REFUNDING ISSUE

RATINGS:

Moody's:	A1
S&P:	A
Fitch:	A+
Kroll:	AA-

(See **RATINGS** herein)

State of Connecticut
$239,855,000
General Obligation Refunding Bonds
(2019 Series B)

Dated: **Date of Delivery** Due: As shown on inside front cover page

The $239,855,000 State of Connecticut General Obligation Refunding Bonds (2019 Series B) (the "Bonds") will be general obligations of the State of Connecticut (the "State") and the full faith and credit of the State will be pledged for the payment of the principal of and interest on the Bonds as the same become due. See **THE BONDS - Nature of Connecticut's General Obligation** herein. Interest on the Bonds will be payable on February 15, 2020 and semiannually thereafter on August 15 and February 15 in each year until maturity. Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months at the annual rates set forth on the inside front cover page. **The Bonds are not subject to redemption prior to maturity.** See **THE BONDS – Redemption Provisions** herein.

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

The Bonds are issuable only as fully registered bonds, without interest coupons, in denominations of $5,000 or any integral multiple thereof. When issued, the Bonds will be registered in the name of Cede & Co., as Bondowner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry-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 in reliance upon and assuming the accuracy of and continuing compliance by the State with its representations and covenants relating to certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference under the Code for purposes of the federal alternative minimum tax. See **TAX EXEMPTION OF THE BONDS** *herein.*

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

The Bonds are offered when, as and if issued and received by the Underwriters, subject to approval as to legality by Bond Counsel and certain other conditions. Certain legal matters will be passed upon for the State by its Disclosure Counsel. Certain legal matters will be passed upon for the State by its Tax Counsel. The Bonds are expected to be available for delivery through the facilities of DTC in New York, New York, on or about August 7, 2019.

Honorable Shawn T. Wooden
Treasurer of the State of Connecticut

Dated: July 25, 2019

State of Connecticut
$239,855,000 General Obligation Refunding Bonds (2019 Series B)

Maturity (February 15)	Amount	Interest Rate	Yield	Price	CUSIP[1]
2020	$28,250,000	5.00%	1.19%	101.977%	20772KGU7
2021	22,360,000	5.00	1.26	105.621	20772KGV5
2022	22,205,000	5.00	1.32	109.099	20772KGW3
2023	24,540,000	5.00	1.37	112.440	20772KGX1
2024	23,995,000	5.00	1.43	115.579	20772KGY9
2025	24,035,000	5.00	1.52	118.365	20772KGZ6
2026	23,865,000	5.00	1.63	120.771	20772KHA0
2027	23,680,000	5.00	1.73	122.971	20772KHB8
2028	23,515,000	5.00	1.84	124.819	20772KHC6
2029	23,410,000	5.00	1.92	126.686	20772KHD4

(plus accrued interest, if any)

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

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

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

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SUMMARY

This Summary does not constitute a part of the Official Statement for the issuance and sale by the State of Connecticut of its $239,855,000 General Obligation Refunding Bonds (2019 Series B) (the "Bonds"). This Summary is for informational purposes only and is subject in all respects to a more complete discussion contained in the Official Statement.

Security	The Bonds will be general obligation bonds of the State of Connecticut (the "State"), and the full faith and credit of the State will be pledged for the payment of the principal of and interest on the Bonds as the same become due.
Federal Tax Exemption of the Bonds	In the opinion of Bond Counsel and Tax Counsel, rendered in reliance upon and assuming the accuracy of and continuing compliance by the State with its representations and covenants relating to certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference under the Code for purposes of the federal alternative minimum tax. See **TAX EXEMPTION OF THE BONDS** herein.
State of Connecticut Tax Exemption of the Bonds	In the opinion of Bond Counsel and Tax Counsel, under existing statutes, interest on the Bonds is excluded from Connecticut taxable income for purposes of the Connecticut income tax on individuals, trusts and estates and is excluded from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. See **TAX EXEMPTION OF THE BONDS** herein.
Interest and Principal Payment Dates	Interest on the Bonds will be payable on February 15, 2020 and semiannually thereafter on August 15 and February 15 in each year until maturity. Principal of the Bonds is payable on February 15 in the years and in the amounts shown on the inside front cover page. Interest on the Bonds is calculated on the basis of a 360-day year of twelve 30-day months at the annual rates set forth on the inside front cover page.
Denominations	The Bonds will be issued in registered book-entry-only form, without coupons, in denominations of $5,000 or any integral multiple thereof.
Redemption	The Bonds are **not** subject to optional redemption prior to maturity. **See THE BONDS – Redemption Provisions** herein.
Delivery and Clearance	The Bonds are expected to be available for delivery through the facilities of DTC in New York, New York, on or about August 7, 2019.
Paying Agent	U.S. Bank National Association, 225 Asylum Street, Hartford, Connecticut 06103, is the State's Paying Agent.
Legal Counsel	Day Pitney LLP of Hartford, Connecticut is Lead Bond Counsel; Lewis & Munday, A Professional Corporation of Detroit, Michigan with offices in Glastonbury, Connecticut; Pullman & Comley, LLC of Bridgeport, Connecticut; and Shipman & Goodwin LLP of Hartford, Connecticut are Bond Counsel with respect to certain series of the Bonds. Day Pitney LLP is Lead Disclosure Counsel and Soeder & Associates, LLC of Hartford, Connecticut, is Co-Disclosure Counsel. Robinson & Cole LLP of Hartford, Connecticut is Lead Tax Counsel and Soeder & Associates, LLC is Co-Tax Counsel.
Additional Information	Additional information may be obtained upon request to the Office of the State Treasurer, Shawn T. Wooden, Attn: Sarah K. Sanders, Assistant Treasurer for Debt Management, 55 Elm Street, Hartford, Connecticut 06106, (860) 702-3288.

OFFICIAL STATEMENT
$239,855,000
STATE OF CONNECTICUT
GENERAL OBLIGATION REFUNDING BONDS
(2019 SERIES B)

INTRODUCTION

This Official Statement, 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 the sale of $239,855,000 aggregate principal amount of its General Obligation Refunding Bonds (2019 Series B) (the "Bonds").

Part I of this Official Statement, including the cover page and inside front cover page and the Appendices thereto, contains information relating to the Bonds. Part II of this Official Statement, including the Appendices thereto, is the most recent Annual Information Statement of the State and contains certain information about the State as of its date. The cover page, inside front cover page, this Introduction, and Parts I 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
$239,855,000
STATE OF CONNECTICUT
GENERAL OBLIGATION REFUNDING BONDS
(2019 SERIES B)

THE BONDS

Description of the Bonds

The State of Connecticut (the "State") is issuing $239,855,000 General Obligation Refunding Bonds (2019 Series B) (the "Bonds") comprised of the following issues:

$ 212,715,000	General Obligation Refunding Bonds (2019 Series B-1)
$ 5,820,000	General Obligation Refunding Bonds (2019 Series B-2)
$ 21,320,000	General Obligation Refunding Bonds (2019 Series B-3)

The Bonds will be dated the date of delivery, and will bear interest from their date payable on February 15, 2020 and semiannually thereafter on August 15 and February 15 in each year, until maturity, at the rate or rates indicated on the inside front cover page of this Official Statement.

Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds will be payable to the registered owner as of the close of business on the last business day of January and July in each year. The Bonds are issuable only as fully registered bonds, without interest coupons, in denominations of $5,000 or any integral multiple thereof.

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

The Bonds will be general obligation bonds of the State and the full faith and credit of the State will be pledged for the payment of the principal of and interest on the Bonds as the same become due. The Bonds will be issued pursuant to the State general obligation bond procedure act (Section 3-20 of the General Statutes of Connecticut, as amended). The Bonds are issued pursuant to a Bond Determination of the Treasurer. 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 the purpose of refunding the principal amount of all or a portion of the outstanding State general obligation bonds set forth in the "Plan of Refunding" described in **Appendix I-A** herein. The Bonds of each series will mature on February 15 in the years and in the principal amounts set forth in the following table:

$239,855,000 Refunding Bonds

Maturity February 15,	2019 B-1	Series 2019 B-2	2019 B-3	Total 2019 Series B
2020	$ 28,250,000			$28,250,000
2021	22,360,000			22,360,000
2022	22,205,000			22,205,000
2023	24,540,000			24,540,000
2024	23,995,000			23,995,000
2025	24,035,000			24,035,000
2026	23,865,000			23,865,000
2027	23,680,000			23,680,000
2028	19,785,000	$ 3,730,000		23,515,000
2029		2,090,000	$ 21,320,000	23,410,000
TOTAL	$ 212,715,000	$ 5,820,000	$ 21,320,000	$ 239,855,000

Redemption Provisions

The Bonds are **not** subject to redemption prior to maturity.

Nature of Connecticut's General Obligation

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

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

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

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

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

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

Book-Entry-Only System

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

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

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

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

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

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.

Covenant

Pursuant to subsection (aa) of the State General Obligation Bond Procedure Act (Section 3-20 of the General Statutes, of Connecticut, as amended), the State will include a covenant in the Bonds (which shall be applicable through June 20, 2023) 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 pursuant to Section 3-20 of the general statutes or credit revenue bonds pursuant to 3-20j of the general statutes 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.

During the 2018 Regular Session and prior to the issuance of any bonds containing the covenant, the General Assembly enacted three statutes amending the statutory provisions referenced above.

Section 7 of Public Act No. 18-49, effective May 31, 2018, amended Section 4-30a of the general statutes by expanding the source of revenues that are to be deposited in the Budget Reserve Fund to include a new business pass through tax. Section 8 of Public Act No. 18-49, effective May 15, 2018, amended subsection (aa) of Section 3-20 of the general statutes to incorporate such change.

Section 20 of Public Act No. 18-81, effective May 15, 2018, provided that the amount to be deposited in the Budget Reserve Fund pursuant to Section 4-30a of the general statutes shall be adjusted annually by the compound annual growth rate of personal income in the State over the preceding five calendar years, and that the threshold amount of the deposit to the Budget Reserve Fund may be amended by a super majority vote 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.

Section 16 of Public Act No. 18-178, effective July 1, 2018, amended Section 3-21(f)(1)(B) of the general statutes to provide that when calculating the $1.9 billion fiscal year limitation on the issuance of general obligation bonds pursuant to Section 3-20 or credit revenue bonds pursuant to Section 3-20j, there shall be excluded refunding bonds, revenue anticipation notes, and up to $500 million in bonds for transportation projects authorized during calendar years 2018 and 2019, in addition to bonds issued as part of the State's CSCU 2020 program and UCONN 2000 program.

Because these amendments were in different acts with different effective dates, the Treasurer of the State requested guidance from the Attorney General of the State in the application of these provisions to the covenant and the covenant calculations. In the opinion of the Attorney General, all of the foregoing amendments are to be given effect in the covenant. In reliance on this opinion, the Treasurer calculates the $1.9 billion general obligation and credit revenue bond issuance limit by applying the exclusions referred to above. The Attorney General further concluded that the legislature intended that the covenant requires that during the time the covenant is in effect, no further changes by the legislature are permitted, except as described above. An opinion of the Attorney General is not binding upon a court and no assurance can be given that a court would come to the same conclusion in a case properly brought by a bondholder entitled to the benefit of the covenant. During the 2019 Legislative session, the General Assembly adopted a Joint Resolution confirming the Attorney General's interpretation.

See **Part II** for further information on State debt, budgetary and debt limitations and this covenant.

Sources and Uses of Bond Proceeds

Proceeds of the Bonds are to be applied as follows:

Sources:	
Par Amount of Bonds	$ 239,855,000.00
Net Original Issue Premium	37,520,688.25
Total Sources	$ 277,375,688.25
Uses:	
Escrow Deposit Fund	$ 276,750,470.81
Costs of Issuance	454,860.90
Underwriters' Discount	170,356.54
Total Uses	$ 277,375,688.25

LEGALITY FOR INVESTMENT

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

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

RATINGS

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

TAX EXEMPTION OF THE BONDS

Opinion of Bond Counsel and Tax Counsel - Federal Tax Exemption

In the opinion of Bond Counsel and Tax Counsel, under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference under the Internal Revenue Code of 1986, as amended (the "Code") for purposes of the federal alternative minimum tax.

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

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

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

Original Issue Premium

The initial public offering prices of certain maturities of the Bonds are more than their stated principal amounts (the "OIP Bonds"). An owner who purchases an OIP Bond must amortize bond premium as provided in applicable Treasury Regulations, and amortized premium reduces the owner's basis in the OIP Bond for federal income tax purposes. Prospective purchasers of OIP Bonds should consult their tax advisors regarding the amortization of premium and its effect upon basis.

Other Federal Tax Matters

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

State Taxes

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

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

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

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

General

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

Federal, state or local legislation, administrative pronouncements or court decisions may affect the tax-exempt status of interest on the Bonds, gain from the sale or other disposition of the Bonds, the market value of the Bonds, or the marketability of the Bonds, or otherwise prevent the owners of the Bonds from realizing the full current benefit of the exclusion from gross income of the interest thereon. From time to time, there are legislative proposals pending in the Congress of the United States that, if enacted, could alter or amend the exclusion from gross income of interest on the Bonds. Such proposals, whether or not enacted, also could adversely affect the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax and financial advisors regarding such matters.

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

CONTINUING DISCLOSURE AGREEMENT

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

To its knowledge, in the last five years the State has not failed to comply in any material respect with its undertakings pursuant to a continuing disclosure agreement executed by the State. The State has determined it did not file an event notice for (i) a rating upgrade of its Bradley International Airport Special Obligation Parking Revenue Bonds, Series 2000A in May 2016, (ii) a rating downgrade of its Certificates of Participation (Connecticut Juvenile Training School Energy Center Project) in April 2018 and (iii) a rating upgrade of the short-term rating on the State's General Obligation Bonds (2016 Series C) (Variable Rate Demand Bonds) in June 2018. The State promptly filed such notices after discovering each omission. In making this disclosure, the State has not concluded and does not admit that these omissions are a material failure to comply with its continuing disclosure obligations. The State has modified its disclosure practices to prevent such failures in the future. Certain prior annual reports of the State and other required reports are available from the Electronic Municipal Market Access website ("EMMA") of the Municipal Securities Rulemaking Board (the "MSRB"), or such other website as may be designated from time to time by the MSRB or the Securities and Exchange Commission. Filings through EMMA are linked to particular obligations by a 9-digit CUSIP number, based on base (6-digit) CUSIP numbers, which are subject to being changed after the issuance of obligations as a result of various actions. The State has entered into continuing disclosure agreements requiring filings to be made with respect to thousands of CUSIP numbers. Most filings by the State through EMMA, such as annual reports, are made using the base 6-digit CUSIP numbers. Although the State endeavors through this process to link each report filed through EMMA to the correct CUSIP number (including those assigned without its knowledge), there can be no guarantee of complete accuracy in this process, given the large number of 9-digit CUSIP numbers assigned to the State's obligations. The State does not believe an inaccuracy resulting from such CUSIP process is a material failure to comply with its continuing disclosure obligations.

DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS

State Treasurer's Certificate

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

Absence of Litigation

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

Approving Opinions of Bond Counsel and Opinions of Disclosure Counsel and Tax Counsel

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

(a) Lewis & Munday, A Professional Corporation with respect to the $212,715,000 General Obligation Refunding Bonds (2019 Series B-1);

(b) Pullman & Comley, LLC with respect to the $5,820,000 General Obligation Refunding Bonds (2019 Series B-2); and

(c) Shipman & Goodwin LLP with respect to the $21,320,000 General Obligation Refunding Bonds (2019 Series B-3).

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

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

Certain legal matters will be passed upon for the State by its Tax Counsel, Robinson & Cole LLP of Hartford, Connecticut. In addition, the firm of Soeder & Associates, LLC serves as Co-Tax Counsel.

MUNICIPAL ADVISORS

The State has appointed Acacia Financial Group, Inc., having offices in Mt. Laurel, New Jersey and PFM Financial Advisors LLC, having offices in New York, New York to serve as co-municipal advisors to assist the State in the issuance of the Bonds.

COMPETITIVE SALE OF BONDS

After competitive, electronic bidding on July 25, 2019, the Bonds were awarded by the State to a syndicate headed by J.P. Morgan Securities LLC, as purchaser.

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ADDITIONAL INFORMATION

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

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

STATE OF CONNECTICUT

Dated at Hartford, Connecticut
this 25th day of July, 2019

/s/ Shawn T.Wooden
Shawn T. Wooden
State Treasurer

Appendix I-A

PLAN OF REFUNDING

The proceeds of the Bonds, if issued, will be used to refund some or all of the following maturities and principal amounts of outstanding general obligation bonds of the State on the redemption dates and at the redemption prices set forth below (the "Refunded Bonds").

Series	Maturity Date	Principal Amount	Coupon	Redemption Date	Redemption Price	CUSIP[1]
2009 Series A	02/15/20	$ 7,660,000	3.125%	08/26/19	100.0%	20772GX86
2009 Series A	02/15/20	1,725,000	4.000	08/26/19	100.0	20772G2J6
2009 Series A	02/15/20	5,615,000	5.000	08/26/19	100.0	20772G2K3
2009 Series A	02/15/21	25,500,000	5.000	08/26/19	100.0	20772GX94
2009 Series A	02/15/22	25,500,000	5.000	08/26/19	100.0	20772GY28
2009 Series A	02/15/23	15,000,000	5.000	08/26/19	100.0	20772GY36
2009 Series A	02/15/24	21,770,000	4.000	08/26/19	100.0	20772GY44
2009 Series A	02/15/24	5,730,000	5.000	08/26/19	100.0	20772G2L1
2009 Series A	02/15/25	27,500,000	5.000	08/26/19	100.0	20772GY51
2009 Series A	02/15/26	27,500,000	5.000	08/26/19	100.0	20772GY69
2009 Series A	02/15/27	3,305,000	4.300	08/26/19	100.0	20772GY77
2009 Series A	02/15/27	24,195,000	5.000	08/26/19	100.0	20772G2M9
2009 Series A	02/15/28	15,000,000	4.375	08/26/19	100.0	20772GY85
2009 Series A	02/15/28	12,500,000	5.000	08/26/19	100.0	20772G2N7
2009 Series A	02/15/29	27,500,000	5.000	08/26/19	100.0	20772GY93
2009 Series B	03/01/20	6,715,000	4.000	08/26/19	100.0	20772G3G1
2009 Series B	03/01/20	4,285,000	5.000	08/26/19	100.0	20772G3H9
2009 Series B	03/01/23	13,000,000	4.000	08/26/19	100.0	20772G3J5

Upon delivery of the Bonds, the State and U.S. Bank National Association ("Escrow Holder"), will enter into an Escrow Agreement (the "Escrow Agreement") to provide for the payment of the Refunded Bonds. Under the Escrow Agreement, the Escrow Holder will deposit into an irrevocable trust fund (the "Escrow Deposit Fund"), a portion of the net proceeds of the Bonds and will use a portion of such proceeds to purchase shares in the State's Short Term Investment Fund ("Investments"), the maturing principal of and interest on which, together with the uninvested money then held in the Escrow Deposit Fund, if any, will provide amounts sufficient to pay the principal or redemption price of, and interest on the Refunded Bonds on the dates such payments are due. All investment income on and maturing principal of the Investments held in the Escrow Deposit Fund and needed to pay the principal, and redemption price of and interest on the Refunded Bonds will be irrevocably deposited by the State in the Escrow Deposit Fund for payment of the Refunded Bonds.

[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 convenience. 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 Refunded Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of 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 such bonds.

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Appendix I-B

FORM OF BOND COUNSEL OPINION

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

Honorable Shawn T. Wooden
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 Refunding Bonds (2019 Series B-_) 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 $239,855,000.

The Bonds are refunding bonds authorized by Section 3-20(i) of the General Statutes of Connecticut, Revision of 1958, as amended. The Bonds are being issued for the purposes of refunding the issue of bonds identified within the Bonds. 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, a Bond 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 Official Statement or other offering material relating to the Bonds and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement and certain matters which are the subject of a supplemental opinion provided by us to the State).

We are of the opinion that (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 under the Code for purposes of 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 $239,855,000 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,

FORM OF CONTINUING DISCLOSURE AGREEMENT

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

Continuing Disclosure Agreement

This Continuing Disclosure Agreement ("Agreement") is made as of the 7th day of August, 2019 by the State of Connecticut (the "State") acting by its undersigned officer, duly authorized, in connection with the issuance of $239,855,000 General Obligation Refunding Bonds (2019 Series B) (the " Bonds") dated as of the date hereof , for the benefit of the beneficial owners from time to time of the Bonds.

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

"Final Official Statement" means the official statement of the State dated July 25, 2019 prepared in connection with the Bonds.

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

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

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

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

Section 2. Annual Financial Information.

(a) The State agrees to provide or cause to be provided to each Repository, in accordance with the provisions of the Rule and of this Agreement, annual financial information and operating data (commencing with information and data for the fiscal year ending June 30, 2019) as follows:

(i) Audited financial statements of the State comprising its basic financial statements, currently consisting 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 for the prior fiscal year, which statements shall be prepared in accordance with generally accepted accounting principles or mandated state statutory principles as in effect from time to time. As of the date of this Agreement, the State is required to prepare financial statements of its various funds and accounts on a statutory basis (i.e., following the adopted budget and related statutes as described in Part II to the Final Official Statement, under the caption **FINANCIAL PROCEDURES - Accounting Procedures)**. As of the date of this Agreement, the State also prepares its financial statements in accordance with generally accepted accounting principles but is not required to do so.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 3. Notice of Certain Events.

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

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

For purposes of events (o) and (p) above, the term "financial obligation" is defined as a (i) debt obligation, (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for an existing or planned debt obligation, or (iii) guarantee of (i) or (ii). The term financial obligation does not include municipal securities for which a final official statement has been filed with MSRB pursuant to the Rule.

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

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

Section 5. Use of Agents.

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

Section 6. Termination.

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

Section 7. Enforcement.

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

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

Section 8. Miscellaneous.

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

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

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

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

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

STATE OF CONNECTICUT

By ______________________________________

Shawn T. Wooden
Treasurer

INFORMATION STATEMENT OF THE
STATE OF CONNECTICUT

FEBRUARY 20, 2019

This Information Statement of the State of Connecticut (the "State") contains information through February 20, 2019. 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 20, 2019. 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) 702-3288.

Constitutional Elected Officers

Governor	**Edward ("Ned") Miner Lamont, Jr.**
Lieutenant Governor	**Susan Bysiewicz**
Secretary of the State	**Denise W. Merrill**
Treasurer	**Shawn T. Wooden**
Comptroller	**Kevin P. Lembo**
Attorney General	**William Tong**

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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) federal tax policy, including the deductibility of state and local taxes for federal tax purposes; (iii) macroeconomic economic and business developments, both for the country as a whole and particularly affecting the State; future energy costs; (iv) health care related matters including Medicaid reimbursements; (v) federal defense spending; (vi) financial services industry developments; (vii) litigation or arbitration; (viii) climate and weather related developments, natural disasters and other acts of God; (ix) changes in retirement rates, inflation rates, interest rates, increases in health care costs, longevity rates and other factors used in estimating future obligations of the State, among others; and (x) other factors 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 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 2019 refers to the fiscal year beginning July 1, 2018 and ending June 30, 2019.

References herein to "CGS" refer to the Connecticut General Statutes.

The Information Statement speaks only as of its date. For information about the State after February 20, 2019, 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 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 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 are required 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***	There exists both a constitutional and a 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 Financial Procedures - Accounting Procedures – Financial Reporting.
Budget Discipline	***Bond Covenant***	The State has covenanted with bondholders to follow financial disciplines and controls.

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 such 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, there are also excluded 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 over six years from 99.5% to 98%) of the estimated revenues included in a 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 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. CGS Section 3-21 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. In addition, on and after July 1, 2018, the Treasurer may not issue general obligation bonds or notes pursuant to CGS Section 3-20 or credit revenue bonds pursuant to CGS Section 3-20j that exceed in the aggregate $1.9 billion in any fiscal year, subject to certain exclusions and inflationary adjustments commencing July 1, 2019 and the State Bond Commission may not authorize bond issuances or credit revenue bond issuances of more than $2.0 billion in any calendar year subject to certain exclusions and inflationary adjustments commencing January 1, 2018. 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 statute, 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 the 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.

Financial Controls

Expenditures. The financial control procedures utilized by the State are described below and may be generally summarized as follows: the legislature must appropriate 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. In addition, the Governor shall not approve allotment requisitions that would result in the issuance of general obligation bonds or notes pursuant to CGS Section 3-20 or credit revenue bonds pursuant to CGS Section 3-20j that exceed in the aggregate $1.9 billion in any fiscal year, subject to certain exclusions and inflationary adjustments commencing July 1, 2019. Not later than April first annually, the Governor shall provide the Treasurer with a list of general obligation bond and credit revenue bond expenditures that can be made July first commencing the next fiscal year totaling not more than $1.9 billion, subject to inflationary adjustments commencing July 1, 2019. See **STATE DEBT – State Direct General Obligation Debt –** ***Statutory Debt Limit***.

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.

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 and the business entity tax is to be transferred by the Treasurer to the Budget Reserve Fund. Pursuant to the midterm budget adjustments enacted into law as 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 and $4.621 billion in Fiscal Year 2018 from estimated and final payments of such personal income tax, which does not include withholding tax receipts. The large increase from Fiscal Year 2017 to Fiscal Year 2018 was largely due to some non-recurring factors: (i) hedge fund organizations were required to repatriate certain off-shore hedge fund profits back to the United States no later than December 31, 2017, (ii) federal tax legislation passed in 2017 resulted in taxpayer behavioral changes particularly in regards to the capping of the state and local tax deduction, and (iii) the strong stock market in 2017 resulted in additional capital gains. 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 of such fund. 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 or exceeds 5% 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, for 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 that there is a deficit with respect to the immediately preceding fiscal year, to the extent necessary, 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.

SUPPLEMENTARY INFORMATION AS OF JULY 25, 2019

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, 2018, was $1,185.3 million, which was 6.2% of the net General Fund appropriations for Fiscal Year 2019. The balance in the Budget Reserve Fund as of June 30, 2019 is estimated to be $2,321.7 million, which is approximately 12.0% of the net General Fund appropriations for Fiscal Year 2020.

Bond Covenant. The Treasurer is required to include a covenant in general obligation bonds and credit revenue bonds issued on and after May 15, 2018 and prior to July 1, 2020 requiring the State to comply with various statutory provisions. See **STATE DEBT – State Direct General Obligation Debt – Bond Covenant** herein.

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 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, 2018 and the audited financial statements of the State prepared using the guidance of GAAP for the fiscal year ending June 30, 2018 appear in **Appendices 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. 17-51 was $679,628,154 as of June 30, 2018.

SUPPLEMENTARY INFORMATION AS OF JULY 25, 2019

The 2019 Budget Act provides for a $75.7 million amortization payment towards the accumulated GAAP deficit in Fiscal Year 2020 and eliminates such payment in Fiscal Year 2021.

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 in a variety of investments allowed by statute; subject to certain conditions, including in certain circumstances the approval of the Investment Advisory Council.

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 2018 averaged $2.759 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 CGS Section 3-27d. 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 of Pension and Trust 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.

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.

STATE GENERAL FUND

The information in this section contains information through February 20, 2019 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 passed in 2011 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.

SUPPLEMENTARY INFORMATION AS OF JULY 25, 2019

GAAP based audited financial statements for certain funds including the General Fund of the State for Fiscal Year 2018 are included as **Appendix II-C**. Statutory basis audited financial statements for the General Fund for Fiscal Years 2014 through 2018 are included in **Appendix II-D**. The adopted budget and final financial statutory basis results for Fiscal Year 2018, the adopted budget and estimated budget (as of May 31, 2019) for Fiscal Year 2019, and the adopted budget for Fiscal Years 2020 and 2021 are included as **Appendix II-E**. 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 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.

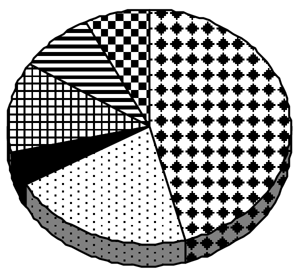
Because of the vast number of variables that can impact the revenue forecast, the State considers forecasting to be a process and not a product. While the economic data from available sources is analyzed and used to anticipate overall direction and trends, the revenue forecast is generated through a 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**.

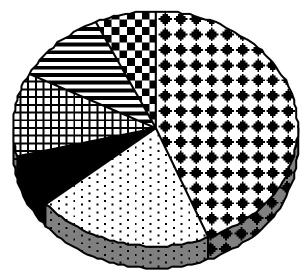
General Fund revenues are derived primarily from the collection of State taxes, including the personal income tax, the sales and use tax and the corporation business tax. The State, as of the forecast date, expected to derive approximately 85 percent and 84 percent of its General Fund revenues from taxes 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:

Adopted General Fund Revenues (In Millions)

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



Adopted Revenues
Fiscal Year 2019
$19,008.7 [(a)]



	FY 2018		FY 2019	
Personal Income Tax	$ 9,182.5	45.8%	$ 9,107.6	43.9%
Sales and Use Tax	4,220.5	21.0%	4,153.6	20.0%
Corporate Business Tax	933.3	4.7%	1,520.2	7.3%
Other Taxes[(b)]	2,482.2	12.4%	2,420.7	11.7%
Unrestricted Federal Grants	1,732.9	8.6%	2,112.4	10.2%
Other Non-Tax Revenues[(c)]	1,503.9	7.5%	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 $20,770.4 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 health care providers, electric generation and other miscellaneous taxes. See **Appendix II-E**.

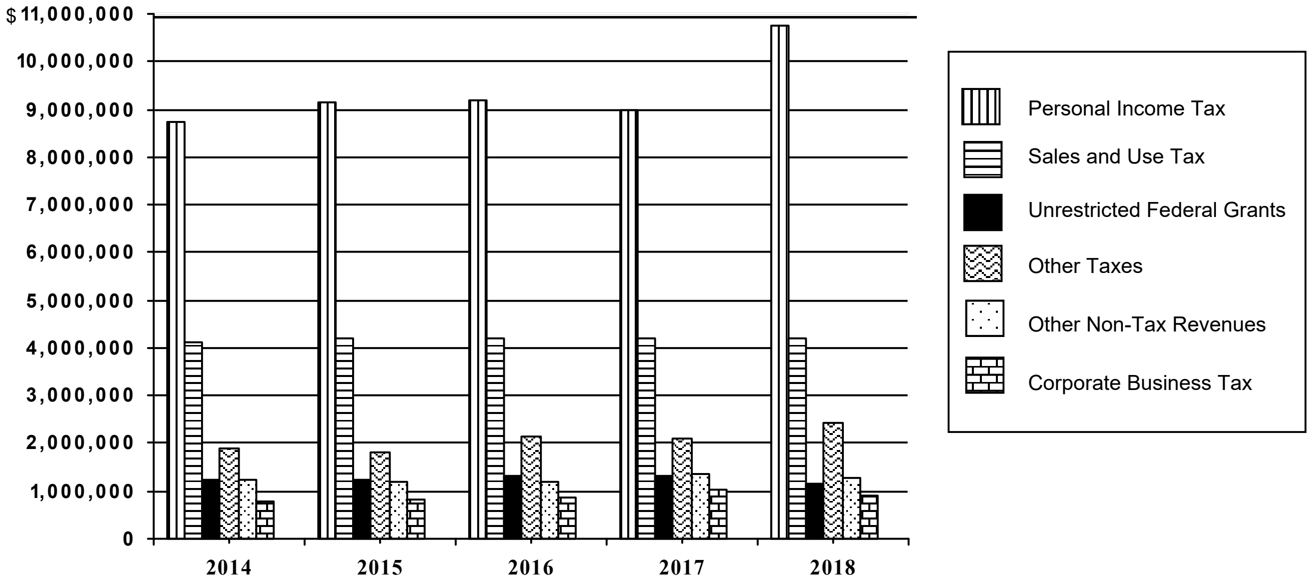
(c) Other non-tax revenues are comprised of special revenue transfers; Indian gaming payments; licenses, permits and fees; sales of commodities and services; rents, fines and escheats; investment income; other miscellaneous revenues; designated Tobacco Settlement Revenues and special transfers to the 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 2014 through 2018 are set forth in **Appendix II-D**. 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)



	2014	2015	2016	2017	2018
Taxes:					
Personal Income Tax.................	$ 8,718,659	$ 9,151,037	$ 9,181,648	$ 8,988,667	$10,770,150
Sales Tax..................................	4,100,564	4,205,051	4,181,852	4,192,203	4,202,246
Corporate Business Tax	782,239	814,805	880,449	1,037,565	920,746
Other Taxes[(b)]...........................	1,909,126	1,792,973	2,142,039	2,106,400	2,447,461
Subtotal	$15,510,588	$15,963,866	$16,385,988	$16,324,835	$18,340,603
R & D Credit Exchange……….	(5,055)	(7,878)	(7,623)	(5,485)	(5,664)
Refunds of Taxes......................	(1,182,397)	(1,163,639)	(1,223,198)	(1,263,824)	(1,269,667)
Total Net Taxes..................	$14,323,136	$14,792,349	$15,155,167	$15,055,526	$17,065,272
Other Revenue:					
Federal Grants					
(Unrestricted).........................	$ 1,243,861	$ 1,241,244	$ 1,301,532	$ 1,325,237	$ 1,143,075
Other Non-Tax Revenues[(c)].......	1,229,032	1,174,912	1,207,958	1,353,113	1,273,461
Transfers to Other Funds...........	(61,800)	(61,780)	(61,688)	(58,100)	(1,528,983)[(e)]
Transfers from Other Funds	873,828[(d)]	135,313	177,853	27,192	245,726
Total Other Revenues...........	$ 3,284,921	$ 2,489,689	$ 2,625,655	$ 2,647,442	$ 1,133,279
Total Revenues	$17,608,057	$17,282,038	$ 17,780,822	$17,702,968	$18,198,551

(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 health care providers; electric generation and other miscellaneous taxes.

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

(d) 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.

(e) Includes transfer to the Budget Reserve Fund for the volatility adjustment and transfer to the Pequot/Mohegan Fund.

SOURCE: 2014, 2015, 2016, 2017 and 2018 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 available to certain filers 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% except as otherwise provided herein. 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 imposed 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 decreased to 10% for income year 2018 and is phased 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 health care providers, electric generation, 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. In 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. 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.

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

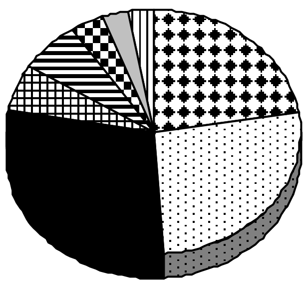
Appropriated and Historical Expenditures

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 Deb**t herein.

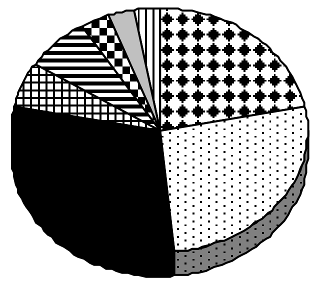
The adopted budget and final financial statutory basis results for Fiscal Year 2018 and the adopted budget and estimated budget (as of January 31, 2019) for Fiscal Year 2019 are included as **Appendix II-E**. A summary of appropriated General Fund expenditures for Fiscal Years 2018 and 2019 is set forth below.

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

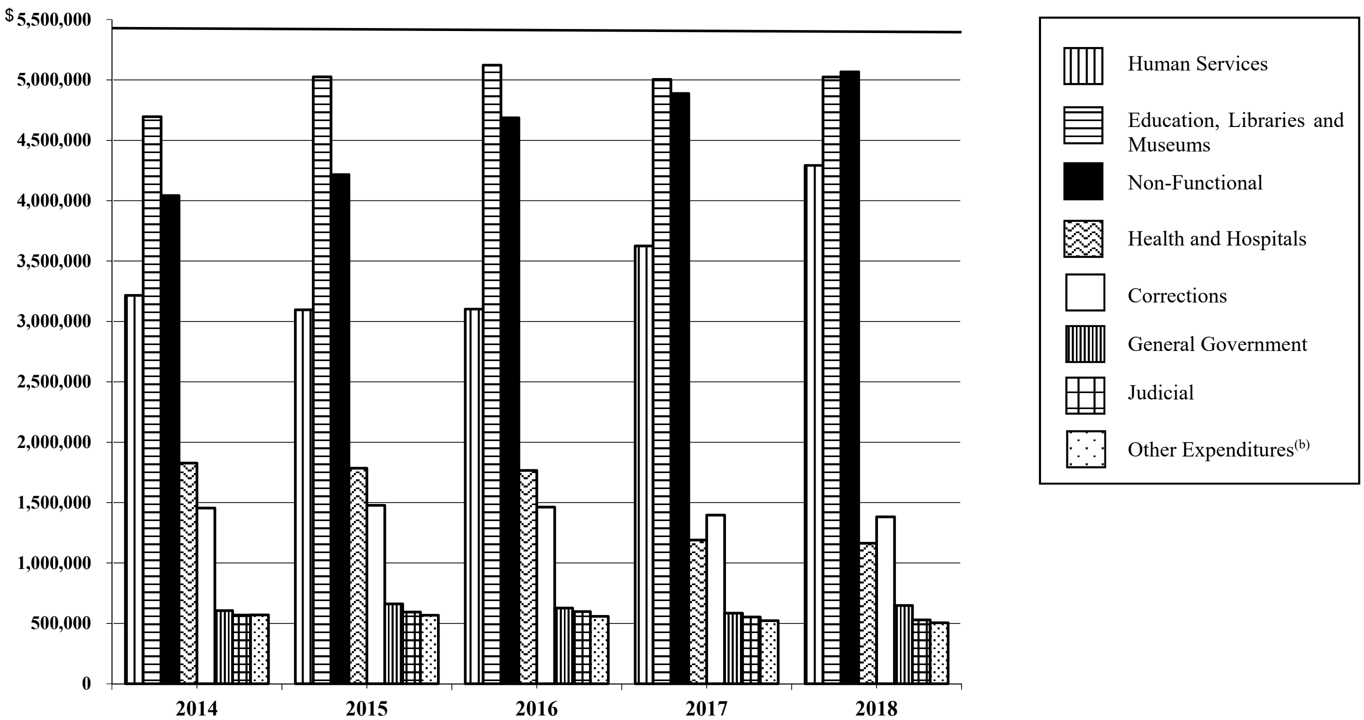
(b) Other expenditures are comprised of appropriations for Regulation and Protection; Conservation and Development; and Legislative.

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 2014 through 2018 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)



	2014	2015	2016	2017	2018
Human Services	$ 3,215,827	$ 3,095,929	$ 3,102,021	$ 3,624,957(c)	$ 4,291,893
Education, Libraries and Museums	4,695,646	5,025,391	5,122,029	5,003,923	5,024,541
Non-Functional	4,042,481	4,215,341	4,686,059	4,888,164	5,066,694
Health and Hospitals	1,827,308	1,785,337	1,765,944	1,189,787(c)	1,163,451
Corrections	1,454,442	1,476,753	1,463,065	1,397,113	1,382,304
General Government	605,677	661,000	627,035	584,707	647,508
Judicial	569,056	593,314	597,584	552,369	528,902
Other Expenditures(b)	569,607	566,624	557,521	522,020	505,415
Totals	$16,980,044	$17,419,689	$17,921,258	$17,763,040	$18,610,708

(a) The bar graphs and amounts listed do not reflect the offsetting effect of restricted federal and other grants. Amounts shown do not exclude expenditures or appropriations carried over from the prior fiscal year and do not include expenditures of appropriations carried into the next fiscal year. See **Appendix II-D**.

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

(c) 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: 2014, 2015, 2016, 2017 and 2018 Annual Reports of the State Comptroller.

Components of Expenditures

Human Services. Virtually all of the State expenditures for Human Services are allocated to the Department of Social Services for various programs and services, including Medicaid payments, Temporary Assistance to Families, and General Assistance payments.

Education, Libraries and Museums. 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.

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, 49.2% of total General Fund expenditures for Fiscal Year 2018 and 49.3% of total General Fund estimated expenditures for Fiscal Year 2019. 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 2017 (Actual)	Fiscal Year 2018 (Actual)	Fiscal Year 2019 (Estimated)
Total Non-Fixed Costs	**$9,087.2**	**$9,445.3**	**$9,637.4**
Fixed Costs:			
Debt Service	2,058.2	2,301.5	2,219.1
Teachers' Pensions	1,012.2	1,271.0	1,292.3
State Employees' Retirement System	1,124.7	1,051.7	1,165.6
Other State Pensions	16.2	12.7	29.1
State and Teachers' OPEB	726.4	720.3	706.8
Medicaid	2,407.1	2,513.0	2,608.4
All Other Entitlement Accounts[b]	1,331.0	1,294.9	1,339.5
Total Fixed Costs	**$8,675.8**	**$9,165.2**	**$9,360.8**
Fixed Cost Percent of Total Expenditures	48.8%	49.2%	49.3%

(a) Table 1 includes actual expenditures for Fiscal Years 2017, 2018 and estimated expenditures for Fiscal Year 2019 per OPM's February 20, 2019 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

Forecasted Operation

Consensus Revenue Estimates

SUPPLEMENTARY INFORMATION AS OF JULY 25, 2019

Pursuant to Section 2-36c of the Connecticut General Statutes, on April 30, 2019, OPM and OFA issued their consensus revision to their estimates of January 15, 2019 for the current biennium and the three ensuing fiscal years as follows:

General Fund Consensus Revenue Estimate
(in Millions)

	2019	2020	2021	2022
Revenue Estimate January 15, 2019	$19,473.0	$18,083.5	$18,276.9	$18,125.6
Revenue Estimate April 30, 2019	$19,591.0	$18,400.5	$18,689.8	$18,549.3
Amount Changed	$ 118.0	$ 317.0	$ 412.9	$ 423.7

The projections in the consensus revenue estimates are only estimates and no assurances can be given that future events will materialize as estimated or that subsequent estimates, adjustments or actions of the State will not indicate changes in the final results of the fiscal years reported. Also note that these estimates do not reflect revenue changes adopted in the budget for Fiscal Years 2020 and 2021.

Fiscal Accountability Report

Pursuant to the 2017 Budget Act, the fiscal accountability reports due for November 15, 2017 were not required to be submitted. Fiscal accountability reports were submitted by OPM and OFA on November 15, 2018. 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 that 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.

Both reports estimated revenue growth in the General Fund exceeding expenditures for Fiscal Year 2019 resulting in a projected surplus of $254.9 million by OPM and $278.6 million by OFA. Beyond Fiscal Year 2019, the OPM report projected year-over-year revenue growth vs. fixed cost growth as follows:

Year-Over-Year Revenue Growth vs. Fixed Cost Growth
(In Millions)

	Fiscal Year 2020 vs. Fiscal Year 2019	Fiscal Year 2021 vs. Fiscal Year 2020	Fiscal Year 2022 vs. Fiscal Year 2021
Revenue Growth	$ (1,446.2)	$ 214.8	$(127.9)
Total Fixed Cost Growth	$ 620.0	$ 568.5	$ 551.9
Difference	**$ (2,066.2)**	**$(353.7)**	**$(679.8)**

The OFA report projected Total Fixed Cost Growth in line with OPM's estimates and further indicated that non-fixed cost expenditures would require reductions of $1,560.6 million, $449.2 million and $724.6 million, respectively in Fiscal Years 2020, 2021 and 2022 in order to comply with CGS Section 2-36b that requires a balanced budget.

The OPM report indicated the State's expenditure cap would allow growth in capped expenditure of approximately 1.8% in Fiscal Year 2019 over Fiscal Year 2018, 3.1% in Fiscal Year 2020 over Fiscal Year 2019, 2.9% in Fiscal Year 2021 over Fiscal Year 2020 and 3.0% in Fiscal Year 2022 over Fiscal Year 2021.

The OPM report estimated the balance in the Budget Reserve Fund as follows:

Budget Reserve Fund Forecast
(In Millions)

Fiscal Year	Beginning Balance	Volatility Cap Transfer	Revenue Cap Transfer	Surplus	Fund Limit Transfer[(a)]	Balance[(b)]	% of Net General Fund Appropriations
2019	$1,185.3	$ 648.0	$ -0-	$254.9	$ -0-	$2,088.2	11.8%
2020	2,088.2	278.1	89.1	-0-	-0-	2,455.4	13.7%
2021	2,455.4	263.3	135.3	-0-	(194.4)	2,659.6	15.0%
2022	2,659.6	244.3	179.1	-0-	(350.5)	2,732.5	15.0%
Totals		**$1,433.7**	**$403.5**	**$254.9**	**$(544.9)**		

(a) Estimates the Budget Reserve Fund cap (15% of the net General Fund appropriations) will be reached in Fiscal Year 2021 resulting statutory transfer of excess to State Employees' Retirement System/Teachers' Retirement System.

(b) The OFA report estimated Budget Reserve Fund balances of $2,111.9 million, $2,390.0 million, $2,653.3 million and $2,897.6 million for Fiscal Years 2019, 2020, 2021 and 2022, respectively.

The OPM report further discussed the long-term liabilities facing the State that total approximately $81.1 billion, up 0.6% from Fiscal Year 2017's reported amount of $80.6 billion. The table below details the components of these long-term liabilities:

Long-Term Obligations
(In Billions)

Bonded Indebtedness – As of 8/31/18	$25.5
State Employee Pensions – Unfunded as of 6/30/18	21.2
Teachers' Pension – Unfunded as of 6/30/18	13.2
State Employee Post-Retirement Health and Life – Unfunded as of 6/30/17	17.4
Teachers' Post-Retirement Health and Life – Unfunded as of 6/30/16	3.0
Cumulative GAAP Deficit – As of 6/30/18	0.8
Total	**$81.1**

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 between $1.9 billion to $2.1 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.

Adopted Biennium Budget for Fiscal Years 2018 and 2019

The General Assembly ended the 2017 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.

In November 2017 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 million in Fiscal Year 2018 and $18,790.6 million in Fiscal Year 2019. 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, among other actions, which in the aggregate 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. The elimination of a $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

Pursuant to the Comptroller's audited statutory based financial report provided on November 30, 2018, as of June 30, 2018, General Fund revenues were $18,198.6 million, General Fund expenditures and net miscellaneous adjustments and reservations (including net appropriations continued and estimated lapses) were $18,681.5 million and the General Fund deficit for Fiscal Year 2018 was $482.9 million. A transfer from the Budget Reserve Fund to the General Fund eliminated the shortfall. After such transfer and other statutory transfers to and from the Budget Reserve Fund, the balance in the Budget Reserve Fund is $1,185.3 million, which is equal to approximately 6.2% of the net General Fund budgeted appropriations for Fiscal Year 2019.

Midterm Budget Revisions for Fiscal Year 2019

Per CGS Section 4-71, 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 projections 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.

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 made 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 at the time issued on April 30, 2018 by OPM and OFA and adjusted for policy changes contained in the budget, revenues were anticipated to be $19,008.7 million, expenditures were anticipated to be $18,998.2 million, and the revised budget was estimated to result in a General Fund surplus of $10.5 million for Fiscal Year 2019, which is approximately $0.5 million below the expenditure cap.

The revised Fiscal Year 2019 budget included 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 signed by the Governor included an increase of $182.0 million in general obligation bond authorizations to take effect in Fiscal Year 2019 and cancelled $406.3 million in existing authorizations. The midterm budget adjustments are reflected in **Appendix II-E**.

