRS respectively. The projection of cash flows used to determine the SERS, TRS, and JRS discount rate assumed employee contributions will be made at the current contribution rate and that contributions from the State will be made at actuarially determined rates in future years. Based on those assumptions, SERS, TRS, and JRS pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the State, calculated using the discount rates of 6.9, 8.0 and 6.9 percent for SERS, TRS, and JRS, as well as what the State's net pension liabilities would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (amounts in millions):

	1% Decrease in Rate	Current Discount Rate	1% Increase in Rate
SERS Net Pension Liability	$ 27,250	$ 22,963	$ 19,395
TRS Net Pension Liability	$ 17,574	$ 14,245	$ 11,431
JRS Net Pension Liability	$ 290	$ 244	$ 204

c. GASB Statement 68 Employer Reporting

Employer Contributions

The following table presents the primary government's and component units' contributions recognized by the pension plans at the measurement date June 30, 2016 (amounts in thousands):

	SERS	TRS	JRS	Total
Primary Government	$ 1,484,817	$ 975,578	$ 18,259	$ 2,478,654
Component Units	16,988	-	-	16,988
Total Employer Contributions	$ 1,501,805	$ 975,578	$ 18,259	$ 2,495,642

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of the reporting date June 30, 2017, the primary government and component units reported net pension liabilities for the following plans administered by the State as follows (amounts in thousands):

	Primary Government	Component Units
Proportionate Share of the Net Pension Liability		
State Employees' Retirement System	$ 22,703,172	$ 259,752
Net Pension Liability		
Teachers' Retirement System	14,245,051	-
Judicial Retirement System	243,845	-
Total Net Pension Liability	$ 37,192,068	$ 259,752

The primary government's and component units' proportions of the collective net pension liability for the State Employees' Retirement System as of the measurement date June 30, 2016 as follows (amounts in thousands):

	Primary Government	Component Units
State Employees' Retirement System		
Proportion-June 30, 2016	98.87%	1.13%

For the reporting year ended June 30, 2017, the primary government and component units' recognized pension expense for the following pension plans administered by the State as follows (amounts in thousands):

	Primary Government	Component Units
Pension Expense		
State Employees' Retirement System	$ 2,467,116	$ 24,002
Teachers' Retirement System	1,553,474	-
Judicial Retirement System	34,629	-
	$ 4,055,219	$ 24,002

Deferred Outflows and Inflows of Resources

As of the reporting date June 30, 2017, the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Primary Government		Component Units	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
State Employees' Retirement System				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	$ 711,943	$ -	$ 8,146	$ -
Difference Between Expected and Actual Experience	630,684	-	7,216	-
Changes in Proportion & Differences Between Employer Contributions & Proportionate Share of Contributions	-	-	7,994	27,815
Change in Assumptions	4,047,825	-	46,312	-
Employer Contributions Subsequent to Measurement Date	1,525,310	-	16,988	-
Total	$ 6,915,762	$ -	$ 86,656	$ 27,815
Teachers' Retirement System				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	$ 1,206,422	$ -		
Difference Between Expected and Actual Experience	-	320,621		
Change in Assumptions	1,888,199	-		
Employer Contributions Subsequent to Measurement Date	1,012,162	-		
Total	$ 4,106,783	$ 320,621		
Judicial Retirement System				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	$ 13,075	$ -		
Difference Between Expected and Actual Experience	-	7,052		
Change in Assumptions	48,573	-		
Employer Contributions Subsequent to Measurement Date	19,164	-		
Total	$ 80,812	$ 7,052		

The amount reported as deferred outflows of resources related to pensions resulting from the State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability reported in the following fiscal year. The amount reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows (amounts in thousands):

State Employees' Retirement System

Year Ending June 30	Primary Government	Component Units
2017	$ 1,127,260	$ 8,673
2018	1,127,258	8,673
2019	1,268,627	10,290
2020	1,161,976	9,052
2021	725,151	5,166
	$ 5,410,272	$ 41,854

Teachers' Retirement System

Year Ending June 30	Primary Government
2017	$ 509,415
2018	509,417
2019	723,584
2020	543,234
2021-2022	488,350
	$ 2,774,000

Judges' Retirement System

Year Ending June 30	Primary Government
2017	$ 16,495
2018	16,493
2019	18,462
2020	3,146
2021	-
	$ 54,596

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

	SERS	TRS	JRS
Valuation Date	6/30/2016	6/30/2016	6/30/2016
Inflation	2.50%	2.75%	2.50%
Salary Increases	3.5%-19.5%	3.25%-6.50%	4.50%
Investment Rate of Return	6.90%	8.0%	6.90%

The actuarial assumptions used in the June 30, 2016 SERS and JRS reported mortality rates based on the RP-2014 Mortality Table projected to 2020 by scale BB at 100 percent for males and 95 percent for females for periods after service retirement and dependent beneficiaries. The RP-2014 Disabled Retiree Mortality Table at 65 percent for males and 85 percent for females is used for periods after disability.

The actuarial assumptions used in the June 30, 2016 TRS actuarial report were based on RPH-2014 White Collar table with employee and annuitant rates blended from ages 50 to 80, projected to the year 2020 using the BB improvement scale, and further adjusted to grade in increases (5% for females and 8% for males) to rates over age 80 for the period after service retirement and for dependent beneficiaries as well as for active members. The RPH-2014 Disabled Mortality Table projected to 2017 with Scale BB is used for the period after disability retirement.

Changes in Net Pension Liability

The following schedule presents changes in the State's pension liability and fiduciary net position for each plan for the measurement date June 30, 2016 (amounts in thousands):

Total Pension Liability	**SERS**	**TRS**	**JRS**
Service Cost	$ 322,114	$ 419,616	$ 8,508
Interest	2,105,947	2,228,958	28,251
Benefit Changes	-	-	-
Difference between expected and actual experience	772,762	(375,805)	(9,380)
Changes of assumptions	4,959,705	2,213,190	64,604
Benefit payments	(1,729,181)	(1,738,131)	(22,994)
Refunds of Contributions	(7,098)	-	-
Net change in total pension liability	6,424,249	2,747,828	68,989
Total pension liability - beginning (a)	27,192,467	27,092,095	364,614
Total pension liability - ending (c)	**$ 33,616,716**	**$ 29,839,923**	**$ 433,603**
Plan fiduciary net position			
Contributions - employer	$ 1,501,805	$ 975,578	$ 18,259
Contributions - member	135,029	293,493	1,831
Net investment income	(100)	(18,473)	1,440
Benefit payments	(1,729,181)	(1,738,131)	(22,994)
Other	77,859	(37,648)	1,680
Net change in plan fiduciary net position	(14,588)	(525,181)	216
Plan net position - beginning (b)	10,668,380	16,120,053	189,542
Plan net position - ending (d)	**$ 10,653,792**	**$ 15,594,872**	**$ 189,758**
Net pension liability - beginning (a)-(b)	**$ 16,524,087**	**$ 10,972,042**	**$ 175,072**
Net pension liability - ending (c)-(d)	**$ 22,962,924**	**$ 14,245,051**	**$ 243,845**

d. 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 $36.5 million and $56.2 million, respectively.

Note 11
Other Retirement Systems Administered by the State of Connecticut

The State acts solely as the administrator and custodian of the assets of the Connecticut Municipal Employees' Retirement System (MERS) and the Connecticut Probate Judges and Employees Retirement System (CPJERS). The State makes no contribution to and has only a fiduciary responsibility for these funds. None of the above mentioned systems issue stand-alone financial reports. However, financial statements for MERS and CPJERS are presented in Note No. 12.

a. Plan Descriptions and Funding Policy

Membership of each plan consisted of the following at the date of the latest actuarial valuation:

	MERS 6/30/2016	CPJERS 12/31/2015
Retirees and beneficiaries receiving benefits	7,102	336
Terminated plan members entitled to but not receiving benefits	1,335	149
Active plan members	9,373	371
Total	17,810	856
Number of participating employers	191	1

Connecticut Municipal Employees' Retirement System

Plan Description

MERS is a cost-sharing multiple-employer defined benefit pension plan that covers fire, police, and other personnel (except teachers) of participating municipalities in the State. Pension plan assets are pooled and the plan assets can be used to pay the pensions of the retirees of any participating employer. Plan benefits, cost-of-living adjustments, contribution requirements of plan members and participating municipalities, and other plan provisions are described in Chapters 7-425 to 7-451 of the General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Funding Policy

Plan members are required to contribute 2.25 percent to 5.0 percent of their annual salary. Participating municipalities are required to contribute at an actuarial determined rate. The participating municipalities fund administrative costs of the plan.

b. Investment Policy

The State Treasurer employs several outside consulting firms as external money and investment managers, to assist the Chief Investment Officer as they manage the investment programs of the pension plans. Plan assets are managed primarily through asset allocation decisions with the main objective being to maximize investment returns over the long term at an acceptable level of risk. There is no concentration of investments in any one organization that represents 5.0 percent or more of plan net position available for benefits.

	MERS	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equities	16.0%	5.8%
Developed Non-U.S. Equities	14.0%	6.6%
Emerging Markets (Non-U.S.)	7.0%	8.3%
Real Estate	7.0%	5.1%
Private Equity	10.0%	7.6%
Alternative Investment	8.0%	4.1%
Fixed Income (Core)	8.0%	1.3%
High Yield Bonds	14.0%	3.9%
Emerging Market Bond	8.0%	3.7%
Inflation Linked Bonds	5.0%	1.0%
Cash	3.0%	0.4%

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

c. GASB Statement 68 Employer Reporting

Net Pension Liability of Participating Employers

The components of the net pension liability for MERS at June 30, 2016 were as follows (amounts in millions):

	MERS
Employers' Total Pension Liability	$ 2,840
Fiduciary Net Position	2,507
Employers' Net Pension Liability	$ 333
Ratio of Fiduciary Net Position to Total Pension Liability	88.29%

Discount Rate

The discount rate used to measure the total pension liability was 8 percent for MERS. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. The long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of MERS, calculated using the discount rate of 8 percent as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1- percentage-point higher than the current rate (amounts in millions):

	1% Decrease in Rate	Current Discount Rate	1% Increase in Rate
Net Pension Liability	$ 681	$ 333	$ 40

Deferred outflows and deferred inflows of resources

The cumulative net amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future pension expense as follows (amounts in thousands):

	Deferred Outflows of Resources
Municipal Employees Retirement System	
Difference Between Expected and Actual Experience	$ 40,035
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	157,150
	$ 197,185

Amounts recognized in subsequent fiscal years:

Year Ending June 30	MERS
2017	$ 44,762
2018	44,762
2019	66,197
2020	41,464

The above amounts do not include the deferred outflows/inflows of resources for employer contributions made subsequent to the measurement date. These amounts should be calculated and recorded by each participating employer.

Collective Pension Expense

Collective pension expense includes certain current period changes in the collective net pension liability, projected earnings on pension plan investments and the amortization of deferred outflows of resources and deferred inflows of resources for the current period. The collective pension expense for the period ended June 30, 2016 is as follows (amounts in thousands):

Service Cost	$	67,126
Interest on the total pension liability		206,064
Expensed portion of current-period difference between expected and actual experience in the total pension liability		10,292
Member Contributions		(24,019)
Projected earnings on plan investments		(179,274)
Expensed portion of current period differences between projected and actual earnings on plan investments		32,305
Other		(6,063)
Recognition of beginning deferred outflows of resources as pension expense		2,165
Collective Pension Expense	$	108,596

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement date:

Inflation	3.25%
Salary increase	4.25-11.0%, including inflation
Investment rate of return	8.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for annuitants and non-annuitants (set forward one year for males and set back one year for females).

d. Connecticut Probate Judges and Employees' Retirement System

Plan Description

CPJERS is an agent multi-employer defined benefit pension plan that covers judges and employees of probate courts. Plan benefits, cost-of-living adjustments, required contributions of plan members and the probate court system, and other plan provisions are described in Chapters 45a-34 to 45a-56 of General Statutes. The plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and their beneficiaries.

Pension plan assets are pooled for investment purposes but separate accounts are maintained for each individual court so that each court's share of the pooled assets is legally available to pay the benefits of only its employees. The plan is administered by the State Employee's Retirement Commission.

Funding

Plan members are required to contribute 1.0 percent to 3.75 percent of their annual salary. The probate court system is required to contribute at an actuarial determined rate. Administrative costs of the plan are funded by the probate court system.

Pension Liability

Information concerning the CPJERS total pension liability and significant assumptions used to measure the plans total pension liability, such as inflation, salary changes, discount rates and mortality are available by contacting the State Comptroller's Retirement Division.

Note 12
Pension Trust Funds Financial Statements

The financial statements of the pension trust funds are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. State contributions are recognized in the period in which the contributions are appropriated. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Investment income and related expenses of the Combined Investment Funds are allocated ratably to the pension trust funds based on each fund's equity in the Combined Investment Funds. As of June 30, 2017 the Fiduciary Fund financial statements were as follows (amounts in thousands):

	Statement of Fiduciary Net Position (000's)						
	State Employees'	State Teachers'	Judicial	Connecticut Municipal Employees'	Probate Judges'	Other	Total
Assets							
Current:							
Cash and Cash Equivalents	$ 10,434	$ 5,631	$ 59	$ 2,637	$ 17	$ 352	$ 19,130
Receivables:							
Accounts, Net of Allowances	14,976	10,965	32	15,809	4	-	41,786
From Other Governments	-	580	-	-	-	-	580
From Other Funds	119	6	-	19	-	1	145
Interest	892	1,964	12	141	6	-	3,015
Investments	11,955,375	17,126,802	210,022	2,441,303	95,048	1,798	31,830,348
Securities Lending Collateral	741,682	1,024,750	15,844	184,213	7,508	154	1,974,151
Noncurrent:							
Due From Employers	-	-	-	273,875	-	-	273,875
Total Assets	$ 12,723,478	$ 18,170,698	$ 225,969	$ 2,917,997	$ 102,583	$ 2,305	$ 34,143,030
Liabilities							
Accounts Payable and Accrued Liabilities	$ 19	$ 9,732	$ -	$ -	$ 4	$ -	$ 9,755
Securities Lending Obligation	741,682	1,024,750	15,844	184,213	7,508	154	1,974,151
Due to Other Funds	-	1,890	-	-	-	-	1,890
Total Liabilities	$ 741,701	$ 1,036,372	$ 15,844	$ 184,213	$ 7,512	$ 154	$ 1,985,796
Net Position							
Held in Trust For Employee Pension Benefits	$ 11,981,777	$ 17,134,326	$ 210,125	$ 2,733,784	$ 95,071	$ 2,151	$ 32,157,234
Total Net Assets	$ 11,981,777	$ 17,134,326	$ 210,125	$ 2,733,784	$ 95,071	$ 2,151	$ 32,157,234

	Statement of Changes in Fiduciary Net Position (000's)						
	State Employees'	State Teachers'	Judicial	Connecticut Municipal Employees'	Probate Judges'	Other	Total
Additions							
Contributions:							
Plan Members	$ 132,557	$ 288,251	$ 1,689	$ 27,377	$ 254	$ 44	$ 450,172
State	1,542,298	1,012,162	19,164	-	-	-	2,573,624
Municipalities	-	-	-	69,807	-	-	69,807
Total Contributions	1,674,855	1,300,413	20,853	97,184	254	44	3,093,603
Investment Income	1,544,980	2,251,063	25,021	290,445	11,541	232	4,123,282
Less: Investment Expenses	(35,118)	(51,168)	(569)	(6,618)	(262)	(5)	(93,740)
Net Investment Income	1,509,862	2,199,895	24,452	283,827	11,279	227	4,029,542
Other	-	1,679	-	524	1,469	2	3,674
Total Additions	3,184,717	3,501,987	45,305	381,535	13,002	273	7,126,819
Deductions							
Administrative Expense	674	-	-	-	-	-	674
Benefit Payments and Refunds	1,855,687	1,962,533	24,899	155,407	5,180	-	4,003,706
Other	371	-	39	-	-	-	410
Total Deductions	1,856,732	1,962,533	24,938	155,407	5,180	-	4,004,790
Changes in Net Assets	1,327,985	1,539,454	20,367	226,128	7,822	273	3,122,029
Net Position Held in Trust For Employee Pension Benefits:							
Beginning of Year (as restated)	10,653,792	15,594,872	189,758	2,507,656	87,249	1,878	29,035,205
End of Year	$ 11,981,777	$ 17,134,326	$ 210,125	$ 2,733,784	$ 95,071	$ 2,151	$ 32,157,234

Note 13
Other Postemployment Benefits (OPEB)

The State sponsors two defined benefit OPEB plans: the State Employee OPEB Plan (SEOPEBP) and the Retired Teacher Healthcare Plan (RTHP). This year the State adapted the Governmental Accounting Standards Board Statement No. 74 - *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans.*

The State Comptroller's Healthcare Policy and Benefits Division under the direction of the Connecticut State Employees Retirement Commission administers the State Employee OPEB Plan. The membership of the commission is composed of the State Treasurer or designee, who is a nonvoting ex-officio member; fifteen trustees, including six trustees representing state employees; six trustees representing state management; two trustees who are professional actuaries and one neutral trustee who serves as chairman. Also, the State Comptroller, ex officio, serves as the nonvoting secretary. The Governor makes all appointments except the employee trustees who are selected by employee bargaining agents. Management and employee trustees make the appointments of the chairman and the actuarial trustee positions. The Teachers' Retirement Board administers the Retired Teachers' Healthcare Plan. None of these plans issue stand alone statements, however, financial statements for these plans are presented in Note No. 14.

a. Plan Descriptions and Funding Policy

Membership of each plan consisted of the following at the date of the latest actuarial evaluation:

	SEOPEBP 6/30/2017	RTHP 6/30/2016
Inactive Members or their Beneficiaries receiving benefits	70,776	40,160
Inactive Members Entitled to but not yet Receiving Benefits	484	2,085
Active Members	53,101	50,877

State Employee OPEB Plan

Plan Description

SEOPEBP is a single-employer defined benefit OPEB plan that covers retired employees of the State who are receiving benefits from any State-sponsored retirement system, except the Teachers' Retirement System and the Municipal Employees' Retirement System. The plan provides healthcare and life insurance benefits to eligible retirees and their spouses. Plan benefits, required contributions of plan participants and the State, and other plan provisions are described in Sections 5-257 and 5-259 of the General Statutes.