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" that 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. There is no assurance that the legislature will adopt any or all of the recommendations. As of February 20, 2019 no formal action has been taken on this. However, the Governor's budget proposal does address some elements of the commission's recommendations such as: increasing the minimum wage in steps; reforming the Teachers' Retirement System; and eliminating certain sales tax exemptions.

Fiscal Year 2019 Operations

By statute, the State's fiscal position is reported on or before the first day of each month by the Comptroller. Pursuant to CGS Section 4-66, 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 2019 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 JULY 25, 2019

OPM and Comptroller Estimates Fiscal Year 2019
(in Millions)

	OPM's Report			**Comptroller's Report**		
Period Ending[a]	**Revenues**	**Expenditures**[b]	**Surplus/ (deficit)**	**Revenues**[c]	**Expenditures**[b][c]	**Surplus/ (deficit)** [c]
March 31, 2019	$19,591.0[d]	$19,010.1[d]	$580.9[d]	$19,591.0	$19,010.1	$580.9
April 30, 2019	19,591.0	19,019.2	571.8	19,591.0	19,019.2	571.8
May 31, 2019	19,711.6	19,010.7	700.9[e]	19,711.6	19,010.7	700.9[e]
June 30, 2019	19,535.7	19,339.8	195.9[f]	N/A[g]	N/A[g]	N/A[g]

(a) Estimates reflect projections for Fiscal Year 2019 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.
(d) Estimates pursuant to OPM's letter dated April 30, 2019 which updates its letter of April 22, 2019 to reflect revenue revisions resulting from the April 30, 2019 consensus revenue estimates described herein .
(e) Final Fiscal Year 2019 surplus is estimated to be $160.0 million after a $380.9 million transfer to Teachers' Retirement Fund Bond Special Capital Reserve Fund, and $160.0 million for the potential hospital settlement.
(f) Estimate includes the impact of Public Act No. 19-117 which uses $541 million of Fiscal Year 2019 resources to support the Teachers' Retirement Fund Bond Special Capital Reserve Fund and potential hospital settlement.
(g) Estimates are expected August 1, 2019 and not yet available.

Under current estimates, OPM is estimating a volatility transfer of $940.5 million, resulting in a Budget Reserve Fund balance of $2.32 billion. If the projections are realized, the Secretary of OPM noted that the fiscal year-end balance in the Budget Reserve Fund would be approximately 12.0% of Fiscal Year 2020 General Fund appropriations.

OPM's estimate for the Fiscal Year 2019 operations of the General Fund (as of the period ending May 31, 2019) has been outlined in **Appendix II-E**. The estimates as of June 30, 2019 have **not** been outlined in **Appendix II-E**. It should be noted that the adopted budget for the 2020-2021 biennium includes an appropriation of $380.9 million of the Fiscal Year 2019 surplus to fund the Connecticut Teachers' Retirement Fund Bonds Special Capital Reserve Fund (the "TRF Bonds SCRF"), a special capital reserve fund for the benefit of the holders of the State's $2,276.6 million pension obligation bonds and refunding bonds of such bonds (the "TRF Bonds") issued to fund a $2.0 billion deposit to the Teachers' Retirement Fund. The TRF Bonds SCRF is to be established to provide adequate provision by law for the protection of the holders of the TRF Bonds, permitting the State to re-amortize the unfunded liabilities of the Teachers' Retirement Fund and providing for the full funding of the actuarial determined employer contribution to the retirement fund in a manner consistent with the pledge to the holders of the TRF Bonds. In conjunction with the re-amortization, the Governor is also recommending lowering the investment return assumption from 8.0% to 6.9%.

In addition, the 2019 Budget Act includes an appropriation from the surplus of (i) $160.0 million for a reserve for a potential settlement with hospitals, (ii) $17.6 million for a DSS Medicaid carryforward, and (iii) $13.0 million for an alternative higher education carryforward.

On June 25, 2019, OFA projected a surplus in the General Fund of $698.4 million for Fiscal Year 2019 before budget adjustments totaling $540.9 million.

The next monthly report of OPM is expected on August 20, 2019 which is expected to cover Fiscal Year 2020 estimates and the next monthly report of the Comptroller is expected on August 1, 2019 which is expected to cover Fiscal Year 2019 estimates. 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 2019 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 2019 operations of the General Fund.

SUPPLEMENTARY INFORMATION AS OF JULY 25, 2019

Governor's Recommended Budget for Fiscal Years 2020 and 2021

On February 20, 2019, the Governor presented to the General Assembly his proposed budget for Fiscal Years 2020 and 2021. The Governor's proposed budget was not adopted, but the General Assembly did end its regular session with an adopted budget for Fiscal Years 2020 and 2021.

In addition to the proposed budget for the Fiscal Year 2020-2021 biennium, the Governor also presented a three year budget report for Fiscal Years 2022, 2023 and 2024. The report indicated out-year projected revenues, expenditures and balances in the General Fund as follows:

Three Year Budget Report
(In Millions)

Fiscal Year	2022	2023	2024
Available Revenues[(a)]	$ 20,192.5	$ 20,624.2	$ 20,970.7
Expenditures	20,576.7	21,378.3	21,961.2
Surplus / (Deficit)[(b)]	$ (384.2)	$ (754.1)	$ (990.5)

(a) Total revenues less the revenue cap deduction.
(b) Article 3 Section 18 of the State Constitution requires a balanced budget.

Adopted Budget for Fiscal Years 2020 and 2021

On June 4, 2019, the General Assembly passed a biennial budget bill and the Governor signed the bill into law (the "2019 Budget Act"). The 2019 Budget Act makes General Fund appropriations of $19,319.1 million in Fiscal Year 2020, which represents 1.7% growth over Fiscal Year 2019 appropriations, and 19,982.0 million in Fiscal Year 2021. The budget projects General Fund revenues of $19,460.2 million in Fiscal Year 2020 and $20,148.2 million in Fiscal Year 2021. Taking into account the deduction for the cap on revenues, the General Fund is projected to have revenues of $19,362.9 million in Fiscal Year 2020 and $19,997.1 million in Fiscal Year 2021, resulting in a projected surplus of $43.8 million in Fiscal Year 2020 and $15.1 million in Fiscal Year 2021.

The budget bill includes $1,059.7 million in revenue enhancements in Fiscal Year 2020 and $1,458.4 million in Fiscal Year 2021. The significant revenue changes include:

- Taxes digital downloads at the full 6.35% sales tax rate, expands the sales tax to interior design services, dry-cleaning, parking, and safety apparel, and imposes an additional 1% sales tax rate on prepared foods and restaurant meals
- Maintains Hospital User Fee and Supplemental Payments at Fiscal Year 2019 levels
- Eliminates the $250 business entity tax and maintains the current 10% surcharge on corporations
- Adds a 10 cent fee on all disposable plastic bags for Fiscal Years 2020 and 2021. Bans the use of disposable plastic bags beginning in Fiscal Year 2022
- Maintains eligibility limits on Property Tax Credits taken on the Personal Income Tax for Income Years 2019 and 2020
- Reduces the Personal Income Tax credit for taxes paid under the Pass-Through Entity Tax
- Reduces the diversion of sales tax to the Special Transportation Fund in Fiscal Years 2020 and 2021

The notable expenditure changes as compared to current services include:

- Reduction of debt service by limiting debt issuance of general obligation bonds (excluding UCONN) at 1.6 billion per fiscal year
- Sustaining non-educational municipal aid at Fiscal Year 2019 levels
- Assumes savings of $50 million in Fiscal Year 2020 and $135 million in Fiscal Year 2021 from state employee and retiree healthcare programs
- Savings of approximately $113.2 million in Fiscal Year 2020 and $121.2 million in Fiscal Year 2021 in the State Employees' Retirement System by revising the amortization period for a portion of the unfunded liability
- Savings of $183.4 million in Fiscal Year 2020 and $189.4 million in Fiscal Year 2021 in Teachers' Retirement System costs by extending the amortization period, transitioning to level dollar amortization, and reducing the assumed rate of return and enacting benefit reforms

Section 2-33a of the Connecticut General Statutes sets out the State's expenditure cap. The adopted budget would be $0.2 million below the expenditure cap for Fiscal Year 2020 and $5.0 million below the expenditure cap for Fiscal Year 2021.

Authorization for bonds was not voted on by the General Assembly during the regular session, but is expected to occur during an upcoming special session expected the week of July 22, 2019. In addition, it is anticipated that ratification of a potential settlement with the hospitals and a plan for tolls will be taken in one or more special sessions of the General Assembly in the coming weeks.

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 (statutory) basis for the Fiscal Years 2014 through 2018 are set forth in **Appendix II-D**.

TABLE 2

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

Fiscal Year	2014	2015	2016	2017	2018
Total General Fund Revenues[(b)]	$ 17,608.1	$17,282.0	$17,780.8	$17,703.0	$18,198.5
Net Appropriations/Expenditures[(c)]	17,359.6	17,395.2	17,951.2	17,725.7	18,681.4
Operating Surplus/(Deficit)	$ 248.5[(d)]	$ (113.2)[(e)]	$ (170.4)[(f)]	$ (22.7)[(g)]	$ (482.9)[(h)]

(a) Fiscal Years 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) In accordance with State statute and accounting procedures, this amount was transferred to the Budget Reserve Fund.
(e) The Fiscal Year 2015 deficit was eliminated through the release of a portion of funds from the Budget Reserve Fund.
(f) The Fiscal Year 2016 deficit was eliminated through the release of a portion of funds from the Budget Reserve Fund.
(g) The Fiscal Year 2017 deficit was eliminated through the release of a portion of funds from the Budget Reserve Fund.
(h) The Fiscal Year 2018 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 (statutory) basis to the GAAP basis of accounting for the last five fiscal years. Audited GAAP based financial statements for Fiscal Year 2018 are included in **Appendix II-C**.

TABLE 3

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

Fiscal Year	2014	2015	2016	2017	2018
Statutory Basis Operating Surplus/ (Deficit) [(a)]	$ 656.8	$ (113.2)	$ (170.4)	$ (22.7)	$ (482.9)
Volatility Deposit Budget Reserve Fund	--	--	--	--	1,471.3
Adjustments:					
Increases (decreases) in revenue accruals:					
Governmental Receivables	(29.5)	147.7	(139.0)	(24.4)	515.5
Other Receivables	44.6	44.0	112.5	161.8	41.9
(Increases) decreases in expenditure accruals:					
Accounts Payable and Other Liabilities	(110.2)	(213.7)	(275.5)	19.8	3.9
Salaries and Fringe Benefits Payable	12.0	8.7	16.6	22.8	22.0
Increase (decrease) in Continuing Appropriations	(26.5)	(21.0)	31.6	(36.3)	74.1
GAAP Based Operating Surplus/(Deficit)	$ 547.2	$ (147.5)	$ (424.2)	$ 121.0	$1,645.8

(a) Fiscal Years 2014-2018 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 (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 (Statutory) Basis[(a)]
(In Millions)

Fiscal Year	2014	2015	2016	2017	2018
Operating Surplus/(Deficit)	$ 248.5	$ (113.2)	$(170.4)	$ (22.7)	$ (482.9)
Fund Transfers and Reserves					
Transfers to Budget Reserve Fund	248.5	0.0	0.0	0.0	0.0
Transfers from Budget Reserve Fund	--	113.2	170.4	22.7	482.9
Reserve for Subsequent Fiscal Year Operations[(b)]	--	--	--	--	--
Total Transfers/Reserves	$ 0.0[(c)]	$ 0.0	$ 0.0	$ 0.0	$ 0.0
Unreserved Fund Balance Surplus/(deficit)	$ 0.0	$ 0.0	$ 0.0	$ 0.0	$ 0.0

(a) Fiscal Years 2014-2018 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 (statutory) basis to the GAAP basis of accounting for the last five fiscal years.

TABLE 5

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

Fiscal Year	2014	2015	2016	2017	2018
Unreserved Fund Balance (Deficit)					
Statutory Basis[a]	$ 0.0	$ 0.0	$ 116.1	$ 116.1	$ 116.1
GAAP Based Adjustments					
Additional Assets					
Taxes Receivable					
Income Tax Accrual Reduction	(437.0)	(475.0)	(447.1)	(387.5)	(425.0)
Eliminate Corporation Accrual	(7.8)	(19.3)	(18.5)	(39.6)	(17.7)
Additional Taxes Receivable	4.4	1.9	4.3	5.1	2.8
Net Increase (Decrease) Taxes	(440.4)	(492.4)	(461.3)	(422.0)	(439.9)
Net Accounts Receivable	326.8	398.1	388.0	449.5	448.7
Federal and Other Grants Receivable[b]	37.5	185.6	46.2	21.9	537.3
Due From Other Funds	39.2	48.7	46.4	43.7	45.0
GAAP Conversion Bonds	598.5	--	--	--	--
Total Additional Assets	$ 561.6	$ 140.0	$ 19.3	$ 93.1	$ 591.1
Additional Liabilities					
Salaries and Fringe Payable	65.5	(74.2)	90.8	113.6	135.6
Accounts Payable—Department of Social Services	(1.9)[c]	(31.2)	(42.9)	(11.4)	(9.9)
Accounts Payable—Trade & Other	(538.5)	(432.3)	(728.6)	(681.1)	(706.2)
Payable to Federal Government	(202.9)	(304.7)	(360.8)	(357.7)	(288.7)
Due to Other Funds	(81.0)	(90.8)	(92.8)	(93.7)	(79.1)
Total Additional Liabilities	$ (758.8)	$ (933.2)	$(1,134.3)	$(1,030.3)	(948.3)
Statutory Requirement – Change in Accounting Method	(529.9)	--	--	--	--
Unreserved Fund Balance (Deficit)					
GAAP Basis	$ (727.1)	$ (793.2)	$ (998.9)	$ (821.1)	$ (241.1)

(a) Fiscal Years 2014-2018 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	2014	2015	2016	2017	2018
Reserved:					
Budget Reserve	$ 519.2	$ 406.0	$ 235.6	$ 212.9	$ 1,201.4
Future Budget Years	30.5	81.2	--	-	-
Loans & Advances to Other Funds	34.7	36.5	38.1	40.3	43.6
Inventories	15.7	14.6	14.4	13.3	12.8
Continuing Appropriations	85.9	65.0	96.6	60.2	134.3
Total	$ 686.0	$ 603.3	$ 384.7	$ 326.7	$ 1, 392.1
Unreserved:	(727.2)	(793.2)	(998.9)	(821.1)	(241.1)
Total Fund Balance	$ (41.2)	$ (189.9)	$ (614.2)	$ (494.4)	$ 1,151.0

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. Legislation was passed to expand the program to allow incentives to be bundled in this manner for up to 20 companies by June 30, 2019. Several companies including Cigna, ESPN, NBC Sports, Bridgewater Associates, Henkel Corporation, AQR Capital Management and Infosys have agreed to participate in this program, pledging to create over 5,600 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.

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 that in concert with the bioscience initiative above, will 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 that 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 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 100 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 $300,000 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 100 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 20, 2019 except as may otherwise be set forth below.

SUPPLEMENTARY INFORMATION AS OF JULY 25, 2019

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

On April 11, 2019, the State issued $750,000,000 General Obligation Bonds (2019 Series A) maturing in varying amounts between April 15, 2020 and April 15, 2039 and bearing interest at rates ranging from 3.00% per annum to 5.00% per annum and $250,000,000 Taxable General Obligation Bonds (2019 Series A) maturing in the amount of $25,000,000 each year between April 15, 2020 and April 15, 2029 and bearing interest at rates ranging from 2.921% per annum to 3.50% per annum to finance various projects and purposes.

On May 8, 2019, the University of Connecticut issued $174,785,000 General Obligation Bonds, 2019 Series A maturing in varying amounts between November 1, 2019 and November 1, 2038 and bearing interest at rates ranging from 3.00% per annum to 5.00% per annum and $64,680,000 General Obligation Bonds, 2019 Refunding Series A maturing in varying amounts between November 1, 2019 and November 1, 2028 and bearing interest at 5.00% per annum, which are secured by the State's debt service commitment.

Authorization for bonds was not voted on by the General Assembly during the regular session, but is expected to occur during an upcoming special session expected the week of July 22, 2019. The information contained herein does not include or estimate the amount of such potential authorizations as there is no assurance as to what actions the General Assembly will take.

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.

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.

Statutory Debt Limit. CGS Section 3-21 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. Credit revenue bonds shall be considered as payable from General Fund tax receipts of the State for purposes of the debt limit. 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 Public Act No. 18-178. In addition, on and after July 1, 2018, the Treasurer may not issue general obligation bonds or notes pursuant to the Act or credit revenue bonds pursuant to CGS Section 3-20j that exceed in the aggregate $1.9 billion in any fiscal year, excluding bonds issued for the Connecticut State Colleges and Universities 2020 Program (CSCU 2020) as defined in CGS Section 10a-91c (3) and UConn 2000 as defined in CGS Section 10a-109c (25), refunding bonds, revenue anticipation bonds, and up to $500 million in bonds for general obligation transportation projects. The $1.9 billion limit is subject to prescribed inflationary adjustments commencing July 1, 2019. Further, the Governor shall not approve allotment requisitions that would result in the issuance of general obligation bonds or notes pursuant to the Act or credit revenue bonds pursuant to CGS Section 3-20j that exceed in the aggregate $1.9 billion in any fiscal year, subject to certain exclusions, 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 (see **Table 7**, footnote (a)). 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 CGS Section 3-21. See ***Types of Direct General Obligation Debt — UConn 2000 Financing Program***.

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 2019 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 1, 2019, are described in the following table.

TABLE 7

Statutory Debt Limit
As of February 1, 2019

Total General Fund Tax Receipts	$15,862,300,000	
Multiplier	1.6	
Debt Limit		$25,379,680,000
Outstanding Debt[(a)]	$14,154,720,214	
Guaranteed Debt[(b)]	$ 2,151,795,000	
Authorized Debt[(c)]	$ 5,627,867,662	
Total Subject to Debt Limit		$21,934,382,876
Aggregate Net Debt		$21,934,382,876
Debt Incurring Margin		$ 3,445,297,124

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

(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 2019.

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 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.

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 Public Act No. 18-178.

Bond Covenant. Pursuant to subsection (aa) of CGS Section 3-20, 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 through June 20, 2023) 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) CGS Section 4-30a (funding of the Budget Reserve Fund and permissible expenditures therefrom), (ii) CGS Section 2-33c in effect on October 31, 2017 (the cap on General Fund and Special Transportation fund aggregate appropriations), (iii) CGS Section 2-33a (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) CGS Section 3-21 (the debt limit, including the limitation on the issuance by the State of general obligation bonds pursuant to CGS Section 3-20 or credit revenue bonds pursuant to CGS Section 3-20j 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.

During the 2018 Regular Session and prior to the issuance of any bonds containing the covenant, the General Assembly enacted three statutes amending the statutory provisions referenced above.

Section 7 of Public Act No. 18-49, effective May 31, 2018, amended CGS Section 4-30a by expanding the source of revenues that are to be deposited in the Budget Reserve Fund to include a new business entity tax. Section 8 of Public Act No. 18-49, effective May 15, 2018, amended subsection (aa) of CGS Section 3-20 to incorporate such change.

Section 20 of Public Act No. 18-81, effective May 15, 2018, provided that the amount to be deposited in the Budget Reserve Fund pursuant to CGS Section 4-30a shall be adjusted annually by the compound annual growth rate of personal income in the State over the preceding five calendar years, and that the threshold amount of the deposit to the Budget Reserve Fund may be amended by a super majority vote 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.

Section 16 of Public Act No. 18-178, effective July 1, 2018, amended CGS Section 3-21(f)(1)(B) to provide that when calculating the $1.9 billion fiscal year limitation on the issuance of general obligation bonds pursuant to Section 3-20 or credit revenue bonds pursuant to Section 3-20j, there shall be excluded refunding bonds, revenue anticipation notes, and up to $500 million in bonds for transportation projects authorized during calendar years 2018 and 2019 in addition to bonds issued as part of the State's CSCU 2020 program and UConn 2000 program.

SUPPLEMENTARY INFORMATION AS OF JULY 25, 2019

Because these amendments were in different acts with different effective dates, the Treasurer of the State requested guidance from the Attorney General of the State in the application and calculation of these provisions to the covenant. In the opinion of the Attorney General, all of the foregoing changes are given effect in the covenant. In reliance on this opinion, the Treasurer calculates the $1.9 billion general obligation and credit revenue bond issuance limit by applying the exclusions referred to above. The Attorney General further concluded that the legislature intended that the covenant requires that during the time the covenant is in effect, no further changes by the legislature are permitted. An opinion of the Attorney General is not binding upon a court and no assurance can be given that a court would come to the same conclusion in a case properly brought by a bondholder entitled to the benefit of the covenant. During the 2019 legislative session, the General Assembly adopted a Joint Resolution confirming the Attorney General's interpretation.

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. 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 3 times. As of February 20, 2019, no credit revenue bonds have been issued and the State has no current plans to issue such bonds.

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. $2,367.5 million (reflecting the accreted value) of such bonds are outstanding as of February 1, 2019. 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 1, 2019, $3,634.6 million of such debt secured by the State's debt service commitment had been issued (including refunding bonds), of which $1,635.1 million remain outstanding, with a remaining authorization of $202.4 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**. The University issued a solicitation of interest seeking proposals for a public private partnership for John Dempsey Hospital and the UConn Medical Group. The response period closed on December 4, 2018 and the University presently is evaluating responses received.

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 1, 2019, $52.7 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 1, 2019, the entire $50 million had been issued, of which $36.0 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 is authorized from time to time to issue notes to fund budget deficits of the State. Currently, no such authorization is in place.

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 1, 2019

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.

TABLE 8

Direct General Obligation Indebtedness[(a)]
Principal Amount Outstanding as of February 1, 2019
(In Thousands)

General Obligation Bonds	$14,007,964
Pension Obligation Bonds	2,367,505
UConn 2000 Bonds	1,635,125
Other [(b)]	256,706
Long Term General Obligation Debt Total	$18,267,300
Short Term General Obligation Debt Total	0
Gross Direct General Obligation Debt	$18,267,300
Net Direct General Obligation Debt	$18,267,300

(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 or Municipal Contract Assistance secured by the State's debt service commitment. 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	2014	2015	2016	2017	2018
Gross Direct Debt[(a)]	$15,819,826	$16,879,336	$17,704,949	$18,534,494	$18,576,070
Ratio of Debt to Personal Income[(b)]	6.59%	6.86%	7.10%	7.19%	7.21%
Ratio of Debt to Estimated Full Value of Equalized Grand List[(c)]	3.06%	3.17%	3.27%	3.42%	3.38%
Per Capita Debt[(d)]	$4,401	$4,704	$4,947	$5,186	$5,199

(a) In thousands. Includes gross direct general obligation bonded indebtedness outstanding 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: 2014 — $239.9 billion, 2015 — $246.0 billion; 2016 — 249.5 billion; and 2017 — 257.7 billion. The 2018 ratio uses 2017 data.

(c) Full value estimated by OPM. Uses final equalized net grand lists: 2012 – $517.2 billion; 2013 – $532.3 billion; 2014 – $541.1 billion; 2015 – $541.7 billion; and 2016 – $549.2 billion. Property is assessed as of October 1 in each year for the tax levy effective the following July 1. The 2014 ratio uses 2012 data; 2015 ratio uses 2013 data; 2016 ratio uses 2014 data; 2017 ratio uses 2015 data; and 2018 ratio uses 2016 data.

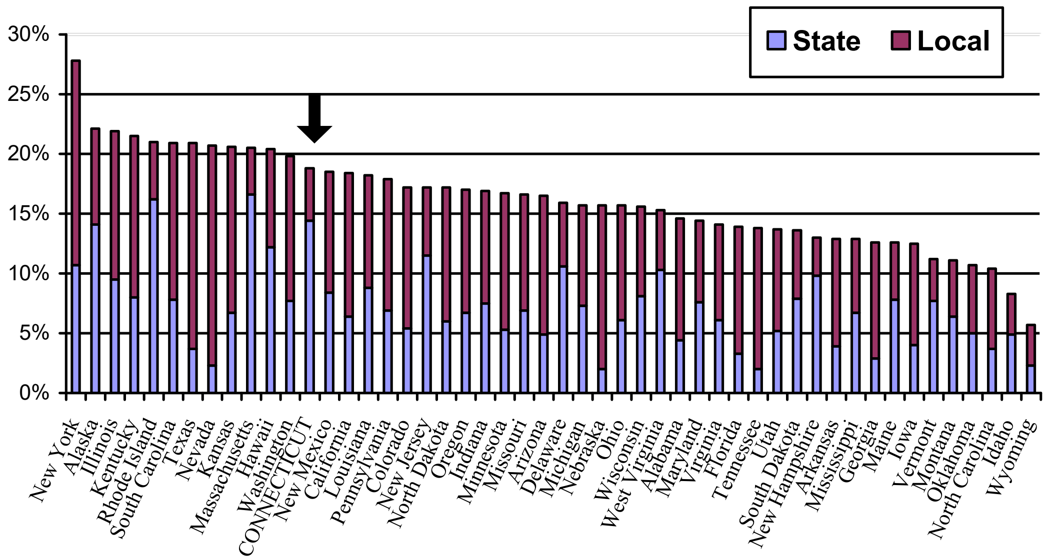
(d) See **Appendix II-B, Table B-1**. State population in thousands: 2014 — 3,595; 2015 — 3,588; 2016 — 3,579; 2017 — 3,574; and 2018 — 3,573.

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 38th among all states in a ranking of states with the least aggregate debt per capita as a percentage of per capita personal income. The chart below also indicates that the State has the sixth lowest ratio of per capita local debt to per capita personal income and third 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, 2017 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, 2016 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 2017.

(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 1, 2019. Although not specifically reflected as a result of combining all outstanding long-term direct debt, the State generally issues general obligation bonds maturing within twenty years. The exceptions include thirty-year Rental Housing Term Bonds and certain other bonds with maturities of less than twenty years where required by statute or in instances where the expected period of usefulness of the project or purpose financed does not warrant a maturity of twenty years.

TABLE 10

Summary of Principal, Mandatory Sinking Fund Payments, and Interest on Long-Term Direct General Obligation Debt[(a)] As of February 1, 2019

Fiscal Year	Principal Payments[(b)]	Interest Payments[(b)(c)]	Total Debt Service
2019	$ 737,903,182	$ 383,628,105	$ 1,121,531,287
2020	1,431,970,614	786,943,388	2,218,914,002
2021	1,410,486,206	726,326,671	2,136,812,877
2022	1,372,959,111	715,522,945	2,088,482,056
2023	1,407,861,122	666,467,662	2,074,328,784
2024	1,302,574,066	631,272,267	1,933,846,333
2025	1,250,292,437	575,805,531	1,826,097,967
2026	1,221,420,000	434,389,381	1,655,809,381
2027	1,174,265,000	375,916,381	1,550,181,381
2028	1,123,900,000	318,213,701	1,442,113,701
2029	1,013,565,000	264,475,673	1,278,040,673
2030	974,790,000	212,913,251	1,187,703,251
2031-2038	3,685,875,000	480,134,420	4,166,009,420
Totals	$ 18,107,861,738	$ 6,572,009,376	$ 24,679,871,114

(a) Includes long-term general obligation debt as outlined in Table 8. The future principal payments ($18,107,861,738), plus accreted interest ($159,438,126), total the amount of such long-term debt ($18,267,299,864) 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 2022 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	75,000,000	25,000,000	2019	3.50
2012	212,400,000	70,800,000	2019-2020	3.50
2012	219,865,000	25,000,000	2019-2024	3.50
2013	244,570,000	144,570,000	2019-2025	3.50
2013	115,000,000	40,000,000	2019-2020	3.50
2014	47,000,000	36,000,000	2019-2023	3.50
2015	200,000,000	158,310,000	2019-2024	3.50
2015	180,745,000	64,525,000	2019-2022	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	$2,349,445,000	$1,329,070,000		

* 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 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
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
2018	18,576,070

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 1, 2019, 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.

TABLE 12

Authorized but Unissued Direct General Obligation Debt
As of February 1, 2019
(In Thousands)

	State Direct Debt[(a)]	Pension Obligation Bonds[(b)]	UCONN 2000[(c)]	Tax Increment[(d)]	Total
Bond Acts in Effect	$40,031,205	$2,276,578	$3,151,852	$74,750	$45,534,386
Amount Authorized[(e)]	37,987,071	2,276,578	3,151,852	74,750	43,490,252
Amount Issued	34,604,278	2,276,578	2,949,452	68,040	39,898,348
Authorized but Unissued	3,382,793	0	202,400	6,710	3,591,903
Available for Authorization	2,044,134	0	0	0	2,044,134

(a) Includes CHFA Supportive Housing Bonds, CHFA Emergency Mortgage Assistance Program Bonds and GAAP Deficit Bonds. Excludes CRDA Bonds, CHEFA Child Care Facilities Bonds 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 new money 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 Commission, since there is no statutory amount of authorization.

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

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

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

TABLE 13

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

Fiscal Year	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

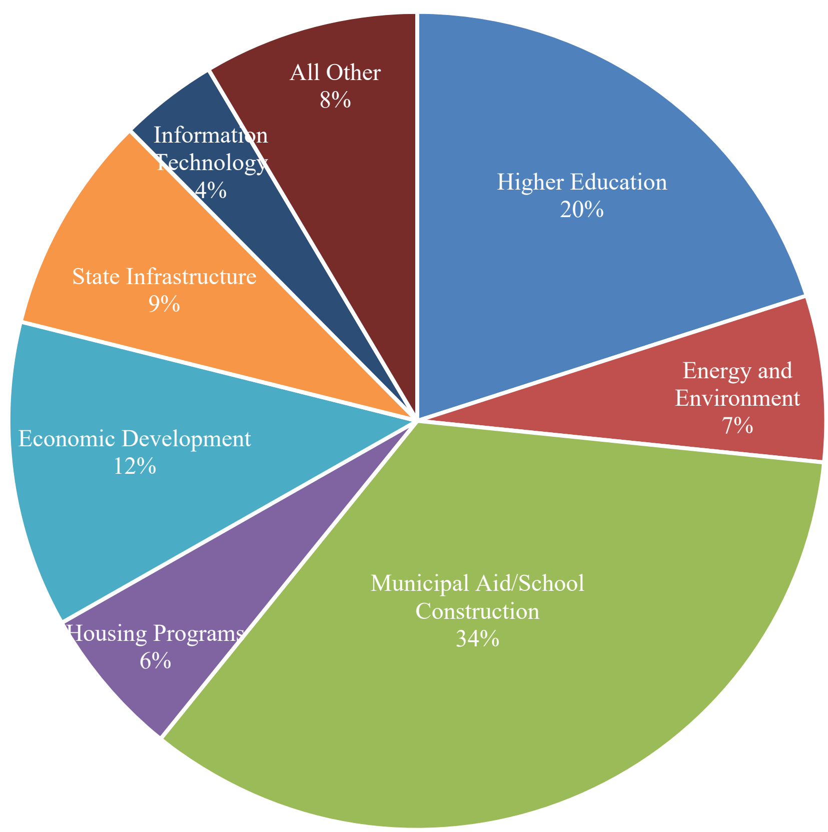
(a) Does not include Pension Obligation Bonds, Economic Recovery Notes, lease financings, tax increment or cash flow borrowings. Does not include GAAP Deficit Bonds authorized in Fiscal Year 2014 in an aggregate principal amount sufficient to generate net proceeds of not more than $598.5 million. Includes 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 Public Act No. 18-178 effective July 1, 2018.

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

TABLE 14

General Obligation Bond Allocations for Fiscal Years 2014 – 2018



SOURCE: Office of Policy and Management

OTHER FUNDS, DEBT AND LIABILITIES

The information in this section contains information through February 20, 2019 except as may otherwise be set forth below.

SUPPLEMENTARY INFORMATION AS OF JULY 25, 2019

The following information supplements information contained within this OTHER FUNDS, DEBT AND LIABILITIES section:

On May 9, 2019, the Connecticut Housing Finance Authority issued Housing Mortgage Finance Program Bonds, 2019 Series B in the amount of $121,995,000 which are secured by a State supported SCRF consisting of (i) $71,995,000 Subseries B-1 maturing in varying amounts between November 15, 2021 and May 15, 2049 and bearing interest at rates ranging from 1.55% per annum to 4.00% per annum, (ii) $15,130,000 Subseries B-2 (Variable Rate) (AMT) maturing November 15, 2039 and bearing interest at a variable rate, (iii) $19,870,000 Subseries B-3 (Variable Rate) maturing November 15, 2043 and bearing interest at a variable rate, and (iv) $15,000,000 Subseries B-4 (Federally Taxable) maturing in varying amounts between November 15, 2019 and November 15, 2030 and bearing interest at rates ranging from 2.45% per annum to 3.60% per annum.

On May 10, 2019, the Connecticut Health and Educational Facilities Authority issued $71,260,000 Connecticut State University System Revenue Bonds, Series Q-1 maturing in varying amounts between November 1, 2020 and November 1, 2039 and bearing interest at rates ranging from 3.00% per annum to 5.00% per annum and $20,845,000 Connecticut State University System Revenue Refunding Bonds, Series Q-2 maturing in varying amounts between November 1, 2020 and November 1, 2031 and bearing interest at a rate of 5.00% per annum which are secured by a State supported SCRF.

On May 22, 2019, the Connecticut Higher Education Supplemental Loan Authority issued $5,000,000 State Supported Revenue Bonds (CHESLA Refi CT Loan Program) 2019 Series A – Federally Taxable maturing on November 15, 2035 and bearing interest at a rate of 3.95% per annum and $25,550,000 State Supported Revenue Bonds (CHESLA Loan Program) 2019 Series B maturing in varying amounts between November 15, 2021 and November 15, 2027 and bearing interest at a rate of 5.00% per annum which bonds are secured by a State supported SCRF.

On July 9, 2019, the State of Connecticut issued $279,845,000 State Revolving Fund General Revenue Bonds comprising $250,000,000 State Revolving Fund General Revenue Bonds (Green Bonds, 2019 Series A) maturing in varying amounts between November 1, 2021 and February 1, 2039 and bearing interest at rates ranging from 2.375% per annum to 5.00% per annum and $29,845,000 State Revolving Fund Refunding General Revenue Bonds (2019 Series B) maturing in varying amounts between October 1, 2020 and October 1, 2022 and bearing interest at rates ranging from 3.00% per annum to 5.00% per annum and. The proceeds of the bonds are payable solely from the revenues or other receipts, funds or moneys of the SRF.

Authorizations for bonds were not voted on by the General Assembly during the regular session, but are expected to occur during an upcoming special session expected to occur the week of July 22, 2019. The information contained herein does not include or estimate the amount of such potential authorizations as there is no assurance as to what actions the General Assembly will take. Legislation authorizing tolling in the State did not pass during the regular session and may be addressed during the upcoming special session.

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 $41.2 billion. The State's share of such cost, estimated at $20.7 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 $0.9 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 $19.8 billion, of which approximately $14.7 billion has been financed through Fiscal Year 2018.

During Fiscal Years 1985-2019, $35.0 billion of the total transportation infrastructure program was approved by the appropriate governmental authorities. The remaining $6.2 billion of such infrastructure costs required for Fiscal Years 2020-2022 is anticipated to be funded with the proceeds of $4.1 billion of future special tax obligation bonds, $2.0 billion in anticipated federal funds, and $99.0 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.

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 1, 2019
(In Millions)

	New Money	Refundings[a]	Total
Bond Acts in Effect	$17,650.6	N/A	$17,650.6
Amount Authorized[b]	16,141.2	N/A	16,141.2
Amount Issued	12,270.2	$4,327.0	16,597.2
Authorized but Unissued	3,871.0	N/A	3,871.0
Available for Authorization	1,509.4	N/A	1,509.4
Amount Outstanding	5,252.8	704.8	5,957.6

(a) Refunding Bonds do not require legislative approval.
(b) The Amount Authorized reflects amounts allocated by the Commission.

SOURCE: State Treasurer's Office

In 2015, then 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 such 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" that 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, at a referendum held November 6, 2018, the electors approved an amendment to the Constitution of the State "to ensure (1) that all moneys contained in the Special Transportation Fund shall be used solely for transportation purposes, including debts of the state incurred for transportation purposes, and (2) that sources of funds deposited in the Special Transportation Fund be deposited in said fund so long as such sources are authorized by statute to be collected or received by the state."

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 1, 2019, there were $102.1 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 1, 2019, $22.3 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 $3,884.1 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 1, 2019, $883.8 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.

SUPPLEMENTARY INFORMATION AS OF JULY 25, 2019

The following information supplements information contained within this Contingent Liability Debt heading:

The 2019 Budget Act established a new quasi-public agency, effective October 1, 2019, named the Connecticut Municipal Redevelopment Authority (the "CMRA") for the purpose of, among others, stimulating economic and transit-oriented development, encouraging residential housing development, stimulating new investments, and assisting municipalities in development and redevelopment efforts. The CMRA is authorized to issue bonds, notes and other obligations in such amounts as in the opinion of the board are necessary to provide sufficient funds for carrying out its purposes which shall be general obligations of the CMRA. However, in the event any bond, note or other obligation of the CMRA cannot be paid by the CMRA, the State shall assume the liability of and make payment on such debt.

Special Capital Reserve Funds. The primary vehicle through which the State has undertaken contingent or limited liability is the special capital reserve fund ("SCRF"). A SCRF, if established, provides additional security for certain 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 that 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 Capital Region Development Authority; the Connecticut Airport Authority; the Connecticut Green Bank; the Connecticut Health and Educational Facilities Authority; the Connecticut Higher Education Supplemental Loan Authority; the Connecticut Housing Finance Authority; Connecticut Innovations, Incorporated; the Connecticut Port Authority; and the Materials Innovation and Recycling Authority may borrow money or issue bonds or notes that are guaranteed or otherwise supported 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 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.

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.

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.

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, Incorporated ("CI"). CI is authorized to offer various financing programs including The Mortgage Insurance and Loan Program (the "Insurance Fund"). As of February 1, 2019, $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 $396,665.

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 1, 2019, 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.

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.

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.

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 1, 2019, the University has outstanding $233.4 million special obligation student fee revenue bonds that are not secured by such a SCRF.

Assistance to Municipalities

The State has undertaken certain limited or contingent liabilities to assist municipalities. The State currently has limited or contingent liabilities outstanding in connection with bonds issued by the Southeastern Connecticut Water Authority. The State previously was obligated to secure certain SCRF-backed bonds issued by the Cities of Bridgeport, Waterbury and West Haven to fund past deficits of such municipalities; 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. See, also discussion under **STATE DEBT – State Direct General Obligation Debt –** ***Municipal Contract Assistance***.

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 1, 2019
(In Millions)

Indebtedness Secured by SCRF	Authorized Debt	Outstanding Debt	Minimum SCRF Requirement
Capital Region Development Authority	$ (a)	$ 78.0[(b)]	$ N.A.
Connecticut Airport Authority	(a)	0.0	0.0
Connecticut Green Bank	100.0	12.06	1.23
Connecticut Health and Educational Facilities Authority			
Connecticut State University System	(a)	299.7	32.2
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	147.6	19.0
Connecticut Housing Finance Authority			
Housing Mortgage Finance Program	(a)	4,215.7	308.4
Special Needs Housing Mortgage Finance Program	(a)	65.5	5.2
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	15.0	0.76[(b)]	N.A.
University of Connecticut	(a)	0.0[(b)]	N.A.

(a) No statutory limit.
(b) Debt is secured by a non SCRF State guarantee.

Other Debt Service and Contractual Commitments

CHEFA Child Care Program. CHEFA is authorized to issue Child Care Facilities Bonds and loan the proceeds to various entities to finance child care facilities. Debt service payments are made by the State Treasurer and the State Office of Early Childhood is obligated to reimburse a portion of the debt service payments from intercepts of revenues from providers. The obligation by the State Treasurer to pay such debt service is subject to annual appropriation. As of February 1, 2019, CHEFA had approximately $48.6 million in Child Care Facilities Bonds outstanding under this program, with annual debt service of approximately $4.83 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 $61.7 million was outstanding as of February 1, 2019. In August 2018, CRDA issued $16.365 million in refunding bonds backed by the State's contract assistance agreement. The State's aggregate 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 portion of the costs of construction and alteration of school buildings. 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. The State pays 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 $149 million that take effect in Fiscal Year 2019. It is anticipated that in future years new authorizations will be approximately $300 million per year. As of June 30, 2018, the Commissioner of Administrative Services estimates that current grant obligations for school construction projects are approximately $2,300 million.

The legislature has authorized the issuance of State bonds for the school construction grant program 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, 2018 the current and long-term liabilities of the Corporation total $284 million.

PENSION AND RETIREMENT SYSTEMS

The information in this section contains information through February 20, 2019 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 $34.3 billion and the UAAL of the other major post-employment benefits systems aggregate approximately $20.8 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 each plan. Like other similar plans, each plan began with "pay-as-you-go" funding, whereby 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 determined 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, 2018, the remaining period as of that date to reach full funding would have been approximately 22.8 years for the State Employees' Retirement Fund and approximately 19.0 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.

SUPPLEMENTARY INFORMATION AS OF JULY 25, 2019

The periods to reach full funding of the State Employees' Retirement Fund and the Teachers' Retirement Fund were extended in accordance with the 2019 Budget Act for the 2020-2021 biennium, as described under "***Budget for 2020-2021 Biennium – Extension of UAAL Amortization***" below.

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 that 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 exceptions. 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 that 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.

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 that 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 19.0 years (as of June 30, 2018) 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 22.8 years (as of June 30, 2018). 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.

SUPPLEMENTARY INFORMATION AS OF JULY 25, 2019

Budget for 2020-2021 Biennium – Extension of UAAL Amortization

The State Employees' Retirement Commission received from the SERS actuaries a draft revised actuarial valuation as of June 30, 2018 for the State Employees' Retirement Fund, which was approved by the Commission on June 20, 2019, conditioned on (1) the 2019 Budget Act for the 2020-2021 biennium becoming law, and (2) the State reaching an agreement with SEBAC on the proposed revisions to the UAAL amortization schedule reflected in the actuarial report. Under the proposal, the remaining amortization period for the UAAL would be extended from approximately 22.8 years to approximately 27.9 years as of June 30, 2018. On July 17, 2019 the Governor announced that the State and SEBAC had reached an agreement approving the amortization schedule revisions. The agreement will be submitted to the General Assembly for approval.

The 2019 Budget Act for the 2020-2021 biennium extended the remaining amortization period for the UAAL of the Teachers' Retirement Fund as of June 30, 2018 to 30.0 years, as more fully discussed under "***Budget for 2020-2021 Biennium – Funding of Teachers' Retirement Fund***" below.

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 that, 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.

Pension Reporting Pursuant to GASB Statement Nos. 67 and 68

Beginning with Fiscal Year 2014, the State began reporting pensions in accordance with GASB Statement No. 67 ("GASB 67"), and GASB Statement No. 68 ("GASB 68"), which prescribe certain methods for comparability and other purposes. GASB 67 and GASB 68 supersede GASB Statement No. 25 and GASB Statement No. 27, respectively. 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.

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.

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.

OPEB Reporting Pursuant to GASB Statement Nos. 74 and 75

In June 2015, GASB released new accounting standards for public sector plans providing post-employment benefits other than pensions ("OPEB") and sponsoring employees, including GASB Statement No. 74 ("GASB 74"), effective for Fiscal Year 2017, and GASB Statement No. 75 ("GASB 75"), effective for Fiscal Year 2018. GASB 74 and GASB 75 supersede GASB Statement No. 43 and GASB Statement No. 45, respectively. Generally, the changes made by GASB 74 and GASB 75 to OPEB plan reporting substantially parallel the changes made by GASB 67 and GASB 68 to pension plan reporting. The State is in the process of preparing to implement the new GASB statements, and anticipates timely implementation.

GASB 74 requires a determination of the Total OPEB Liability ("TOL") for a plan using the Entry Age Normal actuarial funding method. The Net OPEB Liability ("NOL") is then set equal to the TOL 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 SEIR, which is determined in the same manner as provided by GASB 67 for pension plans.

GASB 75 requires, among other things, that OPEB Expense ("OE") be calculated and a proportionate share of NOL and OE be recognized in the employer's financial reporting. OE is calculated in a manner similar to the manner provided by GASB 68 for the calculation of TOL for pension plans. OE should not be considered a proxy for funding or contribution levels.

PENSION VIABILITY AND SUSTAINABILITY PROPOSALS AND STUDIES

Recently, various State officials have considered 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. Various proposals have been made and studies have been undertaken with regard to alternate funding models, some of which are described below.

SUPPLEMENTARY INFORMATION AS OF JULY 25, 2019

Budget for 2020-2021 Biennium – Funding of Teachers' Retirement Fund

The 2019 Budget Act for the 2020-2021 biennium includes the establishment of the Connecticut Teachers' Retirement Fund Bonds Special Capital Reserve Fund ("TRF Bonds SCRF"), a special capital reserve fund for the benefit of the holders of the State's $2,276.6 million pension obligation bonds ("TRF Bonds") issued in April 2008 to fund a $2.0 billion deposit to the Teachers' Retirement Fund. The TRF Bonds SCRF is established to provide adequate provision by law for the protection of the holders of the TRF Bonds, permitting the State to reamortize unfunded liabilities of the Teachers' Retirement Fund and provide for the full funding of the actuarial determined employer contribution to the Fund in a manner consistent with its pledge to the holders of the TRF Bonds, as that pledge is described below under ***Pension Obligation Bonds***. The Attorney General of the State has advised that the proposal satisfies the requirements of the applicable covenants contained in the TRF Bonds.

The TRF Bonds SCRF is pledged to and used solely for the payment of the principal of and interest on, or the redemption or purchase of, the TRF Bonds. In the event the State has not otherwise timely made available moneys to pay principal or interest due on the TRF Bonds, the Treasurer shall direct the trustee of the TRF Bonds SCRF to transfer from the fund to the paying agent for the bonds the amount necessary to timely pay such principal or interest then due.

The TRF Bonds SCRF is funded at an amount not less than the maximum amount of principal and interest becoming due on the currently outstanding TRF Bonds, and any bonds refunding the TRF Bonds then outstanding, by reason of maturity or a required sinking fund installment in any succeeding fiscal year ("Required Minimum Capital Reserve"). The TRF Bonds SCRF is initially funded by a deposit of $380.9 million of General Fund resources. When the amount on deposit in the TRF Bonds SCRF is less than the Required Minimum Capital Reserve, funds of the Connecticut Lottery Corporation that exceed the current needs of the Corporation for the payment of prizes, the payment of current operating expenses and funding of approved reserves of the Corporation are to be deposited in the TRF Bonds SCRF, rather than the General Fund, until the amount on deposit in the TRF Bonds SCRF equals the Required Minimum Capital Reserve.

Since the Teachers' Retirement Board reduced the return assumption for the TRF from 8.0% to 6.9% and adopted a credited interest percentage for member accounts of not more than 4% per annum, the TRF Bonds SCRF has been funded as described above and various changes have been made to the funding of the Teachers' Retirement Fund, including (i) the method of amortization of unfunded liabilities of the Teachers' Retirement Fund is transitioning over a five year phase in period beginning in Fiscal Year 2020 from the current level per cent of expected member annual salaries method to a level dollar amortization method; and (ii) the unfunded liability as of June 30, 2018 will be separately amortized over a closed period of thirty years and future actuarial gains and losses would be amortized over separate closed periods of twenty-five years, beginning the year each separate base is established. Prior thereto, the unfunded liability is being amortized over a period of forty years, that commenced in Fiscal Year 1993.

The State's proposed changes to the funding of the Teachers' Retirement Fund reduced its actuarially determined employer contributions by approximately $183.4 million and $187.6 million in Fiscal Year 2020 and Fiscal Year 2021, respectively.

Connecticut Pension Sustainability Commission

The 2017 Budget Act for Fiscal Years 2018 and 2019 established a Connecticut Pension Sustainability Commission (the "CPS 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 CPS 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 CPS 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 CPS Commission shall submit a report on its findings and recommendations to the Finance, Revenue and Bonding Committee of the General Assembly. The CPS Commission shall terminate on the date that it submits its report or January 1, 2019, whichever is later. To date, the CPS Commission has not finalized its report and continues to meet periodically. The chair of the CPSC has requested a 2-month extension from legislative leadership so that a final report may be completed.

SUPPLEMENTARY INFORMATION AS OF JULY 25, 2019

The CPS Commission delivered its final report dated June 27, 2019. In the report the Commission:

- Found that it may be feasible for the State to establish a mechanism to identify and transfer State assets into a trust for the sole benefit of the State's pension funds, but at this time there is insufficient information for the Commission to conclusively identify any specific State assets that may be appropriate for such transfer.
- Recommended that the General Assembly provide specific policy guidelines before specific assets are considered for potential contribution to such an asset trust.
- Concluded that the Office of the State Treasurer is the appropriate authority to provide oversight and direction on the management of such an asset trust.
- Found that the concept of using the proceeds of the Connecticut Lottery for the benefit of the pension funds, or the wholesale transfer of the Connecticut Lottery as an asset to the funds, is technically feasible. How either action would affect the liquidity of the pension funds requires further study.

Teachers' Retirement System Viability Commission

The 2017 Budget Act for Fiscal Years 2018 and 2019 also established a Teachers' Retirement System Viability Commission (the "TRSV 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 TRSV 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 TRSV 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 TRSV Commission shall terminate not later than one year after the date it submits such report. In developing the plan, the TRSV 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 does not include the State's ability to raise revenue through new or increased taxes.

On March 19, 2018 the TRSV Commission released its report regarding the development and implementation of a plan to maintain the financial viability of the TRS. In the report the TRSV Commission, among other matters, analyzed the viability of three alternate models of funding the TRS (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 TRS 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, discussed below, 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 TRS 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 Teachers' Retirement Fund to at least 70.0% and would permit a change to the 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 TRSV 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 below.

The TRSV 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 TRSV Commission's report

The State has not made any determinations as to whether or not any of the scenarios are fiscally viable or are permitted by State statute or otherwise.

STATE EMPLOYEES' RETIREMENT FUND

SERS is one of the systems maintained by the State with approximately (i) 49,153 active members, consisting of 33,462 vested members and 15,691 non-vested members, (ii) 1,281 deferred vested members, and (iii) 50,441 retired members and beneficiaries as of June 30, 2018.

Payments into the State Employees' Retirement Fund ("SERF") 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.

By statute full actuarial valuations are required to be performed as of June 30th of each even-numbered year. The State intends to perform annual actuarial valuations commencing with the valuation as of June 30, 2019. 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 health care 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 health care plan design and premium cost sharing arrangement for current employees
- Conversion to a Medicare Advantage health care 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 health care 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 State Employees' Retirement Commission ("SER Commission") received on January 19, 2017 from Cavanaugh Macdonald Consulting, LLC, the actuaries for the SERF, an actuarial valuation as of June 30, 2016 that 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 that 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 that 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.

November 2018 Actuarial Valuation and Fiscal Year 2020 and Estimated Fiscal Year 2021 Employer Contribution Requirements

The SER Commission received on November 12, 2018 from Cavanaugh Macdonald Consulting, LLC an actuarial valuation as of June 30, 2018 which was approved by the SER Commission on November 15, 2018. The November 2018 actuarial valuation reported the following results as of June 30, 2018 with respect to the SERF:

November 2018 Actuarial Valuation as of June 30, 2018	
Market Value of Assets	$12,452.8 million
Actuarial Value of Assets	12,991.2 million
Actuarial Accrued Liability	34,214.2 million
UAAL	21,222.9 million
Funded Ratio (based on the actuarial value of assets)	38.0%
Funded Ratio (based on the market value of assets)	36.4%

The November 2018 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
- Level dollar amortization method being phased in over a five year period

- A 2.1% payroll growth assumption. The payroll growth assumption was originally set at 3.5% in the actuarial valuation as of June 30, 2016. In accordance with the phase in to a level dollar amortization method over a five year period, the payroll growth assumption will be reduced by 0.7% each year for the next three years until the phase in to the level dollar amortization method is complete in the actuarial valuation as of June 30, 2021
- Following Fiscal Year 2019, projected salary increases of 3.5% to 19.5% (including inflation at 3.50%)
- For Fiscal Years 2017 through 2019, 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 January 2017 actuarial valuation assumption
- COLA of 1.95% to 3.25%
- A COLA moratorium for employees retiring on or after July 1, 2022 for the first 30 months of retirement, and that the partial COLA available during the COLA moratorium period to take into account a potential environment where CPI is greater than 5.5% will result in the first COLA being 0.15% higher
- Social security wage base increase of 3.5%
- 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 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 22.8 years

The November 2018 actuarial valuation determined the ADEC requirement for Fiscal Year 2020, and the annual contribution rate as a percentage of payroll, based on a covered payroll as of June 30, 2018 of $3,428.1 million, as follows:

Annual Employer Contributions for:		
	Amount (in millions)	Percent of Payroll
Employer Normal Cost	$235.4	6.9%
Amortization of Net Unfunded Actuarial Accrued liabilities (amortized over 22.8 years)	1,538.0	44.9%
Total Employer Contribution Requirement	$1,773.4	51.7%[(a)]

(a) Does not total due to rounding.

The November 2018 actuarial valuation provides an estimate of the ADEC requirement, and breaks out the normal cost component and the UAAL amortization component, for Fiscal Year 2021 as follows. The estimate was generated using standard roll forward techniques from November 2018 actuarial valuation, assuming the market value of assets will earn 6.90%, payroll will increase as set forth in SEBAC 2017, and the active member population will remain static. The actual ADEC requirement for Fiscal Year 2021 will be determined in the actuarial valuation as of June 30, 2019.

Annual Employer Contributions for:		
	Amount (in millions)	Percent of Payroll
Employer Normal Cost	$218.2	6.4%
Amortization of Net Unfunded Actuarial Accrued liabilities	1,678.5	49.0%
Total Employer Contribution Requirement	$1,896.7	55.3%(a)

(a) Does not total due to rounding.

The State biennial budget for Fiscal Year 2020 and Fiscal Year 2021 has not yet been adopted.

SUPPLEMENTARY INFORMATION AS OF JULY 25, 2019

The following information supplements information contained within this State Employees' Retirement Fund heading:

June 2019 Revised Actuarial Valuation and Revised Fiscal Year 2020 Employer Contribution Requirements

The SER Commission received from Cavanaugh Macdonald Consulting, LLC a draft revised actuarial valuation as of June 30, 2018 dated June 18, 2019, which was approved by the SER Commission on June 20, 2019, conditioned on (1) the 2019 Budget Act for the 2020-2021 biennium becoming law, and (2) the State reaching an agreement with SEBAC on the proposed revisions to the UAAL amortization schedule reflected in the actuarial report. On July 17, 2019 the Governor announced that the State and SEBAC had reached an agreement approving the amortization schedule revisions. The agreement will be submitted to the General Assembly for approval. Under the proposal, the remaining amortization period for the UAAL would be extended from approximately 22.8 years to approximately 27.9 years as of June 30, 2018, as follows.

Portion of UAAL	Year Established	Remaining Amortization Period
Statutory Base	1984	28 years (a)
Transitional Base	2016	28 years
2018 Base	2018	25 years

(a) Changed from 13 years to 28 years.

The June 2019 revised actuarial valuation determined the ADEC requirement for Fiscal Year 2020, and the annual contribution rate as a percentage of payroll, based on a covered payroll as of June 30, 2018 of $3,428.1 million, as follows:

Annual Employer Contributions for:		
	Amount (in millions)	Percent of Payroll
Employer Normal Cost	$ 235.4	6.9%
Amortization of Net Unfunded Actuarial Accrued liabilities (amortized over 22.8 years)	1,380.9	40.3%
Total Employer Contribution Requirement	$1,616.3	47.2%

The June 2019 revised actuarial valuation assumptions and methodologies are unchanged from those used in the November 2018 actuarial valuation, other than the change to the remaining amortization period for the UAAL.

The 2019 Budget Act for Fiscal Years 2020 and 2021 contains appropriations sufficient, together with anticipated grant reimbursement from Federal and other funds, to fully fund the employer contribution requirement for Fiscal Year 2020 pursuant to the June 2019 revised actuarial valuation.

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, June 30, 2016 and June 20, 2018, and interim “roll forward” valuations as of 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 SERF Fund as of the end of the interim year.

TABLE 17
State Employees' Retirement Fund
(In Millions)

	2014	2015	2016	2017	2018
General Fund Contributions	$ 916.0	$ 970.9	$ 1,096.8	$ 1,124.7	$ 1,051.3
Transportation Fund Contributions	108.3	130.1	122.1	129.2	116.4
Federal and other Reimbursements	244.5	270.6	282.8	288.4	275.3
Employee Contributions	144.8	187.3	134.9	132.6	194.0
Total Contributions	$ 1,413.6	$ 1,558.9	$ 1,636.6	$ 1,674.9	$ 1,637.0
Benefits Paid[a]	$ 1,563.0	$ 1,653.6	$ 1,729.1	$ 1,845.3	$ 1,952.4
Investment Income/Net Gains (Losses)	$ 1,447.1	$ 370.2[b]	$ (0.3)[b]	$ 1,509.7[b]	$ 875.6[b]
Actuarially Determined Employer Contribution	$ 1,268.9	$ 1,379.2	$ 1,514.5	$ 1,569.1	$ 1,443.1
Percentage of Actuarially Determined Employer Contribution Made	100.0%	99.5%	99.2%	98.3%	100.1%
Actuarial Accrued Liabilities	$25,505.6	$26,255.5	$32,310.3[c]	$33,077.6	$34,214.2
Actuarial Values of Assets	$10,584.8	$11,375.8	$11,923.0	$12,593.8	$12,991.2
Unfunded Accrued Liabilities	$14,920.8	$14,879.7	$20,387.4[d]	$20,483.9[d]	$21,222.9[d]
Market Value of Assets	$10,472.6[e]	$10,668.4[f]	$10,636.7[g]	$11,929.2[h]	$12,452.8[i]
Funded Ratio (actuarial value)	41.5%	43.3%	36.9%	38.1%	38.0%
Funded Ratio (market value)	41.1%	40.6%	32.9%	36.1%	36.4%
Ratio of Actuarial Value of Assets to Market Value of Assets	101.1%	106.6%	112.1%	105.6%	104.3%

(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 Actuarial Valuation. This amount includes $6,198,255 of receivables.

(f) As reported in Roll Forward Actuarial Valuation. This amount includes $6,158,929 of receivables.

(g) As reported in Actuarial Valuation. This amount includes $15,989,968 of receivables.

(h) As reported in Roll Forward Valuation. This amount includes $14,976,110 of receivables.

(i) As reported in Actuarial Valuation. This amount includes $11,401,980 of receivables.

The November 2018 actuarial valuation breaks out the normal cost component and the amortization component associated with the several tiers of employees as determined by the valuation for Fiscal Year 2020 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	4	58.8	16.8	$ 56,361	15.06%
Tier I-Plan B	691	61.5	35.3	5,860,453	8.42
Tier I-Plan C	36	61.3	31.3	82,367	2.39
Tier II-Hazardous	962	52.5	23.9	17,500,773	18.00
Tier II-Others	9,190	56.0	26.3	48,831,667	5.96
Tier IIA-Hazardous	5,903	45.6	14.5	69,123,154	14.17
Tier IIA-Others	15,049	50.1	13.9	51,201,949	4.79
Tier III-Hazardous	2,628	36.4	4.9	15,293,284	9.50
Tier III Hybrid	1,943	51.0	14.2	7,407,595	4.40
Tier III-Others	10,444	40.3	4.4	18,633,926	3.79
Tier IV-Hazardous	279	31.8	0.8	533,717	6.82
Tier IV Hybrid	298	42.6	1.0	198,843	2.10
Tier IV-Others	1,726	35.2	1.1	673,175	1.58
Total	49,153	47.4	13.7	$235,397,264	6.87%

(a) As of June 30, 2018.

Modeling of Future Funded Ratios and Annual Contributions through Fiscal Year 2049

SUPPLEMENTARY INFORMATION AS OF JULY 25, 2019

The modeling presented in Table 19 does not reflect the results of the June 2019 revised actuarial valuation for the SERF, including the extension of the UAAL amortization period, as described under ***"June 2019 Revised Actuarial Valuation and Revised Fiscal Years 2020 and 2021 Employer Contribution Requirements***" above.

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 2049. 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 2018 actuarial valuation, including the phase-in to level dollar amortization by Fiscal Year 2023. 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 Millions)[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[b]	Total State and Employee Contribution
2020	2018	38.0%	$235.4	$1,538.0	$1,773.4	$152.4	$1,925.8
2021	2019	38.7	206.9	1,699.7	1,906.6	157.5	2,064.1
2022	2020	39.8	202.6	1,855.3	2,057.9	162.7	2,220.6
2023	2021	41.2	198.4	2,005.0	2,203.4	168.6	2,372.0
2024	2022	43.0	192.0	2,026.3	2,218.3	175.1	2,393.4
2025	2023	45.2	188.6	2,030.8	2,219.4	181.6	2,401.0
2026	2024	47.5	186.3	2,033.5	2,219.8	188.2	2,408.0
2027	2025	49.8	183.4	2,035.0	2,218.4	195.2	2,413.6
2028	2026	52.1	180.2	2,035.5	2,215.7	202.3	2,418.0
2029	2027	54.5	177.3	2,035.0	2,212.3	210.0	2,422.3
2030	2028	56.9	174.2	2,033.6	2,207.8	218.1	2,425.9
2031	2029	59.4	171.9	2,031.1	2,203.0	226.7	2,429.7
2032	2030	62.0	170.0	2,027.7	2,197.7	235.5	2,433.2
2033	2031	64.8	169.2	1,539.4	1,708.6	245.1	1,953.7
2034	2032	67.6	168.5	1,493.6	1,662.1	255.0	1,917.1
2035	2033	69.4	169.1	1,486.4	1,655.5	265.0	1,920.5
2036	2034	71.2	170.3	1,480.0	1,650.3	275.4	1,925.7
2037	2035	73.1	171.2	1,473.9	1,645.1	286.1	1,931.2
2038	2036	75.1	172.4	1,467.8	1,640.2	297.3	1,937.5
2039	2037	77.2	173.9	1,461.5	1,635.4	308.9	1,944.3
2040	2038	79.4	175.7	1,454.9	1,630.6	321.0	1,951.6
2041	2039	81.9	177.7	1,448.0	1,625.7	333.5	1,959.2
2042	2040	84.5	179.8	1,440.9	1,620.7	346.7	1,967.4
2043	2041	87.2	182.1	1,433.4	1,615.5	360.3	1,975.8
2044	2042	90.2	184.8	1,425.8	1,610.6	374.5	1,985.1
2045	2043	93.4	187.7	1,368.7	1,556.4	388.8	1,945.2
2046	2044	96.9	190.7	1,327.6	1,518.3	403.4	1,921.7
2047	2045	100.4	193.6	1,292.3	1,485.9	418.2	1,904.1
2048	2046	104.0	196.2	0.0	196.2	433.3	629.5
2049	2047	107.8	198.5	0.0	198.5	448.5	647.0

(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.

(b) Does not include any Alternate Retirement Plan transfers.

Contribution, Eligibility and Benefits Requirements

Generally, State employees hired before July 2, 1984 participate in the Tier I plan of the SERS, which requires employee contributions. As of July 1, 2018 approximately 1.5% 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, 2018, approximately 20.6% 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, 2018, approximately 42.6% 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 Tier III Hybrid Plan. As of July 1, 2018, approximately 26.6% of the total work force was covered under the Tier III Plan and approximately 4.0% of the total work force was covered under the Tier III 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. SEBAC 2017 provides for two new retirement plans for State employees first hired on and after July 1, 2017, Tier IV 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 Tier IV Hybrid Plan. As of July 1, 2018, approximately 4.1% of the total work force was covered under the Tier IV Plan and approximately 0.6% of the total work force was covered under the Tier IV Hybrid Plan. 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, Tier III Hybrid, or Tier III Plan member in fiscal year ending June 30, 2018 was approximately $39,355, $32,215, $16,583, $36,109 and $24,655, respectively. As of June 30, 2018, there were no retired Tier IV or Tier IV Hybrid members. The SERS 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 6.5% 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 $833.34 per 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 6.5% 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
Tier III - 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)]
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
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
Tier IV-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
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

(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 SERS 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
On or after July 1, 2022	60% of the increase in CPI-W up to 6.0% and 75.0% of the increase in the CPI-W over 6.0%	None	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

The SER Commission received from Cavanaugh Macdonald Consulting, LLC a report prepared as of June 30, 2018 and dated February 20, 2019 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 November 2018 actuarial valuation. This report reported the following results as of June 30, 2018 with respect to the SERF in accordance with GASB 67:

December 2018 GASB 67 Report as of June 30, 2018	
Total Pension Liability	$34,214.2 million
Fiduciary Net Position	12,527.5 million
Net Pension Liability	21,686.6 million
Ratio of Fiduciary Net Position to Total Pension Liability	36.62%

The GASB 67 report used a discount rate of 6.90%, which was the rate used in the November 2018 actuarial valuation as of June 30, 2018, 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 $18,188.7 million or increase the NPL to $25,878.8 million, respectively.

The SER Commission received from Cavanaugh Macdonald Consulting, LLC a report prepared as of June 30, 2018 and dated February 20, 2019 containing information to assist the SER Commission in meeting the requirements of GASB 68. This draft report indicates a Pension Expense of $2,689.7 million for the fiscal year ending June 30, 2018.

The audited financial statements for Fiscal Year 2018 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 November 15, 2017 GASB 67 and January 30, 2018 GASB 68 reports. As those reports were prepared as of June 30, 2017 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, the November 2017 Roll Forward actuarial valuation or the November 2018 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, 2018, there were 104,695 active and former employees and beneficiaries, consisting of (i) 50,692 active members, (ii) 2,147 inactive vested members, (iii) 12,591 inactive non-vested members, (iv) 1,704 annuity reserve members, (v) 37,260 retired members and beneficiaries, and (vi) 301 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.

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 2016 Actuarial Valuation and Fiscal Years 2018 and 2019 Employer Contribution Requirements

The Teachers' Retirement Board received from Cavanaugh Macdonald Consulting, LLC, the actuaries for the TRF, 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%

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 Teachers' Retirement Board as a result of the experience study dated October 29, 2015 prepared by Cavanaugh Macdonald Consulting, LLC for the five-year period ending June 30, 2015. Notable among the revised assumptions was the reduction of the earnings rate assumption from 8.5% to 8.0%.

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.

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 rate 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 Teachers’ Retirement Board 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 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.

November 2018 Actuarial Valuation and Fiscal Year 2020 and Estimated Fiscal Year 2021 Employer Contribution Requirements

The Teachers’ Retirement Board received from Cavanaugh Macdonald Consulting, LLC an actuarial valuation as of June 30, 2018 dated November 7, 2018. The November 2018 actuarial valuation reported the following results as of June 30, 2018 with respect to the TRF:

November 2018 Actuarial Valuation as of June 30, 2018	
Market Value of Assets	$17,946.8 million
Actuarial Value of Assets	17,951.8 million
Actuarial Accrued Liability	31,110.9 million
UAAL	13,159.1 million
Funded Ratio (based on the actuarial value of assets)	57.7%
Funded Ratio (based on the market value of assets)	57.7%

The November 2018 actuarial valuation was based upon the following assumptions and methodologies, 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%)
- 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 2017 is 16.6 years

These November 2018 actuarial valuation assumptions and methodologies are unchanged from those used in the prior valuation.

The November 2018 actuarial valuation determined the following employer contribution requirements, based on an individual entry-age actuarial cost method and level percent-of-payroll contributions: (i) $1,392.2 million for Fiscal Year 2020; and (ii) $1,437.4 million for Fiscal Year 2021, resulting in an annual employer contribution rate of 32.04% of payroll. As of the June 30, 2018 actuarial valuation, the employer contribution requirement is set as though TRS members only contributed 6% of pay rather than the 7% of pay required on and after January 1, 2018 under the plan.

<u>SUPPLEMENTARY INFORMATION AS OF JULY 25, 2019</u>

The following information supplements information contained within this TEACHERS' RETIREMENT FUND heading:

June 2019 Revised Actuarial Valuation and Revised Fiscal Years 2020 and 2021 Employer Contribution Requirements

At its meeting held June 5, 2019, the Teachers' Retirement Board approved the reduction of the investment return assumption for the TRF from 8.0% to 6.9% and adopted a credited interest percentage for member accounts of 4.0% per annum, as required by the 2019 Budget Act for Fiscal Year 2020 and Fiscal Year 2021, as described above under ***Budget for 2020-2021 Biennium – Funding of Teachers' Retirement Fund***. The Board requested the preparation of a revised actuarial valuation reflecting those changes once the State Treasurer notifies the Board that the TRF Bonds SCRF has been established and is funded as required by the 2019 Budget Act. The Teachers' Retirement Board received from Cavanaugh Macdonald Consulting, LLC a draft revised actuarial valuation as of June 30, 2018 dated June 18, 2019, which determined the following revised employer contribution requirements: (i) $1,208.8 million for Fiscal Year 2020; and (ii) $1,249.8 million for Fiscal Year 2021. In addition, the valuation determined the actuarial accrued liability to increase from $31.1 billion to $34.7 billion and the unfunded actuarial accrued liability to increase from $13.2 billion to $16.8 billion based on the changes to the assumptions, resulting in a reduced funded ratio of 51.7%.

The June 2019 revised actuarial valuation assumptions and methodologies are unchanged from those used in the November 2018 actuarial valuation, other than the following:

- The UAAL as of June 30, 2018 is amortized over a closed 30-year period rather than over the prior approximately 19-year remaining amortization period. Future changes to the UAAL will be amortized utilizing layered 25-year closed amortization bases established at the end of each plan year

- Reduction of the inflation assumption from 2.75% to 2.50%
- Reduction of the real rate of return assumption from 5.25% to 4.40% which, when combined with the inflation assumption change, results in a decrease in the investment rate of return assumption from 8.00% to 6.90%
- Increase in the annual rate of wage increase assumption from 0.50% to 0.75%

The 2019 Budget Act for Fiscal Year 2020 and Fiscal Year 2021 contains appropriations sufficient to fully fund the employer contribution requirement for those years pursuant to the June 2019 revised actuarial valuation.

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, June 30, 2016 and June 30, 2018.

TABLE 22

Teachers' Retirement Fund[(a)]
(In Millions)

	2014	2015	2016	2017	2018
General Fund Contributions	$ 948.5	$ 984.1	$ 975.5	$ 1,012.2	$1,271.0
Employee Contributions[(b)]	275.5	279.0	290.5	297.3	313.4
Total Contributions	$ 1,224.0	$ 1,263.1	$ 1,266.0	$ 1,309.5	$1,584.4
Benefits Paid[(c)]	$ 1,714.4	$ 1,773.4	$ 1,842.9	$ 1,889.2	$1,994.1
Investment Income/Net Gains (Losses)	$ 2,250.8	$ 569.1[(d)]	$ (18.8)[(d)]	$2,199.6[(d)]	$1,224.0[(d)]
Actuarially Determined Employer Contribution	$ 948.5	$ 984.1	$ 975.5	$ 1,012.2	$1,271.0
Percentage of Actuarially Determined Employer Contribution Made	100.0%	100.0%	100.0%	100.0%	100.0%
Actuarial Accrued Liabilities	$26,349.2	N/A	$29,860.3	N/A	$31,110.9
Actuarial Values of Assets	$15,546.5	N/A	$16,712.3	N/A	$17,951.8
Unfunded Accrued Liabilities	$10,802.7	N/A	$13,148.0	N/A	$13,159.1
Market Value of Assets	$16,220.9[(e)]	$16,110.4	$15,584.6[(e)]	$17,126.8[(e)]	$17,946.8 [(e)]
Funded Ratio (actuarial value)	59.0%	N/A	55.97%	N/A	57.70%
Funded Ratio (market value)	61.6%	N/A	52.19%	N/A	57.70%
Ratio of Actuarial Value of Assets to Market Value of Assets	96.0%	N/A	107.2%	N/A	100.0%

(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 ($668,924 during Fiscal Year 2014, $668,924 during Fiscal Year 2015, $510,391 during Fiscal Year 2016, $495,853 during Fiscal Year 2017 and $938,426 during Fiscal Year 2018). 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 ($18,241,716 during Fiscal Year 2014, $50,328,762 during Fiscal Year 2015, $46,125,368 during Fiscal Year 2016, $73,284,402 during Fiscal Year 2017 and $57,061,929 during Fiscal Year 2018).

(d) Adjusted to comply with GASB 72.

(e) Figure derived from actuarial valuation.

Pension Obligation Bonds

In April 2008 the State issued $2,276.6 million general obligation bonds ("TRF Bonds") 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.

Section 8 of Public Act No. 07-186, which authorized the TRF Bonds, 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 CGS Section 4-85 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.

SUPPLEMENTARY INFORMATION AS OF JULY 25, 2019

The following information supplements information contained within this Teachers' Retirement Fund heading:

As more fully discussed above under the ***Budget for 2020-2021 Biennium – Funding of Teachers' Retirement Fund***, the 2019 Budget Act includes the establishment of the Connecticut Teachers' Retirement Fund Bonds Special Capital Reserve Fund to provide adequate provision by law for the protection of the holders of the TRF Bonds, permitting the State to reamortize of unfunded liabilities of the TRF and provide for the full funding of the actuarial determined employer contribution to the Fund in a manner consistent with its pledge to the holders of the TRF Bonds.

Modeling of Future Funded Ratios and Annual Contributions through Fiscal Year 2049

SUPPLEMENTARY INFORMATION AS OF JULY 25, 2019

The modeling presented in Table 22a does not reflect the results of the June 2019 revised actuarial valuation for the TRF, including the extension of the UAAL amortization period, as described under ***"June 2019 Revised Actuarial Valuation and Revised Fiscal Years 2020 and 2021 Employer Contribution Requirements***" above.

The consulting actuary for the TRF prepared a baseline open group model of future funded ratios and annual contribution requirements for the TRF through Fiscal Year 2049. The modeling presented in Table 22a 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 2018 actuarial valuation. The modeling does not reflect the proposed changes to the funding period and assumptions for the TRF as discussed above under ***Budget for 2020-2021 Biennium – Funding of Teachers' Retirement Fund***. 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 Millions)

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
2020	2018	$13,159.1	57.7%	$197.3	$1,194.9	$1,392.2	$4,075.9
2021	2019	13,168.6	58.7%	203.7	1,233.7	1,437.4	4,167.4
2022	2020	12,723.9	61.0%	205.2	1,273.7	1,478.9	4,267.6
2023	2021	12,436.0	62.8%	209.3	1,320.0	1,529.3	4,373.1
2024	2022	12,045.4	64.7%	213.7	1,609.0	1,822.7	4,483.6
2025	2023	11,573.9	66.9%	218,1	1,659.1	1,877.2	4,597.9
2026	2024	10,761.9	69.8%	223.3	1,756.3	1,979.6	4,717.0
2027	2025	9,745.3	73.3%	228.6	1,810.5	2,039.1	4,839.8
2028	2026	8,589.8	76.9%	233.5	1,856.6	2,090.0	4,966.1
2029	2027	7,292.5	80.8%	239.5	1,899.6	2,139.2	5,095.3
2030	2028	5,845.3	84.9%	2452	1,939.8	2,185.0	5,226.9
2031	2029	4,239.1	89.3%	251.5	1,970.5	2,222.0	5,361.6
2032	2030	2,471.0	93.9%	257.9	1,969.5	2,227.5	5,499.0
2033	2031	561.0	98.6%	264.5	128.2	392.7	5,639.0
2034	2032	410.2	99.0%	271.2	128.0	399.2	5,781.9
2035	2033	246.0	99.4%	278.7	127.6	406.2	5,928.2
2036	2034	67.5	99.8%	286.4	127.0	413.4	6,078.8
2037	2035	(126.4)	100.3%	294.4	126.3	420.7	6,233.2
2038	2036	(336.9)	100.7%	303.2	125.5	428.8	6,392.3
2039	2037	(565.1)	101.2%	311.8	(36.1)	275.8	6,558.4
2040	2038	(645.5)	101.3%	321.5	(42.4)	279.0	6,730.8
2041	2039	(727.7)	101.5%	331.6	(49.1)	282.4	6,911.5
2042	2040	(811.5)	101.6%	341.2	(56.2)	285.1	7,097.6
2043	2041	(896.8)	101.8%	352.0	(63.6)	288.4	7,289.1
2044	2042	(983.3)	101.9%	363.2	(71.4)	291.8	7,488.6
2045	2043	(1,070.9)	102.0%	374.1	(79.7)	294.4	7,694.7
2046	2044	(1,159.2)	102.1%	385.3	(88.3)	297.0	7,909.4
2047	2045	(1,248.0)	102.2%	397.2	(97.4)	299.7	8,134.2
2048	2046	(1,336.9)	102.3%	409.5	(107.0)	302.4	8,367.7
2049	2047	(1,425.6)	102.4%	421.3	(117.1)	304.2	8,610.0

(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 TRS 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 CGS Section 10-183z, 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, 2018 was approximately $53,451.

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 TRS 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

The Teachers' Retirement Board received from Cavanaugh Macdonald Consulting, LLC a report prepared as of June 30, 2018 and dated February 4, 2019 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 2018 actuarial valuation as of June 30, 2018. This report reported the following results as of June 30, 2018 with respect to the TRF in accordance with GASB 67:

February 2019 GASB 67 Report as of June 30, 2018	
Total Pension Liability	$31,110.9 million
Fiduciary Net Position	17,946.8 million
Net Pension Liability	13,164.1 million
Ratio of Fiduciary Net Position to Total Pension Liability	57.7 %

The GASB 67 report used a discount rate of 8.00%, which was the rate used in the November 2018 actuarial valuation as of June 30, 2018, 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 $10,227.1 million or increase the NPL to $16,637.0 million, respectively.

The Teachers' Retirement Board received from Cavanaugh Macdonald Consulting, LLC a report prepared as of June 30, 2018 and dated February 7, 2019, containing supplemental information to assist the Teachers' Retirement Board in meeting the requirements of GASB 68. This report reported a collective Pension Expense of $1,477.4 million for the fiscal year ending June 30, 2019, respectively.

The audited financial statements for Fiscal Year 2018 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 and April 25, 2018 GASB 68 reports. As those reports were prepared as of June 30, 2017 based on data, assumptions and results of the November 2016 actuarial valuation, they do not reflect data, assumptions and results of the June 2017 revised actuarial valuation, the November 2017 revised actuarial valuation or the November 2018 actuarial valuation.

STATE EMPLOYEES' RETIREMENT FUND/TEACHERS' RETIREMENT FUND SENSITIVITY AND STRESS TEST ANALYSES

The 2017 Budget Act for Fiscal Years 2018 and 2019 requires the Secretary of the Office of Policy and Management to develop and annually report to the Appropriations Committee of the General Assembly sensitivity and stress test analyses for SERS and TRF. The report is to include projections of benefit levels, pension costs, liabilities, and debt reduction under various economic and investment scenarios. The Secretary received from The Pew Charitable Trusts a report, dated November 13, 2018, to meet the legislative reporting requirement (the "2018 Pew Report").

The 2018 Pew Report and the accompanying "Proposed Legislative Stress Report for Connecticut Public Pensions" providing sensitivity analyses of the liability and normal costs for SERS and TRF, are based on the valuation results for SERS and TRF as of June 30, 2016. Both systems have had sensitivity analyses performed in accordance with GASB 68 based on the results of subsequent actuarial valuations, as discussed above. The return of 7.43% is based on the average of the discount rates between the SERS (6.9%) and TRF (8.0%) plans weighted by respective 2017 plan liabilities. Projections are based on a roll-forward model using publicly available actuarial data and assumptions.

The report employs a stress test simulation model that forecasts pension balance sheet, contribution, and cash flow metrics over a 30-year period, using both deterministic and stochastic methods. The report focuses on investment risk (the risk that investments deviate from expected performance), and contribution risk (the risk that contributions fall below the rate required to meet funding objectives).

The report uses two economic scenarios to examine the impact of investment risk on SERS and TRF: (i) a fixed 5% return scenario, under which a fixed 5% return is applied to the model for each year in the forecast period, providing estimates of pension costs to the State should long-term target returns not be met, and (ii) an asset shock scenario, incorporating an initial decline in the stock market of approximately 25% followed by three years of recovery with average annual investment returns of 12% and subsequent years' returns of 5%, modeling the impact of a recession on asset levels and pension costs.

The report uses two behavioral assumptions to examine the impact of contribution risk on SERS and TRF: (i) the State policy assumption, under which the State increases funding to offset losses based on written State policy, and (ii) the revenue constrained assumption, under which contributions are set at a fixed percentage of State revenue, modeling a situation where the State chooses to avoid limiting other State spending to allow for increased pension contributions. The revenue constrained contribution policy scenario projects employer contributions growing at the same rate as own source revenue instead of following the current contribution policy. Own source revenue is projected based on long-term forecasts of the State's gross state product ("GSP") growth, as estimated by Moody's Analytics, and the historical relationship in each state between GSP growth and growth in own source revenue.

The 2018 Pew Report findings include:

- The State budget is exposed to significant spikes in required pension contributions in scenarios where investment returns fall short of expectations. In a 5% investment return scenario, for example, the report estimates that total employer contributions required under State policy would increase from 13% of revenue currently to over 19% by 2028, and potentially reach $10 billion in 2030. This result is driven primarily by the funding requirements of TRF.
- SERS has minimal exposure to solvency risk or fiscal distress under an adverse recession scenario; however, TRF's risk of insolvency is not insignificant if required contributions are not met, but instead are kept constant as a share of the State budget. Recent changes to SERS' assumptions, contribution policy, and plan design protect the plan from insolvency despite a low funded rate of 36%. In contrast, TRF would face declining assets and potential insolvency in an asset shock scenario in which contributions only increased at the same rate as State revenue.
- Recent reforms to SERS demonstrate positive results in managing financial market volatility and mitigating investment risk. The new funding policy for SERS translates into a relatively stable level of required contributions under a range of scenarios. In addition, placing new state employees in a hybrid plan is projected to significantly mitigate risk of higher costs, with estimated savings of $1.0 billion to $2.5 billion over 30 years depending on investment performance.
- Low funded levels of SERS and TRF may result in persistently high pension expense for decades if investments underperform. While the State's current level of contributions helps to diminish the likelihood of fiscal distress as described above, a realistic and achievable plan to reach full funding will still be needed to lower the impact of pension costs on the State budget over time.

INVESTMENT OF PENSION FUNDS

Eleven investment funds serve as the investment medium for both SERF and TRF, as listed below along with the percentage allocation of holdings for the SERF and the TRF as of June 30, 2018 in each of these funds. See also **FINANCIAL PROCEDURES** herein.

TABLE 24

Pension Fund Investment Allocations
As of June 30, 2018

	State Employees' Retirement Fund	Teachers' Retirement Fund
Mutual Equity Fund	22.8%	23.2%
Developed Markets International Stock Fund	20.4	20.4
Emerging Markets International Stock Fund	8.3	8.4
Real Estate Fund	6.3	6.5
Core Fixed Income Fund	9.0	8.0
Inflation Linked Bond Fund	4.9	3.3
Emerging Markets Debt Fund	4.8	5.8
High Yield Debt Fund	5.1	5.4
Liquidity Investment Fund	3.8	5.2
Private Investment Fund	8.1	6.7
Alternative Investment Fund	6.5	7.1
	100.0%	100.0%

SOURCE: Combined Investment Funds 2018 Comprehensive Annual Financial Report.

Investment Returns

Annualized Net Returns on Investment Assets in
Retirement Funds
Periods Ending June 30, 2018

	5 Year	10 Year	15 Year	20 Year	25 Year
SERF	7.89%	6.13%	7.27%	6.09%	7.53%
TRF	7.85%	6.20%	7.31%	6.17%	7.62%

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, 2018, there were approximately 446 active members of these plans and approximately 316 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, 2018, approximately 55,861 State employees were entitled to Social Security coverage. The following table summarizes this treatment.

Category	Covered
Teachers	No
State employees under the SERF	Yes
State employees under other retirement systems hired after 2/21/1958	No
State police hired after 2/21/58 and before 5/8/1984	No
State police hired after 5/8/1984	Yes
Employees under the Connecticut Alternate Retirement Program hired after 7/12/1990	Yes
Employees under the Connecticut Alternate Retirement Program hired before 7/12/1990	Could elect

The amount expended by the State for Social Security coverage for fiscal year ending June 30, 2018 was $298.3 million. Of this amount, $202.3 million was paid from the General Fund and $15.1 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 $214.8 million for Social Security coverage for fiscal year ending June 30, 2019. Of this amount, $199.1 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, 2018, the fair market value of the net assets within the trust totaled $845.6 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. In an effort to control health care costs, the State has established a Health Care Cost Containment Committee, and has implemented or is investigating various structural changes to the SERS health care benefits plans, including but not limited to value-based contracts with prescribers, e-prescribing tools, and contracts with surgical centers of excellence.

August 2016 OPEB Report

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 Expense	$1,435.6 million (Fiscal Year 2016)	The Annual OPEB Expense adjusts the annual required contribution and contribution in relation to the annual required contribution. The Annual OPEB Expense 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 Expense, 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

2017 OPEB Reports

The State received from The Segal Group reports prepared as of June 30, 2017 and dated December 6, 2017 and January 5, 2018 ("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:

2017 OPEB Reports 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 Expense (Fiscal Year 2017)	$1,034.2 million

SUPPLEMENTARY INFORMATION AS OF JULY 25, 2019

In Fiscal Year 2017, the State contributed $667.4 million, 64.0% of the Actuarially Determined Employer Contribution and 64.5% of the Annual OPEB Expense.

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 (In Millions)			
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 (In Millions)			
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

2018 OPEB GASB 75 Report

The State received from The Segal Group a report prepared as of June 30, 2018 and dated October 15, 2018 ("2018 OPEB GASB 75 Report") containing supplemental information to assist the State in meeting the requirements GASB 75 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 2018 OPEB GASB 75 Report indicated the following as of June 30, 2017:

2018 OPEB GASB 75 Report as of June 30, 2017	
Total OPEB Liability	$17,904.9 million
Fiduciary Net Position	$542.3 million
Net OPEB Liability ("NOL")	$17,362.6 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 Expense (Fiscal Year 2018)	$1,223.7 million

The NOL as of June 30, 2017 as reported in the 2018 OPEB GASB 75 Report for GASB 75 purposes differs from that reported in the 2017 OPEB Reports for GASB 74 purpose as the 2018 OPEB GASB 75 Report was based on a valuation as of June 30, 2016, whereas the 2017 OPEB reports were based on a valuation as of June 30, 2015.

The 2018 OPEB GASB 75 Report were based upon the same assumptions, methodologies and plan provisions as used in the 2017 OPEB Reports, other than the following, the net effect of which was to decrease the Net OPEB Liability by $510.8 million:

- The discount rate was updated in accordance with GASB 75 to 3.68% as of June 30, 2017 and 2.96% as of June 30, 2016 (originally the prior actuarial valuation used a discount rate of 5.70% calculated in accordance with GASB Statement No. 45), decreasing the OPEB liability by $1,947.3 million
- Various of the salary scales, total payroll growth rates, mortality rates, disability rates, turnover rates, and actives' retirement rates for SERS, the Alternative Retirement Program, the Hybrid Defined Benefit/Defined Contribution Plan, the Judges, Family Support Magistrates and Compensation Commissioners Retirement System, and the Probate Judges and Employees Retirement System were updated to match the most recent valuations and experience studies completed by the respective plan actuary increasing the OPEB liability by $2,190.6 million
- Per capita health costs, administrative expenses and retiree contributions were updated for recent experience, and future trends on such costs and contributions were adjusted, decreasing the OPEB liability by $754.0 million

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, as set out in the 2018 OPEB GASB 75 Report:

Net OPEB Liability Changes to Health Care Cost Trend Rates (In Millions)			
Health Care Cost Trend Rates	1% Decrease	Current (Medical: 6.5% graded to 4.5% over 4 years; Prescription Drug: 8% graded to 4.5% over 7 years; Dental and Plan B: 4.5% Administrative Expense: 3.0%)	1% Increase
Net OPEB Liability (in millions)	$14,921.0	$17,362.6	$20,455.8

Net OPEB Liability Changes to Discount Rates (In Millions)			
Discount Rate	1% Decrease (2.68%)	Current (3.68%)	1% Increase (4.68%)
Net OPEB Liability (in millions)	$20,152.7	$17,362.6	$15,101.9

2018 OPEB GASB 74 Report

The State received from The Segal Group a report prepared as of June 30, 2018 and dated February 4, 2019 ("2018 OPEB GASB 74 Report") containing supplemental information to assist the State in meeting the requirements 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 2018 OPEB GASB 74 Report indicated the following as of June 30, 2018:

2018 OPEB GASB 74 Report as of June 30, 2018	
Total OPEB Liability	$18,114.3 million
Fiduciary Net Position	$849.9 million
Net OPEB Liability ("NOL")	$17,264.4 million
Ratio of Fiduciary Net Position to Total OPEB Liability	4.69%
Actuarially Determined Employer Contribution (Fiscal Year 2018)	$1,157.1 million

The NOL as of June 30, 2017 as reported in the 2018 OPEB GASB Report for GASB 74 purposes differs from that reported in the 2017 OPEB Reports for GASB 74 purpose as the 2018 OPEB GASB 74 Report was based on a valuation as of June 30, 2016, whereas the 2017 OPEB Reports were based on a valuation as of June 30, 2015.

The 2018 OPEB GASB 74 Report was based upon the same assumptions, methodologies and plan provisions as used in the 2017 OPEB Reports, other than the following, the net effect of which was to increase the Total OPEB Liability by $742.3 million:

- The discount rate was updated in accordance with GASB 74 to from 3.74 % to 3.95% as of June 30, 2018, decreasing the OPEB liability by $532.3 million
- Various of the salary scales, total payroll growth rates, mortality rates, disability rates, turnover rates, and actives' retirement rates for SERS, the Alternative Retirement Program, the Hybrid Defined Benefit/Defined Contribution Plan, the Judges, Family Support Magistrates and Compensation Commissioners Retirement System, and the Probate Judges and Employees Retirement System were updated to match the most recent valuations and experience studies completed by the respective plan actuary, increasing the OPEB liability by $1,967.2 million
- Per capita health costs, administrative expenses and retiree contributions were updated for recent experience, and future trends on such costs and contributions were adjusted, decreasing the OPEB liability by $692.6 million

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, 2018 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, as set out in the 2018 OPEB GASB 74 Report:

Net OPEB Liability Changes to Health Care Cost Trend Rates (In Millions)			
Health Care Cost Trend Rates	1% Decrease	Current (Medical: 6.5% graded to 4.5% over 4 years; Prescription Drug: 8.0% graded to 4.5% over 7 years; Dental and Plan B: 4.5%; Administrative Expense: 3.0%)	1% Increase
Net OPEB Liability (in millions)	$14,705.3	$17,264.4	$20,507.2

Net OPEB Liability Changes to Discount Rates (In Millions)			
Discount Rate	1% Decrease (2.95%)	Current (3.95%)	1% Increase (4.95%)
Net OPEB Liability (in millions)	$20,025.4	$17,264.4	$15,022.3

In Fiscal Year 2018, the State contributed $801.9 million to the Plan, 69.3% of the Actuarially Determined Employer Contribution and 65.5% of the Annual OPEB Expense.

For Fiscal Years 2014 through 2018, the State paid $548.7 million, $598.6 million, $646.0 million, $706.5 million and $701.1 million, respectively, for retirees' health care costs. While not a part of post-employment costs, for Fiscal Years 2014 through 2018, the State paid $614.3 million, $635.1 million, $662.9 million, $644.7 million and $608.5 million, respectively, for General Fund eligible employees' health care costs. For the Fiscal Year 2019, the projected General Fund expenditure for retirees' health care costs is $699.1 million. For Fiscal Years 2017 and 2018, General Fund expenditures on life insurance benefits were $7.7 million and $7.9 million, respectively. For the Fiscal Year 2019, the projected General Fund expenditure on life insurance benefits is $8.2 million.

SUPPLEMENTARY INFORMATION AS OF JULY 25, 2019

The State received from The Segal Group a report prepared as of June 30, 2018 and dated March 13, 2019 ("2019 OPEB GASB 75 Report") containing supplemental information to assist the State in meeting the requirements GASB 75 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. Much of the material provided in the report is based on the data, assumptions and results of the 2018 OPEB GASB 74 Report. The 2019 OPEB GASB 75 Report indicates an Annual OPEB Expense of $1,187.3 million for the fiscal year ending June 30, 2019.

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)

	2014	2015	2016	2017	2018
Retirees Eligible to Receive Benefits	48,844	50,356	51,350	52,916	53,572
Retirees Receiving Health Care Benefits	46,037	47,556	48,089	49,596	50,562
Retirees Receiving Life Insurance Benefits	28,580	29,164	30,064	29,431	29,845
General Fund Appropriations for Retiree Health Care and Life Insurance Benefits (millions)	$557.5[(a)]	$598.6[(b)]	$653.7[(c)]	$649.4[(d)]	$616.4[(e)]

(a) 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.

(b) 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.

(c) 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.

(d) 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.

(e) The $616.4 million appropriated for Fiscal Year 2018 includes a combined appropriation of $7.9 million for active employees and retiree life insurance benefits. Of the $616.4 million appropriation, $608.5 million was expended on retiree health care benefits and $4.8 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 plan available to active teachers. 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. In addition, pursuant to Section 22 of Public Act No. 18-81, effective May 31, 2018, in September 2018 the State made a one-time transfer of $16.1 million from General Fund balances 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 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 health care cost increases, the State's flat funding of its contributions to the Fund at a level less than one-third of the Board's health benefit plan's cost, 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.

To address this concern, the Board implemented an Anthem Blue Cross Medicare Advantage PPO plan as the base plan, effective July 1, 2018. The Anthem plan replaces the existing Stirling Benefits Medicare/supplemental benefits plan as the base benefit program for the purposes of determining retiree health care plan subsidies and/or cost sharing amounts, with the Stirling Benefits plan continuing as an optional benefit plan. Members opting to remain in the Stirling Benefits plan are required to pay the full excess cost of the plan. The Teachers' Retirement Board also introduced a two year waiting period for re-enrollment in a system-sponsored health care plan for those who cancel their coverage or choose not to enroll in a health care coverage option on or after the July 1, 2018 effective date. 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. During the period commencing July 1, 1994 and prior to the July 1, 2018 effective date of the changes to the Board's health care plan described above, retiree health benefits sponsored through the Teachers' Retirement Board were self-insured.