Funding Policy

The contribution requirements of the plan members and the State are established and may be amended by the State legislature, or by agreement between the State and employees unions, upon approval by the State legislature. The cost of providing plan benefits is financed approximately 100 percent by the State on a pay-as-you-go basis through an annual appropriation in the General fund. Administrative costs of the plan are financed by the State.

Retired Teacher Healthcare Plan

Plan Description

RTHP is a single-employer defined benefit OPEB plan that covers retired teachers and administrators of public schools in the State who are receiving benefits from the Teachers' Retirement System. The plan provides healthcare insurance benefits to eligible retirees and their spouses. Plan benefits, required contributions of plan participants and the State, and other plan provisions are described in Section 10-183t of the General Statutes.

Funding Policy

The contribution requirements of plan members and the State are established and may be amended by the State legislature. The cost of providing plan benefits is financed on a pay-as-you-go basis as follows: active teachers pay for one third of plan costs through a contribution of 1.25 percent of their annual salaries, retired teachers pay for one third of plan costs through monthly premiums, and the State pays for one third of plan costs through an annual appropriation in the General Fund. Administrative costs of the plan are financed by the State.

b. Investments

The State Treasurer employs several outside consulting firms as external money and investment managers, to assist the Chief Investment Officer, as they manage the investment programs of the State Employee OPEB Plan. Plan assets are managed primarily through assets allocation decisions with the main objective being to maximize investment returns over the long term at an acceptable

level of risk. There is no concentration of investments in any one organization that represents 5.0 percent or more of plan net position available for benefits. The following is the asset allocation policy as of June 30, 2017.

	SEOPEBP		RTHP	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Expected 10 year Geometric Real Rate of Return
Large Cap U.S. Equities	21.0%	5.8%	0.00%	4.39%
Small/Mid U.S. Equities	0.0%	0.0%	0.00%	4.74%
Non U.S. Equities - Developed	18.0%	6.6%	0.00%	4.86%
Non U.S. - Emerging Markets	9.0%	8.3%	0.00%	6.19%
Real Estate	7.0%	5.1%	0.00%	4.11%
Hedge Funds	0.0%	0.0%	0.00%	3.18%
Commodities	0.0%	0.0%	0.00%	1.78%
Infrastructure	0.0%	0.0%	0.00%	4.34%
Private Equity	11.0%	7.6%	0.00%	6.91%
Alternative Investment	8.0%	4.1%	0.00%	0.00%
Fixed Income (Core)	8.0%	1.3%	0.00%	1.22%
Long Duration Bonds	0.0%	0.0%	0.00%	1.62%
High Yield Bonds	5.0%	3.9%	0.00%	3.66%
Non U.S. Debt - Developed	0.0%	0.0%	0.00%	0.26%
Non U.S. Debt - Emerging	4.0%	3.7%	0.00%	3.53%
TIPS (Inflation Protected)	0.0%	0.0%	0.00%	0.63%
Inflation Linked Bonds	5.0%	1.0%	0.00%	0.00%
U. S. Treasuries (Cash Equivalents)	4.0%	0.4%	100.00%	-0.02%

The long-term expected rate of return on RTHP OPEB plan assets was determined by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. The assumption is not expected to change absent a significant change in asset allocation, a change in inflation assumption, or a fundamental change in the market that alters expected returns in future years.

c. GASB 74 Requirements

Net OPEB Liability

The components of the net OPEB liability as of June 30, 2017, the measurement date, were as follows (amounts in thousands):

	SEOPEBP	RTHP
Total OPEB Liability	$ 17,928,030	$ 3,538,772
Fiduciary Net Position	542,342	63,428
Net OPEB Liability	$ 17,385,688	$ 3,475,344
Ratio of Fiduciary Net Position to Total OPEB Liability	3.03%	1.79%

Actuarial Assumptions

The total OPEB liability was determined by actuarial valuations as of June 30, 2017 and June 30, 2016 respectively, using the following actuarial assumptions, applied to all periods included in the measurement:

	SEOPEBP 6/30/17	RTHP 6/30/16
Inflation	3.25%	2.75%
Salary increase	3.75%	3.25%-6.5%
Investment rate of return	6.90%	4.25%, net of pension plan investment expense including price inflation
Healthcare cost trend rates	10% for drug cost graded to 5% over 5 years, other cost 5%	7.75% decreasing to 5% by year 2022

Mortality rates for the State Employees OPEB Plan were based on the RP-2000 Healthy Annuitant Mortality Table for male rates projected 15 years (set back 2 years) and female rates projected 25 years (set back one year) under Scale AA.

Mortality rates for the State Teachers Retirement System were based on RPH-2014 White Collar Morality Table with employee and annuitant rates blended from ages 50 to 80 projected to year 2020 under Scale BB and further adjusted to grade in increases (5% for females and 8% for males) to rates over age 80. Disabled participants mortality rates were based on the RPH-2014 Disabled Retiree Mortality Table projected to 2017 using BB improvement scale.

Discount Rate

The discount rate used to measure the total OPEB liability for SEOPEBP and RTHP respectively, was 3.74 and 3.56 percent. The projection of cash flows used to determine the discount was performed in accordance with GASB 74.

Sensitivity of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the State, as well as what the State's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate (amounts in thousands):

	SEOPEBP		
	1% Decrease in Discount Rate 2.74%	Current Discount Rate 3.74%	1% Increase in Discount Rate 4.74%
SEOPEBP Net OPEB Liability	$ 20,115,969	$ 17,385,688	$ 15,158,837

	RTHP		
	1% Decrease in Discount Rate 2.56%	Current Discount Rate 3.56%	1% Increase in Discount Rate 4.56%
RTHP Net OPEB Liability	$ 4,188,346	$ 3,475,344	$ 2,914,719

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates

The following presents the net OPEB liability of the State, as well as what the State's net OPEB liability would be if it were calculated using healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate (amounts in thousands):

	SEOPEBP		
	1% Decrease	Current	1% Increase
SEOPEBP Net OPEB Liability	$ 14,936,332	$ 17,385,688	$ 20,477,885

	RTHP		
	1% Decrease	Current	1% Increase
RTHP Net OPEB Liability	$ 2,861,462	$ 3,475,344	$ 4,301,861

Changes in Net OPEB Liability

The following schedule presents changes in the State's pension liability and fiduciary net position for each plan for the measurement date June 30, 2017 (amounts in thousands):

Total OPEB Liability	**SEOPEBP**	**RTHP**
Service Cost	$ 1,081,923	$ 148,220
Interest	849,907	111,129
Benefit Changes	(8,853,455)	-
Difference between expected and actual experience	(97,527)	-
Changes of assumptions	(1,936,042)	(370,549)
Benefit payments	(639,467)	(84,071)
Net change in total OPEB liability	(9,594,661)	(195,271)
Total OPEB liability - beginning	27,522,691	3,734,043
Total OPEB liability - ending (a)	**$ 17,928,030**	**$ 3,538,772**
Plan fiduciary net position		
Contributions - employer	$ 667,401	$ 19,922
Contributions - member	120,783	50,436
Net investment income	53,194	369
Benefit payments	(639,467)	(84,071)
Administrative expense	-	(150)
Other	(187)	42
Net change in plan fiduciary net position	201,724	(13,452)
Plan fiduciary net position - beginning	340,618	76,880
Plan fiduciary net position - ending (b)	**$ 542,342**	**$ 63,428**
Net OPEB liability - ending (a)-(b)	**$ 17,385,688**	**$ 3,475,344**

The benefit changes is a result of the implementation of the Medicare Advantage plan for the State's Medicare-eligible retirees effective after January 1, 2018, as well as proposed changes in the SEBAC agreement for non-Medicare retirees. These changes pertaining to premium shares and health care design changes, affect new retirees after October 2, 2017.

Annual OPEB Cost and Net OPEB Obligation Required by GASB 45

The State's annual OPEB cost and the net OPEB obligation for each plan for the current fiscal year were as follows (amounts in thousands):

	SEOPEBP	RTHP
Annual Required Contribution	$ 1,043,143	$ 166,802
Interest on Net OPEB Obligation	503,257	49,450
Adjustment to Annual Required Contribution	(512,216)	(40,881)
Annual OPEB Cost	1,034,184	175,371
Contributions Made	667,401	19,922
Increase in net OPEB Obligation	366,783	155,449
Net OPEB Obligation - Beginning of Year	8,829,062	1,098,891
Net OPEB Obligation - End of Year	$ 9,195,845	$ 1,254,340

In addition, other related information for each plan for the past three fiscal years was as follows (amounts in thousands):

	Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
SEOPEBP				
	2017	$ 1,034,184	64.5%	$ 9,195,845
	2016	$ 1,435,596	42.4%	$ 8,829,062
	2015	$ 1,541,667	35.4%	$ 8,002,059
RTHP				
	2017	$ 175,371	11.4%	$ 1,254,340
	2016	$ 137,983	14.5%	$ 1,098,891
	2015	$ 118,175	21.3%	$ 980,868

Funded Status and Funding Progress

The following is funded status information for the SEOPEBP and the RTHP as of June 30, 2017 and 2016, respectively, date of the latest actuarial valuations (amounts in million):

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
SEOPEBP	$ 229.6	$ 19,119.6	$ 18,890.0	1.2%	$ 3,895.1	485.0%
RTHP	$ -	$ 2,997.5	$ 2,997.5	0.0%	$ 3,949.9	75.9%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding in progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

d. Other OPEB Plan

The State acts solely as the administrator and custodian of the assets of the Policemen and Firemen Survivors' Benefit Fund (PFSBF). The State makes no contribution to and has only a fiduciary responsibility for this fund. The fund does not issue stand-alone financial statements. However, financial statements for this fund are presented in Note No. 14.

Plan Description

PFSBF is a cost-sharing multiple-employer defined benefit OPEB plan that covers policemen and firemen of participating municipalities in the State. As of June 30, 2016 there were 8 municipalities participating in the plan with a total membership of 634 active members. The plan provides survivor benefits upon the death of an active or retired member of the fund to his spouse and dependent children. Plan benefits, contribution requirements of plan members and participant municipalities, and other plan provisions are described in Sections 7-323a to 7-323i of the General Statutes.

Contributions

Plan members are required to contribute one percent of their annual salary. Participating municipalities are required to contribute at an actuarially determined rate. Administrative costs of the plan are financed by participating municipalities.

Note 14
OPEB Trust Funds Financial Statements

The financial statements of the OPEB trust funds are prepared using the accrual basis of accounting. Plan member and municipality contributions are recognized in the period in which they are due. State contributions are recognized in the period they are appropriated. Benefits are recognized when due and payable in accordance with the terms of each plan. Investment income and related investment expense of the Combined Investment Funds are allocated ratably to the PFSBF trust fund based on the fund's equity in the Combined Investment Funds.

	Statement of Fiduciary Net Position (000's)			
	State Employees' OPEB Plan	Retired Teachers' Healthcare Plan	Policemen, Firemen, and Survivors' Benefits	Total
Assets				
Cash and Cash Equivalents	$ 5,706	$ 60,890	$ 109	$ 66,705
Receivables:				
Accounts, Net of Allowances	-	7,364	-	7,364
From Other Funds	(38)	1,897	-	1,859
Interest	-	-	2	2
Investments	569,440	-	32,349	601,789
Securities Lending Collateral	36,224	-	2,244	38,468
Total Assets	$ 611,332	$ 70,151	$ 34,704	$ 716,187
Liabilities				
Accounts Payable and Accrued Liabilities	$ 32,766	$ 6,722	$ -	$ 39,488
Securities Lending Obligation	36,224	-	2,244	38,468
Due To Other Funds	-	-	-	-
Total Liabilities	$ 68,990	$ 6,722	$ 2,244	$ 77,956
Net Position				
Held in Trust For Employee				
Pension and Other Benefits	$ 542,342	$ 63,428	$ 32,460	$ 638,230
Total Net Assets	$ 542,342	$ 63,428	$ 32,460	$ 638,230

	Statement of Changes in Fiduciary Net Position (000's)			
	State Employees' OPEB Plan	Retired Teachers' Healthcare Plan	Policemen, Firemen, and Survivors' Benefit	Total
Additions				
Contributions:				
Plan Members	$ 120,783	$ 102,986	$ 555	$ 224,324
State	667,401	19,922	-	687,323
Municipalities	-	-	645	645
Total Contributions	788,184	122,908	1,200	912,292
Investment Income	54,431	369	3,949	58,749
Less: Investment Expenses	(1,237)	-	(90)	(1,327)
Net Investment Income	53,194	369	3,859	57,422
Other	-	42	-	42
Total Additions	841,378	123,319	5,059	969,756
Deductions				
Administrative Expense	-	5,684	-	5,684
Benefit Payments and Refunds	639,467	131,087	1,222	771,776
Other	187	-	-	187
Total Deductions	639,654	136,771	1,222	777,647
Changes in Net Assets	201,724	(13,452)	3,837	192,109
Net Position Held in Trust For Other Postemployment Benefits:				
Beginning of Year (as restated)	340,618	76,880	28,623	446,121
End of Year	$ 542,342	$ 63,428	$ 32,460	$ 638,230

Note 15
Capital and Operating Leases

State as Lessor

The State leases building space, land, and equipment to private individuals. The minimum future lease revenues for the next five years and thereafter are as follows (amounts in thousands):

2018	$	36,922
2019		36,017
2020		36,366
2021		23,194
2022		23,277
Thereafter		82,967
Total	$	238,743

Contingent revenues for the year ended June 30, 2017, were $628 thousand.

State as Lessee

Obligations under capital and operating leases as of June 30, 2017, were as follows (amounts in thousands):

	Noncancelable Operating Leases	Capital Leases
2018	$ 25,402	$ 7,815
2019	31,800	7,352
2020	19,206	6,377
2021	13,570	2,471
2022	19,658	2,159
2023-2027	7,775	6,283
2028-2032	-	4,870
Total minimum lease payments	$ 117,411	37,327
Less: Amount representing interest costs		6,427
Present value of minimum lease payments		$ 30,900

Minimum capital lease payments were discounted using interest rates changing from 3.66 percent to 6.00 percent.

Rental payments on noncancelable operating leases charged to expenses during the year ended June 30, 2017, were $25.4 million.

Note 16
Long-Term Debt

The following is a summary of changes in long-term debt of the primary government for the year ended June 30, 2017, (amounts in thousands):

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amounts due within one year
Bonds:					
General Obligation	$ 17,394,622	$ 3,004,480	$ 2,000,548	$ 18,398,554	$ 1,403,467
Transportation	4,519,690	868,265	346,115	5,041,840	301,345
	21,914,312	3,872,745	2,346,663	23,440,394	1,704,812
Plus (Less) Premiums	1,672,204	427,323	212,443	1,887,084	190,620
Total Bonds	23,586,516	4,300,068	2,559,106	25,327,478	1,895,432
Long-Term Notes	352,585	-	175,465	177,120	177,120
Other L/T Liabilities: [1]					
Net Pension Liability (Note 10)	27,459,972	15,039,145	5,307,046	37,192,071	-
Net OPEB Obligation	9,927,951	1,209,554	687,323	10,450,182	-
Compensated Absences	511,391	40,373	38,928	512,836	40,370
Workers' Compensation	684,401	133,780	100,165	718,016	103,265
Capital Leases	32,342	4,346	5,788	30,900	6,911
Claims and Judgments	62,849	12,200	23,886	51,163	37,778
Landfill Post Closure Care	49,433	-	13,136	36,297	1,217
Liability on Interest Rate Swaps	1,857	-	1,031	826	-
Contracts Payable & Other	705	-	-	705	-
Total Other Liabilities	38,730,901	16,439,398	6,177,303	48,992,996	189,541
Governmental Activities Long-Term Liabilities	$ 62,670,002	$ 20,739,466	$ 8,911,874	$ 74,497,594	$ 2,262,093
Business-Type Activities					
Revenue Bonds	$ 1,246,682	$ 428,687	$ 232,564	$ 1,442,805	$ 90,176
Plus/(Less) Premiums and Discounts	102,044	77,015	3,442	175,617	2,159
Total Revenue Bonds	1,348,726	505,702	236,006	1,618,422	92,335
Compensated Absences	192,180	37,237	36,670	192,747	53,480
Other	339,188	2,785	14,554	327,419	17,124
Total Other Liabilities	531,368	40,022	51,224	520,166	70,604
Business-Type Long-Term Liabilities	$ 1,880,094	$ 545,724	$ 287,230	$ 2,138,588	$ 162,939

[1] **In prior years, the General and Transportation funds have been used to liquidate other liabilities.**

The liability for claims and judgments (Governmental Activities) includes a pollution remediation liability of approximately $37.8 million. This liability represents the State's share of the cost of cleaning up certain polluted sites in the state under federal and state superfund regulations. The liability was estimated using the cash flow technique and could change over time due to changes in costs of goods and services, changes in remediation technology, or changes in laws and regulations governing the remediation effort. In addition, there are other polluted sites in the state that require remedial action by the State that will result in additional cleanup costs. The State did not recognize a liability for these costs at year end because it could not be reasonably estimated.

As of June 30, 2017, long-term debt of component units consisted of the following (amounts in thousands):

Long-Term Debt	Balance June 30, 2017	Amounts due within year
Bonds Payable	$ 4,712,686	$ 140,268
Escrow Deposits	182,370	43,612
Annuities Payable	125,434	6,384
Rate Swap Liability	144,257	-
Net Pension Liability	253,464	-
Other	65,221	3,200
Total	$ 5,483,432	$ 193,464

Not all component units report net pension liabilities; therefore the net pension liability in the notes is $6,287 higher than in the financial statements.

Landfill Closure and Postclosure Care

Public Act 13-247 and section 99 of Public Act 13-184 required the Materials Innovation and Recycling Authority to transfer all legally required reserves and obligations resulting from the closure of the authority's landfills located in Hartford, Ellington, Waterbury, Wallingford and Shelton to the State Department of Energy and Environmental Protection (DEEP). During the year ended June 30, 2014, the legal transfer of $35.8 million in post closure care obligations and the concurrent transfer of $31.0 million of Authority reserve funds to the State resulting from the closure of landfills was addressed by a memorandum of understanding ("MOU") between the Authority and DEEP.

By the end of the year ended June 30, 2015, all work associated with the closure of the five landfills was completed. Going forward DEEP is required to reimburse the authority for all postclosure care obligations as the five landfills are now certified as closed. All landfill expense reimbursements paid by DEEP totaled $1,216,746 in FY2017.

GASB Statement No.18 *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Cost* applies to closure and postclosure care costs that are paid near or after the date a landfill stops accepting waste. The State recognizes landfill expenditures and related General Fund liabilities using the modified accrual basis of accounting. DEEP estimates the State's landfill liability for closure and postclosure costs based on landfill capacity. Increases or decreases in such estimates are reported as additions or reductions in this line item of the State's long-term liabilities. The liability for these estimated costs is reduced when the costs are actually paid. Actual costs may be higher than estimated due to inflation or changes in permitted capacity, technology or regulation. As of June 30, 2013, all five of the landfills had no capacity available since 100 percent of their capacity had been used.

Note 17
Long-Term Notes and Bonded Debt

a. Economic Recovery Notes

In December 2009, Public Act 09-2 authorized the issuance $915.8 million of General Obligation Economic Recovery Notes which were used to fund a major portion of the State's General Fund deficit at that time. In October 2013, a portion of these notes were refunded when the State issued $314.3 million of General Obligation Refunding Notes which were issued in four series as variable-rate remarketed obligations (VRO) that ultimately mature on January 1, 2018. Any series of these notes may be converted by the State at any time from the VRO rate, which is determined by the remarketing agent on a daily basis, to another interest rate mode – such as an adjusted SIFMA rate mode.

If the State decides to convert the interest rate mode, each holder is required to tender their notes for conversion while the State has agreed to make available supplementary information describing the notes following the conversion. If any tendered VRO's of a series are not successfully remarketed they may continue to be owned by their respective holders until the VRO Special Mandatory Redemption Date. That series of notes in that case would bear interest at a higher stepped-up rate. The liquidity available to purchase tendered notes is only provided by remarketing resources and the State's general fund. In the opinion of management, the higher cost precludes the likelihood of conversion by the State. The original VRO interest rate modes remain in effect at the end of the fiscal year.

Total Economic Recovery and VRO Notes outstanding at June 30, 2017 were $177.1 million. The notes mature on various dates through 2018 and bear interest rates from 3.0 to 3.15 percent. Future amounts needed to pay principal and interest on these notes outstanding at June 30, 2017 were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2018	$ 177,120	$ 3,958	$ 181,078
Total	$ 177,120	$ 3,958	$ 181,078

b. Primary Government – Governmental Activities

General Obligation Bonds

General Obligation bonds are those bonds that are paid out of the revenues of the General Fund and that are supported by the full faith and credit of the State. General Obligation bonds outstanding and bonds authorized but unissued at June 30, 2017, were as follows (amounts in thousands):

Purpose of Bonds	Final Final Dates	Original Original Rates	Outstanding	Authorized But Unissued
Capital Improvements	2017-2037	2.00-5.75%	$ 4,087,112	$ 662,842
School Construction	2017-2037	1.70-5.750%	4,614,441	-
Municipal & Other Grants & Loans	2017-2036	1.00-5.632%	2,480,886	943,787
Housing Assistance	2017-2035	1.00-5.460%	427,847	195,951
Elimination of Water Pollution	2017-2035	2.00-5.09%	313,434	34
General Obligation Refunding	2017-2038	2.00-5.25%	3,582,785	-
GAAP Conversion	2017-2027	1.00-5.00%	494,535	-
Pension Obligation	2017-2032	4.75-6.27%	2,217,392	-
Miscellaneous	2017-2034	3.50-5.100%	50,360	31,751
			18,268,792	$ 1,834,365
Accretion-Various Capital Appreciation Bonds			129,762	
		Total	$ 18,398,554	

Future amounts needed to pay principal and interest on as General Obligation bonds outstanding at June 30, 2017, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2018	$ 1,403,467	$ 819,965	$ 2,223,432
2019	1,351,591	763,531	2,115,122
2020	1,295,076	708,077	2,003,153
2021	1,273,786	652,455	1,926,241
2022	1,238,814	646,937	1,885,751
2023-2027	5,704,348	2,420,148	8,124,496
2028-2032	4,562,095	943,211	5,505,306
2033-2037	1,437,505	131,618	1,569,123
2038-2042	2,110	85	2,195
Total	$ 18,268,792	$ 7,086,027	$ 25,354,819

Transportation Related Bonds

Transportation Related bonds include special tax obligation bonds that are paid out of revenues pledged or earned in the Transportation Fund. The revenue pledged or earned in the Transportation Fund to pay special tax obligation bonds is transferred to the Debt Service Fund for retirement of principal and interest.

Transportation Related bonds outstanding and bonds authorized but unissued at June 30, 2017, were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Infrastructure Improvements	2018-2037	2.00-5.740%	$ 5,041,840	$ 2,911,718
			5,041,840	$ 2,911,718
Accretion-Various Capital Appreciation Bonds			-	
		Total	$ 5,041,840	

Future amounts required to pay principal and interest on transportation related bonds outstanding at June 30, 2017, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2018	$ 301,345	$ 241,891	$ 543,236
2019	295,190	228,146	523,336
2020	293,820	214,067	507,887
2021	308,960	199,907	508,867
2022	289,370	185,150	474,520
2023-2027	1,471,955	706,435	2,178,390
2028-2032	1,356,525	337,082	1,693,607
2033-2037	724,675	66,324	790,999
	$ 5,041,840	$ 2,179,002	$ 7,220,842

c. Primary Government – Business–Type Activities

Revenue Bonds

Revenue bonds are those bonds that are paid out of resources pledged in the Enterprise funds and Component Units.

Enterprise funds' revenue bonds outstanding at June 30, 2017, were as follows (amounts in thousands):

Funds	Final Maturity Dates	Original Interest Rates	Amount Outstanding (000's)
UConn	2017-2030	1.5-5.5%	$ 105,955
Board of Regents	2017-2036	2.0-6.0%	338,745
Clean Water	2017-2035	2.0-5.0%	852,147
Drinking Water	2017-2035	2.0-5.0.%	117,943
Bradley Parking Garage	2017-2024	6.5-6.6%	28,015
Total Revenue Bonds			1,442,805
Plus/(Less) premiums and discounts:			
UConn			17,854
Board of Regents			17,963
Clean Water			122,194
Other			17,606
Revenue Bonds, net			$ 1,618,422

The University of Connecticut has issued student fee revenue bonds to finance the costs of buildings, improvements and renovations to certain revenue-generating capital projects. Revenues used for payments on the bonds are derived from various fees charged to students.

The Connecticut State University System has issued revenue bonds that finance the costs of auxiliary enterprise buildings, improvements and renovations to certain student housing related facilities. Revenues used for payments on the bonds are derived from various fees charged to students.

In 2000, Bradley Parking Garage bonds were issued in the amount of $53.8 million to build a parking garage at the airport. As of June 30, 2017, $28.0 million of these bonds are outstanding.

In 1994, the State of Connecticut began issuing Clean Water Fund revenue bonds. The proceeds of these bonds are to be used to provide funds to make loans to Connecticut municipalities for use in connection with the financing or refinancing of wastewater treatment projects. Details on these agreements are disclosed under the separately issued audited financial statements of the fund.

Future amounts needed to pay principal and interest on revenue bonds outstanding at June 30, 2017, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2018	$ 90,176	$ 63,977	$ 154,153
2019	89,635	61,875	151,510
2020	96,340	57,777	154,117
2021	85,160	53,301	138,461
2022	99,635	49,328	148,963
2023-2027	410,895	184,645	595,540
2028-2032	369,094	88,863	457,957
2033-2037	201,870	22,025	223,895
Total	$ 1,442,805	$ 581,791	$ 2,024,596

d. Component Units

Component Units' revenue bonds outstanding at June 30, 2017, were as follows (amounts in thousands):

Component Unit	Final Maturity Date	Interest Rates	Amount Outstanding (000's)
CT Housing Finance Authority	2017-2055	0.0-6.625%	$ 4,069,091
CT Student Loan Foundation	2034-2046	0.264-2.639%	232,050
CT Higher Education Supplemental Loan Authority	2018-2036	.40-5.25%	157,465
CT Airport Authority	2018-2032	%/1 mth libor	116,290
CT Regional Development Authority	2017-2034	1.00-7.00%	82,685
UConn Foundation	2017-2029	1.90-5.00%	19,955
CT Green Bank	2017-2036	4.19%	2,958
CT Innovations Inc.	2017-2020	2.37-5.25%	1,735
Total Revenue Bonds			4,682,229
Plus/(Less) premiums and discounts:			
CHFA			28,459
CSLF			(542)
CHESLA			3,237
UConn Foundation			(393)
CRDA			(304)
Revenue Bonds, net			$ 4,712,686

Revenue bonds issued by the Component Units do not constitute a liability or debt of the State. The State is only contingently liable for those bonds as discussed below.

Following the merger of the operations of the Connecticut Development Authority, Connecticut Innovations, Incorporated (CII) assumed responsibility for the former authority's Special Obligation Industrial revenue bonds. The bonds were issued to finance such projects as the acquisition of land, the construction of buildings, the purchase and installation of machinery, equipment, and pollution control facilities. These activities are financed under its Self-Sustaining Bond Program which is described in the no-commitment debt section of this note. In addition, CII has $1.7 million in General Obligation bonds outstanding at year-end. These bonds were issued to finance the lease of an entertainment/sports facility and the purchase of a hockey team.

Connecticut Housing Finance Authority's revenue bonds are issued to finance the purchase, development and construction of housing for low and moderate-income families and persons throughout the State. The Authority has issued bonds under a bond resolution dated 9/27/72; a special needs indenture dated 9/25/95, and other bond resolutions dated October 2009. As of December 31, 2016, bonds outstanding under the bond resolution, the indenture, and other bond resolutions were $3,693.8 million, $56.6 million, and $347.2 million respectively. According to the bond resolution, the following assets of the Authority are pledged for the payment of the bond principal and interest (1) the proceeds from the sale of bonds, (2) all mortgage repayments with respect to long-term mortgage and construction loans financed from the Authority's General fund, and (3) all monies and securities of the Authority's General and Capital Reserve funds. The resolution and indenture Capital Reserve funds are required to be maintained at an amount at least equal to the amount of principal, sinking fund installments, and interest maturing and becoming due in any succeeding calendar year on all outstanding bonds. The required reserves are $284.8 million per the resolution and $4.6 million per the indenture at 12/31/16. As of

December 31, 2016, the Authority has entered into interest rate swap agreements for $841.2 million of its outstanding variable rate bonds. Details on these agreements are disclosed under the separately issued audited financial statements of the Authority.

Materials, Innovation, and Recycling Authority's revenue bonds are issued to finance the design, development and construction of resources recovery and recycling facilities and landfills throughout the State. These bonds are paid solely from the revenues generated from the operations of the projects and other receipts, accounts and monies pledged in the bond indentures.

Connecticut Higher Education Supplemental Loan Authority's Revenue bonds are issued to provide loans to students, their parents, and institutions of higher education to assist in the financing of the cost of higher education. These loans are issued through the Authority's Bond fund. According to the bond resolutions, the Authority internally accounts for each bond issue in separate funds, and additionally, the Bond fund includes individual funds and accounts as defined by each bond resolution.

Capital Reserves

Each Authority has established Special Capital Reserve funds that secure all the outstanding bonds of the Authority at year-end. These funds are usually maintained at an amount equal to next year's bond debt service requirements. The State may be contingently liable to restore any deficiencies that may exist in the funds in any one year in the event that the Authority is unable to do so.

The Capital Region Development Authority revenue bonds are issued to provide sufficient funds for carrying out its purposes. The bonds are not debt of the State of Connecticut. However, the Authority and the State have entered into a contract for financial assistance, pursuant to which the State will be obligated to pay principal and interest on the bonds in an amount not to exceed $9.0 million in any calendar year. The bonds are secured by energy fees from the central utility plant and by parking fees subject to the Travelers Indemnity Company parking agreement.