November 2016 Actuarial Valuation

The Teachers' Retirement Board received from Cavanaugh Macdonald Consulting, LLC an actuarial report prepared as of June 30, 2016 and dated November 1, 2016 ("November 2016 TRHIF Report") 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 indicated the following as of June 30, 2016:

November 2016 Actuarial Valuation as of June 30, 2016	
Actuarial Accrued Liability	$2,997.5 million
Actuarial Value of Assets	$0.0 million
Unfunded Actuarial Liability	$2,997.5 million
Ratio of Actuarial Value of Assets to Unfunded Actuarial Liability	0.0%
Actuarially Determined Employer Contribution (Fiscal Year 2017)	$166.8 million
Annual Employer Contribution as a Percentage of Payroll	4.09%

The November 2016 TRHIF Report was based upon the following assumptions and methodologies, among others:

- An expected long-term rate of return on Plan assets of 4.25%
- Payroll growth rate of 3.25%
- An individual entry-age actuarial cost method
- Level percent-of-payroll contributions over a 30-year amortization period

- Projected salary increases of 3.25% to 6.5%
- Claims and contributions trend rates of 7.25% to 5.0%

November 2017 GASB 74 and GASB 75 Reports

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 TRHIF Report. This report reported the following results as of June 30, 2017 with respect to the TRHIF 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 (In Millions)			
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 (In Millions)			
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

The Teachers' Retirement Board received from Cavanaugh Macdonald Consulting, LLC a report prepared as of June 30, 2017 and dated November 27, 2018 containing supplemental information to assist the Board in meeting the requirements of GASB 75 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 TRHIF Report. The report indicates a collective OPEB Expense of $161.1 million for the fiscal year ending June 30, 2017.

February 2019 Valuation Report

The Teachers' Retirement Board received from Cavanaugh Macdonald Consulting, LLC a, actuarial report prepared as of June 30, 2018 and dated February 12, 2019 ("February 2019 TRHIF Report") 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 also contained supplemental information to assist the Board in meeting the requirements of GASB 74 with respect to the Teachers' Retirement Health Insurance Fund. The report indicated the following as of June 30, 2018:

February 2019 Actuarial Valuation as of June 30, 2018	
Actuarial Accrued Liability	$3,093.8 million
Actuarial Value of Assets	$39.7 million
Unfunded Actuarial Liability	$3,054.1 million
Ratio of Actuarial Value of Assets to Unfunded Actuarial Liability	1.28%
Actuarially Determined Employer Contribution (Fiscal Year 2019)	$167.8 million
Actuarially Determined Employer Contribution (Fiscal Year 2020)	$173.3 million
Annual Employer Contribution as a Percentage of Payroll	4.187%
Total OPEB Liability	$2,671.3 million
Fiduciary Net Position	$39.7 million
Net OPEB Liability ("NOL")	$2,631.6 million
Ratio of Fiduciary Net Position to Total OPEB Liability	1.49 %

The February 2019 TRHIF Report was based upon the same assumptions, methodologies and plan provisions as used in the November 2016 TRHIF Report, other than the following, the aggregate effect of which changes included a reduction in the Plan's Total OPEB Liability and Service Cost (the normal cost under the Entry Age Normal actuarial cost method) measured as of June 30, 2018:

- The incorporation of the changes made to the Plan by the Teachers' Retirement Board, effective July 1, 2018
- A change in the expected long-term rate of return on Plan assets to from 4.25% as of June 30, 2017 to 3.0% as of June 30, 2018
- A change in the discount rate for Plan accounting purposes of 3.56% as of June 30, 2017 to 3.87% as of June 30, 2018
- Updates to the expected annual per capita claims costs to better reflect anticipated medical and prescription drug claim experience both before and after the Plan change that became effective on July 1, 2018
- Updates to the assumed age related annual percentage increases in expected annual per capita health care claim costs to better reflect the expected differences between the Medicare Supplement and Medicare Advantage Plan amounts as part of the plan change that became effective on July 1, 2018

- Updates to the long-term health care cost trend rates to better reflect the anticipated impact of changes in medical inflation, utilization, leverage in the plan design, improvements in technology, and fees and charges on expected claims and retiree contributions in future periods
- Updates to the percentage of retired members who are not currently participating in the Plan, but are expected to elect coverage for themselves and their spouses under a System-sponsored health care plan option in the future, to better reflect anticipated plan experience
- Updates to the percentages of participating retirees who are expected to enroll in the Medicare Supplement Plan and the Medicare Advantage Plan options, as well as the portion who are expected to migrate to the Medicare Advantage Plan over the next several years, to better reflect anticipated plan experience after the plan change that became effective on July 1, 2018
- Updates to the post-disablement mortality table to extend the period of projected mortality improvements from 2017 to 2020 to better reflect anticipated post-disablement plan experience
- Updates to the percentages of deferred vested members who will become ineligible for future health care benefits because they are expected to withdraw their contributions from the System to better reflect anticipated plan experience

The February 2019 TRHIF Report also reported 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, 2018 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, as set forth in the following table:

Net OPEB Liability Changes to Health Care Cost Trend Rates (In Millions)			
Health Care Cost Trend Rates	1% Decrease (4.95% / 4.00% Initial; 3.75% Ultimate)	Current (5.95% / 5.00% Initial; 4.75% Ultimate)	1% Increase (6.95% / 6.00% Initial; 5.75% Ultimate)
Net OPEB Liability (in millions)	$2,205.3	$2,631.6	$3,197.4

Net OPEB Liability Changes to Discount Rates (In Millions)			
Discount Rate	1% Decrease (2.87%)	Current (3.87%)	1% Increase (4.87%)
Net OPEB Liability (in millions)	$3,124.8	$2,631.6	$2,237.9

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, the expenditures from the Fund, and the reported fund balance of the Fund as of June 30.

SUPPLEMENTARY INFORMATION AS OF JULY 25, 2019

TABLE 26

Teachers' Retirement Health Insurance Fund
(In Thousands)

	Fiscal Year				
	2014	**2015**	**2016**	**2017**	**2018**
General Fund Contribution Attributable To Post Retirement Medicare Supplement Health Insurance	$ 20,793.6[(a)]	$ 19,698.1[(b)]	$ 14,566.8	$ 14,566.8	$ 14,554.5
General Fund Contribution Attributable To Non-Board Health Insurance Cost Subsidy	5,198.9	5,447.3	5,392.8	5,355.1	4,644.7
Total General Fund Contributions	$ 25,992.5	$ 25,145.4	$ 19,959.6	$ 19,922.0	$ 19,199.2
Teacher Contributions (Active and Retired)	86,225.0	85,566.4	92,135.4	95,690.6	101,590.1
Investment Income	12,753.0	109.1	220.1	369.0	461.6
Total Receipts	$ 124,970.5	$ 110,820.9	$ 112,315.1	$ 115,981.6	$ 121,250.9
Fund Expenditures	($105,325.5)	($124,992.1)[(c)]	$(129,654.3)	$(133,159.6)	$(147,205.0)
Fund Balance as of June 30	$ 109,532.4[(c)]	$ 95,361.2	$ 78,022.0	$ 60,844.4	$ 34,890.3

(a) Includes correcting adjustment as to prior General Fund expenditures; does not reflect actual activity.
(b) A fifteen year audit of the fund 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.
(c) Includes correcting adjustment as to prior fund expenditures; does not reflect actual activity.

Additional Information

The audited financial statements for Fiscal Year 2018 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 20, 2019 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.

SUPPLEMENTARY INFORMATION AS OF JULY 25, 2019

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 governed 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 the terms of the 2016 stipulation through June of 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 stipulation until the outcome of a full hearing on the State's compliance with the Supreme Court decision. The case remains pending and no subsequent hearing date has been set; however, the parties presently are engaged in settlement negotiations.

SUPPLEMENTARY INFORMATION AS OF JULY 25, 2019

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 OPM alleging that they were laid off in violation of their constitutional rights. The parties have reached a settlement that provides for cash payments estimated at approximately $44 million payable over several fiscal years, and additional pension adjustments, vacation and personal time accruals. The overall value of the settlement is estimated at $100 million to $125 million. The parties are still 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.

SUPPLEMENTARY INFORMATION AS OF JULY 25, 2019

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 the Department 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 further 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 Tribal Nation whole. In December 2017, the trial court dismissed the plaintiff's takings claim as to reservation lands because the plaintiff lacked a property interest in those lands, but ordered supplemental briefing on the remainder of plaintiff's claims. In May 2019, the trial court dismissed the remainder of the plaintiff's claims. The plaintiff has moved for clarification of the court's ruling, and it is anticipated that the plaintiff will appeal.

SUPPLEMENTARY INFORMATION AS OF JULY 25, 2019

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 asked the Court to declare the Alternative Choice Statutes unconstitutional and to enjoin their enforcement. The State filed a motion to dismiss the action, which the court granted as to all claims. The plaintiffs did not appeal the dismissal.

D.J. v. Conn. State Board of Education 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 measures 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.

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. The plaintiffs are appealing the granting of the State's motion for summary judgement.

OTHER MATTERS

The information in this section contains information through February 20, 2019 except as may otherwise be set forth below.

SUPPLEMENTARY INFORMATION AS OF JULY 25, 2019

Hospital Tax Dispute. 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 additional litigation. On September 22, 2016, DSS and DRS issued a ruling that rejected the assertions of the petitioning hospitals. The petitioning hospitals subsequently appealed the Departments' ruling to the Superior Court. That administrative appeal is pending in the Superior Court. 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; however, in June 2019, the parties publically announced tentative agreement on the resolution of this dispute. A special session of the legislature is anticipated in September 2019 to enact legislation codifying the terms of this tentative agreement.

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GOVERNMENTAL ORGANIZATION AND SERVICES

Introduction

The components and structure of State governmental organization are laid out in the State's Constitution and the General Statutes of Connecticut. A number of State-wide and regional authorities and similar bodies are also created or provided for in the General Statutes or by Special Act of the General Assembly. County government was functionally abolished in Connecticut in 1960. Local governmental functions are generally performed by the 169 cities and towns, or by special purpose authorities, districts and similar bodies located within the cities and towns. A number of regional bodies exist to perform governmental functions that would otherwise be performed at the local level. Most of the State's 169 cities and towns were established or incorporated during the 18th and 19th centuries, and many are still governed under charters enacted by the General Assembly by Special Act. The State's Constitution grants home rule powers to cities and towns, within certain limitations. A large number of smaller municipalities lack charters, and the components and structure of these municipalities are determined directly by the General Statutes. The General Statutes also contain a variety of provisions pertaining to the organization and operation of all units of local government, including both those with charters and those without. In addition to the 169 cities and towns that are the basic units of local government in Connecticut, the General Statutes provide procedures for the creation of many types of local special purpose authorities, districts and similar bodies. These include, among others, local housing authorities, regional school districts, and a variety of special tax and service districts.

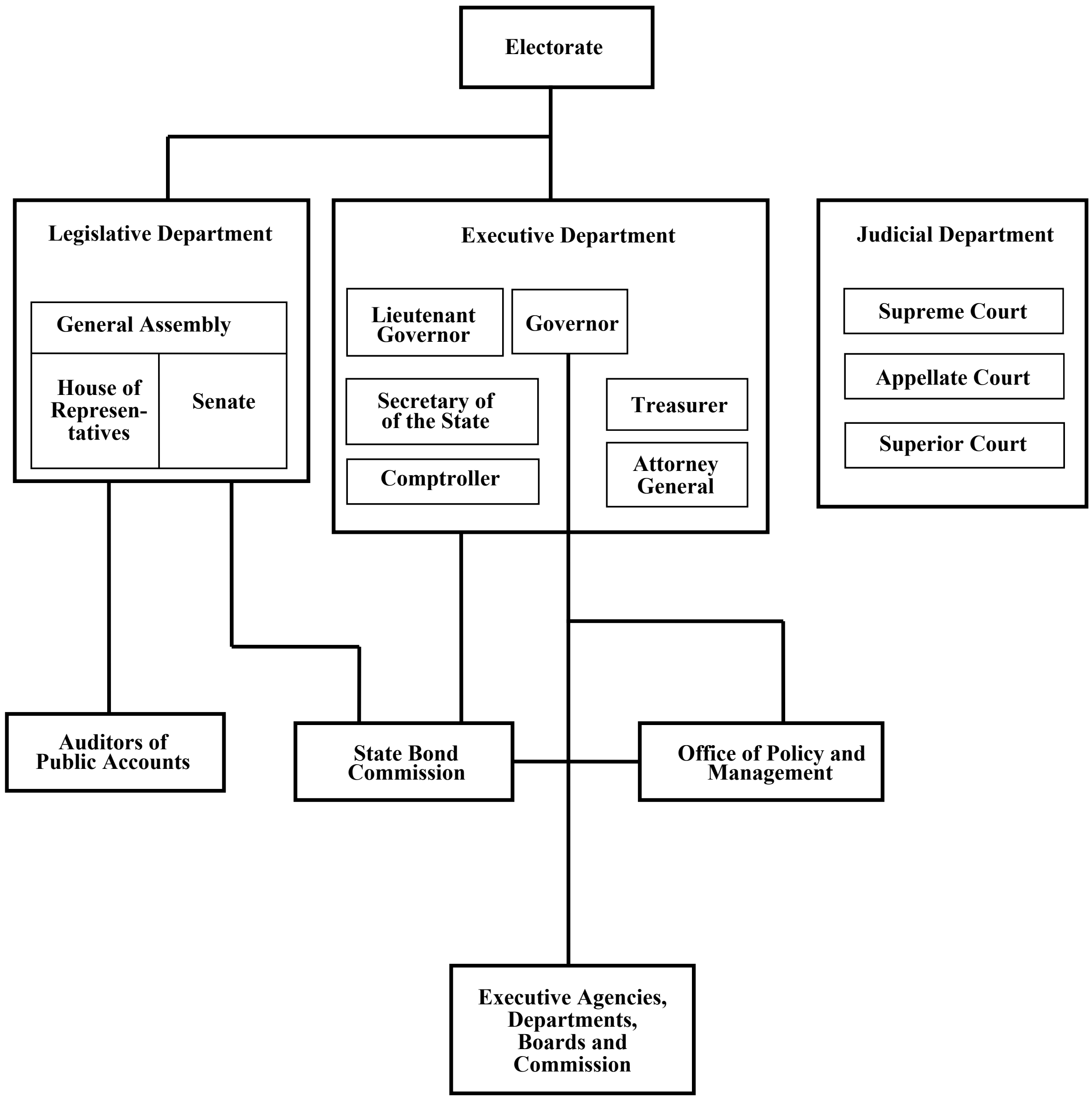
Under Connecticut law, all municipal governmental bodies have only the powers specifically granted to them by the State and the ancillary powers that are necessarily implied by powers explicitly granted. Municipalities which have the power to tax and to issue debt are explicitly denied the power by statute to file petitions to become debtors under Chapter Nine of Title 11 of the Federal Bankruptcy Code without the prior written consent of the Governor.

State Government Organization

Under the State Constitution, the legislative, executive and judicial functions and powers of State government are divided among three distinct branches referred to in the Constitution as "departments": the legislative department, the executive department and the judicial department. The following table shows the structure of the three departments.

TABLE A-1

Structure of State Government



Legislative Department. Legislative power is vested in the General Assembly, composed of the Senate and House of Representatives. Currently the Senate consists of 36 members, each representing a single senatorial district, and the House of Representatives consists of 151 members, each representing a single assembly district. Both the number of members and the boundaries of the legislative districts may vary in accordance with the requirements of the State's Constitution. The General Assembly is assisted by a full-time staff. General Assembly employees are included under the legislative function in **Tables A-2** and **A-3** below.

General Assembly members are elected biennially at the general election in November in even numbered years and take office in the January following their election. Elections for the General Assembly were held in November 2018, and the new members took office in January 2019.

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 quasi-public agency funds or any actual or contemplated breakdown in the safeguarding of any resources of the State or a quasi-public agency promptly upon discovery to the Governor, the State Comptroller, the Attorney General and appropriate legislative agencies. The Auditors may give an agency a reasonable amount of time to conduct an investigation in certain circumstances prior the Auditors reporting the matter to such officials. 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 2018 for terms beginning in January 2019. 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 154 sitting judges as of January 1, 2019, 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)]	2014	2015	2016	2017	2018
Legislative	706	721	693	557	535
General Government	3,072	3,092	2,995	2,849	2,690
Regulation and Protection	4,349	4,345	4,201	4,075	3,793
Conservation and Development	1,381	1,397	1,365	1,491	1,289
Health and Hospitals	6,979	6,977	6,807	5,906	5,917
Transportation	3,885	4,008	4,258	4,638	4,380
Human Services	1,824	1,915	1,834	1,677	2,025
Education	16,689	17,272	17,311	17,232	16,445
Corrections	8,813	8,826	8,695	8,248	8,187
Judicial	4,555	4,543	4,490	4,068	3,862
Total	52,253	53,096	52,649	50,741	49,123

(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 July 1, 2018[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	535					535
General Government	2,438		6	107	139	2,690
Regulation and Protection	1,975	629	382	549	258	3,793
Conservation and Development	749	30	114	54	342	1,289
Health and Hospitals	5,531		20		366	5,917
Transportation		2,906		596	878	4,380
Human Services	1,709		6		310	2,025
Education	5,061			11,186	198	16,445
Corrections	8,088			81	18	8,187
Judicial	3,788		18	21	35	3,862
Total	29,874	3,565	546	12,594	2,544	49,123

(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)	5.71%	Contract in place through 6/30/2021
Administrative Clerical (NP-3)	5.71	Contract in place through 6/30/2021
American Federation of School Administrators	0.11	Contract in place through 6/30/2021
Assistant Attorneys General	0.39	Pending legislative approval
Board for State Academic Awards	0.12	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	0.02	Contract in place through 6/30/2021
Community College Faculty – AFT	0.36	Contract in place through 6/30/2021
Community College Faculty – CCCC	1.25	Contract in place through 6/30/2021
Connecticut Association of Prosecutors	0.44	Contract in place through 6/30/2021
Correctional Officers (NP-4)	8.89	Contract in place through 6/30/2021
Correctional Supervisor (NP-8)	1.09	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	0.33	Contract in place through 6/30/2021
DPDS Supervising Attorneys - AFSCME	0.04	Contract in place through 6/30/2021
Education Administrative (P-3A)	0.41	Contract in place through 6/30/2021
Education Technical (P-3B)	0.94	Contract in place through 6/30/2021
Engineering, Scientific and Technical (P-4)	4.78	Contract in place through 6/30/2021
Health Care Unit-Non-Professional (NP-6)	5.24	Contract in place through 6/30/2021
Health Care Unit-Professional (P-1)	5.88	Contract in place through 6/30/2021
Higher Education – Professional Employees	0.04	Contract in place through 6/30/2021
Judicial - Judicial Marshals	1.26	Contract in place through 6/30/2021
Judicial – Law Clerks	0.11	Contract in place through 6/30/2021
Judicial – Non-Professional	2.63	Contract in place through 6/30/2021
Judicial – Professional	2.86	Contract in place through 6/30/2021
Judicial - Supervising Judicial Marshals	0.11	Contract in place through 6/30/2021
Protective Services (NP-5)	1.63	Contract in place through 6/30/2021
Service/Maintenance (NP-2)	7.19	Contract in place through 6/30/2021
Social and Human Services (P-2)	7.88	Contract in place through 6/30/2021
State Vocational Federation of Teachers	2.35	Contract in place through 6/30/2021
State Police (NP-1)	1.89	Contract in negotiation
State Police Lieutenants and Captains (NP-9)	0.07	Contract in place through 6/30/2021
State University-Faculty	2.92	Contract in place through 6/30/2021
State University- Non-Faculty Professional	1.63	Contract in place through 6/30/2021
UCHC – Faculty	0.80	Contract in place through 6/30/2021
UCHC University Health Professionals	3.91	Contract in place through 6/30/2021
UConn – Faculty	3.58	Contract in place through 6/30/2021
UConn Graduate Employees	2.88	Contract in place through 6/30/2021
UConn – Law School Faculty	0.10	Contract in place through 6/30/2021
UConn - Non-Faculty	3 .69	Contract in place through 6/30/2021
Total Covered by Collective Bargaining	91.19%	
Not Covered by Collective Bargaining		
Auditors of Public Accounts	0.22%	Not Applicable
Other Employees	8.59%	Not Applicable
Total Not Covered by Collective Bargaining[(c)]	8.81%	
Total Full-Time Work Force	100.00%	

(a) Percentage expressed reflects approximately 48,901 filled full-time positions as of February 1, 2019.

(b) With the exception of the State Police and Assistant Attorney General bargaining units, all collective bargaining contracts expire on June 30, 2021. Additional groups of employees have made application for certification and are in negotiation.

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)]

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

Corrections
Department of Corrections
Department of Children and Families

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

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

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

Human Services
Department of Social Services
Department of Rehabilitation Services

Judicial
Judicial Department
Public Defender Services Commission

Legislative
Legislative Management
Auditors of Public Accounts
Commission on Women, Children and Seniors
Commission on Equity and Opportunity

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

Transportation
Department of Transportation

(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, 2018.

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 Disaster Recovery Framework and the State Natural Hazard Mitigation Plan, which includes consideration of how climate change is and will continue to affect the frequency, intensity, and distribution of specific hazards. 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, including a State Cyber Security Strategy and Action Plan, Cyber Incident Response Plan, and Cyber Disruption Response Plan, which is an annex to the State Response Framework. DESPP also operates the State's fusion center – the Connecticut Intelligence Center – which is a multi-agency, multi-jurisdictional entity which collects, analyzes and disseminates intelligence information to law enforcement and other groups as appropriate — as well as the CT State Police Cyber Crimes Investigative Unit. 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.

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 0.3% from 2009 to 2018 versus 3.1% in New England and 6.6% for the nation. The mid-2018 population in Connecticut was estimated at 3,572,665, a 0.0% change from a year ago, compared to increases of 0.3% and 0.6% for New England and the United States, respectively. From 2009 to 2018, within New England, Massachusetts (5.9%), New Hampshire (3.1%) and Maine (0.7%) experienced growth higher than Connecticut (0.3%); while Rhode Island (0.3%) and Vermont (0.2%) all experienced lower growth.

TABLE B-1

Population
(In Thousands)

	Connecticut		New England		United States	
Calendar Year	Total	% Change	Total	% Change	Total	% Change
1940 Census	1,709		8,437		132,165	
1950 Census	2,007	17.4%	9,314	10.4%	151,326	14.5%
1960 Census	2,535	26.3	10,509	12.8	179,323	18.5
1970 Census	3,032	19.6	11,847	12.7	203,302	13.4
1980 Census	3,108	2.5	12,349	4.2	226,542	11.4
1990 Census	3,287	5.8	13,207	6.9	248,710	9.8
2000 Census	3,406	3.6	13,923	5.4	281,422	13.2
2010 Census	3,574	4.9	14,445	3.7	308,746	9.7
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….	3,588	0.4	14,530	0.6	311,580	0.9
2012….	3,594	0.2	14,590	0.4	313,874	0.7
2013….	3,595	0.0	14,645	0.4	316,058	0.7
2014….	3,595	(0.0)	14,704	0.4	318,386	0.7
2015….	3,588	(0.2)	14,730	0.2	320,743	0.7
2016….	3,579	(0.2)	14,759	0.2	323,071	0.7
2017….	3,574	(0.1)	14,803	0.3	325,147	0.6
2018….	3,573	(0.0)	14,853	0.3	327,167	0.6

Note: 1940-2010, April 1 Census. Figures are for census comparison purposes.
2009-2018 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 2018 population density of 737 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.

Education. In 2017 Connecticut ranked 5th in the nation with 38.7% 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 2018 Fortune 500: United Technologies, Aetna, Cigna, Hartford Financial Services, Praxair, Stanley Black & Decker, Emcor Group, Charter Communications, Synchrony Financial, XPO Logistics, Booking Holdings, Xerox, Frontier, Eversource Energy, W.R. Berkley, Amphenol and United Rentals. 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".

<u>SUPPLEMENTARY INFORMATION AS OF JULY 25, 2019</u>

United Technologies Corporation announced its intention to merge with Raytheon Co. in 2020 with the merged company headquartered in Massachusetts. The merger is subject to an approval by government regulators. The Governor released a statement that it is expected that nearly all of United Technologies Corporation's 19,000 employees will remain in Connecticut, with approximately 100 moving to the new headquarters. There is no assurance that the merger will occur or that the expected number of jobs will either remain or move from the State.

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 more than 100 commercial flights every day to 31 non-stop destinations and is served by virtually all the major passenger and cargo air carriers. These flights serve nearly 6.7 million customers annually. It is accessible from all areas of the State and western Massachusetts via the highway network and public transportation system.

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), Shore Line East and Hartford Line serve approximately 42 million passengers each year. State-funded, contracted public bus and paratransit transportation programs provide approximately 42 million passenger trips a year on urban transit, commuter express bus, rural transit, and Americans with Disabilities Act paratransit services. The overall program includes State-funded CT*transit* bus services in 8 urbanized areas and CT*fastrak* bus rapid transit services in the greater Hartford area, as well as urban and rural transit and paratransit services provided by 13 independent, locally-governed and operated 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 112 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 2016, the latest available data, ranking it the 2nd most efficient state among the 50 states and 45.0% less than the national average of 5.8 thousand BTU. When compared to the national per person average, Connecticut residents use a moderate amount of energy. Connecticut consumed 202 million BTU of energy per person in 2016, ranking it 47th among the 50 states and 33.0% 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 2017, per capita personal income in Connecticut equaled $72,109, 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 2016 indicates that if they were states, four 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 2008 to 2017 and compares Connecticut per capita personal income as a percentage of both New England and the United States.

TABLE B-2

Connecticut Personal Income by Place of Residence

Calendar Year	Connecticut Total (Millions of Dollars)	Connecticut Per Capita (Dollars)	Connecticut Per Capita as Percent of New England	Connecticut Per Capita as Percent of United States
2008	$217,023	$61,177	120.0%	149.9%
2009	213,687	59,959	119.6	152.9
2010	222,632	62,195	119.3	153.7
2011	229,055	63,827	118.0	149.6
2012	233,699	65,023	116.5	146.0
2013	229,252	63,772	114.9	142.5
2014	239,857	66,749	115.2	142.1
2015	246,012	68,598	113.2	140.4
2016	249,513	69,729	112.5	140.1
2017	257,714	72,109	112.1	139.8

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)
2008	5.9%	4.2%	3.6%	2.8%	1.2%	0.6%
2009	(1.5)	(1.2)	(3.1)	(1.2)	(0.9)	(3.0)
2010	4.2	4.4	4.1	3.2	3.0	2.3
2011	2.9	4.2	6.2	0.8	1.9	3.6
2012	2.0	3.6	5.1	(0.1)	1.9	3.2
2013	(1.9)	(0.1)	1.2	(2.6)	(1.3)	(0.1)
2014	4.6	4.7	5.7	2.9	2.7	4.2
2015	2.6	4.8	4.9	2.3	4.6	4.6
2016	1.4	2.5	2.6	0.5	1.4	1.5
2017	3.3	4.0	4.4	1.6	2.2	2.6

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 2017.

TABLE B-4

Sources of Personal Income By Place of Residence
Calendar Year 2017
(In Millions)

	Conn.	Percent of Total	U.S.	Percent of Total
Wages in Non-manufacturing	$114,842	44.6%	$7,607,400	45.2%
Property Income (Div., Rents & Int.)	57,328	22.2	3,361,800	20.0
Wages in Manufacturing	14,695	5.7	846,400	5.0
Transfer Payments less Social Insurance Paid	13,982	5.4	1,561,100	9.3
Other Labor Income	28,901	11.2	1,953,300	11.6
Proprietor's Income	27,965	10.9	1,500,900	8.9
Personal Income — Total	$257,714	100.0%	$16,830,900	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 2017, the State produced $264.5 billion worth of goods and services and $238.9 billion worth of goods and services in 2012 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
2008	240,911	1.4%	813,172	1.7%	14,712,845	1.8%
2009	236,393	(1.9)	813,921	0.1	14,448,933	(1.8)
2010	237,653	0.5	839,958	3.2	14,992,052	3.8
2011	236,524	(0.5)	857,725	2.1	15,542,582	3.7
2012	243,801	3.1	889,223	3.7	16,197,007	4.2
2013	246,632	1.2	907,187	2.0	16,784,851	3.6
2014	248,954	0.9	934,940	3.1	17,521,747	4.4
2015	259,776	4.3	983,518	5.2	18,219,297	4.0
2016	263,240	1.3	1,010,082	2.7	18,707,189	2.7
2017	264,510	0.5	1,042,692	3.2	19,485,394	4.2

(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 2012 chained dollars.

TABLE B-6

Gross State Product
(In Millions of 2012 Chained Dollars*)

	Connecticut		New England		United States	
Calendar Year	$	Percent Growth	$	Percent Growth	$	Percent Growth
2008	259,722	(0.5)%	869,100	0.2%	14,712,845	1.8%
2009	248,041	(4.5)	850,817	(2.1)	14,448,933	(1.8)
2010	247,461	(0.2)	871,834	2.5	14,992,052	3.8
2011	242,020	(2.2)	876,672	0.6	15,542,582	3.7
2012	243,801	0.7	889,223	1.4	16,197,007	4.2
2013	241,081	(1.1)	887,834	(0.2)	16,784,851	3.6
2014	237,558	(1.5)	894,624	0.8	17,521,747	4.4
2015	241,987	(1.9)	918,515	2.7	18,219,297	4.0
2016	241,682	(0.1)	928,768	1.1	18,707,189	2.7
2017	238,943	(1.1)	942,137	1.4	19,485,394	4.2

* 2012 chained dollar series are calculated as the product of the chain-type quantity index and the 2012 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 2017 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 76.9% of total production in Connecticut compared to 78.3% in 2010 and 74.1% for the nation in 2017. 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 12.2% in 2010 to 10.8% in 2017 caused by increased competition with foreign countries and other states. The broadly defined services in the private sector, which excludes industries in agriculture and construction, wholesale and retail trades, but includes industries in information, professional and technical services, health care and education, FIRE, and other services, have increased to 60.8% of the total GSP in 2017 from 60.4% in 2010. The broadly defined services in the private sector increased by 12.1% from 2010 to 2017 compared to 13.6% 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	2010	2011	2012	2013	2014	2015	2016	2017
Sector								
Manufacturing	$ 29,112	$ 28,353	$ 28,980	$ 30,232	$ 29,205	$ 29,856	$ 27,676	$28,436
Construction[(a)]	6,641	6,520	6,786	6,809	7,051	7,637	8,109	8,244
Agriculture[(b)]	375	376	409	427	354	378	318	318
Utilities[(c)]	8,237	8,074	8,630	8,789	9,381	9,568	8,927	8,409
Wholesale Trade	14,374	14,848	16,060	16,506	16,858	17,738	17,496	17,627
Retail Trade	11,353	11,730	12,464	12,706	12,924	13,229	13,224	13,284
Information	10,527	10,414	10,056	11,576	11,542	13,053	13,622	13,197
Finance[(d)]	72,464	69,960	70,261	68,002	66,964	70,774	74,535	73,479
Services[(e)]	60,538	61,953	65,904	66,536	68,907	70,648	72,381	74,206
Government	24,033	24,297	24,250	25,049	25,768	26,894	26,951	27,309
Total GSP	$237,653	$236,524	$243,801	$246,632	$248,954	$259,776	$263,240	$264,510

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 2008 and 2017. Connecticut's nonagricultural employment reached a high in March 2008 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 1,705,500 by December 2018.

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
2008	1,699.1	0.0%	7,071.5	0.0%	137,241.7	(0.5)%
2009	1,626.3	(4.3)	6,817.1	(3.6)	131,305.8	(4.3)
2010	1,607.9	(1.1)	6,802.7	(0.2)	130,353.6	(0.7)
2011	1,624.3	1.0	6,866.5	0.9	131,938.8	1.2
2012	1,637.7	0.8	6,949.9	1.2	134,173.7	1.7
2013	1,650.1	0.8	7,033.9	1.2	136,373.7	1.6
2014	1,661.1	0.7	7,131.8	1.4	138,941.0	1.9
2015	1,673.9	0.8	7,236.4	1.5	141,826.3	2.1
2016	1,679.3	0.3	7,333.8	1.3	144,347.9	1.8
2017	1,681.6	0.1	7,398.0	0.9	146,610.8	1.6

(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 2017. 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 2017
(In Thousands)

	Connecticut Total	Connecticut Percent	United States Total	United States Percent
Services[a]	773.3	46.0%	65,515.8	44.7%
Trade[b]	298.0	17.7	27,401.0	18.7
Manufacturing	159.4	9.5	12,439.1	8.5
Government	232.5	13.8	22,351.4	15.2
Finance[c]	128.0	7.6	8,450.0	5.8
Information[d]	31.5	1.9	2,812.4	1.9
Construction[e]	58.9	3.5	7,641.1	5.2
Total[f]	1,681.6	100.0%	146,610.8	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 2017, approximately 90.5% 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)]
2008	184.4	305.7	706.9	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	240.6	130.6	32.0	54.0	1,650.1
2014	157.2	295.7	751.3	240.1	128.8	32.0	56.0	1,661.1
2015	157.0	297.1	760.0	239.0	130.1	32.4	58.5	1,673.9
2016	156.6	298.3	766.8	236.1	129.5	32.3	59.8	1,679.3
2017	159.4	298.0	773.3	232.5	128.0	31.5	58.9	1,681.6

(a) Includes wholesale and retail trade, transportation, and utilities.
(b) Covers a considerable variety of activities, including professional, business, education, health care and personal services.
(c) Includes finance, insurance, and real estate.
(d) Includes publishing, broadcasting, telecommunications, internet providers, and data processing.
(e) Includes natural resources and mining.
(f) Totals may not equal sum of individual categories due to rounding and seasonal statistical adjustments.

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

Manufacturing

The manufacturing industry, despite its continuing downward employment trend over the past five decades, has traditionally served as an economic base industry and has been of prime economic importance to Connecticut. Based on the level of personal income derived from this sector, Connecticut ranked 20th in the nation for its dependency on manufacturing wages in calendar year 2017. 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 2017 approximately 9.5% of the State's workforce, versus 8.5% 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
2008	184.4	(1.8)%	687.8	(2.5)%	13,403.4	(3.4)%
2009	168.4	(8.7)	619.9	(9.9)	11,847.8	(11.6)
2010	162.8	(3.3)	602.4	(2.8)	11,528.7	(2.7)
2011	163.4	0.3	603.3	0.2	11,727.1	1.7
2012	161.8	(0.9)	601.2	(0.4)	11,927.0	1.7
2013	160.2	(1.0)	598.2	(0.5)	12,019.2	0.8
2014	157.2	(1.9)	594.9	(0.5)	12,184.6	1.4
2015	157.0	(0.2)	595.7	0.1	12,335.7	1.2
2016	156.6	(0.2)	591.7	(0.7)	12,352.7	0.1
2017	159.4	1.8	594.1	0.4	12,439.1	0.7

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 2017.

TABLE B-12

Manufacturing Employment
By Industry
(In Thousands)

Calendar Year	Transportation Equipment	Fabricated Metals	Computer & Electronics	Machinery	Other[(a)]	Total Manufacturing Employment [(b)]
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	157.0
2016	41.7	29.2	11.7	13.6	60.4	156.6
2017	44.0	29.4	11.4	13.4	61.2	159.4

(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 2008 at 184,400 workers. Since that year, employment in manufacturing continued on a downward trend until 2017. 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 156,600 in 2016, before rising again in 2017 to 159,400. The total number of manufacturing jobs dropped 25,000, or 13.5%, from its decade high in 2008.

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 $14.8 billion in 2017, accounting for 5.7% of Gross State Product. From 2013 to 2017, the State's export of goods fell at a compound annual rate of 2.6% versus 2.0% 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 2017 Total	Compound Annual Growth Rate 2013-2017
	2013	**2014**	**2015**	**2016**	**2017**		
A. Manufacturing Products							
Transportation Equipment	8,004.8	7,318.6	7,012.6	6,217.3	6,062.8	41.0%	(6.7)%
Computer & Electronics	1,237.0	1,270.6	1,191.0	1,109.0	1,131.2	7.7	(2.2)
Machinery, Except Electronics	1,758.8	2,072.8	1,666.6	1,770.4	1,945.3	13.2	2.6
Fabricated Metal Production	720.2	733.6	706.7	789.0	828.9	5.6	3.6
Chemicals	992.6	971.0	1,039.5	864.7	955.0	6.5	(1.0)
Misc. Manufacturing	307.8	330.7	326.2	327.3	312.6	2.1	0.4
Electrical Equipment	900.1	1,002.9	1,032.9	958.7	982.0	6.6	2.2
Plastics & Rubber	239.8	233.5	230.3	224.9	269.8	1.8	3.0
Paper	141.1	142.7	131.2	137.0	152.3	1.0	1.9
Primary Metal Mfg.	648.2	637.8	675.6	505.1	410.4	2.8	(10.8)
Others	1,476.3	1,248.6	1,229.7	1,490.8	1,733.5	11.7	4.1
Total	16,426.7	15,962.8	15,242.4	14,394.2	14,783.7	100.0%	(2.6)%
% Growth	3.5%	(2.8)%	(4.5)%	(5.6)%	2.7%	-	-
B. Gross State Product[(a)]	246,632.0	248,954.0	259,776.0	263,240.0	264,510.0	-	1.8%
Mfg Exports as a % of GSP	6.7%	6.4%	5.9%	5.5%	5.6%		

(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 2017 Connecticut received $11.6 billion of prime contract awards. These total awards accounted for 3.9% of national total awards and ranked 7th in total defense dollars awarded and 2nd in per capita dollars awarded among the 50 states. In federal Fiscal Year 2017, Connecticut had $3,230 in per capita defense awards, compared to the national average of $922. As measured by a three year moving average of defense contract awards as a percent of Gross State Product, awards to Connecticut-based firms were 4.7% of Gross State Product in Fiscal Year 2017.

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.
2008	$12,225,659	9th	41.9%	18.8%
2009	11,851,941	9th	(3.1)	(6.7)
2010	11,238,753	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	13,207,950	4th	31.6	(3.0)
2015	12,147,321	5th	(8.0)	(2.8)
2016	14,131,754	4th	16.3	10.1
2017	11,591,211	7th	(18.0)	7.6

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 90.5% by 2017. This trend has diluted the State's dependence on manufacturing. From 2008 to 2017, Connecticut had a loss of 17,500 jobs in non-agricultural employment. During this period total non-manufacturing jobs increased by 7,500, while manufacturing jobs declined by 25,000.

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
2008	1,514.7	0.3%	6,383.7	0.3%	123,838.3	(0.2)%
2009	1,457.9	(3.7)	6,197.2	(2.9)	119,458.0	(3.5)
2010	1,445.1	(0.9)	6,200.3	0.0	118,824.9	(0.5)
2011	1,460.9	1.1	6,263.1	1.0	120,211.7	1.2
2012	1,475.9	1.0	6,348.7	1.4	122,246.7	1.7
2013	1,489.9	1.0	6,435.8	1.4	124,354.5	1.7
2014	1,503.9	0.9	6,536.8	1.6	126,756.4	1.9
2015	1,517.0	0.9	6,640.7	1.6	129,490.6	2.2
2016	1,522.7	0.4	6,742.0	1.5	131,995.3	1.9
2017	1,522.1	(0.0)	6,803.9	0.9	134,171.8	1.6

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 92.9% of the State's employment in the non-manufacturing sector. Connecticut non-manufacturing employment for 2008, 2015, 2016 and 2017 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 2008 and 2017, employment in the service industry expanded by 66,400 workers driving an increase of 7,500 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 2008	Calendar Year 2015	Calendar Year 2016	Calendar Year 2017	Percent Change 2015-17	Percent Change 2007-17
Construction[a]	66.1	58.5	59.8	58.9	0.7%	(10.9)%
Information	37.8	32.4	32.3	31.5	(2.9)	(16.7)
Trade[b]	305.7	297.1	298.3	298.0	0.3	(2.5)
Finance, Insurance & Real Estate	143.4	130.1	129.5	128.0	(1.6)	(10.8)
Services[c]	706.9	760.0	766.8	773.3	1.8	9.4
Federal Government	19.5	17.7	17.8	18.0	1.9	(7.5)
State and Local Government	235.3	221.3	218.3	214.4	(3.1)	(8.9)
Total Non-manufacturing Employment[d]	1,514.7	1,517.0	1,522.7	1,522.1	0.3%	0.5%

____

(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 2018 totaled $56,860.5 million, an increase of 1.5% from Fiscal Year 2017. 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 2018. 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 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	Fiscal Year 2018	Percent of Fiscal Year 2018 Total	Compound Annual Growth Rate 2014-2018
441	Motor Vehicle and Parts Dealers	$9,098.9	17.0%	$9,585.4	17.6%	$9,898.6	17.9%	$10,072.3	18.0%	$10,140.8	17.8%	2.7%
442	Furniture and Home Furnishings Stores	1,706.5	3.2	1,768.2	3.2	1,897.6	3.4	2,009.3	3.6	2,003.9	3.5	4.1
443	Electronics and Appliance Stores	1,641.0	3.1	1,653.1	3.0	1,643.8	3.0	1,656.5	3.0	1,633.7	2.9	(0.1)
444	Building Material and Garden Supply Stores	2,715.1	5.1	2,836.0	5.2	3,034.6	5.5	3,020.9	5.4	3,187.3	5.6	4.1
445	Food and Beverage Stores[b]	11,183.5	20.9	10,742.8	19.7	10,964.2	19.8	11,045.6	19.7	10,588.4	18.6	(1.4)
446	Health and Personal Care Stores	4,714.6	8.8	4,847.5	8.9	5,074.7	9.2	5,274.6	9.4	4,291.3	7.5	(2.3)
447	Gasoline Stations	3,774.4	7.0	3,329.8	6.1	3,196.1	5.8	3,297.8	5.9	3,729.1	6.6	(0.3)
448	Clothing and Clothing Accessories Stores	2,945.6	5.5	2,992.7	5.5	3,083.1	5.6	3,035.6	5.4	3,084.0	5.4	1.2
451	Sporting Goods, Hobby, Book and Music Stores	1,055.0	2.0	1,054.6	1.9	1,084.9	2.0	1,125.1	2.0	1,047.9	1.8	(0.2)
452	General Merchandise Stores	5,380.8	10.0	5,508.7	10.1	5,503.2	9.9	5,419.0	9.7	5,523.3	9.7	0.7
453	Miscellaneous Store Retailers	5,052.6	9.4	5,739.5	10.5	5,773.9	10.4	5,978.1	10.7	6,989.2	12.3	8.4
454	Nonstore Retailers	4,332.5	8.1	4,496	8.2	4,204.1	7.6	4,095.5	7.3	4,641.6	8.2	1.7
	Total[a]	$53,600.6	100.0%	$54,554.4	100.0%	$55,358.8	100.0%	$56,030.3	100.0%	$56,860.5	100.0%	1.5%
Durables (NAICS 441, 442, 443, 444)		$15,162.0	28.3%	$15,843.0	29.0%	$16,475.0	29.8%	$16,759.0	29.9%	$16,966.0	29.8%	2.8%
Non Durables (all other NAICS)		$38,439.0	71.7%	$38,712.0	71.0%	$38,884.0	70.2%	$39,271.0	70.1%	$39,895.0	70.2%	0.9%

(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 4.5% in 2018 (average of the first six months) compared to the New England average of 3.6% and the national average of 4.0% for the same period.

The following table compares the unemployment rate averages of Connecticut, New England, and the United States for the calendar years 2009 through 2018.

SUPPLEMENTARY INFORMATION AS OF JULY 25, 2019

TABLE B-18

Unemployment Rate

Calendar Year	Unemployment Rate		
	Connecticut	**New England**	**United States**
2009	7.9%	8.0%	9.3%
2010	9.1	8.4	9.6
2011	8.8	7.7	8.9
2012	8.4	7.2	8.1
2013	7.8	6.9	7.4
2014	6.6	5.9	6.2
2015	5.7	4.9	5.3
2016	5.2	4.2	4.9
2017	4.7	3.8	4.4
2018	4.1	3.5	3.9
2019 (a)	3.8	3.2	3.8

(a) On a preliminary basis, Connecticut's unemployment rate through April 2019 was estimated at 3.8%, in line with 3.8% nationally. 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

January 15, 2019

The Honorable Shawn T. Wooden
State Treasurer
55 Elm Street
Hartford, CT 06106

Dear Mr. Wooden:

I have reviewed the accompanying general purpose financial statements of the State of Connecticut for the Fiscal Year ended June 30, 2018. 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 Ned Lamont
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, 2018, 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.

Auditors' 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 6% of the assets, 2% of the net position and 8% 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 54% of the assets, 42% of the net position and 35% 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 98% of the assets and 98% of the revenues of the Transportation Fund;
- the financial statements of the Transportation Special Tax Obligations account, which represents 100% of the assets and 100% 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 54% of the assets, 42% of the net position and 35% 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 solely 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, Clean Water Fund, Drinking Water Fund, Connecticut Housing Finance Authority, Connecticut Airport Authority, Materials Innovation and Recycling Authority, Connecticut Health and Educational Facilities Authority, Capital Region Development Authority, Connecticut Innovations Incorporated, Connecticut Green Bank, Connecticut Lottery Corporation and Connecticut Health Insurance Exchange 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 opinion.

Opinion

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 of the State of Connecticut, as of June 30, 2018, 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 described in Note 13 to the financial statements, the State of Connecticut adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* which resulted in the State of Connecticut restating net position for the recognition of other postemployment benefit activity incurred prior to July 1, 2017. Our opinion is 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 postemployment 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 January 15, 2019, 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, 2018, 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

January 15, 2019
State Capitol
Hartford, Connecticut

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, 2018. 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) decreased $11.1 billion (or 18.9 percent) as a result of this year's operations. Net position (deficit) of governmental activities decreased by $10.7 billion (or 16.4 percent) and net position of business-type activities increased by $327.9 million (or 4.9 percent). At year-end, net position (deficit) of governmental activities and business-type activities totaled a negative $54.6 billion and $7.0 billion, respectively.

Component units reported net position of $2.3 billion, an increase of $74.6 million or 3.3 percent from the previous year. The majority of the net position is attributable to the Connecticut Housing Finance Authority, a major component unit.

As a result of implementing GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* the State adjusted the beginning unrestricted net position by recording $677.8 million deferred outflows of resources for subsequent contributions and $20.7 billion net OPEB liability for the primary government. As explained in Note 22, this was the primary reason for a $20.0 billion adjustment to the beginning unrestricted net position in fiscal year 2017.

Fund Financial Statements
The governmental funds reported combined ending fund balance of $4.8 billion, an increase of $2.0 billion in comparison with the prior year. Of this total fund balance, $195.3 million represents nonspendable fund balance, $3.5 billion represents restricted fund balance, $1.4 billion represents committed fund balance, and $10.9 million represents assigned fund balance. A negative $241.8 million unassigned fund balance offsets these amounts. This deficit belongs primarily to the General Fund which decreased by $587.9 million during the fiscal year.