Future amounts needed to pay principal and interest on Component Unit revenue bonds outstanding at June 30, 2017, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2018	$ 140,265	$ 144,655	$ 284,920
2019	153,461	138,797	292,258
2020	164,848	134,967	299,815
2021	172,319	129,672	301,991
2022	196,430	124,674	321,104
2023-2027	902,197	533,335	1,435,532
2028-2032	964,820	375,720	1,340,540
2033-2037	809,506	231,890	1,041,396
2038-2042	594,134	124,201	718,335
2043-2047	497,420	96,897	594,317
2048-2052	60,775	11,983	72,758
2053-2057	26,054	6,161	32,215
	$ 4,682,229	$ 2,052,952	$ 6,735,181

No-commitment debt

Under the Self-Sustaining Bond program, acquired from its combination with the Connecticut Development Authority, Connecticut Innovations, Inc., issues revenue bonds to finance such projects as described previously in the Component Unit section of this note. These bonds are paid solely from payments received from participating companies (or from proceeds of the sale of the specific projects in the event of default) and do not constitute a debt or liability of the Authority or the State. Thus, the balances are not included in the Authority's financial statements. Total bonds outstanding for the year ended June 30, 2017 were $370.6 million.

The Connecticut Health and Educational Facilities Authority has issued Special Obligation bonds for which the principal and interest are payable solely from the revenues of the institutions. Starting in 1999, the Authority elected to remove these bonds and related restricted assets from its financial statements, except for restricted assets for which the Authority has a fiduciary responsibility. Total Special Obligation bonds outstanding at June 30, 2017, were $8,219.0 million, of which $338.7 million was secured by Special Capital Reserve funds.

The Materials, Innovation, and Recycling Authority has served as a conduit issuer for debt to fund the construction of waste processing facilities by independent contractor-operators. The outstanding debt is secured by loan agreements, between the authority and independent contractor-operators, which have been assigned to the trustee for the debt, and through additional corporate guarantee agreements between the trustee and third party guarantors. The payment of the debt is not guaranteed by the Authority or the State.

Thus the assets and liabilities related to the debt are not included in the Authority's financial statements. The amount of the debt outstanding at June 30, 2017 is zero.

e. Debt Refundings

During the fiscal year the State issued General Obligation and Special Tax Obligation bonds of $626.7 million at an average coupon interest rate of 4.73 percent to advance refund $668.5 million of General Obligation and Special Tax Obligation bonds with an average coupon interest rate of 4.86 percent. Although the advance refunding resulted in a $397 thousand accounting loss, the State in effect reduced its aggregate fund level debt service payments by $62.5 million over the next 8 years. The present value of these savings represents an economic gain (difference between the present values of the debt service payments of the old and the new bonds) of $55.7 million.

The proceeds of the refunding bonds were used to purchase U.S. Government securities which were deposited into irrevocable trust accounts with an escrow agent to provide for all future payments on the refunded bonds. Thus, the refunded bonds were removed from the State's financial statements as they are considered defeased.

Additional defeasance occurred during the fiscal year when the State issued General Obligation SIFMA index demand bonds totaling $134.9 million at an average coupon variable interest rate of 1.574 percent. The resulting cash flow savings on the variable interest rate SIFAMA index refunding bonds was $696.7 thousand.

In prior years, the State placed the proceeds of refunding bonds in irrevocable trust accounts to provide for all future debt service payments on defeased bonds. The assets of the trust accounts and the liability for defeased bonds are not included in the State's financial statements. As of June 30, 2017, the outstanding balance of bonds defeased in prior years was approximately $631.4 million.

Note 18
Derivative Financial Instruments

The fair value balances and notional amounts of the State's derivative instruments outstanding at June 30, 2017, classified by type, and the changes in fair value of such derivative instruments for the year then ended are as follows (amounts in thousands; debit (credit)):

	Changes in Fair Value		Fair Value at Year End		
	Classification	Amount	Classification	Amount	Notional
Governmental activities					
Cash flow hedges:	Deferred		Deferred		
Pay-fixed interest	outflow of		outflow of		
rate swap	Resources	$ 1,031	Resources	$ (826)	$ 20,000

Objective and Terms of Hedging Derivative Instruments

The following table displays the objective and the terms of the States' governmental activities hedging derivative instruments outstanding at June 30, 2017, along with the credit rating of the associated counterparty (amounts in thousands).

Type	Objective	Notional Amounts (000's)	Effective Date	Maturity Date	Terms	Counterparty Credit Rating
Pay-fixed interest rate swap	Hedge of changes in cash flows of the 2005 GO bonds	$ 20,000	4/27/2005	6/1/2020	Pay 5.2% receive CPI plus 1.79%	Aa3/A
	Total Notional Amount	$ 20,000				

The fair values of interest rate swaps were estimated using the zero-coupon method. This method calculates the future net settlement payment required under the swaps, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date each future net settlement on the swaps.

Credit Risk

As of June 30, 2017, the State had no credit risk exposure on any of the swaps because the swaps had negative fair value. However, should interest rates change and the fair values of the swaps become positive, the State would be exposed to credit risk in the amount of the swaps' fair value.

Basis Risk

The State's variable-rate bond interest payments are based on the CPI floating rate. As of June 30, 2015 the State receives variable-rate payments from the counterparty based on the same CPI floating rate.

Termination Risk

The State or the counterparty may terminate any of the swaps if the other party fails to perform under the terms of the contract. If any swap is terminated, the associated variable-rate bonds would no longer carry synthetic interest rates. Also, if at the time of termination the swap has a negative fair value, the State would be liable to the counterparty for a payment equal to the swap's fair value. Under the 2005 swap agreements, the State has up to 270 days to fund any required termination payment.

Rollover Risk

Because all of the swap agreements terminate when the associated debt is fully paid, the State is only exposed to rollover risk if an early termination occurs. Upon an early termination, the State will not realize the synthetic rate offered by the swaps on the underlying debt issues.

Hedging Derivative Instrument Payments and Hedged Debt

As rates vary, variable-rate bond interest payments and net swap payments will vary. Using rates as of June 30, 2017, debt service requirements of the State's outstanding variable-rate bonds and net swap payments are as follows (amounts in thousands):

Fiscal Year Ending June 30,	Variable-Rate Bonds Principal	Variable-Rate Bonds Interest	Interest Rate SWAP, Net	Total
2018	$ -	$ 650	$ 390	$ 1,040
2019	-	651	389	1,040
2020	20,000	652	388	21,040
	$ 20,000	$ 1,953	$ 1,167	$ 23,120

Note 19
Risk Management

The risk financing and insurance program of the State is managed by the State Insurance and Risk Management Board. The Board is responsible mainly for determining the method by which the State shall insure itself against losses by the purchase of insurance to obtain the broadest coverage at the most reasonable cost, determining whether deductible provisions should be included in the insurance contract, and whenever appropriate determining whether the State shall act as self-insurer. The schedule lists the risks of loss to which the State is exposed and the ways in which the State finances those risks.

	Risk Financed by	
Risk of Loss	Purchase of Commercial Insurance	Self-Insurance
Liability (Torts):		
-General (State buildings, parks, or grounds)		X
-Other	X	
Theft of, damage to, or destruction of assets	X	
Business interruptions	X	
Errors or omissions:		
-Professional liability	X	
-Medical malpractice (John Dempsey Hospital)		X
Injuries to employees		X
Natural disasters	X	

For the general liability risk, the State is self-insured because it has sovereign immunity. This means that the State cannot be sued for liability without its permission. For other liability risks, the State purchases commercial insurance only if the State can be held liable under a particular statute (e.g. per Statute the State can be held liable for injuries suffered by a person on a defective State highway), or if it is required by a contract.

For the risk of theft, of damage to, or destruction of assets (particularly in the automobile fleet), the State insures only leased cars and vehicles valued at more than $100 thousand. When purchasing commercial insurance the State may retain some of the risk by assuming a deductible or self-insured retention amount in the insurance policy. This amount varies greatly because the State carries a large number of insurance policies covering various risks. The highest deductible or self-insured retention amount assumed by the State is $25 million, which is carried in a railroad liability policy.

The State records its risk management activities related to the medical malpractice risk in the University of Connecticut and Health Center fund, an Enterprise fund. At year-end, liabilities for unpaid claims are recorded in the statement of net position (government-wide and proprietary fund statements) when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The liabilities are determined based on the ultimate cost of settling the claims, including an amount for claims that have been incurred but not reported and claim adjustment expenses. The liabilities are actuarially determined and the unpaid liability for medical malpractice is reported at its present value, using a discount rate of 5 percent. In the General Fund, the liability for unpaid claims is only recorded if the liability is due for payment at year-end. Settlements have not exceeded coverages for each of the past three fiscal years.

Changes in the claims liabilities during the last two fiscal years were as follows (amounts in thousands):

	Governmental Activities Workers' Compensation	Business-Type Activities Medical Malpractice
Balance 6-30-15	$ 651,184	$ 26,750
Incurred claims	136,682	9,210
Paid claims	(103,465)	(4,368)
Balance 6-30-16	684,401	31,592
Incurred claims	133,780	-
Paid claims	(100,165)	(6,735)
Balance 6-30-17	$ 718,016	$ 24,857

Note 20
Interfund Receivables and Payables

Interfund receivable and payable balances at June 30, 2017, were as follows (amounts in thousands):

	Balance due to fund(s)											
	General	Transportation	Restricted Grants & Accounts	Grant & Loan Programs	Other Governmental	UConn	Board of Regents	Employment Security	Internal Services	Fiduciary	Component Units	Total
Balance due from fund(s)												
General	$ -	$ -	$ 270	$ 5	$ 262,222	$ 45,101	$ 38,605	$ 856	$ 4,980	$ 4,263	$ -	$ 356,302
Debt Service	-	1,419	-	-	-	-	-	-	-	-	-	1,419
Restricted Grants & Accounts	3,360	-	-	-	-	-	-	-	-	-	6,520	9,880
Grant & Loan Programs	31	-	-	-	-	-	-	-	-	-	-	31
Other Governmental	2,348	-	-	-	16,401	81,692	104,464	-	-	-	-	204,905
UConn	20,904	-	-	-	-	-	-	-	-	-	-	20,904
Board of Regents	4,098	-	-	-	-	-	-	-	-	-	-	4,098
Employment Security	-	-	-	-	439	-	-	-	-	-	-	439
Internal Services	12,931	-	-	-	-	-	-	-	-	-	-	12,931
Fiduciary	-	-	-	-	379	-	-	-	-	1,890	-	2,269
Component Units	36,918	-	992	-	-	-	-	-	-	-	-	37,910
Total	$ 80,590	$ 1,419	$ 1,262	$ 5	$ 279,441	$ 126,793	$ 143,069	$ 856	$ 4,980	$ 6,153	$ 6,520	$ 651,088

Interfund receivables and payables arose because of interfund loans and other interfund balances outstanding at year end.

Note 21
Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2017, consisted of the following (amounts in thousands):

	Amount transferred to fund(s)								
Amount transferred from fund(s)	General	Debt Service	Transportation	Restricted Grants & Accounts	Other Governmental	UConn	Board of Regents	Clean Water & Drinking Water	Total
General	$ -	$ -	$ -	$ -	$ 89,108	$ 991,429	$ 560,058	$ -	$ 1,640,595
Debt Service	-	-	-	-	7,294	-	-	-	7,294
Transportation	-	548,532	-	-	-	-	-	-	548,532
Restricted Grants & Accounts	1,051	-	-	-	57,443	-	-	-	58,494
Grants & Loan Programs	-	-	-	-	94,549	-	-	-	94,549
Other Governmental	390,344	44,434	6,430	177,420	768	10,895	114,602	674	745,567
Internal Service	2,250	-	-	-	-	-	-	-	2,250
Employment Security	-	-	-	-	10,176	-	-	-	10,176
Clean Water & Drinking Water	-	-	-	-	526	-	-	-	526
Total	$ 393,645	$ 592,966	$ 6,430	$ 177,420	$ 259,864	$ 1,002,324	$ 674,660	$ 674	$ 3,107,983

Transfers were made to (1) move revenues from the fund that budget or statute requires to collect them to the fund that budget or statute requires to expend them and (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due.

Note 22
Fund Balance Classifications and Restricted Net Position

Fund Balance – Restricted and Assigned

As of June 30, 2017 restricted and assigned fund balances of nonmajor governmental funds were comprised as follows (amounts in thousands):

	Restricted Purposes	Assigned Purposes
Capital Projects	$ 506,738	$ -
Environmental Programs	24,751	-
Housing Programs	320,192	-
Employment Security Administration	13,509	-
Banking	2,496	-
Other	97,809	5,207
Total	$ 965,495	$ 5,207

Restricted Net Position

As of June 30, 2017, the government-wide statement of net position reported $3,906 million of restricted net position, of which $114.8 million was restricted by enabling legislation.

Note 23
Tax Abatements

For financial purposes, a tax abatement is defined as an agreement between the government and an individual or entity through which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to the economic development or otherwise benefit the government or its citizens.

Film, Television, and Digital Media Tax Program

This program assists film, television and digital media companies with direct financial assistance programs. Including but not limited to loans, grants, and job expansion tax credits structured to incentivize relocation to Connecticut and the growth and development of current Connecticut-based companies.

Beginning after January 1, 2010, (a) an eligible production company that incurs production expenses of not less than $100 thousand, but not more than $500 thousand, will be eligible for a credit against the tax imposed equal to ten percent of such production expenses, (b) a production company incurring expenses of more than $500 thousand, but not more than $1 million, will be eligible for a credit against the tax imposed equal to fifteen percent of production expenses, and (c) a production company incurring expenses of more than $1 million will be eligible for a credit against the tax imposed (chapter 207, section 12-217jj) equal to thirty percent of production expenses.

No eligible company incurring an amount of production expenses that qualifies for a tax credit shall be eligible unless on or after January 1, 2010, the company conducts (1) not less than fifty percent of principal filming days within the state, or (2) expends not less than fifty percent of postproduction costs within the state, or (3) expends not less than $1 million of postproduction costs within the state.

An eligible production company shall apply to the Department of Economic and Community Development (DECD) for a tax credit voucher on an annual basis, but not later than ninety days after the first production expenses are incurred in the production of a qualified production, and will provide with the application information that DECD may require to determine if the company is eligible to claim a credit.

Urban and Industrial Sites Reinvestment Tax Program

This tax program is designed to encourage development and redevelopment activities in eligible communities and to encourage private investment in contaminated properties.

In accordance with Chapter 578 section 32-9t of the General Statutes taxpayers who make investments in eligible urban reinvestment projects or eligible industrial site investment projects may be allowed a tax credit against the tax imposed under chapter 207 and 212a or section 38a-743 in the General Statutes, an amount equal to the following percentage of approved investments made by or on behalf of a taxpayer with respect to the following income years of the taxpayer: (a) the income year in which the investment in the project was made and the next two succeeding income years, zero percent; (b) in the third full income year succeeding the year in which the investment was made and the three succeeding years, ten percent; (c) in the seventh full income year succeeding the year in which the investment in the eligible project was made and the next two succeeding year, twenty percent. The sum of all tax credits shall not exceed $100 million to a single eligible urban reinvestment project or a single eligible industrial site investment project approved by the commissioner at DECD. The sum of all tax credits under the provisions of this section should not exceed $950 million.

Tax credits allowed may be claimed by a taxpayer who has made an investment (1) directly only if the investment has a total asset value, either alone or combined with other investors in an eligible project, of not less than $5 million or, in the case of an investment in an eligible project for the preservation of a historic facility and redevelopment of the facility for combined uses which includes at least four housing units, the total asset value should not be less than $2 million; (2) an investment managed through a fund manager only if such fund: (a) has a total asset value of not less than $60 million for the income year for which the initial credit is taken; and (b) has not less than three investors who are not related persons with respect to each other or to any person in which any investment is made other than through the fund a the date the investment is made; or (3) through a community development entity or a contractually bound community development entity. A tax credit made through a fund, should only be available for investments in funds that are not open to additional investments beyond the amount set forth at the formation of the fund.

Insurance Reinvestment Fund Program

The purpose of the Insurance Reinvestment Fund Program is to capitalize on the base of local insurance expertise and help people laid off after the massive restructuring of the insurance industry. The program was also intended to encourage small insurance startups and specialty insurance businesses in Connecticut companies engaged in the insurance business or providing services to insurance companies.

In accordance with Chapter 698 section 38a-88 a tax credit is allowed against the tax imposed under chapter 207, 208, or 229 or section 38a-343 an amount equal to the following percentage of the moneys of the taxpayer invested through a fund manager in an

insurance business with respect to the following income years of the taxpayer: (a) in the initial income year in which the investment in the insurance business was made and two succeeding income years, zero percent; (b) with respect to the third full income year in which the investment in the insurance business was made and the next three succeeding income years, ten percent: (c) in the seventh full income year succeeding the year in which the investment in the insurance business was made and the next two succeeding income years, twenty percent. The sum of all tax credits shall not exceed $15 million with respect to investment made by a fund or funds in any single insurance business, and with respect to all investments made by a fund shall not exceed the total amount originally invested in the fund. A fund manager may apply to the Commissioner of DECD for a credit that is greater than the limitations established by law.

The tax credit allowed may be claimed by a taxpayer who has invested in an insurance business through a fund (a) which has total assets of not less than $30 million for the income year for which the initial credit is taken; (b) has not less than three investors who are not related persons with respect to each other or to any insurance business in which any investment is made other than through the fund at the date the investment is made; and (c) which invests only in insurance businesses that are not related persons to each other.

The credit allowed may only be claimed with respect to an insurance business which (a) occupies the new facility for which an eligibility certificate has been issued by the Commissioner of DECD, or the certificate has been issued as its home office, and (b) employs not less than twenty-five percent of its total work force in new jobs.

The maximum allowed credit shall be $350 million in total and $40 million per year.

Enterprise Zone Property Tax Reimbursement Program

The enterprise zone program offers various tax incentives and other benefits to businesses that start up or improve real property in areas designated as enterprise zones. This designation is one of several geographic designations the state uses to target economic development assistance (e.g., distressed municipalities).

In 1981, Connecticut became the first state to establish an enterprise zone program when the legislature authorized the DECD commissioner to designate six zones based on statutory criteria (PA 81-445). Over the past several decades, the legislature has made many changes to the program, including expanding the number of zones, changing the eligibility criteria for zone designation, and adding to the types of businesses eligible for benefits under the program.

In most instances, the legislature authorized the DECD commissioner to approve a specified number of zones according to broad eligibility criteria. For example, the initial two designation rounds authorized a total of 10 zones—four in municipalities with a population of 80,000 or more and six in municipalities with a population of fewer than 80,000. The proposed zones also had to meet specific poverty criteria (e.g., 25 percent of the proposed zone's population had to be below the federal poverty level or unemployed).

However, the legislature has shifted from this practice, authorizing additional zones based on narrower designation criteria. For example, in 1993 it authorized two additional enterprise zones in municipalities with a population of 80,000 or less that are affected by plant or military base closings (PA 93-331). In 2014, it required the commissioner to approve two additional zones based on population criteria tailored for two specific towns (Thomaston and Wallingford) (PA 14-217). It has also authorized the DECD commissioner to designate zones, under narrow criteria, in addition to those authorized in statute.

There are eighteen enterprise zones currently designated, and one (Wallingford) which has been authorized by the legislature but not yet designated by DECD. The designated enterprise zones are in the following towns: Bridgeport, Bristol, East Hartford, Groton, Hamden, Hartford, Meriden, Middletown, New Britain, New Haven, New London, Norwalk, Norwich, Southington, Stamford, Thomaston, Waterbury, and Windham.

The zones' benefits are generally available to businesses that start up in the zone or that improve property or relocate there. The benefits include: (1) a five-year, state-reimbursed, 80 percent property tax exemption for improving or acquiring manufacturing facilities (see below) and acquiring machinery and equipment. The state generally reimburses the municipality for half the forgone property tax revenue (CGS 12-81 (59); (2) a 10-year, 25 percent corporate business tax credit attributed to facility improvements. The credit increases to 50 percent for certain businesses that meet resident employment criteria (CGS 12-217e); (3) a seven-year property tax exemption (100 percent in first two years, 50 percent in third, and a decrease to 10 percent in each of the remaining four years), with no state reimbursement, for commercial and residential real property improvements that do not qualify for the 5-year, 80 percent exemption (other than improvements to manufacturing facilities, as defined below) (CGS 32-71); (4) a 10-year corporate business tax credit (100 percent for first three years, 50 percent for next seven years) for starting a new business in an enterprise zone (business must employ a certain number of residents to qualify) (CGS 12-217v).

Many enterprise zone benefits are available only to manufacturing facilities, but the statutory definition of this term includes certain facilities used for non-manufacturing purposes (CGS 32-9p(d)). For the purpose of the enterprise zone program, manufacturing facilities refers to any plant, building, or other real property improvement that is located in an enterprise zone and used as follows: (1) for manufacturing, processing, or assembling raw materials, parts, or manufactured products; (2) for manufacturing-related research

and development; (3) for servicing industrial machinery and equipment; (4) by a business that the commissioner determines (a) will materially contribute to the economy, or (b) is part of a group of industries linked by customer, supplier, or other relationships (CGS 32-222); or (5) by a business engaged in any of a number of specified industries, including fishing, hunting, and trapping; other types of manufacturing ; transportation and warehousing; certain financial and insurance services; certain educational services; child day care services; computer hardware, software, or networking; and telecommunications or communications.

The law designates municipalities that contain enterprise zones as "targeted investment communities" (TICs), and businesses located in these municipalities, but outside the enterprise zone, are eligible for certain benefits, including: (1) a five-year, state-reimbursed property tax exemption for improving manufacturing facilities. The exemption varies depending on the value of improvements, up to a maximum of 80 percent for improvements valued over $90 million (CGS 12-81(60); (2) a 10-year corporate business tax credit attributed to improving manufacturing facilities in TICs. The credit varies from 15 percent to 50 percent depending on the number of new employees (CGS 12-217e).

Information relevant to the disclosure of these programs is as follows:

Tax Abatement Program	Amount of Taxes Abated
The Film, Television, and Digital Media Tax Program	
Corporate Income Tax (as of 6/30/2016)	$92,926,361
The Urban and Industrial Sites Reinvestment Tax Program	
Corporate Income Tax (as of 6/30/16)	41,000,000
The Insurance Reinvestment Fund Program	
Corporate Income Tax (as of 12/31/2016)	20,000,000
Enterprise Zone Property Tax Reimbursement Program	
Property Tax (6/30/2015)	4,884,678

Note 24
Related Organizations

The Community Economic Development Fund and Connecticut Health Insurance Exchange are legally separate organizations that are related to the State because the State appoints a voting majority of the organizations governing board. However, the State's accountability for these organizations does not extend beyond making the appointments.

Note 25
New Accounting Pronouncements

In 2017, The State implemented the following statements issued by the Governmental Accounting Standards Board ("GASB").

Financial Reporting for Postemployment Benefit Plans Other than Pension Plans (Statement No. 74) - GASB Statement No. 74 establishes financial reporting standards for state and local governmental other postemployment benefit (OPEB) plans other than pension plans. It also establishes financial reporting standards for governments that hold assets accumulated for purposes of providing OPEB through defined benefit OPEB plans that are not administered through trusts or equivalent arrangements.

Tax Abatement Disclosures (Statement No. 77) - This Statement establishes financial reporting standards for tax abatement agreements entered into by the State. The disclosures required by this Statement include tax abatements resulting from (a) agreements that are entered into by the State and (b) agreements that are entered into by other governments that reduce the State's tax revenues. The adoption of this Statement had no significant impact on the State's financial statements.

Certain External Investment Pools and Pool Participants (Statement No. 79) – This Statement establishes accounting and financial reporting criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. While certain provisions of Statement No. 79 were effective for fiscal year 2016 reporting, its provisions related to portfolio quality, custodial credit risk, and shadow pricing are effective for fiscal year 2017 reporting.

Note 26
Commitments and Contingencies

a. Commitments

Primary Government

Commitments are defined as "existing arrangements to enter into future transactions or events, such as long-term contractual obligations with suppliers for future purchases at specified prices and sometimes at specified quantities." As of June 30, 2017, the Departments of Transportation and Construction Services had contractual commitments of approximately $3,151 million for infrastructure and other construction projects. Additionally, other commitments were approximately as follows:

School construction and alteration grant program $3,032 million.

Clean and drinking water loan programs $387 million.
Various programs and services $5,425 million.

All commitments are expected to be funded by federal grants, bond proceeds, and other resources.

Component Units

As of December 31, 2016, the Connecticut Housing Finance Authority had mortgage loan commitments of approximately $137.1 million.

b. Contingent Liabilities

The State entered into a contractual agreement with H.N.S. Management Company, Inc. and ATE Management and Service Company, Inc. to manage and operate the bus transportation system for the State. The State shall pay all expenses of the system including all past, present and future pension plan liabilities of the personnel employed by the system and any other fees as agreed upon. When the agreement is terminated the State shall assume or make arrangements for the assumption of all the existing obligations of the management companies including but not limited to all past, present and future pension plan liabilities and obligations.

As of June 30, 2016, the State reported an escheat liability of $387.2 million in the General fund. This liability represents an estimate of the amount of escheat property likely to be refunded to claimants in the future. However, there is a reasonable possibility that the State could be liable for an additional amount of escheat refunds of $411.7 million in the future.

Grant amounts received or receivable by the State from federal agencies are subject to audit and adjustment by these agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the federal government cannot be determined at this time, although the State expects such amounts, if any, to be immaterial.

c. Litigation

The State, its units and employees are parties to numerous legal proceedings, many of which normally occur in government operations. Most of these legal proceedings are not, in the opinion of the Attorney General, likely to have a material adverse impact on the State's financial position.

There are, however, several legal proceedings which, if decided adversely against the State, may require the State to make material future expenditures for expanded services or capital facilities or may impair future revenue sources. It is neither possible to determine the outcome of these proceedings nor to estimate the possible effects adverse decisions may have on the future expenditures nor revenue sources of the State.

d. Lease/Lease Back Transaction

On September 30, 2003 the State executed a U.S. Lease-to-Service Contract of Rolling Stock Agreement (Agreement) whereby the state entered into a head lease of certain rolling stock consisting of rail coaches and locomotives to statutory trusts established for the benefit of three equity investors. Simultaneously, the State executed sublease agreements to lease back the rolling stock in order to allow the State to have continued use of the property. The terms of the head leases are for periods ranging from 40 years to 67 years, expiring through March 2071, while the subleases have terms ranging from 18 years to 28 years, expiring through January 2032. At the end of the respective sublease terms, the State will have the option to purchase the statutory trusts' interest in the rolling stock for an aggregate fixed price.

Proceeds from the prepayment of the head lease rents were paid to debt payment undertakers and custodians in amounts sufficient, together with investment earning thereon, to provide for all future obligations of the State under the sublease agreements and the end of lease term purchase options. Although it is remote that the State will be required to make any additional payments under the sublease, the State is and shall remain liable for all of its obligations under the subleases. As of June 30, 2017 there were no longer any outstanding balances or commitments under the Agreements or subleases.

The State is obligated to insure and maintain the rolling stock. In addition, if an equity investor suffers a loss of tax deductions or incurs additional taxable income as a result of certain circumstances, as defined in the Agreement, then the State must indemnify the equity investor for the additional tax incurred, including interest and penalties thereon. The State has the right to terminate the sublease early under certain circumstances and upon payment of a termination value to the equity investors. If the State chooses early termination, then the termination value would be paid from funds available from the debt payment undertakers and the custodians, and if such amounts are insufficient, then the State would be required to pay the difference.

Note 27
Subsequent Events

In preparing these financial statements, the State has evaluated events and transactions for potential recognition or disclosure in the footnotes. The effect of this evaluation led the State to report the following events which took place after the State's fiscal year end date through to the date these financial statements were issued. The subsequent information regarding the Connecticut Housing Finance Authority are events which took place after their fiscal year end of December 31, 2016.

In December 2017, the State issued $450.0 million of Taxable General Obligation bonds. The taxable 2017 Series-A bonds mature in 2028 and bear coupon interest rates ranging from 2.30 to 3.75 percent. The bonds will fund economic development, housing projects, higher education technology, Town Road Aid, grants-in-aid to towns, grants to hospitals, Jackson Labs, the Small Business Express program, the Manufacturing Innovation Fund, and the BioScience Innovation Fund.

In December 2017, the State issued $400.0 million of nontaxable General Obligation Bond Anticipation Notes. The nontaxable 2017 Series-A Notes having a coupon interest rate of 5.0 percent, are expected to be converted to long-term bonds in September 2018. The notes will fund a variety of projects including grants-in-aid to towns and school districts, fire training schools, housing projects, higher education, libraries, environmental and brownfield remediation, Clean Water Fund grants, technology upgrades, and demolition, construction and renovation at state-owned facilities.

In December 2017, the Connecticut Higher Education Supplemental Loan Authority issued $11.3 million of revenue bonds. The Series C bonds mature in 2034 and bear interest rates ranging from 3.5 to 5.0 percent. The proceeds will support the authority's loan program-Special Capital Reserve fund.

On January 5, 2017, the Connecticut Housing Finance authority (CHFA) issued $37.4 million of Special Needs Housing Program bonds. On February 6, 2017 $29.9 million of these proceeds were used to refund a portion of the authority's outstanding bonds and $9.9 million was used to finance 19 group homes for individuals with special needs.

On March 2, 2017 the Connecticut Housing Finance authority (CHFA) issued $266 million of Housing Mortgage Finance Program bonds, $141 million of the proceeds were used to refund a portion of the authority's outstanding bonds. The remaining $125 million was used for single family loans and mortgage backed security purchases. On the same date, to secure the liquidity and potential remarketing of the 2017 Sub-series A-3 variable rate bonds with a principal balance of $38 million, CHFA entered into Stand-By Bond Purchase with Landesbank Hessen-Thuringen and a Remarketing Agreement with Merrill Lynch. In addition a new swap agreement effective March 2, 2017 was established with the Royal Bank of Canada. More information concerning these transactions can be obtained from separately issued financial statements published by CHFA having a fiscal year end of December 31, 2016.

CHFA issued Housing Mortgage Finance Program bonds on April 18, 2017 for $125 million 2017 Series B, on May 11, 2017 for $175 million 2107 Series C, on August 9, 2017 for $175 million 2017 Series D, on October 25, 2017 for $49.9 million 2017 Series E, on November 14, 2017 for $229.2 million S229.2 million 2017 Series F. The proceeds from these bonds were used for the single family and multifamily programs and to refund prior bonds. On August 1, 2017, CHFA entered into a new Stand-By Bond Purchase Agreement with TD Bank, N.A. and Remarketing Agreement with TD Securities LLC to secure the liquidity and remarketing needs of 2017D-3 variable rate bond in the principal amount of $50 million issued under the General Resolution. On November 14, 2017, CHFA entered into a new Stand-By-Purchase Agreement with Barclays Bank PLC and Remarketing Agreement with Barclays Capital Inc. to secure the liquidity and remarketing needs of 2017F-3 variable rate bond in the principal amount of $44.8 million issued under the General Resolution.

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REQUIRED SUPPLEMENTARY INFORMATION

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REQUIRED SUPPLEMENTARY INFORMATION
BUDGET

Required supplementary information for budget provides information on budget versus actual revenues, expenditures and changes in fund balance and related note disclosure for statutory reporting.