The State's stabilization account, the General Fund Budget Reserve Fund (Rainy Day Fund) ended the fiscal year with a balance of $1.2 billion compared to the prior year's balance of $212.9 million. The primary reason for the increase was a new revenue volatility provision, contained in Public Act 17-2, of the June Special Session, required that any estimated and final income tax payments above a threshold of $3.15 billion be transferred to the Budget Reserve Fund. Estimated and final income tax collections totaled $4.6 billion, which resulted in a revenue volatility deposit of $1.5 billion to the Budget Reserve Fund. After a transfer was made to close the fiscal year end deficit in the General Fund, the budget Reserve Fund had a balance of $1.2 billion.

Tax revenues in the governmental funds increased $2.2 billion or 13.5 percent. General fund tax revenues increased $2.0 billion or 12.9 percent.

The Enterprise funds reported net position of $7.0 billion at year-end, an increase of $327.9 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 $83.4 billion for governmental activities at year-end, of which $24.3 billion was bonded debt.

Total long-term debt was $2.2 billion for business-type activities at year-end, of which $1.5 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-27 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 them 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 2018. 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-32 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. Data from the other eighteen governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the combining statements immediately following the required supplementary information.

- **Proprietary Funds** – Proprietary funds include enterprise funds and internal service funds and account for activities that operate more like private-sector businesses and use the full accrual basis of accounting. Enterprise funds charge fees for services provided to outside customers. Enterprise funds are reported as business-type activities on the government-wide financial statements. Internal Service funds are an accounting device used to accumulate and allocate costs internally among the State's various functions. The State uses Internal Service funds to account for correction industries, information technology, and administrative services. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

  The State reports 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. Individual fund data for all nonmajor proprietary funds is provided in the combining statements immediately following the required supplementary information.

- **Fiduciary Funds –** Fiduciary funds account for resources held by the State in a trustee or agency capacity for others. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the State's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position.

- **Component Units –** The government-wide financial statements report information for all component units into a single, aggregated presentation. Information is provided separately in the component unit fund statements for the Connecticut Housing Finance Authority, Connecticut Lottery, and Connecticut Airport Authority. Data from the other component units is combined into a single, aggregated presentation. Individual fund data for all other nonmajor component units is provided in the combining statements immediately following the required supplementary information.

Reconciliation between Government-wide and Fund Statements
The financial statements include schedules on pages II-C-33 and II-C-35 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 Liability 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 employer contributions for pension and other postemployment benefits, change in employers' net pension liability and OPEB liability, and investment return for the State's pension and OPEB plans.

Supplementary Information
The combining financial statements for the State's nonmajor governmental, nonmajor enterprise, nonmajor fiduciary funds, and nonmajor discretely presented component units.

Statistical Section
This section provides up to ten years of financial, economic, and demographic information.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

Net Position

The combined net position deficit of the State decreased $11.1 billion or 18.9 percent. In comparison, last year the combined net position deficit increased $802 million or 2.1 percent. The net position deficit of the State's governmental activities decreased $10.7 billion (16.4 percent) to $54.6 billion during the current fiscal year.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017*	2018	2017	2018	2017*
ASSETS						
Current and Other Assets	$ 5,818	$ 4,074	$ 2,659	$ 2,477	$ 8,477	$ 6,551
Noncurrent Assets	17,417	16,653	7,112	6,888	24,529	23,541
Total Assets	23,235	20,727	9,771	9,365	33,006	30,092
Deferred Outflows of Resources	9,084	11,183	12	14	9,096	11,197
LIABILITIES						
Current Liabilities	4,967	4,716	673	691	5,640	5,407
Long-term Liabilities	80,877	92,031	2,066	1,976	82,943	94,007
Total Liabilities	85,844	96,747	2,739	2,667	88,583	99,414
Deferred Inflows of Resources	1,076	328	7	3	1,083	331
NET POSITION						
Net Investment in Capital Assets	4,321	4,568	4,287	4,126	8,608	8,694
Restricted	3,027	2,888	1,099	1,018	4,126	3,906
Unrestricted	(61,949)	(72,803)	1,651	1,565	(60,298)	(71,238)
Total Net Position (Deficit)	$ (54,601)	$ (65,347)	$ 7,037	$ 6,709	$ (47,564)	$ (58,638)

* Restated for implementation of GASB 75

Total investment in capital assets net of related debt was $4.3 billion (buildings, roads, bridges, etc.); and $3.0 billion was restricted for specific purposes, resulting in an unrestricted net position deficit of $62.0 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 $18.8 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 $57.2 billion, which are partially funded or not funded by the State (e.g., net pension and OPEB liabilities and compensated absences).

Net position of the State's business-type activities increased $327.9 million (4.9 percent) to $7.0 billion during the current fiscal year. Of this amount, $4.3 billion was invested in capital assets and $1.1 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, 2018 and 2017 were as follows:

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

	Governmental Activities		Business-Type Activities		Total		% change
	2018	2017*	2018	2017	2018	2017*	18-17
REVENUES							
Program Revenues							
Charges for Services	$ 2,642	$ 3,038	$ 2,947	$ 2,887	$ 5,589	$ 5,925	-5.7%
Operating Grants and Contributions	7,563	7,368	350	367	7,913	7,735	2.3%
Capital Grants and Contributions	651	863	5	1	656	864	-24.1%
General Revenues							
Taxes	18,309	16,141	-	-	18,309	16,141	13.4%
Casino Gaming Payments	273	270	-	-	273	270	1.1%
Lottery Tickets	336	326	-	-	336	326	3.1%
Other	166	153	29	16	195	169	15.4%
Total Revenues	29,940	28,159	3,331	3,271	33,271	31,430	5.9%
EXPENSES							
Legislative	72	225	-	-	72	225	-68.0%
General Government	1,518	3,978	-	-	1,518	3,978	-61.8%
Regulation and Protection	542	1,704	-	-	542	1,704	-68.2%
Conservation and Development	636	2,129	-	-	636	2,129	-70.1%
Health and Hospital	1,612	4,733	-	-	1,612	4,733	-65.9%
Transportation	1,284	2,780	-	-	1,284	2,780	-53.8%
Human Services	5,950	16,513	-	-	5,950	16,513	-64.0%
Education, Libraries, and Museums	3,189	9,042	-	-	3,189	9,042	-64.7%
Corrections	1,335	3,856	-	-	1,335	3,856	-65.4%
Judicial	605	1,873	-	-	605	1,873	-67.7%
Interest and Fiscal Charges	889	878	-	-	889	878	1.3%
University of Connecticut & Health Center	-	-	2,402	2,310	2,402	2,310	4.0%
Board of Regents	-	-	1,365	1,360	1,365	1,360	0.4%
Employment Security	-	-	696	726	696	726	-4.1%
Clean Water	-	-	44	36	44	36	22.2%
Other	-	-	58	66	58	66	-12.1%
Total Expenses	17,632	47,711	4,565	4,498	22,197	52,209	-57.5%
Excess (Deficiency) Before Transfers	12,308	(19,552)	(1,234)	(1,227)	11,074	(20,779)	
Transfers	(1,562)	(1,667)	1,562	1,667	-	-	
Increase (Decrease) in Net Position	10,746	(21,219)	328	440	11,074	(20,779)	
Net Position (Deficit) - Beginning (as restated)	(65,347)	(44,128)	6,709	6,269	(58,638)	(37,859)	
Net Position (Deficit) - Ending	(54,601)	(65,347)	7,037	6,709	(47,564)	(58,638)	-18.9%

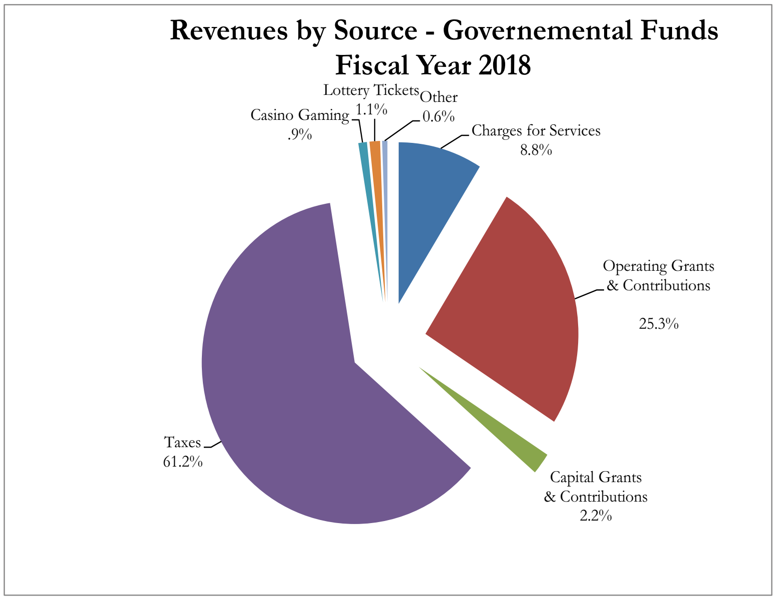
*Restated for implementation of GASB 75

Changes in Net Position

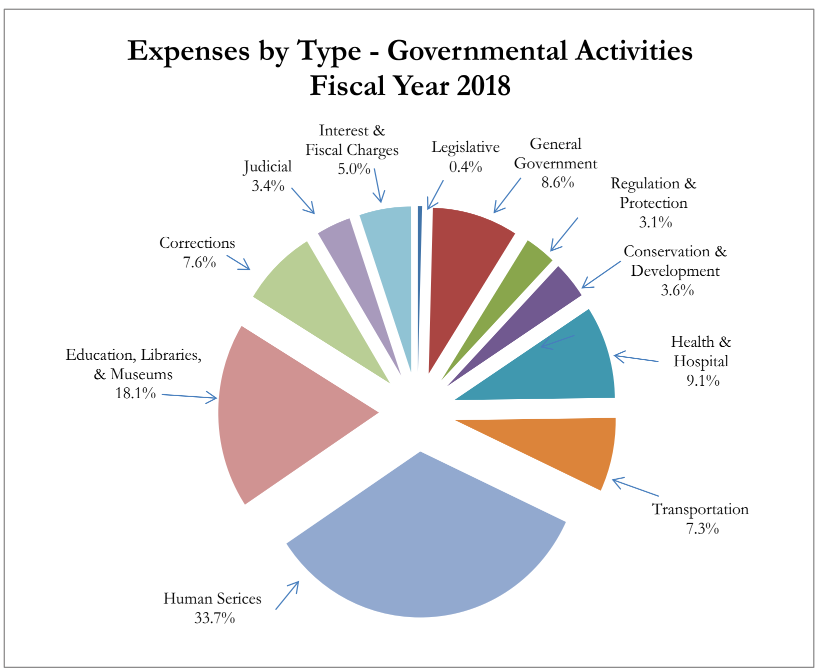
This year the State's governmental activities received 61.2 percent of its revenue from taxes and 27.4 percent of its revenues from grants and contributions. In the prior year, taxes accounted for 57.3 percent and grants and contributions were 29.3 percent of total revenues. Charges for services such as licenses, permits and fees, rents and fines, and other miscellaneous collections comprised 8.9 percent of total revenue in fiscal year 2018, compared to 10.8 percent in fiscal year 2017.

Governmental Activities

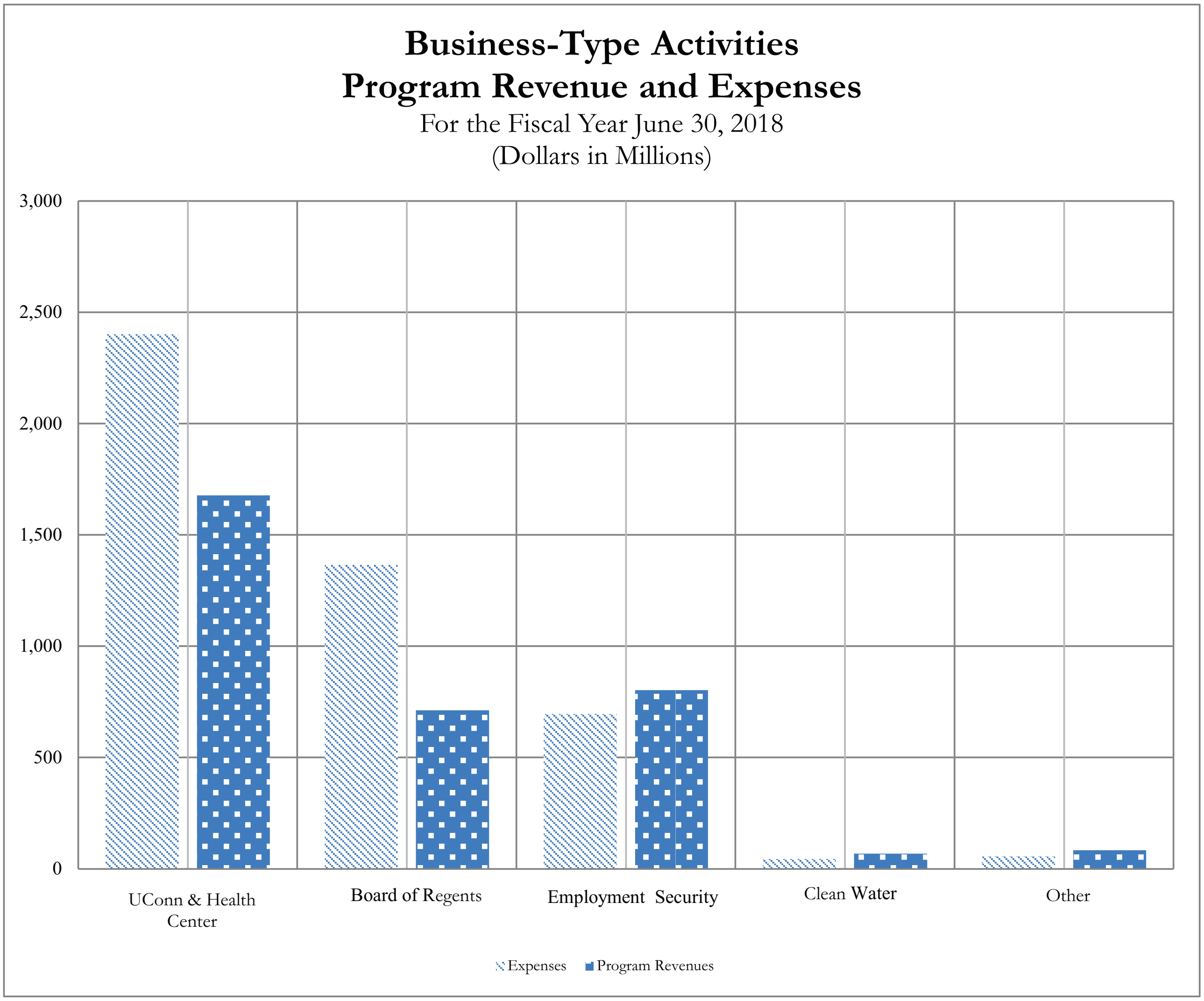
The following graph is a representation of the Statement of Activities revenues for governmental activities. Governmental activities revenues increased by $1.8 billion, or 6.4 percent. This increase is primarily due to an increase of $2.2 billion in taxes.



The following graph is a representation of the Statement of Activities expenses for governmental activities. Governmental activities expenses decreased by $30.1 billion, or 63.0 percent. The decrease is mainly attributable to the restatement of the prior year expenditures by $20.0 million because of the implementation of GASB 75.



Business-Type Activities
Net position of business-type activities increased by $327.9 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 increased 1.8 percent to $3.3 billion, while total expenses increased 1.5 percent to $4.6 billion. In comparison, last year total revenues decreased 4.7 percent, while total expenses increased 2.0 percent. The increase in total expenses of $67 million was due mainly to an increase in University of Connecticut and Health Center expenses of $92 million or 4.0 percent. Although total expenses exceeded total revenues by $1.3 billion, this deficiency was reduced by transfers of $1.6 billion, resulting in an increase in net position of $327.9 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 $4.8 billion, an increase of $2.0 billion over the prior year ending fund balances. Of the total governmental fund balances, $3.5 billion represents fund balance that is considered restricted for specific purposes by external constrains or enabling legislation; $195.3 million represents fund balance that is non-spendable and $1.4 billion represents fund balance that is committed or assigned for specific purposes. A negative $241.8 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 of $1.2 billion, an increase of $1.6 billion in comparison with the prior year. Of this total fund balance, $1.4 billion represents non-spendable fund balance or committed for specific purposes, leaving a deficit of $241.1 million in unassigned fund balance.

Specific changes to the General Fund balance included the following:

- Nonspendable fund balance increased by $2.8 million or 5.3 percent.
- Committed fund balance increased by $1.1 million or 38.9 percent. The primary reason for the increase was a new revenue volatility provision that required any estimated and final income tax payments above a threshold of $3.15 billion be transferred to the Budget Reserve Fund. Estimated and final income tax collections totaled $4.6 billion, which resulted in a revenue volatility deposit of $1.5 billion to the Budget Reserve Fund.
- Unassigned fund balance deficit decreased by $580.1 million. This was primarily associated to a delay in Federal approval for Medicaid reimbursements related to supplemental hospital payments.

At the end of fiscal year 2018, General Fund revenues were 11.7 percent, or $2.2 billion, higher than fiscal year 2017 revenues. This change in revenue results from increases of $2.3 billion primarily attributable to taxes ($2.0 billion), licenses, permits, and fees ($29.5 million), federal grants ($304.3 million), lottery tickets ($9.8 million), and casino gaming payments ($3.1 million). These increases were offset by decreases of $137.4 million primarily attributable to fines, forfeits, and rents ($83.7 million), charges for services ($5.9 million), and other revenue ($47.8 million).

At the end of fiscal year 2018, General Fund expenditures were 5.5 percent, or $939.2 million, higher than fiscal year 2017. This was primarily attributable to increases in human services ($550.1 million), general government ($210.8 million), and education, libraries, and museums ($91.9 million).

Debt Service Fund

At the end of fiscal year 2018, the Debt Service Fund had a fund balance of $901.9 million, all of which was restricted, an increase of $74.8 million in comparison with the prior year.

Transportation Fund

The State's Transportation Fund had a fund balance of $321.5 million at the end of fiscal 2018. Of this amount, $23.3 million was in nonspendable form and $298.2 million was restricted or committed for specific purposes. Fund balance increased by $139.4 million during the current fiscal year.

At the end of fiscal year 2018, Transportation Fund revenues increased by $227.2 million, or 15.8 percent, and expenditures increased by $33.6 million, or 3.6 percent. The growth in revenue was primarily due to an increase in tax receipts.

Restricted Grants and Accounts Fund

At the end of fiscal year 2018, the Restricted Grants and Accounts Fund had a fund balance of $278.2 million, all of which was restricted for specific purposes, a decrease of $149.8 million in comparison with the prior year.

Total revenues were 6.5 percent, or $496.4 million, lower than in fiscal year 2017. Overall, total expenditures were 2.7 percent, or $205.3 million, lower than fiscal year 2017.

Grant and Loan Programs
As of June 30, 2018, the Grant and Loan Programs Fund had a fund balance of $887.3 million, all of which was restricted or committed for specific purposes, an increase of $44.0 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 $35.9 billion, an increase of $1.7 billion when compared to the prior year ending net position.

Budget Highlights - General and Transportation Funds
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 results 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 2018 with a deficit of $482,860,543 on the statutory basis of accounting. A transfer from the Budget Reserve Fund eliminated the shortfall. The Transportation Fund had an operating surplus of $148,105,872, which left a positive fund balance of $245,720,926 at the close of Fiscal Year 2018.

Despite the deficit in the General Fund, there was a vast improvement in the balance of the Budget Reserve Fund at year-end. The reserves at the beginning of Fiscal Year 2018 were $212,886,689. However, a new revenue volatility provision, contained in Public Act 17-2, June Special Session, required that any estimated and final income tax payments above a threshold of $3.15 billion be transferred to the Budget Reserve Fund (BRF). For a number of reasons discussed below, estimated and final income tax collections totaled $4,621,333,283 in FY 2018, which resulted in a revenue volatility deposit of $1,471,333,283 to the BRF. After the transfer to the General Fund was made to close the FY 2018 deficit, the BRF had a balance of $1,201,359,429 as of June 30, 2018.

An additional transfer of $16.1 million from the BRF to the Retired Teachers' Health Service Fund, as required by Public Act 18-81, brought the BRF balance to $1,185,259,429, or approximately 6.2 percent of FY 2019 General Fund budgeted appropriations.

Fiscal Year 2018 began with considerable uncertainty as the state entered the year without an approved budget. The first four months of operations were conducted under an interim spending plan issued the Governor's Office under Executive Order 58. In addition, during the fiscal year, an agreement was ratified with the state employee labor unions (known as the State Employees Bargaining Agent Coalition or SEBAC) to lower wage and benefit costs in FY 2018 and in subsequent years.

In late October 2017, the 2018-2019 biennial budget was passed by the Connecticut General Assembly and signed into law. The budget plan for FY 2018 had net General Fund appropriations of $18.690 billion, which represented growth of 4.6 percent over FY 2017 appropriation levels. Other statutory revisions during the fiscal year later brought FY 2018 net General Fund appropriations to $18.674 billion.

In the end General Fund FY 2018, expenditures totaled $18.611 billion on the statutory basis of accounting. This represented growth of 4.8 percent over actual FY 2017 spending levels, a net increase of $847.7 million. Further analysis indicates that spending growth was concentrated in specific areas for FY 2018. For example, a significant portion of the net increase was related to higher Supplemental Hospital Payments ($562 million above FY 2017 levels) that were part of the FY 2018 budget plan. It should be noted that the increases in these supplemental payments will be offset in part by higher Federal Medicaid reimbursements. Other significant areas of expenditure growth included several fixed cost categories such as higher contributions for teachers' retirement (+$258.9 million or 25.6 percent more than FY 2017); increased debt service payments (+$182.3 million or 10.3 percent above the prior year); higher Medicaid spending (+$105.9 million or growth of 4.4 percent); and $91.2 million in new other post-employment benefit (OPEB) contributions, which are set aside for future state employee retirement health costs.

In part due to SEBAC 2017, there were reductions in a number of areas that helped mitigate spending growth in FY 2018. For example, General Fund salaries were $119.4 million lower in FY 2018 than in FY 2017, a reduction of 4.4 percent. The General Fund's pension contribution to the State Employee Retirement System (SERS) was approximately $73 million lower than the prior year, a decline of 6.5 percent. Spending was reduced for other employee benefit categories including active employee medical insurance (-$36.2 million, down 5.6 percent) and employer Social Security payments (-$11.2 million, down 5.2 percent). Continuing a trend from the previous year, General Fund block grant support for the higher education units fell by $64.0 million or 10.4 percent compared with FY 2017.

Overall, factoring in the $1.47 billion revenue volatility transfer out to the Budget Reserve Fund, General Fund revenue collections fell below the budget plan for FY 2018 by $558.5 million, or approximately 3.0 percent. Without the new volatility transfer, General Fund revenues would have exceeded the budget plan by $912.8 or 4.9 percent.

The most notable revenue category in FY 2018 was the Personal Income Tax, which came in nearly $1.59 billion above its budget target. It should be noted, however, the components of the income tax out-performed the budget plan at different growth rates. The withholding portion of the income tax came in about 1.8 percent above the budget plan while the estimated and finals portion ended the year approximately 47.2 percent over the budget target. Over the course of the fiscal year, several Federal tax provisions had a significant impact on collections in this latter category.

The change in the Personal Income Tax related to the Federal tax changes that took effect at the beginning of calendar 2018. Some analysts noted that higher income taxpayers may have been holding off selling investments in recent years in anticipation of lower Federal tax rates. However, after the Federal tax changes became effective on January 1, 2018, more investors began selling assets held during the stock market run up, which increased estimated quarterly or final payments made during the second half of FY 2018.

Another key factor for FY 2018 revenue was related to an October 2008 Federal law that eliminated a common mechanism used by hedge fund managers that enabled them to defer receipt of incentive or management fees earned by charging them to an offshore fund. Under the new rules (Internal Revenue Code Section 475A) hedge fund managers had to recognize these profits, earned prior to January 1, 2009, as income before December 31, 2017. As a result, a significant amount of the estimated payments collected during FY 2018 were related to hedge fund managers bringing these profits back to the United States from overseas. As the Office of the State Comptroller noted at the time, these revenue windfalls should be considered one-time in nature and not used to expand ongoing program expenditures that may not be sustainable.

The positive performance in the Personal Income Tax was offset in part by weakness in other tax categories that came in below their FY 2018 budget targets. These tax categories included Sales and Use (-$18.3 million), Corporations (-$12.5 million), Public Service Corporations (-$34.3 million), Cigarettes and Tobacco (-$17.8 million), Real Estate Conveyance (-$13.1 million), Admissions, Dues and Cabaret (-$1.2 million) and Miscellaneous taxes (-$12.8 million). In contrast, the Inheritance and Estate Tax over-performed budget expectations by $43.7 million or 24.3 percent. Finally, General Fund Federal grant revenue came in $623.2 million below the budget plan, partly due to a delay in Federal approval for Medicaid reimbursements related to the supplemental hospital payments. These reimbursements are expected to be received in FY 2019.

The Transportation Fund had revenue of $1,630.1 million in FY 2018, which exceeded the budget plan by $37.5 million. The strongest performing revenue category was the Oil Companies tax, which benefitted from higher oil prices and finished the year $40.7 million above target. Transportation Fund spending of $1,483.7 million grew by $51.9 million or 3.6 percent from the prior fiscal year. The largest programmatic spending increases were for public transportation initiatives including rail operations, which grew $36.9 million or 23.1 percent, and bus operations, which increased $13.5 million or 8.9 percent. In addition, debt service costs rose by $31.8 million or 5.9 percent over FY 2017 levels. These increases were offset in part by lower salary costs, which declined by $7.3 million or 3.3 percent and lower spending on employee benefits, which decreased by a net $8.9 million or 4.6 percent.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2018 totaled $20.5 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 $779.6 million.

Major capital asset events for governmental activities during the fiscal year include additions to buildings, land, and infrastructure of $821.2 million and depreciation expense of $731.7 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	
	2018	2017	2018	2017	2018	2017
Land	$ 1,833	$ 1,788	$ 69	$ 69	$ 1,902	1,857
Buildings	2,744	2,836	3,697	3,385	6,441	6,221
Improvements Other Than Buildings	106	127	201	197	307	324
Equipment	45	49	410	344	455	393
Infrastructure	5,652	5,096	-	-	5,652	5,096
Construction in Progress	5,053	4,988	723	877	5,776	5,865
Total	$ 15,433	$ 14,884	$ 5,100	$ 4,872	$ 20,533	$ 19,756

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 $27.9 billion. Pursuant to various public and special acts, the State has authorized the issuance of the following types of debt: general obligation debt (payable from the General Fund), special tax obligation debt (payable from the Debt Service Fund), and revenue debt (payable from specific revenues of the Enterprise funds).

The following table is a two-year comparison of bonded debt presented for both governmental and business-type activities:

State of Connecticut's Bonded Debt (in millions)
General Obligation and Revenue Bonds

	Governmental Activies		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	$ 18,763	$ 18,399	$ -	$ -	$ 18,763	$ 18,399
Transportation Related Bonds	5,541	5,042	-	-	5,541	5,042
Revenue Bonds	-	-	1,494	1,443	1,494	1,443
Long-Term Notes	-	177	-	-	-	177
Premiums and Deferred Amounts	1,919	1,887	178	175	2,097	2,062
Total	$ 26,223	$ 25,505	$ 1,672	$ 1,618	$ 27,895	$ 27,123

The State's total bonded debt increased by $772.7 million (2.8 percent) during the current fiscal year. This increase resulted mainly from an increase in Transportation related bonds of $498.7 million.

Section 3-21 of the Connecticut General Statutes provides that the total amount of bonds, notes or other evidences of indebtedness payable from General Fund tax receipts authorized by the General Assembly but have not been issued and the total amount of such indebtedness which has been issued and remains outstanding shall not exceed 1.6 times the total estimated General Fund tax receipts of the State for the current fiscal year. In computing the indebtedness at any time, revenue anticipation notes, refunded indebtedness, bond anticipation notes, tax increment financing, budget deficit bonding, revenue bonding, balances in debt retirement funds and other indebtedness pursuant to certain pprovisions of the General Statutes shall be excluded from the calculation. As of July 2018, the State had a debt incurring margin of $2.7 billion.

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

	Governmental Activies		Business-Type Activities		Total Primary Government	
	2018	2017*	2018	2017	2018	2017*
Net Pension Liability	$ 34,566	$ 37,192	$ -	$ -	$ 34,566	$ 37,192
Net OPEB Liability	20,591	20,655	-	-	20,591	20,655
Compensated Absences	498	513	197	193	695	706
Workers Compensation	747	718	-	-	747	718
Nonexchange Financial Guarantee	532	-	-	-	532	-
Other	260	120	355	327	615	447
Total	$ 57,194	$ 59,198	$ 552	$ 520	$ 57,746	$ 59,718

* Restated for implementation of GASB 75

The State's other long-term obligations decreased by $2.0 billion (3.3 percent) during the fiscal year. This decrease was due mainly to a decrease in the net pension liability (Governmental activities) of $2.6 billion or 7.1 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

During FY 2018 Connecticut's economy experienced moderate growth, with some notable improvements toward the end of the year. Nevertheless, Connecticut continues to lag behind the nation's economic recovery in several key areas. A decade after its onset and despite progress on a number of fronts, Connecticut has yet to recover fully from the effects of the Great Recession.

According to state Department of Labor (DOL) statistics, Connecticut gained 14,100 nonfarm seasonally adjusted payroll jobs over the course of FY 2018 and had a total of 1,698,000 employed residents as of June 2018. As the fiscal year closed, unemployment stood at 4.4 percent, down three-tenths of a point from a year earlier when it was 4.7 percent. Connecticut had recovered 86.1 percent (102,600 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. Looking at year-over-year job growth, construction and manufacturing were the fastest growing sectors of the state labor market on a percentage basis.

The Connecticut housing market's results were mixed for FY 2018. Berkshire Hathaway Home Services reported results for the Connecticut housing market for June 2018 compared with June 2017. Sales of single-family homes fell 7.99 percent, while the median sale price rose 4.69 percent. New listings decreased by 5.57 percent in Connecticut and the median list price increased by 6.82 percent to $299,000. Average days on the market grew 20.29 percent in June 2018 compared to the same month in the previous year (83 days on average, up from 69 days).

The Federal Housing Finance Agency (FHFA) reported housing price appreciation statistics by state for the period ending June 30, 2018. FHFA's Housing Price Index (HPI) tracks changes in home values for individual properties owned or guaranteed by the Federal National Mortgage Association (Fannie Mae) or the Federal Home Loan Mortgage Corporation (Freddie Mac). Over the past year, Connecticut home prices continued to grow more slowly than most of the nation. Connecticut homes appreciated only 2.38 percent for the year, which ranked 48th in the nation overall. The U.S. average appreciation for the period was 6.49 percent. A comparison of five-year housing prices showed similar results: Single-family houses in Connecticut appreciated 6.69 percent for the period versus a 33.09 percent increase for the nation as a whole.

In November 2018, the Bureau of Economic Analysis (BEA) released Real Gross Domestic Product (GDP) results by state for the second quarter of 2018. Connecticut experienced a seasonally adjusted annual growth rate of 3.1 percent, which ranked 43rd in the nation overall. This growth rate was slower than both the national average of 4.2 percent and the New England regional average of 3.7 percent.

According to BEA, Connecticut's personal income grew by a 4.2 percent annual rate between the first and second quarters of 2018. Based on this result, Connecticut ranked 22nd in the nation for second quarter income growth. While this growth rate was equal to the national average, it represented the strongest performance in the New England region for the period.

Despite the deep recession of 2008 and the relatively moderate pace of recovery, Connecticut continues to be a wealthy state. The Bureau of Economic Analysis reports that in 2017, Connecticut had a per capita personal income (PCPI) of $71,823. This PCPI ranked first in the United States and was 139 percent of the national average of $51,640. The 2017 PCPI reflected an increase of 3.3 percent from 2016. The 2016-2017 national change was 3.6 percent. In 2007, the PCPI of Connecticut was $58,122 and ranked first in the United States. The 2007-2017 compound annual growth rate of PCPI was 2.1 percent in Connecticut. The compound annual growth rate for the nation was 2.6 percent.

Connecticut's high income is partially explained by the high level of educational achievement attained by its residents. According to the U.S. Census Bureau, 38.4 percent of Connecticut's population age 25 and over has a Bachelor's degree or higher, which was fourth in the nation among U.S. states.

Connecticut has a long history of technological innovation dating back centuries and innovation will continue to be a key factor for Connecticut's economic growth moving forward. In recent years, Connecticut has remained near the top on a number of science, technology and innovation-related categories. According to a report by the Connecticut Economic

Resource Center (CERC), Connecticut ranked third in the country for the percentage of employees with advanced degrees. In addition, the State's workforce is extremely industrious, ranking fifth among U.S. states in productivity. Connecticut was fourth in the nation for private research and development per capita and seventh in patents issued per capita. The Milken Institute ranked Connecticut sixth in the nation on its State Technology and Science Index, with high marks for human capital investment and research and development. Connecticut also had a top ten finish on the 2017 State New Economy Index published by the Information and Technology Foundation.

As in many other states, Connecticut's traditional core sectors have been reshaped by national trends and global competition. Manufacturing's contribution to the state economy, while still vitally important, has been significantly reduced in recent decades. In January 1991, manufacturing payroll employment in Connecticut totaled over 290,000 jobs. By the end of FY 2018, that job total was 163,700, a decline of 44 percent for the period. In the July 2018 Connecticut Economic Digest, the Connecticut Department of Labor (DOL) reported that manufacturing's contribution to the change in Connecticut's Real Gross State Product (GSP) was an increase of $16.2 billion from 1997 to 2007, representing about a quarter of the growth for the period. However, from 2007 to 2016, Connecticut's manufacturing sector was responsible for an $18.6 billion reduction in Real GSP. DOL pointed to a decline in chemical manufacturing as a key component in this drop in Connecticut, largely due to the downsizing or the departure of several large pharmaceutical firms.

Despite this trend, Connecticut continues to be a leader in the field of high tech manufacturing, producing jet engines and parts, submarines, helicopters, electronics, computer equipment and electronic machinery. Much of Connecticut's manufacturing is for the military. According the state's Office of Military Affairs, Connecticut ranked fourth in the nation in 2018 estimated U.S. defense spending per capita and second in the nation for defense procurement purchases (not including military pay).

Finance, insurance and real estate (FIRE) is an important industry grouping that represents over a quarter of the State's Real Gross Domestic Product (GDP). Connecticut's FIRE sector has lost more than 10 percent of the jobs held at the pre-recession peak in March of 2008, a reduction of 14,800 jobs. These are some of the highest paying jobs within the state. Over the past decade, the strongest job gains continue to be in fields with below average wages, including educational & health services and leisure & hospitality.

Economic improvements seen at the end of FY 2018 have continued into the first half of FY 2019. As of this writing, Connecticut has gained additional jobs and seen the unemployment rate reduced further. The State's General Fund is currently on track to end the year with a modest surplus, and if projections hold, the Budget Reserve Fund (BRF) balance will increase for the second year in a row. It should be noted, however, that April is the most significant month for revenue collections, especially for final income tax payments. Therefore, this information represents the best available at this time. The Office of the State Comptroller will continue to provide updated monthly budget projections for the remainder the fiscal year.

Looking forward to the next biennium, Connecticut faces a number of challenges as fixed costs related to entitlements, state pensions, retirement health costs, and debt service represent a growing share of the state budget. Future budget stability will continue to be dependent on economic growth coupled with spending restraint. Due to its highly educated, productive workforce and its capacity for innovation, Connecticut is well positioned to create a strong economy moving into the future.

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, 2018

(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Current Assets:				
Cash and Cash Equivalents	$ 2,369,102	$ 852,178	$ 3,221,280	$ 261,108
Deposits with U.S. Treasury	-	576,874	576,874	-
Investments	116,676	66,044	182,720	520,168
Receivables, (Net of Allowances)	3,440,876	601,359	4,042,235	91,797
Due from Primary Government	-	-	-	4,068
Inventories	40,311	11,531	51,842	6,203
Restricted Assets	-	357,914	357,914	1,182,760
Internal Balances	(157,508)	157,508	-	-
Other Current Assets	8,083	35,977	44,060	16,286
Total Current Assets	5,817,540	2,659,385	8,476,925	2,082,390
Noncurrent Assets:				
Cash and Cash Equivalents	-	577,883	577,883	-
Due From Component Units	57,471	-	57,471	-
Investments	-	55,255	55,255	222,631
Receivables, (Net of Allowances)	1,024,664	1,113,123	2,137,787	117,564
Restricted Assets	901,920	260,013	1,161,933	5,242,463
Capital Assets, (Net of Accumulated Depreciation)	15,432,608	5,100,741	20,533,349	776,166
Other Noncurrent Assets	145	4,525	4,670	67,496
Total Noncurrent Assets	17,416,808	7,111,540	24,528,348	6,426,320
Total Assets	$ 23,234,348	$ 9,770,925	$ 33,005,273	$ 8,508,710
Deferred Outflows of Resources				
Accumulated Decrease in Fair Value of Hedging Derivatives	$ 440	$ -	$ 440	$ 10,999
Unamortized Losses on Bond Refundings	69,139	12,222	81,361	93,418
Related to Pensions	9,014,590	-	9,014,590	94,049
Other Deferred Outflows	-	238	238	38
Total Deferred Outflows of Resources	$ 9,084,169	$ 12,460	$ 9,096,629	$ 198,504
Liabilities				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	$ 959,168	$ 396,246	$ 1,355,414	$ 121,797
Due to Component Units	4,068	-	4,068	-
Due to Primary Government	-	-	-	57,471
Due to Other Governments	291,118	2,243	293,361	-
Current Portion of Long-Term Obligations	2,539,841	158,122	2,697,963	310,190
Amount Held for Institutions	-	-	-	227,870
Unearned Revenue	19,484	36,530	56,014	-
Medicaid Liability	663,706	-	663,706	-
Liability for Escheated Property	412,037	-	412,037	-
Other Current Liabilities	77,737	79,410	157,147	46,291
Total Current Liabilities	4,967,159	672,551	5,639,710	763,619
Noncurrent Liabilities:				
Non-Current Portion of Long-Term Obligations	80,877,252	2,066,898	82,944,150	5,595,415
Total Noncurrent Liabilities	80,877,252	2,066,898	82,944,150	5,595,415
Total Liabilities	$ 85,844,411	$ 2,739,449	$ 88,583,860	$ 6,359,034
Deferred Inflows of Resources				
Related to Pensions	$ 1,075,511	$ -	$ 1,075,511	$ 41,150
Other Deferred Inflows	-	6,881	6,881	679
Total Deferred Inflows of Resources	$ 1,075,511	$ 6,881	$ 1,082,392	$ 41,829
Net Position				
Net Investment in Capital Assets	$ 4,321,358	$ 4,287,451	$ 8,608,809	$ 466,064
Restricted For:				
Transportation	225,262	-	225,262	-
Debt Service	831,585	4,508	836,093	6,521
Federal Grants and Other Accounts	281,165	-	281,165	-
Capital Projects	573,991	172,113	746,104	124,330
Grant and Loan Programs	890,304	-	890,304	-
Clean Water and Drinking Water Projects	-	758,542	758,542	-
Bond Indenture Requirements	-	-	-	879,623
Loans	-	2,962	2,962	-
Permanent Investments or Endowments:				
Expendable	-	63,733	63,733	124,058
Nonexpendable	118,673	16,275	134,948	476,949
Other Purposes	105,274	80,414	185,688	34,204
Unrestricted (Deficit)	(61,949,017)	1,651,057	(60,297,960)	194,602
Total Net Position (Deficit)	$ (54,601,405)	$ 7,037,055	$ (47,564,350)	$ 2,306,351

The accompanying Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2018

(Expressed in Thousands)

		Program Revenues		
Functions/Programs	Expenses	Charges for Services, Fees, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Legislative	$ 71,859	$ 1,738	$ -	$ -
General Government	1,518,254	905,635	71,702	-
Regulation and Protection	541,574	637,229	152,611	-
Conservation and Development	635,923	198,643	239,478	-
Health and Hospitals	1,611,855	616,659	184,817	-
Transportation	1,283,529	49,778	-	650,615
Human Services	5,950,282	83,541	6,159,243	-
Education, Libraries, and Museums	3,188,852	17,817	594,324	-
Corrections	1,335,350	8,495	141,491	-
Judicial	605,361	122,305	19,168	-
Interest and Fiscal Charges	888,410	-	-	-
Total Governmental Activities	17,631,249	2,641,840	7,562,834	650,615
Business-Type Activities:				
University of Connecticut & Health Center	2,402,077	1,441,195	224,473	5,099
Board of Regents	1,365,312	644,082	56,317	-
Employment Security	696,456	773,609	30,235	-
Clean Water	44,267	30,072	27,995	-
Other	57,810	58,280	11,189	-
Total Business-Type Activities	4,565,922	2,947,238	350,209	5,099
Total Primary Government	$ 22,197,171	$ 5,589,078	$ 7,913,043	$ 655,714
Component Units				
Connecticut Housing Finance Authority (12/31/17)	$ 193,459	$ 165,984	$ -	$ -
Connecticut Lottery Corporation	1,280,217	1,267,638	-	-
Connecticut Airport Authority	83,922	99,630	-	9,799
Other Component Units	296,625	292,103	6,384	4,738
Total Component Units	$ 1,854,223	$ 1,825,355	$ 6,384	$ 14,537

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
$ (70,121)	$ -	$ (70,121)	$ -
(540,917)	-	(540,917)	-
248,266	-	248,266	-
(197,802)	-	(197,802)	-
(810,379)	-	(810,379)	-
(583,136)	-	(583,136)	-
292,502	-	292,502	-
(2,576,711)	-	(2,576,711)	-
(1,185,364)	-	(1,185,364)	-
(463,888)	-	(463,888)	-
(888,410)	-	(888,410)	-
(6,775,960)	-	(6,775,960)	-
-	(731,310)	(731,310)	-
-	(664,913)	(664,913)	-
-	107,388	107,388	-
-	13,800	13,800	-
-	11,659	11,659	-
-	(1,263,376)	(1,263,376)	-
(6,775,960)	(1,263,376)	(8,039,336)	-
-	-	-	(27,475)
-	-	-	(12,579)
-	-	-	25,507
-	-	-	6,600
-	-	-	(7,947)
9,729,298	-	9,729,298	-
791,301	-	791,301	-
4,219,398	-	4,219,398	-
2,352,951	-	2,352,951	-
1,135,660	-	1,135,660	-
80,163	-	80,163	-
272,957	-	272,957	-
116,850	-	116,850	-
336,239	-	336,239	-
48,663	29,014	77,677	82,563
(1,562,226)	1,562,226	-	-
17,521,254	1,591,240	19,112,494	82,563
10,745,294	327,864	11,073,158	74,616
(65,346,699)	6,709,191	(58,637,508)	2,231,735
$ (54,601,405)	$ 7,037,055	$ (47,564,350)	$ 2,306,351

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FUND FINANCIAL STATEMENTS

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2018

(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Grant & Loan Programs	Other Funds	Total Governmental Funds
Assets							
Cash and Cash Equivalents	$ 481,013	$ -	$ 127,540	$ 406,366	$ 312,752	$ 1,032,717	$ 2,360,388
Investments	-	-	-	-	-	116,676	116,676
Securities Lending Collateral	-	-	-	-	-	7,917	7,917
Receivables:							
Taxes, Net of Allowances	1,800,947	-	190,610	-	-	-	1,991,557
Accounts, Net of Allowances	387,855	-	25,358	26,928	3,804	35,853	479,798
Loans, Net of Allowances	3,419	-	-	70,489	591,745	359,011	1,024,664
From Other Governments	537,320	-	-	423,796	-	4,657	965,773
Interest	-	2,646	641	-	-	-	3,287
Other	-	-	-	-	-	2	2
Due from Other Funds	44,962	-	2,646	628	4	10,451	58,691
Due from Component Units	54,149	-	-	3,322	-	-	57,471
Inventories	12,873	-	23,270	-	-	-	36,143
Restricted Assets	-	901,920	-	-	-	-	901,920
Total Assets	$ 3,322,538	$ 904,566	$ 370,065	$ 931,529	$ 908,305	$ 1,567,284	$ 8,004,287
Liabilities, Deferred Inflows, and Fund Balances							
Liabilities							
Accounts Payable and Accrued Liabilities	$ 372,777	$ -	$ 29,045	$ 203,360	$ 17,672	$ 94,602	$ 717,456
Due to Other Funds	84,386	2,646	-	3,744	35	121,508	212,319
Due to Component Units	-	-	-	3,455	-	613	4,068
Due to Other Governments	288,738	-	-	2,380	-	-	291,118
Unearned Revenue	10,474	-	-	-	-	9,010	19,484
Medicaid Liability	267,049	-	-	396,657	-	-	663,706
Liability For Escheated Property	412,037	-	-	-	-	-	412,037
Securities Lending Obligation	-	-	-	-	-	7,917	7,917
Other Liabilities	51,210	-	-	18,610	-	-	69,820
Total Liabilities	1,486,671	2,646	29,045	628,206	17,707	233,650	2,397,925
Deferred Inflows of Resources							
Receivables to be Collected in Future Periods	684,824	-	19,512	25,076	3,311	33,122	765,845
Fund Balances							
Nonspendable:							
Inventories/Long-Term Receivables	56,441	-	23,270	-	-	-	79,711
Permanent Fund Principal	-	-	-	-	-	115,545	115,545
Restricted For:							
Debt Service	-	901,920	-	-	-	-	901,920
Transportation Programs	-	-	269,594	-	-	-	269,594
Federal Grant and State Programs	-	-	-	278,247	-	-	278,247
Grants and Loans	-	-	-	-	886,157	-	886,157
Other	-	-	-	-	-	1,175,933	1,175,933
Committed For:							
Continuing Appropriations	134,315	-	28,644	-	-	-	162,959
Budget Reserve Fund	1,201,359	-	-	-	-	-	1,201,359
Assigned To:							
Grants and Loans	-	-	-	-	1,130	-	1,130
Other	-	-	-	-	-	9,759	9,759
Unassigned	(241,072)	-	-	-	-	(725)	(241,797)
Total Fund Balances	1,151,043	901,920	321,508	278,247	887,287	1,300,512	4,840,517
Total Liabilities, Deferred Inflows, and Fund Balances	$ 3,322,538	$ 904,566	$ 370,065	$ 931,529	$ 908,305	$ 1,567,284	$ 8,004,287

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, 2018

(Expressed in Thousands)

Total Fund Balance - Governmental Funds		$ 4,840,517
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)	31,062,297	
Less: Accumulated depreciation (excluding internal service funds)	(15,674,663)	
Net capital assets		15,387,634
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.		765,845
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.		69,139
Deferred outflows for pensions and OPEB are reported in the Statement of Net Position but are not reported in the funds (see Note 10 & 13).		9,014,590
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	(18,763,228)	
Transportation bonds payable	(5,540,495)	
Unamortized premiums	(1,919,483)	
Accrued interest payable	(239,523)	
Net long-term debt		(26,462,729)
Other liabilities not due and payable in the current period and, therefore, not reported in the funds (see Note 16).		
Net pension liability	(34,566,488)	
Net OPEB liability	(20,590,998)	
Obligations for worker's compensation	(747,234)	
Capital leases payable	(27,576)	
Compensated absences (excluding internal service funds)	(496,891)	
Claims and judgments payable	(195,543)	
Landfill postclosure care	(35,065)	
Nonexchange Financial guarantee	(531,560)	
Total other liabilities		(57,191,355)
Deferred inflows for pensions and OPEB are reported in the Statement of Net Position but are not reported in the funds (see Note 10 & 13).		
Pension and OPEB related		(1,075,511)
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.		50,465
Total Net Position - Governmental Activities		$ (54,601,405)