The following schedules are included in the Required Supplementary Information for Budget:

Schedule of Revenues, Expenditures and Changes in Fund Balance: Budget and Actual (Budgetary Basis—Non-GAAP):

General Fund and Transportation Fund

Notes to Required Supplementary Information: Statutory Reporting

REQUIRED SUPPLEMENTAL INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS — NON-GAAP)
GENERAL AND TRANSPORTATION FUNDS

For the Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

	General Fund			
	Budget			Variance with Final Budget positive
Revenues	**Original**	**Final**	**Actual**	**(negative)**
Budgeted:				
Taxes, Net of Refunds	$ 15,519,900	$ 15,052,900	$ 15,055,526	$ 2,626
Casino Gaming Payments	267,000	269,900	269,906	6
Licenses, Permits, and Fees	269,200	275,200	275,386	186
Other	393,400	526,900	523,304	(3,596)
Federal Grants	1,257,600	1,325,200	1,325,237	37
Refunds of Payments	(66,100)	(44,200)	(44,199)	1
Operating Transfers In	464,000	447,000	447,015	15
Operating Transfers Out	(58,100)	(58,100)	(58,100)	-
Transfer to/from the Resources of the General Fund	(160,200)	(76,700)	(91,107)	(14,407)
Total Revenues	17,886,700	17,718,100	17,702,968	(15,132)
Expenditures				
Budgeted:				
Legislative	80,274	80,296	66,545	13,751
General Government	602,960	603,158	584,707	18,451
Regulation and Protection	290,735	299,862	274,414	25,448
Conservation and Development	193,090	193,090	181,061	12,029
Health and Hospitals	1,217,226	1,224,852	1,189,787	35,065
Transportation	-	-	-	-
Human Services	3,743,458	3,743,458	3,624,957	118,501
Education, Libraries, and Museums	5,081,647	5,089,114	5,003,922	85,192
Corrections	1,417,988	1,417,988	1,397,113	20,875
Judicial	597,599	597,896	552,370	45,526
Non Functional	4,949,936	4,950,250	4,888,164	62,086
Total Expenditures	18,174,913	18,199,964	17,763,040	436,924
Appropriations Lapsed	190,829	420,061	-	(420,061)
Excess (Deficiency) of Revenues Over Expenditures	(97,384)	(61,803)	(60,072)	1,731
Other Financing Sources (Uses)				
Prior Year Appropriations Carried Forward	96,559	96,559	96,559	-
Appropriations Continued to Fiscal Year 2018	-	-	(60,237)	(60,237)
Miscellaneous Adjustments	410	1,054	1,054	-
Total Other Financing Sources (Uses)	96,969	97,613	37,376	(60,237)
Net Change in Fund Balance	$ (415)	$ 35,810	(22,696)	$ (58,506)
Budgetary Fund Balances - July 1			46,458	
Changes in Reserves			134,094	
Budgetary Fund Balances - June 30			$ 157,856	

The information about budgetary reporting is an integral part of this schedule.

Transportation Fund			
Budget			Variance with Final Budget positive
Original	Final	Actual	(negative)
$ 1,050,800	$ 994,900	$ 996,904	$ 2,004
-	-	-	-
403,300	386,300	386,939	639
8,500	8,100	8,995	895
12,100	12,100	12,168	68
(3,800)	(4,100)	(4,103)	(3)
-	-	-	-
(6,500)	(6,500)	(6,500)	-
-	-	-	-
1,464,400	1,390,800	1,394,403	3,603
-	-	-	-
8,961	8,961	6,221	2,740
77,442	77,442	63,812	13,630
2,799	2,799	2,663	136
-	-	-	-
618,385	618,385	604,733	13,652
2,371	2,371	2,371	-
-	-	-	-
-	-	-	-
-	-	-	-
788,060	788,060	752,050	36,010
1,498,018	1,498,018	1,431,850	66,168
15,300	44,701	-	(44,701)
	-		
(18,318)	(62,517)	(37,447)	25,070
22,610	22,610	22,610	-
-	-	(30,389)	(30,389)
-	-	-	-
22,610	22,610	(7,779)	(30,389)
$ 4,292	$ (39,907)	(45,226)	$ (5,319)
		165,451	
		7,779	
		$ 128,004	

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

STATUTORY REPORTING

A. Budgeting Process

By statute, the Governor must submit the State budget to the General Assembly in February of every other year. Prior to June 30, the General Assembly enacts the budget through the passage of appropriation acts for the next two fiscal years and sets forth revenue estimates for the same period for the following funds: the General Fund, the Transportation Fund, the Mashantucket Pequot Fund, the Workers' Compensation Administration Fund, the Banking Fund, the Consumer Counsel and Public Utility Control Fund, the Insurance Fund, the Criminal Injuries Fund, the Soldiers, Sailors, and Marines Fund, and the Regional Market Operations Fund. Under the State Constitution, the Governor has the power to veto any part of the itemized appropriations bill and to accept the remainder of the bill. However, the General Assembly may separately reconsider and repass the disapproved items by a two-thirds majority vote of both the Senate and the House.

Budgetary control is maintained at the individual appropriation account level by agency as established in authorized appropriation bills and is reported in the Annual Report of the State Comptroller. A separate document is necessary because the level of legal control is more detailed than reflected in the CAFR. Before an agency can utilize funds appropriated for a particular purpose, such funds must be allotted for the specific purpose by the Governor and encumbered by the Comptroller upon request by the agency. Such funds can then be expended by the Treasurer only upon a warrant, draft or order of the Comptroller drawn at the request of the responsible agency. The allotment process maintains expenditure control over special revenue, enterprise, and internal service funds that are not budgeted as part of the annual appropriation act.

The Governor has the power under Connecticut statute to modify budgetary allotment requests for the administration, operation and maintenance of a budgeted agency. However, the modification cannot exceed 3 percent of the fund or 5 percent of the appropriation amount. Modifications beyond those limits, but not in excess of 5 percent of the total funds require the approval of the Finance Advisory Committee. The Finance Advisory Committee is comprised of the Governor, the Lieutenant Governor, the Treasurer, the Comptroller, two senate members, not of the same political party, and three house members, not more than two of the same political party. Additional reductions of appropriations of more than 5 percent of the total appropriated fund can be made only with the approval of the General Assembly.

All funds, except fiduciary funds, use encumbrance accounting. Under this method of accounting, purchase orders, contracts, and other commitments for the expenditures of the fund are recorded in order to reserve that portion of the applicable appropriation. All encumbrances lapse at year-end and, generally, all appropriations lapse at year-end except for certain continuing appropriations (continuing appropriations are defined as carryforwards of spending authority from one fiscal budget into a subsequent budget). The continuing appropriations include: appropriations continued for a one-month period after year-end which are part of a program that was not renewed the succeeding year; appropriations continued the entire succeeding year, as in the case of highway and other capital construction projects; and appropriations continued for specified amounts for certain special programs. Carryforward appropriations are reported as reservations of the fund balance in the financial statements.

The budget is prepared on a "statutory" basis of accounting that utilizes the accounting standards that were applied in the budget act and related legislation. Commencing in Fiscal Year 2014, appropriations were made to legislatively budgeted funds to account for expense accruals. The actual expense accruals were posted using the same methodology described above for the governmental fund financial statements. Revenues were recognized when received except in the General Fund and Transportation Fund. In those two funds certain taxes and Indian gaming payments are recognized within a statutory accrual period as approved by the State Comptroller. The state's three major tax categories (the personal income tax, the sales and use tax, and the corporation tax), among other taxes, are subject to statutory accrual. A comparison of actual results of operations recorded on this basis and the adopted budget is presented in the financial statements for the General and Transportation funds. During the 2017 fiscal year, the original adopted budget was adjusted by the General Assembly and the Finance Advisory Committee.

B. Reconciliation of Budget/GAAP Reporting Differences

The *Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis – Non-GAAP) – General Fund and Transportation Fund*, presents comparisons of the legally adopted budget (which is more fully described in section A, above) with actual data on a budgetary basis. Accounting principles applied to develop data on a budgetary basis differ significantly from those principles used to present financial statements in conformity with generally accepted accounting principles (GAAP). The following describes the major differences between statutory financial data and GAAP financial data.

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

- Certain expenditures are not subject to accrual for budgeting purposes and are recorded when paid in cash (statutory basis) as opposed to expenditures being recorded when the related fund liability is incurred (GAAP basis).

- For statutory reporting purposes, continuing appropriations are reported with other financing sources and uses in the determination of the budgetary surplus or deficit to more fully demonstrate compliance with authorized spending for the year. For GAAP purposes, continuing appropriations are excluded from operations and reported as committed fund balance.

The following table presents a reconciliation of differences between the statutory change in fund balance and the GAAP change in fund balance at June 30, 2017. Amounts are expressed in thousands.

	General Fund	Transportation Fund
Net change in fund balances (statutory basis)	$ (22,696)	$ (45,226)
Adjustments:		
Increases (decreases) in revenue accruals:		
Receivables and Other Assets	137,398	6,467
(Increases) decreases in expenditure accruals:		
Accounts Payable and Other Liabilities	19,779	1,100
Salaries and Fringe Benefits Payable	22,778	1,621
Increase (Decrease) in Continuing Appropriations	(36,322)	7,779
Fund Reclassification-Bus Operations	-	1,265
Net change in fund balances (GAAP basis)	$ 120,937	$ (26,994)

C. Budget Reserve Fund ("Rainy Day Fund")

In accordance with Section 4-30a of the Connecticut State Statutes, the State maintains a Budget Reserve ("Rainy Day") Fund. Per section 4-30a after the accounts for the General Fund have been closed for each fiscal year and the Comptroller has determined the amount of unappropriated surplus, and after any required transfers have been made, the surplus shall be transferred by the State Treasurer to the Budget Reserve Fund. Moneys shall be expended only when in any fiscal year the Comptroller has determined the amount of a deficit applicable with respect to the immediately preceding fiscal year, to the extent necessary.

Historically, resources from the Rainy Day Fund have only been expended during recessionary periods to cover overall budget shortfalls after other budgetary measures have been exhausted. During fiscal year 2018 a withdrawal of $22.7 million will be made to cover the budgetary shortfall in fiscal year 2017.

After the transfer is made to cover the shortfall in fiscal year 2017 the Budget Reserve Fund will have a balance of $212.9 million. Effective February 28, 2003, the amount on deposit cannot exceed 10 percent of the net General Fund appropriations for the current fiscal year.

Changes to the Budget Reserve Fund in PA 15-244

PA 15-244, the fiscal year 2016 and fiscal year 2017 budget bill, establishes, beginning in fiscal year 2021, requires revenue collected from the estimated and final payments portion of the personal income tax and the corporation business tax must be in excess of a calculated threshold to be deposited into the Budget Reserve Fund at the close of each fiscal year. The act allows for the threshold to be adjusted for changes in tax policy that impact the corporation business tax or the personal income tax.

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REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLANS

Required supplementary information for pension plans provides information on the sources of changes in net pension liabilities, information about the components of net pension liabilities, employer contributions, and investment returns.

The Required Supplementary Information for Pension Plans includes the following schedules:

Schedule of Changes in the Net Pension Liability and Plan Net Position
Schedule of Employer Contributions
Schedule of Investment Returns

REQUIRED SUPPLEMENTAL INFORMATION
PENSION PLANS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND PLAN NET POSITION

Last Three Fiscal Years*

(Expressed in Thousands)

SERS

Total Pension Liability	**2016**	**2015**	**2014**
Service Cost	$ 322,114	$ 310,472	$ 287,473
Interest	2,105,947	2,052,651	1,998,736
Difference between expected and actual experience	772,762	-	-
Changes of assumptions	4,959,705	-	-
Benefit payments	(1,729,181)	(1,650,465)	(1,563,029)
Refunds of contributions	(7,098)	(7,124)	(3,935)
Net change in total pension liability	6,424,249	705,534	719,245
Total pension liability - beginning	27,192,467	26,486,933	25,767,688
Total pension liability - ending (a)	**$ 33,616,716**	**$ 27,192,467**	**$ 26,486,933**
Plan net position			
Contributions - employer	$ 1,501,805	$ 1,371,651	$ 1,268,890
Contributions - member	135,029	187,339	144,807
Net investment income	(100)	294,412	1,443,391
Benefit payments	(1,729,181)	(1,650,465)	(1,563,029)
Administrative expense	(651)	-	-
Refunds of contributions	(7,098)	(7,124)	(3,935)
Other	85,608	-	-
Net change in plan net position	(14,588)	195,813	1,290,124
Plan net position - beginning	10,668,380	10,472,567	9,182,443
Plan net position - ending (b)	**$ 10,653,792**	**$ 10,668,380**	**$ 10,472,567**
Ratio of plan net position to total pension liability	31.69%	39.23%	39.54%
Net pension liability - ending (a) -(b)	**$ 22,962,924**	**$ 16,524,087**	**$ 16,014,366**
Covered-employee payroll	$ 3,720,751	$ 3,618,361	$ 3,487,577
Net pension liability as a percentage of covered-employee payroll	617.16%	456.67%	459.18%

TRS

Total Pension Liability	**2016**	**2015**	**2014**
Service Cost	$ 419,616	$ 404,449	$ 347,198
Interest	2,228,958	2,162,174	2,090,483
Difference between expected and actual experience	(375,805)	-	-
Changes of assumptions	2,213,190	-	-
Benefit payments	(1,738,131)	(1,773,408)	(1,737,144)
Refunds of contributions	-	(50,329)	-
Net change in total pension liability	2,747,828	742,886	700,537
Total pension liability - beginning	27,092,095	26,349,209	25,648,672
Total pension liability - ending (a)	**$ 29,839,923**	**$ 27,092,095**	**$ 26,349,209**
Plan net position			
Contributions - employer	$ 975,578	$ 984,110	$ 948,540
Contributions - member	293,493	228,100	261,213
Net investment income	(18,473)	452,942	2,277,550
Benefit payments	(1,738,131)	(1,773,408)	(1,737,144)
Refunds of contributions	-	(50,329)	-
Other Changes	(37,648)	57,749	(5,307)
Net change in plan net position	(525,181)	(100,836)	1,744,852
Plan net position - beginning	16,120,053	16,220,889	14,462,903
Plan net position - ending (b)	**$ 15,594,872**	**$ 16,120,053**	**$ 16,207,755**
Ratio of plan net position to total pension liability	52.26%	59.50%	61.51%
Net pension liability - ending (a) -(b)	**$ 14,245,051**	**$ 10,972,042**	**$ 10,141,454**
Covered-employee payroll	$ 4,125,066	$ 4,078,367	$ 3,831,624
Net pension liability as a percentage of covered-employee payroll	345.33%	269.03%	264.68%

REQUIRED SUPPLEMENTAL INFORMATION
PENSION PLANS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND PLAN NET POSITION

Last Three Fiscal Years*

(Expressed in Thousands)

JRS	2016	2015	2014
Total Pension Liability			
Service Cost	$ 8,508	$ 8,142	$ 7,539
Interest	28,251	27,240	26,301
Difference between expected and actual experience	(9,380)	-	-
Changes of assumptions	64,604	-	-
Benefit payments	(22,994)	(22,541)	(21,668)
Net change in total pension liability	68,989	12,841	12,172
Total pension liability - beginning	364,614	351,773	339,601
Total pension liability - ending (a)	**$ 433,603**	**$ 364,614**	**$ 351,773**
Plan net position			
Contributions - employer	$ 18,259	$ 17,731	$ 16,298
Contributions - member	1,831	1,791	1,641
Net investment income	1,440	4,781	23,156
Benefit payments	(22,994)	(22,541)	(21,668)
Other	1,680	-	-
Net change in plan net position	216	1,762	19,427
Plan net position - beginning	189,542	187,780	168,353
Plan net position - ending (b)	**$ 189,758**	**$ 189,542**	**$ 187,780**
Ratio of plan net position to total pension liability	43.76%	51.98%	53.38%
Net pension liability - ending (a) -(b)	**$ 243,845**	**$ 175,072**	**$ 163,993**
Covered-employee payroll	$ 34,897	$ 34,972	$ 33,386
Net pension liability as a percentage of covered-employee payroll	698.76%	500.61%	491.20%

* Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, requires the presentation of supplementary information for each of the 10 most recent years. However, until a full 10-year trend is complied, the State will present information for the years for which the information is available. Information presented in the schedule has been determined as of the measurement date (one year before the most recent fiscal year end).

REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLANS
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last Ten Fiscal Years

(Expressed in Thousands)

SERS	**2016**	**2015**	**2014**	**2013**
Actuarially determined employer contribution	$ 1,514,467	$ 1,379,189	$ 1,268,935	$ 1,059,652
Actual employer contributions	1,501,805	1,371,651	1,268,890	1,058,113
Annual contributions deficiency excess	$ 12,662	$ 7,538	$ 45	$ 1,539
Covered Payroll	$ 3,720,751	$ 3,618,361	$ 3,355,077	$ 3,304,538
Actual contributions as a percentage of covered-employee payroll	40.36%	37.91%	37.82%	32.02%
TRS				
Actuarially determined employer contribution	$ 975,578	$ 984,110	$ 948,540	$ 787,536
Actual employer contributions	975,578	984,110	948,540	787,536
Annual contributions deficiency excess	$ -	$ -	$ -	$ -
Covered Payroll	$ 4,125,066	$ 4,078,367	$ 3,930,957	$ 4,101,750
Actual contributions as a percentage of covered-employee payroll	23.65%	24.13%	24.13%	19.20%
JRS				
Actuarially determined employer contribution	$ 18,259	$ 17,731	$ 16,298	$ 16,006
Actual employer contributions	18,259	17,731	16,298	16,006
Annual contributions deficiency excess	$ -	$ -	$ -	$ -
Covered Payroll	$ 34,897	$ 34,972	$ 33,386	$ 31,748
Actual contributions as a percentage of covered-employee payroll	52.32%	50.70%	48.82%	50.42%

Valuation Date:
Actuarially determined contribution amounts are calculated as of June 30, 2016.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	SERS 25.1 years
	TRS 20.4 years
	JRS 15 years
Asset Valuation Method	SERS & JRS 5 year smoothed actuarial value
	TRS 4 year smoothed market value
Investment Rate of Return	SERS & JRS 6.90%
	TRS 8%
Salary Increases	3.22%-19.5%
Cost-of-Living Adjustments	1.75%-4.75%
Inflation	2.5%-2.75%
Social Security Wage Base	SERS 3.5%

2012	2011	2010	2009	2008	2007
$ 926,372	$ 944,077	$ 897,428	$ 753,698	$ 716,944	$ 663,926
926,343	825,801	720,527	699,770	711,555	663,931
$ 29	$ 118,276	$ 176,901	$ 53,928	$ 5,389	$ (5)
$ 3,209,782	$ 3,308,498	$ 2,920,661	$ 3,497,400	$ 3,497,400	$ 3,310,400
28.86%	24.96%	24.67%	20.01%	20.35%	20.06%
$ 757,246	$ 581,593	$ 559,224	$ 539,303	$ 518,560	$ 412,099
757,246	581,593	559,224	539,303	518,560	412,099
$ -	$ -	$ -	$ -	$ -	$ -
$ 3,943,990	$ 3,823,754	$ 3,676,686	$ 3,529,470	$ 3,393,717	$ 3,296,792
19.20%	15.21%	15.21%	15.28%	15.28%	12.50%
$ 15,095	$ 16,208	$ 15,399	$ 14,172	$ 13,434	$ 12,375
15,095	-	-	14,173	13,434	12,375
$ -	$ 16,208	$ 15,399	$ (1)	$ -	$ -
$ 30,308	$ 33,102	$ 31,602	$ 34,000	$ 33,982	$ 33,757
49.81%	0.00%	0.00%	41.69%	39.53%	36.66%

REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLANS
SCHEDULE OF INVESTMENT RETURNS

Last Four Fiscal Years*

Annual money-weighted rates of return net of investment expense	2017	2016	2015	2014
State Employees' Retirement Fund	14.32%	0.23%	2.83%	15.62%
Teachers' Retirement Fund	14.37%	0.17%	2.82%	15.67%
State Judges' Retirement Fund	13.04%	1.11%	2.57%	13.66%

* Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, requires the presentation of supplementary information for each of the 10 most recent years. However, until a full 10-year trend is compiled, the State will present information for the years for which the information is available.

REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFITS

Required supplementary information for other postemployment benefits provides information on funding progress and employer contributions.

The following schedules are included in the Required Supplementary Information for Other Postemployment Benefits:

- Schedule of Changes in Net OPEB Liability and Plan Net Position
- Schedule of Employer Contributions
- Schedule of Fund Progress
- Schedule of Investment Returns

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REQUIRED SUPPLEMENTAL INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLANS
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND PLAN NET POSITION

Last Fiscal Year

(Expressed in Thousands)

SEOPEBP

Total OPEB Liability		**2017**
Service Cost	$	1,081,923
Interest		849,907
Difference between expected and actual experience		(97,527)
Changes of assumptions		(1,936,042)
Change in benefit terms		(8,853,455)
Benefit payments		(639,467)
Net change in total OPEB liability		(9,594,661)
Total OPEB liability - beginning		27,522,691
Total OPEB liability - ending (a)	**$**	**17,928,030**
Plan fiduciary net position		
Contributions - employer	$	667,401
Contributions - member		120,783
Net investment income		53,194
Benefit payments		(639,467)
Other		(187)
Net change in plan fiduciary net position		201,724
Plan fiduciary net position - beginning		340,618
Plan fiduciary net position - ending (b)	**$**	**542,342**
Plan fiduciary net position as a percentage of the total OPEB liability		3.03%
Net OPEB liability - ending (a) -(b)	**$**	**17,385,688**
Covered-employee payroll	$	3,895,078
Net OPEB liability as a percentage of covered-employee payroll		446.35%

RTHP

Total OPEB Liability		**2017**
Service Cost	$	148,220
Interest		111,129
Benefit Changes		-
Difference between expected and actual experience		-
Changes of assumptions		(370,549)
Benefit payments		(84,071)
Net change in total OPEB liability		(195,271)
Total OPEB liability - beginning		3,734,043
Total OPEB liability - ending (a)	**$**	**3,538,772**
Plan fiduciary net position		
Contributions - employer	$	19,922
Contributions - member		50,436
Net investment income		369
Benefit payments		(84,071)
Administrative expense		(150)
Other		42
Net change in plan fiduciary net position		(13,452)
Plan fiduciary net position - beginning		76,880
Plan fiduciary net position - ending (b)	**$**	**63,428**
Plan fiduciary net position as a percentage of the total OPEB liability		1.79%
Net OPEB liability - ending (a) -(b)	**$**	**3,475,344**
Covered-employee payroll	$	4,279,755
Net OPEB liability as a percentage of covered-employee payroll		81.20%

State of Connecticut

REQUIRED SUPPLEMENTAL INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLANS
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND PLAN NET POSITION

Last Fiscal Year

(Expressed in Thousands)

REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLANS
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Last Seven and Ten Fiscal Years

(Expressed in Thousands)

SEOPEBP	**2017**	**2016**	**2015**	**2014**	**2013**
Actuarially determined employer contribution	$ 1,043,143	$ 1,443,716	$ 1,513,336	$ 1,525,371	$ 1,271,279
Actual employer contributions	667,401	608,593	546,284	514,696	542,615
Annual contributions deficiency excess	$ 375,742	$ 835,123	$ 967,052	$ 1,010,675	$ 728,664
Covered Payroll	$ 3,895,078	$ 3,895,100	$ 3,539,800	$ 3,539,728	$ 3,539,728
Actual contributions as a percentage of covered-employee payroll	17.13%	15.62%	15.43%	14.54%	15.33%
RTHP					
Actuarially determined employer contribution	$ 166,802	$ 130,331	$ 125,620	$ 187,227	$ 180,460
Actual employer contributions	19,922	19,960	25,145	25,955	27,040
Annual contributions deficiency excess	$ 146,880	$ 110,371	$ 100,475	$ 161,272	$ 153,420
Covered Payroll	$ 4,279,755	$ 3,949,900	$ 3,831,600	$ 3,831,600	$ 3,652,500
Actual contributions as a percentage of covered-employee payroll	0.47%	0.51%	0.66%	0.68%	0.74%

* June 30, 2011 was the first year an actuarial valuation for State Employees Other Postemployment Benefit Plan was performed.

Valuation Date:
Actuarially determined contribution amounts are calculated as of June 30, 2017 and June 30, 2016 for SEOPEBP and RTHP respectively.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	SEOPEBP- Projected Unit Credit RTHP-Entry Age
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	SEOPEBP- 22 years RTHP-30 years
Asset Valuation Method	Market Value
Investment Rate of Return	SEOPEBP-5.7% RTHP-4.25%
Salary Increases	SEOPEBP-3.75% RTHP-3.25%-6.5%
Inflation	RTHP-2.75%
Claims Trend Assumption	5.00-10.00%

2012	2011	2010*	2009*	2008*
$ 1,354,738	$ 1,276,099	N/A	N/A	N/A
541,262	544,767	N/A	N/A	N/A
$ 813,476	$ 731,332	N/A	N/A	N/A
$ 3,902,248	$ 3,902,248	N/A	N/A	N/A
13.87%	13.96%	N/A	N/A	N/A
$ 184,145	$ 177,063	$ 121,333	$ 116,667	$ 116,123
49,486	5,312	12,108	22,433	20,770
$ 134,659	$ 171,751	$ 109,225	$ 94,234	$ 95,353
$ 3,652,500	$ 3,646,000	$ 3,646,000	$ 3,399,300	$ 3,399,300
1.35%	0.15%	0.33%	0.66%	0.61%

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REQUIRED SUPPLEMENTARY INFORMATION
OTHER POSTEMPLOYMENT BENEFIT PLANS
SCHEDULE OF FUND PROGRESS

Last Ten Fiscal Years and Last Eight Fiscal Years

(Expressed in Millions)

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	((b-a)/c) UAAL as a Percentage of Covered Payroll
RTHP						
6/30/2017 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2016	$-	$2,997.5	$2,997.5	0.0%	$3,949.9	75.9%
6/30/2015 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2014	$-	$2,433.0	$2,433.0	0.0%	$3,831.6	63.5%
6/30/2013 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2012	$-	$3,048.3	$3,048.3	0.0%	$3,652.5	83.5%
6/30/2011 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2010	$-	$2,997.8	$2,997.8	0.0%	$3,646.0	82.2%
6/30/2009 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2008	$-	$2,318.8	$2,318.8	0.0%	$3,399.3	68.2%
SEOPEBP						
6/30/2017	$229.6	$19,119.6	$18,889.9	1.2%	$3,895.1	485.0%
6/30/2016 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2015	$229.6	$19,119.6	$18,889.9	1.2%	$3,895.1	485.0%
6/30/2014 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2013	$143.8	$19,676.3	$19,532.5	0.7%	$3,539.7	551.8%
6/30/2012 *	$-	$-	$-	0.0%	$-	0.0%
6/30/2011	$49.6	$17,954.3	$17,904.7	0.3%	$3,902.2	458.8%

*No actuarial valuation was performed.

June 30,2011 was the first year an actuarial valuation for State Employees OPEB Plan was performed.

REQUIRED SUPPLEMENTARY INFORMATION
OPEB PLAN
SCHEDULE OF INVESTMENT RETURNS

Last Four Fiscal Years*

Annual money-weighted rates of return net of investment expense	2017	2016	2015	2014
OPEB Fund	11.83%	2.44%	3.44%	11.80%

* Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions, requires the presentation of supplementary information for each of the 10 most recent years. However, until a full 10-year trend is compiled, the State will present information for the years for which the information is available.

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APPENDIX II-D

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KEVIN LEMBO
STATE COMPTROLLER

MARTHA CARLSON
DEPUTY COMPTROLLER

STATE OF CONNECTICUT
OFFICE *of the* STATE COMPTROLLER
55 Elm Street
Hartford, CT 06106

November 24, 2017

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, 2013-2017. This review also covered the accompanying statements of unappropriated surplus, revenues and expenditures for the years ended on those dates. The statements are based on the annual report of the Office of the State Comptroller, which is prepared in compliance with Section 3-115 of the General Statutes, as well as reports of the Auditors of Public Accounts with respect to the balance sheets and related statements for the fiscal years ending June 30, 2013-2017.

The statements have been prepared on a statutory basis of accounting for appropriated funds and on a cash basis of accounting for all other funds. These methods of accounting have been applied in accordance with the governing statutory requirements for all periods shown. In Fiscal Year 2017, statutory provisions provided appropriations of projected expenditure accrual within the budgeted funds.

Sincerely,

Kevin Lembo
State Comptroller

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

STATE CAPITOL
210 CAPITOL AVENUE
HARTFORD, CONNECTICUT 06106-1559

INDEPENDENT AUDITORS' REPORT
CERTIFICATE OF AUDIT

Report on the Financial Statements

We have audited the accompanying balance sheet of the General Fund of the State of Connecticut as of June 30, 2013, 2014, 2015, 2016 and 2017 and the related statements of revenues, expenditures, and changes in unappropriated surplus for the years ended on those dates as shown in Appendices II-D-4, II-D-5, II-D-6 and II-D-7.

Managements Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles
As discussed in Note (a) to Appendix II-D-4, the State of Connecticut prepared its financial statements for the fiscal year ended June 30, 2013 on a modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As discussed in Note (a) to Appendix II-D-4, the State of Connecticut prepared its financial statements for the fiscal year ended June 30, 2014, 2015, 2016 and 2017, using accounting practices that follow the financial reporting provisions of Sections 3-115, 3-115b and Sections 3-114b through 3-114r of the Connecticut General Statutes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between this statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

The financial statements referred to above present only the General Fund and do not purport to, and do not, present fairly the financial position of the State of Connecticut as of June 30, 2013, 2014, 2015, 2016 and 2017, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Adverse Opinion on U.S. Generally Accepted Accounting Principles
In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the State of Connecticut, as of June 30, 2013, 2014, 2015, 2016 and 2017.

Opinion on Modified Cash basis of Accounting
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position – modified cash basis of the General Fund of the State of Connecticut as of June 30, 2013, and the results of its operations – modified cash basis for the year then ended, in conformity with the basis of accounting described in Note (a) to Appendix II-D-4.

Opinion on Statutory Basis of Accounting
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position – statutory basis of the General Fund of the State of Connecticut as of June 30, 2014, 2015, 2016 and 2017, and the results of its operations – statutory basis for the years then ended, in conformity with the basis of accounting described in Note (a) to Appendix II-D-4.

John C. Geragosian
Auditor of Public Accounts

Robert J. Kane
Auditor of Public Accounts

November 24, 2017
State Capitol
Hartford, Connecticut

GENERAL FUND[(a)]

Balance Sheet
As of June 30
(In Thousands)

	2013	2014	2015	2016	2017
Assets					
Cash and Short-Term Investments	$ --	$ --	$ --	$ --	$ --
Accrued Taxes Receivable	1,412,940	1,389,703	1,371,458	1,348,096	1,307,027
Accrued Accounts Receivable	24,116	108,907	21,852	20,348	22,269
Loans Receivable	3,419	3,419	3,419	3,419	3,419
Total Assets	$ 1,440,475	$ 1,502,029	$ 1,396,729	$ 1,371,863	$ 1,332,715
Liabilities, Reserves and Surplus					
Liabilities					
Deficiency in Cash and Short-Term Investments	$ 925,552	$ 550,180	$ 797,930	$ 765,570	$ 544,287
Accounts Payable Nonfunctional Change to Accruals	--	(16,152)	561,217	558,835	627,905
Due to Other Funds	263	367	336	999	2,667
Total Liabilities	$ 925,815	$ 534,395	$ 1,359,483	$1,325,404	$ 1,174,859
Reserves					
Petty Cash Funds	$ 804	$ 815	$ 810	$ 798	$ 795
Statutory Surplus Reserves	398,035	248,480	(31,947)	(54,316)	93,405
Reserve for GAAP Conversion Bonds	--	598,500	--	--	--
Reserve for Future Fiscal Years	--	30,500	--	--	--
Appropriations Continued to Following Year	112,402	85,920	64,964	96,559	60,237
Reserve for Receivables	3,419	3,419	3,419	3,418	3,419
Total Reserves	$ 514,660	$ 967,634	$ 37,246	$ 46,459	$ 157,856
Unappropriated Surplus (Deficit)	$ 0	$ 0	$ 0	$ 0	$ 0
Total Liabilities, Reserves and Surplus	$ 1,440,475	$ 1,502,029	$ 1,396,729	$1,371,863	$ 1,332,715

(a) For Fiscal Year 2013, the State of Connecticut's policy, which was formulated in accordance with State fiscal statutes, is to prepare the accompanying financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and budget laws of the State of Connecticut. The modified cash basis of accounting, as used by the State, records expenditures when they are paid and recognizes revenues when received, except for the accrual at June 30 of State collections in July and August of certain taxes levied, Indian gaming payments, and the accounting for restricted grants on an earned basis. Certain accrual dates for various revenues have been extended and may not reflect the same accrual date through the years reflected herein. For Fiscal Years 2014-2017, the financial statements are prepared on a statutory basis using accounting practices that follow the financial reporting provisions of Sections 3-115, 3-115b and Sections 3-114b through 3-114r of the Connecticut General Statutes.

GENERAL FUND

Statement of Revenues, Expenditures and Changes in Unappropriated Surplus
Fiscal Year Ended June 30
(In Thousands)

	2013	2014	2015	2016	2017
Unappropriated Surplus (Deficit), July 1	$ -0-	$ -0-	$ -0-	$ -0-	-0-
Total Revenues (per Appendix II-D-6)	19,405,031	17,608,056	17,282,038	17,780,822	17,702,968
Total Expenditures (per Appendix II-D-7)	19,025,667[a]	16,980,044[b]	17,419,689[c][d]	17,921,258	17,763,040
Operating Balance	379,364	628,012	(137,651)	(140,436)	(60,072)
Reserved for Prior Year Appropriations Less Appropriations Carried Forward	18,671	26,482	20,956	-0-	-0-
Transferred (Out) or Reserved for:					
Budget Reserve Fund	(177,235)	(248,480)	-0-	-0-	-0-
Reserve for Debt Retirement/Avoidance or Reserve for Future Fiscal Year	(220,800)	(599,000)[d]	-0-	-0-	-0-
Other Adjustments	-0-	2,186	3,527	(29,983)	37,376
Reserved from Prior Year	-0-	190,800	-0-	-0-	-0-
Subtotal	$ -0-	$ -0-	$ (113,168)	$ (170,419)	$ (22,696)
Transferred from Budget Reserve Fund	--	--	113,168	170,419	22,696
Unappropriated Surplus (Deficit), June 30	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-

(a) Total Expenditures include prior year appropriations less appropriations carried forward to the next fiscal year in the amount of $18.671 million.

(b) Total Expenditures include prior year appropriations less appropriations carried forward to the next fiscal year in the amount of $26.482 million.

(c) In Fiscal Year 2014 this amount includes GAAP Conversion Bonds totaling $598.5 million.

(d) Total Expenditures include prior year appropriations less appropriations carried forward to the next year in the amount of $20.956 million.

GENERAL FUND

Statement of Revenues
Fiscal Year Ended June 30
(In Thousands)

	2013	2014	2015	2016	2017
Taxes:					
Personal Income	$ 8,719,245	$ 8,718,659	$ 9,151,037	$ 9,181,649	$ 8,988,667
Sales and Use	3,896,998	4,100,564	4,205,051	4,181,852	4,192,203
Corporations	742,515	782,239	814,805	880,449	1,037,565
Insurance Companies	260,858	240,666	220,629	238,843	222,804
Inheritance and Estate	439,519	168,075	176,750	221,821	218,660
Alcoholic Beverages	60,406	60,644	61,651	63,113	63,155
Cigarettes	399,822	376,835	358,703	373,518	381,455
Admissions, Dues, Cabaret	36,544	39,935	38,436	39,331	39,509
Oil Companies	175,526	35,580	0	170	0
Electric Generation	66,824	15,315	7	0	0
Public Service Corporations	266,647	293,303	276,833	289,894	271,504
Real Estate Conveyance	113,830	180,511	185,955	196,498	209,982
Miscellaneous	523,028	498,260	474,009	718,850	699,331
Refunds of Taxes	(1,144,993)	(1,182,397)	(1,163,639)	(1,223,198)	(1,263,824)
R&D Credit Exchange	(4,086)	(5,055)	(7,878)	(7,623)	(5,485)
Other Revenue:					
Licenses, Permits, Fees	262,068	314,721	257,444	296,502	275,386
Sales of Commodities and Services	36,298	40,523	35,813	43,454	39,143
Transfer – Special Revenue	315,452	323,219	323,315	339,961	328,716
Investment Income	(792)	(335)	943	909	2,371
Transfers — To Other Funds[a]	(61,800)	(61,800)	(61,780)	(61,688)	(58,100)
Fines, Escheats and Rents	144,141	130,875	168,679	141,741	151,402
Miscellaneous	163,818	206,782	185,014	179,820	330,388
Refunds of Payments	(74,016)	(66,625)	(64,281)	(60,336)	(44,199)
Federal Grants	3,733,910	1,243,861	1,241,243	1,301,532	1,325,237
Indian Gaming Payments	296,396	279,873	267,986	265,906	269,906
Statutory Transfer to Resources of the General Fund	(66,228)	0	0	0	0
Statutory Transfers From Other Funds	103,100	873,828	135,313	177,854	27,192
Total Revenues[b]	$ 19,405,031	$ 17,608,056[c]	$ 17,282,038	$ 17,780,822	$ 17,702,968

(a) Transfer to Pequot/Mohegan Fund.

(b) See Operating Balance on Appendix II-D-5 for surplus or deficit for each fiscal year.

(c) Fiscal Year 2014 revenues include $598.5 million in GAAP Conversion Bonds as a Transfer from Other Funds. Federal Grants reflect the transfer of the federal portion of Medicaid from the General Fund to the Restricted Grants Fund.

GENERAL FUND

Statement of Expenditures
Fiscal Year Ended June 30
(In Thousands)

	2013	2014	2015	2016	2017
Legislative	$ 66,533	$ 70,813	$ 73,563	$ 74,089	$ 66,545
General Government					
Executive	10,211	12,223	12,701	12,731	11,964
Financial Administration	506,598	513,051	563,830	530,539	492,358
Legal	76,558	80,402	84,469	83,765	80,385
Total General Government	593,367	605,676	661,000	627,035	584,707
Regulation and Protection of Persons and Property					
Public Safety	175,772	191,075	193,996	191,125	181,452
Regulative	86,015	86,798	93,256	97,429	92,962
Total Regulation and Protection	261,787	277,873	287,252	288,554	274,414
Conservation and Development					
Agriculture	11,250	12,024	12,723	12,306	11,372
Environment	66,457	71,365	71,018	67,900	60,836
Historical Sites, Commerce and Industry	55,376	137,532	122,070	114,672	108,853
Total Conservation and Development	133,083	220,921	205,811	194,878	181,060
Health and Hospitals					
Public Health	98,999	114,086	83,853	69,875	63,572
Developmental Services	1,005,732	1,054,597	1,097,586	1,059,216	522,175
Mental Health	697,220	658,625	603,897	636,852	604,040
Total Health and Hospitals	1,801,951	1,827,308	1,785,336	1,765,943	1,189,787[(b)]
Human Services	5,931,567	3,215,827	3,095,928	3,102,021	3,624,957[(b)]
Education, Libraries and Museums					
Department of Education	2,880,342	3,039,608	3,277,044	3,331,589	3,247,743
University of Connecticut	195,847	329,889	354,433	383,538	349,506
Higher Education and the Arts	158,271	43,580	46,103	47,113	39,080
Libraries	12,294	12,419	12,205	11,519	8,797
Teachers Retirement	805,193	966,983	1,004,973	997,604	1,034,143
Community—Technical Colleges	141,288	151,973	177,968	164,626	159,786
State University	135,659	151,193	152,665	186,039	164,867
Total Education, Libraries and Museums	4,328,894	4,695,645	5,025,391	5,122,028	5,003,922
Corrections	1,408,761	1,454,442	1,476,753	1,463,065	1,397,113
Judicial	534,512	569,056	593,314	597,584	552,369
Non-Functional					
Debt Service	1,799,937	1,646,149	1,691,526	1,967,729	2,058,197
Miscellaneous	2,165,275	2,396,332	2,523,815	2,718,331	2,829,967
Total Non-Functional	3,965,212	4,042,481	4,215,341	4,686,060	4,888,164
Totals	19,025,667	16,980,042	17,419,689	17,921,257	17,763,040
Total Expenditures[(a)]	$19,025,667	$16,980,042	$17,419,689	$17,921,257	$17,763,040

(a) See Operating Balance on **Appendix II-D-5** for surplus or deficit for each fiscal year.

(b) The Community Residential Services program, which expended $522.4 million in Fiscal Year 2017, was transferred from the Health and Hospital function to Human Services in Fiscal Year 2017.

Note: Totals may not add due to rounding.

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SUPPLEMENTARY INFORMATION AS OF JUNE 6, 2018

APPENDIX II-E is replaced and updated as follows:

APPENDIX II-E

GENERAL FUND REVENUES AND EXPENDITURES
REVISED ADOPTED BUDGET AND FINAL FINANCIAL RESULTS FOR FISCAL YEAR 2017
ADOPTED AND ESTIMATED BUDGET FOR FISCAL YEAR 2018
REVISED ADOPTED BUDGET FOR FISCAL YEAR 2019
(In Millions)

	Revised Adopted Budget Fiscal Year 2017[f]	Financial Results Fiscal Year 2017[g]	Adopted Budget Fiscal Year 2018[h]	Estimated Budget Fiscal Year 2018[i]	Revised Adopted Budget Fiscal Year 2019[j]
Revenues					
Taxes					
Personal Income Tax	$ 9,519.0	$ 8,988.7	$ 9,182.5	$10,525.8	$ 9,107.6
Sales & Use	4,328.7	4,192.2	4,220.5	4,150.9	4,151.3
Corporation	839.3	1,037.6	933.3	868.2	1,520.2
Public Service	283.9	271.5	284.9	266.9	243.8
Inheritance & Estate	174.6	218.7	180.1	230.1	176.2
Insurance Companies	245.4	222.8	230.6	230.6	234.3
Cigarettes	371.1	381.5	394.2	384.2	381.0
Real Estate Conveyance	201.8	210.0	215.6	203.1	209.4
Alcoholic Beverages	62.2	63.2	62.6	62.6	63.0
Admissions and Dues	39.0	39.5	41.5	40.6	41.8
Health Provider Tax	683.4	677.8	1,045.0	1,047.8	1,049.2
Miscellaneous	20.1	21.5	27.7	20.6	22.0
Total Taxes	$16,768.5	$16,324.8	$16,818.5	$18,031.4	$17,199.8
Less Refunds of Taxes	(1,106.5)	(1,158.2)	(1,146.8)	(1,181.5)	(1,215.1)
Less Earned Income Tax	(133.6)	(105.6)	(115.0)	(115.0)	(118.3)
Less R&D Credit Exchange	(8.5)	(5.5)	(7.3)	(6.2)	(6.4)
Net Taxes	$15,519.9	$15,055.5	$15,549.4	$16,728.7	$15,860.0
Other Revenues					
Transfers- Special Revenues	$ 355.5	$ 328.7	$ 339.3	$ 345.3	$ 352.7
Indian Gaming Payments	267.0	269.9	267.3	273.6	203.6
Licenses, Permits, Fees	269.2	275.4	309.6	311.3	322.6
Sales of Commodities & Services	42.6	39.1	43.8	36.8	37.7
Rents, Fines & Escheats	128.0	151.4	143.0	160.1	147.2
Investment Income	3.8	2.4	5.9	12.5	14.5
Miscellaneous	219.0	330.4	207.4	193.3	189.1
Less Refunds of Payments	(66.1)	(44.2)	(62.5)	(57.5)	(58.8)
Total Other Revenue	$ 1,219.0	$ 1,353.1	$ 1,253.8	$ 1,275.4	$ 1,208.6
Other Sources					
Federal Grants	$ 1,257.6	$ 1,325.2	$ 1,732.9	$ 1,144.3	$ 2,112.4
Transfers from Tobacco Settlement Funds	108.5	118.3	109.7	109.7	110.2
Transfers to/from Other Funds[a]	(218.3)	(149.2)	77.9	83.5	78.3
Transfers to BRF – Volatility Adjustment[b]	--	--	--	(1,290.0)	(363.1)
Total Other Sources	$ 1,147.8	$ 1,294.3	$ 1,920.5	$ 47.5	$ 1,937.8
Total Budgeted Revenue[c]	$17,886.7	$17,703.0	$18,723.7	$18,051.6	$19,006.4

	Revised Adopted Budget Fiscal Year 2017[f]	Financial Results Fiscal Year 2017[g]	Adopted Budget Fiscal Year 2018[h]	Estimated Budget Fiscal Year 2018[i]	Revised Adopted Budget Fiscal Year 2019[j]
Appropriations/ Expenditures					
Legislative	$ 74.1	$ 66.4	$ 70.1	$ 65.5	$ 66.7
General Government	602.2	582.2	687.2	660.9	694.5
Regulation & Protection	278.8	274.7	278.0	268.2	276.1
Conservation & Development	194.8	181.1	189.9	184.7	174.2
Health & Hospitals	1,217.0	1,189.8	1,196.8	1,173.9	1,190.7
Human Services	3,708.8	3,596.4	4,408.1	4,382.9	4,332.6
Education, Libraries & Museums	5,067.8	4,990.1	5,185.4	5,023.7	5,209.0
Corrections	1,417.9	1,397.4	1,386.1	1,384.7	1,344.1
Judicial	593.9	552.4	561.5	533.3	565.1
Non- Functional					
Debt Service	2,063.1[e]	2,058.2[e]	2,311.1[e]	2,311.1	2,213.6
Miscellaneous	2,857.4	2,838.0	3,298.7	2,780.2	2,952.9
Subtotal	$18,075.8	$17,726.7	$19,572.9	$18,769.1	$19,019.7
Other Reductions and Lapses	(189.3)	--	(898.9)	--	(21.5)
Net Appropriations/ Expenditures	$17,886.4	$17,726.7	$18,673.9	$18,769.1	$18,998.2
Surplus (or Deficit) from Operations	0.2	(23.8)	49.8	(717.5)	8.2
Miscellaneous Adjustments	--	1.1	--	--	--
Balance[d]	$ 0.2	$ (22.7)	$ 49.8	$ (717.5)	$ 8.2

NOTE: Columns may not add due to rounding.

(a) Includes transfers to the Mashantucket Pequot Fund for grants to towns. The amount for Fiscal Year 2017 includes a transfer of $58.1 million to the Mashantucket Pequot Fund for grants to towns. In Fiscal Year 2018 the amount was reduced to $57.6 million and in Fiscal Year 2019 it was reduced to $49.9 million.

(b) Per Section 704 of Public Act No. 17-2 June Special Session requires that any amount in Estimates and Finals revenue above $3,150.0 million shall be transferred to the Budget Reserve Fund.

(c) Does not include revenues or expenditures with respect to Restricted Accounts and Federal & Other Grants, which are not included in this Appendix. The amount of such expenditures is generally the same as the amount of grants received.

(d) Per Section 4-30a of the Connecticut General Statutes, after the accounts for the General Fund have been closed for each fiscal year and the Comptroller has determined the amount of unappropriated surplus or deficit in said fund, after any amounts required by provision of law to be transferred for other purposes have been deducted, the amount of such surplus or deficit shall be transferred by the State Treasurer to/from the Budget Reserve Fund.

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

(f) Per Public Act No. 15-244, as amended by various implementer legislation and as amended by Public Act No. 15-05 of the June Special Session, Public Act No. 16-2 of the May Special Session and Public Act No. 16-3 of the May Special Session.

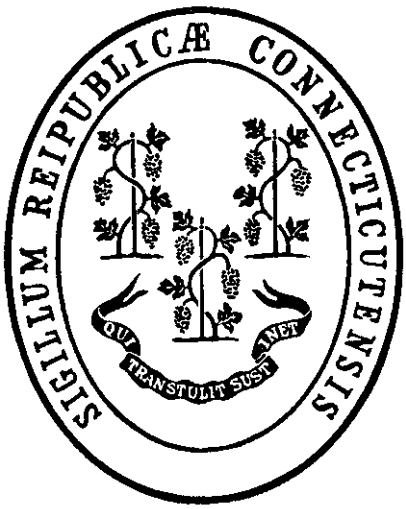
(g) Per the Comptroller's audited financial results dated October 31, 2017 for Fiscal Year 2017 and adjusted by the Office of Policy and Management to exclude expenditures or appropriations carried over from the prior fiscal year and to include expenditures of appropriations carried into the next fiscal year.

(h) Per Public Act No. 17-2 of the June Special Session as amended by Public Act No. 17-4 of the June Special Session and Public Act No. 17-1 of the January 2018 Special Session.

(i) Estimates reflect the May 21, 2018 Office of Policy and Management's letter to the State Comptroller as of the period ending April 30, 2018.

(j) Per Public Act No. 18-81.

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



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