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, 2018

(Expressed in Thousands)

	General	Debt Service	Transportation	Restricted Grants & Accounts	Grant & Loan Programs	Other Funds	Total Governmental Funds
Revenues							
Taxes	$ 17,033,551	$ -	$ 1,215,570	$ -	$ -	$ -	$ 18,249,121
Licenses, Permits, and Fees	302,383	-	339,681	8,128	-	96,937	747,129
Tobacco Settlement	-	-	-	-	-	116,850	116,850
Federal Grants and Aid	2,295,760	-	12,196	5,840,700	-	64,792	8,213,448
State Grants and Aid	619	-	-	-	-	-	619
Lottery Tickets	336,239	-	-	-	-	-	336,239
Charges for Services	33,223	-	65,530	-	-	1,042	99,795
Fines, Forfeits, and Rents	104,460	-	19,359	-	-	957	124,776
Casino Gaming Payments	272,957	-	-	-	-	-	272,957
Investment Earnings	15,911	7,757	4,910	2,682	10,446	6,937	48,643
Interest on Loans	-	-	-	-	-	20	20
Miscellaneous	267,590	-	6,699	1,263,010	51,264	132,301	1,720,864
Total Revenues	20,662,693	7,757	1,663,945	7,114,520	61,710	419,836	29,930,461
Expenditures							
Current:							
Legislative	105,600	-	-	1,657	-	-	107,257
General Government	1,258,744	-	5,949	432,781	542,708	96,840	2,337,022
Regulation and Protection	429,654	-	102,911	106,784	14,492	163,576	817,417
Conservation and Development	235,851	-	4,413	326,221	236,905	170,732	974,122
Health and Hospitals	1,652,242	-	-	755,784	18,453	57,481	2,483,960
Transportation	-	-	840,798	708,817	32,947	-	1,582,562
Human Services	4,952,257	-	-	4,234,825	1,255	3,064	9,191,401
Education, Libraries, and Museums	4,286,782	-	-	579,995	23,164	4,595	4,894,536
Corrections	2,012,224	-	-	25,081	3,130	1,747	2,042,182
Judicial	843,397	-	-	28,598	-	50,395	922,390
Capital Projects	-	-	-	-	-	879,431	879,431
Debt Service:							
Principal Retirement	1,580,587	301,345	525	-	-	-	1,882,457
Interest and Fiscal Charges	719,437	243,106	633	93,814	2,982	6,211	1,066,183
Total Expenditures	18,076,775	544,451	955,229	7,294,357	876,036	1,434,072	29,180,920
Excess (Deficiency) of Revenues Over Expenditures	2,585,918	(536,694)	708,716	(179,837)	(814,326)	(1,014,236)	749,541
Other Financing Sources (Uses)							
Bonds Issued	-	-	-	-	855,437	1,720,639	2,576,076
Premiums on Bonds Issued	-	35,834	-	-	50,655	156,537	243,026
Transfers In	1,643,536	623,888	13,614	68,884	-	72,948	2,422,870
Transfers Out	(2,587,385)	(14,057)	(579,337)	(38,864)	(47,734)	(712,719)	(3,980,096)
Refunding Bonds Issued	-	368,545	-	-	-	123	368,668
Payment to Refunded Bond Escrow Agent	-	(402,721)	-	-	-	-	(402,721)
Capital Lease Obligations	3,774	-	-	-	-	-	3,774
Total Other Financing Sources (Uses)	(940,075)	611,489	(565,723)	30,020	858,358	1,237,528	1,231,597
Net Change in Fund Balances	1,645,843	74,795	142,993	(149,817)	44,032	223,292	1,981,138
Fund Balances (Deficit) - Beginning	(494,418)	827,125	182,151	428,064	843,255	1,077,220	2,863,397
Change in Reserve for Inventories	(382)	-	(3,636)	-	-	-	(4,018)
Fund Balances (Deficit) - Ending	$ 1,151,043	$ 901,920	$ 321,508	$ 278,247	$ 887,287	$ 1,300,512	$ 4,840,517

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, 2018

(Expressed in Thousands)

Net change in fund balances - total governmental funds		$ 1,981,138
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	(2,575,952)	
Refunding bonds issued	(368,668)	
Premium on bonds issued	(243,026)	
Principal repayment:		
Principal Retirement	1,881,932	
Payments to refunded bond escrow agent	402,721	
Capital lease payments	6,562	
Net debt adjustments		(896,431)
Some capital assets acquired this year were financed with capital leases. The amount financed by leases is reported in the governmental funds as a source of financing, but lease obligations are reported as long-term liabilities on the Statement of Activities		(3,238)
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)	1,275,829	
Depreciation expense (excluding internal service funds)	(723,438)	
Retirements	(273)	
Net capital outlay adjustments		552,118
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.		(4,018)
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:		
Decrease in accrued interest	394	
Increase in interest accreted on capital appreciation debt	(18,021)	
Amortization of bond premium	210,627	
Amortization of loss on debt refundings	(18,205)	
Increase in Net OPEB Liability	63,681	
Decrease in Net OPEB obligation	10,450,183	
Increase in net deferred inflows related to other post employment benefits {OPEB}	(754,414)	
Increase in employer contributions subsequent to the OPEB measurement date	133,771	
Increase in net deferred outflows related to other post employment benefits {OPEB}	1,210	
Decrease in compensated absences	14,495	
Increase in workers compensation	(29,218)	
Increase in claims and judgments	(144,380)	
Decrease in landfill postclosure cost	1,232	
Increase in non-exchange financial guarantees	(531,560)	
Decrease in pension liability	2,625,583	
Decrease in net deferred inflows related to pensions	6,576	
Decrease in net deferred outflows related to pensions	(3,066,585)	
Increase in employer contributions subsequent to the NPL measurement date	165,008	
Net expense accruals		9,110,377
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.		8,307
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.		(2,959)
Change in net position - governmental activities		$ 10,745,294

The accompanying Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2018

(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	$ 466,106	$ 324,355	$ 1,298	$ 5,061	$ 55,358	$ 852,178	$ 8,714
Deposits with U.S. Treasury	-	-	576,874	-	-	576,874	-
Investments	640	65,404	-	-	-	66,044	-
Receivables:							
Accounts, Net of Allowances	142,783	24,511	189,970	-	6,309	363,573	80
Loans, Net of Allowances	2,326	1,633	-	200,004	22,898	226,861	-
Interest	-	-	-	3,787	195	3,982	-
From Other Governments	-	2,414	4,529	-	-	6,943	-
Due from Other Funds	54,088	133,347	672	-	-	188,107	4,500
Inventories	11,531	-	-	-	-	11,531	4,168
Restricted Assets	357,914	-	-	-	-	357,914	-
Other Current Assets	28,595	7,345	-	-	37	35,977	166
Total Current Assets	1,063,983	559,009	773,343	208,852	84,797	2,689,984	17,628
Noncurrent Assets:							
Cash and Cash Equivalents	-	148,471	-	337,361	92,051	577,883	-
Investments	15,833	32,471	-	6,951	-	55,255	-
Receivables:							
Loans, Net of Allowances	8,924	7,494	-	954,061	142,644	1,113,123	-
Restricted Assets	472	-	-	189,749	69,792	260,013	-
Capital Assets, Net of Accumulated Depreciation	3,167,754	1,908,704	-	-	24,283	5,100,741	44,974
Other Noncurrent Assets	3,733	568	-	-	224	4,525	145
Total Noncurrent Assets	3,196,716	2,097,708	-	1,488,122	328,994	7,111,540	45,119
Total Assets	$ 4,260,699	$ 2,656,717	$ 773,343	$ 1,696,974	$ 413,791	$ 9,801,524	$ 62,747
Deferred Outflows of Resources							
Unamortized Losses on Bond Refundings	$ 4,046	$ -	$ -	$ 7,995	$ 181	$ 12,222	$ -
Other Deferred Outflows	-	238	-	-	-	238	-
Total Deferred Outflows of Resources	$ 4,046	$ 238	$ -	$ 7,995	$ 181	$ 12,460	$ -
Liabilities							
Current Liabilities:							
Accounts Payable and Accrued Liabilities	$ 255,870	$ 117,615	$ 694	$ 10,224	$ 11,843	$ 396,246	$ 1,500
Due to Other Funds	24,365	5,824	410	-	-	30,599	8,690
Due to Other Governments	2,199	-	44	-	-	2,243	-
Current Portion of Long-Term Obligations	66,963	26,720	-	53,831	10,608	158,122	84
Unearned Revenue	-	36,530	-	-	-	36,530	-
Other Current Liabilities	70,563	8,847	-	-	-	79,410	-
Total Current Liabilities	419,960	195,536	1,148	64,055	22,451	703,150	10,274
Noncurrent Liabilities:							
Noncurrent Portion of Long-Term Obligations	616,870	421,765	-	857,194	171,069	2,066,898	2,008
Total Noncurrent Liabilities	616,870	421,765	-	857,194	171,069	2,066,898	2,008
Total Liabilities	$ 1,036,830	$ 617,301	$ 1,148	$ 921,249	$ 193,520	$ 2,770,048	$ 12,282
Deferred Inflows of Resources							
Other Deferred Inflows	$ 6,856	$ -	$ -	$ -	$ 25	$ 6,881	$ -
Total Deferred Inflows of Resources	$ 6,856	$ -	$ -	$ -	$ 25	$ 6,881	$ -
Net Position (Deficit)							
Net Investment in Capital Assets	$ 2,550,230	$ 1,738,204	$ -	$ -	$ (983)	$ 4,287,451	$ 45,119
Restricted For:							
Debt Service	-	-	-	-	4,508	4,508	-
Clean and Drinking Water Projects	-	-	-	600,095	158,447	758,542	-
Capital Projects	172,113	-	-	-	-	172,113	-
Nonexpendable Purposes	15,044	1,231	-	-	-	16,275	-
Expendable Endowment	-	63,733	-	-	-	63,733	-
Loans	2,962	-	-	-	-	2,962	-
Other Purposes	32,334	48,080	-	-	-	80,414	-
Unrestricted (Deficit)	448,376	188,406	772,195	183,625	58,455	1,651,057	5,346
Total Net Position	$ 3,221,059	$ 2,039,654	$ 772,195	$ 783,720	$ 220,427	$ 7,037,055	$ 50,465

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, 2018
(Expressed in Thousands)

	Business-Type Activities						Governmental
	Enterprise Funds						Activities
	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 $290,024)	$ 1,220,928	$ 497,350	$ -	$ -	$ 30,019	$ 1,748,297	$ 52,729
Assessments	-	-	744,376	-	35,617	779,993	-
Federal Grants, Contracts, and Other Aid	157,309	22,387	15,509	-	-	195,205	-
State Grants, Contracts, and Other Aid	19,441	24,420	14,726	-	-	58,587	-
Private Gifts and Grants	47,723	9,510	-	-	-	57,233	-
Interest on Loans	-	-	-	20,647	3,165	23,812	-
Other	117,272	24,797	29,233	-	1,146	172,448	185
Total Operating Revenues	1,562,673	578,464	803,844	20,647	69,947	3,035,575	52,914
Operating Expenses							
Salaries, Wages, and Administrative	2,178,192	1,220,661	-	1,242	20,897	3,420,992	33,074
Unemployment Compensation	-	-	696,456	-	-	696,456	-
Claims Paid	-	-	-	-	26,164	26,164	-
Depreciation and Amortization	160,822	97,692	-	-	1,123	259,637	17,949
Other	53,155	35,696	-	3,761	2,548	95,160	-
Total Operating Expenses	2,392,169	1,354,049	696,456	5,003	50,732	4,498,409	51,023
Operating Income (Loss)	(829,496)	(775,585)	107,388	15,644	19,215	(1,462,834)	1,891
Nonoperating Revenue (Expenses)							
Interest and Investment Income	6,692	7,933	-	11,271	3,118	29,014	450
Interest and Fiscal Charges	(9,908)	(11,263)	-	(39,264)	(7,078)	(67,513)	-
Other - Net	102,995	121,935	-	9,425	(11,667)	222,688	(299)
Total Nonoperating Revenues (Expenses)	99,779	118,605	-	(18,568)	(15,627)	184,189	151
Income (Loss) Before Capital Contributions, Grants, and Transfers	(729,717)	(656,980)	107,388	(2,924)	3,588	(1,278,645)	2,042
Capital Contributions	5,099	-	-	-	-	5,099	-
Federal Capitalization Grants	-	-	-	27,995	11,189	39,184	-
Transfers In	918,180	652,931	-	590	225	1,571,926	-
Transfers Out	-	-	(9,700)	-	-	(9,700)	(5,000)
Change in Net Position	193,562	(4,049)	97,688	25,661	15,002	327,864	(2,958)
Total Net Position (Deficit) - Beginning	3,027,497	2,043,703	674,507	758,059	205,425	6,709,191	53,423
Total Net Position (Deficit) - Ending	$ 3,221,059	$ 2,039,654	$ 772,195	$ 783,720	$ 220,427	$ 7,037,055	$ 50,465

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, 2018

(Expressed in Thousands)

	Business-Type Activities						Governmental
	Enterprise Funds						Activities
	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	$ 1,210,454	$ 485,334	$ 741,922	$108,551	$81,592	$ 2,627,853	$ 53,236
Payments to Suppliers	(702,248)	(308,260)	-	(3,761)	(9,824)	(1,024,093)	(28,022)
Payments to Employees	(1,415,503)	(900,629)	-	(1,170)	(11,476)	(2,328,778)	(9,881)
Other Receipts (Payments)	365,597	60,097	(734,024)	(156,134)	(56,960)	(521,424)	189
Net Cash Provided by (Used in) Operating Activities	(541,700)	(663,458)	7,898	(52,514)	3,332	(1,246,442)	15,522
Cash Flows from Noncapital Financing Activities							
Proceeds from Sale of Bonds	88,806	-	-	-		88,806	-
Retirement of Bonds and Annuities Payable	-	-	-	(53,891)	(9,529)	(63,420)	-
Interest on Bonds and Annuities Payable	-	-	-	(38,327)	(8,028)	(46,355)	-
Transfers In	467,843	541,675	-	590	225	1,010,333	-
Transfers Out	-	-	(9,700)	-		(9,700)	(5,000)
Other Receipts (Payments)	49,034	131,489	(9,615)	-	(12,843)	158,065	(299)
Net Cash Flows from Noncapital Financing Activities	605,683	673,164	(19,315)	(91,628)	(30,175)	1,137,729	(5,299)
Cash Flows from Capital and Related Financing Activities							
Additions to Property, Plant, and Equipment	(361,918)	(87,459)	-	-	(593)	(449,970)	(14,007)
Proceeds from Capital Debt	369,630	-	-	-	-	369,630	-
Principal Paid on Capital Debt	(101,963)	(20,055)	-	-	-	(122,018)	-
Interest Paid on Capital Debt	(63,197)	(13,943)	-	-	-	(77,140)	-
Transfer In	216,731	190,634	-	-	-	407,365	-
Federal Grant	-	-	-	27,995	11,817	39,812	-
Other Receipts (Payments)	79,060	(72,438)	-	-	-	6,622	-
Net Cash Flows from Capital and Related Financing Activities	138,343	(3,261)	-	27,995	11,224	174,301	(14,007)
Cash Flows from Investing Activities							
Proceeds from Sales and Maturities of Investments	-	45,231	-	-	-	45,231	-
Purchase of Investment Securities	(609)	(32,270)	-	-	-	(32,879)	-
Interest on Investments	6,169	6,719	10,515	11,304	3,147	37,854	450
(Increase) Decrease in Restricted Assets	-	-	-	139,942	-	139,942	-
Other Receipts (Payments)	-	(12,346)	-	(34,689)	19,522	(27,513)	-
Net Cash Flows from Investing Activities	5,560	7,334	10,515	116,557	22,669	162,635	450
Net Increase (Decrease) in Cash and Cash Equivalents	207,886	13,779	(902)	410	7,050	228,223	(3,334)
Cash and Cash Equivalents - Beginning of Year	616,606	459,047	2,200	4,651	48,308	1,130,812	12,048
Cash and Cash Equivalents - End of Year	$ 824,492	$ 472,826	$ 1,298	$ 5,061	$55,358	$ 1,359,035	$ 8,714
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities							
Operating Income (Loss)	$ (829,496)	$(775,585)	$ 107,388	$ 15,644	$19,215	$(1,462,834)	$ 1,891
Adjustments not Affecting Cash:							
Depreciation and Amortization	160,822	96,651	-	-	1,123	258,596	17,949
Other	148,036	(7,300)	-	-	295	141,031	-
Change in Assets and Liabilities:					-		
(Increase) Decrease in Receivables, Net	(4,267)	10	(97,181)	(68,158)	1,680	(167,916)	26
(Increase) Decrease in Due from Other Funds	-	1,726	184	-	-	1,910	479
(Increase) Decrease in Inventories and Other Assets	1,517	810	-	-	(16,621)	(14,294)	4
Increase (Decrease) in Accounts Payables & Accrued Liabilities	(18,312)	20,230	(1,738)	-	(2,360)	(2,180)	(4,827)
Increase (Decrease) in Due to Other Funds	-	-	(755)	-	-	(755)	-
Total Adjustments	287,796	112,127	(99,490)	(68,158)	(15,883)	216,392	13,631
Net Cash Provided by (Used In) Operating Activities	$ (541,700)	$(663,458)	$ 7,898	$ (52,514)	$ 3,332	$(1,246,442)	$ 15,522
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets							
Cash and Cash Equivalents - Current	$ 466,106	$ 324,355					
Cash and Cash Equivalents - Noncurrent	-	148,471					
Cash and Cash Equivalents - Restricted	358,386	-					
	$ 824,492	$ 472,826					
Noncash Investing, Capital, and Financing Activities:							
Amortization of Premiums, Discounts, and net loss on debt refunding's	$ 14,666						
Loss on disposal of capital assets	(5,075)						
Acquisition of software license under long term purchase contract	2,380						
Accruals of expenses related to construction in progress	75						
Unrealized gain on investment	179						
	$ 12,225						

The accompanying Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2018

(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	$ 88,480	$ -	$ -	$ 138,515	$ 226,995
Receivables:					
Accounts, Net of Allowances	41,225	-	-	10,903	52,128
From Other Governments	885	-	-	-	885
From Other Funds	2,523	-	-	-	2,523
Interest	1,372	2,363	-	101	3,836
Inventories				11	11
Investments (See Note 3)	34,275,872	1,497,585	-	-	35,773,457
Securities Lending Collateral	2,597,918	-	-	-	2,597,918
Other Assets	-	47	3,259	330,323	333,629
Noncurrent:					
Due From Employers	19,113	-	-	-	19,113
Total Assets	$ 37,027,388	$ 1,499,995	$ 3,259	$ 479,853	39,010,495
Liabilities					
Accounts Payable and Accrued Liabilities	$ 54,067	$ 2,358	$ -	$ 47,078	103,503
Securities Lending Obligation	2,597,918	-	-	-	2,597,918
Due to Other Funds	1,834	-	-	379	2,213
Funds Held for Others	-	-	-	432,396	432,396
Total Liabilities	$ 2,653,819	$ 2,358	$ -	$ 479,853	$ 3,136,030
Net Position					
Restricted for:					
Pension Benefits	$ 33,465,407	$ -	$ -		$ 33,465,407
Other Postemployment Benefits	908,162	-	-		908,162
Pool Participants	-	1,497,637	-		1,497,637
Individuals, Organizations, and Other Governments	-	-	3,259		3,259
Total Net Position	$ 34,373,569	$ 1,497,637	$ 3,259		$ 35,874,465

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, 2018

(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	$ 744,525	$ -	$ -	$ 744,525
State	3,560,636	-	-	3,560,636
Municipalities	200,361	-	-	200,361
Total Contributions	4,505,522	-	-	4,505,522
Investment Income	2,441,624	26,046	-	2,467,670
Less: Investment Expense	(132,092)	(501)	-	(132,593)
Net Investment Income	2,309,532	25,545	-	2,335,077
Escheat Securities Received	-	-	46,617	46,617
Pool's Share Transactions	-	115,526	-	115,526
Other	4,461	-	-	4,461
Total Additions	6,819,515	141,071	46,617	7,007,203
Deductions				
Administrative Expense	8,045	-	-	8,045
Benefit Payments and Refunds	4,953,503	-	-	4,953,503
Escheat Securities Returned or Sold	-	-	44,035	44,035
Distributions to Pool Participants	-	25,544	-	25,544
Other	279,862	-	1,152	281,014
Total Deductions	5,241,410	25,544	45,187	5,312,141
Change in Net Position Held In Trust For:				
Pension and Other Employee Benefits	1,578,105	-	-	1,578,105
Individuals, Organizations, and Other Governments	-	115,527	1,430	116,957
Net Position - Beginning	32,795,464	1,382,110	1,829	34,179,403
Net Position - Ending	$ 34,373,569	$ 1,497,637	$ 3,259	$ 35,874,465

The accompanying Notes to the Financial Statements are an integral part of this statement.

STATEMENT OF NET POSITION
COMPONENT UNITS

June 30, 2018
(Expressed in Thousands)

Assets	Connecticut Housing Finance Authority (12-31-17)	Connecticut Lottery Corporation	Connecticut Airport Authority	Other Component Units	Total
Current Assets:					
Cash and Cash Equivalents	$ -	$ 21,998	$ 103,337	$ 135,773	$ 261,108
Investments	-	6,175	-	513,993	520,168
Receivables:					
Accounts, Net of Allowances	-	27,183	10,349	33,572	71,104
Loans, Net of Allowances	-	-	-	11,734	11,734
Other	-	1,325	-	559	1,884
Due From Other Governments	-	-	7,075	-	7,075
Due From Primary Government	-	-	2,970	1,098	4,068
Restricted Assets	858,364	-	3,331	321,065	1,182,760
Inventories	-	-	-	6,203	6,203
Other Current Assets	-	5,916	116	10,254	16,286
Total Current Assets	858,364	62,597	127,178	1,034,251	2,082,390
Noncurrent Assets:					
Investments	-	119,045	-	103,586	222,631
Accounts, Net of Allowances	-	-	-	39,671	39,671
Loans, Net of Allowances	-	-	-	77,893	77,893
Restricted Assets	4,743,563	-	129,624	369,276	5,242,463
Capital Assets, Net of Accumulated Depreciation	3,465	819	325,731	446,151	776,166
Other Noncurrent Assets	-	8,112	-	59,384	67,496
Total Noncurrent Assets	4,747,028	127,976	455,355	1,095,961	6,426,320
Total Assets	$ 5,605,392	$ 190,573	$ 582,533	$ 2,130,212	$ 8,508,710
Deferred Outflows of Resources					
Accumulated Decrease in Fair Value of Hedging Derivatives	$ -	$ -	$ 10,999	$ -	$ 10,999
Unamortized Losses on Bond Refundings	91,788	-	1,630	-	93,418
Related to Pensions & Other Postemployment Benefits	22,050	18,516	21,718	31,765	94,049
Other	-	-	-	38	38
Total Deferred Outflows of Resources	$ 113,838	$ 18,516	$ 34,347	$ 31,803	$ 198,504
Liabilities					
Current Liabilities:					
Accounts Payable and Accrued Liabilities	$ 23,071	$ 9,492	$ 20,713	$ 68,521	$ 121,797
Current Portion of Long-Term Obligations	277,831	6,663	7,225	18,471	310,190
Due To Primary Government	-	-	3,321	54,150	57,471
Amount Held for Institutions	-	-	-	227,870	227,870
Other Liabilities	-	40,490	5,801	-	46,291
Total Current Liabilities	300,902	56,645	37,060	369,012	763,619
Noncurrent Liabilities:					
Pension Liability	67,070	108,239	140,265	96,480	412,054
Noncurrent Portion of Long-Term Obligations	4,449,350	119,472	113,104	501,435	5,183,361
Total Noncurrent Liabilities	4,516,420	227,711	253,369	597,915	5,595,415
Total Liabilities	$ 4,817,322	$ 284,356	$ 290,429	$ 966,927	$ 6,359,034
Other Deferred Inflows					
Unamortized Investment Earnings	$ -	$ -	$ -	$ 672	$ 672
Related to Pensions & Other Postemployment Benefits	20,925	4,412	5,445	10,368	41,150
Other Deferred Inflows	-	-	-	7	7
Total Deferred Inflows of Resources	$ 20,925	$ 4,412	$ 5,445	$ 11,047	$ 41,829
Net Position					
Net Investment in Capital Assets	$ 3,465	$ 819	$ 218,031	$ 243,749	$ 466,064
Restricted:					
Debt Service	-	-	6,521	-	6,521
Bond Indentures	877,518	-	2,105	-	879,623
Expendable Endowments	-	-	-	124,058	124,058
Nonexpendable Endowments	-	-	-	476,949	476,949
Capital Projects	-	-	124,330	-	124,330
Other Purposes	-	(80,498)	-	114,702	34,204
Unrestricted (Deficit)	-	-	(29,981)	224,583	194,602
Total Net Position	$ 880,983	$ (79,679)	$ 321,006	$ 1,184,041	$ 2,306,351

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, 2018

(Expressed in Thousands)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Connecticut Housing Finance Authority (12/31/17)	$ 193,459	$ 165,984	$ -	$ -
Connecticut Lottery Corporation	1,280,217	1,267,638	-	-
Connecticut Airport Authority	83,922	99,630	-	9,799
Other Component Units	296,625	292,103	6,384	4,738
Total Component Units	$ 1,854,223	$ 1,825,355	$ 6,384	$ 14,537

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.

Connecticut Housing Finance Authority (12-31-17)	Connecticut Lottery Corporation	Connecticut Airport Authority	Other Component Units	Totals
		Net (Expense) Revenue and Changes in Net Position		
$ (27,475)	$ -	$ -	$ -	$ (27,475)
-	(12,579)	-	-	(12,579)
-	-	25,507	-	25,507
-	-	-	6,600	6,600
(27,475)	(12,579)	25,507	6,600	(7,947)
41,796	6,287	1,582	32,898	82,563
41,796	6,287	1,582	32,898	82,563
14,321	(6,292)	27,089	39,498	74,616
866,662	(73,387)	293,917	1,144,543	2,231,735
$ 880,983	$ (79,679)	$ 321,006	$ 1,184,041	$ 2,306,351

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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 portion of 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 ended on December 31, 2017.

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. CHESLA is 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, formerly the Capital City Economic Development Authority markets major sports, convention, and exhibition venues in the region.

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 as a quasi-public agency to supersede the 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 State'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 grants and 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 Postemployment Benefit (OPEB) Trust Funds - These funds account for resources held in trust for the members and beneficiaries of the state's other postemployment 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 or in the case of gifts at acquisition value.

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 and 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 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, 2019. The State is currently evaluating the impact this standard will have on its financial statements.

The GASB issued Statement No. 87, *Leases* in June 2017. This Statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This Statement is effective for fiscal years beginning after December 15, 2019. The State is currently evaluating the impact this standard will have on its financial statements.

The GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* in April 2018. The purpose of this Statement is to improve the information that is disclosed in notes to the financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. Also, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. This Statement is effective for reporting periods beginning after June 15, 2018. The State is currently evaluating the impact this standard will have on its financial statements.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period.* This Statements objective are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement is effective for reporting periods beginning after December 15, 2019. 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, 2018, none of which constitutes a violation of statutory provisions (amounts in thousands).

Capital Projects		
Transportation	$	718
Special Revenue		
Consumer Counsel & Public Utility Control	$	266
Insurance	$	1,782
Regional Market	$	90
Enterprise		
Bradley Parking Garage	$	13,589

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 Consumer Counsel and Public Utility Control, Insurance and Regional Market funds deficit were because of additional expenditures this fiscal year and lower revenue collections. These deficits should be eliminated in the future.

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, 2018, 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	$ 1,395,827	$ 1,395,827
Bank Commercial Paper	1,618,964	1,618,964
Repurchase Agreements	650,000	650,000
Total Investments	$ 3,664,791	$ 3,664,791

Interest Rate Risk

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, 2018, the weighted average maturity of 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, 2018, the amount of STIF's investments in variable-rate securities was $1,680 million.

Credit Risk

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, 2018, 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	$ 1,395,827	$ -	$ 1,395,827	$ -
Corporate & Bank Commercial Paper	1,618,964	-	1,370,320	248,644
Repurchase Agreements	650,000	-	450,000	200,000
Total Investments	$ 3,664,791	$ -	$ 3,216,147	$ 448,644

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, 2018, 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	$ 632,327
Federal Farm Credit Bank	$ 649,101
Commercial Paper & Corporate Securities	$ 1,618,964
Merrill Lynch	$ 200,000
RBC Capital Markets	$ 450,000

Custodial Credit Risk-Bank Deposits-Nonnegotiable Certificate of Deposits (amounts in thousands):
STIF follows policy parameters that limit deposits in any one entity to a maximum of ten percent of assets. Further, the certificates of deposit 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, 2018, $3,130,127 of the bank balance of STIF's deposits of $3,131,627 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$	2,488,402
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State		641,725
Total	$	3,130,127

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	$ 115,546	$ 640	$ 34,275,872
Other Investments	1,130	65,404	1,497,585
Total Investments-Current	$ 116,676	$ 66,044	$ 35,773,457

The CIFS measure and record their 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 tiered 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, 2018, 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	$ 848,350	$ 47	$ 848,303	$ -
Asset Backed Securities	260,196	-	260,196	-
Government Securities	3,661,834	1,264,152	2,397,682	-
Government Agency Securities	645,396	-	645,396	-
Mortgage Backed Securities	333,200	-	333,200	-
Corporate Debt	4,284,257	-	4,158,574	125,683
Convertible Securities	31,232	-	31,232	-
Common Stock	15,183,973	15,183,229	-	744
Preferred Stock	47,299	28,738	18,561	-
Real Estate Investment Trust	327,950	266,670	61,280	-
Mutual Fund	1,529,260	1,529,260	-	-
Limited Partnerships	1,948	1,948	-	-
Total	$ 27,154,895	$ 18,274,044	$ 8,754,424	$ 126,427
Investments Measured by Net Asset Value (NAV)		**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Limited Liability Corporation	1,156	$ -	Illiquid	N/A
Limited Partnerships	7,212,625	2,346,469	Illiquid	N/A
Total	7,213,781	$ 2,346,469		
Total Investments in Securities at Fair Value	$ 34,368,676			

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 CIFS' investments. The investments include short-term cash equivalents including certificates of deposit 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	$ 848,350	$ 848,350	$ -	$ -	$ -
Asset Backed Securities	260,196	(20)	90,406	80,632	89,178
Government Securities	3,661,834	182,298	1,502,443	813,202	1,163,891
Government Agency Securities	645,396	34,992	43,568	29,318	537,518
Mortgage Backed Securities	333,200	3,546	56,110	30,389	243,155
Corporate Debt	4,284,257	1,366,686	1,540,615	1,015,630	361,326
Convertible Debt	31,232	559	7,393	10,342	12,938
	$ 10,064,465	$ 2,436,411	$ 3,240,535	$ 1,979,513	$ 2,408,006

Credit Risk

The CIFS minimize 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, 2018, 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	$ 2,476,345	$ -	$ 184,538	$ 1,505,804	$ 503,975	$ 212,661	$ 69,367	$ -
Aa	683,693	5,809	1,953	419,447	-	2,305	254,179	-
A	822,926	5,170	3,352	483,844	-	3,013	327,547	-
Baa	844,884	-	3,376	426,795	-	303	414,410	-
Ba	842,978	-	978	250,481	-	-	580,648	10,871
B	950,296	-	-	178,461	-	-	771,276	559
Caa	444,618	-	-	32,051	-	63	412,016	488
Ca	3,980	-	-	-	-	-	3,980	-
C	30,106	-	-	23,463	-	-	6,643	-
Prime 1	698,276	98,893	-	-	-	-	599,383	-
Prime 2	70,027	-	-	-	-	-	70,027	-
Prime 3	20,681	-	-	-	-	-	20,681	-
Government fixed not rated	159,772	-	-	18,351	141,421	-	-	-
Non Government fixed not rated	323,137	-	-	323,137	-	-	-	-
Not Rated	1,692,746	738,478	65,999	-	-	114,855	754,100	19,314
	$ 10,064,465	$ 848,350	$ 260,196	$ 3,661,834	$ 645,396	$ 333,200	$ 4,284,257	$ 31,232

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, 2018, 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	$ 8,484	$ 128	$ -	$ 7,676	$ 680	$ -	$ -	$ -	$ -	$ -
Australian Dollar	413,205	902	-	74,622	7,449	-	-	313,811	-	16,421
Brazilian Real	144,229	6	-	92,493	-	61	-	51,150	519	-
Canadian Dollar	146,323	2,395	10,979	27,528	-	(24)	-	104,690	-	755
Chilean Peso	17,905	-	-	13,085	-	-	-	4,820	-	-
Colombian Peso	63,859	909	-	61,342	1,510	-	-	98	-	-
Czech Koruna	11,588	-	-	11,588	-	-	-	-	-	-
Danish Krone	114,298	201	-	1,064	-	-	-	113,033	-	-
Dominican Rep Peso	4,452	-		4,452	-			-		
Egyptian Pound	23,882	17,405	-	4,591	-	-	-	1,886	-	-
Euro Currency	2,263,544	9,333	-	230,051	19,917	(133)	-	1,974,339	18,875	11,162
Ghanaian Cedi	1,427	-	-	-	1,427	-	-	-	-	-
Hong Kong Dollar	671,898	(151)	-	-	-	-	-	668,241	-	3,808
Hungarian Forint	63,076	811	-	24,459	-	-	-	37,806	-	-
Iceland Krona	2	2	-	-	-	-	-	-	-	-
Indian Rupee	5,949	-	-	270	5,679	-	-	-	-	-
Indonesian Rupiah	91,768	1,760	-	41,373	45,931	-	-	2,704	-	-
Israeli Shekel	42,265	17	-	-	-	-	-	42,248	-	-
Japanese Yen	1,370,815	5,610	-	50,966	-	120	-	1,307,199	-	6,920
Kazakhstan Tenge	6,026	-	-	-	6,026	-	-	-	-	-
Georgian Lari	1,848	-	-	-	1,848	-	-	-	-	-
Malaysian Ringgit	87,957	607	-	87,085	-	9	-	256	-	-
Mexican Peso	183,022	1,066	-	176,104	5,929	(150)	-	73	-	-
New Zealand Dollar	110,392	499	-	94,018	694	(95)	-	15,276	-	-
Nigerian Naira	8,842	3,109	-	-	5,562	-	-	171	-	-
Norwegian Krone	49,242	85	-	-	237	-	-	48,920	-	-
Peruvian Nouveau Sol	30,029	22	-	23,590	6,417	-	-	-	-	-
Philippine Peso	1,447	-	-	1,447	-	-	-	-	-	-
Polish Zloty	162,453	259	-	90,007	-	1	-	72,186	-	-
Pound Sterling	1,223,684	2,351	106	258,745	4,875	(71)	985	939,362	-	17,331
Romanian Leu	14,263	-	-	14,263	-	-	-	-	-	-
Russian Ruble	71,739	122	-	71,617	-	-	-	-	-	-
Singapore Dollar	131,883	80	-	25,129	-	-	-	103,890	-	2,784
South African Rand	184,298	530	-	85,516	2,985	-	-	95,267	-	-
South Korean Won	358,179	69	-	-	-	-	-	351,268	6,842	-
Sri Lanka Rupee	3,899	-	-	-	3,899	-	-	-	-	-
Swedish Krona	160,132	198	-	4,212	-	-	-	155,722	-	-
Swiss Franc	436,611	507	-	-	-	-	-	436,104	-	-
Thailand Baht	84,763	310	-	36,892	-	-	-	47,561	-	-
Turkish Lira	51,194	-	-	35,943	-	-	-	15,251	-	-
Ukarine Hryvana	8,827	-	-	-	8,827	-	-	-	-	-
Uruguayan Peso	3,493	-	-	3,493	-	-	-	-	-	-
	$ 8,833,192	$ 49,142	$ 11,085	$ 1,653,621	$ 129,892	$ (282)	$ 985	$ 6,903,332	$ 26,236	$ 59,181

Derivatives

As of June 30, 2018, the CIFS held the following derivative investments (amounts in thousands):

	2018 Fair Value	2017 Fair Value
Adjustable Rate Securities	$ 724,765	$ 652,183
Asset Backed Securities	257,317	255,114
Mortgage Backed Securities	269,910	215,946
Collateralized Mortgage Obligations	63,289	64,633
Forward Mortgage Backed Securities (TBA's)	140,844	118,185
Interest Only	341	470
Options	(179)	775
Total	$ 1,456,287	$ 1,307,306

The Inflation Linked Bond Fund held futures with a notional cost of $6,800. Also, the Core Fixed Income held futures with a notional cost of $109,624. The High Yield Debt Fund held futures with a negative notional cost of ($3,212), the Developed Market International Stock held futures with a notional cost of $61,021. The Emerging Market Debt also held futures with a negative notional cost of ($29,221).

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, 2018, the fair value of contracts to buy and contracts to sell was $9.5 billion and $9.4 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, 2018, the CIFS had deposits with a bank balance of $106.0 million which was uninsured and uncollateralized.

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

Other Investments

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, 2018, 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	$ 834	$ 834	$ -	$ -
Fixed Income Securities	1,719	1,719	-	-
Equity Securities	10,929	10,176	753	-
Total	$ 13,482	$ 12,729	$ 753	$ -
Investments Measured by Net Asset Value (NAV)		**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Private Capital Partnerships	$ 1,164	$ 219	N/A	N/A
Private Real Estate Partnerships	66	39	N/A	N/A
Natural Resource Partnerships	526	86	N/A	N/A
Long/Short Equities	1	-	N/A	N/A
Relative Value	878	-	N/A	N/A
Other	469	-	N/A	N/A
Total	3,104	$ 344		
Total Investments in Securities at Fair Value	$ 16,586			

As of June 30, 2018, 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	$ 54,397	$ -	$ 4,160	$ 50,237
U.S. Government and Agency Securities	341,872	83,827	4,847	253,198
Guaranteed Investment Contracts	62,798	-	43,882	18,916
Money Market Funds	13,734	13,734	-	-
Total Debt Investments	472,801	$ 97,561	$ 52,889	$ 322,351
Endowment Pool	15,044			
Corporate Stock	1,073			
Other Investments	469			
Total Investments	$ 489,387			

Credit Risk

As of June 30, 2018, other debt investments were rated by Standard and Poor's as follows (amounts in thousands):

Other Investments					
	Fair	Quality Ratings			
Investment Type	Value	AA	A	BBB	Unrated
State Bonds	$ 54,397	$ 3,030	$ 51,367	$ -	$ -
U.S. Government and Agency Securities	258,562	258,562	-	-	-
Guaranteed Investment Contracts	62,798	14,565	17,221	12,960	18,052
Money Market Funds	13,734	-	-	-	13,734
Total	$ 389,491	$ 276,157	$ 68,588	$ 12,960	$ 31,786

Connecticut State Universities reported $84 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, 2018, $165,522 of the bank balance of the Primary Government of $168,898 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 88,879
Uninsured and collateral held by trust department of either the pledging bank or another bank not in the name of the State	76,643
Total	$ 165,522

Component Units

The Connecticut Housing Finance Authority (CHFA) and the Connecticut Lottery Corporation (CLC) reported the following investments and maturities as of December 31, 2017 and June 30, 2018, 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	$ 474	$ -	$ -	$ 474	$ -
GNMA & FNMA Program Assets	1,603,090	-	-	1,099	1,601,991
Mortgage Backed Securities	509	-	-	69	440
Money Market	9,045	9,045	-	-	-
Municipal Bonds	58,479	316	1,867	2,457	53,839
STIF	631,881	631,881	-	-	-
Structured Securities	279	-	-	-	279
U.S. Government Agency Securities	878	-	-	-	878
Total Debt Investments	2,304,635	$ 641,242	$ 1,867	$ 4,099	$ 1,657,427
Annuity Contracts	125,220				
Total Investments	$ 2,429,855				

The CHFA and the CLC own 94.8 percent and 5.2 percent of the above investments, respectively. GNMA Program Assets represent securitized home mortgage loans of CHFA which are guaranteed by the Government National Mortgage Association. Annuity contracts are the only investment held by the CLC, which are not subject to investment risks discussed next.

Interest Rate Risk
CHFA
Exposure to declines in fair value is substantially limited to GNMA Program Assets. The Authority's investment policy requires diversification of its investment portfolio to eliminate the risk of loss resulting from, among other things, an over-concentration of assets in a specific maturity. This policy also requires the Authority to attempt to match its investments with anticipated cash flows requirements and to seek diversification by staggering maturities in such a way that avoids undue concentration of assets in a specific maturity sector.

Credit Risk
CHFA
The Authority's investments are limited by State statutes to United States Government obligations, including its agencies or instrumentalities, investments guaranteed by the state, investments in the state's STIF, and other obligations which are legal investments for savings banks in the state. The Fidelity Funds are fully collateralized by obligations issued by the United States Government or its agencies. Mortgage Backed Securities are fully collateralized by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Government National Mortgage Association, and Collateralized Mortgage Obligations are fully collateralized by the United States Department of Housing and Urban Development mortgage pools.

CHFA's investments were rated as of December 31, 2017 as follows (amounts in thousands):

Component Units					
	Fair		Quality Ratings		
Investment Type	**Value**	**AAA**	**CCC**	**D**	**Unrated**
Collateralized Mortgage Obligations	$ 474	$ -	$ 474	$ -	$ -
Municipal Bonds	58,479	-	-	-	58,479
Money Market	9,045	-	-	-	9,045
STIF	631,881	631,881	-	-	-
Structured Securities	279	-	-	279	-
Total	$ 700,158	$ 631,881	$ 474	$ 279	$ 67,524

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, 2017, 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 CIFS are permitted by State statute to engage in security lending transactions to provide incremental returns to the funds. The CIFS' 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 $2,605.1 million and $2,556.6 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 21.06 days and an average weighted maturity of 47.26 days.

Note 4
Receivables-Current

As of June 30, 2018, current receivables consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Taxes	$ 2,227,247	$ -	$ -
Accounts	1,162,781	453,576	77,125
Loans-Current Portion	-	226,861	11,734
Other Governments	968,599	6,943	7,075
Interest	3,287	2,030	1,344
Other (1)	381	1,952	540
Total Receivables	4,362,295	691,362	97,818
Allowance for Uncollectibles	(921,419)	(90,003)	(6,021)
Receivables, Net	$ 3,440,876	$ 601,359	$ 91,797

(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, 2018 (amounts in thousands):

	Governmental Activities		
	General Fund	Transportation Fund	Total
Sales and Use	$ 818,446	$ -	$ 818,446
Income Taxes	662,502	-	662,502
Corporations	24,469	-	24,469
Gasoline and Special Fuel	-	190,705	190,705
Various Other	531,125	-	531,125
Total Taxes Receivable	2,036,542	190,705	2,227,247
Allowance for Uncollectibles	(235,595)	(95)	(235,690)
Taxes Receivable, Net	$ 1,800,947	$ 190,610	$ 1,991,557

Note 6
Receivables-Noncurrent

Noncurrent receivables for the primary government and its component units, as of June 30, 2018, consisted of the following (amounts in thousands):

	Primary Government		
	Governmental Activities	Business-Type Activities	Component Units
Accounts	$ -	$ -	$ 39,671
Loans	1,047,102	1,113,123	91,581
Total Receivables	1,047,102	1,113,123	131,252
Allowance for Uncollectibles	(22,438)	-	(13,688)
Receivables, Net	$ 1,024,664	$ 1,113,123	$ 117,564

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 $104.4 million.

Note 7
Restricted Assets

Restricted assets are defined as resources that are restricted by legal or contractual requirements. As of June 30, 2018, 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	$ 901,920	$ -	$ -	$ -	$ 901,920
Total-Governmental Activities	$ 901,920	$ -	$ -	$ -	$ 901,920
Business-Type Activities:					
UConn/Health Center	$ 358,386	$ -	$ -	$ -	$ 358,386
Clean Water	82,850	106,899	-	-	189,749
Other Proprietary	61,973	7,819	-	-	69,792
Total-Business-Type Activities	$ 503,209	$ 114,718	$ -	$ -	$ 617,927
Component Units:					
CHFA	$ 533	$ 2,304,635	$ 3,193,257	$ 103,502	$ 5,601,927
CAA	-	129,802	-	3,153	132,955
Other Component Units	56,845	296,569	332,017	4,910	690,341
Total-Component Units	$ 57,378	$ 2,731,006	$ 3,525,274	$ 111,565	$ 6,425,223

Note 8
Current Liabilities

Accounts Payable and Accrued Liabilities

As of June 30, 2018, 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	$ 148,895	$ 223,882	$ -	$ -	$ 372,777
Transportation	14,771	14,274	-	-	29,045
Restricted Accounts	191,917	11,443	-	-	203,360
Grants and Loans	8,896	115	-	8,661	17,672
Other Governmental	88,119	6,483	-	-	94,602
Internal Service	618	882	-	-	1,500
Reconciling amount from fund financial statements to government-wide financial statements	-	-	239,523	689	240,212
Total-Governmental Activities	$ 453,216	$ 257,079	$ 239,523	$ 9,350	$ 959,168
Business-Type Activities:					
UConn/Health Center	$ 110,590	$ 96,053	$ -	$ 49,227	$ 255,870
Board of Regents	21,159	92,225	2,251	1,980	117,615
Other Proprietary	8,371	-	12,430	1,960	22,761
Total-Business-Type Activities	$ 140,120	$ 188,278	$ 14,681	$ 53,167	$ 396,246
Component Units:					
CHFA	$ -	$ -	$ 16,105	$ 6,966	$ 23,071
Connecticut Lottery Corporation	8,167	-	1,325	-	9,492
Connecticut Airport Authority	7,407	5,332	1,074	6,900	20,713
Other Component Units	1,476	-	858	66,187	68,521
Total-Component Units	$ 17,050	$ 5,332	$ 19,362	$ 80,053	$ 121,797

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	$ 1,788,392	$ 45,138	$ 273	$ 1,833,257
Construction in Progress	4,988,440	1,187,319	1,122,491	5,053,268
Total Capital Assets not being Depreciated	6,776,832	1,232,457	1,122,764	6,886,525
Capital Assets being Depreciated:				
Buildings	4,620,423	23,541	10,577	4,633,387
Improvements Other than Buildings	472,649	2,847	2,229	473,267
Equipment	2,621,857	134,130	142,890	2,613,097
Infrastructure	15,597,928	1,009,680	-	16,607,608
Total Other Capital Assets at Historical Cost	23,312,857	1,170,198	155,696	24,327,359
Less: Accumulated Depreciation For:				
Buildings	1,784,824	115,835	10,577	1,890,082
Improvements Other than Buildings	345,558	23,849	2,229	367,178
Equipment	2,572,935	138,074	142,890	2,568,119
Infrastructure	10,501,941	453,956	-	10,955,897
Total Accumulated Depreciation	15,205,258	731,714	155,696	15,781,276
Other Capital Assets, Net	8,107,599	438,484	-	8,546,083
Governmental Activities, Capital Assets, Net	$ 14,884,431	$ 1,670,941	$ 1,122,764	$ 15,432,608

* Depreciation expense was charged to functions as follows:

Governmental Activities:	
Legislative	$ 4,930
General Government	21,275
Regulation and Protection	24,420
Conservation and Development	10,869
Health and Hospitals	9,784
Transportation	576,786
Human Services	959
Education, Libraries and Museums	30,396
Corrections	27,211
Judicial	16,807
Capital assets held by the government's internal service funds are charged to the various functions based on the usage of the assets	8,277
Total Depreciation Expense	$ 731,714

	Beginning Balance	Additions	Retirements	Ending Balance
Business-Type Activities				
Capital Assets not being Depreciated:				
Land	$ 68,625	$ 18	$ -	$ 68,643
Construction in Progress	877,344	243,818	397,622	723,540
Total Capital Assets not being Depreciated	945,969	243,836	397,622	792,183
Capital Assets being Depreciated:				
Buildings	5,596,311	486,213	9,397	6,073,127
Improvements Other Than Buildings	430,629	18,936	-	449,565
Equipment	1,057,388	152,921	104,990	1,105,319
Total Other Capital Assets at Historical Cost	7,084,328	658,070	114,387	7,628,011
Less: Accumulated Depreciation For:				
Buildings	2,211,146	171,160	6,601	2,375,705
Improvements Other Than Buildings	233,564	14,990	-	248,554
Equipment	713,231	73,405	91,442	695,194
Total Accumulated Depreciation	3,157,941	259,555	98,043	3,319,453
Other Capital Assets, Net	3,926,387	398,515	16,344	4,308,558
Business-Type Activities, Capital Assets, Net	$ 4,872,356	$ 642,351	$ 413,966	$ 5,100,741

Component Units

Capital assets of the component units consisted of the following as of June 30, 2018 (amounts in thousands):

Land	$ 59,409
Buildings	705,677
Improvements other than Buildings	324,894
Machinery and Equipment	605,759
Construction in Progress	39,724
Total Capital Assets	1,735,463
Accumulated Depreciation	959,297
Capital Assets, Net	$ 776,166

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 these financial statements.

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 are elected by teacher membership and five public members are 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, to be 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 6/30/2018	TRS 6/30/2018	JRS 6/30/2018
Inactive Members or their Beneficiaries receiving benefits	50,441	37,446	284
Inactive Members Entitled to but not yet Receiving Benefits	1,281	2,194	3
Active Members	49,153	50,594	209

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, 2017.

	SERS		TRB		JRS	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap U.S. Equities	21.0%	5.8%	21.0%	5.8%	21.0%	5.8%
Developed Non-U.S. Equities	18.0%	6.6%	18.0%	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%	7.0%	5.1%	7.0%	5.1%
Private Equity	11.0%	7.6%	11.0%	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%	7.0%	1.3%	8.0%	1.3%
High Yield Bonds	5.0%	3.9%	5.0%	3.9%	5.0%	3.9%
Emerging Market Bond	4.0%	3.7%	5.0%	3.7%	4.0%	3.7%
Inflation Linked Bonds	5.0%	1.0%	3.0%	1.0%	5.0%	1.0%
Cash	4.0%	0.4%	6.0%	0.4%	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, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan expense, was 7.30 percent, 7.04 percent, and 6.14 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, 2017 were as follows (amounts in millions):

	SERS	TRS	JRS
Total Pension Liability	$ 33,053	$ 30,637	$ 448
Fiduciary Net Position	11,982	17,134	210
Net Pension Liability	$ 21,071	$ 13,503	$ 238
Ratio of Fiduciary Net Position to Total Pension Liability	36.25%	55.93%	46.91%

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, 2018 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 rates 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	$ 24,368	$ 21,071	$ 16,963
TRS Net Pension Liability	$ 16,901	$ 13,502	$ 10,629
JRS Net Pension Liability	$ 269	$ 238	$ 183

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 reporting date June 30, 2018 (amounts in thousands):

	SERS	TRS	JRS	Total
Primary Government	$ 1,425,153	$ 1,271,033	$ 25,458	$ 2,721,644
Component Units	17,900	-	-	17,900
Total Employer Contributions	$ 1,443,053	$ 1,271,033	$ 25,458	$ 2,739,544

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of the measurement 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	$ 20,826,368	$ 244,547
Net Pension Liability		
Teachers' Retirement System	13,502,320	-
Judicial Retirement System	237,800	-
Total Net Pension Liability	$ 34,566,488	$ 244,547

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, 2017 as follows:

	Primary Government	Component Units
State Employees' Retirement System		
Proportion-June 30, 2016	98.84%	1.16%

For the measurement 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	$ 1,397,929	$ 13,113
Teachers' Retirement System	1,561,824	-
Judicial Retirement System	38,814	-
	$ 2,998,567	$ 13,113

Deferred Outflows and Inflows of Resources

As of the reporting date June 30, 2018, 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	$ -	$ 39,767	$ -	$ 467
Difference Between Expected and Actual Experience	497,200	-	5,838	-
Changes in Proportion & Differences Between Employer Contributions & Proportionate Share of Contributions	-	-	12,010	23,418
Change in Assumptions	3,191,098	-	37,471	-
Employer Contributions Subsequent to Measurement Date	1,425,153	-	17,900	-
Total	$ 5,113,451	$ 39,767	$ 73,219	$ 23,885
Teachers' Retirement System				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	$ -	$ 265,437		
Difference Between Expected and Actual Experience	183,836	-		
Change in Assumptions	1,563,208	-		
Employer Contributions Subsequent to Measurement Date	1,271,033	-		
Total	$ 3,018,077	$ 265,437		
Judicial Retirement System				
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	$ 12,252	$ 11,169		
Difference Between Expected and Actual Experience	-	4,724		
Change in Assumptions	32,542			
Employer Contributions Subsequent to Measurement Date	25,458	-		
Total	$ 70,252	$ 15,893		

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
2019	$ 971,619	$ 8,107
2020	1,112,945	9,767
2021	1,006,326	8,497
2022	569,633	4,479
2023	-	584
	$ 3,660,523	$ 31,434

Teachers' Retirement System

Year Ending June 30	Primary Government
2019	$ 313,672
2020	527,839
2021	347,489
2022	74,064
2023-2024	218,543
	$ 1,481,607

Judges' Retirement System

Year Ending June 30	Primary Government
2019	$ 14,193
2020	16,162
2021	846
2022	(2,300)
2023	-
	$ 28,901

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

	SERS	TRS	JRS
Valuation Date	6/30/2018	6/30/2018	6/30/2018
Inflation	3.50%	2.75%	2.3% - 4.75%
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, 2018 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, 2018 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, 2017 (amounts in thousands):

Total Pension Liability	**SERS**	**TRS**	**JRS**
Service Cost	$ 480,350	$ 450,563	$ 10,159
Interest	2,255,533	2,308,693	29,062
Benefit Changes	(1,444,220)	-	-
Difference between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Benefit payments	(1,847,715)	(1,962,533)	(24,899)
Refunds of Contributions	(7,972)	-	-
Net change in total pension liability	(564,024)	796,723	14,322
Total pension liability - beginning (a)	33,616,716	29,839,923	433,603
Total pension liability - ending (c)	**$ 33,052,692**	**$ 30,636,646**	**$ 447,925**
Plan fiduciary net position			
Contributions - employer	$ 1,542,298	$ 1,012,162	$ 19,164
Contributions - member	132,557	288,251	1,689
Net investment income	1,509,862	2,199,895	24,452
Benefit payments	(1,847,715)	(1,962,533)	(24,899)
Other	(9,017)	1,679	(39)
Net change in plan fiduciary net position	1,327,985	1,539,454	20,367
Plan net position - beginning (b)	10,653,792	15,594,872	189,758
Plan net position - ending (d)	**$ 11,981,777**	**$ 17,134,326**	**$ 210,125**
Net pension liability - beginning (a)-(b)	**$ 22,962,924**	**$ 14,245,051**	**$ 243,845**
Net pension liability - ending (c)-(d)	**$ 21,070,915**	**$ 13,502,320**	**$ 237,800**

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 $33.7 million and $49.1 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 to date of the latest actuarial information:

	MERS	CPJERS
Retirees and beneficiaries receiving benefits	7,448	372
Terminated plan members entitled to but not receiving benefits	1,165	132
Active plan members	10,096	365
Total	18,709	869
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, 2017 were as follows (amounts in millions):

	MERS
Total Pension Liability	$ 2,982
Fiduciary Net Position	2,734
Net Pension Liability	$ 248
Ratio of Fiduciary Net Position to Total Pension Liability	91.68%

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	$ 612	$ 248	$ (58)

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	Deferred Inflows of Resources
Municipal Employees Retirement System		
Difference Between Expected and Actual Experience	$ 29,743	$ -
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	36,564	-
Employer Contributions Subsequent to Measurement Date	198,494	-
	$ 264,801	$ -

Amounts recognized in subsequent fiscal years:

Year Ending June 30	MERS
2019	$ 23,232
2020	44,669
2021	19,935
2022	(21,529)

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, 2017 is as follows (amounts in thousands):

Service Cost	$ 76,056
Interest on the total pension liability	221,010
Expensed portion of current-period difference between expected and actual experience in the total pension liability	-
Member Contributions	(27,377)
Projected earnings on plan investments	(176,182)
Expensed portion of current period differences between projected and actual earnings on plan investments	(21,529)
Other	(524)
Recognition of beginning deferred outflows of resources as pension expense	44,762
Collective Pension Expense	$ 116,216

Actuarial Assumptions

The total pension liability was determined by the most recent actuarial information available, using the following actuarial assumptions, applied to all periods included in the measurement date:

Inflation	2.50%
Salary increase	3.5-10.0%, including inflation
Investment rate of return	7.00%, net of investment related expenses

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, 2018 the Fiduciary Fund financial statements were as follows (amounts in thousands):

Statement of Fiduciary Net Position (thousands)

	State Employees'	State Teachers'	Judicial	Connecticut Municipal Employees'	Probate Judges'	Other	Total
Assets							
Current:							
Cash and Cash Equivalents	$ 8,348	$ 6,397	$ 50	$ 1,760	$ 11	$ 375	$ 16,941
Receivables:							
Accounts, Net of Allowances	11,402	12,108	8	17,703	4	-	41,225
From Other Governments	-	885	-	-	-	-	885
From Other Funds	538	25	-	36	-	2	601
Interest	334	1,008	3	24	2	-	1,371
Investments	12,506,984	17,936,760	222,747	2,627,389	99,881	1,932	33,395,693
Securities Lending Collateral	953,550	1,302,278	21,076	247,526	9,654	181	2,534,265
Noncurrent:							
Due From Employers	-	-	-	19,113	-	-	19,113
Total Assets	$ 13,481,156	$ 19,259,461	$ 243,884	$ 2,913,551	$ 109,552	$ 2,490	$ 36,010,094
Liabilities							
Accounts Payable and Accrued Liabilities	$ 64	$ 8,510	$ -	$ -	$ 14	$ -	$ 8,588
Securities Lending Obligation	953,550	1,302,278	21,076	247,526	9,654	181	2,534,265
Due to Other Funds	-	1,834	-	-	-	-	1,834
Total Liabilities	$ 953,614	$ 1,312,622	$ 21,076	$ 247,526	$ 9,668	$ 181	$ 2,544,687
Net Position							
Held in Trust For Employee							
Pension Benefits	$ 12,527,542	$ 17,946,839	$ 222,808	$ 2,666,025	$ 99,884	$ 2,309	$ 33,465,407
Total Net Assets	$ 12,527,542	$ 17,946,839	$ 222,808	$ 2,666,025	$ 99,884	$ 2,309	$ 33,465,407

Statement of Changes in Fiduciary Net Position (thousands)

	State Employees'	State Teachers'	Judicial	Connecticut Municipal Employees'	Probate Judges'	Other	Total
Additions							
Contributions:							
Plan Members	$ 193,942	$ 312,150	$ 1,663	$ 24,995	$ 233	$ 44	$ 533,027
State	1,443,053	1,271,033	25,458	-	-	-	2,739,544
Municipalities	-	1,244	-	198,484	-	-	199,728
Total Contributions	1,636,995	1,584,427	27,121	223,479	233	44	3,472,299
Investment Income	926,057	1,295,010	13,932	158,307	6,130	115	2,399,551
Less: Investment Expenses	(50,113)	(70,079)	(754)	(8,567)	(332)	(6)	(129,851)
Net Investment Income	875,944	1,224,931	13,178	149,740	5,798	109	2,269,700
Other	-	-	-	50	4,220	5	4,275
Total Additions	2,512,939	2,809,358	40,299	373,269	10,251	158	5,746,274
Deductions							
Administrative Expense	391	-	-	-	-	-	391
Benefit Payments and Refunds	1,963,644	1,994,092	27,580	167,153	5,438	-	4,157,907
Other	3,139	2,753	36	273,875	-	-	279,803
Total Deductions	1,967,174	1,996,845	27,616	441,028	5,438	-	4,438,101
Changes in Net Assets	545,765	812,513	12,683	(67,759)	4,813	158	1,308,173
Net Position Held in Trust For Employee Pension Benefits:							
Beginning of Year (as restated)	11,981,777	17,134,326	210,125	2,733,784	95,071	2,151	32,157,234
End of Year	$ 12,527,542	$ 17,946,839	$ 222,808	$ 2,666,025	$ 99,884	$ 2,309	$ 33,465,407

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. 75 – *Accounting* and *Financial Reporting for Postemployment Benefit Plans Other than Pensions.*

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 to date of the latest actuarial information:

	SEOPEBP	RTHP
Inactive Members or their Beneficiaries receiving benefits	74,579	40,633
Inactive Members Entitled to but not yet Receiving Benefits	256	10,684
Active Members	49,538	50,594

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, the measurement date.

	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.

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	$ 17,904,922	$ 3,538,772
Fiduciary Net Position	542,342	63,428
Net OPEB Liability	$ 17,362,580	$ 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 the most recent actuarial information available, using the following actuarial assumptions, applied to all periods included in the measurement:

	SEOPEBP	RTHP
Payroll growth rate	3.50%	2.75%
Salary increase	3.25% to 19.5% varying by years of service & retirement system	3.25%-6.5%
Discount Rate	3.68%	
Investment rate of return		3.00%, net of OPEB plan investment expense including price inflation
Healthcare cost trend rates	8% for drug cost graded to 4.5% over 7 years 6% for medical graded to 4.5% over 4 years 4.5% for dental 3.0% for adminstrative expense	5.95% decreasing to 4.75% by year 2022

Mortality rates for the State Employees OPEB Plan were based on the RP-2014 White Collar Mortality Table projected by Scale BB at 100% for males and 95% for females.

Mortality rates for the State Teachers Retirement System were based on Headcount-Weighted RP-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. State Employees OPEB disabled participants mortality rates were based on the RP-2014 Disabled Retiree Mortality Table at 65% for males and 85% for females. State Teachers Retirement System disabled participants mortality rates were based on Headcount-Weighted RP-2014 Disabled Retiree Mortality Table projected to 2017 with Scale BB.

Discount Rate

The discount rate used to measure the total OPEB liability for SEOPEBP and RTHP respectively, was 3.68 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 2.68%	Current Discount Rate 3.68%	1% Increase in Discount Rate 4.68%
SEOPEBP:			
Primary Government Net OPEB Liability	$ 19,866,141	$ 17,115,654	$ 14,887,173
Component Units Net OPEB Liability	286,607	246,926	214,776
	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 in Trend Rates	Current Discount Rate (3.68%)	1% Increase in Trend Rates
SEOPEBP:			
Primary Government Net OPEB Liablity	$ 14,708,789	$ 17,115,654	$ 20,164,835
Component Untis Net OPEB Liability	212,202	246,926	290,916
	RTHP		
	1% Decrease	Current	1% Increase
RTHP Net OPEB Liability	$ 2,861,462	$ 3,475,344	$ 4,301,861

c. GASB Statement 75 Employer Reporting

Employer Contributions

The following table presents the primary government's and component units' contributions recognized by the OPEB plans at the reporting date June 30, 2018 (amounts in thousands):

	SEOPEBP	RTHP	Total
Primary Government	$ 792,401	$ 19,199	$ 811,600
Component Units	9,492	-	9,492
Total Employer Contributions	$ 801,893	$ 19,199	$ 821,092

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Post Employees Benefits

As of the measurement date June 30, 2017, the primary government and component units reported net OPEB liabilities for the following plans administered by the State as follows (amounts in thousands):

	Primary Government	Component Units
Proportionate Share of the Net OPEB Liability		
State Employees' OPEB Plan	$ 17,115,654	$ 246,926
Net OPEB Liability		
Retired Teachers' Health Plan	3,475,344	-
Total Net OPEB Liability	$ 20,590,998	$ 246,926

The primary government's and component units' proportions of the collective net OPEB liability for the State Employees' OPEB Plan as of the measurement date June 30, 2017 as follows (amounts in thousands):

	Primary Government	Component Units
State Employees' OPEB Plan		
Proportion-June 30, 2017	98.58%	1.42%

For the measurement date June 30, 2017, the primary government and component units' recognized OPEB expense for the following OPEB plan administered by the State as follows (amounts in thousands):

	Primary Government	Component Units
OPEB Expense		
State Employees' OPEB Plan	$ 1,206,289	$ 17,460
Retired Teachers' Health Plan	161,065	-
	$ 1,367,354	$ 17,460

Deferred Outflows and Inflows of Resources

As of the reporting date June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to the OPEB plans 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' OPEB Plan				
Net Difference Between Projected and Actual Investment Earnings on OPEB Plan Investments	$ -	$ 19,375	$ -	$ 279
Changes in Proportion & Differences Between Employer Contributions & Proportionate Share of Contributions	-	250	3,280	3,030
Change in Assumptions	-	410,617	-	5,924
Employer Contributions Subsequent to Measurement Date	792,401	-	9,492	-
Total	$ 792,401	$ 430,242	$ 12,772	$ 9,233
Retired Teachers' Health Plan				
Difference Between Expected and Actual Experience	$ 1,210	$ -		
Change in Assumptions	-	324,172		
Employer Contributions Subsequent to Measurement Date	19,199	-		
Total	$ 20,409	$ 324,172		

The amount reported as deferred outflows of resources related to OPEB resulting from the State contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability reported in the following fiscal year. The amount reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows (amounts in thousands):

State Employees' OPEB Plan		
Year Ending June 30	Primary Government	Component Units
2019	$ (97,799)	$ (1,354)
2020	(97,799)	(1,354)
2021	(97,799)	(1,353)
2022	(97,802)	(1,353)
2023	(39,043)	(539)
	$ (430,242)	$ (5,953)

Retired Teachers' Health Plan	
Year Ending June 30	Primary Government
2018	$ (46,075)
2019	(46,075)
2020	(46,074)
2021	(46,074)
2022	(46,377)
Thereafter	(92,287)
	$ (322,962)

Changes in Net OPEB Liability

The following schedule presents changes in the State's OPEB 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	$ 960,992	$ 148,220
Interest	511,133	111,129
Benefit Changes	-	-
Difference between expected and actual experience	-	-
Changes of assumptions	(510,781)	(370,549)
Benefit payments	(639,467)	(84,071)
Net change in total OPEB liability	321,877	(195,271)
Total OPEB liability - beginning	17,583,045	3,734,043
Total OPEB liability - ending (a)	**$ 17,904,922**	**$ 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)	**$ 17,362,580**	**$ 3,475,344**

The SEOPEBP Net OPEB Liability (NOL) as of June 30, 2017 reported for GASB 75 purposes in the table above differs from that reported as of June 30, 2017 last year for GASB 74 purposes. The GASB 74 NOL of $17,385,688 million was based on a valuation as of June 30, 2015, as the 2017 valuation had not been completed at that time. Under GASB 75, the June 30, 2015 valuation would not be acceptable for June 30, 2018 reporting, because the 36 months between the valuation date and the measurement date exceeds the maximum allowed under the standard.

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, 2018 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 (thousands)			
	State Employees' OPEB Plan	Retired Teachers' Healthcare Plan	Policemen, Firemen, and Survivors' Benefits	Total
Assets				
Cash and Cash Equivalents	$ 36,596	$ 34,927	$ 16	$ 71,539
Receivables:				
Accounts, Net of Allowances	-	-	-	-
From Other Funds	124	1,798	-	1,922
Interest	-	-	1	1
Investments	845,559	-	34,620	880,179
Securities Lending Collateral	60,645	-	3,008	63,653
Total Assets	$ 942,924	$ 36,725	$ 37,645	$ 1,017,294
Liabilities				
Accounts Payable and Accrued Liabilities	$ 32,390	$ 13,089	$ -	$ 45,479
Securities Lending Obligation	60,645	-	3,008	63,653
Due To Other Funds	-	-	-	-
Total Liabilities	$ 93,035	$ 13,089	$ 3,008	$ 109,132
Net Position				
Held in Trust For Employee				
Pension and Other Benefits	$ 849,889	$ 23,636	$ 34,637	$ 908,162
Total Net Assets	$ 849,889	$ 23,636	$ 34,637	$ 908,162

	Statement of Changes in Fiduciary Net Position (thousands)			
	State Employees' OPEB Plan	Retired Teachers' Healthcare Plan	Policemen, Firemen, and Survivors' Benefit	Total
Additions				
Contributions:				
Plan Members	$ 116,814	$ 94,107	$ 577	$ 211,498
State	801,893	19,199	-	821,092
Municipalities	-	-	633	633
Total Contributions	918,707	113,306	1,210	1,033,223
Investment Income	39,118	669	2,286	42,073
Less: Investment Expenses	(2,117)	-	(124)	(2,241)
Net Investment Income	37,001	669	2,162	39,832
Other	186	-	-	186
Total Additions	955,894	113,975	3,372	1,073,241
Deductions				
Administrative Expense	-	7,654	-	7,654
Benefit Payments and Refunds	648,347	146,061	1,188	795,596
Other	-	52	7	59
Total Deductions	648,347	153,767	1,195	803,309
Changes in Net Assets	307,547	(39,792)	2,177	269,932
Net Position Held in Trust For				
Other Postemployment Benefits:				
Beginning of Year (as restated)	542,342	63,428	32,460	638,230
End of Year	$ 849,889	$ 23,636	$ 34,637	$ 908,162

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):

2019	$	45,668
2020		46,064
2021		32,284
2022		31,030
2023		22,650
Thereafter		79,448
Total	$	257,144

Contingent revenues for the year ended June 30, 2018, were $675 thousand. The contingent revenue amount represents rental revenue which was paid in addition to the minimum lease revenues.

State as Lessee
Obligations under capital and operating leases as of June 30, 2018, were as follows (amounts in thousands):

		Noncancelable Operating Leases		Capital Leases
2019	$	37,370	$	8,098
2020		25,850		7,123
2021		19,848		3,217
2022		24,936		2,905
2023		5,070		2,015
2024-2028		26,983		6,118
2029-2033		8,267		3,650
2034-2038		1,502		-
Total minimum lease payments	$	149,826		33,126
Less: Amount representing interest costs				5,550
Present value of minimum lease payments			$	27,576

Minimum capital lease payments were discounted using interest rates changing from 3.84 percent to 6.00 percent.

Rental payments on noncancelable operating leases charged to expenses during the year ended June 30, 2018, were $37.4 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, 2018 (amounts in thousands):

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amounts due within one year
Bonds:					
General Obligation	$ 18,398,554	$ 2,144,620	$ 1,779,946	$ 18,763,228	$ 1,841,031
Transportation	5,041,840	800,000	301,345	5,540,495	323,470
	23,440,394	2,944,620	2,081,291	24,303,723	2,164,501
Plus (Less) Premiums	1,887,084	243,026	210,627	1,919,483	190,620
Total Bonds	25,327,478	3,187,646	2,291,918	26,223,206	2,355,121
Long-Term Notes	177,120	-	177,120	-	-
Other L/T Liabilities: [1]					
Net Pension Liability (Note 10)	37,192,071	2,056,125	4,681,708	34,566,488	-
Net OPEB Liability (Note 13) [2]	20,654,679	2,471,045	2,534,726	20,590,998	-
Net OPEB Obligation	10,450,182		10,450,182	-	-
Compensated Absences	512,836	24,098	38,656	498,278	37,671
Workers' Compensation	718,016	127,630	98,412	747,234	100,681
Capital Leases	30,900	3,238	6,562	27,576	7,352
Claims and Judgments	51,163	154,041	9,661	195,543	16,499
Landfill Post Closure Care	36,297	-	1,232	35,065	1,232
Liability on Interest Rate Swaps	826	-	386	440	-
Contracts Payable & Other	705	-	-	705	-
Non-exchange Financial Guarantees	-	540,080	8,520	531,560	21,285
Total Other Liabilities	69,647,675	5,376,257	17,830,045	57,193,887	184,720
Governmental Activities Long-Term Liabilities	$ 95,152,273	$ 8,563,903	$ 20,299,083	$ 83,417,093	$ 2,539,841

1. In prior years, the General and Transportation funds have been used to liquidate other liabilities.

2. The beginning total is restated by the effect of the State's reporting the net Other Post Employment Benefits liability on its financial statements following the guidance of Statement number 75 of the Governmental Accounting Standards Board (GASB)

Business-Type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Amounts due within one year
Revenue Bonds	$ 1,442,805	$ 141,725	$ 90,175	$ 1,494,355	$ 90,360
Plus/(Less) Premiums and Discounts	175,617	16,711	14,137	178,191	2,050
Total Revenue Bonds	1,618,422	158,436	104,312	1,672,546	92,410
Compensated Absences	192,747	48,855	44,028	197,574	49,881
Other	327,419	55,364	27,883	354,900	15,831
Total Other Liabilities	520,166	104,219	71,911	552,474	65,712
Business-Type Long-Term Liabilities	$ 2,138,588	$ 262,655	$ 176,223	$ 2,225,020	$ 158,122

The liability for claims and judgments (Governmental Activities) includes a pollution remediation liability of approximately $39.0 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, 2018, long-term debt of component units consisted of the following (amounts in thousands):

Long-Term Debt		Balance June 30, 2018		Amounts due within year
Bonds Payable (includes premiums/discounts)	$	5,006,898	$	259,069
Escrow Deposits		184,662		43,821
Annuities Payable		125,708		6,663
Rate Swap Liability		121,829		-
Net Pension Liability		238,727		-
Net Post Employment Liability		173,327		-
Other		54,454		637
Total	$	5,905,605	$	310,190

Not all component units report net pension liabilities and OPEB liabilities; therefore the notes show a higher liability for the net pension liability of $5,820 and a higher net OPEB liability of $73,599 than 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 $1,232,307 in FY2018.

GASB Statement No.18 *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Cost* applies to closure and postclosure care costs that are paid near or after the date a landfill stops accepting waste. The State recognizes landfill expenditures and related General Fund liabilities using the modified accrual basis of accounting. DEEP estimates the State's landfill liability for closure and postclosure costs based on landfill capacity. Increases or decreases in such estimates are reported as additions or reductions in this line item of the State's long-term liabilities. The liability for these estimated costs is reduced when the costs are actually paid. Actual costs may be higher than estimated due to inflation or changes in permitted capacity, technology or regulation. As of June 30, 2013, all five of the landfills had no capacity available since 100 percent of their capacity had been used.

Note 17
Long-Term Notes and Bonded Debt

a. Bond Anticipation Notes

In December 2017, the State issued $400,000,000 of General Obligation 2017 Series A Bond Anticipation Notes that matured on September 14, 2018 at which time General Obligation 2018 Series E Bonds were issued that mature in 2028. The State has elected to disclose these notes with its 2018 long-term debt because of it demonstrated ability to convert such debt to long-term debt rather than including the debt as fund liabilities. The issuance of the bonds was delayed due to the late passage of the State budget while the bans were issued to gain timely access to favorable pricing opportunities.

	Beginning Balance	Issued	Redeemed	Ending Balance
Bond Anticipation Notes	$ -	$ 400,000	$ -	$ 400,000

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 are supported by the full faith and credit of the State. General Obligation bonds outstanding and bonds authorized but unissued at June 30, 2018, were as follows (amounts in thousands):

Purpose of Bonds	Final Dates	Original Rates	Outstanding	Authorized But Unissued
Capital Improvements	2018-2038	2.00-5.75%	$ 4,430,793	$ 622,453
School Construction	2018-2038	1.70-5.750%	4,522,314	109,677
Municipal & Other Grants & Loans	2018-2037	1.10-5.632%	2,570,284	1,248,399
Housing Assistance	2018-2035	1.97-5.350%	511,949	190,619
Elimination of Water Pollution	2018-2035	2.00-5.09%	470,154	34
General Obligation Refunding	2018-2038	2.00-5.25%	3,388,130	-
GAAP Conversion	2018-2027	2.25-5.00%	459,690	-
Pension Obligation	2018-2032	5.69-6.27%	2,197,477	-
Miscellaneous	2018-2034	3.50-5.100%	64,654	75,085
			18,615,445	$ 2,246,267
Accretion-Various Capital Appreciation Bonds			147,783	
		Total	$ 18,763,228	

Future amounts needed to pay principal and interest on as General Obligation bonds outstanding at June 30, 2018, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2019	$ 1,841,031	$ 834,706	$ 2,675,737
2020	1,384,816	762,098	2,146,914
2021	1,363,371	703,186	2,066,557
2022	1,326,109	694,335	2,020,444
2023	1,361,291	647,182	2,008,473
2024-2028	5,868,247	2,264,748	8,132,995
2029-2033	4,247,485	805,110	5,052,595
2034-2038	1,222,020	107,576	1,329,596
2039-2043	1,075	22	1,097
Total	$ 18,615,445	$ 6,818,963	$ 25,434,408

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, 2018, were as follows (amounts in thousands):

Purpose of Bonds	Final Maturity Dates	Original Interest Rates	Amount Outstanding	Authorized But Unissued
Infrastructure Improvements	2019-2038	2.00-5.740%	$ 4,823,040	$ 3,387,280
STO Refunding	2019-2038	2.00-5.740%	717,455	-
			$ 5,540,495	$ 3,387,280
Accretion-Various Capital Appreciation Bonds			-	
		Total	$ 5,540,495	

Future amounts required to pay principal and interest on transportation related bonds outstanding at June 30, 2018, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2019	$ 323,470	$ 263,714	$ 587,184
2020	319,155	252,578	571,733
2021	335,515	237,201	572,716
2022	317,240	221,127	538,367
2023	329,170	205,312	534,482
2024 - 2028	1,636,400	781,669	2,418,069
2029 - 2033	1,486,025	373,196	1,859,221
2034 - 2038	793,520	79,257	872,777
	$ 5,540,495	$ 2,414,054	$ 7,954,549

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, 2018, were as follows (amounts in thousands):

Funds	Final Maturity Dates	Original Interest Rates	Amount Outstanding (000's)
UConn	2019-2047	1.5-5.25%	$ 240,980
Board of Regents	2019-2037	2.0-5.25%	318,690
Clean Water	2019-2037	1.0-5.0%	798,255
Drinking Water	2019-2037	1.0-5.0.%	111,165
Bradley Parking Garage	2019-2024	6.5-6.6%	25,265
Total Revenue Bonds			1,494,355
Plus/(Less) premiums and discounts:			
UConn			32,935
Board of Regents			15,907
Clean Water			129,349
Revenue Bonds, net			$ 1,672,546

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, 2018, $25.3 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, 2018, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2019	$ 33,595	$ 29,699	$ 63,294
2020	93,918	67,268	161,186
2021	98,449	62,962	161,411
2022	88,470	58,329	146,799
2023	128,448	66,407	194,855
2024-2028	421,063	201,259	622,322
2029-2033	372,222	103,583	475,805
2034-2038	186,715	39,452	226,167
2039-2043	31,245	14,492	45,737
2043-2047	40,230	5,492	45,722
Total	$ 1,494,355	$ 648,943	$ 2,143,298

d. Component Units

Component Units' revenue bonds outstanding at June 30, 2018, 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%	$ 4,397,094
CT Student Loan Foundation	2034-2046	2.476-3.564%	199,600
CT Higher Education			
Supplemental Loan Authority	2018-2035	.40-5.25%	147,810
CT Airport Authority	2018-2032	%/1 mth libor	109,330
CT Regional			
Development Authority	2018-2034	1.00-7.00%	79,315
UConn Foundation	2018-2024	2.30-2.92%	16,772
CT Green Bank	2018-2037	4.19%-6.02%	15,714
CT Innovations Inc.	2018-2020	2.37-5.25%	1,765
Total Revenue Bonds			4,967,400
Plus/(Less) premiums and discounts:			
CHFA			36,809
CSLF			(419)
CHESLA			4,155
UConn Foundation			(176)
CT Innovations Inc.			(585)
CRDA			(286)
Revenue Bonds, net			$ 5,006,898

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 $1.8 million in General Obligation bonds outstanding at year-end. These bonds were issued to finance the lease of an entertainment/sports facility and the purchase of a hockey team.

Connecticut Housing Finance Authority's revenue bonds are issued to finance the purchase, development and construction of housing for low and moderate-income families and persons throughout the State. The Authority has issued bonds under a bond resolution dated 9/27/72; a special needs indenture dated 9/25/95, and other bond resolutions dated October 2009. As of December 31, 2017, bonds outstanding under the bond resolution, the indenture, and other bond resolutions were $4,052.8 million, $64.8 million, and $316.3 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 $298.6 million per the resolution and $5.0 million per the indenture at 12/31/17. As of December 31, 2017, the Authority has entered into interest rate swap agreements for $805.5 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.

Future amounts needed to pay principal and interest on Component Unit revenue bonds outstanding at June 30, 2018, were as follows (amounts in thousands):

Year Ending June 30,	Principal	Interest	Total
2019	$ 175,084	$ 136,631	$ 311,715
2020	177,460	136,416	313,876
2021	173,359	131,822	305,181
2022	197,746	128,128	325,874
2023	183,947	123,320	307,267
2024-2028	906,975	542,660	1,449,635
2029-2033	986,872	404,759	1,391,631
2034-2038	849,908	266,283	1,116,191
2039-2043	621,330	158,956	780,286
2044-2048	613,295	100,072	713,367
2049-2052	61,749	11,020	72,769
2053-2057	19,675	4,884	24,559
	$ 4,967,400	$ 2,144,951	$ 7,112,351

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, 2018 were $324.8 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, 2018, were $8,349.7 million, of which $318.7 million was secured by special capital reserve funds.

e. Debt Refundings

During the fiscal year the State issued General Obligation and Special Tax Obligation bonds of $468.3 million at an average coupon interest rate of 5.86 percent to refund $507.6 million of General Obligation and Special Tax Obligation bonds with an average coupon interest rate of 5.88 percent. Although the refunding resulted in a $366 thousand accounting loss, the State in effect reduced its aggregate fund level debt service payments by $44.1 million over the next 6 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 $34.1 million.
Once the refunding bond proceeds were delivered, the State entered into escrow agreements with escrow holders, to provide for the redemption of the refunded bonds. The refunding proceeds were deposited in an escrow holder's account of the State's Short-Term Investment Fund until needed for redemption of the refunded bonds. Thus, the refunded bonds were removed from the State's financial statements as they are considered defeased.

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, 2018, the outstanding balance of bonds defeased in prior years was approximately $193.7 million.

f. Nonexchange Financial Guarantee

In March 2018, the State entered into a Contract for Financial Assistance with the City of Hartford, according to Section 376 of Public Act 17-2 of the June Special Session guaranteeing $540,080,000 of outstanding general obligation bonds of the City of Hartford, with maturity dates ranging from July1, 2028 through July 15, 2035, and semiannual interest payments. The contract assistance is limited to an amount equal to (1) the annual debt service on the outstanding amount of (A) refunding bonds to be issued by the City of Harford pursuant to section 7-370c of the general statues, or (B) any other bonds or notes issued by the City of Hartford, provided such refunding bonds or other bonds or notes are for payment, funding, refunding, redemption, replacement or substitutions of bonds, notes or other obligations previously issued by the City of Hartford, and (2) cost of issuance on any such refunding bonds and any other expenses that result directly from the refunding of debt. The Act also establishes that the City of Hartford must be under the supervision of the Municipal Accountability Review Board of the State and that the City may not issue any new debt without the board's approval. The State Representatives, defined by the contract as the Secretary of the Office of Policy and Management and the State Treasurer, may agree to provide credit support to the City of Hartford, including, but not limited to, assuming all or part of any bonds, notes, or other obligations of the City or issuance of new State obligations in replacement of such bonds, notes, or other obligations, provided such credit support does not exceed the amount of contract assistance that could otherwise be provided by the State to the City.

In April 2018, because of the possibility that the City of Hartford would declare bankruptcy, the State of Connecticut began making contract assistance payments for the City of Hartford's outstanding $540 million general obligation debt. During fiscal year 2018, the State of Connecticut has paid $8,520,000 in principal and $8,291,744 in interest on the guarantee.

The liability recognized for nonexchange financial guarantees by the State of Connecticut at June 30, 2018 is as follows (amounts in thousands):

Beginning of Year	Increases	Decreases	End of Year
$ -	$ 540,080	$ 8,520	$ 531,560

Note 18
Derivative Financial Instruments

The fair value balances and notional amounts of the State's derivative instruments outstanding at June 30, 2018, classified by type, and the changes in fair value of such derivative instruments for the year then ended are as follows (amounts in thousands; debit (credit)):

	Changes in Fair Value		Fair Value at Year End		
	Classification	Amount	Classification	Amount	Notional
Governmental activities					
Cash flow hedges: Pay-fixed interest rate swap	Deferred outflow of Resources	$ 386	Deferred outflow of Resources	$ (440)	$ 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, 2018, 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%	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, 2018, 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, 2018, 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
2019	$ -	$ 804	$ 236	$ 1,040
2020	20,000	806	234	21,040
	$ 20,000	$ 1,610	$ 470	$ 22,080

Note 19
Risk Management

The risk financing and insurance program of the State is managed by the State Insurance and Risk Management Board. The Board is responsible mainly for determining the method by which the State shall insure itself against losses by the purchase of insurance to obtain the broadest coverage at the most reasonable cost, determining whether deductible provisions should be included in the insurance contract, and whenever appropriate determining whether the State shall act as self-insurer. The schedule lists the risks of loss to which the State is exposed and the ways in which the State finances those risks.

Risk of Loss	Risk Financed by: Purchase of Commercial Insurance	Risk Financed by: Self-Insurance
Liability (Torts):		
-General (State buildings, parks, or grounds)		X
-Other	X	
Theft of, damage to, or destruction of assets	X	
Business interruptions	X	
Errors or omissions:		
-Professional liability	X	
-Medical malpractice (John Dempsey Hospital)		X
Injuries to employees		X
Natural disasters	X	

For the general liability risk, the State is self-insured because it has sovereign immunity. This means that the State cannot be sued for liability without its permission. For other liability risks, the State purchases commercial insurance only if the State can be held liable under a particular statute (e.g. per Statute the State can be held liable for injuries suffered by a person on a defective State highway), or if it is required by a contract.

For the risk of theft, of damage to, or destruction of assets (particularly in the automobile fleet), the State insures only leased cars and vehicles valued at more than $100 thousand. When purchasing commercial insurance the State may retain some of the risk by assuming a deductible or self-insured retention amount in the insurance policy. This amount varies greatly because the State carries a large number of insurance policies covering various risks. The highest deductible or self-insured retention amount assumed by the State is $25 million, which is carried in a railroad liability policy.

The State records its risk management activities related to the medical malpractice risk in the University of Connecticut and Health Center fund, an Enterprise fund. At year-end, liabilities for unpaid claims are recorded in the statement of net position (government-wide and proprietary fund statements) when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. The liabilities are determined based on the ultimate cost of settling the claims, including an amount for claims that have been incurred but not reported and claim adjustment expenses. The liabilities are actuarially determined and the unpaid liability for medical malpractice is reported at its present value, using a discount rate of 5 percent. In the General Fund, the liability for unpaid claims is only recorded if the liability is due for payment at year-end. Settlements have not exceeded coverages for each of the past three fiscal years.

Changes in the claims liabilities during the last two fiscal years were as follows (amounts in thousands):

	Governmental Activities Workers' Compensation	Business-Type Activities Medical Malpractice
Balance 6-30-16	$ 684,401	$ 31,592
Incurred claims	133,780	-
Paid claims	(100,165)	(6,735)
Balance 6-30-17	718,016	24,857
Incurred claims	127,630	-
Paid claims	(98,412)	(9,876)
Balance 6-30-18	$ 747,234	$ 14,981

Note 20
Interfund Receivables and Payables

Interfund receivable and payable balances at June 30, 2018, 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	$ -	$ -	$ 628	$ 4	$ 1,049	$ 32,553	$ 44,291	$ 672	$ 4,500	$ 689	$ -	$ 84,386
Debt Service	-	2,646	-	-	-	-	-	-	-	-	-	2,646
Restricted Grants & Accounts	3,744	-	-	-	-	-	-	-	-	-	3,455	7,199
Grant & Loan Programs	35	-	-	-	-	-	-	-	-	-	-	35
Other Governmental	2,304	-	-	-	8,613	21,535	89,056	-	-	-	613	122,121
UConn	24,365	-	-	-	-	-	-	-	-	-	-	24,365
Board of Regents	5,824	-	-	-	-	-	-	-	-	-	-	5,824
Employment Security	-	-	-	-	410	-	-	-	-	-	-	410
Internal Services	8,690	-	-	-	-	-	-	-	-	-	-	8,690
Fiduciary	-	-	-	-	379	-	-	-	-	1,834	-	2,213
Component Units	54,149	-	3,322	-	-	-	-	-	-	-	-	57,471
Total	$ 99,111	$ 2,646	$ 3,950	$ 4	$ 10,451	$ 54,088	$ 133,347	$ 672	$ 4,500	$ 2,523	$ 4,068	$ 315,360

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, 2018, consisted of the following (amounts in thousands):

	Amount transferred to fund(s)								
	General	Debt Service	Transportation	Restricted Grants & Accounts	Other Governmental	UConn	Board of Regents	Clean Water & Drinking Water	Total
Amount transferred from fund(s)									
General	$ 1,529,350	$ -	$ -	$ -	$ -	529,374	$ 527,846	$ 815	$ 2,587,385
Debt Service	-	-	13,614	443	-	-	-	-	14,057
Transportation	-	579,337	-	-	-	-	-	-	579,337
Restricted Grants & Accounts	38,864	-	-	-	-	-	-	-	38,864
Grants and Loans	-	-	-	-	47,734	-	-	-	47,734
Other Governmental	70,322	44,551		68,441	15,514	388,806	125,085	-	712,719
Internal Service	5,000	-	-	-	-	-	-	-	5,000
Employment Security	-	-	-	-	9,700	-	-	-	9,700
Total	$ 1,643,536	$ 623,888	$ 13,614	$ 68,884	$ 72,948	$ 918,180	$ 652,931	$ 815	$ 3,994,796

Transfers were made to (1) move revenues from the fund that budget or statute requires to collect them to the fund that budget or statute requires to expend them and (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due.

Note 22
Restatement of Net Position, Fund Balance Classifications, and Restricted Net Position

Restatement of Net Position

During the fiscal year 2018, the State implemented the following new accounting standard issued by the Governmental Accounting Standards Board (GASB).

GASB Statement 75. *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

GASB Statement 75 – This Statement creates standards for measuring and recognizing liabilities, assets, deferred outflows of resources, deferred inflows of resources, and expenditures for OPEB provided to employees of the primary government and its component units.

Governmental activities beginning net deficit was $45.4 billion. Beginning net position of governmental activities was reduced by $20.0 billion on the Statement of Activities as a result of implementing this Statement. See note 13 for further information on OPEB reporting.

For fiscal year 2018, Component Units beginning net position was $2.4 billion. As a result of implementing GASB Statement 75, the beginning net position for the Component Units was reduced by $167.0 million on the Statement of Activities resulting in a restated beginning net position of $2.2 billion. This reduction is reported on the Combining Statement of Activities – Component Units as well. The following component units implemented GASB 75 which resulted in a decrease net position to Connecticut Lottery Corporation of $48.9 million, Connecticut Airport Authority of $70.3 million, Connecticut Innovations, Incorporated of $25.9 million, and Connecticut Green Bank of $21.9 million. The Connecticut Housing Finance Authority (major Component Unit), did not implement GASB 75 in fiscal year 2018 because it has a fiscal year ending December 31.

Fund Balance – Restricted and Assigned

As of June 30, 2018 restricted and assigned fund balances of nonmajor governmental funds were comprised as follows (amounts in thousands):

	Restricted Purposes	Assigned Purposes
Capital Projects	$ 575,611	$ -
Environmental Programs	97,645	-
Housing Programs	410,518	-
Employment Security Administration	14,002	-
Banking	2,328	-
Other	75,829	9,759
Total	$ 1,175,933	$ 9,759

Restricted Net Position

As of June 30, 2018, the government-wide statement of net position reported $4,125 million of restricted net position, of which $260.8 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.

The Connecticut Neighborhood Assistance Act Credit Program (Conn. Gen. Stat. §§12-631 through 12-638)

The Neighborhood Assistance Act tax credit may be earned by businesses that make cash investments of at least $250 to certain community programs. The cash investments must be made in a community program that is proposed and conducted by a tax exempt or municipal agency and must be approved both by the municipality in which the program is conducted and the Department of Revenue Services.

This tax credit may be applied against the taxes imposed under:
Chapter 207 (Insurance Companies and Health Care Centers Taxes);
Chapter 208 (Corporation Business Tax);
Chapter 209 (Air Carriers Tax);
Chapter 210 (Railroad Companies Tax);
Chapter 211 (Community Antenna Television Systems and One-Way Satellite Transmission Business Tax); and
Chapter 212 (Utility Companies Tax).

A tax credit equal to one hundred percent of the cash invested is available to businesses that invest in energy conservation projects and comprehensive college access loan forgiveness programs. A tax credit equal to sixty percent of the cash invested is available to businesses that invest in programs that provide: community-based alcoholism prevention or treatment programs; neighborhood assistance; job training; education; community services; crime prevention; construction or rehabilitation of dwelling units for families of low and moderate income in the state; funding for open space acquisitions; investment in child day care facilities; child care services;

and any other program which serves persons at least seventy five percent of whom are at an income level not exceeding one hundred fifty percent of the poverty level for the preceding year.

Under the Connecticut Neighborhood Assistance Act there are several statutory limits which must be observed, including the following: (1) the total tax credits under the Neighborhood Assistance Act tax credit program are limited to $150,000 annually for each business. The tax credit for investments in child day care facilities may not exceed $50,000 per income year for each business; (2) the minimum contribution on which a tax credit can be granted is $250; (3) any organization conducting a program or programs eligible to receive contributions under the Neighborhood Assistance Act tax credit program is limited to receiving a total of $150,000 of funding for any program or programs for any fiscal year; (4) the cap on the total amount of credits that may be allowed annually is $5 million. If the proposals submitted to the Department of Revenue Services claim credits in excess of the cap, such credits will be prorated among the approved organizations; (5) no business shall receive both the Neighborhood Assistance tax credit and the Housing Program Contribution tax credit for the same cash contribution; (6) no business can claim the tax credit for investments in child care facilities in an income year that the business claims the Human Capital Investment tax credit; (7) carryforward and carryback limitations, no carryforward is allowed any tax credit that is not taken in the income year in which the investment was made may be carried back to the two immediately preceding income years.

Research and Development Expenditures

This credit is based on the incremental increase in expenditures for research and experiments conducted in Connecticut. "Research and development expenses" refers to research or experimental expenditures deductible under Section 174 of the Internal Revenue Code of 1986, as of May 28, 1993, determined without regard to Section 280C(c) elections made by a taxpayer to amortize such expenses on its federal income tax return that were otherwise deductible, and basic research payments as defined under Section 41 of the Internal Revenue Code to the extent not deducted under said Section 174, provided: such expenditures and payments are paid or incurred for such research and experimentation and basic research conducted in the State of Connecticut; and such expenditures and payments are not funded, within the meaning of Section 41(d)(4)(H) of the Internal Revenue Code, by any grant, contract, or otherwise by a person or governmental entity other than the taxpayer unless such other person is included in a combined return with the person paying or incurring such expenses.

In accordance with Sec. 12-217n a tax credit may be applied against the Corporation Business Tax for research and development expenses conducted in Connecticut. A small business qualifies for the credit if it has gross income for the previous income year that does not exceed $100 million, and has not, in the determination of the Commissioner of Economic and Community Development, met the gross income test through transactions with a related person. The amount of the credit increases ratably from one percent of the annual research and development expenses paid or incurred, where these expenses equal $50 million or less, to six percent when expense exceed $200 million.

Qualified small business may exchange unused amounts of this credit with the state for a cash payment of sixty-five percent of the value of the credit or carry forward the full value until fully taken. Credits are limited to $1.5 million in any one income year.

Historic Structures Rehabilitation (Conn. Gen. Stat. §10-416a)

Beginning, July 1, 2014, no applications have been accepted for this program, no credits will be reserved under this program. Projects that previously would have been eligible for a credit under this program may be eligible for a credit under the Historic Rehabilitation Tax Credit program.

A tax credit administered by the Connecticut Department of Economic and Community Development is available to an owner rehabilitating a certified historic structure for residential use or to a taxpayer named by the owner as contributing to the rehabilitation. No credit may be claimed before the Department of Economic and Community Development issues a tax credit voucher.

The tax credit may be applied against the taxes imposed under:
Chapter 207 (Insurance Companies and Health Care Centers Taxes)
Chapter 208 (Corporation Business Tax)
Chapter 209 (Air Carriers Tax)
Chapter 210 (Railroad Companies Tax)
Chapter 211 (Community Antenna Television Systems and One-Way Satellite Transmission Business Tax); and
Chapter 212 (Utility Companies Tax).

This tax credit is equal to the lesser of the tax credit reserved upon certification of the rehabilitation plan or 25% of the actual qualified rehabilitation expenditures not exceeding $2.7 million. The amount of the tax credit that may be claimed will be entered on the tax credit voucher issued by the Department of Economic and Community Development.

The tax credit may be carried forward for five years following the year in which the rehabilitated structure was placed in service. No carryback is allowed.

Historic Preservation (Conn. Gen. Stat. §10-416b)
Beginning, July 1, 2014, no applications have been accepted for this program, no credits will be reserved under this program. Projects that previously would have been eligible for a credit under this program may be eligible for a credit under the Historic Rehabilitation Tax Credit program.

A tax credit administered by the Connecticut Department of Economic and Community Development is available to an owner rehabilitating a qualified historic structure for nonresidential use or mixed residential and nonresidential use or a taxpayer named by the owner as contributing to the rehabilitation. No credit may be claimed before the Department of Economic and Community Development issues a tax credit voucher.

This tax credit may be applied against the taxes imposed under:
Chapter 207 (Insurance Companies and Health Care Centers Taxes)
Chapter 208 (Corporation Business Tax)
Chapter 209 (Air Carriers Tax)
Chapter 210 (Railroad Companies Tax)
Chapter 211 (Community Antenna Television Systems and One-Way Satellite Transmission Business Tax); and
Chapter 212 (Utility Companies Tax)

This tax credit is equal to the lesser of twenty-five percent of the projected certified rehabilitation expenditures or twenty-five percent of the actual certified rehabilitation expenditures. If the project creates affordable housing units and the owner provides the Department of Economic and Community Development and the Department of Housing information to show that the owner is compliant with the affordable housing certificate then the tax credit is equal to the lesser of thirty percent of the projected certified rehabilitation expenditures of thirty percent of the actual qualified rehabilitation expenditures.

The maximum tax credit allowed for any project shall not exceed $5 million for any fiscal three-year period.

Historic Rehabilitation (Conn. Gen. Stat. §10-416c)
A tax credit administered by the Connecticut Department of Economic and Community Development is available for the qualified rehabilitation expenditures associated with the certified rehabilitation of a certified historic structure. No credit may be claimed until the Department of Economic and Community Development issues a tax credit voucher.

This tax credit can be used to offset the taxes imposed under Chapters 207, 208, 209, 210, 211, or 212 of the Connecticut General Statutes.

The tax credit is equal to twenty-five percent of the total qualified rehabilitation expenditures. The tax credit increases to thirty percent of the total qualified rehabilitation expenditures if the project includes a component with at least twenty percent of the rental units or ten percent of for-sale units qualify as affordable housing under Conn. Gen. Stat. §8-39a. The tax credit allowed for any project shall not exceed $4.5 million.

The tax credit may be carried forward for five succeeding income years following the year in which the substantially rehabilitated structure was placed in service. No carryback is allowed.

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 6/30/2018)	$80,197,846
The Urban and Industrial Sites Reinvestment Tax Program	
Corporate Income Tax (as of 6/30/18)	43,919,908
The Insurance Reinvestment Fund Program	
Corporate Income Tax (as of 6/30/2018)	19,955,940
The Connecticut Neighborhood Assistance Act Credit Program	
Corporate Income Tax (as of 6/30/2018)	3,463,307
Historic Structures Rehabilitation	
Corporate Income Tax (as of 6/30/2018)	15,502,482
Historic Preservation	
Corporate Income Tax (as of 6/30/2018)	4,228,078
Historic Rehabilitaion	
Corporate Income Tax (as of 6/30/2018)	28,380,188
Research and Development Expenditures	
Corporate Income Tax (as of 6/30/2018)	6,463,375
Enterprise Zone Property Tax Reimbursement Program	
Property Tax (6/30/2018)	N/A

In addition, the State has other various tax credit incentives that are not defined as tax abatements under generally accepted accounting principles and therefore are not described and included here.

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 2018, The State implemented the following statement issued by the Governmental Accounting Standards Board ("GASB").

Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (Statement No. 75) - GASB Statement No. 75 addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. As a result of implementing this Statement, presentation and terminology changes were made to the fund financial statements and government-wide statements as necessary in addition to the immediate recognition of certain elements.

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, 2018 the State had contractual commitments as follows (amounts in millions):

Infrastructure & Other Trransportation Programs	$	1,181
Construction Programs		322
School Construction and Alteration Grant Program		2,336
Clean and Drinking Water Loan Programs		247
Various Programs and Services		3,786

All commitments are expected to be funded by federal grants, bond proceeds, and other resources.

Component Units
As of December 31, 2017, the Connecticut Housing Finance Authority had mortgage loan commitments of approximately $209.5 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, 2018, the State reported an escheat liability of 412.0 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 $432.3 million in the future.

Grant amounts received or receivable by the State from federal agencies are subject to audit and adjustment by these agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the federal government cannot be determined at this time, although the State expects such amounts, if any, to be immaterial.

c. Litigation

The State, its units and employees are parties to numerous legal proceedings, many of which normally occur in government operations. Most of these legal proceedings are not, in the opinion of the Attorney General, likely to have a material adverse impact on the State's financial position.

There are, however, several legal proceedings which, if decided adversely against the State, may require the State to make material future expenditures for expanded services or capital facilities or may impair future revenue sources. It is neither possible to determine the outcome of these proceedings nor to estimate the possible effects adverse decisions may have on the future expenditures nor revenue sources of the State.

Note 27
Subsequent Events

In preparing these financial statements, the State has evaluated events and transactions for potential recognition or disclosure in its financial statement footnotes. The effect of this evaluation led the State to report the following events which took place after the date of the State's fiscal year end through to the date these financial statements were issued. The subsequent information regarding the Connecticut Housing Finance Authority includes events which took place after their fiscal year end of December 31, 2017.

In September 2018, the State issued $250.0 million of Taxable General Obligation bonds. The bonds were issued for various State purposes. The taxable 2018 Series-A bonds mature in 2028 and bear interest rates ranging from 3.471 to 4.0 percent. At the same time, the State issued $400.0 million of 2018 series E nontaxable General Obligation Bonds. The bonds were issued to retire bond anticipation notes outstanding as of the prior fiscal year. The 2018 Series-E Bonds bear interest rates ranging from 4.0 to 5.0 percent.

Also, in September 2018, the State issued $239.2 million of 2018 series F General Obligation refunding bonds maturing in 2028 and bearing interest rates between 4.0 and 5.0 percent.

At the end of October 2018, the State issued $750 million of 2018 series B Special Transportation Obligation (STO) bonds maturing in 2038 and bearing interest rates of 5.0 percent. On November 6, 2018 Connecticut voters passed an amendment to the Connecticut Constitution to ensure that all monies contained in the Special Transportation fund shall be used solely for transportation purposes including the payment of debts of the State incurred for transportation purposes and that the sources of funds deposited in the Special Transportation fund be deposited in said fund so long as such sources are authorized by statute to be collected or received by the State. Subsequently, on November 15, 2018 S&P Global Ratings revised its rating on the 2018 series B and C STO bonds to A+ designating them as Priority-Lien Tax Revenue debt.

Also, at the end of October 2018, the state issued $100.1 million series C Special Transportation Obligation refunding bonds maturing in 2026 and bearing interest rates of between 3.0 and 5.0 percent.

The Connecticut Housing Finance Authority (CHFA), whose financial statements are published as of December 31, 2017, incurred numerous financial events between January 1 and the State's fiscal year-end of June 30, 2018 including the following; $336.7 million of various unscheduled redemption payments on outstanding debt were made including $90.0 million for purposes of remarketing debt obligations having demand features. On March 1, 2018 the Authority issued $165.6 million of its 2018 Series A bonds. On the same date, CHFA entered into a Stand-by Bond Purchase Agreement with Bank of America, N.A. and a Remarketing Agreement with Merrill Lynch Pierce, Fenner & Smith Inc. to secure liquidity for $47.5 million of Series A bonds having demand features. On April 16, 2018 the Authority entered into a three year standby bond purchase agreement, with Wells Fargo bank, national association (the "Bank"), to remarket its 2016 subseries B-4 bonds. The bonds will bear interest from their date of reoffering based on a Daily, Weekly, Monthly, Quarterly, Semiannual, Flexible, Term or Auction Mode Period at a rate not to exceed 14 percent per annum, unless such bonds are converted, in which case the bonds shall bear interest at a Long-Term Fixed Rate until their maturity or prior redemption. On May 10, 2018 the authority issued $165.0 million of its 2018 Series B bonds. On the same date, CHFA entered into a Stand-by Bond Purchase Agreement with the Royal Bank of Canada Capital Markets, LLC and a Remarketing Agreement with TD Bank, N.A. to secure liquidity for $46.7 million of Series B bonds having demand features. In addition effective May 15, 2018 a new accreting swap agreement was established with the Bank of New York Mellon where the State pays 2.2475 percent fixed and receives 70 percent of 3-month Libor. More information concerning these transactions can be obtained from separately issued financial statements published by CHFA having a fiscal year end of December 31, 2017.

On November 5, 2018, the Materials, Innovations, and Recycling Authority (MIRA a Component Unit of the State) solid waste system experienced a significant mechanical failure to one of its generators. This failure occurred at a time when another generator was already off line for major repair and maintenance activity. This left the solid waste system with no waste processing capacity as of November 5, 2018. In response to this situation, the Authority has not accepted delivery of waste from non-participating municipalities. The Authority continued to receive waste and serve its participating municipalities. The Authority is diverting a portion of participating municipality waste to alternate disposal sites, and is storing waste, refuse derived fuel and process residue on site pending further processing and resource recovery once the Connecticut Solid Waste System resumes operations in the third week of January, 2019.

The Authority has incurred additional expense related to these events including the cost to divert waste and repair the generators presently estimated at $14.9 million. These costs are and will be funded through reserve funds, savings in other budget line items, property damage, business interruption and other claim proceeds, and assessment of additional charges under the Authority's municipal service agreements with Connecticut Solid Waste System participating towns.

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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, 2018

(Expressed in Thousands)

	General Fund			
	Budget			Variance with Final Budget positive
Revenues	Original	Final	Actual	(negative)
Budgeted:				
Taxes, Net of Refunds	$ 14,593,800	$ 16,984,000	$ 17,065,271	$ 81,271
Casino Gaming Payments	267,300	273,000	272,957	(43)
Licenses, Permits, and Fees	298,700	306,300	306,165	(135)
Other	372,300	413,300	415,885	2,585
Federal Grants	1,255,500	1,143,100	1,143,075	(25)
Refunds of Payments	(62,500)	(61,100)	(61,058)	42
Operating Transfers In	432,000	449,200	449,213	13
Operating Transfers Out	-	-	(57,650)	(57,650)
Transfer to BRF - Volatility Adjustment	-	(1,460,000)	(1,471,333)	(11,333)
Transfer to/from the Resources of the General Fund	2,900	83,500	136,026	52,526
Total Revenues	17,160,000	18,131,300	18,198,551	67,251
Expenditures				
Budgeted:				
Legislative	63,146	70,049	64,433	5,616
General Government	338,060	692,626	647,508	45,118
Regulation and Protection	279,765	290,136	259,835	30,301
Conservation and Development	165,349	191,691	181,147	10,544
Health and Hospitals	1,155,114	1,204,425	1,163,451	40,974
Transportation	-	-	-	-
Human Services	3,690,345	4,415,054	4,291,893	123,161
Education, Libraries, and Museums	4,633,661	5,188,028	5,024,541	163,487
Corrections	1,402,150	1,400,439	1,382,304	18,135
Judicial	534,504	561,478	528,902	32,576
Non Functional	5,060,039	5,657,055	5,066,695	590,360
Total Expenditures	17,322,133	19,670,981	18,610,709	1,060,272
Appropriations Lapsed	6,900	972,356	-	(972,356)
Excess (Deficiency) of Revenues Over Expenditures	(155,233)	(567,325)	(412,158)	155,167
Other Financing Sources (Uses)				
Prior Year Appropriations Carried Forward	60,237	60,237	60,237	-
Appropriations Continued to Fiscal Year 2019	-	-	(134,315)	(134,315)
Miscellaneous Adjustments	1,989	3,375	3,375	-
Total Other Financing Sources (Uses)	62,226	63,612	(70,703)	(134,315)
Net Change in Fund Balance	$ (93,007)	$ (503,713)	(482,861)	$ 20,852
Budgetary Fund Balances - July 1			157,856	
Changes in Reserves			96,764	
Budgetary Fund Balances - June 30			$ (228,241)	

The information about budgetary reporting is an integral part of this schedule.

Transportation Fund			
Budget			Variance with Final Budget positive
Original	Final	Actual	(negative)
$ 1,187,300	$ 1,205,200	$ 1,215,653	$ 10,453
-	-	-	-
395,200	394,100	394,940	840
9,500	16,000	17,673	1,673
12,100	12,200	12,196	(4)
(4,100)	(4,900)	(4,891)	9
-	-	-	-
(6,500)	(5,500)	(5,500)	-
-	-	-	-
-	-	-	-
1,593,500	1,617,100	1,630,071	12,971
-	-	-	-
9,138	8,354	8,353	1
77,381	74,556	64,148	10,408
2,620	2,762	2,692	70
-	-	-	-
631,875	658,848	651,051	7,797
2,371	2,371	-	2,371
-	-	-	-
-	-	-	-
-	-	-	-
839,030	806,405	757,468	48,937
1,562,415	1,553,296	1,483,712	69,584
-	32,242	-	(32,242)
	-		
31,085	96,046	146,359	50,313
30,389	30,389	30,389	-
-	-	(28,643)	(28,643)
-	-	-	-
30,389	30,389	1,746	(28,643)
$ 61,474	$ 126,435	148,105	$ 21,670
		128,004	
		(1,746)	
		$ 274,363	

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. Beginning in Fiscal Year 2016, based on changes enacted in the biennial budget (Public Act 15-244) the GAAP expense accrual appropriations were consolidated into a single appropriation at the fund-level for the General Fund, Transportation Fund and all other budgeted special revenue funds 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 2018 fiscal year, the original adopted budget was adjusted by the General Assembly and the Finance Advisory Committee.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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).
- 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, 2018. Amounts are expressed in thousands.

	General Fund	Transportation Fund
Net change in fund balances (statutory basis)	$ (482,861)	$ 148,106
Volatility Deposit Budget Reserve Fund	1,471,333	-
Adjustments:		
Increases (decreases) in revenue accruals:		
Receivables and Other Assets	577,086	6,932
(Increases) decreases in expenditure accruals:		
Accounts Payable and Other Liabilities	(15,781)	(13,169)
Salaries and Fringe Benefits Payable	21,988	2,412
Increase (Decrease) in Continuing Appropriations	74,078	(1,746)
Fund Reclassification-Bus Operations	-	458
Net change in fund balances (GAAP basis)	$ 1,645,843	$ 142,993

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 2019 a withdrawal of $482.9 million will be made to cover the budgetary shortfall in fiscal year 2018.

Despite the deficit in the General Fund, there was a vast improvement in the balance of the Budget Reserve Fund at year-end. A new revenue volatility provision, contained in Public Act 17-2, requires 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 to the budget reserve fund. This year estimated and final income tax collections totaled $4,621.3 million, which resulted in a revenue volatility deposit of $1,471.3 million to the Budget Reserve Fund. The bill also increases the Budget Reserve Fund maximum balance from 10 percent to 15 percent of net General Fund appropriation for the current fiscal year, no further transfers shall be made and the amount of the budget reserve funds in excess of that transferred shall be deemed to be appropriated, in the best interests of the State.

After the transfer was made to cover the shortfall and the deposit made for the revenue volatility provision in fiscal year 2018 the Budget Reserve Fund will have a balance of $1,201.4 million.

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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 Four Fiscal Years*

(Expressed in Thousands)

SERS				
Total Pension Liability	**2017**	**2016**	**2015**	**2014**
Service Cost	$ 480,350	$ 322,114	$ 310,472	$ 287,473
Interest	2,255,533	2,105,947	2,052,651	1,998,736
Benefit Changes	(1,444,220)	-	-	-
Difference between expected and actual experience	-	772,762	-	-
Changes of assumptions	-	4,959,705	-	-
Benefit payments	(1,847,715)	(1,729,181)	(1,650,465)	(1,563,029)
Refunds of contributions	(7,972)	(7,098)	(7,124)	(3,935)
Net change in total pension liability	(564,024)	6,424,249	705,534	719,245
Total pension liability - beginning	33,616,716	27,192,467	26,486,933	25,767,688
Total pension liability - ending (a)	**$ 33,052,692**	**$ 33,616,716**	**$ 27,192,467**	**$ 26,486,933**
Plan net position				
Contributions - employer	$ 1,542,298	$ 1,501,805	$ 1,371,651	$ 1,268,890
Contributions - member	132,557	135,029	187,339	144,807
Net investment income	1,509,862	(100)	294,412	1,443,391
Benefit payments	(1,847,715)	(1,729,181)	(1,650,465)	(1,563,029)
Administrative expense	(674)	(651)	-	-
Refunds of contributions	(7,972)	(7,098)	(7,124)	(3,935)
Other	(371)	85,608	-	-
Net change in plan net position	1,327,985	(14,588)	195,813	1,290,124
Plan net position - beginning	10,653,792	10,668,380	10,472,567	9,182,443
Plan net position - ending (b)	**$ 11,981,777**	**$ 10,653,792**	**$ 10,668,380**	**$ 10,472,567**
Ratio of plan net position to total pension liability	36.25%	31.69%	39.23%	39.54%
Net pension liability - ending (a) -(b)	**$ 21,070,915**	**$ 22,962,924**	**$ 16,524,087**	**$ 16,014,366**
Covered-employee payroll	$ 3,850,978	$ 3,720,751	$ 3,618,361	$ 3,487,577
Net pension liability as a percentage of covered-employee payroll	547.16%	617.16%	456.67%	459.18%

TRS	**2017**	**2016**	**2015**	**2014**
Total Pension Liability				
Service Cost	$ 450,563	$ 419,616	$ 404,449	$ 347,198
Interest	2,308,693	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	(1,962,533)	(1,738,131)	(1,773,408)	(1,737,144)
Refunds of contributions	-	-	(50,329)	-
Net change in total pension liability	796,723	2,747,828	742,886	700,537
Total pension liability - beginning	29,839,923	27,092,095	26,349,209	25,648,672
Total pension liability - ending (a)	**$ 30,636,646**	**$ 29,839,923**	**$ 27,092,095**	**$ 26,349,209**
Plan net position				
Contributions - employer	$ 1,012,162	$ 975,578	$ 984,110	$ 948,540
Contributions - member	288,251	293,493	228,100	261,213
Net investment income	2,199,895	(18,473)	452,942	2,277,550
Benefit payments	(1,962,533)	(1,738,131)	(1,773,408)	(1,737,144)
Refunds of contributions	-	-	(50,329)	-
Other	1,679	(37,648)	57,749	(5,307)
Net change in plan net position	1,539,454	(525,181)	(100,836)	1,744,852
Plan net position - beginning	15,594,872	16,120,053	16,220,889	14,462,903
Plan net position - ending (b)	**$ 17,134,326**	**$ 15,594,872**	**$ 16,120,053**	**$ 16,207,755**
Ratio of plan net position to total pension liability	55.93%	52.26%	59.50%	61.51%
Net pension liability - ending (a) -(b)	**$ 13,502,320**	**$ 14,245,051**	**$ 10,972,042**	**$ 10,141,454**
Covered-employee payroll	$ 4,279,755	$ 4,125,066	$ 4,078,367	$ 3,831,624
Net pension liability as a percentage of covered-employee payroll	315.49%	345.33%	269.03%	264.68%

REQUIRED SUPPLEMENTAL INFORMATION
PENSION PLANS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND PLAN NET POSITION

Last Four Fiscal Years*

(Expressed in Thousands)

JRS	2017	2016	2015	2014
Total Pension Liability				
Service Cost	$ 10,159	$ 8,508	$ 8,142	$ 7,539
Interest	29,062	28,251	27,240	26,301
Difference between expected and actual experience	-	(9,380)	-	-
Changes of assumptions	-	64,604	-	-
Benefit payments	(24,899)	(22,994)	(22,541)	(21,668)
Net change in total pension liability	14,322	68,989	12,841	12,172
Total pension liability - beginning	433,603	364,614	351,773	339,601
Total pension liability - ending (a)	**$ 447,925**	**$ 433,603**	**$ 364,614**	**$ 351,773**
Plan net position				
Contributions - employer	$ 19,164	$ 18,259	$ 17,731	$ 16,298
Contributions - member	1,689	1,831	1,791	1,641
Net investment income	24,452	1,440	4,781	23,156
Benefit payments	(24,899)	(22,994)	(22,541)	(21,668)
Other	(39)	1,680	-	-
Net change in plan net position	20,367	216	1,762	19,427
Plan net position - beginning	189,758	189,542	187,780	168,353
Plan net position - ending (b)	**$ 210,125**	**$ 189,758**	**$ 189,542**	**$ 187,780**
Ratio of plan net position to total pension liability	46.91%	43.76%	51.98%	53.38%
Net pension liability - ending (a) -(b)	**$ 237,800**	**$ 243,845**	**$ 175,072**	**$ 163,993**
Covered-employee payroll	$ 36,467	$ 34,897	$ 34,972	$ 33,386
Net pension liability as a percentage of covered-employee payroll	652.10%	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	2017	2016	2015	2014
Actuarially determined employer contribution	$ 1,569,142	$ 1,514,467	$ 1,379,189	$ 1,268,935
Actual employer contributions	1,542,298	1,501,805	1,371,651	1,268,890
Annual contributions deficiency excess	$ 26,844	$ 12,662	$ 7,538	$ 45
Covered Payroll	$ 3,850,978	$ 3,720,751	$ 3,618,361	$ 3,355,077
Actual contributions as a percentage of covered-employee payroll	40.05%	40.36%	37.91%	37.82%
TRS				
Actuarially determined employer contribution	$ 1,012,162	$ 975,578	$ 984,110	$ 948,540
Actual employer contributions	1,012,162	975,578	984,110	948,540
Annual contributions deficiency excess	$ -	$ -	$ -	$ -
Covered Payroll	$ 4,279,755	$ 4,125,066	$ 4,078,367	$ 3,930,957
Actual contributions as a percentage of covered-employee payroll	23.65%	23.65%	24.13%	24.13%
JRS				
Actuarially determined employer contribution	$ 19,164	$ 18,259	$ 17,731	$ 16,298
Actual employer contributions	19,164	18,259	17,731	16,298
Annual contributions deficiency excess	$ -	$ -	$ -	$ -
Covered Payroll	$ 36,467	$ 34,897	$ 34,972	$ 33,386
Actual contributions as a percentage of covered-employee payroll	52.55%	52.32%	50.70%	48.82%

Valuation Date:
Actuarially determined contribution amounts are calculated as of June 30, 2018.

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%

2013	2012	2011	2010	2009	2008
$ 1,059,652	$ 926,372	$ 944,077	$ 897,428	$ 753,698	$ 716,944
1,058,113	926,343	825,801	720,527	699,770	711,555
$ 1,539	$ 29	$ 118,276	$ 176,901	$ 53,928	$ 5,389
$ 3,304,538	$ 3,209,782	$ 3,308,498	$ 2,920,661	$ 3,497,400	$ 3,497,400
32.02%	28.86%	24.96%	24.67%	20.01%	20.35%
$ 787,536	$ 757,246	$ 581,593	$ 559,224	$ 539,303	$ 518,560
787,536	757,246	581,593	559,224	539,303	518,560
$ -	$ -	$ -	$ -	$ -	$ -
$ 4,101,750	$ 3,943,990	$ 3,823,754	$ 3,676,686	$ 3,529,470	$ 3,393,717
19.20%	19.20%	15.21%	15.21%	15.28%	15.28%
$ 16,006	$ 15,095	$ 16,208	$ 15,399	$ 14,172	$ 13,434
16,006	15,095	-	-	14,173	13,434
$ -	$ -	$ 16,208	$ 15,399	$ (1)	$ -
$ 31,748	$ 30,308	$ 33,102	$ 31,602	$ 34,000	$ 33,982
50.42%	49.81%	0.00%	0.00%	41.69%	39.53%

REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLANS
SCHEDULE OF INVESTMENT RETURNS

Last Five Fiscal Years*

Annual money-weighted rates of return net of investment expense	2018	2017	2016	2015	2014
State Employees' Retirement Fund	7.30%	14.32%	0.23%	2.83%	15.62%
Teachers' Retirement Fund	7.04%	14.37%	0.17%	2.82%	15.67%
State Judges' Retirement Fund	6.24%	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 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	$ 960,992
Interest	511,133
Difference between expected and actual experience	-
Changes of assumptions	(510,781)
Change in benefit terms	-
Benefit payments	(639,467)
Net change in total OPEB liability	321,877
Total OPEB liability - beginning	17,583,045
Total OPEB liability - ending (a)	**$ 17,904,922**
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)	**$ 17,362,580**
Covered-employee payroll	$ 3,743,995
Net OPEB liability as a percentage of covered-employee payroll	463.74%

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%

* Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Other Postemployment Benefits, 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
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	$ 3,743,995	$ 3,895,100	$ 3,539,800	$ 3,539,728	$ 3,539,728
Actual contributions as a percentage of covered-employee payroll	17.83%	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%

Note:

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, 2018 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%

REQUIRED SUPPLEMENTARY INFORMATION
OPEB PLAN
SCHEDULE OF INVESTMENT RETURNS

Last Five Fiscal Years*

Annual money-weighted rates of return net of investment expense	**2018**	**2017**	**2016**	**2015**	**2014**
OPEB Fund	5.85%	11.83%	2.44%	3.44%	11.80%

* Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Other Postemployment Benefits requires the presentation of supplementary information for each of the 10 most recent years. However, until a full 10-year trend is ccomplied, the State will present information for the years for which the information is available. Information presented in the schedule has been determined as of this measurement date (one year before the most recent fiscal year end).

APPENDIX II-D

KEVIN LEMBO
STATE COMPTROLLER

MARTHA CARLSON
DEPUTY COMPTROLLER

STATE OF CONNECTICUT
OFFICE *of the* STATE COMPTROLLER
55 Elm Street
Hartford, CT 06106

January 15, 2019

The Honorable Shawn T. Wooden
State Treasurer
55 Elm Street
Hartford, CT 06106

Dear Mr. Wooden:

I have reviewed the accompanying balance sheets of the General Fund of the State of Connecticut for the fiscal years ending June 30, 2014-2018. 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, 2014-2018.

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 2018, statutory provisions provided appropriations of projected expenditure accrual within the budgeted funds.

Sincerely,

Kevin Lembo
State Comptroller

STATE OF CONNECTICUT

AUDITORS OF PUBLIC ACCOUNTS

JOHN C. GERAGOSIAN

State Capitol
210 Capitol Avenue
Hartford, Connecticut 06106-1559

ROBERT J. KANE

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, 2014, 2015, 2016, 2017 and 2018 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.

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.

Auditors' 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 years ended June 30, 2014, 2015, 2016, 2017 and 2018, 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, 2014, 2015, 2016, 2017 and 2018, 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, 2014, 2015, 2016, 2017 and 2018.

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, 2017 and 2018, 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
State Auditor

Robert J. Kane
State Auditor

February 15, 2019
State Capitol
Hartford, Connecticut

GENERAL FUND[a]

Balance Sheet
As of June 30
(In Thousands)

	2014	2015	2016	2017	2018
Assets					
Cash and Short-Term Investments	$ --	$ --	$ --	$ --	$ --
Accrued Taxes Receivable	1,389,703	1,371,458	1,348,096	1,307,027	1,689,255
Accrued Accounts Receivable	108,907	21,852	20,348	22,269	22,394
Loans Receivable	3,419	3,419	3,419	3,419	3,419
Total Assets	$ 1,502,029	$ 1,396,729	$ 1,371,863	$ 1,332,715	$ 1,715,068
Liabilities, Reserves and Surplus					
Liabilities					
Deficiency in Cash and Short-Term Investments	$ 550,180	$ 797,930	$ 765,570	$ 544,287	$ 1,271,699
Accounts Payable Nonfunctional Change to Accruals	(16,152)	561,217	558,835	627,905	666,339
Due to Other Funds	367	336	999	2,667	5,271
Total Liabilities	$ 534,395	$ 1,359,483	$1,325,404	$ 1,174,859	$ 1,943,309
Reserves					
Petty Cash Funds	$ 815	$ 810	$ 798	$ 795	$ 785
Statutory Surplus Reserves	248,480	(31,947)	(54,316)	93,405	(366,760)
Reserve for GAAP Conversion Bonds	598,500	--	--	--	
Reserve for Future Fiscal Years	30,500	--	--	--	
Appropriations Continued to Following Year	85,920	64,964	96,559	60,237	134,315
Reserve for Receivables	3,419	3,419	3,418	3,419	3,419
Total Reserves	$ 967,634	$ 37,246	$ 46,459	$ 157,856	$ (228,241)
Unappropriated Surplus (Deficit)	$ 0	$ 0	$ 0	$ 0	$ 0
Total Liabilities, Reserves and Surplus	$ 1,502,029	$ 1,396,729	$1,371,863	$ 1,332,715	$ 1,715,068

(a) For Fiscal Years 2014-2018, 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 CGS Sections 3-114b through 3-114r.

GENERAL FUND

Statement of Revenues, Expenditures and Changes in Unappropriated Surplus
Fiscal Year Ended June 30
(In Thousands)

	2014	2015	2016	2017	2018
Unappropriated Surplus (Deficit), July 1	$ -0-	$ -0-	$ -0-	$ -0-	$ -0-
Total Revenues (per Appendix II-D-6)	17,608,056	17,282,038	17,780,822	17,702,968	18,198,551
Total Expenditures (per Appendix II-D-7)	16,980,044[a]	17,419,689[c]	17,921,258[d]	17,763,040[e]	18,610,709[f]
Operating Balance	628,012	(137,651)	(140,436)	(60,072)	(412,158)
Reserved for Prior Year Appropriations					
Less Appropriations Carried Forward	26,482	20,956	(31,595)	36,322	(74,078)
Transferred (Out) or Reserved for:					
Budget Reserve Fund	(248,480)	-0-	-0-	-0-	-0-
Reserve for Debt Retirement/Avoidance or Reserve for Future Fiscal Year	(599,000)[b]	-0-	-0-	-0-	-0-
Other Adjustments	2,186	3,527	1,612	1,054	3,375
Reserved from Prior Year	190,800	-0-	-0-	-0-	-0-
Subtotal	$ -0-	$ (113,168)	$ (170,419)	$ (22,696)	$ (482,861)
Transferred from Budget Reserve Fund	--	113,168	170,419	22,696	482,861
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 $26.482 million.

(b) In Fiscal Year 2014 this amount includes GAAP Conversion Bonds totaling $598.5 million.

(c) Total Expenditures include prior year appropriations less appropriations carried forward to the next year in the amount of $20.956 million.

(d) Total Expenditures include prior year appropriations less appropriations carried forward to the next year in the amount of $(31.595) million.

(e) Total Expenditures include prior year appropriations less appropriations carried forward to the next year in the amount of $36.322 million.

(f) Total Expenditures include prior year appropriations less appropriations carried forward to the next fiscal year in the amount of $(74.078) million.

GENERAL FUND

Statement of Revenues
Fiscal Year Ended June 30
(In Thousands)

	2014	2015	2016	2017	2018
Taxes:					
Personal Income	$ 8,718,659	$ 9,151,037	$ 9,181,649	$ 8,988,667	$10,770,150
Sales and Use	4,100,564	4,205,051	4,181,852	4,192,203	4,202,246
Corporations	782,239	814,805	880,449	1,037,565	920,746
Insurance Companies	240,666	220,629	238,843	222,804	230,605
Inheritance and Estate	168,075	176,750	221,821	218,660	223,839
Alcoholic Beverages	60,644	61,651	63,113	63,155	63,211
Cigarettes	376,835	358,703	373,518	381,455	376,448
Admissions, Dues, Cabaret	39,935	38,436	39,331	39,509	40,272
Oil Companies	35,580	0	170	0	0
Electric Generation	15,315	7	0	0	0
Public Service Corporations	293,303	276,833	289,894	271,504	250,632
Real Estate Conveyance	180,511	185,955	196,498	209,982	202,526
Miscellaneous	498,260	474,009	718,850	699,331	1,059,928
Refunds of Taxes	(1,182,397)	(1,163,639)	(1,223,198)	(1,263,824)	(1,269,667)
R&D Credit Exchange	(5,055)	(7,878)	(7,623)	(5,485)	(5,664)
Other Revenue:					
Licenses, Permits, Fees	314,721	257,444	296,502	275,386	306,165
Sales of Commodities and Services	40,523	35,813	43,454	39,143	33,238
Transfer – Special Revenue	323,219	323,315	339,961	328,716	339,512
Investment Income	(335)	943	909	2,371	15,911
Transfers — To Other Funds[(a)]	(61,800)	(61,780)	(61,688)	(58,100)	(57,650)
Fines, Escheats and Rents	130,875	168,679	141,741	151,402	189,428
Miscellaneous	206,782	185,014	179,820	330,388	177,307
Refunds of Payments	(66,625)	(64,281)	(60,336)	(44,199)	(61,058)
Federal Grants	1,243,861	1,241,243	1,301,532	1,325,237	1,143,075
Indian Gaming Payments	279,873	267,986	265,906	269,906	272,957
Statutory Transfer to Resources of the General Fund	0	0	0	0	0
Statutory Transfer to Budget Reserve Fund for Volatility Adjustment	--	--	--	--	245,726
Statutory Transfers From Other Funds	873,828	135,313	177,854	27,192	(1,471,333)
Total Revenues[(b)]	$ 17,608,056[(c)]	$ 17,282,038	$ 17,780,822	$ 17,702,968	$18,198,550

(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.

GENERAL FUND

Statement of Expenditures
Fiscal Year Ended June 30
(In Thousands)

	2014	2015	2016	2017	2018
Legislative	$ 70,813	$ 73,563	$ 74,089	$ 66,545	$ 64,433
General Government					
Executive	12,223	12,701	12,731	11,964	10,931
Financial Administration	513,051	563,830	530,539	492,358	560,927
Legal	80,402	84,469	83,765	80,385	75,650
Total General Government	605,676	661,000	627,035	584,707	647,508
Regulation and Protection of Persons and Property					
Public Safety	191,075	193,996	191,125	181,452	178,481
Regulative	86,798	93,256	97,429	92,962	81,354
Total Regulation and Protection	277,873	287,252	288,554	274,414	259,835
Conservation and Development					
Agriculture	12,024	12,723	12,306	11,372	10,940
Environment	71,365	71,018	67,900	60,836	56,279
Historical Sites, Commerce and Industry	137,532	122,070	114,672	108,853	113,928
Total Conservation and Development	220,921	205,811	194,878	181,060	181,147
Health and Hospitals					
Public Health	114,086	83,853	69,875	63,572	64,087
Developmental Services	1,054,597	1,097,586	1,059,216	522,175	505,027
Mental Health	658,625	603,897	636,852	604,040	594,337
Total Health and Hospitals	1,827,308	1,785,336	1,765,943	1,189,787[b]	1,163,451
Human Services	3,215,827	3,095,928	3,102,021	3,624,957[b]	4,291,893
Education, Libraries and Museums					
Department of Education	3,039,608	3,277,044	3,331,589	3,247,743	3,083,629
University of Connecticut	329,889	354,433	383,538	349,506	308,922
Higher Education and the Arts	43,580	46,103	47,113	39,080	36,904
Libraries	12,419	12,205	11,519	8,797	8,399
Teachers Retirement	966,983	1,004,973	997,604	1,034,143	1,292,213
Community—Technical Colleges	151,973	177,968	164,626	159,786	146,025
State University	151,193	152,665	186,039	164,867	148,450
Total Education, Libraries and Museums	4,695,645	5,025,391	5,122,028	5,003,922	5,024,542
Corrections	1,454,442	1,476,753	1,463,065	1,397,113	1,382,304
Judicial	569,056	593,314	597,584	552,369	528,902
Non-Functional					
Debt Service	1,646,149	1,691,526	1,967,729	2,058,197	2,284,706
Miscellaneous	2,396,332	2,523,815	2,718,331	2,829,967	2,781,988
Total Non-Functional	4,042,481	4,215,341	4,686,060	4,888,164	5,066,694
Totals	16,980,042	17,419,689	17,921,257	17,763,040	18,610,709
Total Expenditures[a]	$16,980,042	$17,419,689	$17,921,257	$17,763,040	$18,610,709

(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 JULY 25, 2019

APPENDIX II-E is replaced and updated as follows:

APPENDIX II-E

GENERAL FUND REVENUES AND EXPENDITURES
ADOPTED AND FINAL FINANCIAL RESULTS FOR FISCAL YEAR 2018
ADOPTED AND ESTIMATED BUDGET FOR FISCAL YEAR 2019
ADOPTED BUDGET FOR FISCAL YEARS 2020 AND 2021
(In Millions)

	Adopted Budget Fiscal Year 2018[g]	Financial Results Fiscal Year 2018[h]	Revised Adopted Budget Fiscal Year 2019[i]	Estimated Budget Fiscal Year 2019[j]	Adopted Budget Fiscal Year 2020[k]	Adopted Budget Fiscal Year 2021[k]
Revenues						
Taxes						
Personal Income Tax	$ 9,182.5	$10,770.1	$ 9,107.6	$ 9,578.1	$ 9,673.0	$ 10,005.4
Sales & Use	4,220.5	4,202.2	4,153.6	4,330.8	4,444.1	4,588.4
Corporation	933.3	920.7	1,520.2	1,072.3	1,099.8	1,082.5
Pass-through Entity Tax[a]	--	--	--	1,160.0	850.0	850.0
Public Service	284.9	250.6	243.8	248.3	237.7	244.7
Inheritance & Estate	180.1	223.8	176.2	228.7	165.8	146.3
Insurance Companies	230.6	230.6	234.3	195.0	203.3	205.8
Cigarettes	394.2	376.4	381.0	365.5	344.7	326.9
Real Estate Conveyance	215.6	202.5	209.4	209.4	217.4	230.6
Alcoholic Beverages	62.6	63.2	63.0	65.0	68.9	69.7
Admissions and Dues	41.5	40.3	41.8	46.8	41.9	41.5
Health Provider Tax	1,045.0	--	1,049.2	1,049.2	1,050.1	1,051.6
Miscellaneous	27.7	1,059.9	22.0	19.5	48.4	48.0
Total Taxes	$16,818.5	$18,340.6	$17,202.1	$18,500.9	$18,445.1	$18,891.4
Less Refunds of Taxes	(1,146.8)	(1,269.7)	(1,215.1)	(1,367.3)	(1,309.3)	(1,378.9)
Less Earned Income Tax	(115.0)	--	(118.3)	(94.2)	(97.3)	(100.6)
Less R&D Credit Exchange	(7.3)	(5.7)	(6.4)	(5.4)	(5.1)	(5.2)
Net Taxes	$15,549.4	$17,065.3	$15,862.3	$17,034.0	$17,033.4	$17,406.7
Other Revenues						
Transfers- Special Revenues	$ 339.3	$ 339.5	$ 352.7	$ 366.5	$ 368.0	$ 376.6
Indian Gaming Payments	267.3	273.0	203.6	254.6	226.0	225.4
Licenses, Permits, Fees	309.6	306.2	322.6	297.6	341.2	384.3
Sales of Commodities & Services	43.8	33.2	37.7	28.1	30.2	31.0
Rents, Fines & Escheats	143.0	189.4	147.2	166.1	158.5	160.9
Investment Income	5.9	15.9	14.5	49.8	52.6	52.9
Miscellaneous	207.4	177.3	189.1	209.1	178.1	181.7
Less Refunds of Payments	(62.5)	(61.1)	(58.8)	(60.1)	(66.4)	(67.7)
Total Other Revenue	$ 1,253.8	$ 1,273.5	$ 1,208.6	$ 1,311.7	$ 1,288.2	$ 1,345.1
Other Sources						
Federal Grants	$ 1,732.9	$ 1,143.1	$ 2,112.4	$ 2,072.9	$ 1,526.0	$ 1,508.6
Transfers from Tobacco Settlement Funds	109.7	109.7	110.2	110.2	136.0	114.5
Transfers to/from Other Funds[b]	77.9	136.0	78.3	78.3	(205.1)	74.8
Transfers to BRF – Volatility Adjustment[c]	--	(1,471.3)	(363.1)	(895.5)	(318.3)	(301.5)
Total Other Sources	$ 1,920.5	$ (57.6)	$ 1,937.8	$ 1,365.9	$ 1,138.6	$ 1,396.4
Total Budgeted Revenue[d]	$18,723.7	$18,198.6	$19,008.7	$19,711.6	$19,460.2	$20,148.2
Revenue Cap Deduction	--	--	--	--	(97.3)	(151.1)
Total Available Revenue	$18,723.7	$18,198.6	$19,008.7	$19,711.6	$19,362.9	$19,997.1

	Adopted Budget Fiscal Year 2018[g]	Financial Results Fiscal Year 2018[h]	Revised Adopted Budget Fiscal Year 2019[i]	Estimated Budget Fiscal Year 2019[j]	Adopted Budget Fiscal Year 2020[k]	Adopted Budget Fiscal Year 2021[k]
Appropriations/ Expenditures						
Legislative	$ 70.1	$ 64.4	$ 66.7	$ 66.5	$ 78.8	$ 83.3
General Government	687.2	657.2	694.5	684.7	665.2	686.1
Regulation & Protection	278.0	261.3	276.1	274.8	281.4	287.1
Conservation & Development	189.9	181.2	174.2	169.1	178.6	187.0
Health & Hospitals	1,196.8	1,163.5	1,190.7	1,180.7	1,245.8	1,289.4
Human Services	4,408.1	4,306.0	4,332.6	4,297.7	4,443.1	4,591.0
Education, Libraries & Museums	5,185.4	5,036.1	5,209.0	5,211.5	5,181.3	5,318.6
Corrections	1,386.1	1,382.4	1,344.1	1,3919	1,410.0	1,471.9
Judicial	561.5	528.9	565.1	557.3	597.6	618.4
Non- Functional						
Debt Service	2,311.1[f]	2,304.0[f]	2,213.6	2,202.5	2,278.7	2,368.8
Miscellaneous	3,298.7	2,799.1	2,952.9	2,921.8	3,167.8	3,389.8
Subtotal	$19,572.9	$18,635.9	$19,019.7	$18,958.2	$19,528.3	$20,291.4
Other Reductions and Lapses	(898.9)	--	(21.5)	(12.5)	(209.2)	(309.4)
Net Appropriations/ Expenditures	$18,673.9	$18,684.8	$18,998.2	$18,945.7	$19,319.1	$19,982.0
Surplus (or Deficit) from Operations	49.8	(486.2)	10.5	765.9	43.8	15.1
Miscellaneous Adjustments	--	3.3	--	(65.0)	--	--
Balance[e]	$ 49.8	$ (482.9)	$ 10.5	$ 700.9	$ 43.8	$ 15.1

NOTE: Columns may not add due to rounding.

(a) Public Act No. 18-81 created a new Pass Through Entity Tax starting in Fiscal Year 2019. As a result of the new tax, a new credit on Estimates and Finals taxes was included to offset the cost to the taxpayer.

(b) Includes transfers to the Mashantucket Pequot Fund for grants to towns. The amount for Fiscal Year 2018 includes a transfer of $57.6 million to the Mashantucket Pequot Fund for grants to towns and in Fiscal Year 2019 $49.9 million for such purpose.

(c) 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 in Fiscal year 2019, $3,292.5 million in Fiscal year 2020 and $3,382.7 million in Fiscal Year 2021 shall be transferred to the Budget Reserve Fund.

(d) 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.

(e) Per CGS 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 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.

(f) 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.

(g) 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.

(h) Per the Comptroller's audited financial results dated November 30, 2018 for Fiscal Year 2018 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.

(i) Per Public Act No. 18-81.

(j) Estimates reflect the June 20, 2019 Office of Policy and Management's letter to the State Comptroller as of the period ending May 31, 2019. Estimates **do not** reflect most recent OPM estimates which project Fiscal Year 2019 revenues of $19,535.7 million and net appropriations and miscellaneous adjustments of $19,339.8 million, resulting in a projected surplus of $195.9 which takes into account the volatility transfer and the impact of Public Act No. 19-117 which uses $541 million of Fiscal Year 2019 resources.

(k) Per the 2019 Budget Act for the Fiscal year 2020-2021 biennium. For a description of highlighted proposed revenue and expenditure changes **see STATE GENERAL FUND –Budget for Fiscal Years 2020 and 2021**.

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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